



Daiwa House®
Group

State of progress under 6th Medium-Term Management Plan

November 11, 2019

Achieved record highs for net sales, operating income, ordinary income and net income

(¥ billion)	FY2018 2Q	FY2019 2Q	YOY	
			Amounts	Ratio
Net sales	1,983.3	2,179.3	196.0	9.9%
Operating income	189.5	209.3	19.7	10.4%
Ordinary income	191.7	207.9	16.1	8.4%
Net income attributable of owners of the parent	131.4	147.3	15.9	12.1%
Earnings per share	¥197.70	¥222.02	¥24.32	12.3%

Commercial Facilities and Logistics, Business and Corporate Facilities continue showing firm trend

(¥ billion)

	Net sales				
	FY2018 2Q	for overseas	FY2019 2Q	for overseas	Ratio
Single-Family Houses	236.0	47.3	239.6	58.7	1.5%
Rental Housing	525.7	10.2	503.2	9.7	-4.3%
Condominiums	127.9	6.9	163.7	10.0	28.0%
Existing Homes	63.4	-	78.8	-	24.2%
Commercial Facilities	354.6	1.4	384.9	0.9	8.5%
Logistics, Business & Corporate Facilities	504.0	47.8	609.5	40.6	20.9%
Other	235.2	1.4	264.5	1.6	12.4%
Total	1,983.3	115.3	2,179.3	121.8	9.9%

	Operating income				
	FY2018 2Q	for overseas	FY2019 2Q	for overseas	Ratio
Single-Family Houses	13.0	2.1	10.4	1.1	-20.1%
Rental Housing	55.4	0.7	51.7	0.8	-6.7%
Condominiums	4.6	1.8	7.3	1.3	58.6%
Existing Homes	5.9	-	11.7	-	97.4%
Commercial Facilities	69.3	0.1	71.5	-0	3.2%
Logistics, Business & Corporate Facilities	56.9	-1.6	68.2	-9.1	19.7%
Other	8.4	0	12.9	-0.1	54.2%
Total	189.5	3.1	209.3	-5.9	10.4%

The xevo Σ PREMIUM won Good Design Award
Sales of joint-investment type real estate project show firm trend

Won Good Design Award Development



xevo Σ PREMIUM, our top-of-the-line home model in terms of performance



GOOD DESIGN AWARD
2019年度受賞



V1 window frames give the home a spacious feeling

Joint-investment type real estate project



Selesage Omotesando

Development of large-scale multipurpose projects, leveraging wide variety of resources

**The Daiwa Roynet Hotel Hiroshima-Ekimae,
a hotel combined with office space**



Large commercial complex GRANODE Hiroshima

**A multipurpose facility
including a hotel and a gym**



D Tower Toyosu

Construction has begun on the DPL Nagareyama IV which boasts the largest floorspace of any logistics center undertaken by Daiwa House
Balance of investment real estate—
a major revenue source going forward—is on the increase

Large logistics facility combined with childcare facility



DPL Nagareyama IV, multi-tenant type logistics facility

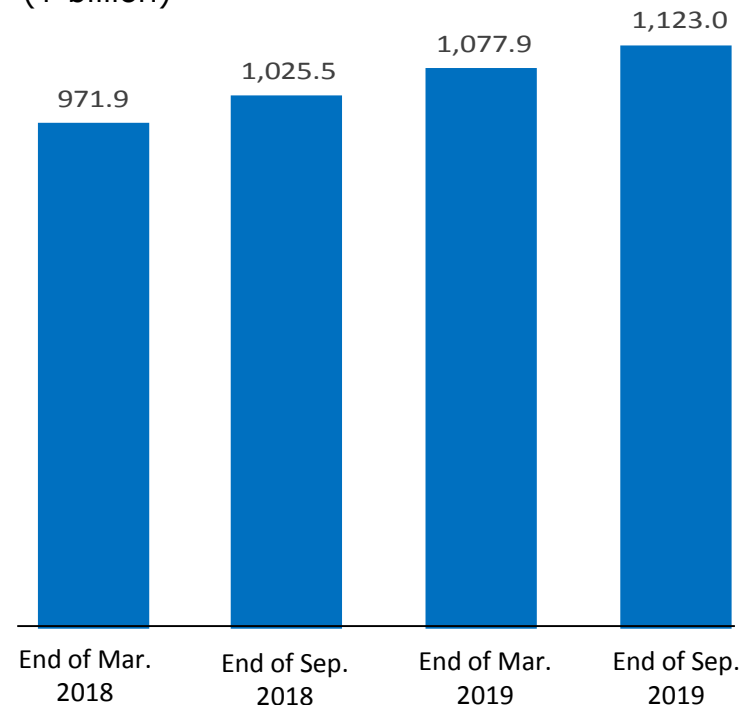
Sales of development properties



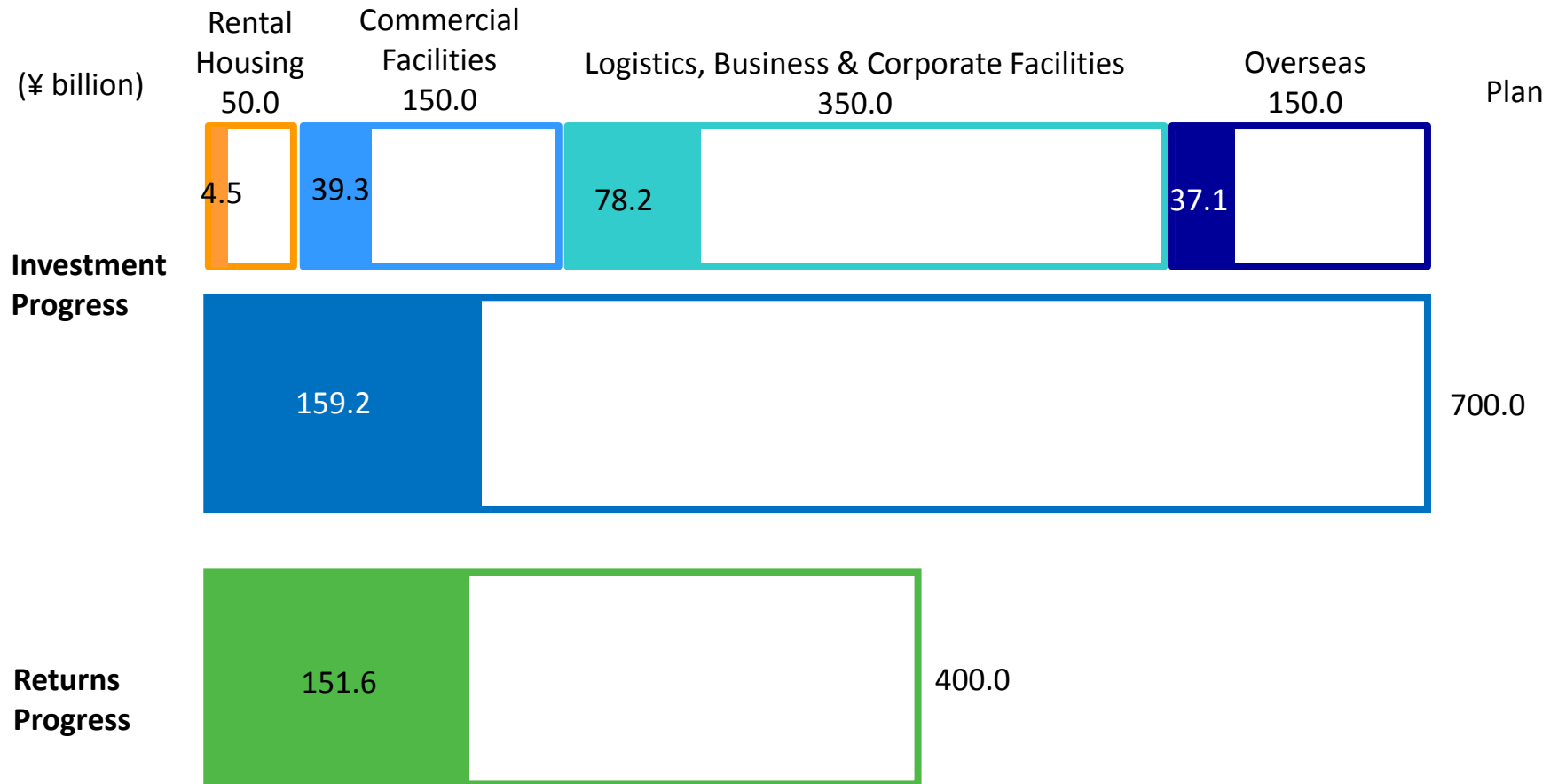
Kansai Gateway, general logistics terminal

Transition of investment real estate balance

(¥ billion)



Investment into and returns from real estate trending steadily, in line with our projections



Stanley-Martin Communities posting
steady business performance growth in the US
Serviced apartments in Vietnam also doing good business

Stanley-Martin Communities growing steadily



Stanley-Martin's single-family houses (subdivision)

Serviced apartments business in Vietnam



Roygent Parks Hanoi

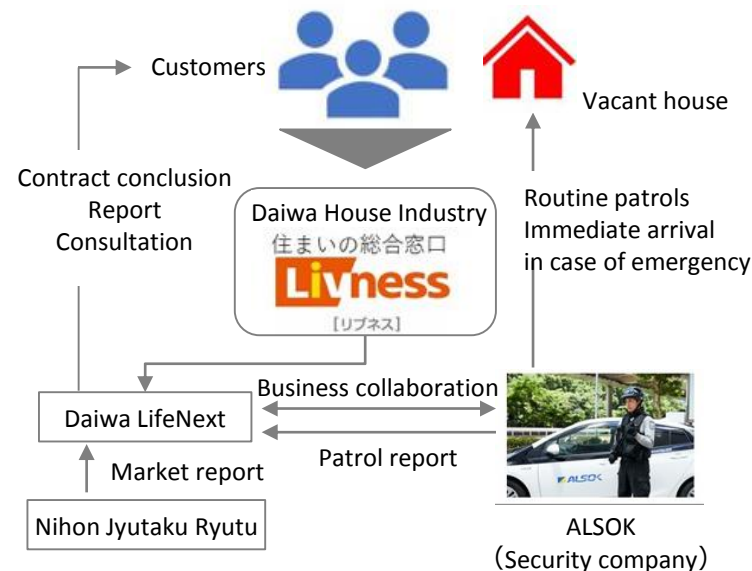
Started an entire condominium renovation and launched Vacant Home Management Service The Livness Town Project gets fully underway

An entire condominium renovation



Livness More Ibaraki

Vacant Home Management Service



The Livness Town Project

Community center opened
in Kamigo Neopolis

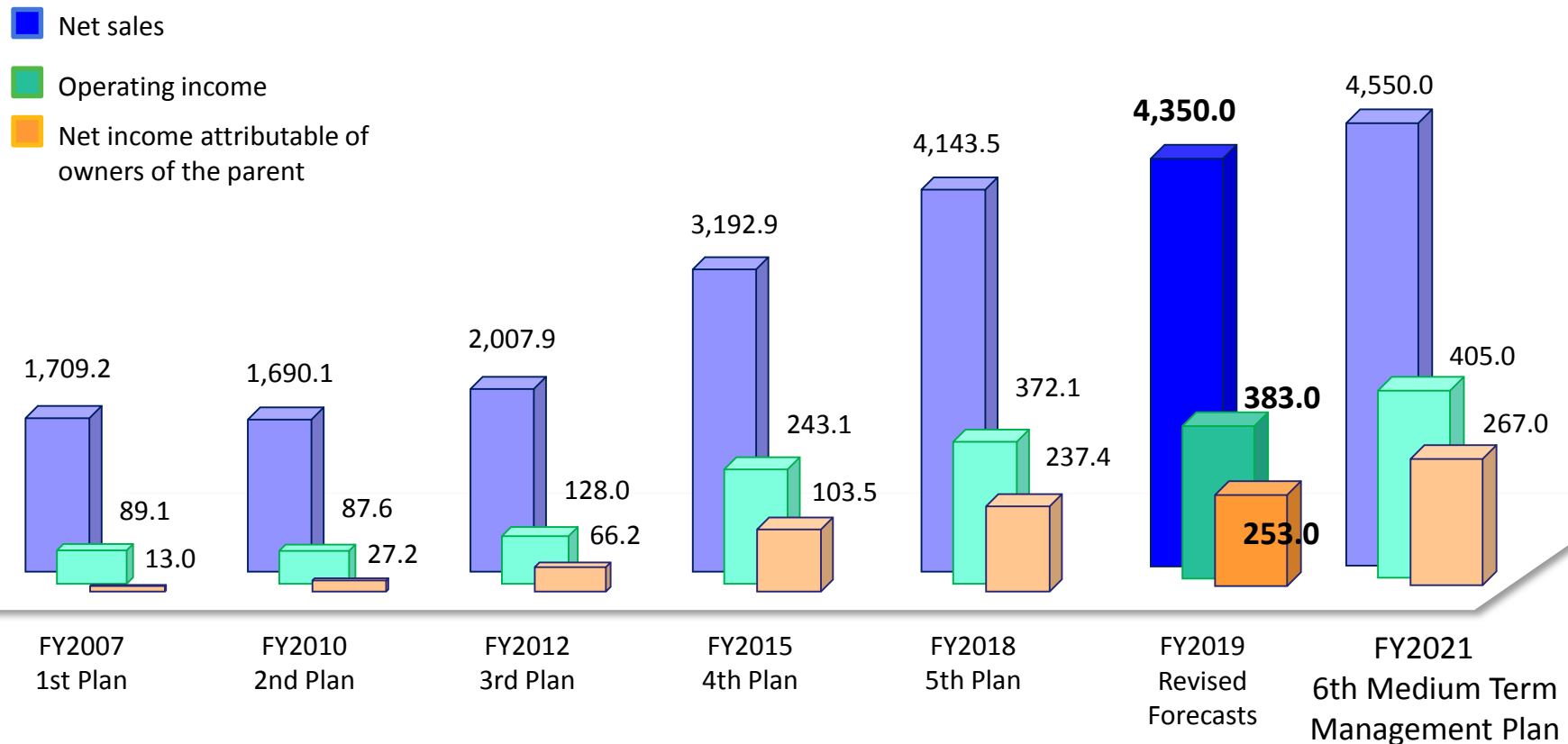


Noshichiri Terrace

- ✓ Fostering a multi-generational community
- ✓ Operation of facilities allows creation of services
- ✓ Providing employment opportunities for seniors and couples with kids

Upward revision of net sales, operating income and net income forecasts for FY2019 full year

(¥ billion)





Daiwa House®
Group

Daiwa House Group Governance Enhancement Measures

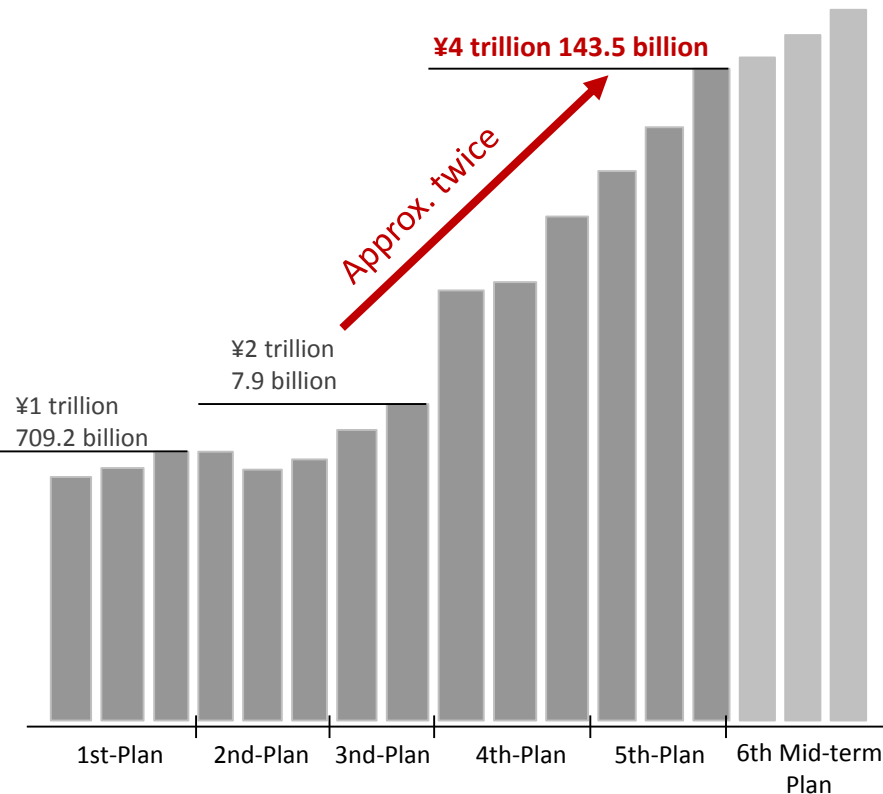
November 11, 2019

Daiwa House

Continued steady growth while expanding business scale
Now is the time to review our management structure to ensure future growth

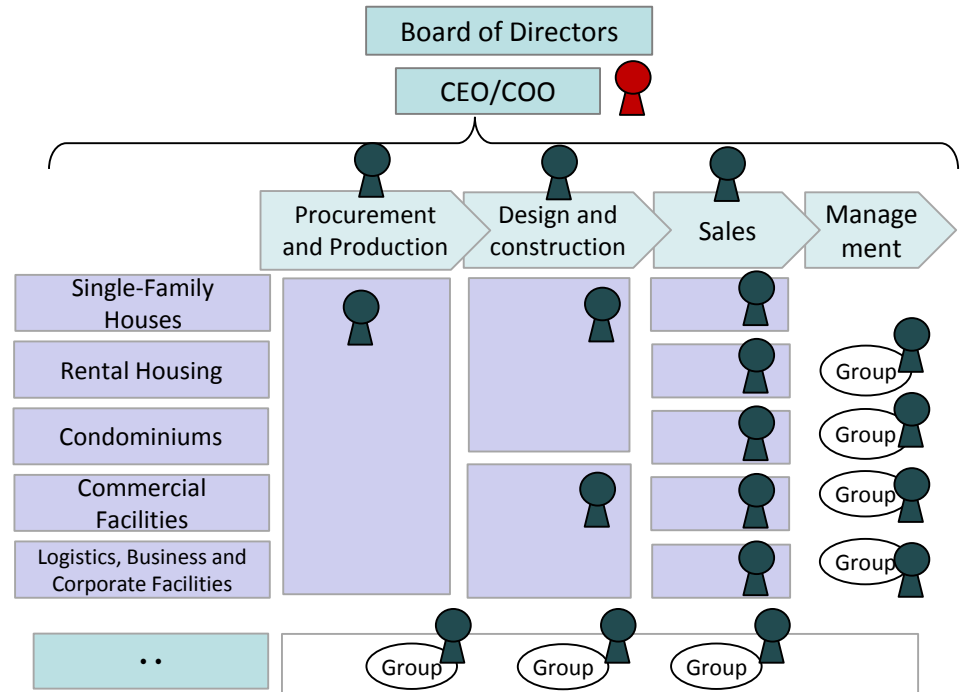
Transitions in net sales

- Net sales **doubled** since the start of the 4th Medium-Term Management Plan
- With business scope expansion, **each business organization has grown and the number of Group companies has increased**



Present Management Structure

- Sales, technology and manufacturing platform are managed by each **business/function matrix**. Group companies **focus on autonomous management**.
- Top-down structure** requiring management to make decisions on a case-by-case basis for general supply chain issues and issues common to multiple business segments



Group : Group Companies

Enhance governance with the following policies to further Group growth

Basic Policy

1. Review management structure and state of management and supervision

2. Enhance agile business execution and risk response structure

3. Strengthen risk information gathering and sharing

4. Strengthen environment for supporting sustainability and implementation

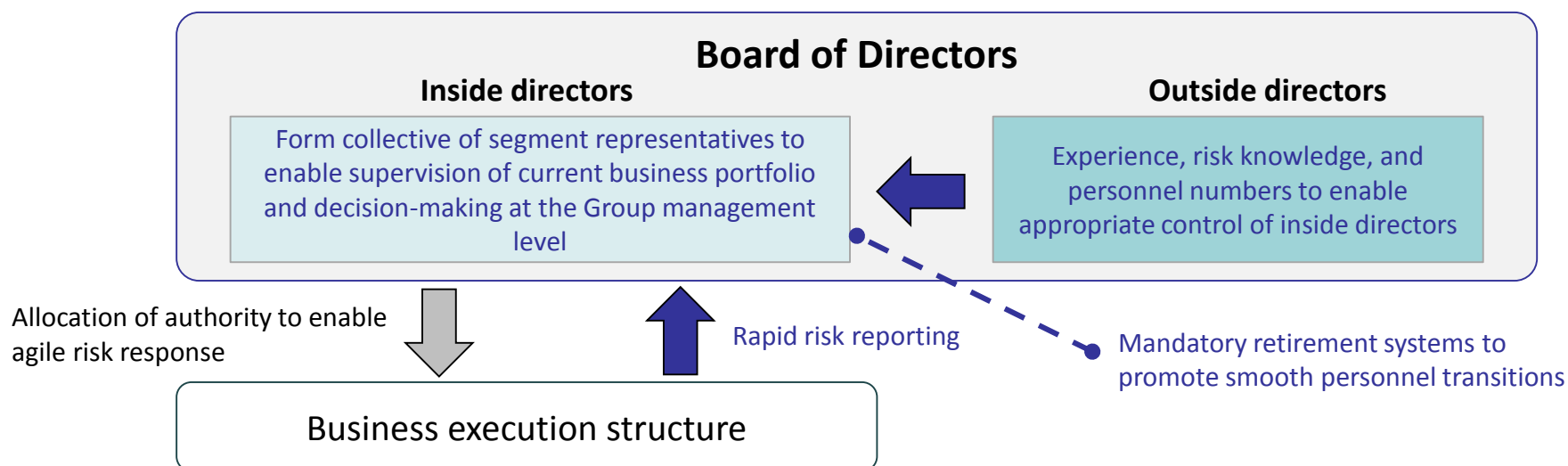
Main themes

- ✓ Governance by Board of Directors, strengthen risk management
- ✓ Smooth leadership transitions for management personnel
- ✓ Establish autonomous business management structures for each business unit
- ✓ Senior leadership focuses on management of overall Group portfolio and growth strategy
- ✓ Clarify risk reporting standards
- ✓ Expand routes for obtaining risk information
- ✓ Reorganize incident response management flow
- ✓ Enhance efficient work platform
- ✓ Increase risk awareness among human resources

Continuously change management structure to account for future diversification of business portfolio and risk response

Response guidelines

- **Continuously review management structure** to account for future diversification of business portfolio and risk response
 - Increase outside directors** to strengthen risk management and enhance governance of internal directors
 - Nominate director candidates with overseas work experience**
- **Establish upper age limits on inside directors** to enable smooth transitions in management personnel
 - In principle, **up to age 69 for representative director** and **up to age 67 for directors**
- **Restructure standards for risk reporting to Board of Directors**



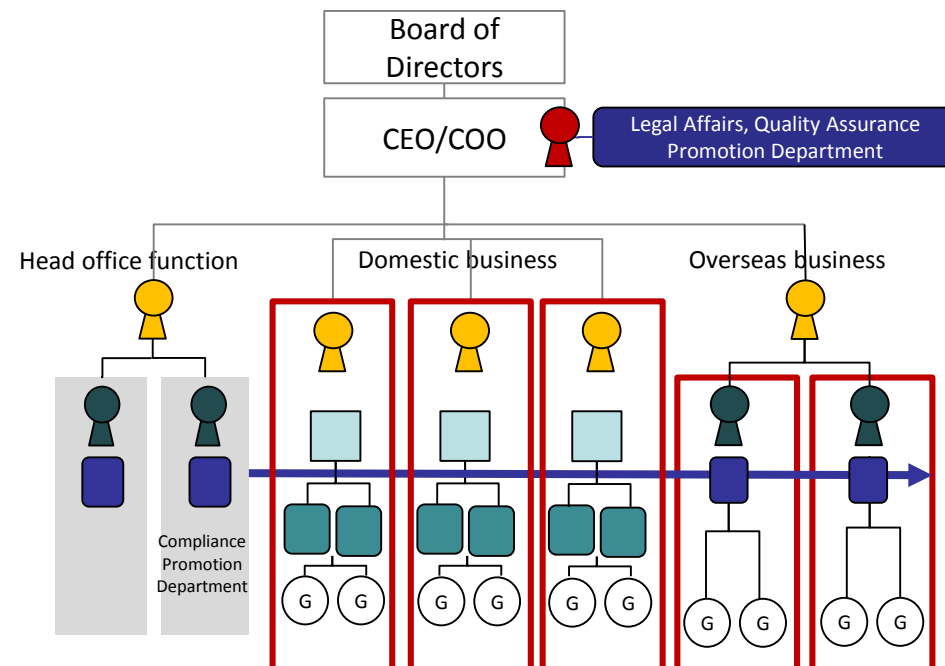
Restructure business execution structure based on business and region-specific traits

Response guidelines

- Change to structure that makes business supervisors **directly responsible for overall business performance and risk management**
- **Establish promotion department** to promote appropriate operational risk and compliance response and to develop business environment
- **Optimize risk response structure by consolidating organizations and functions** for overlapped Group businesses

Enhancement measures

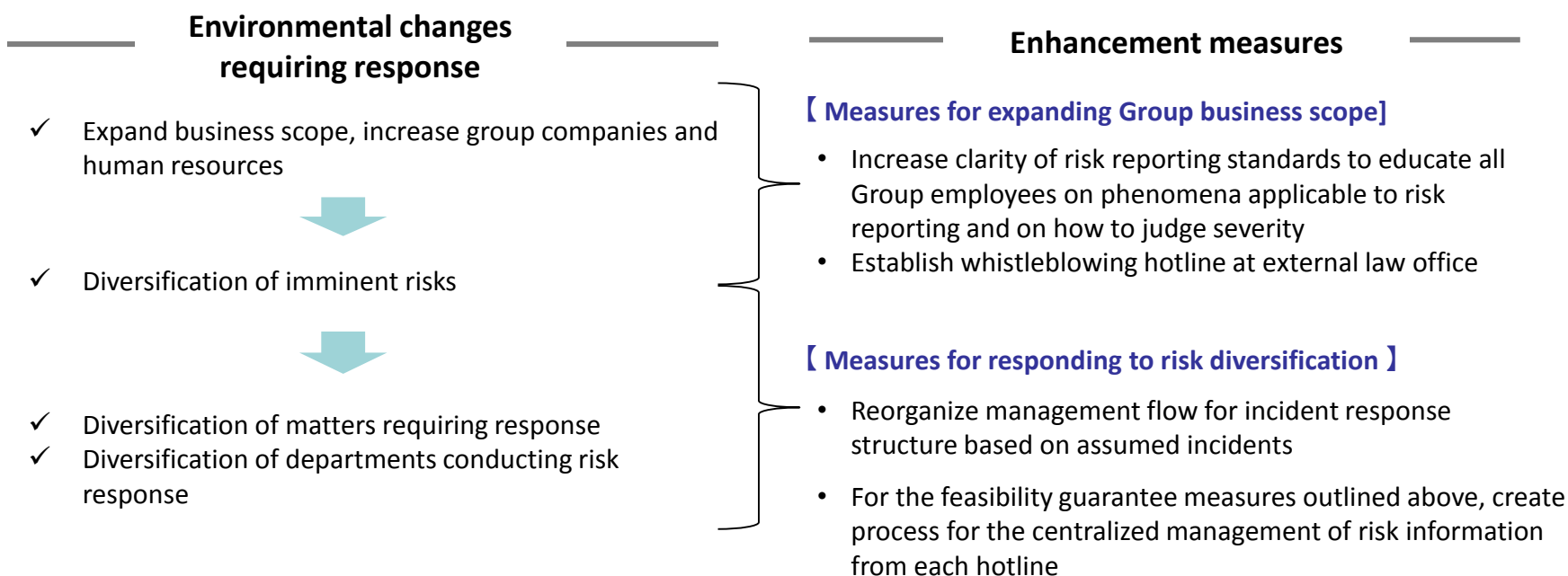
- Redefine management units for conducting comprehensive performance and risk management (segments for domestic businesses, main regions for overseas businesses)
- Assign business supervisors for each management unit and manage overall supply chain performance and risks based on business and region-specific traits
- Organize operating structure for allocating authority to business supervisors
- Establish new promotion department to support local worksites and enhance governance of business supervisors
(Legal Affairs, Quality Assurance Promotion Department, Compliance Promotion Department, overseas region corporate functions)
- Optimize organizations and functions of overlapped Group businesses to enable accurate and efficient risk response



Reorganize information management and incident response structure to respond to the diversification of risk phenomena

Response guidelines

- Further clarify **risk reporting standards and permeate throughout the entire Group**
- **Establish new external whistleblowing hotline** to expand routes for obtaining risk information
- **Reorganize incident response management flow**



3-4. Strengthen environment for supporting continuity and implementation

Improve work environment and invest aggressively in human resource development to strengthen implementation platform for risk management and compliance

Response guidelines

- Use digital transformation to enhance workflow system
- Long-term perspective on human resource development to promote sustained risk awareness and compliance activities

Enhance efficient work platform

- Adopt BIM system to optimize legal compliance check
- Promote fully mobile workflow and establish telecommuting environment
- Improve building traceability
- Incorporate data analysis methods for internal audits

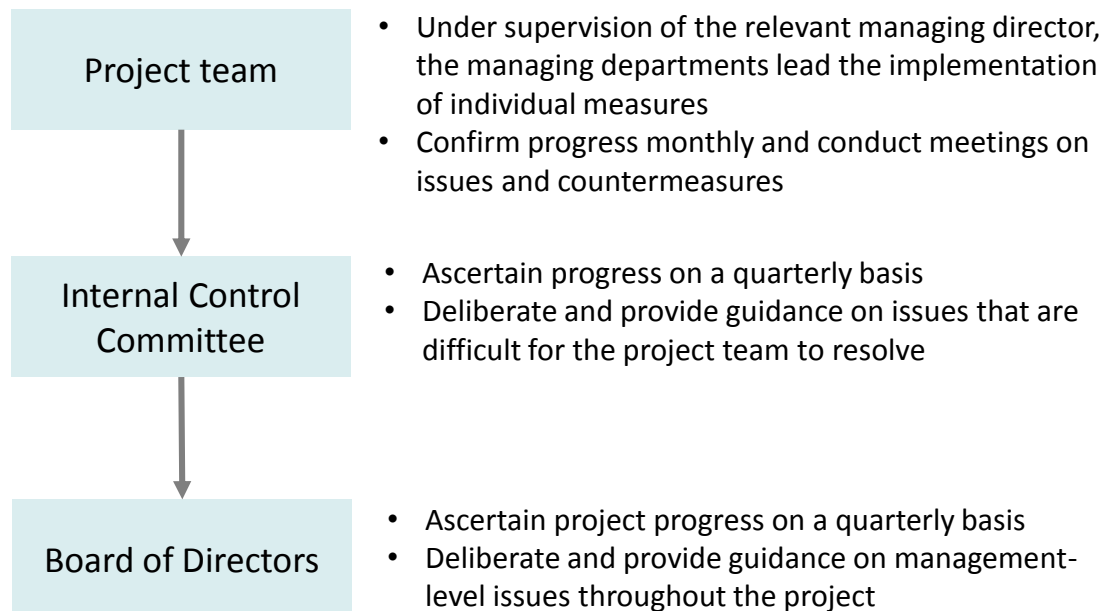
Increase risk awareness among human resources

- Review performance evaluations and HR system to strengthen motivation for appropriate compliance activities
- Enhance education environment, including establishing a new training center
- Enhance and continue risk and compliance training for directors and employees

Continue to promote governance enhancement project and continue optimization initiatives

Response guidelines

- Provide quarterly reports to the Internal Control Committee and the Board of Directors on the state of the enhancement project and ensure implementation with supervision and support from senior management.
- **Continuously update governance structure based on growth process**



Matters for reporting

- (1) Status of improvement measures
 - Implementation status
 - Status of achievement of periodic goals
 - Internal evaluation results
 - Permeation level
 - New issues and problem response measures
- (2) Status of risks phenomena related to each measure
- (3) **Third-party recommendations by an external consultant concerning project progress** etc.



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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