Daiwa House Group

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

FY2024 2Q
Presentation on Management Policies

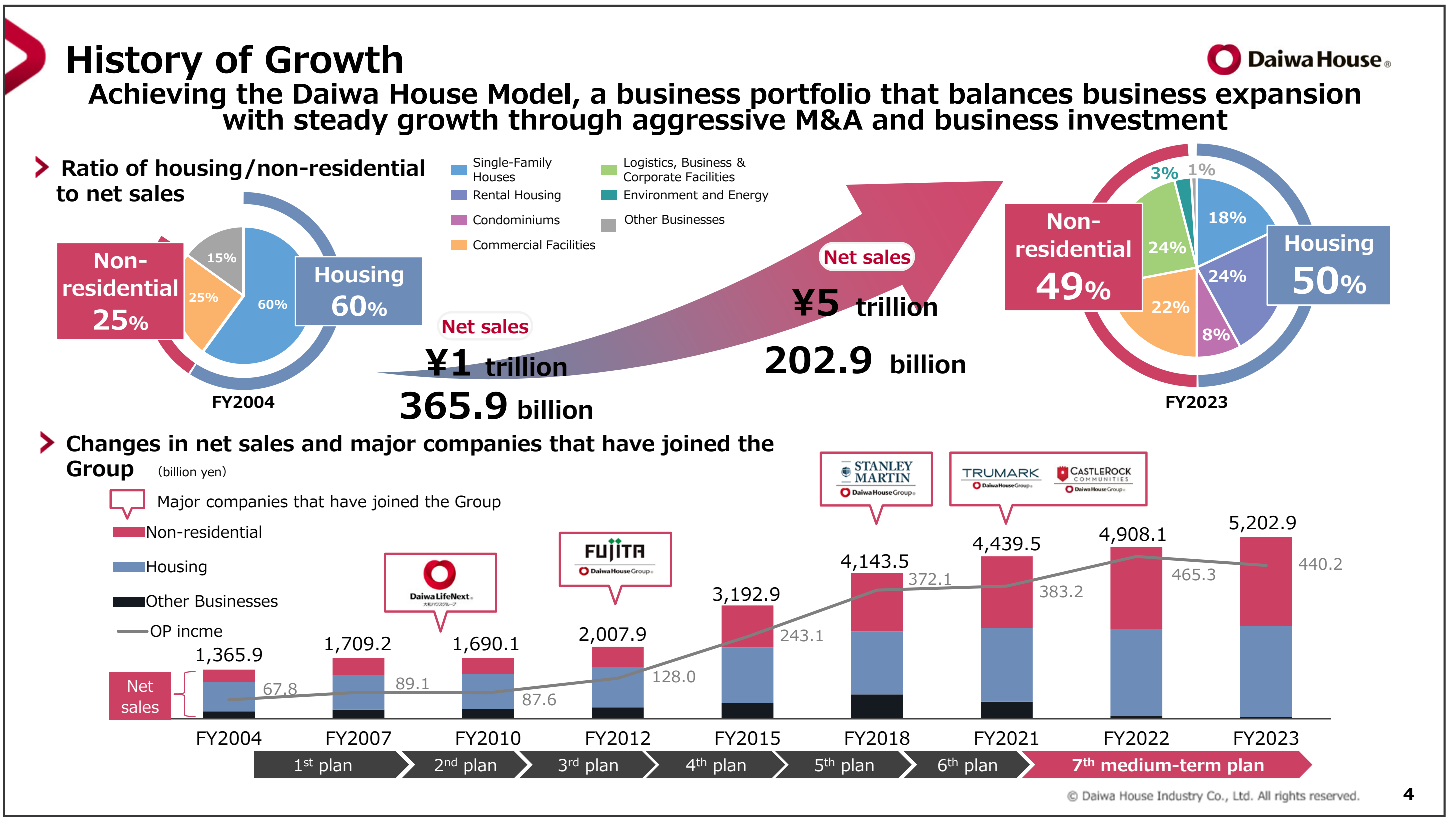
November 13, 2024

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

*Only the pages covered in the meeting are included in this document. Please click **here** to view the entire materials.

(Transcription)

I am Yoshii, President and CEO of Daiwa House Industry. Thank you all for taking time out of your busy schedules to join us today. I will explain our management policy, including the details of our financial results.



This is our growth history. From the start of the first medium-term management plan to last year's sales of 5,202.9 billion yen, the Company has grown in this way.

Enhancing Corporate Value

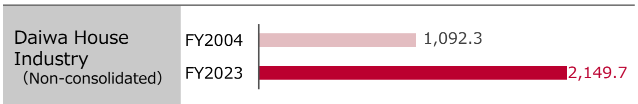
In addition to growth on a non-consolidated basis, the Company has expanded its business performance through aggressive M&A and synergy creation. Market cap is reaching approx. ¥2.9 trillion

Daiwa House

Comparison to 20 years ago

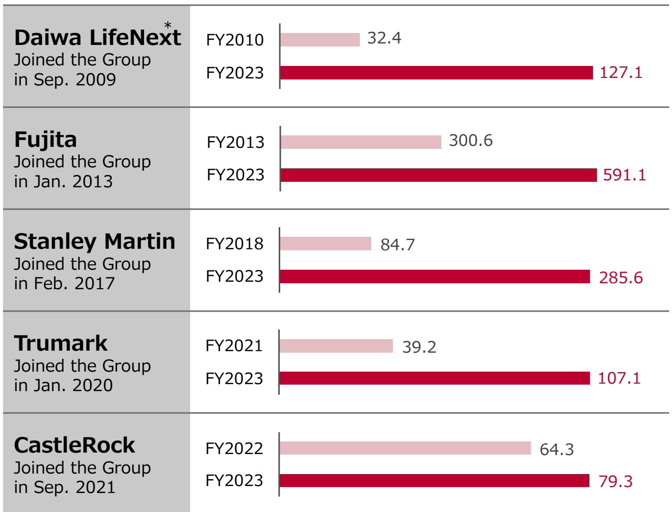
	FY2004	FY2023	Increase
Net sales	¥1 trillion 365.9 billion	**¥5trillion 202.9 billion**	**3.8 times**
OP income	¥67.8 billion	**¥440.2 billion**	**6.5 times**
Net income	¥40.2 billion	**¥298.7 billion**	**7.4 times**
Market cap	¥672.9 billion	**¥2 trillion 897.1 billion**	**4.3 times**
Stock price	¥1,232 Mar.31, 2005 closing price	**¥4,528** Mar.29, 2024 closing price	**3.7 times**
Annual dividend	¥17	**¥143**	**8.4 times**

Growth of the Company (Non-consolidated net sales) (Billion yen)



Changes of net sales of major companies joined the Group

Effective PMI for Group companies to generate synergies, resulting in a significant increase in business performance



*The figure of FY2010 is non-consolidated, FY2023 is consolidate.

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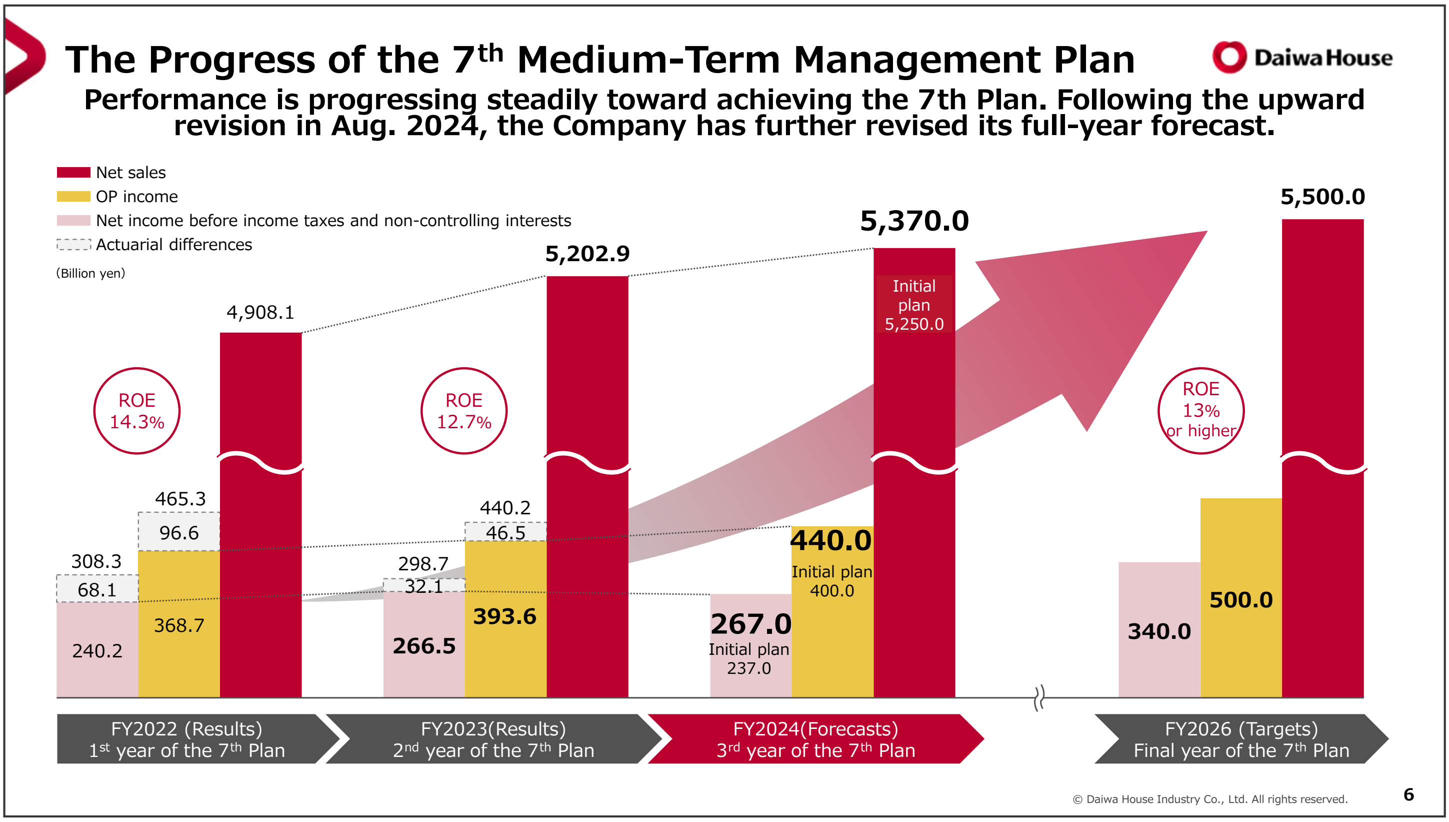
One thing I would like to explain to you is that we believe that all of the major subsidiaries that we have acquired through M&A have grown significantly and are doing well. First of all, Daiwa LifeNext has increased its sales by approximately 95 billion yen since joining our Group. Fujita also joined our Group in 2013 and has increased its sales by almost 300 billion yen. Then there is Stanley Martin, one of our three U.S. subsidiaries, which we are often asked about these days, has increased its sales by about 200 billion yen since joining our Group in 2017. Trumark has also increased its sales by about 67 billion yen since joining the Group in 2020, and CastleRock has increased its sales by about 15 billion yen since joining the Group in 2021. In both cases, I believe that the M&A team and the employees involved have been pursuing growth, which has helped drive the Group's current sales figures.



The revised plan for FY2024, which we have just announced, calls for net sales of 5,370 billion yen and operating income of 440 billion yen. After that, there are the targets of the 7th medium-term management plan: net sales of 5,500 billion yen and operating income of 500 billion yen. If there is a barrier to achieving these goals, I believe that the only obstacle at this point is carelessness or delays in judgment. We are certainly striving to achieve the target for the final year of the medium-term management plan, while considering the possibility of accelerating the timing of the achievement of the target.

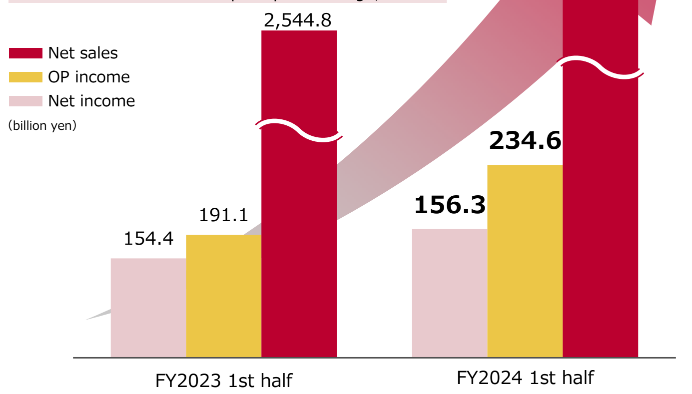
Results for the First Half of FY2024

Daiwa House

In the first half of FY2024, net sales were 2 trillion 652.6 billion yen (YOY+4.2%) and operating income was 234.6 billion yen (YOY+22.8%), reached a record high

TOPICS

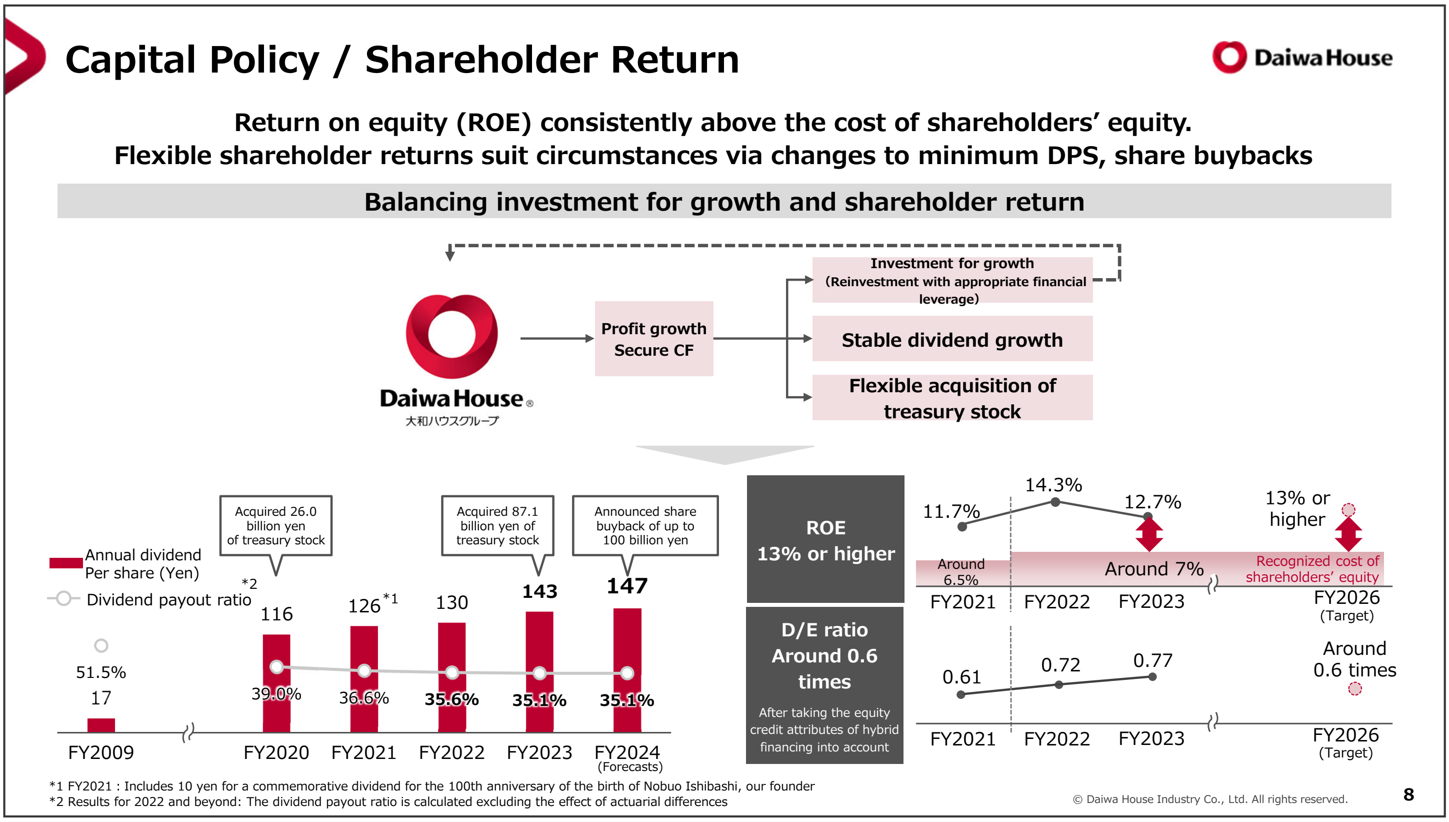
- Steady progress in the sale of development properties
- Strong performance in the US business
- Improved profit margins at Commercial Facilities Business and Logistics, Business & Corporate Facilities Business due to price pass-through, etc.



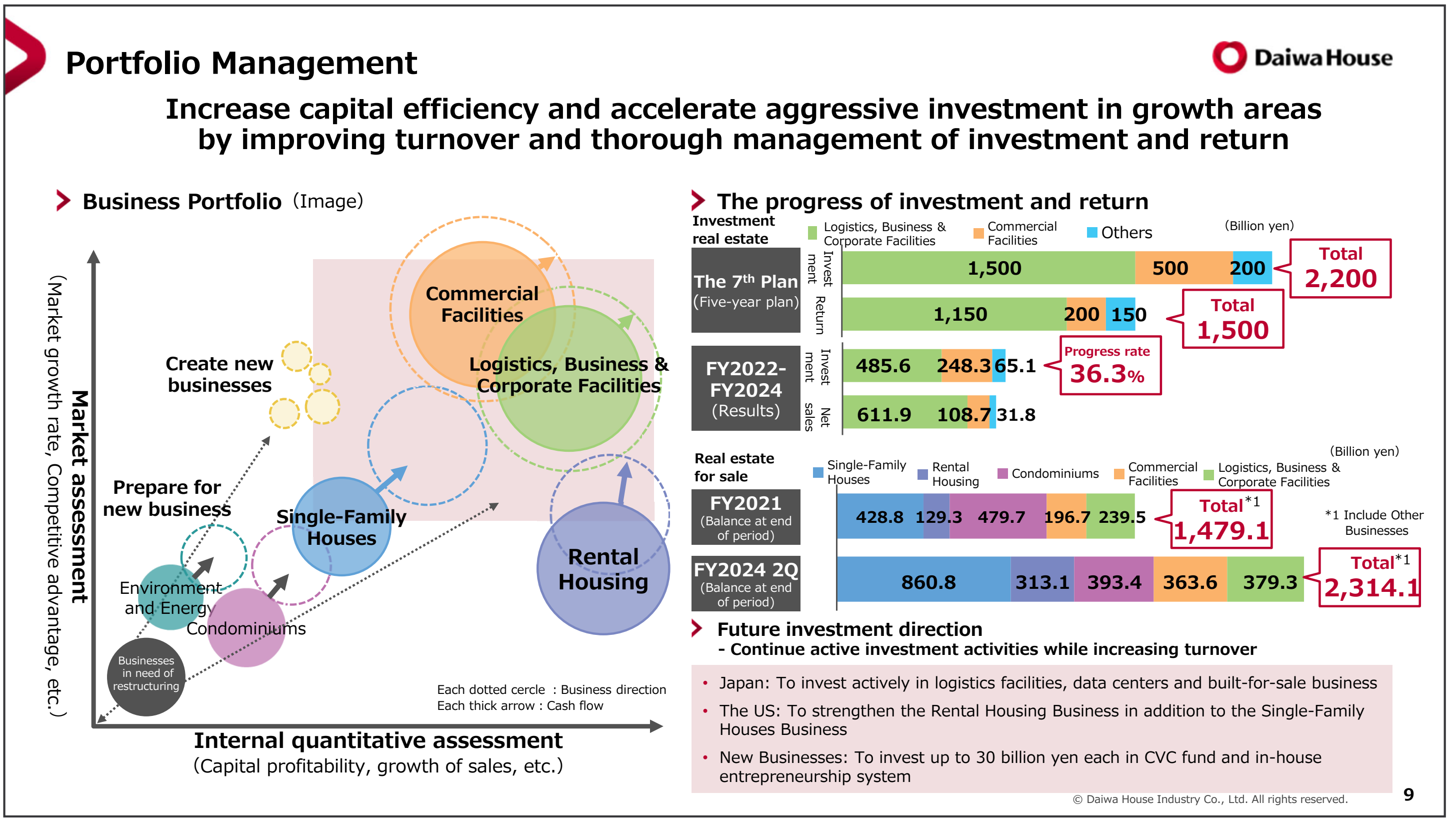
Results for the 1st half of FY2024

(Billion yen)	Net sales (YOY)		OP income (YOY)	
Single-Family Houses	501.7	(+13.3%)	22.0	(+55.0%)
Rental Housing	661.1	(+8.5%)	65.8	(+9.4%)
Condominiums	132.8	(-39.0%)	13.5	(-18.6%)
Commercial Facilities	613.6	(+5.4%)	78.6	(+9.4%)
Logistics, Business & Corporate Facilities	717.7	(+11.6%)	83.6	(+46.1%)
Environment and Energy	62.9	(-14.4%)	7.1	(+12.9%)
Other Businesses	25.4	(-34.2%)	2.0	(+139.1%)
Total	2,652.6	(+4.2%)	234.6	(+22.8%)

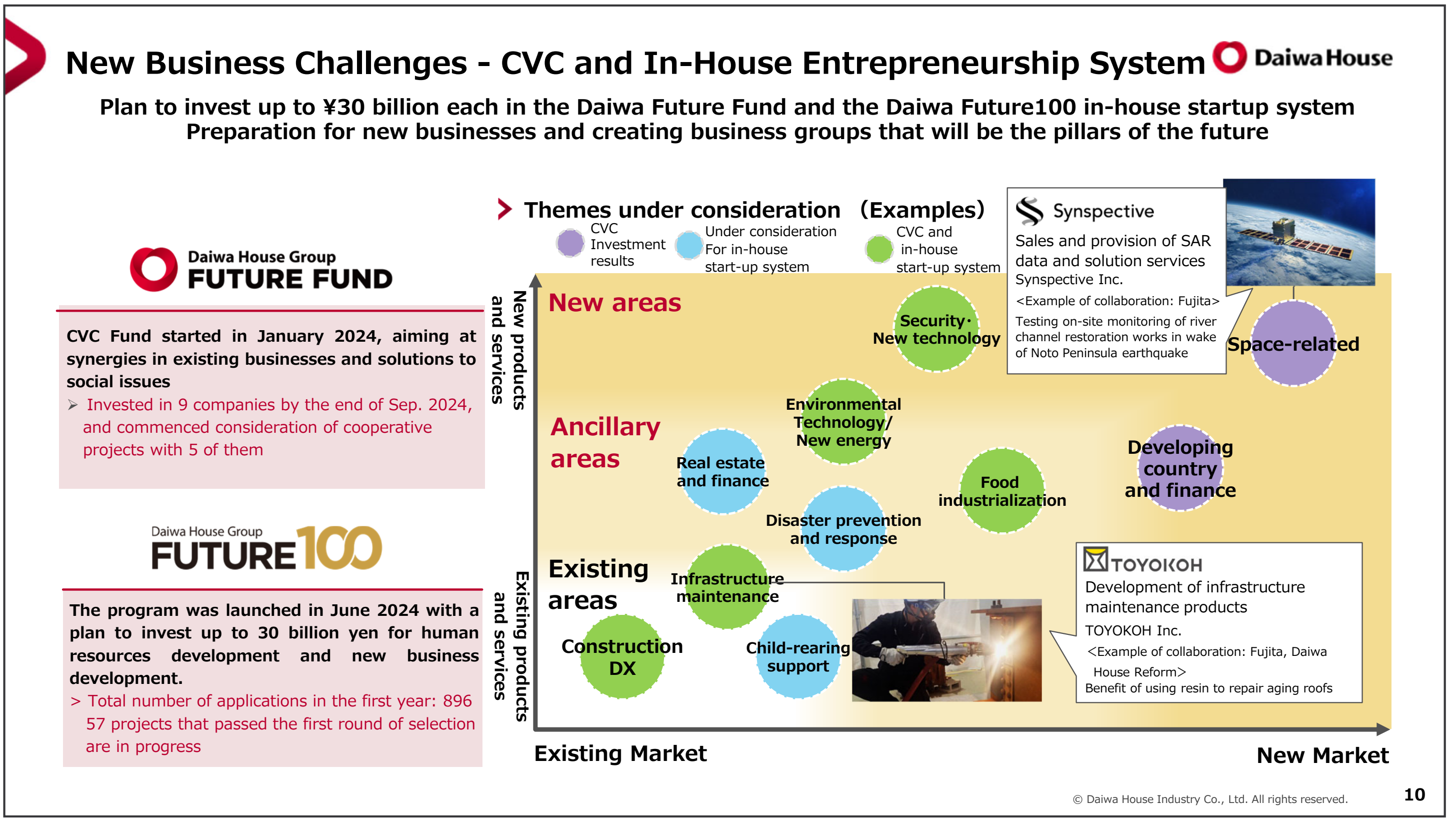
This page is a highlight of the current interim financial results. I am satisfied that we were able to achieve these results in the face of about 60 billion yen in net sales and 2.3 billion yen in operating income, which were reduced from the previous year due to the transfer of Daiwa Resort and Cosmos Initia shares. However, I also believe that we could have done more.



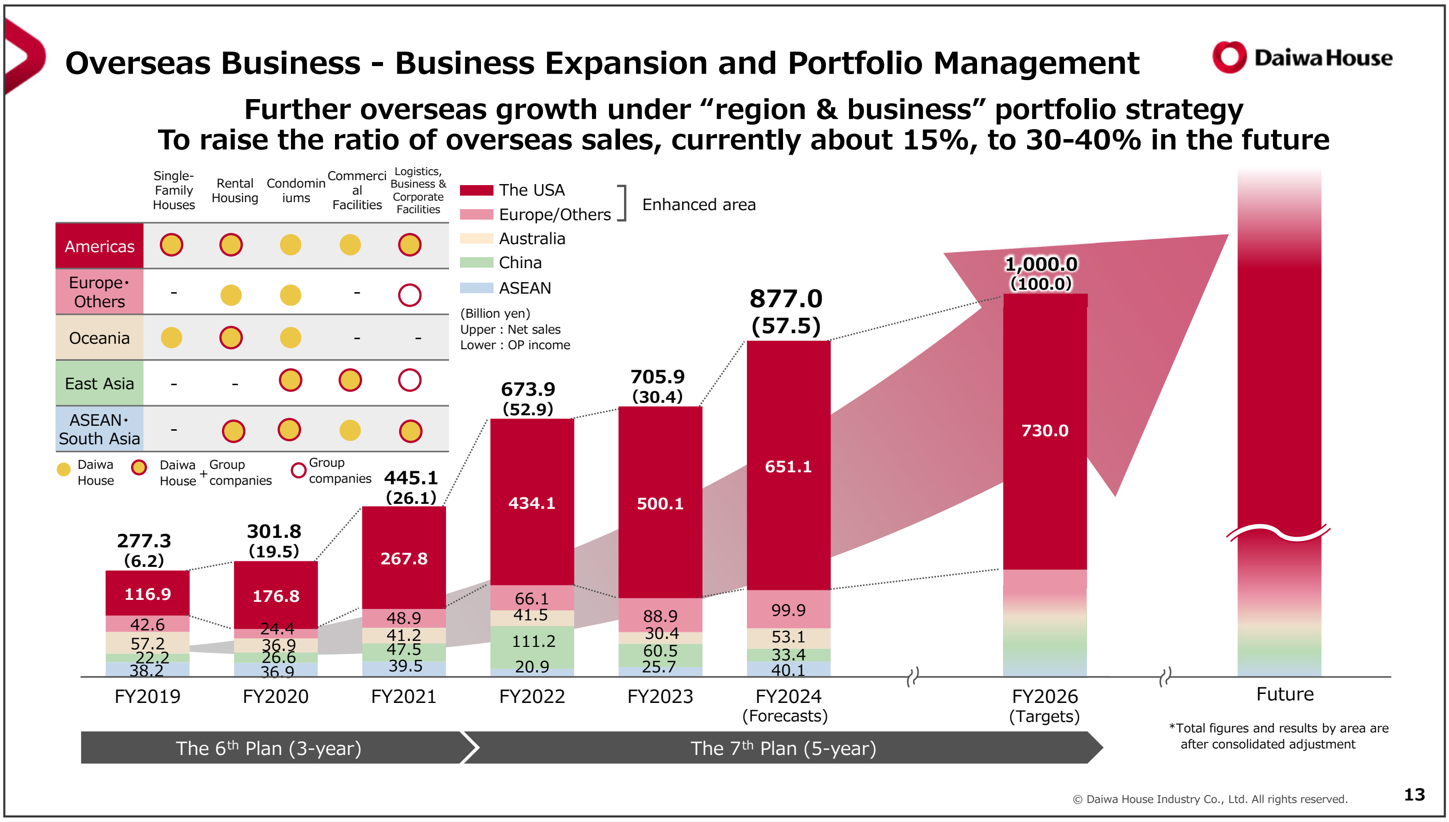
We have also revised upward our annual dividend plan to 147 yen per share. As reported in our monthly release, we are also in the process of implementing a share buyback.



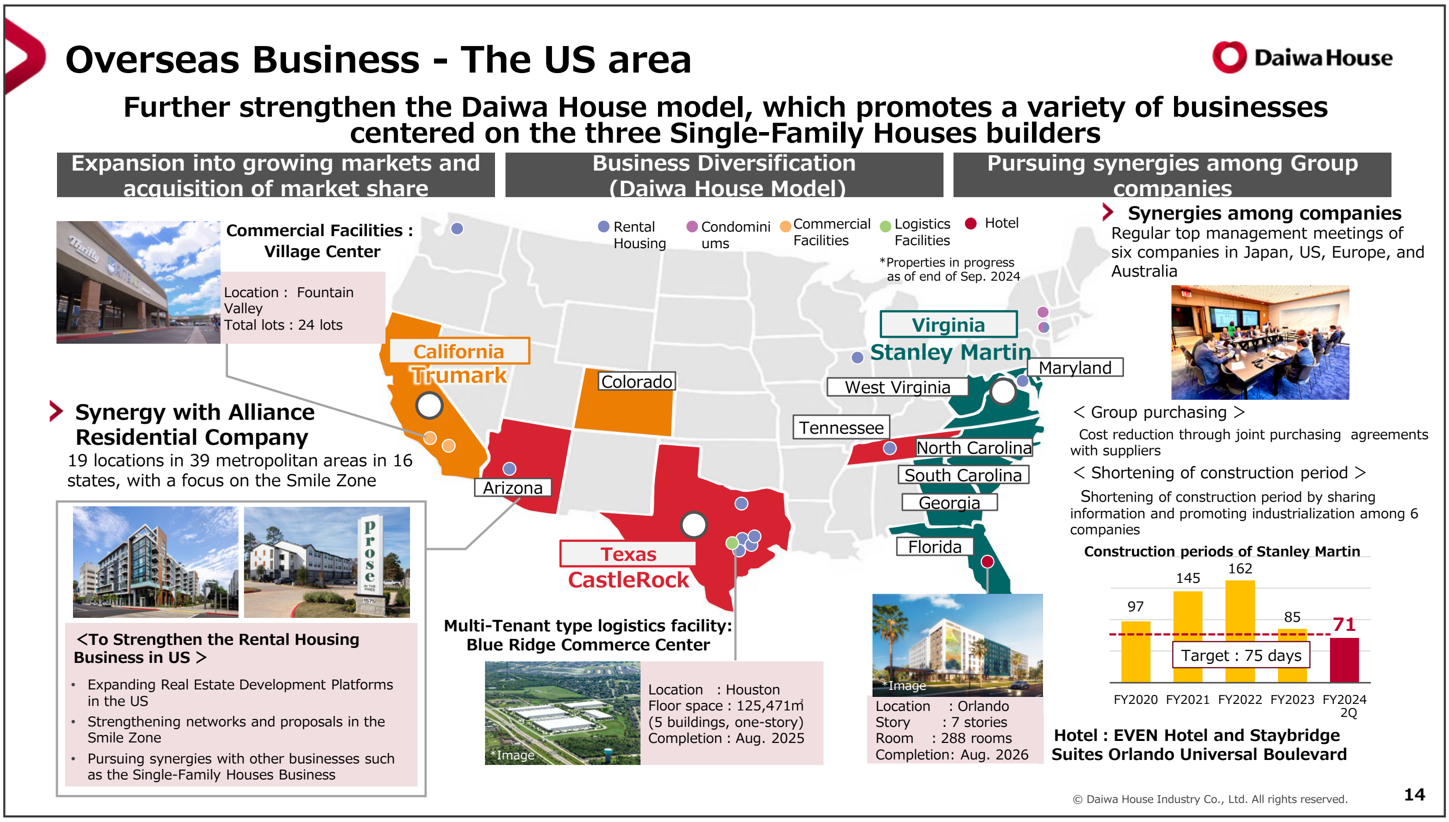
While we plan to invest 2.2 trillion yen in real estate during the 7th medium-term management plan period, the investment progress at the end of this second quarter, which is just at the turn of the five-year plan, was 36.3%, which I consider to be a good progress.



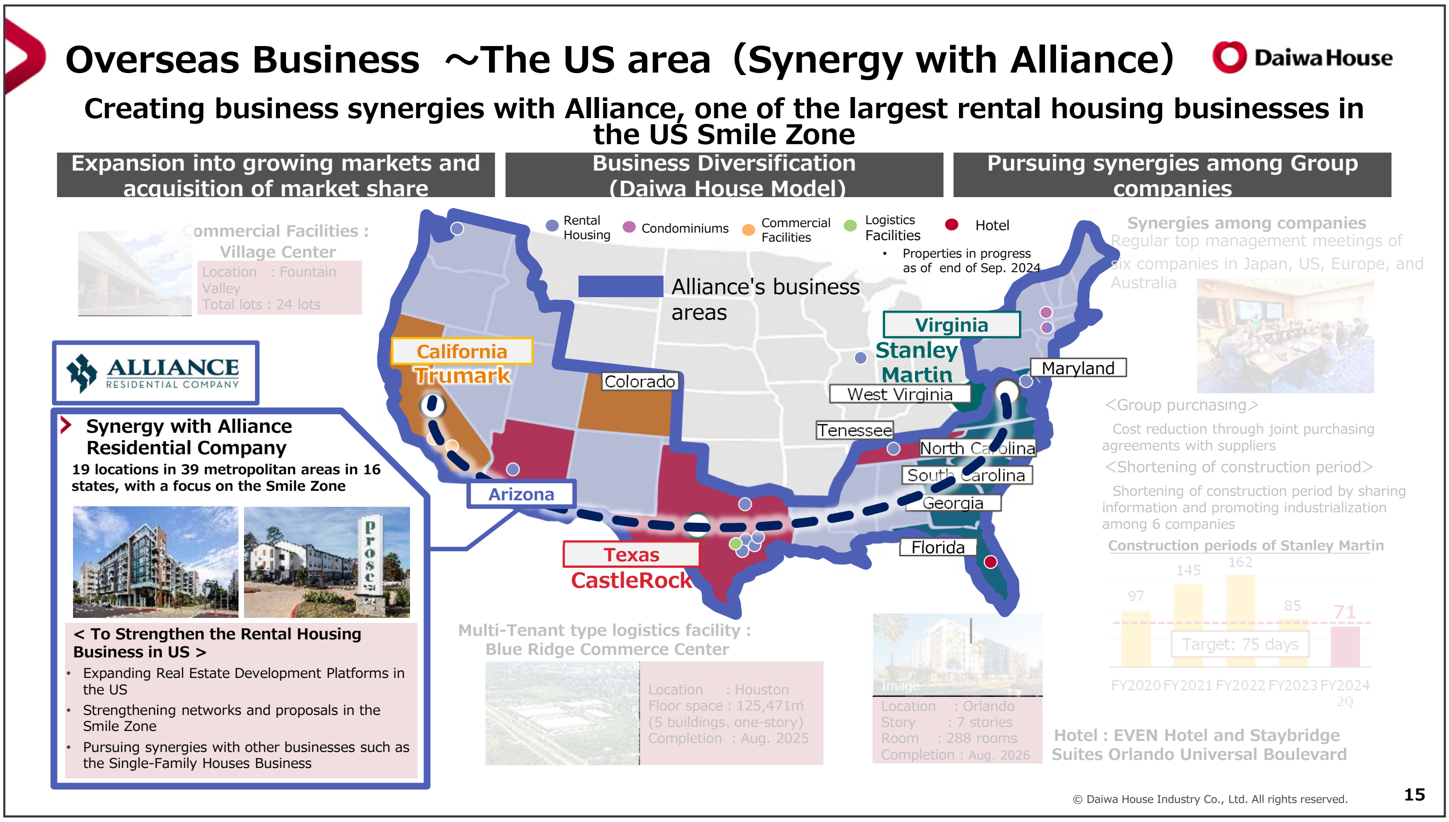
I believe that the Daiwa Future100 program is one of the answers to the question of what human capital management is. Under this program, employees build a new business or company on their own and take on the challenge for three years outside of their regular work. When we put out the call for applications, management was hoping to receive 400 applications at most, but we received as many as 900. And now, there are 60 groups left to be selected, so the outside directors will take a look at them and the final decision will be made by the representative directors, excluding myself. They will be setting up their own companies and taking on challenges over the next three years, so I believe that such a process will be a major axis in the development of future managers.



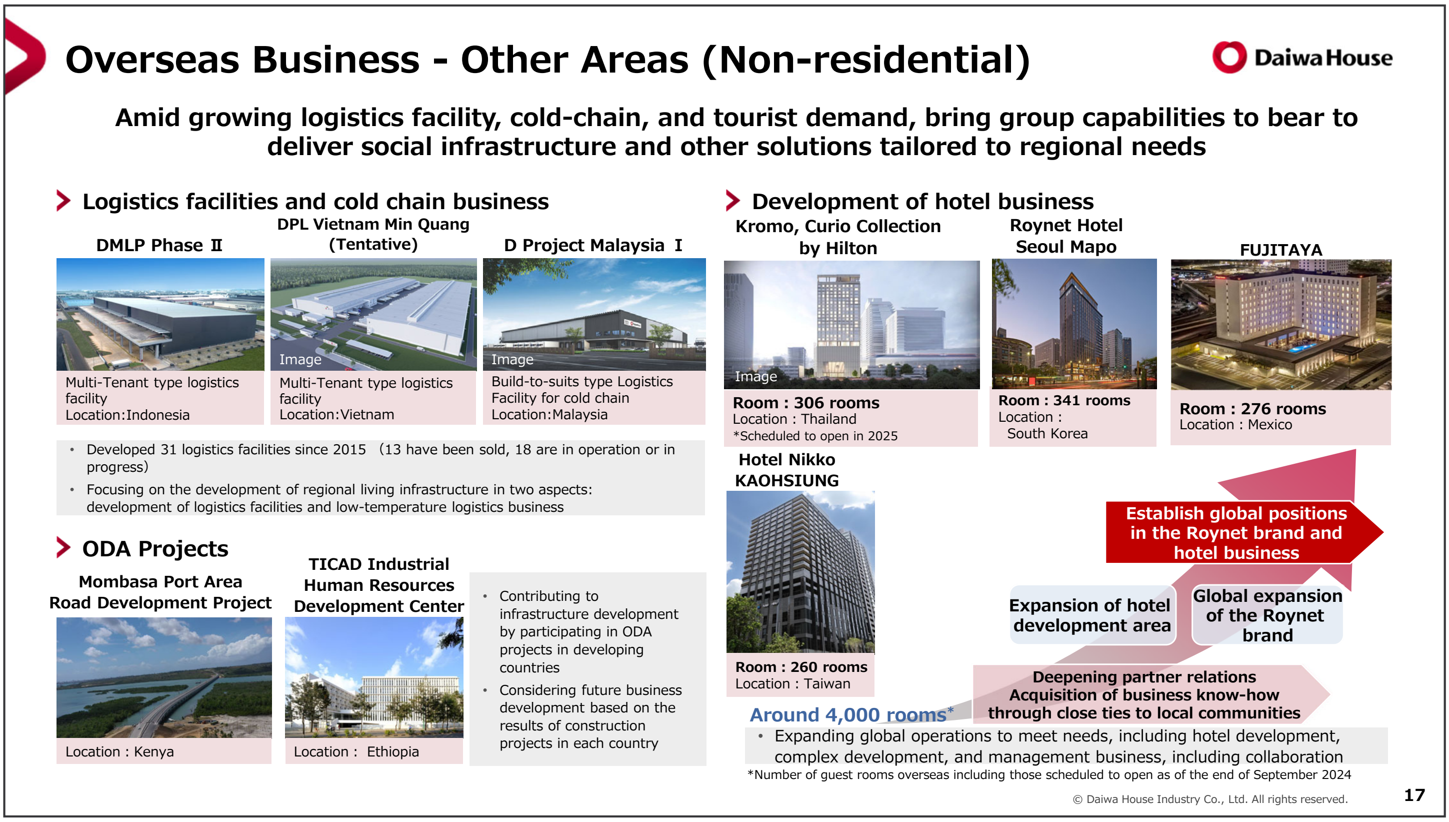
Next, I would like to talk a little about our overseas business. In the final year of the 7th medium-term business plan, we are aiming for sales of 1 trillion yen overseas. For the future, I believe that we can aim for sales of about 3 trillion yen in the U.S., 1 trillion yen in Europe, and 1 trillion yen in Asia.



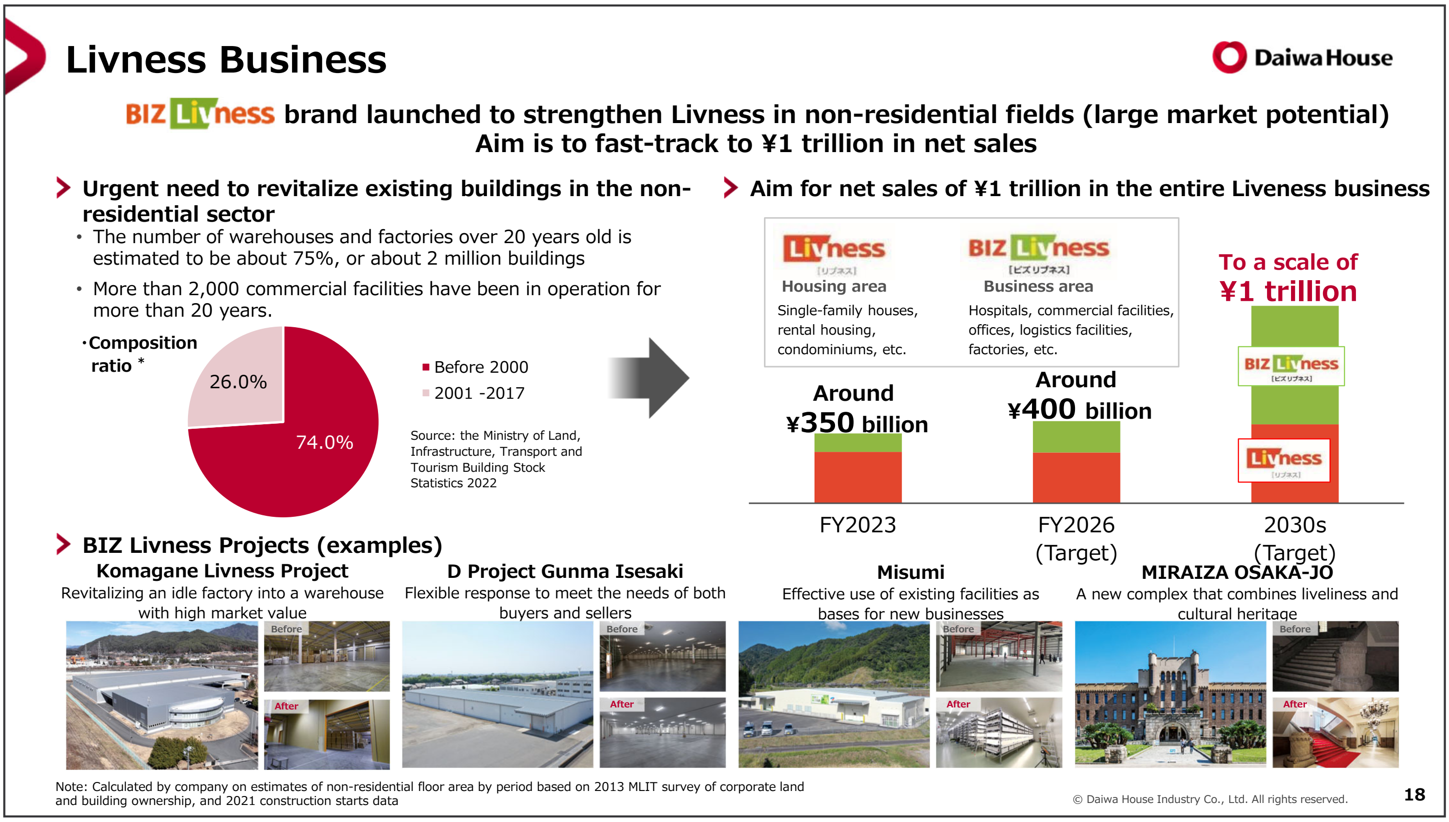
This is the area covered by our three U.S. subsidiaries: Stanley Martin on the East Coast, CastleRock in Texas, and Trumark on the West Coast. These three companies are leading our growth strategy in overseas.



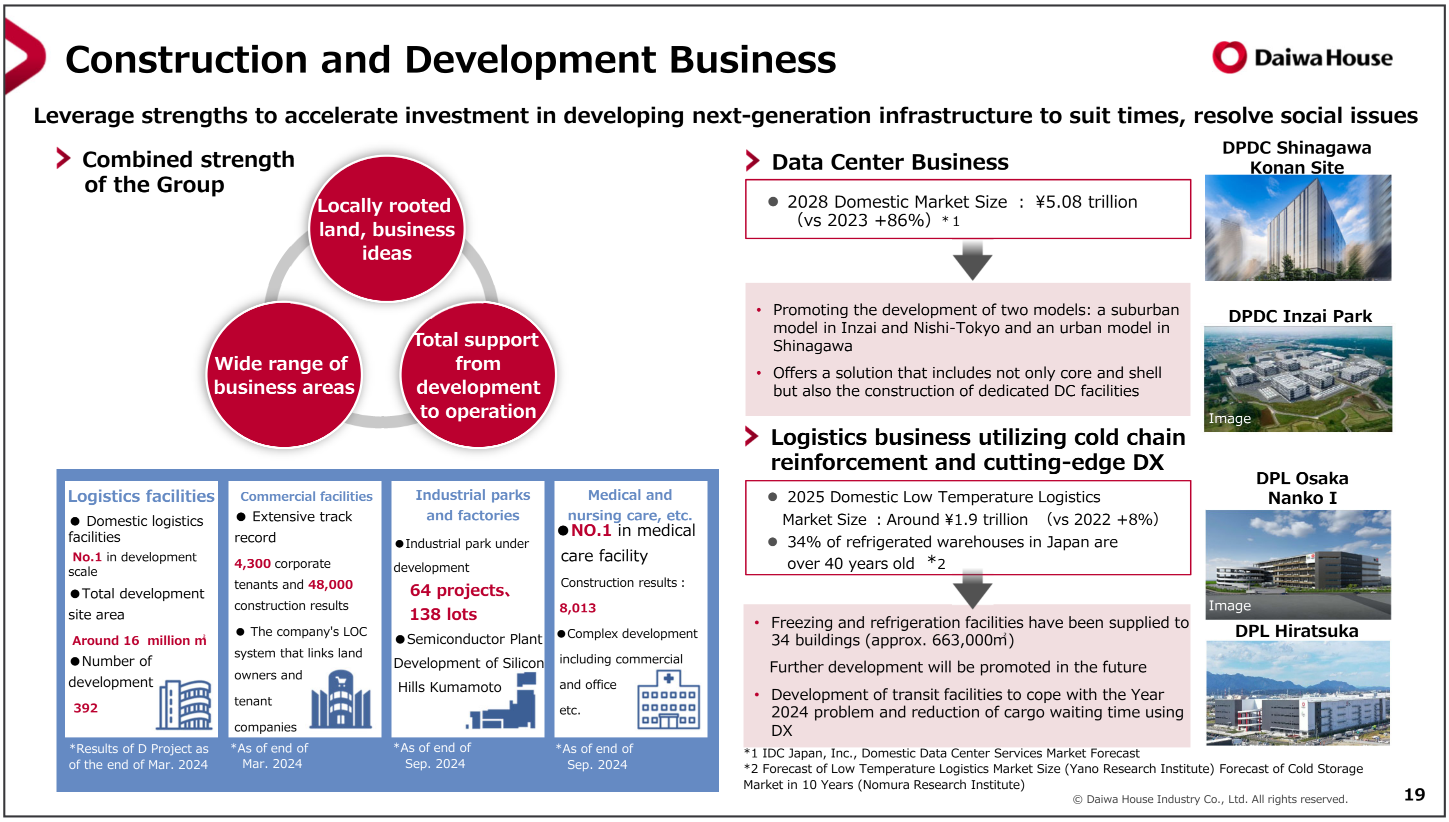
The areas covered by Alliance Residential, which is developing rental housing in the U.S. and in which we recently announced our acquisition of a 35% equity interest, are shown in the material. This would cover the area where we are currently expanding our single-family housing business. With concerns about rising interest rates related to the political situation in the U.S., we can offer not only our current single-family housing, but also rental housing, which will be in increasing demand as loan rates rise. With this in mind, we wanted Alliance to work with us. We believe that this investment in Alliance will be a major foundation for the future, such as the three U.S. single-family housing subsidiaries that will eventually each sell 1 trillion yen.



As for the overseas non-residential business, it should be noted that we have built logistics facilities that can handle everything on a one-stop basis, including cold chain operations. In addition, since Fujita is currently involved in many ODA projects, we believe that if we can do well in ODA, we can also grow the non-residential sector of our overseas strategy.



Our target for the Livness business is 400 billion yen in sales in FY2026, but we have already achieved 350 billion yen in sales in FY2023. Since not only single-family houses and condominiums, but also large-scale logistics facilities that we have constructed to date are subject to the Livness business, we expect to achieve the sales target of 1 trillion yen in FY2030 even sooner.



In the logistics facilities and other construction business, which is currently growing very rapidly, we will consider how to increase sales and, at the same time, how to increase operating income, and we will work on this area as a starting point for ROE improvement.

Complex Development and Redevelopment Business

Leverage Group capabilities spanning development, revitalization, and operations to strengthen major complex redevelopment business
Contribute to regional revitalization by developing and promoting major projects in the regionals

Kyushu University Hakozaki Campus Site Project (Tentative)

- Realize future city development as an environmentally advanced city that will lead the world and serve as a leading example of what a city should be in the future
- Establish a new innovation base as a place to disseminate and implement new values and dreams

Location: Higashi-ward, Fukuoka-city, Fukuoka Pref.
Transferred area: Around 28.5ha (including land leased for general fixed term lease)

■ Prior negotiators: Sumitomo Corporation (representative), Kyushu Railway Company, Saibu Gas Co. Ltd., Shimizu Corporation, Daiwa House Industry Co., Ltd., Tokyu Land Corporation, The Nishinippon Shimbun Co., Ltd., Nishi - Nippon Railroad Co., Ltd. (Japanese alphabetical order except for the representative)

Toyama Public Local Wholesale Market

- Rebuilding and utilizing surplus land due to aging facilities
- Proactively expanding nationwide as a new business scheme that brings prosperity to local areas

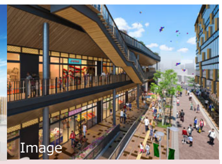
Location: Toyama-city, Toyama Pref.

Senrioka Station West Area Redevelopment Project

- Development is underway for "PREMIST Tower Senrioka" and "Bright Stella Settsu Senrioka," a residential and commercial development directly connected to Senrioka Station.
- Enhance commercial, medical, child-rearing and other living facilities to create new bustle

PREMIST Tower Senrioka

Bright Stella Settsu Senrioka



Location:Settsu-city, Osaka Pref.
Total project scale : Around ¥25.8 billion

■ Daiwa House Industry (Representative), JR West Real Estate & Development Company, Hoosiers Corporation, Kanden Realty & Development Co.,Ltd.

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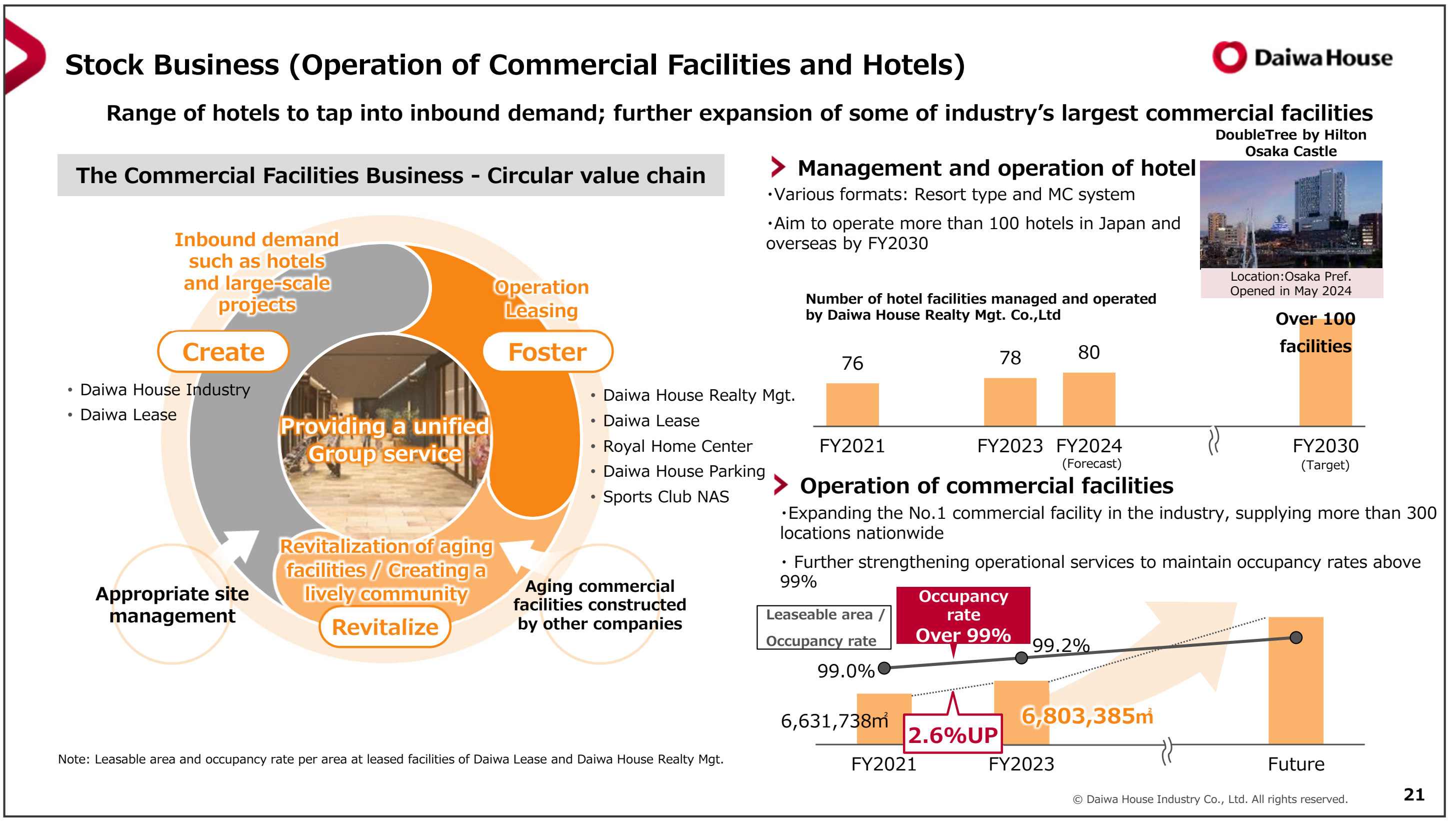
We have been involved in the development of many large complexes, and now we have been assigned to develop a larger-scale Kyusyu University Hakozaki Campus Site Project, together with various members of Sumitomo Corporation and other companies. We believe that by working on such projects over a long period of time, we will be able to secure stable orders and profits.



With regard to the urban hotel business, Daiwa House Realty Mgt. is steadily increasing its performance. It plans to increase the number of Daiwa Roynet Hotels, including resort-type facilities, to 100 facilities by 2030, while also increasing the area of commercial facilities under management.

(Movie)
This is actually a road construction project that Fujita is doing in Kenya as ODA. We believe that it is important not only to build roads, but also to build the kind of things that will be built after the roads are laid…

…The answer may be data centers, industrial parks, commercial facilities, or residential complexes. We would like to grow to become a Group that can provide such ODA and urban development on a stable basis in various locations.

That is all. Thank you.

Disclaimer: This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese movie. In any legal matter, readers should refer to and rely upon the original Japanese movie released on November 19, 2024.