



Daiwa House®
Group

Daiwa House Group

6th Medium-Term Management Plan

(FY2019~FY2021)

We are currently examining our options for ensuring more rigorous corporate governance and redesigning our Group-wide governance system.

- ✓ We will draw up preventive measures on the basis of recommendations provided by the third-party committee and external investigatory committee subsequent to their examination of the causes of the problems.
- ✓ We will ensure that our directors and regular employees receive adequate compliance-related training.
- ✓ We will restructure our internal whistle-blower system.
- ✓ We will reorganize our system to speed up submission of risk information to the Board of Directors.
- ✓ We will hive off our Quality Assurance Department as an independent unit from the Technology Headquarters
- ✓ We will strengthen our system of supervision of overseas subsidiaries.

Despite uncertainty around trends in the Japanese economy following the Tokyo Olympics, there should be ample business opportunities against the backdrop of a new expansion in customer needs and the growth of overseas markets.

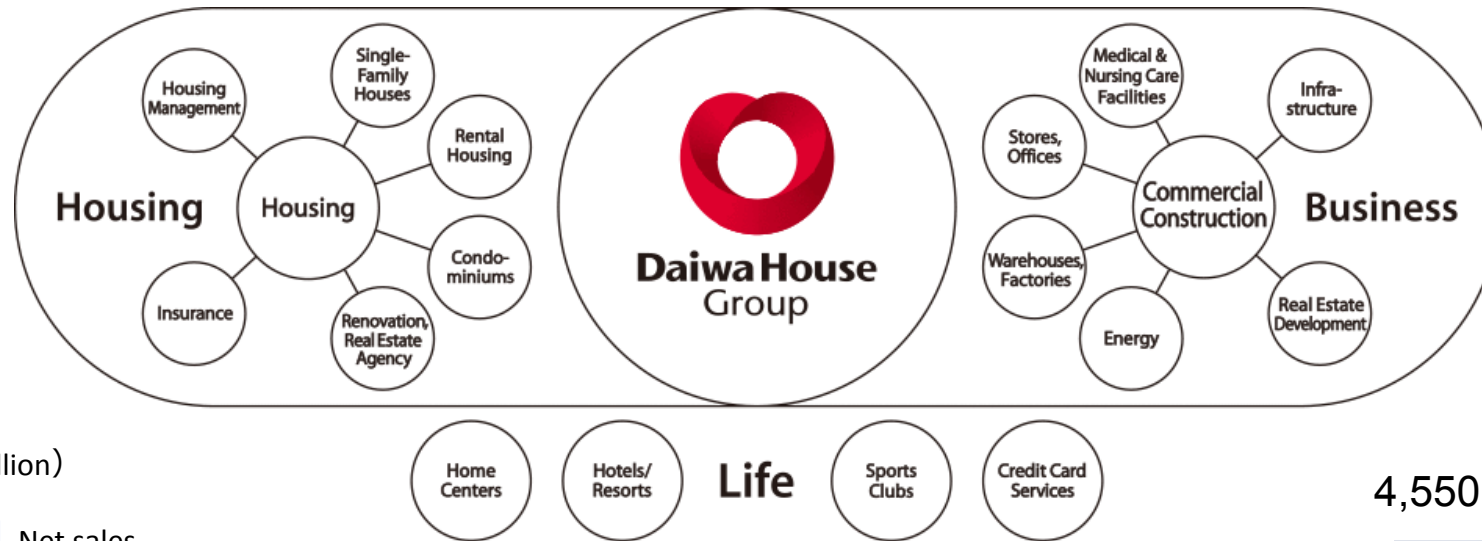
Japan

- Continued favorable business conditions seen up to holding of **Tokyo Olympics and Paralympic**, but prospects thereafter are unclear
- **Consumption tax increase** in 2019 may impact economy adversely
- Fears of a **decline in capital investment in Japan** due to a slowdown in the Chinese economy
- Nation's total population will decline, but population inflow into **urban areas** to continue
- Increases seen in both **visitors to Japan** and **foreign citizens resident in Japan**
- **Individual lifestyles** will become more diverse, including consumption behavior and work style
- Both environment-consciousness and employee **diversity** will become even more important
- Business will become still more sophisticated and efficient through application of **electronic technologies**

Overseas

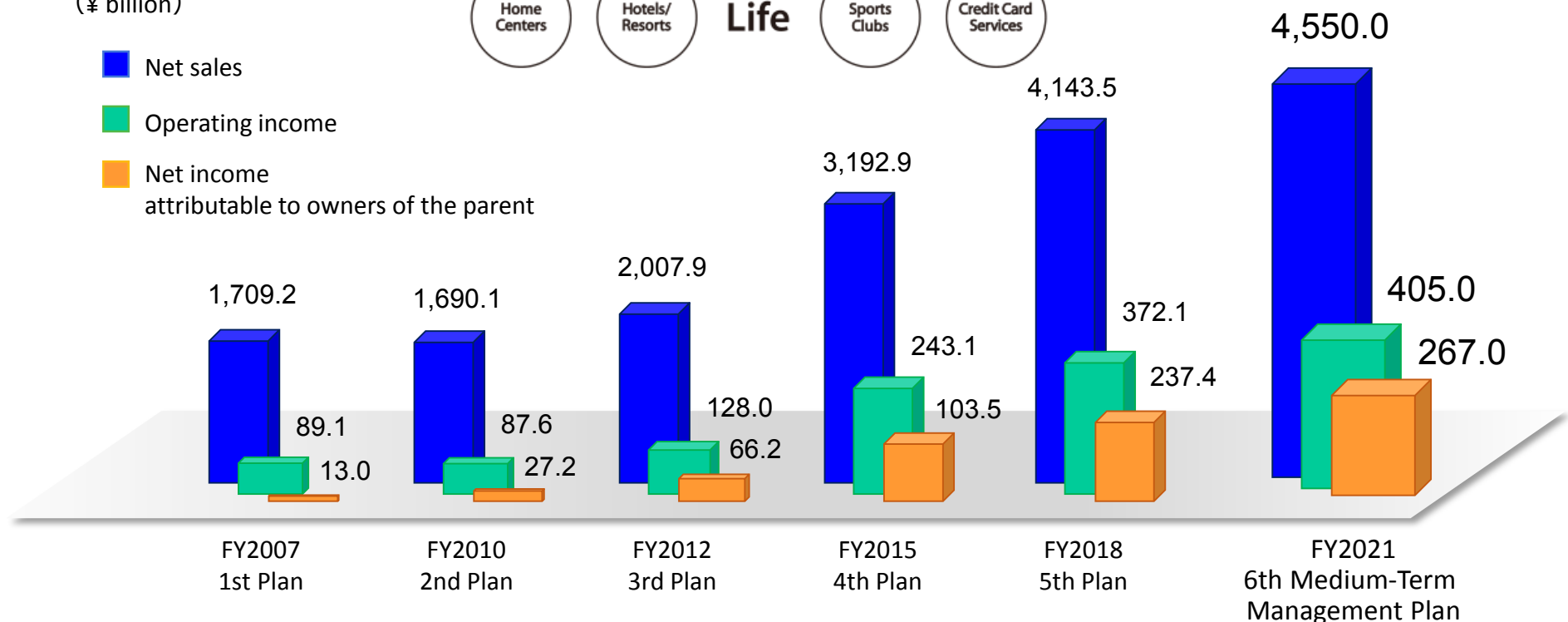
- Populations will continue to grow in **China, India**, and **the ASEAN nations**
- Japanese corporations likely to expand overseas operations, with focus on **USA** and **ASEAN**
- Fears of a negative impact on the global economy from US-Chinese economic trade friction and a possible Brexit scenario

We aim to both restructure our governance system and leverage our wide-ranging business operations to achieve sustained growth.



(¥ billion)

■ Net sales
■ Operating income
■ Net income attributable to owners of the parent



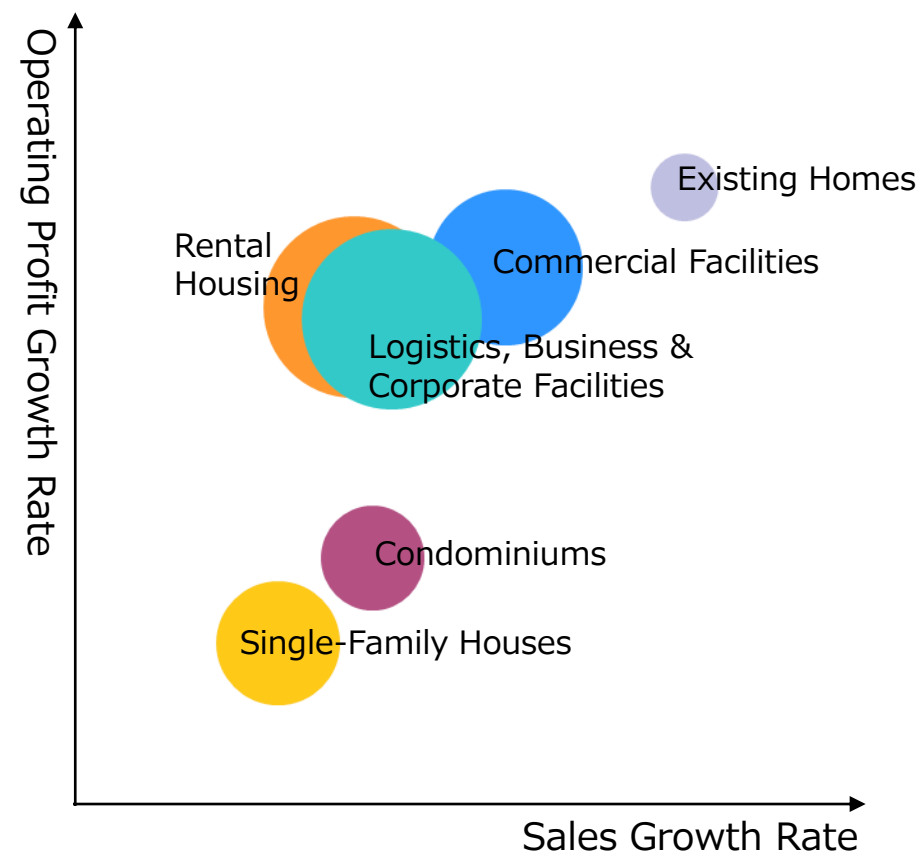
We will improve the base for our Single-Family Houses Business and Rental Housing Business, aimed at kick-starting new growth, and work to continuously expand our operations in Commercial Facilities Business and Logistics, Business & Corporate Facilities Business, so as to reach our performance targets for the whole Group.

■ Earning goals by business segment (¥ billion)

	Net sales				Operating income			
	5th Plan FY2018		6th Plan FY2021		5th Plan FY2018		6th Plan FY2021	
		for overseas		for overseas		for overseas		for overseas
Single-Family Houses	503.5	118.1	540.0	157.0	23.8	2.8	22.0	8.0
Rental Housing	1,054.7	34.2	1,160.0	76.0	104.6	3.7	115.0	9.0
Condomiums	343.5	33.0	380.0	28.0	20.7	5.9	20.0	1.0
Existing Homes	131.7	—	160.0	—	13.7	—	16.0	—
Commercial Facilities	730.5	2.8	840.0	2.0	142.5	0.2	160.0	0
Logistics, Business & Corporate Facilities	1,026.3	87.0	1,140.0	120.0	100.3	0.2	110.0	5.0
Other Businesses	483.0	3.0	520.0	17.0	13.5	-0.1	20.0	1.0
Total	4,143.5	278.5	4,550.0	400.0	372.1	12.9	405.0	24.0

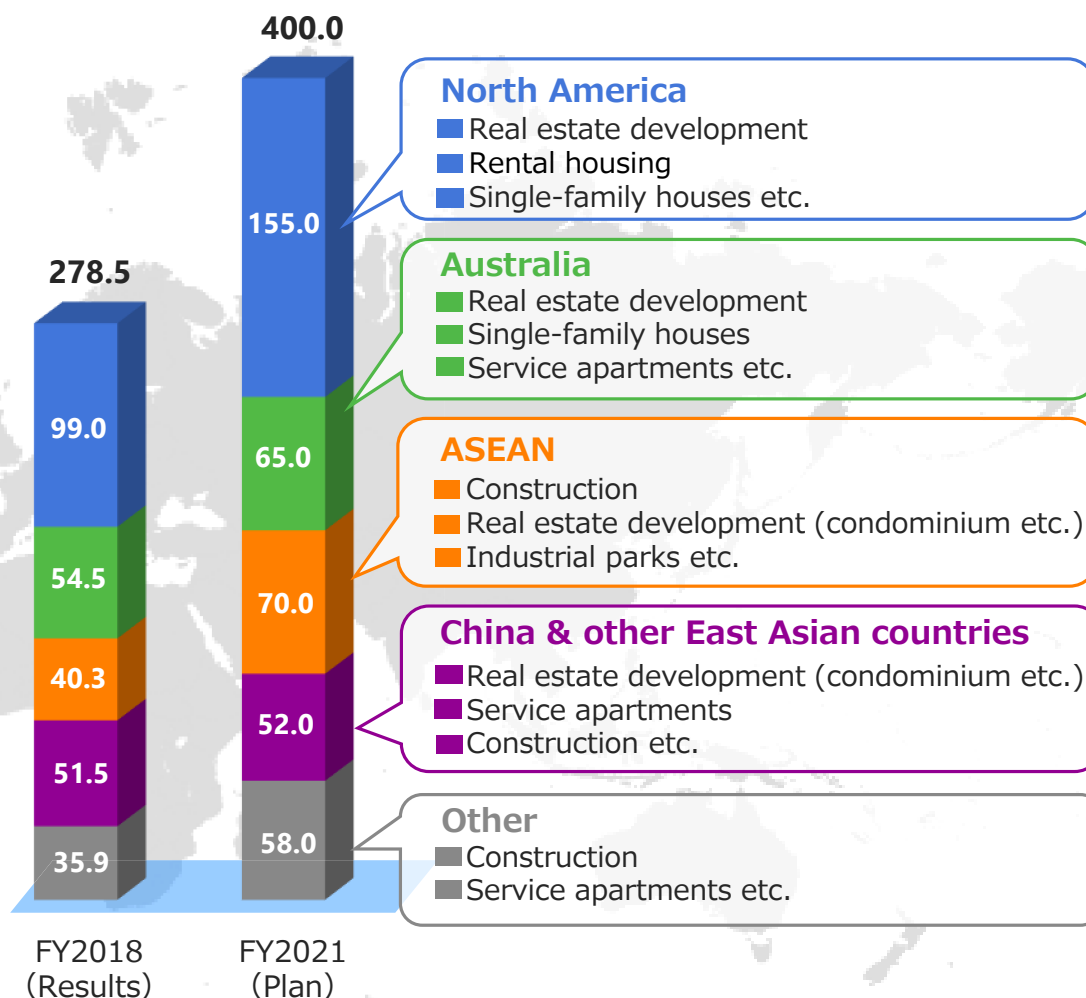
■ Positioning by Segment

(Note) The size of the pie shows sales targets under the 6th medium-term plan

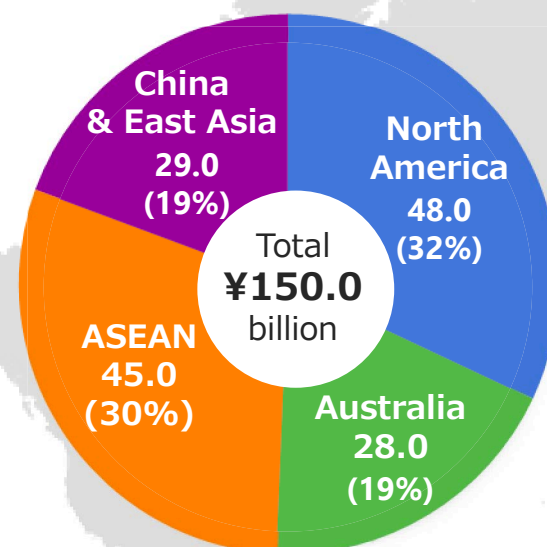


We will strengthen our system for supervision of overseas business while making continuous investments in business operations, targeting net annual sales of ¥400 billion in FY2021.

■ Overseas net sales (¥ billion)



■ Investment plan (¥ billion)



In addition to commercial facilities and logistics centers, we will aggressively develop large-scale multi-use projects, while also taking steps to ensure adequate returns on real estate investment.

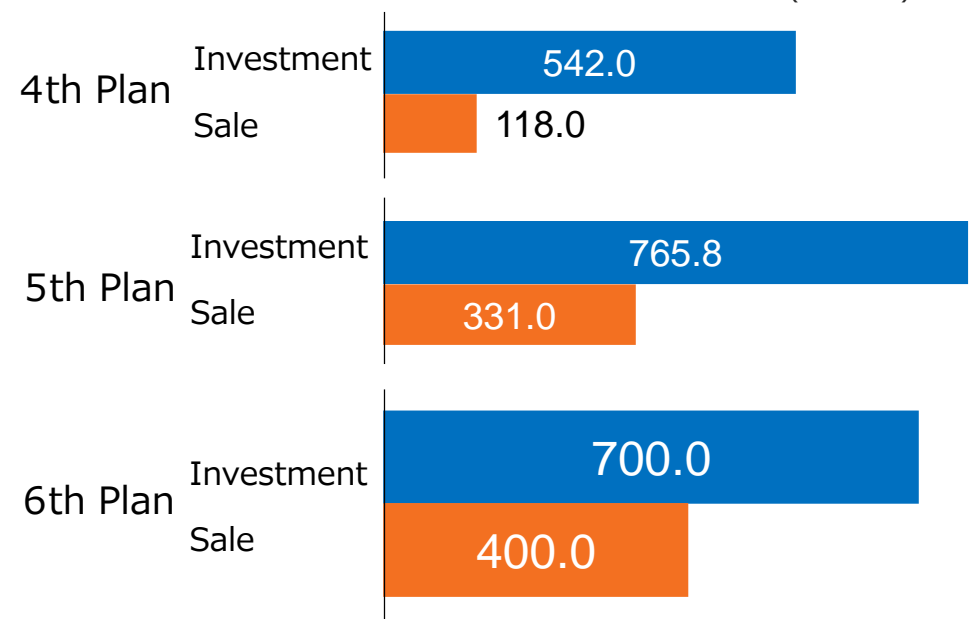


Multipurpose building including a hotel, a hospital, retail outlets, and a fitness club, among others (Toyosu, Koto-ku, Tokyo)

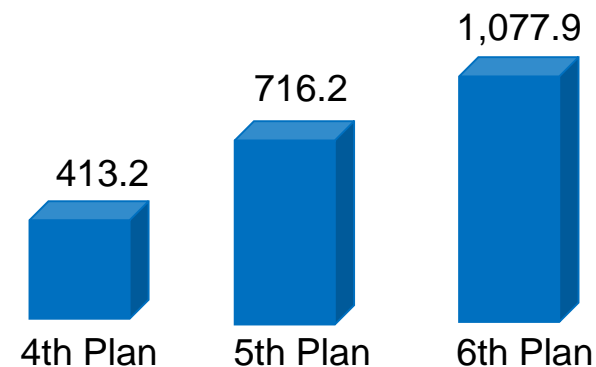


Development project on town-block scale incorporating university buildings, industry-academia partnership facilities, commercial facilities, condominiums, a hotel, and others (Atsubetsu-ku, Sapporo, Hokkaido)

■ Results and forecasts of real estate investment and sale (¥ billion)



■ Balance of investment real estate as of start of medium-term management plans (Book value; ¥ billion)



To pave the way for renewed growth in our housing-related businesses, we will reorganize our supply chain to create a system that ensures a reliable quality level for all materials and parts. We will also put increased effort into marketing our housing business in urban areas.

- ✓ We will restructure our business processes to ensure conformity with specifications at all times.
- ✓ We will strengthen our lineup of models catering to the needs of owners in urban areas, such as homes designed so that a portion can be rented out, as well as medium- to high-rise rental housing properties.



Combined home and medical clinic



Medium- to high-rise
rental housing building



City-center
condominium building

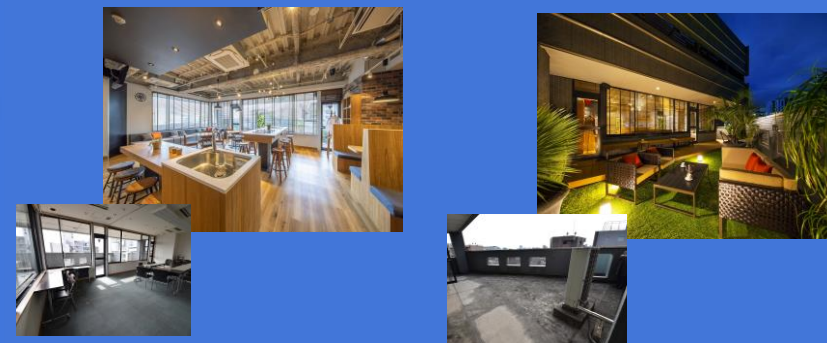
By strengthening our relationships with property owners and actively developing our **Livness** operations, which cover renovation services as well as the purchase and resale of homes, we will work to enhance the value of existing homes as an important part of our social infrastructure.

■ Data on number of customers and residential properties



■ Priority policies

- We will leverage the growing name recognition of our **Livness** brand to increase our market share in real estate agency buying and selling of existing homes originally built and sold by the Group, as well as in direct involvement in such home purchase and resale.
- Strengthen operations in direct purchase and resale of Daiwa House properties leveraging our network of property owners and new-build marketing network
- Construct system for management and implementation of repair & improvement work
- Develop business involving value improvement and resale for existing properties



Examples of office-building renovation in preparation for shared offices

We will deploy our **Livness** Town Project—a business involved in redeveloping suburban housing developments that were originally built by the Group—to help solve the social problems arising from aging population, dilapidated housing and others.

Kamigo Neopolis (Sakae-ku, Yokohama)



- We have started an urban renewal movement via the Kamigo Neopolis Urban Renewal Committee, a voluntary organization formed by residents of the complex.
- Together with the Committee, we are examining options for the creation of a community based on the key concepts of "feeling secure," "relations among people," and "having something to live for," as well as physical and mental health.
- The Daiwa House Group will support efforts to provide a pleasant living environment for residents through various support measures including the building of community centers.



Support measures • Community center (convenience store + community space)

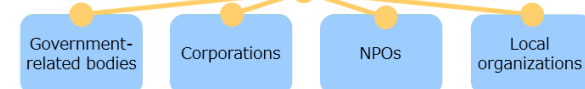
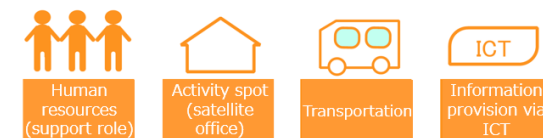
Midorigaoka Neopolis (Miki, Hyogo Pref.)



- A cooperative system comprising representatives from industry, local government, academia, and residents was set up in 2015.
- We are promoting the rehousing of residents of the complex in other properties within the same community, so as to create an attractive housing complex that will continue to exist far into the future and serve as a place where multiple generations can live in contentment.
- The Group will continue providing support by building local satellite centers and assisting in rehousing.

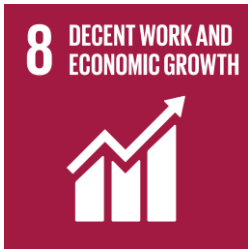
Organization for the promotion of communities where people can remain social active throughout their whole lives

Service Platform



Service Platform

We will work to help realize a sustainable and highly productive society through measures to tackle climate change issues and reforms to our working practices.



Constructing a management base to meet anticipated social changes Strengthening relationships with stakeholders

Employees who feel job satisfaction **80%**

Degree of overall satisfaction felt by business partners **90%**

(Taken from the Endless Social Program 2021)



Pursuing energy conservation, new energy creation, and CO2 emissions reduction to meet the targets set by the EP100, RE100, and SBT (*1)

Energy efficiency **1.4 times** (compared with FY2015)

Renewables ratio (usage ratio) **85%** (**3%**)

Greenhouse gas emissions **35%** reduction (compared with FY2015)

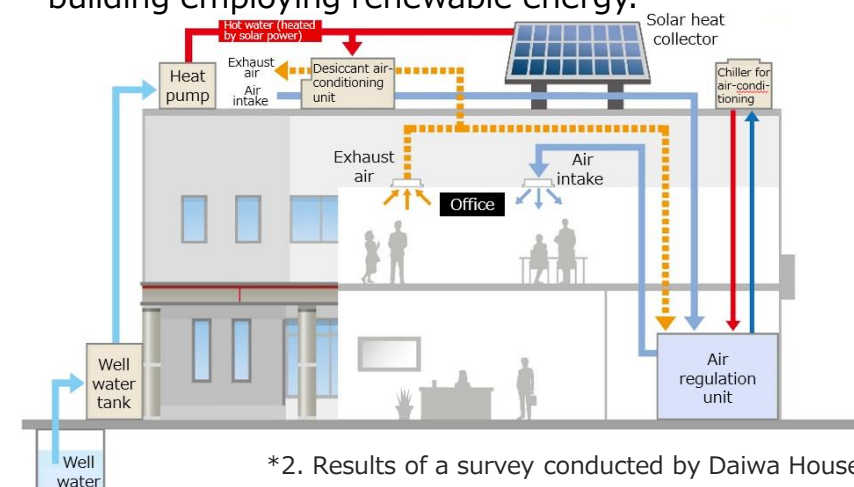
(Taken from the Endless Green Program 2021)

*1. The EP100 Initiative is a group of companies committed to doubling energy-use efficiency in their business operations.
RE100 is a global corporate initiative whose members are committed to 100 percent renewable electric power in business operations.
SBT is an international, science-based initiative in which companies commit to reducing emissions of greenhouse gases in conformity with the 2°C global temperature increase target set by the Paris Agreement.



- ✓ Thorough reduction of wasteful operations
- ✓ Reducing administrative burden through use of technology (AI, RPA)
- ✓ Reducing need for labor through automation at construction sites
- ✓ Instituting system of eight days off in every four weeks at construction sites
- ✓ Investment in expansion of the Group's Environmental Energy business (Energy conservation, new energy creation, energy storage, retail sale of electric power, greening)
- ✓ Popularizing net zero energy housing and facilities

The Daiwa House Saga Building is Japan's first example (*2) of an electricity self-sufficient office building employing renewable energy.



*2. Results of a survey conducted by Daiwa House

Through the efforts undertaken by Daiwa Sakura Aid project, together with our stakeholders we aim to keep alive and pass on to future generations the uniquely Japanese spirit, which has been treasured for hundreds of years and whose most visible symbols are the country's culture, history, traditions, and landscapes.



**Daiwa
Sakura Aid**



Passing on the spirit of our founder

- ✓ By means of our measures to protect the cherry (*sakura*) trees of Mount Yoshino in Nara Prefecture, which lies close to the village where Daiwa House founder Nobuo Ishibashi was born, we work to develop among our employees a strong affection, trust, and pride in the Company.

Mission No.1: Support the activities of employees
[Cherry tree preservation at Mount Yoshino] [Sakura Project]



Passing on Japanese culture

- ✓ Holding charity concerts in collaboration with the National Museum and others
- ✓ Donating Shiroyama cherry trees that we have cultivated to buildings and other properties of notable historical value
- ✓ Publishing photo collections and booklets that convey the beauty of cherry trees and tell the unique stories of each part of Japan

Mission No.2: Supporting memory keeper of Japanese traditional culture/ Strengthening ties with local communities

Employees

Share-holders

Elementary school

Local Residents

Customers



Regional Contribution

- ✓ Donation activities
 - Shareholder benefit donations
 - Collection of donations at Mount Yoshino
 - Donations via sales at vending machines
- ✓ Supporting events to help revitalize local regions

Mission No.3: Fostering the next generation
Mission No.4: Protecting the natural environment

Helping realize a sustainable society and local communities, and supporting the next generation

In addition to investment in growth, including in real estate development, we are also investing in the reinforcement of our technology base.

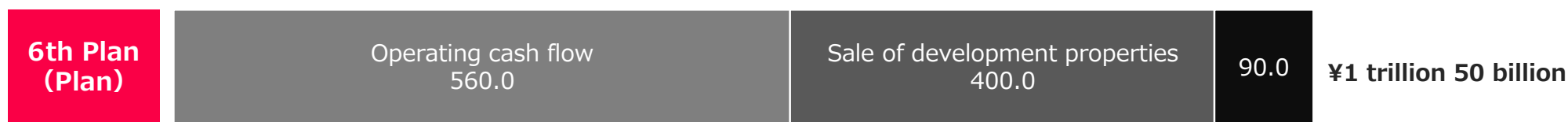
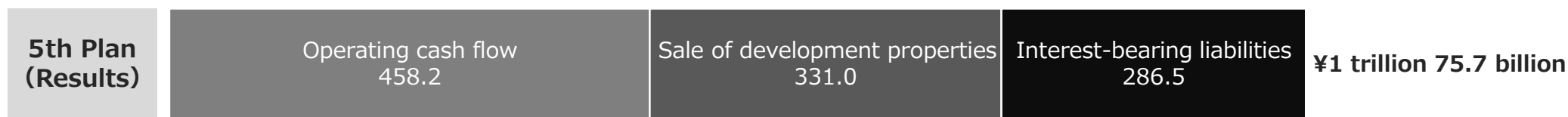
■ Investment Plan (¥ billion)



Reforming working practices and reinforcing technology base

- Digitalization (BIM/AI/RPA, etc.)
- Construction site automation (robotics, etc.)
- Developing human resources (building more training facilities)

■ Funding Plan (¥ billion)



Interest-bearing liabilities

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

I

ROE target: 13% or higher

(The current shareholders' equity cost of the Company is approximately 6.5%)

II

Appropriate financial leverage: Debt-equity ratio around **0.5**

III

Shareholder return: Dividend payout ratio of **30%** or higher
and flexible acquisition of own shares

"Don't start off from the thought: 'What can I do that will make a profit?'

A company is a public organ of society, and we must ask ourselves what kind of product – or what kind of business – will be of use to the world around us and make people happy."

The concept on which the Daiwa House Group is based is encapsulated in the words of our founder, Nobuo Ishibashi: "Pursue business operations that will be of use to society."

Taking the attitude to business advocated by our founder as our starting point, we will adapt ourselves flexibly to social change, endeavor to be an enterprise that is essential to the creation and maintenance of a sustainable society, and will continue playing a valuable role in solving society's problems.



Founder

Nobuo Ishibashi



Disclaimer regarding business forecasts, etc.

(Notes regarding forward-looking statements)

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

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