



The Story of the Group's Value Creation

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Chapter 3 The Story of the Group's Value Creation

1 Daiwa House Group at a glance

The Daiwa House Group operates six core business segments and generates stable cash flow while developing its businesses both in and outside Japan. In our business activities, we aim to balance the dual challenges of becoming carbon neutral and achieving corporate profitability in order to contribute to a sustainable society, and in tandem with this, we also actively work to heighten employee engagement by facilitating employee motivation.

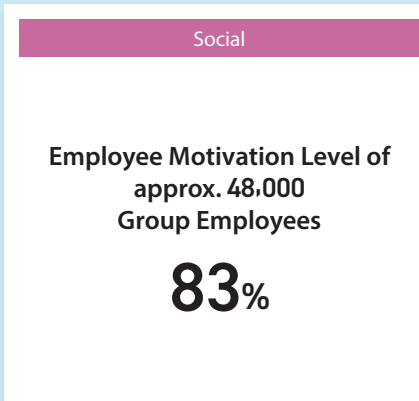
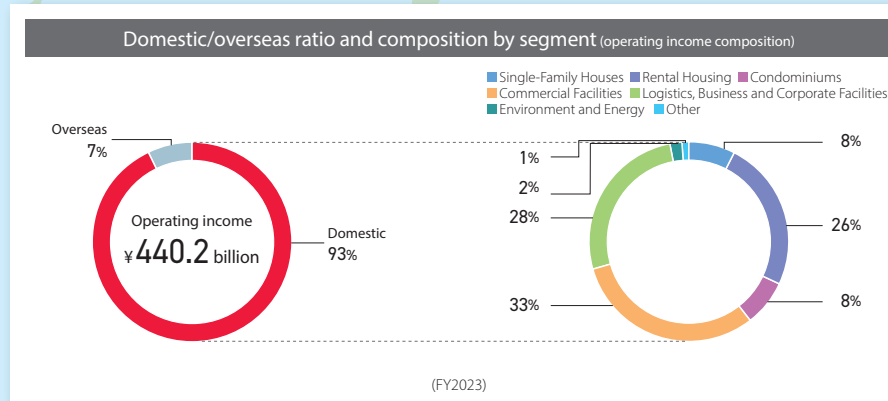
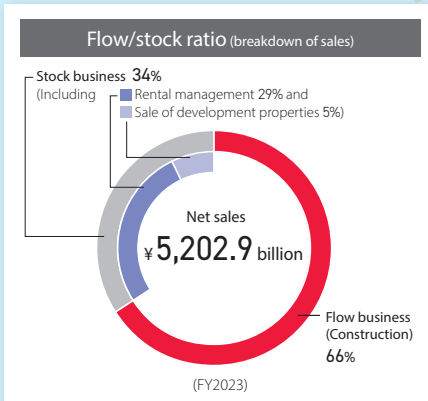


Greenhouse gas emissions throughout the value chain

10.3 million t-CO₂
 (Reduction rate down 35.6% compared to fiscal 2015 levels)

Development and operation of renewable energy power plants

700 MW
 (Equivalent to the electricity consumption of about 180,000 households)

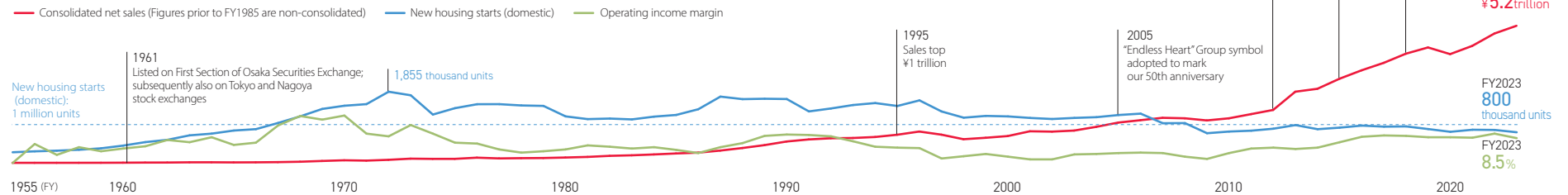


Note: The above segment composition ratios may not add up to 100% due to the impact of adjustments.

2 The road to ¥5 trillion in net sales

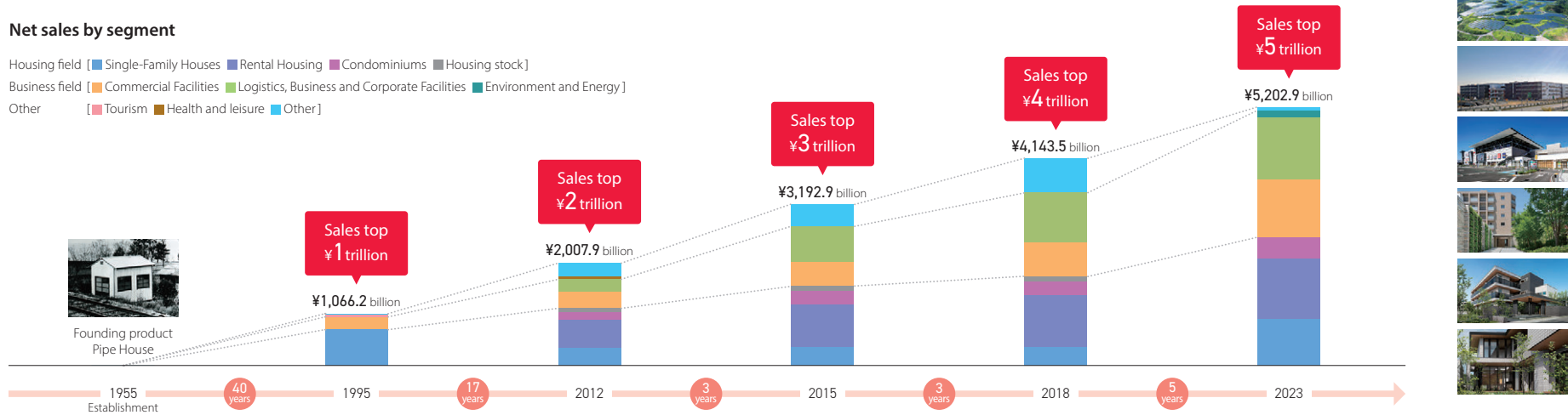
Based on the starting point of "Don't do things because they will make a profit, but because they will be of service to society," we work to anticipate the times and transform our revenue model, and in so doing have achieved growth in sales at an accelerated pace. Simultaneously, we have brought together the sources of our value creation, namely, our human resources base, customer base, and technology and manufacturing base.

Consolidated net sales and domestic housing starts



Net sales by segment

Housing field [Single-Family Houses, Rental Housing, Condominiums, Housing stock]
 Business field [Commercial Facilities, Logistics, Business and Corporate Facilities, Environment and Energy]
 Other [Tourism, Health and leisure, Other]



1950's

1990's

2010's

2020's

Sales top ¥1 trillion

Sales top ¥2 trillion

Sales top ¥3 trillion

Sales top ¥4 trillion

Sales top ¥5 trillion

Developing our businesses

Strengthening our bases



1955 Pipe House

A steel-pipe structure devised to contribute to resolving the shortage of lumber and materials during the postwar period.



1959 Midget House

Developed as a study room that could be erected in three hours, Midget House contributed to eliminating the housing space shortage caused by a rising birthrate.



1959 Movable Classroom

Developed the Movable Classroom as a means to resolve the shortage of classrooms caused by the postwar baby boom.

1962 Habikino Neopolis

With the sale of a large-scale housing complex as Japan's first in the private sector, we devised the nation's first residential mortgage loan system in cooperation with a private financial institution.



1973 Resort business

Commenced construction on Shikabe Leisure Village. Full-fledged entry into the Resort business.



1976 Commercial Facilities Business

Full-scale development of the distribution store business under the concept of "utilization of idle land." From 1978, developed the LOC System to make effective use of land.



1977 Condominium business

Entered into the condominium business. Sales begin for Green Coop Senju, a large-scale condominium.



1980 Home center business

Commenced home center business. Opened Lumber Nara Store (currently Royal Home Center Nara)



1989 Silver Age Research Center

Established Silver Age Research Center in anticipation of the arrival of a super-aging society. This contributed to acquiring orders for medical and nursing care facilities, and to the operating and management business.

1995 Business hotels

Opened Roynet Hotel Higashi-Osaka (our first business hotel)

2000 Renovation business

Full-scale expansion of the renovation business with the launch of the Home Improvements Business Department in the Housing Business Division.



2002 Start of D Project

Embarked on development of large-scale logistics facilities, offering a one-stop service encompassing everything from site proposals, through design, construction and management.



2005 Large-scale commercial facilities

Opened Yokohama Shiki-no-Mori Foleo, the first directly managed large-scale combined commercial facility of its kind.



2007 China condominiums

Commenced work on the first combined condominium and commercial facility development business by a Japanese company in Dalian, China.



2007 Wind power generation

Completed nine turbines for wind power generation at Sadamisaki Peninsula in Ehime Prefecture.

2011 America real estate business

Purchase of rental housing in California, commenced real estate business

2012 ASEAN industrial park development

Industrial park development begins in Indonesia and Vietnam

2012 Mega solar

Commenced first stage of mega solar business, DREAM Solar Kitakyushu Hibikinada.



2013 SMA x ECO TOWN

Sales begin for SMA x ECO TOWN Harumidai, Japan's first net zero energy town.

2013 Made Fujita Corporation a wholly-owned subsidiary

Strengthened general contractor function

2017 US Single-Family Houses Business

US-based single-family houses business Stanley Martin joined the Group, accelerated expansion of the US single-family houses business

2018 Livness launched

Housing business stock brand "Livness" launches and subsequently grows through each business.



2020 Data center

Construction began on Japan's largest data center park "DPDC Inzai Park".



2021 Kotokurie

Opened Daiwa House Group's MIRAI KACHI KYOSO Center (Kotokurie), one of Japan's largest training facilities.

1955 Stated "developing people through business" in the Company Philosophy (Corporate Creed).

1962 Introduced a corporate pension system that aims for a "prosperous retirement for employees."

1963 Published The Future of the Daiwa House Group as a textbook that serves as a guidepost for all employees.

1982 Introduced CADNET, an industry-first interactive automatic design system

1995 Acquired ISO 9001 international quality standard certification, a first in the Japanese construction industry.

2005 Adoption of Endless Heart, the Daiwa House Group Symbol, on the occasion of our 50th anniversary

2005 Lump-sum payment program for fostering the next generation

2007 Work Life Balance Support System

2008 Opened The Daiwa House Juku, our training program for the next generation of management.

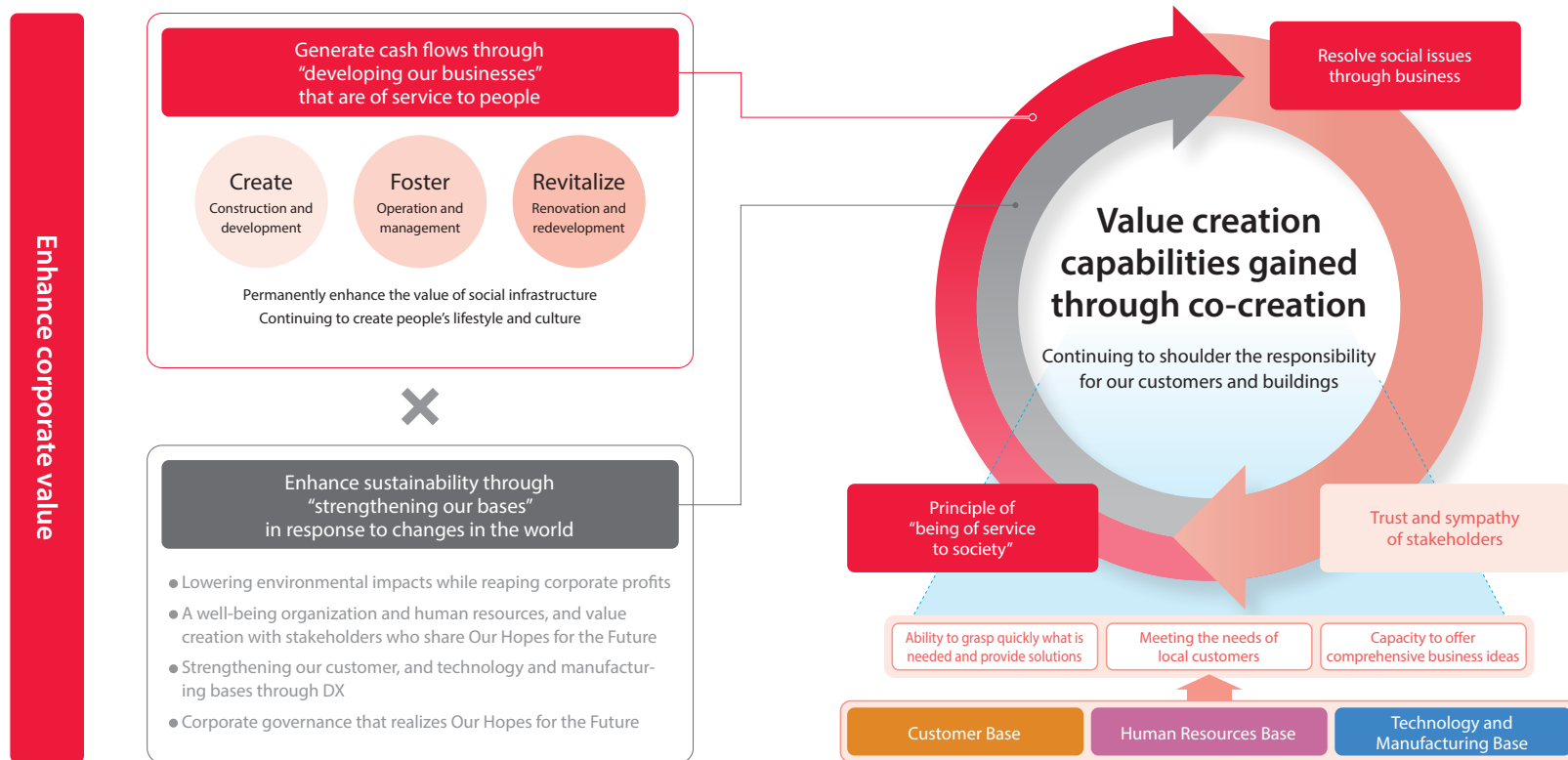
3 The three strengths generated from the source of value creation

The source of the Group's value creation springs forth from our human resource, customer, and technology and manufacturing bases built in tandem with our business expansion. The strengths that emerge from these three bases include our ability to quickly identify issues and provide solutions, and to meet the needs of local customers. Therein lies our greatest strength, which is our ability to create value through co-creation, combined with our ability to make comprehensive business proposals informed by our experience in a wide range of business domains and our one-stop-shop system, while creating societal infrastructure and accompanying lifestyle and culture.



4 Business model embodying the founder's spirit – Circular Value Chain Model –

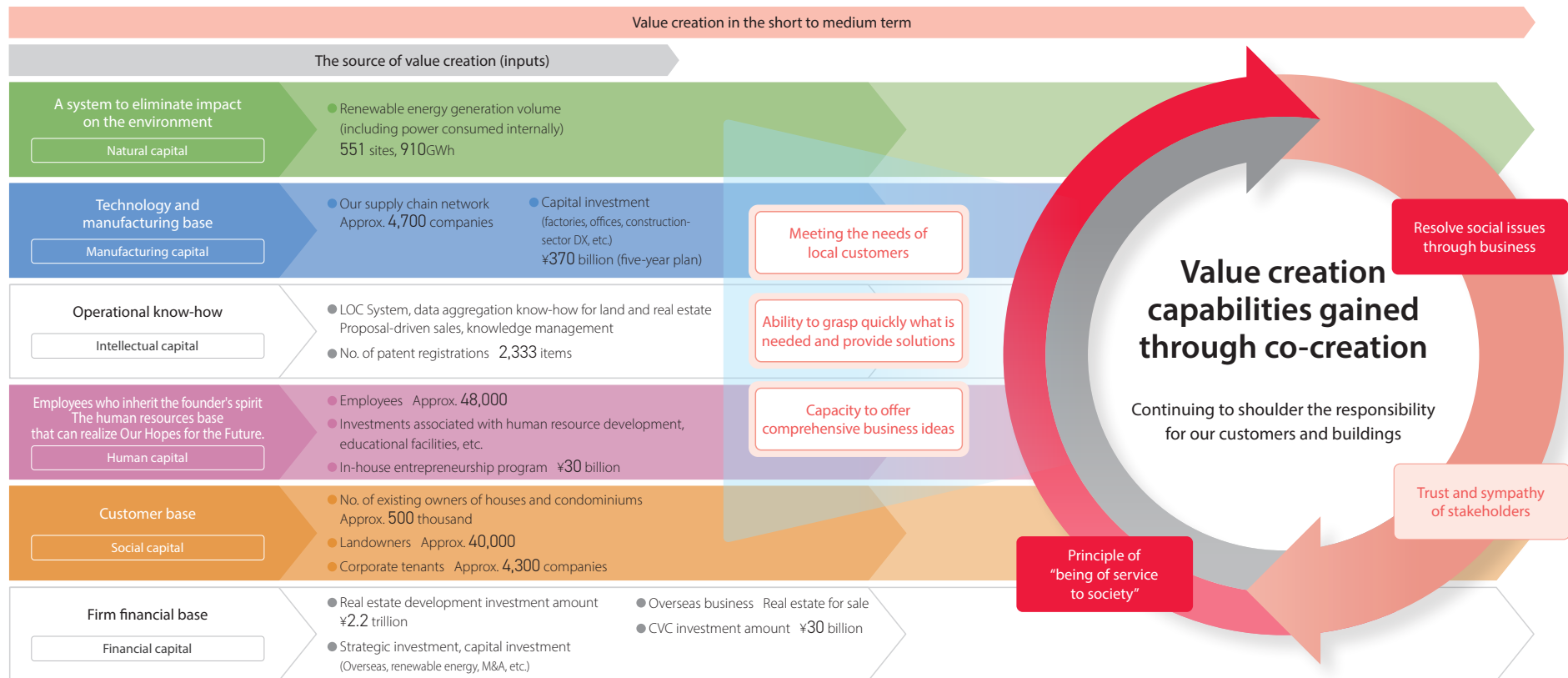
We are committed to both generating cash flow and heightening sustainability by promoting business through "Create," "Foster," and "Revitalize," as well as by strengthening our bases in response to changes in the world. This will maximize customer LTV* and build LTV by earning the long-term trust and cooperation of stakeholders, which will lead to capturing new business opportunities and business model innovation. Through the virtuous cycle of our value creation process, we seek solutions to issues society faces, and to realize the Group's improved corporate value and Our Hopes for the Future.



* Lifetime value (LTV): The revenue (value) generated from customers and buildings over the lifespan of the relationship.

5 The Daiwa House value creation process – Setting our sights on the next ¥5 trillion–

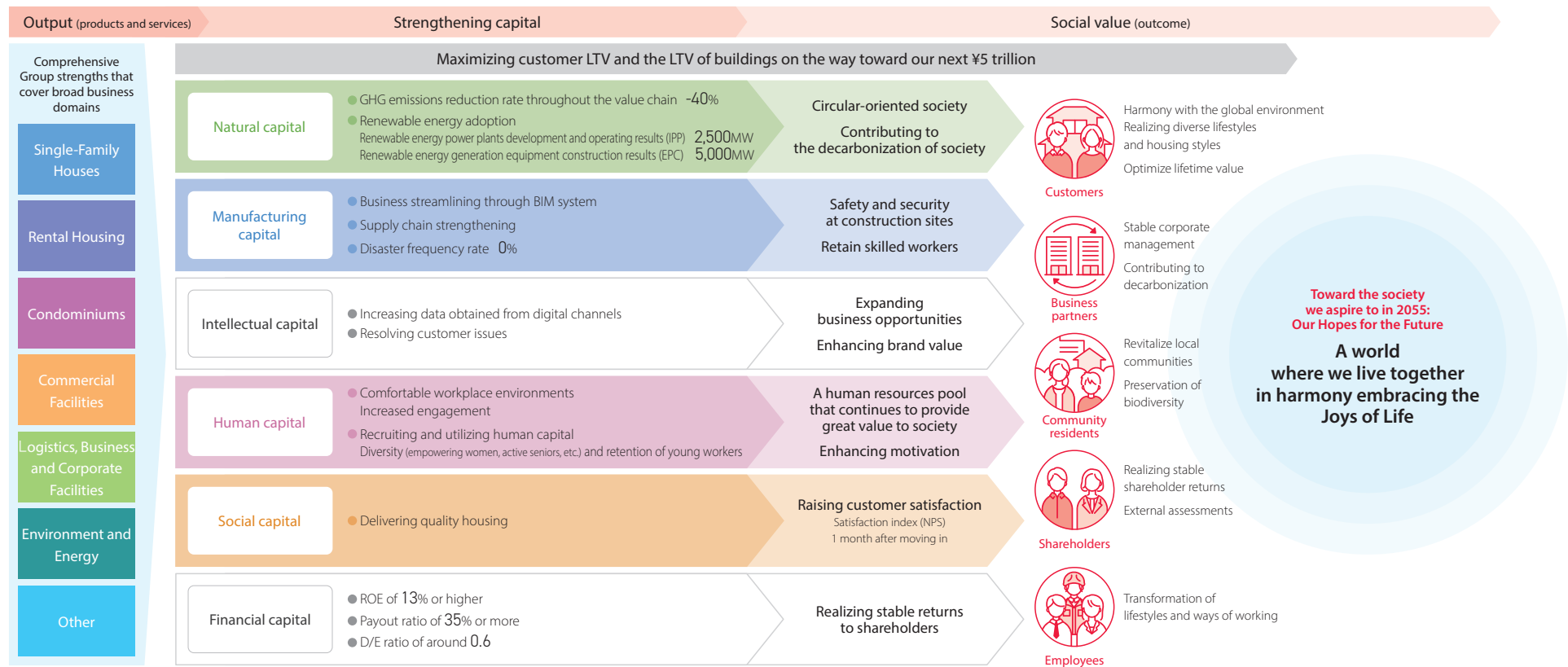
Based on the optimal allocation of our six categories of capital, including our three management bases, and leveraging our unique strengths, we create value by actively investing in growth areas, human capital, and DX, while taking aim at the next ¥5 trillion.



Note: The number of registered patents is the number of patents held by the 14 major group companies, including the Company (only the number of patents registered in Japan). In addition, real estate development investment in financial capital is based on the five-year plan of our 7th Plan, and CVC investment is based on the maximum investment amount.

6 The Daiwa House value creation process – Aspiring to an ideal society–

Through the value we create, we will allocate investment to strengthen our six categories of capital and bolster growth areas, and generate new businesses with an eye toward our future business portfolio. While contributing to the creation of fundamental societal infrastructure and lifestyle culture rooted in regeneration, as set forth in Our Hopes for the Future, we will work toward achieving the SDGs and pioneer fresh horizons toward sustainable growth and enhanced corporate value.



Note: Natural capital figures are FY2030 targets. Base year for GHG reduction is 2015. EPC target is for cumulative installed capacity.

Creating Social Impact | Impact of the Livness business – Maximizing property value and revitalizing distribution –

The Company endeavors to maximize property values and revitalize distribution through our Livness business, which includes brokerage, purchase and resale, and renovation of all real estate in the housing and business field. We launched our business brand Livness in 2018, setting up a general contact point to respond to lifestyle-related inquiries. In 2024, in order to expand our Livness business into the Logistics, Business and Corporate Facilities and Commercial Facilities domain, we established the new brand “BIZ Livness.” We will leverage the Group’s comprehensive strengths to provide one-stop solutions to a wide variety of queries, including pertaining to the provision of vacant house management and rental management services for individual customers, and for corporate customers, in addition to the opening of new stores and remodeling, we will also respond to needs such as property sales.

Market awareness

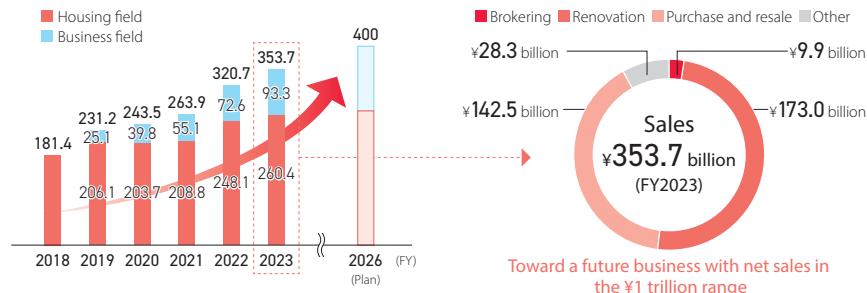
- (1) Declining number of new housing starts: Projections are for the 800 thousand units in fiscal 2023 to decline to 550 thousand units in fiscal 2040
- (2) Existing housing
 - Invigorating the renovation market: In a broad sense, the size of the renovation market in 2021 was approximately ¥7.6 trillion. The market will continue to grow, although only slightly, and expectations are for it to rise to the upper ¥8 trillion range in 2040.
 - Distribution volume: Compared to the existing housing distribution volume in the countries of Europe and the US, Japan’s existing housing market offers great room for growth.
 - Shifting awareness of purchasers (diversifying sense of values): The hurdles to purchasing renovated buildings are lowering.
- (3) Increase in vacant housing: According to the 2023 Housing and Land Survey (Ministry of Internal Affairs and Communications) there are now a total of nine million vacant houses, and the number and percentage of vacant houses continue to increase every five years. Queries with regard to “vacant house management” received by the Company are also trending higher.

Proposals for methods and activities in the Livness business

With a sustainable management cycle achieved through Livness, we will contribute to the regeneration and circulation of business and commercial facilities with the added value that only the Daiwa House Group can provide, just as we offer the conventional Livness business (housing) that covers properties for individuals.



Livness business results (¥ billion)



Note 1: Future market forecasts are based on estimates published by Nomura Research Institute, Ltd.

Note 2: The renovation market in narrow terms means construction for extensions and reconstruction, as well as installations, etc., but in addition to that, in a broader sense it also refers to the market that includes purchasing for durable consumer goods and interior products-related renovation, such as with air conditioners and furniture, etc.

