



## Our Long-Term Vision and the 7th Medium-Term Management Plan

- 1 Roadmap to the Centennial Anniversary of Our Founding ..... 30  
Message from Director and Senior Managing Executive Officer Otomo ..... 31
- 2 Environmental Awareness (Opportunities and Risks) and Materiality ..... 34
- 3 Materialities and the Seventh Medium-Term Management Plan ..... 35
- 4 Processes for Specifying Materialities ..... 36
- 5 Results of past medium-term management plans and progress of the 7th Medium-Term Management Plan ..... 37

Chapter

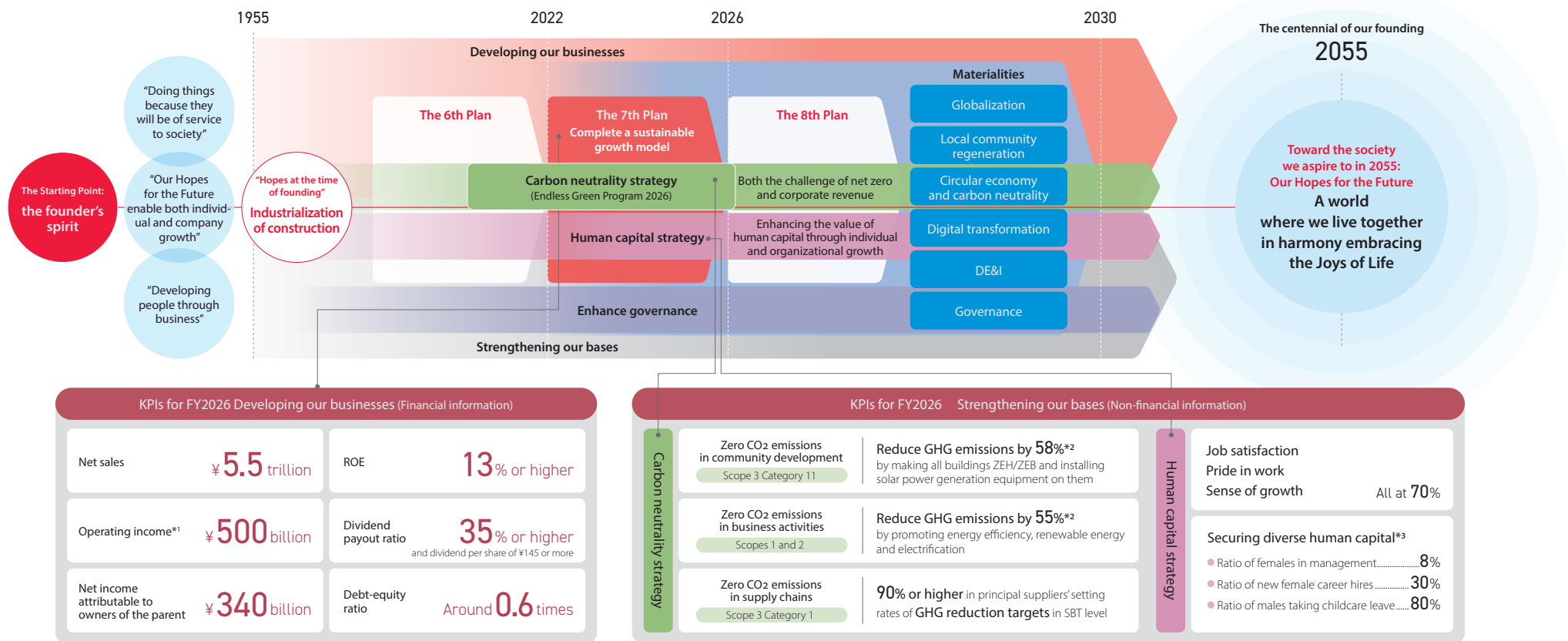
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Chapter 4 Our Long-Term Vision and the 7th Medium-Term Management Plan

# 1 Roadmap to the Centennial Anniversary of Our Founding —Road to 2055

With our founder's spirit as a starting point, we have achieved sustainable growth by always looking to what lies ahead and believing in Our Hopes for the Future. We will work toward achieving the KPI set forth under the 7th Plan with a keen sense of materiality over the medium- to long-term. In addition, in order to become a corporate group with sales of ¥10 trillion by the centennial anniversary of our founding, we will invest in growth areas and create new businesses to achieve the next ¥5 trillion in value, while strengthening our management foundation and aiming to realize Our Hopes for the Future.



\*1 Exclusive of amortization of actuarial differences of retirement benefits \*2 vs FY2015 \*3 Target for April 1, 2027



## Hirotugu Otomo

Director and Senior Managing Executive Officer  
Head of Management Strategy Planning Headquarters  
Head of Overseas Division

### Message from Director and Senior Managing Executive Officer Otomo

## Incorporating non-financial capital into our business to combine economic value and social value

### Fostering overseas business as growth pillar to deliver value rooted in local communities

The Daiwa House Group began doing business in China and the ASEAN region in the 2010s, steadily expanding our geographic business area. Today, we are growing our business in the US, which we consider a priority area. Steadily making inroads into North America, we made US single-family house builder Stanley Martin a consolidated subsidiary in 2017, followed by Trumark and CastleRock. We expect further growth of the housing market in North America due to the outlook for population growth and economic stability there.

Our three US subsidiaries started out as independent companies whose core business was housing, so I think their corporate cultures are similar to that of Daiwa House. They also excel at running their businesses in ways firmly rooted in their localities. We hold regular meetings with them so that we can move forward together while

allowing each company to harness its unique qualities, holding numerous discussions about business strategy and individual company initiatives. We will maximize the Group's advantages—stable funds procurement, technical support, centralized Group purchasing, and sales intermediary services with Japanese suppliers—to achieve growth of the whole Group.

Outside North America, we are moving ahead with projects and businesses that align with local characteristics in the ASEAN region, Australia, and Europe by harnessing the know-how and knowledge of industrialized construction that the Daiwa House Group has cultivated since its establishment.

As Head of the Overseas Division, my long-term goal is to disseminate worldwide the Daiwa House Model—a business model that has grown while diversifying. We are at the early stages of this process in North America, where the foundation for the Daiwa House Model is being established in the form of diversification from single-family houses to multi-family houses (rental houses) and

condominium development, commercial facilities, and logistics facilities. My vision is for all business divisions to work together to foster the overseas business as a growth pillar, developing a growth model unique to Daiwa House so that we can deliver value rooted in local communities.

### Key factors of overseas strategy: Human capital and governance

Human capital and governance are essential for strengthening our overseas strategy. We are improving our human capital in multiple ways, such as training people with both language skills and specialist knowledge and hiring mid-career personnel who have experience in other industries. In addition, we have a “free agent” program that employees can apply for. We launched a global trainee program in fiscal 2023 starting with technical divisions, and extended it to sales personnel the following year.

For governance, we continue to strengthen our regional corporate (RC) functions. In January 2024, we added a construction management function to already instituted initiatives to shore up risk governance in legal affairs and finance. Adding construction management to the RC function allows us to harness our construction-related knowledge, which enables us to manage the gamut from design and costs to

construction periods and quality. We will continue to strengthen these functions so that we can make the most of the Group's strengths as a vertically integrated, design-to-construction builder.

### A cycle of division and integration to evolve and grow stronger

Fujita, Daiwa Lease, and Daiwa LifeNext joined Daiwa House as business divisions in 2024. We are moving forward with business collaborations in a manner designed to enable each of them to harness their characteristic strengths, including creating new businesses. In my view, the history of Daiwa House Group has been a cycle of repeated cell division and integration. Starting with proprietary know-how and systems fostered in the single-family houses business, the Group expanded into other business areas by creating new products and businesses to meet society's changing needs, because it has always pursued the optimal outcome. In some cases, a business that split may find the optimal solution and end up reintegrating. We have therefore built a structure whereby B2B and B2C businesses complement each other.

I believe that in managing a company, it is important to create businesses with a well-rounded approach so that we can adopt the best approach available at the time. Looking ahead, if we decide that integration

is the best course to take, we will integrate to gather strength and will continue to pursue business optimization through careful discussion of our options. My understanding of the Daiwa House corporate culture is that the company evolves by dividing to grow and integrates to gain strength. Going forward, we will continue to restructure and reinforce our value chain.

### Create new businesses with CVC and an in-house entrepreneurship program

In March 2024, we established a corporate venture capital (CVC) fund for strategic investments to create new businesses that will fuel future growth. *From the two perspectives of deepening and expanding existing core businesses and creating totally new markets and businesses*, our keyword for investment and business collaborations is *Asu Fukaketsuno*, which combines the first letters of safe and secure, speed, welfare, environment, health, communications, and agriculture and means *indispensable*.

In June 2024, we also launched the Daiwa Future 100 an in-house entrepreneurship program. Within a month, we had almost 500 enquiries. We believe the program offers an alternative to CVC as a way to turn employees' ideas into real businesses. Its purpose is not just to create new businesses, but also to foster the next management cohort. The larger the pool of human resources ready

to join the management team, the better, considering that our goal is to evolve into a corporate group with net sales of ¥10 trillion in its centenary year. We therefore consider the entrepreneurship program to be also hands-on training for future management.

### “Growth-oriented environmental strategy” to create both social and economic value

With a goal of being carbon neutral in 2050, the Group is taking action to increase the proportion of ZEH and ZEB rates (the proportion of ZEHs and ZEBs among our new-builds), install rooftop solar power generation systems, and use more renewable energy. We believe that this way, the more buildings we deliver, the more renewable energy is produced—thus accelerating society’s decarbonization.

With 2030 as a milestone on the way to decarbonization, our initiatives are progressing well. We are already close to our 2030 targets for ZEH and ZEB rates. Although it is difficult to ramp up ZEH and ZEB rates overseas in the same way as we do in Japan due to regional differences in energy costs and the legal and regulatory environment, we are taking a strategic approach in North America by assessing the status quo regarding energy-saving construction so that we can set a target for 2030.

Many people associate Daiwa House Group with steel-framed construction; but in 2023, we launched the

Future with Wood Project to bolster timber construction and lignification of buildings in response to heightened public interest in decarbonization and robust demand for wooden buildings. Initiatives such as development and sale of wooden products are already well advanced in our housing-related businesses. With regard to medium- and large-size wooden non-residential building businesses, we see scope for further growth in terms of accumulating design and building know-how and differentiating our wooden structures from other structures and competitors’ products. We are also developing steel-timber hybrid bracing to deliver products combining the advantages of wood and steel. Increasing timber construction and lignification of buildings will not only accelerate progress toward carbon neutrality and creating circular economies but will also become a business pillar in the medium to long term that generates net sales in the hundreds of billions of yen.

### Making sustainability and business activities the twin drivers of corporate value

The Group reorganized in January 2024, making the Sustainability Management Department part of the Management Strategy Planning Headquarters. The reorganization has further added to the challenges we must tackle. My mission includes enhancing the value of our

non-financial capital to create new growth businesses, quickly advance reform of existing businesses, and raise our business value even further. No longer optional extras, environmental, social, and other sustainability initiatives are now core actions needed to generate future cash flow. Taking into account our operating environment, it is essential that we relate sustainability initiatives to business activities and that all employees embrace them as part of their own work. I am determined to exercise leadership so that our management stance remains constant while adapting flexibly to the changes going on around us. Thus we are committed to continuing our quest to enhance corporate value through combined pursuit of economic and social value.



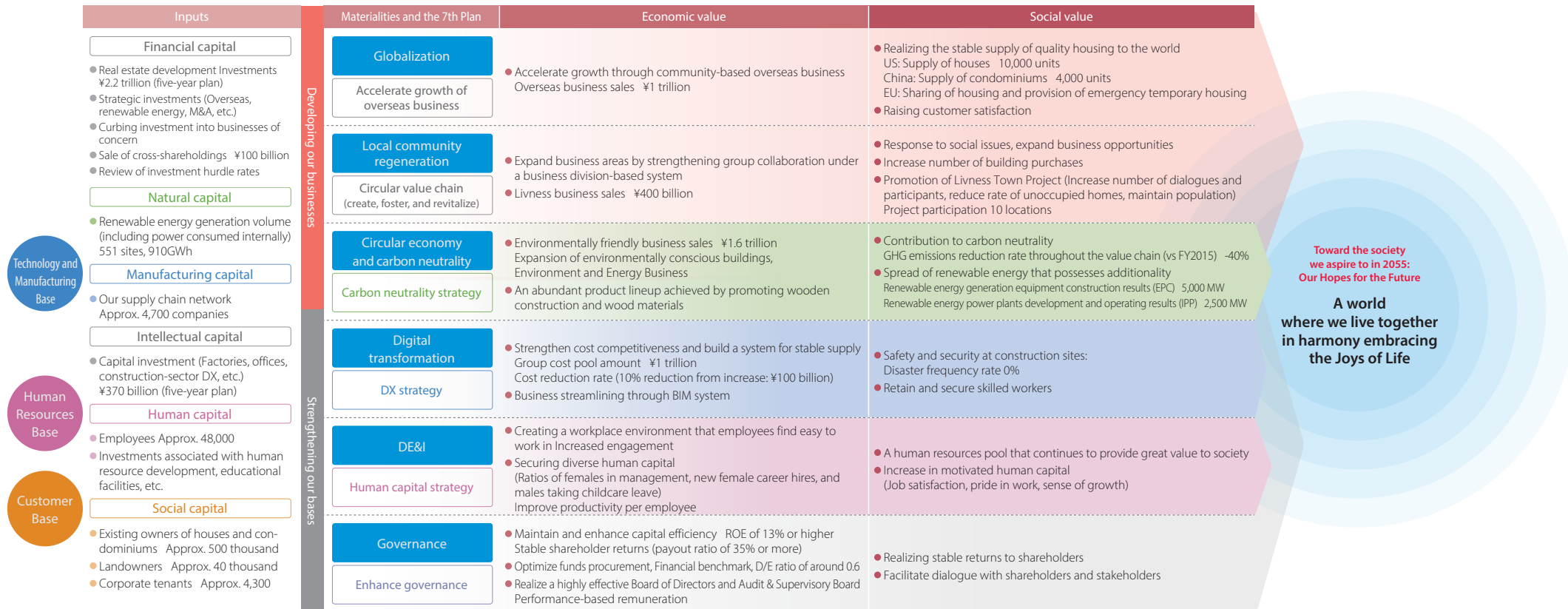
## 2 Environmental Awareness (Opportunities and Risks) and Materiality

In every corner of the world, a major transformation in the structure of industry is taking place in order to discover solutions to social issues confronting the globe. At Daiwa House Group, we recognize the opportunities and risks that will arrive with the megatrends of around 2030, and to realize Our Hopes for the Future, we have formulated the materiality (priority issues) for which we should endeavor.

Megatrends	Impact on Daiwa House Group		Materiality and Measures
	Opportunities	Risks	
<ul style="list-style-type: none"> <li>Acceleration of globalization</li> <li>Overseas population growth</li> <li>Lack of resources</li> </ul>	<ul style="list-style-type: none"> <li>Realizing the stable supply of quality housing to the world</li> <li>Rising demand for industrialization in logistics, as well as in fisheries and agriculture</li> <li>Cost reductions through group purchasing</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical risks, political and economic uncertainty</li> <li>Increased procurement costs</li> </ul>	<p><b>Globalization</b></p> <p>Develop community-based businesses aimed at solving social issues overseas</p>
<ul style="list-style-type: none"> <li>Respect for the human rights</li> </ul>	<ul style="list-style-type: none"> <li>Development of products and services with consideration to human rights</li> <li>A company chosen by those in the supply chain and workers</li> </ul>	<ul style="list-style-type: none"> <li>Cost increases associated with human rights risks</li> </ul>	
<ul style="list-style-type: none"> <li>Japan's shrinking population and household numbers</li> <li>Regional depopulation, declining local communities</li> <li>Deterioration of social infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of investments into the revitalization of community and social infrastructure</li> <li>Reinvigorating local communities, need for migration to rural areas</li> </ul>	<ul style="list-style-type: none"> <li>Declining number of new housing starts</li> <li>Waning interest of tenants to open new stores</li> <li>Diminished labor productivity</li> </ul>	<p><b>Local community regeneration</b></p> <p>Revitalizing local communities: Businesses for solving social issues in Japan</p>
<ul style="list-style-type: none"> <li>Inflation, and rising interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Increased rental revenues from prime stock assets</li> </ul>	<ul style="list-style-type: none"> <li>Waning investment appetite</li> <li>Decline in real estate prices</li> </ul>	
<ul style="list-style-type: none"> <li>Shift to a carbon-free society</li> <li>Intensifying climate change</li> <li>Shift to a circular economy</li> <li>Targeting nature positive goals</li> </ul>	<ul style="list-style-type: none"> <li>Rising demand for renewable energy, environmentally conscious products</li> <li>Rising demand for greater durability and energy-conscious products</li> <li>Increased demand for community development conscious of the natural environment</li> <li>Expansion of wooden construction and wood materials market</li> </ul>	<ul style="list-style-type: none"> <li>Increased costs to comply with stricter legal regulations</li> <li>Increased frequency and scale of meteorological disasters that cause damage</li> <li>Arising reputational risks due to loss of the natural environment</li> </ul>	<p><b>Circular economy and carbon neutrality</b></p> <p>Environmental management geared toward circularity and regeneration</p>
<ul style="list-style-type: none"> <li>Development of a digital society</li> <li>Shrinking workforce in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Pioneering new markets by utilizing digital technology</li> <li>Labor-saving and automation through digital technology</li> <li>Reconfirming the value of real experiences</li> </ul>	<ul style="list-style-type: none"> <li>Obsolescence of existing business model</li> <li>Lack of highly skilled (IT, overseas) human resources and difficulty in securing them</li> <li>Growing needs for increased sophistication of information security</li> </ul>	<p><b>Digital transformation</b></p> <p>Maximize use of digital technologies for lifestyle innovation</p>
<ul style="list-style-type: none"> <li>Diversifying ways of working and lifestyles</li> <li>Leveraging the talents of diverse human resources</li> </ul>	<ul style="list-style-type: none"> <li>Creating new markets that arise from diverse values</li> <li>Building motivation</li> <li>Strategic decision making through diverse perspectives</li> </ul>	<ul style="list-style-type: none"> <li>Changing employment management practices</li> <li>Rising costs to strengthen information security</li> </ul>	<p><b>DE&amp;I</b></p> <p>Foster organizational culture that welcomes diverse values and uses them in value creation</p>
			<p><b>Governance</b></p> <p>Governance to create the future</p>

### 3 Materialities and the Seventh Medium-Term Management Plan

Under the Seventh Medium-Term Management Plan, we are engaging in issues of materiality to sustainably raise corporate value, and will generate both economic and social value.



Note: Stated are the fiscal 2030 goals for contribution to carbon neutrality and the spread of renewable energy.



## 4 Processes for Specifying Materialities

In order to bolster the value creation process cycle, when we formulated Our Hopes for the Future, we identified materialities, or priority issues, in consideration of their degree of importance to our business (opportunities and risks) and their social significance and impact based on the needs and expectations of society, while also taking into account the opinions offered by experts. We continued to consider KGI/KPI for materialities in fiscal 2022 in light of the level of action to be taken under the 7th Medium-Term Management Plan.

### STEP 1 Understanding and organization of issues, clarification of key issues

In light of changes in society (megatrends), members led by division heads discussed the elements necessary to realize Our Hopes for the future, and compared them with various international norms, trends in major evaluation organizations, and the policies of industry associations. Keeping in mind three actions to be taken to realize Our Hopes for the Future, we clarified a total of 112 issues as a result of having considered their relevance to business (opportunities and risks), as well as social significance and impact in light of society's demands and expectations. From these, we have consolidated and organized them into 18 key issues, targeting around 2030. These 18 key issues were separately confirmed with young employees and others who will bear responsibilities in the future. The final decision was confirmed at management meetings and other meetings led by senior management.

### STEP 2 Confirmation of validity

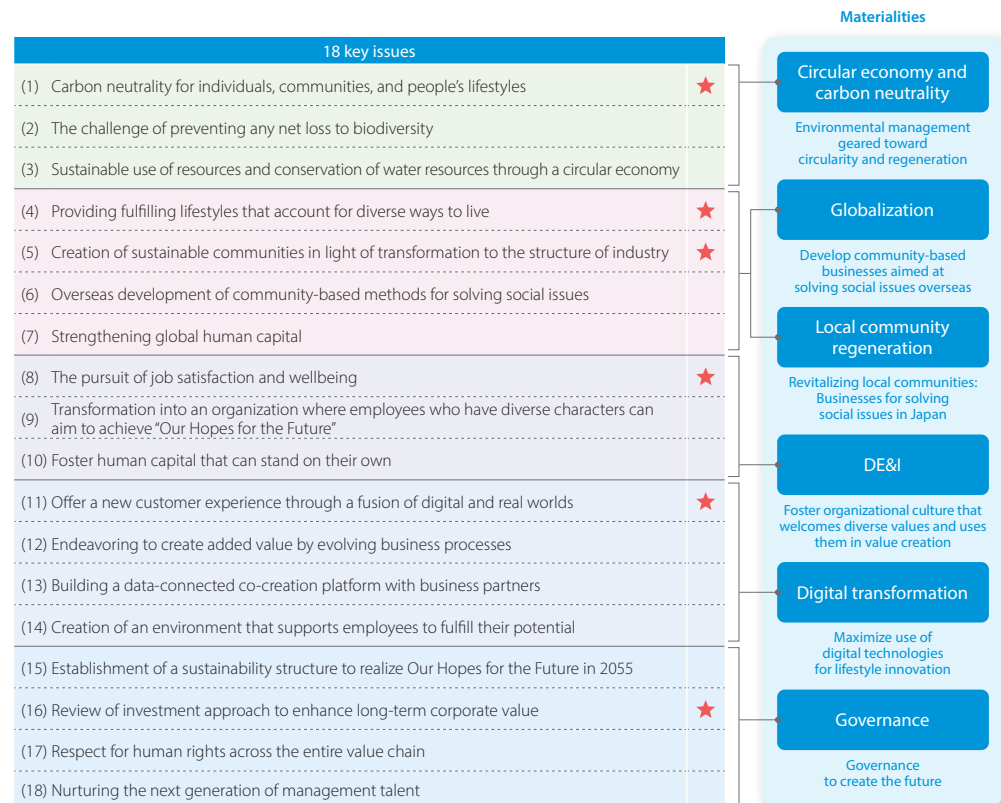
All 112 issues clarified in STEP 1 were evaluated for validity, which also covered specific processes for materialities, through dialogue with external experts, including investors and sustainability management specialists. In addition, we have reinforced the issues by receiving opinions that take a long-term and global perspective considering the latest insights.

### STEP 3 Specification of materialities

The Company categorized and organized the study's results, which were approved by the Board of Directors in May 2022 as materialities that the Group should prioritize.

### STEP 4 Reflecting to the Basic Policy

KGI/KPI for materialities were formulated based on the basic policy of the 7th Medium-Term Management Plan, and the corresponding policy for each theme was decided and formulated at a Board of Directors meeting held in April 2023, taking into consideration the level of Company efforts. These indicators are also being used as targets for the 7th Medium-Term Management Plan to promote initiatives.

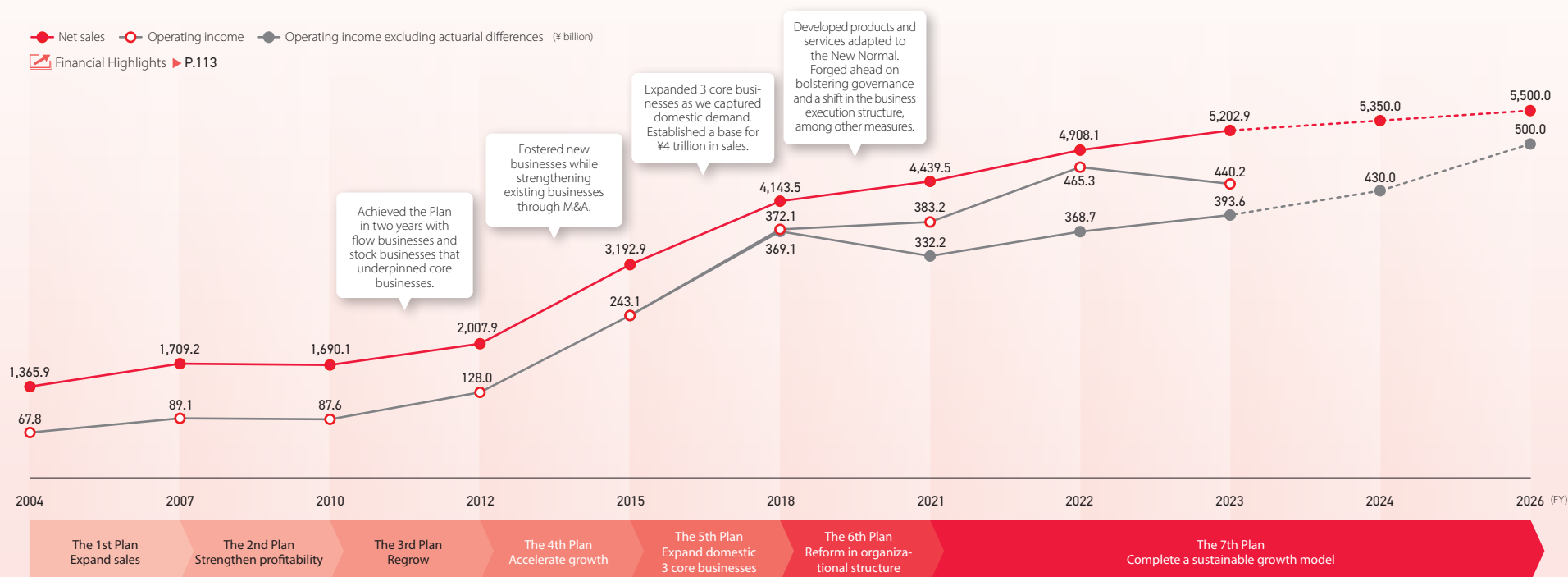


Note: Issues included in the key themes of the 7th Medium-Term Management Plan are marked with an asterisk (★)



## 5 Results of past medium-term management plans and progress of the 7th Medium-Term Management Plan

While keeping a constant eye on upcoming changes in the environment, we have steadily achieved the performance targets of our medium-term management plans. In fiscal 2023, the second year of the Seventh Medium-Term Management Plan, we continued to make solid progress in Japan, leveraging our proprietary value chain and contributing to the development of the subdivision business. Business expanded outside of Japan as well, particularly in the single-family housing business in the US. As a result, net sales surpassed ¥5 trillion, marking the third fiscal year of increased sales. To reach carbon neutrality, the Company achieved 100% utilization of renewable energy (purchased electricity only) on a stand-alone basis and 96% for the Group as a whole. In addition to instilling Our Hopes for the Future, we established the "Daiwa House Group Future Fund" of up to ¥30 billion in our quest to discover businesses that will serve the Daiwa House Group in the future. We have also introduced an in-house entrepreneur system that will support our efforts to raise the value of our human capital. We will strive to complete a sustainable growth model that continues to maximize value for both business and society over the long term.



# Management policy 1: Evolve revenue model

To complete a sustainable growth model that continues to maximize both business value and social value, we tackle three focal themes toward evolving our revenue model to develop our businesses.

## Key theme Accelerate growth through community-based overseas business

With STAY & EXPAND as a watchword, we develop community-based businesses in 25 countries and regions. We aim for overseas sales of ¥1 trillion and operating income of ¥100 billion as Japan's first company to operate in the housing and construction sector.

### Progress

#### Single-Family Houses Business in the United States

- Fiscal 2023 surpassed fiscal 2022 results for orders and no. of units delivered
- Strengthened our foundation for growth through the aggressive acquisition of land and M&A (housing business acquisition)

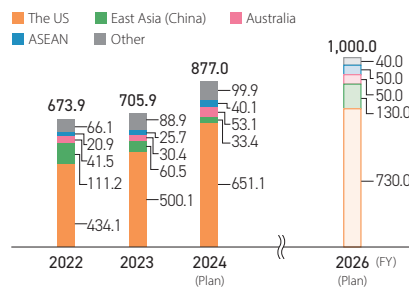
Single-Family Houses Business in the United States ▶ P.47

#### Europe and Oceania

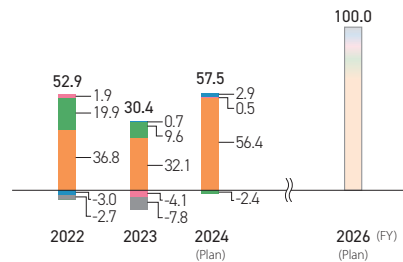
- Began development of condominiums in the U.K. and high-rise rental housing in Australia

Overseas business initiatives ▶ P.61

Sales (¥ billion)



Operating income (¥ billion)



Note: Exchange rate (US\$/JPY): FY2022: ¥132.70; FY2023: ¥141.83; FY2024 (plan): ¥148.00

## Key theme Expand a circular value chain from the perspective of local communities/customers

In Japan, through a circular value chain, a business model that increases the value of infrastructure for living on an ongoing basis, we will contribute to developing and revitalizing local communities by expanding development that gives residents the JOYS OF LIFE from three perspectives: developing next generation infrastructure and creating jobs, redeveloping and raising the value of aged facilities, and promoting complex redevelopment centering on regional mid-tier cities. This is positioned as a long-term investment also leading to further development beyond the Eighth Medium-Term Management Plan and stable growth in stock businesses.

Real estate investment ▶ P.58

### Investments and visions

Real estate development investment results in FY2022-2023 (cumulative) : ¥659.4 billion  
5-year plan for real estate development: ¥2.2 trillion



Data center



Logistics facility



Urban redevelopment

## Key theme Realize carbon neutrality by making all buildings carbon-free

We continue efforts to reduce CO<sub>2</sub> emissions in each of the stages of business activities, the usage of buildings sold, and supply chains. Our aim is to establish a global system where the more buildings the Group builds, the more renewable energy is generated. This will accelerate decarbonization of a society and contribute to the realization of carbon neutrality.

Overall picture of environmental strategy and main KPIs ▶ P.64

# Management policy 2: Optimize management efficiency

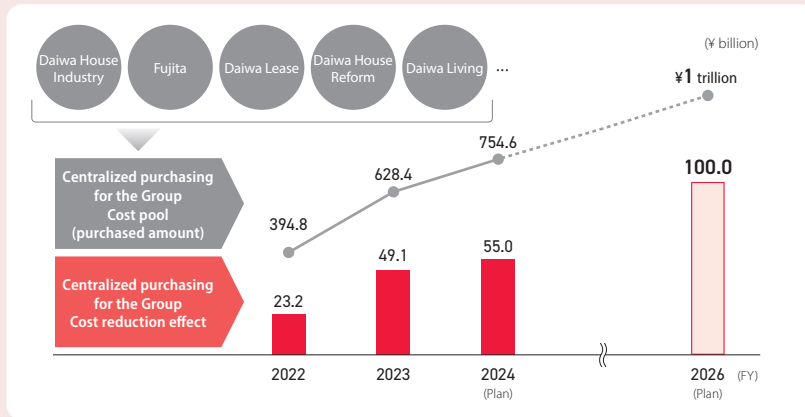
We will actively invest in growing fields and pursue growth of profits coexisting with capital efficiency toward maximizing corporate value by completing a sustainable growth model.

**Key theme** **Strengthen cost competitiveness and build a system for stable supply**

The Daiwa House Group consolidates and integrates the functions of its purchasing organizations and business processes and systems, and reforms the entire purchasing workflow, in order to achieve cost competitiveness fully leveraging the industry-leading economies of scale. We reinforce in-house production systems and build a more robust system for stable supply.

### Centralized purchasing for the Group

The cumulative effect of the reduction from fiscal 2022 to fiscal 2023 is approximately ¥72.3 billion. We aim to reduce costs by ¥100 billion in fiscal 2026 by expanding the total cost pool amount through Group-wide centralized purchasing.



**Key theme** **Achieve growth of profits coexisting with capital efficiency through portfolio optimization**

To optimize business portfolios, we are prioritizing investments into large-scale developments and growth markets in the Logistics, Business and Corporate Facilities as well as inbound tourism demand and the Livness business in the Commercial Facilities. In terms of Single-Family Houses, in addition to focused investments overseas, mainly the US, we are now beginning to fundamentally address structural reform within Japan. Rental Housing and Environment and Energy will bolster our ability to generate cash, and businesses of concern with regard to future growth potential and capital efficiency are positioned as reconstruction businesses subject to restructuring or reorganization. In addition, as we accumulate investment real estate, we are working to enhance asset management and reduce inefficient assets.

Policy on cross-shareholdings ▶ P.91

Implementing portfolio management

**Quickly addressing reconstruction businesses**

Improving profitability with reform in structure of Condominiums Business/ Commencing reform of Single-Family Houses Business in Japan

In July 2023 we transferred the resort hotel business, and in February 2024, executed a partial share transfer of Cosmos Initia.

**Proactive investment in growing sectors and future growing sectors**

Promoting next-generation infrastructure, overseas business, and renewable energy investment/ Investing in new businesses

In March 2024, the corporate venture capital fund "Daiwa House Group FUTURE FUND," established by the Company and Daiwa House Ventures Co., Ltd., commenced full-fledged operations. Securing the maximum investment amount of ¥30 billion, long-term investment will be executed until 2055.

**Creating new businesses/ improving profitability of capital**



# Management policy 3: Strengthen management base

In order to strengthen our management base, which supports development of our businesses, we tackle the key themes of digital transformation, increasing the value of our human capital, and enhancing governance. This will lead to the generation of future cash flows.

## Key theme Increase the value of our human capital

Our human capital strategy promotes human resource development and organizational capacity enhancement to advance growth and diversity of individuals. With the employee motivation rate as a key performance indicator (KPI), we will maximize motivation of entire workforce and strive to further increase the value of our human capital.

 Human Resources Base ▶ P.73



Training at MIRAI KACHI KYOSO Center (Kotokurie)

### Daiwa House Group FUTURE100

From June 2024, we are investing up to ¥30 billion as one part of investments into human capital, and beginning operation of Daiwa Future100, our in-house entrepreneur program

## Key theme Enhance governance

To further enhance the governance system restructured under the 6th Plan, we established a strategic governance system primarily designed to underpin our overseas growth and real estate development, thereby supporting corporate sustainable growth.

 Management Structure ▶ P.84

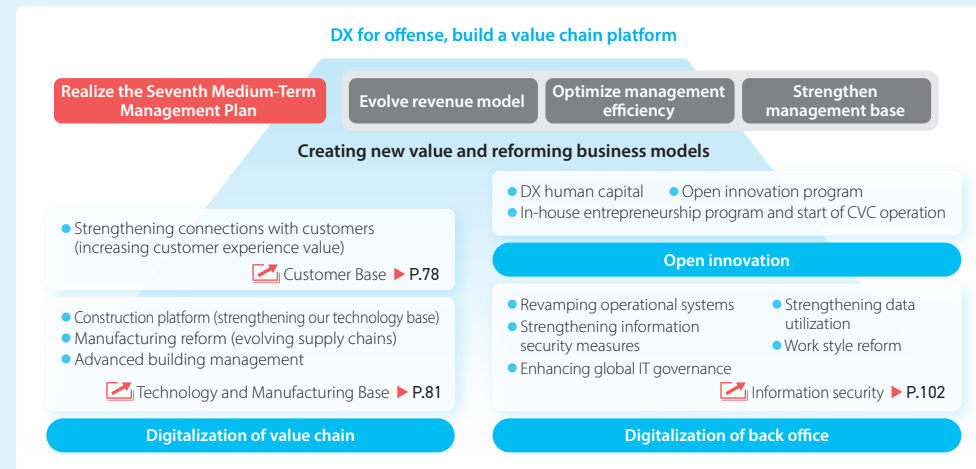
## Key theme Digital transformation

Digital transformation (DX) is positioned as a backbone of all management policies. Based on this concept, we digitalize our value chain and back office and catalyze open innovation to foster new value creation businesses and reform business models. Specific initiatives include strengthening our technology base, evolving supply chains, and increasing customer experience value. To promote these initiatives, we are also working to build a data integration platform, further evolve DX in construction, and resolve industry-wide issues through industrialization of construction powered by DX. In fiscal 2022, we launched a company-wide DX task force and in collaboration with each business division, began DX promotion directly linked to employees' work sites.

DX can lead to improvement in employee motivation,

comfort, and well-being, and ultimately, to corporate value enhancement. DX promotion is therefore one of our priority strategies to innovate the future. To increase the value of our human capital, we actively utilize DX literacy programs and produce DX human capital who are capable of creating new value by connecting people and technologies. Our intention is to foster innovation through co-creation with an open mind, and drive DX for the entire industry.

Under the 7th Plan, we accelerate industrialization of construction with DX, build a next-generation supply chain that realizes labor-saving at worksites, shorter construction period and lower costs, and support sustainable growth of the industry as a whole.



▶ For details, please see DX Annual Report 2024 to be issued at the end of October 2024.