



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)

(Transcription)

I am Yoshii of Daiwa House Industry. Thank you very much for your valuable time today. Q2 of this fiscal year, the first year of the 7th Medium-Term Management Plan announced at the beginning of May, has ended. Today, I would like to explain the progress of the plan.

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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

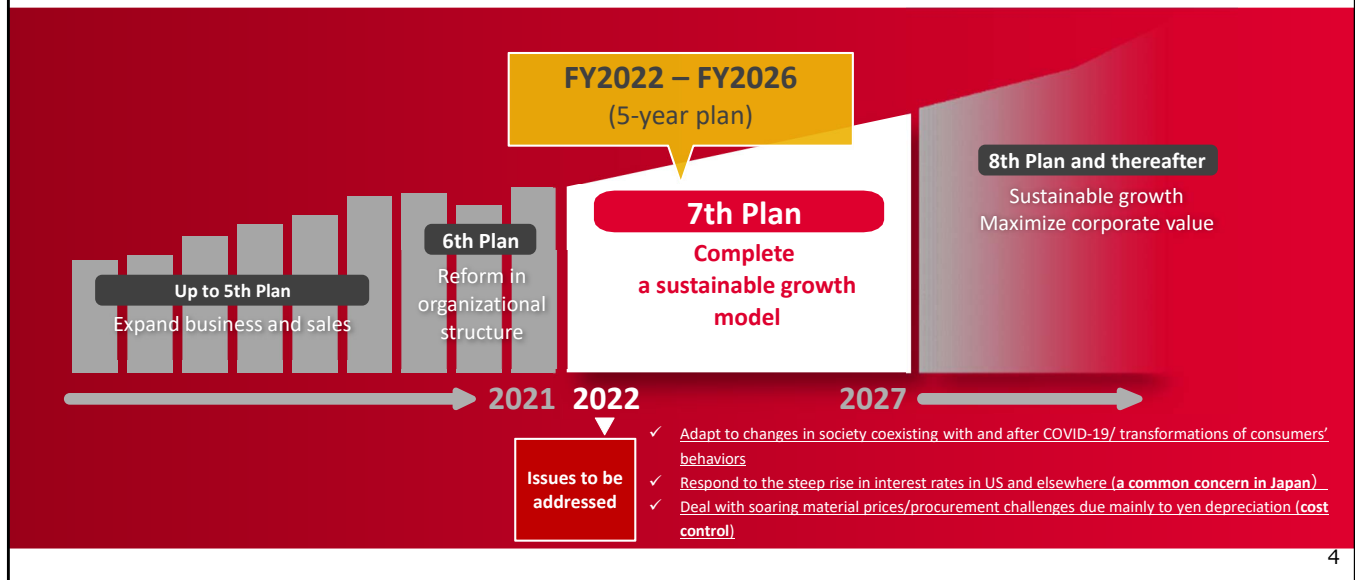
A cumulative total number of customers living in single-family houses, rental housing and condominiums built by the Company and members/annual users of the Group's facilities

Before I explain the progress, I would like to reiterate the following. We place the utmost importance on working together with our customers. We, the Daiwa House Group, have met and walked together with our customers, not only through single-family houses, but also through various other businesses.

The total number of customers we have dealt with to date is more than 30 million. The Daiwa House Group has grown so much because of the support of our many customers. When I mentioned this at one of our branch offices, one of our employees said, "I might have made our customers feel lonely."

This is precisely what we value, together with our customers. We will continue to walk with our customers without forgetting this attitude.

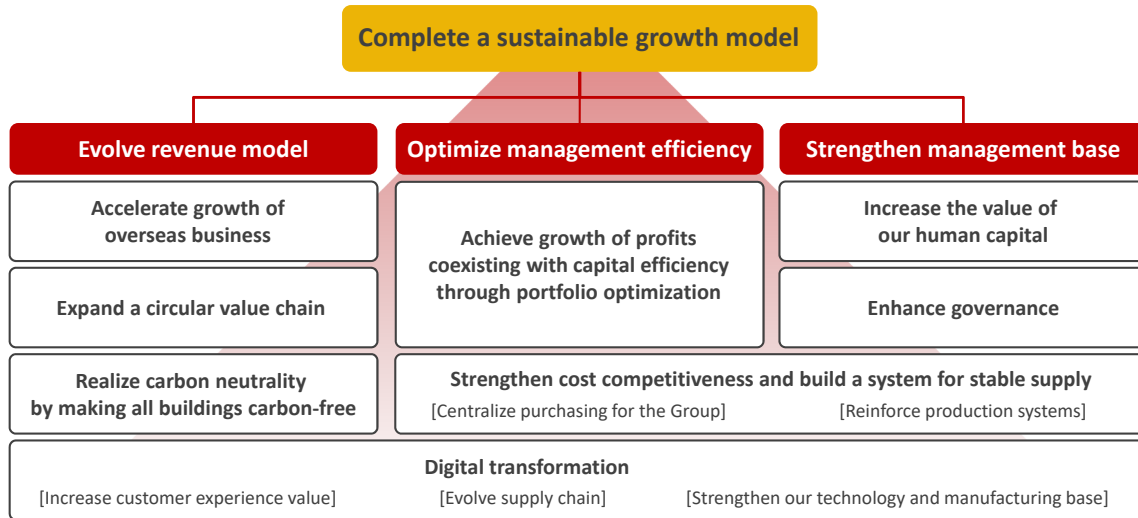
Complete a **sustainable growth model**
that maximizes both business value and social value over the long-term



In the 7th Medium-Term Management Plan, we have set the theme of completing a sustainable growth model that will allow us to continue to grow in the future, even in the face of increasing uncertainty and opacity in the business environment.

Our current challenges include adapting to changes in society with and after COVID-19, rising interest rates and rising costs due to the weak yen, and rising material prices. We will respond firmly to these challenges and continue to complete a sustainable growth model.

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



To realize a sustainable growth model, we will uphold three management policies and tackle eight focal themes. The three management policies are to evolve our revenue model, optimize management efficiency, and strengthen our management base.

Business performance forecasts for FY2022

DaiwaHouse

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**

		FY2021	FY2022			
		Results	Initial forecasts	Revised forecasts	vs. initial forecasts	YOY
(¥billion)						
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

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Next, I will explain our business performance forecast for FY2022, the first year of the Medium-Term Management Plan.

Despite rising interest rates and material price hikes in the United States, our overseas operations performed well. Although the current business environment remains challenging, our hotels and other facilities under our management are recovering. We are firmly committed to executing our growth strategy by utilizing a well-balanced portfolio of domestic and overseas businesses.

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.

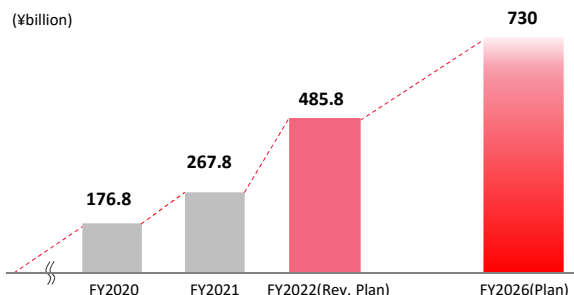


Construction example of Stanley Martin



Construction example of Trumark

Net sales trends in the US and reference indicators



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%

I will now explain the progress of the 7th Medium-Term Management Plan. First, I will explain the progress of our North American single-family houses business, which accounts for the majority of our overseas sales.

Although there are concerns that demand may cool down due to the recent sharp rise in interest rates, demand in North America is firm, and we expect the market to grow over the medium to long term.

It is important to manage land sales and purchases in a timely manner, keeping an eye on the supply-demand balance in the market. Our operations are conducted by Stanley Martin, which offers a wide range of products; CastleRock, which is strong in land procurement; and Trumark, which excels in design and marketing. Under the leadership of a management well-versed in the local market, we intend to maximize the strengths of these three companies to achieve significant growth in our North American single-family houses business.

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.

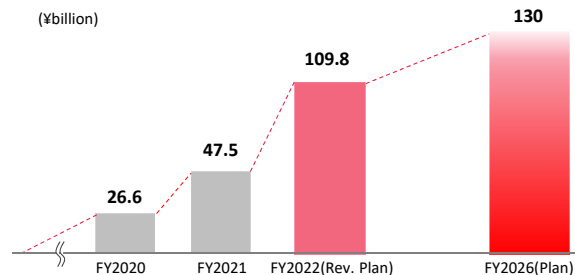


Changzhou Project II



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

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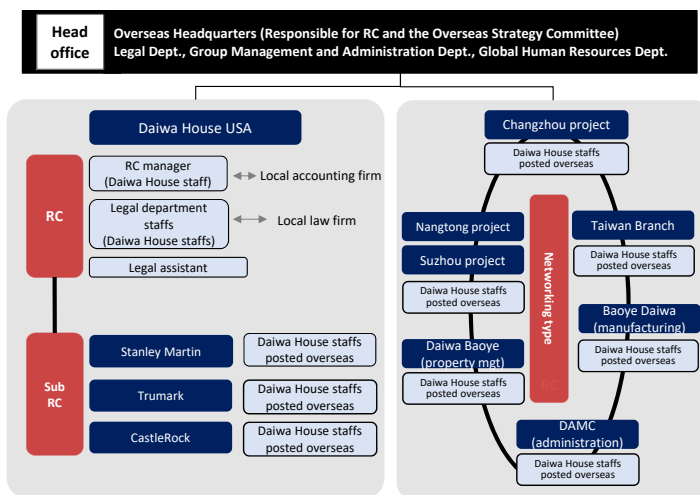
Next, I will explain the progress on our condominium business in China.

Although the Chinese market is in a phase of population growth until 2030, the deterioration of the economic situation due to the zero-COVID policy requires cautious business development. We are developing our business mainly in the Yangtze River Delta region, where demand is high and there are many wealthy people. The projects that have already started construction are steadily having collected sales proceeds and will contribute to our business results for the current fiscal year.

We will continue to expand our business in select areas to achieve our plans on the strength of our Japanese-quality buildings and our management business, which is highly regarded by our customers.

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)

Next, I will explain the progress on strengthening overseas governance.

We are working to enhance our ability to respond not only to compliance risks but also to business and country risks by enhancing both the regional corporate structure, which can respond to the characteristics of each area, and the supervisory control structure by Daiwa House (Head Office).

Through these governance structures, we will firmly support the growth of our overseas business.

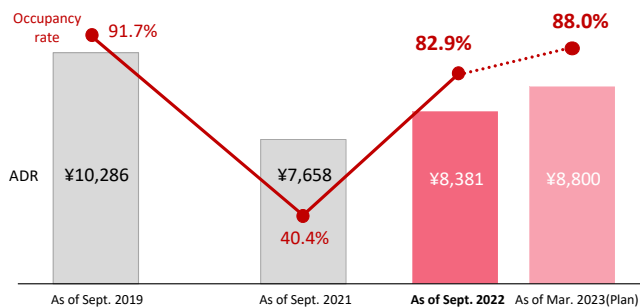
Post-COVID-19 status and adoption



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*)



Operating states of commercial facilities, fitness club and parking



Maruei Galleria (Naka-ku, Nagoya City)

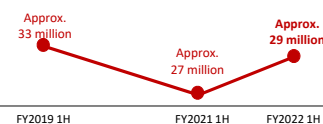


Sports Club NAS

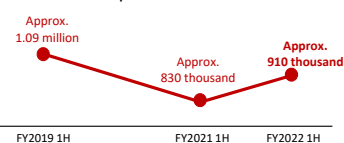


D-Parking Hamamatsu Yurinoki Dori

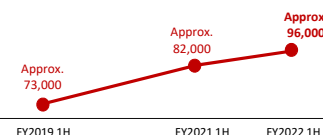
Number of visitors to commercial facilities managed by Daiwa House Realty Management



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)

In the domestic business, we have been working to improve costs in stock businesses, such as hotels, fitness clubs, and parking facilities, despite the difficult environment under COVID-19. At the same time, we have continued to aggressively open new hotels in anticipation of the post-COVID period.

We believe that these businesses will contribute significantly to earnings in the future as economic activity returns to normal and the movement of people in and out of the country recovers.

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

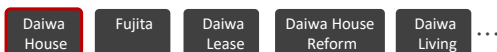
Substantial room for reducing costs through joint procurement to eliminate purchase price differentials between Group companies, so made progress in **integrating organizations to centralize purchasing**
Minimize cost increases even in the face of soaring material prices

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



Centralize
purchasing
for the Group

Approx. **¥1 trillion***

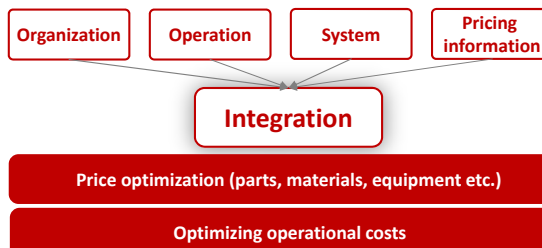
Target is 10% reduction
vs. soared costs



*Total of estimated purchase in FY2021

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.



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Another important management issue is to respond to the rising price of materials.

We believe that the current surge in resource prices is not a onetime event, and that prices will remain high in the future due to increasing demand from around the world.

Daiwa House Group has the number one economies of scale in the construction industry. We are promoting group-wide centralized purchasing to take full advantage of these economies of scale and are aiming for a 10% reduction in costs after its increase, as stated in the Medium-Term Plan. Currently, we are closely examining the differences in order amounts for materials and construction work within the group and calculating the possibility of reducing prices. We are also discussing with each group company the possibility of consolidating the functions of the purchasing organization.

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.)

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

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

Data Center Development (Inzai City, Chiba Pref.)

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

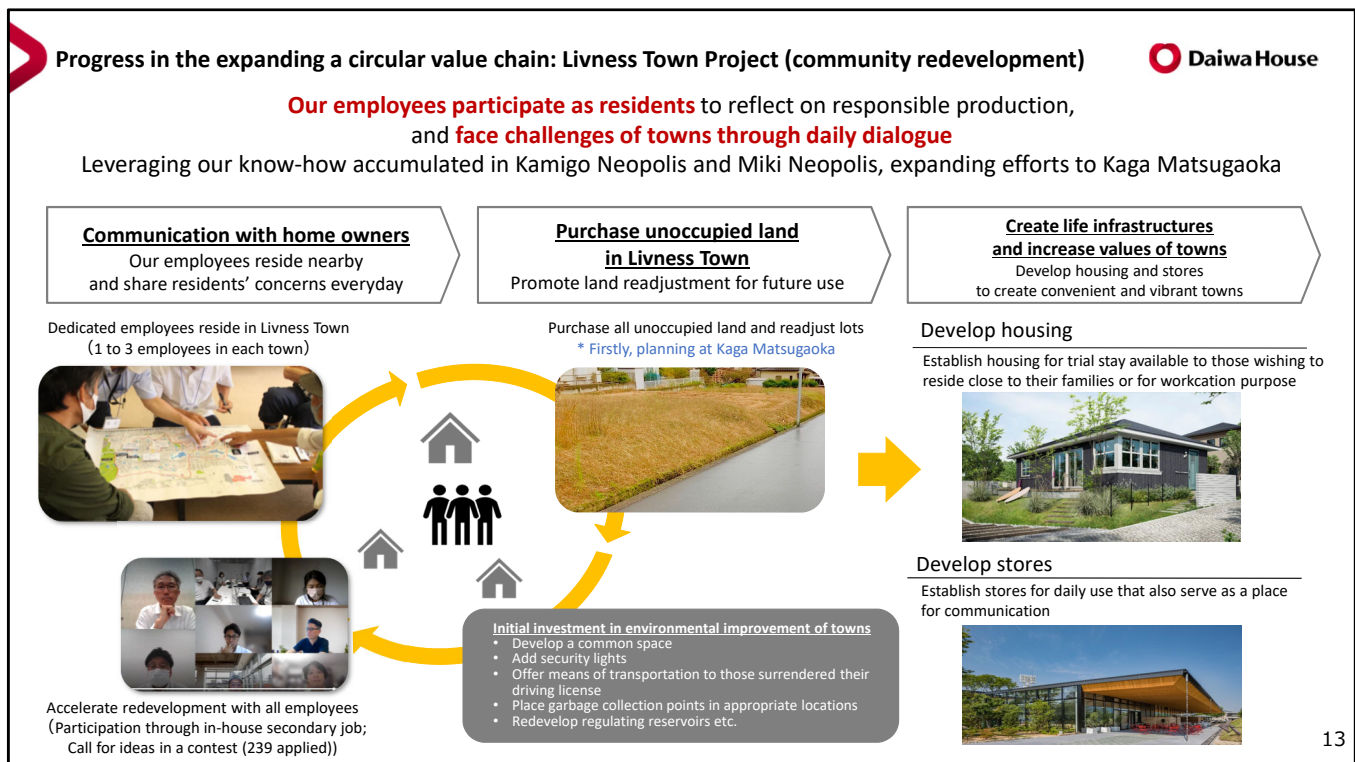
Development Project around Shin-Sapporo Station (Sapporo City, Hokkaido Pref.)

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Next, I will explain the progress on expanding a circular value chain.

The strength of the Daiwa House Group is our ability to develop community-based businesses through our business bases in all prefectures in Japan. We will make the most of this strength to respond to the national policy of regional development. Specifically, we will revitalize aging infrastructure, such as commercial facilities in front of train stations, public wholesale markets, and public facilities, starting from local areas. The revitalization of Japan's economy cannot be achieved without the revitalization of regional cities.

The entire Daiwa House Group will work together to revitalize the regional core cities.



We will also work more earnestly than ever before on the revitalization of Neopolis to fulfill our responsibility for its creation.

With the participation of our employees as residents, communication between us and the residents has increased dramatically.

When we solicited ideas from broadly within the company, many employees raised their hands and contributed business ideas for the revitalization of Neopolis. We are proud of the fact that so many employees, beyond the boundaries of their own departments, are thinking about Neopolis.

In Kaga Matsugaoka, we are moving forward with a plan to revitalize the entire town by purchasing all the vacant land in the complex.

We will continue to work with residents to address community issues and enhance the value of the Neopolis as Livness towns, places to live.

Real estate investment and return plan



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	Development investment				(¥billion)
Investment	Domestic and Overseas	Logistics, Business and Corporate Facilities 1,500		Commercial Facilities 500	Rental Housing 200	
Return	Domestic and Overseas	Logistics, Business & Corporate Facilities 1,150	Commercial Facilities 200	Rental Housing 150	Hasten the return with rising interest rates in mind	

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

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Next, I will explain our real estate investments and return plan.

The purpose of our five-year Medium-Term Management Plan is to shift the current profit model to a sustainable profit model by firmly stocking and nurturing quality properties, rather than selling them too quickly to generate short-term profit.

On the other hand, considering the future economic situation, interest rates are expected to rise in Japan, and holding assets for a long period of time may carry interest rate risk. We will continue to invest for growth and conduct risk management by increasing our holdings of prime properties, such as logistics and commercial facilities, while keeping a close eye on income and expenditures to determine whether to sell or hold them.

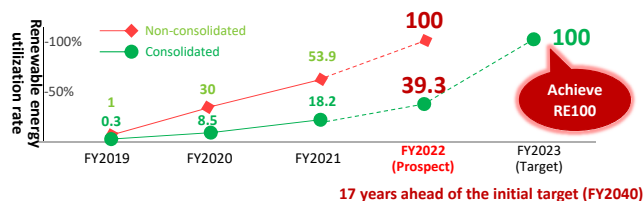
Progress of carbon-neutral strategy

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**

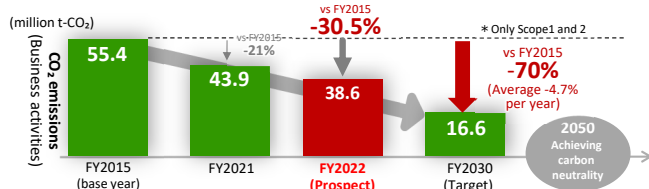
Initiatives in business activities (scope 1 and 2)

[KPI (1) Renewable energy utilization rate]

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

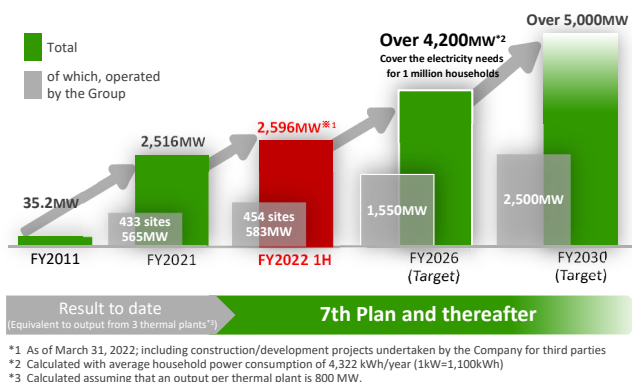


[KPI (2) CO₂ emissions reduction] -70% vs base year in FY2030



Accelerate supply of renewable energy*1

[KPI (3) Construction results of facilities/equipment supplying renewable energy] Over 5,000MW in FY2030



*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.

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Next, I will explain our strategy for carbon neutrality.

As part of our business activities, we were the first in the industry to set a goal of 100% utilization of renewable energy derived from in-house power generation. We plan to achieve RE100 for the entire group in FY2023, 17 years ahead of our initial goal. We are also on track to achieve our goal of reducing GHG emissions from our operations by 70% by FY2030. We will continue to invest aggressively in this business, as our accelerated supply through the installation of renewable energy facilities is now larger than the supply from three thermal power plants.

Through measures, such as installing solar power on all roofs, in principle, net zero energy house, ZEH, and net zero energy building, ZEB, we aim to achieve a CO₂ emission reduction of 40% across the entire value chain toward realizing carbon neutrality by 2050.

Diversity management (DE&I): Realization of diverse work styles through child-rearing support



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



Propose lifestyles to customers:
Kaji (Chore) Share House



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**.

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Finally, I would like to introduce our diversity management initiatives.

As a company that is responsible for housing and lifestyle, we encourage career development that allows male employees to participate in child-rearing and enhance child-rearing support programs. As in the case of housework sharing, where families help each other to reduce the burden of housework, we apply the insights gained from our employees' experiences to our lifestyle proposals to our customers.

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.



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The journey of the 7th Medium-Term Management Plan has only just begun. However, in less than six months since its announcement, the social situation has changed dramatically. In order not to be swallowed up by the waves of change and to move forward firmly, we will share our hopes for the future (Our Purpose) as an unshakable guideline for our Group and strive forward in our business activities.

As a group that co-creates value for individuals, communities and people's lifestyles, we are committed to realizing a world where all people can share the joys of life.



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.

This concludes my presentation. Please refer to the materials for the progress by business segment.

Thank you very much for your attention.

Note: The presentation material is available here:

https://www.daiwahouse.com/English/ir/challenge/pdf/FY2022_2Q_presentation_material_en.pdf

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