

# The Daiwa House Group: A unique business model primed for overseas growth

**By diversifying while simultaneously staying true to its core values, Japan's largest real estate developer, homebuilder and construction company has strengthened its domestic operations and built a base for further global expansion.**



The high-rise Chicago North Clark Project is one of a number of projects the Daiwa House Group has undertaken in the U.S. rental housing market.

The Daiwa House Group has a unique business model that can easily be adapted for successful expansion into overseas markets, says President and COO Keiichi Yoshii. And it is to its global activities that the group is looking to add value, foster growth and contribute to a string of strong annual financial performances.

Over the years following its 1955 foundation as a builder of small, pipe-frame houses, Daiwa House has aggressively diversified and expanded its operations. The group now offers a wide range of services, beginning with site assessment, acquisition and basic infrastructure development of railway lines, roads and tunnels. Its long history of community development gives it experience in the building of residential homes, as well as commercial properties such as supermarkets and logistics facilities. In addition, it helps fulfill essential social needs with the construction of hospitals, hotels, and care centers for the elderly. It also offers facility management services. "Our group business model has a range of strengths that I believe are unmatched," says President Yoshii. "We can build entire urban districts from scratch incorporating high-value-added features like power interchange and energy management systems."

The diversification that underpins the business model has played a key role in the group's recent outperformance. The group regularly outstrips its own targets, with net sales setting a record of 3.79 trillion yen (US\$35.7 billion) in the fiscal year ending in March of 2018, up from 3.19 trillion yen in FY2015, the first year in the current medium-term plan. Operating income from the same period shot up to a record 347 billion yen, a sharp climb from the 243 billion yen seen in FY2015. The group is now on track to exceed net sales of 4 trillion yen in the year ending March 2019, with operating income also expected to hit a record 354 billion yen.

Three business areas drove this robust growth. The rental housing business, fueled by Daiwa House's comprehensive services, from planning and construction to management, climbed to over 1 trillion yen in net sales for the first time. The commercial facility business saw an increase in orders for non-retail-related facilities, such as hotels and healthcare centers. And sophisticated logistics, business and corporate facilities grew strongly thanks to the demand for internet shopping distribution centers.

All this has proved a boon for investors, as the group's earnings per share has more than doubled since FY2015, while the dividend payout ratio remains over 30 percent.

## Steady, conscientious expansion in overseas markets

The high-quality products Daiwa House has developed in Japan are also fueling the group's steady expansion in overseas markets. "We always study the local market to see what we can offer that will fit its needs," says President Yoshii. "We can adapt our model, and pick and choose the bits that match." While general construction companies, for example, are only able to offer building services, Daiwa House can offer everything from land acquisition to construction and administrative management.

That breadth has been the foundation of Daiwa House's expansion into 20 overseas markets. The group is actively involved in acquisitions and investments, with a particular focus on the United States, Australia, China and the ASEAN countries. Daiwa House is on target to reach 270 billion yen in overseas sales in FY2018, and total real estate investments overseas are expected to reach 120 billion yen in the three-year period ending March 2019.

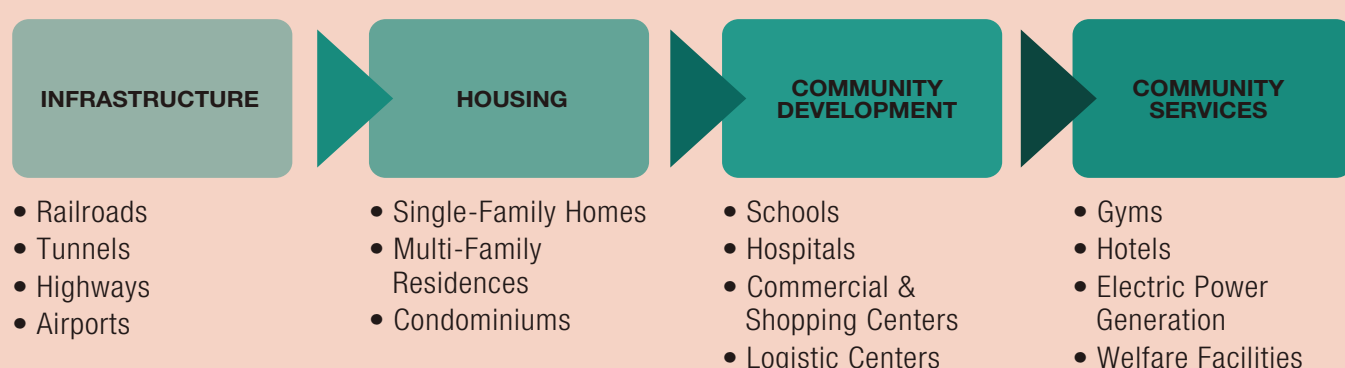
The group chooses its overseas partners with great care, placing emphasis on a compatible corporate culture and philosophy. "We get our partners to visit our company museum, our factories, houses, commercial properties and other facilities so that they can get to know us in depth," says President Yoshii. Sharing the corporate ideals, the group believes, results in a closer relationship and smoother operations going forward. He points to Sydney-based Australian homebuilder Rawson Group, which Daiwa House acquired in 2018, as an example. "They share the same painstaking concern for high quality that we insist on," he says. "The head of the company even visits unsatisfied customers personally to make sure any problems that they have are solved."

The group's 2017 acquisition of Stanley Martin, a single-family-house builder based in suburban Washington, D.C., reflects that same mentality, with President Yoshii showing appreciation for the company's founding spirit and 50-year history. And a recent project in Nantong, China, came to fruition thanks to Daiwa

## The Daiwa House Group Business Model

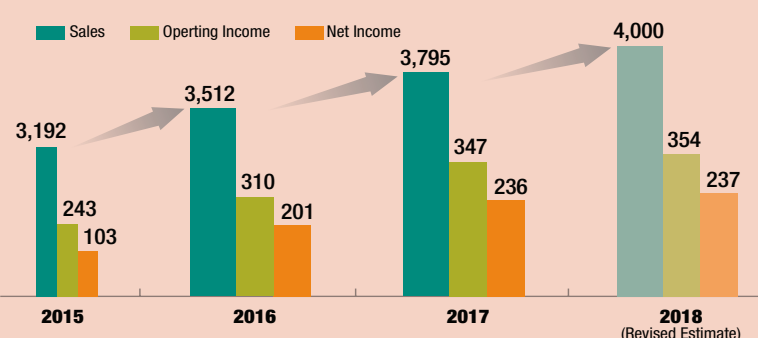
Building communities from start to finish

Daiwa House can choose from its business model's full menu and adapt the parts to fit domestic and overseas' needs.



## Net Sales, Operating Income & Net Income

(billion ¥)

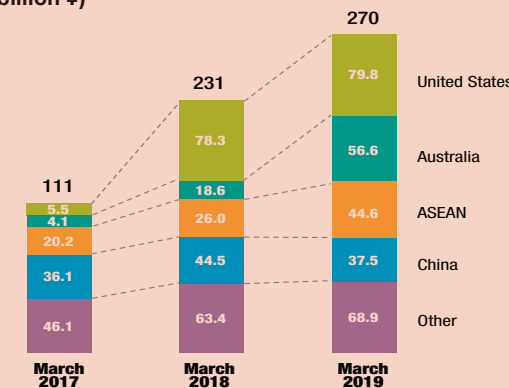


◀ The group's financial performance has met or surpassed targets in recent years.

▶ Acquisitions and investments have boosted the group's sales in 20 overseas markets.

## Sales, Overseas Operations

(billion ¥)



The U.S. company Stanley Martin, a single-family house builder, was acquired by Daiwa House as part of its overseas expansion.

House's reputation for Japanese-style after-sales service, which the partner now promotes to local customers.

Daiwa House also has a substantial presence in the ASEAN countries, with partnerships being forged over a wide range of projects, including industrial park ventures in Vietnam and Indonesia.

## Targeting global, responsible growth

Diversification is also vital when it comes to accomplishing the group's medium- to long-term goals. Daiwa House sees potential growth in the domestic market driven by a range of factors, from soaring demand for hotel accommodations for the fast-growing inbound tourism market to the need for alternative energy sources such as solar and wind, as well as more healthcare centers to cater to the rapidly aging society.

Daiwa House believes that the group's traditional Japanese traits—an attention to detail, a focus on quality materials and a history of building deep and enduring relationships with customers—can help drive growth overseas. "The world's population is growing while Japan's population is slowly declining. Our domestic business will shrink. It's inevitable," says President Yoshii. "But in our business, to stand still is the same as going backwards. For us to reach our goal of 10 trillion yen in sales by 2055, the centennial of the group's founding, strong overseas growth is absolutely crucial."

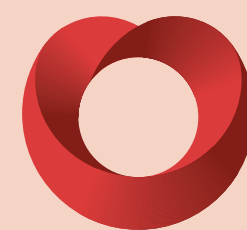
The group has also signed on to two bold global climate change initiatives, showing a long-term commitment to a sustainable, cleaner future. Daiwa House is the world's first housing and construction company to sign on to both EP 100, a commitment to double the energy productivity of the group's business activities by 2040, and RE100, a promise to source all electricity consumption from 100 percent renewable sources, also by the year 2040.



President and COO Keiichi Yoshii is leading the Daiwa House Group on a global course of diversification and expansion.

## A word for investors

"The numbers speak for themselves," President Yoshii says of his efforts to reach out to the investment community. "We always achieve all the targets that we set for each fiscal year." He is clearly aware of the responsibilities that come with leading a group that has now grown to 317 companies with some 66,000 employees. "While other companies that started around the same time limited their focus just to house building, we have confronted rapid change head on, reinvented ourselves and grown the business. Potential investors like our approach: it's what enables us to keep delivering on every promise we make."



**Daiwa House**  
Group

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