Chapter 6 Strengthening our Bases

Dialogue Institutional investor × Officer in charge of human resources and sustainability

Sustainability as the starting line for growth strategy: Enhancing corporate value by creating both social and economic value

We spoke with Mr. Yasushi Arakawa, ESG Analyst in Research & Engagement at Asset Management One Co., Ltd., about how delivering both social and economic value can drive further growth and value creation.



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Sustainability as growth strategy in EGP2029 and ESP2029

Arakawa: The Daiwa House Group positions sustainability management as the foundation of its growth strategy. To deliver both social and economic value and achieve further growth and value creation, you have formulated the Endless Green Program 2029 (EGP2029) for environmental action and the Endless Social Program 2029 (ESP2029) for social action. What are their key points?

Noumura: The pursuit of financial value and the maximization of non-financial value are the two drivers of our corporate management. We see our sustainability initiatives not as mere costs but as key investments that create corporate value over the medium to long term. Based on this approach, we formulated EGP2029 and ESP2029 and manage them in an integrated manner, aligned with our management strategy. Sustainability initiatives strengthen our business foundations, reduce risk, and build stakeholder trust: they are essential to growing corporate value. In EGP2029 (fiscal 2026–2029), we have revisited our priority environmental themes. We split out "closed-loop resource sourcing and conservation of aquatic environments" into two renamed themes: "circular economy," which is also one of the Group's material issues, and "water circularity," an issue of growing global importance. This gives us four priority environmental themes: carbon neutrality, nature positive, circular economy, and water circularity. Meanwhile, ESP2029 sets out nine priority social themes. Today, people with diverse values and a spirit of initiative are driving new business value, so we place particular emphasis on three human capital themes: human resource development, motivation and working in comfort, and DE&I. The two programs are positioning us for future growth from both an environmental and a social perspective. Delivering social and economic value together is what sustainability management means to us.

Pursuing carbon neutrality across the entire value chain

Arakawa: With 2030 close at hand, you have expanded target scope to include overseas operations and reset your fiscal 2035 reduction target for greenhouse gas (GHG) emissions across the value chain. Please describe the Group's carbon neutrality strategy?

Noumura: Our target is to reduce GHG emissions across our value chain by 30% from fiscal 2020 levels by fiscal 2029, by 35% by fiscal 2035, and to achieve carbon neutrality by 2050. Most of our emissions arise during the use of the buildings we

sell. In both our housing and building fields, therefore, we aim in principle to install solar power generation systems on the roofs of all buildings by fiscal 2030 and to achieve a ZEH(-M) and ZEB rate of 100%. We believe it is important to create a framework in which the more buildings we supply, the more widely renewable energy is adopted throughout society. Under EGP2029, for single-family housing, rental housing, and condominiums in Japan, we will promote the GX ZEH(-M) series, which offers higher environmental performance than the current ZEH standard. We will also help reduce environmental impact with enhanced insulation, high-efficiency equipment, and the use of renewable energy such as solar power. For existing buildings, we have set the number of buildings renovated to ZEH-equivalent performance as a KPI, and we will raise the environmental performance of our entire building stock through insulation and energy-saving renovation. As natural disasters grow more severe and frequent, these initiatives will not only reduce environmental impact, but also help ensure the safety and security of our customers.

Arakawa: What steps will you take to reduce GHG emissions from overseas operations, now covered for the first time?

Noumura: Our overseas business passed ¥1 trillion in net sales in fiscal 2025 and now accounts for roughly one-fifth of the Group total. GHG emissions from overseas operations have risen with this growth, particularly as our single-family housing business in the United States has grown. EGP2029 therefore includes GHG emissions associated with products in our overseas operations. Because energy-efficiency regulations and market conditions differ from state to state in the U.S., we will set priorities and proceed in stages, taking into account the regulatory situation in each area and potential impact on emissions. We are focusing on steps like improving air-conditioning and water-heating efficiency, employing subsidies and similar support.

Arakawa: Reducing GHG emissions by using more low-carbon building materials will require the cooperation of suppliers. How have you fostered that sense of shared purpose?

Noumura: More than 20% of our Group's total value chain emissions originate at the procurement stage, so we have to work closely with suppliers. Our Group promotes the adoption of low-carbon building materials, such as steel frames produced in electric arc furnaces and concrete made with blast furnace cement. Under EGP2029, we have set GHG emission reductions achieved through the adoption of low-carbon building materials as a KPI, with a target of reducing emissions by 200,000 t-CO_2 by fiscal 2029.

With Livness at the core, leveraging resource circulation and existing building stock for growth

Arakawa: Today's stakeholders are concerned with the circular economy, so I was pleased to see the Daiwa House Group present its resource utilization cycle as its vision of a future circular society. How will growing your Livness business help build a circular economy?

Noumura: Building a circular economy means more than conserving resources. It means reducing environmental impact at every stage, from resource extraction to processing and transport, addressing climate change and conserving biodiversity. Reducing dependence on extracted resources also strengthens our ability to manage resource supply and geopolitical risks. Our Group's circular economy approach is "Create, Use, and Revitalize." At the core is our Livness business. By providing acquisition and sale, renovation, and related services, we aim to raise the real estate value of existing buildings and pass them on to the next generation. As interest in decarbonization and resource circulation grows, society is moving away from scrap-and-build toward the practice of using good things for a long time. Renovating an existing building requires fewer resource inputs than new construction and generates fewer GHG emissions. It can also improve environmental performance when we install solar power systems, insulation, and energy-saving measures. In a win-win, we reduce environmental impact and grow our business at the same time.

Arakawa: With the era of zero interest rates behind us, and with rising rates and soaring resource prices expected to push up the cost of new construction, investors have high expectations for the competitiveness of the Livness business. What market size do you anticipate, and how are customers responding?

Noumura: Soaring building material prices and rising interest rates mean the cost of purchasing a newly built home is likely to keep climbing. In that environment, we believe the value of the Livness business, which makes use of existing stock, will keep rising. Renovated properties can be acquired at lower cost than newly built homes, while offering

greater comfort and environmental performance thanks to insulation and equipment upgrades. They can also deliver economic benefits such as lower utility bills once customers move in. We are seeing growing interest from customers. Also, in 2024, we launched BIZ Livness for non-residential properties. Alongside housing, we have launched initiatives to make effective use of existing commercial facilities and business properties. For the Livness business as a whole, we see net sales of around ¥1 trillion in the 2030s.

Putting the right role first: A human capital strategy that supports business growth

Arakawa: To realize "Our Hopes for the Future," the Daiwa House Group's purpose, it is vital to build up your human capital by developing and securing the people needed to execute your medium- to long-term business strategy. Please speak to your human resource portfolio strategy in relation to business strategy, and the key points of ESP2029?



Noumura: A human resource portfolio is not simply a head-count plan. It begins with business strategy: we first clarify which businesses will create what kinds of value, and on what scale, and then we design the profile of the people needed to deliver it. What matters here is a shift in thinking—not "the right person in the right job," but "the right job, then the right person." We define the positions and roles the business requires, and we assign the best person to each. As our business domains and business models change in and outside Japan, the talent portfolio also has to be reviewed flexibly in step with business strategy. Global human talent is where we most need to build strength, going forward. Overseas operations have grown to account for around one-fifth of our Group's net sales, and M&A activity is also advancing. We must develop and secure people who can lead our business while understanding different corporate cultures, as well as those who can manage talent in diverse settings. Strengthening the people who create new businesses such as Livness, and those who lead specialist fields such as DX and sustainability, is another important theme. At the same time, we recognize that we must do more to make our talent requirements visible, achieve optimal deployment across the Group and across borders, and advance talent management. Going forward, we will use data to improve the quality of our human capital. In ESP2029, we have designated human resource development, motivation and working in comfort, and DE&I as our priority human capital themes. Creating an environment where people with diverse values and a spirit of initiative can bring their abilities to bear is, we believe, the foundation for sustainable growth.

Encouraging self-directed growth and developing global talent

Arakawa: More employees are mapping out their own careers and pursuing work where they can grow. How does Daiwa House approach human resource development and capability building?

Noumura: In developing people, it is not enough simply to put systems in place. What matters is how we encourage employees to grow on their own initiative and how we provide the opportunities to do so. A career is not something the company hands down; it is something each employee builds for themselves. At the same time, there are situations in which the company needs employees to take on particular roles in order to fulfill its business strategy. That is precisely why we believe it is important to align each employee's own intentions with the company's expectations, carefully and case by case, and to create an environment in which each person can take on challenges positively to grow. As part of this, in fiscal 2023 we launched a Global Trainee Program that gives employees practical experience at our overseas offices. In fiscal 2025, we sent eight Japanese employees in technical positions to overseas offices for training in local business practices, technologies, and management methods. With this program, we are developing global talent and deepening understanding of our overseas businesses. We also have a program that allows employees to gain experience at other

companies while retaining their employment with the Company. Bringing back knowledge gained outside the company and overseas and channeling it into creating new value contributes not only to individual growth but also corporate competitiveness. We will make the most of data on our people—including language skills, areas of expertise, overseas experience, and regional knowledge—for development and deployment. Refining the mechanisms that connect individual growth with business growth will be a key theme.

Developing the next generation of management talent

Arakawa: For optimal deployment across a diverse range of job types, including overseas, it is vital to have a talent management system and a mechanism for identifying key posts for business expansion. How is D-Succeed progressing, and what challenges do you face?

Noumura: We have worked for many years to develop next-generation management talent. Participants in Daiwa House Juku, one of our earliest initiatives, included our current Chairman and President, as well as me. We then introduced D-Succeed in fiscal 2020. Under this program, we clarify the requirements and skills called for in each key position and develop candidates systematically. A growing number of program participants have gone on to assume key positions, including as branch managers and presidents of Group companies. That said, we cannot claim that our human resource development has kept pace with the speed of our business growth. In overseas and new businesses in particular, we need to do more, and we are recruiting specialists and job-ready professionals from outside the company. A silo mentality also remains within individual business divisions, and optimal deployment across the Group and across businesses is a further challenge. What matters most in developing people is early selection, early development, and early appointment. Training alone does not develop people. People grow the most by taking on challenges early on and gaining experience in positions of responsibility. To develop people who can build new businesses and create value in the future, we will keep advancing D-Succeed and other systems.

Quantifying investment in people using human capital ROI

Arakawa: I have taken particular note of your disclosure of a human capital ROI that reflects financial returns. Could you tell us about the thinking behind this indicator and the challenges ahead?

Noumura: Demonstrating how investment in human capital translates into higher corporate value is an important management issue. We could speak to the significance of investing in our people qualitatively, but showing the effects of that investment quantitatively was difficult, so we introduced human capital ROI. Personnel expenses tend to be seen as a cost, but spending on better compensation, on human resource development and capability building, and on creating a comfortable working environment is also an investment that leads to higher corporate value in the future. We are expected to grasp the impact of that investment and to explain it clearly both inside and outside the company. Our Group in fact achieved a record profit in fiscal 2024. Over the same period, our investment in people also increased substantially, including compensation improvements of more than 10% on an annual income basis and increases in monthly pay. These initiatives were accompanied by higher fixed costs. During the same period, we achieved growth in both sales and profit. Human capital ROI alone cannot, of course, measure the results of our investment in people. Even so, we see it as a significant first step toward treating human capital as an investment and continually verifying the results. Going forward, we will examine its relationship with the enhancement of corporate value over the medium to long term and use what we learn to further refine our HR strategy. We will continue to pursue sustainability management, deliver social and economic value together, and work with all our stakeholders to build a sustainable future.

