

Daiwa House Group
Sustainability Report 2018



Daiwa House®
Group

Creating Dreams, Building Hearts

Everything started with this



Our founder, Nobuo Ishibashi (1921–2003)

**Don't do things because they will make a profit,
but because they will be of service to society.**

**“Don't start off from the thought: 'What can I do that will make a profit?'
A company is a public organ of society, and we must ask ourselves what kind of product –
or what kind of business – will be of use to the world around us and make people happy.”**

The above is what Nobuo Ishibashi, the founder of Daiwa House Industry,
often used to say to the Company's employees.

This is the concept from which the Daiwa House Group started.



Daiwa House® Group

The Daiwa House Group symbol—the Endless Heart—represents our vision of building endless emotional connections with each and every one of our customers, as well as the solidarity of the Daiwa House Group.

Creating Dreams, Building Hearts

As a Group that co-creates value for individuals, communities and people's lifestyles, we aim to think outside the box and always to create new value in each successive generation. We will continue to pass on the ideals on which the Company was founded, and work to help realize a sustainable society.

Editorial Policy

Purpose

Our founder, Nobuo Ishibashi, firmly believed in the idea of “contributing to society through business,” when he created the Daiwa House Group in 1955. Since then, for more than half a century, the Daiwa House Group has grown as a company that contributes to society through business. Our Group has responded to the needs of the society through multiple generations and, in 2005, in line with the celebration of the 50th anniversary, adopted “Endless Heart” as a symbol of the founding principle and managerial philosophy to realize our goal of a sustainable society where people can live with passion.

To realize management sustainability, our Group has divided the Sustainability Report 2018 (hereafter “this report”) by three purposes.

- ① **Accomplish accountability:** As a group that maintains the stance of Co-creating a Brighter Future, we will take accountability for contributions to society and the environment as well as reduction in environmental impacts through business.
- ② **Acquire appropriate third-party evaluations:** We will disclose information based on requests from stakeholders who are particularly interested in corporate ESG, including corporate assessment agencies, long-term investors, NGOs, and experts. We especially understand that ESG evaluation criteria of corporate assessment agencies are “a collection of the expectations and demands of a global society and stakeholders,” and are aiming to acquire appropriate evaluations.
- ③ **Utilization for improvements in management:** As part of the “external check” of the PDCA cycle of management, we plan to make improvements by implementing the points mentioned in the third-party ESG evaluations and dialogues based on this report. Furthermore, our company has created this report with the majority of departments responsible for ESG within our Group and also held interviews with 34 supervisors (stakeholders, Executive Officer in charge of the Environment, department managers, etc.) and sustainability representatives from each department (line supervisors etc. from 28 departments) are involved in creating this report (from February 2017 to June 2018). We give feedback about the results of the ESG evaluations to related parties in the company.

Page Layout, Included Content

- The items listed in the Contents of this report correspond with the priority issues from the Medium-term CSR plan that started in 2016.
- This fiscal year, to make the creation of our Group’s corporate value and society value even more distinct, we have included the story of value creation that is linked to Integrated Report. On top of that, to exemplify basic policies like our connection with stakeholders, our efforts for the environment, etc., we have included detailed messages from executive officers in charge.

【Managerial Philosophy and Overall Picture P001–029】

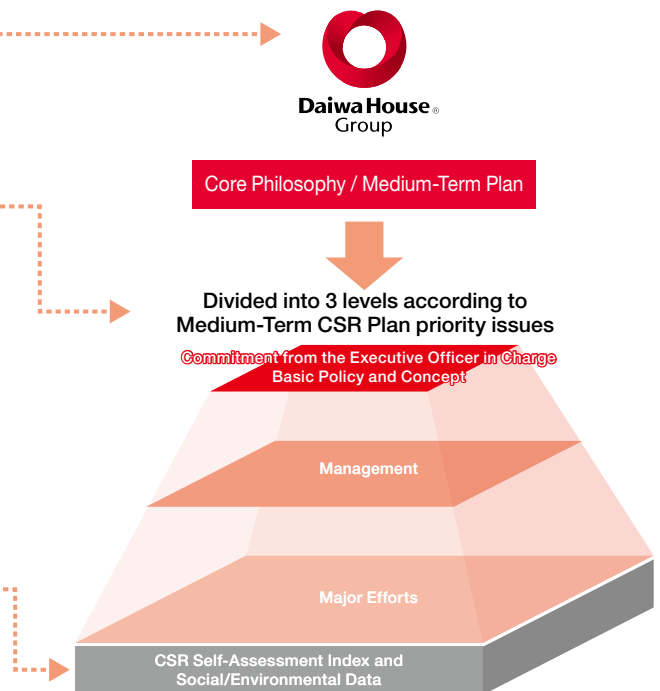
Through our founder’s spirit, the story of value creation, core philosophy and Medium-Term plan, we will explain the relationship between our Group’s business and ESG as well as the contributions to society and the environment.

【Implementation Report Pages P030–174】

- The creation of good relationships with stakeholders (customers, employees, business partners, local communities, shareholders) through business, contributions to the global environment and the supporting CSR management foundation are included.
- Messages from each executive officer in charge are included in the beginning. It is explained in detail that the creation of mutual trust relationships with each stakeholder and efforts for the environment are of particular importance for our Group’s management and the establishment of a sustainable society.
- In order to explain the management approach to priority issues, we have systematically organized “basic policy and concept,” “management” and “major efforts” for each priority issue.

【Data Section / Third-Party Assurance P175–220】

Along with the CSR Self-Assessment Index, which is the management index of the Medium-Term CSR Plan, data related to society and environment is also listed.



■ Reporting Media

The Sustainability Report is published in both Japanese and English.

■ Target Readers

The target readers include a wide range of stakeholders such as corporate assessment agencies, long-term investors, NGOs and experts as well as customers, business partners, employees, local communities (including NPOs) and the government.

■ Reporting Organizations

The report is centered on Daiwa House Industry and Daiwa House Group companies (281 consolidated subsidiaries, 3 non-consolidated subsidiaries, 28 equity-method affiliates and 4 non-equity-method affiliates as of March 31, 2018).

■ Report Period

The report mainly focuses on the 2017 fiscal year (April 1, 2017 to March 31, 2018) but activities before and after this fiscal period are included when necessary.

■ Referential Guidelines

GRI (Global Reporting Initiative) Sustainability Reporting Standards, International Organization for Standardization “ISO26000,” “Environmental Report Guidelines (2012 edition)” from the Japanese Ministry of the Environment, IIRC “International Integrated Reporting Framework.”

■ Issued July 2018 (next issue scheduled for July 2019)

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This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2018. The accuracy of the data regarding carbon dioxide (CO₂) contained in that report was certified by third parties and an accompanying check mark ● indicates all data subject to such certification. (See page 219 of the Japanese-language edition of the Sustainability Report 2018 for a third-party assurance report.)

Sustainable Growth Based on Our Founder's Spirit

Message from the Chairman

Carrying forward our founder's spirit is the cornerstone of lasting growth and essential to our mission working for the social good

Management based on six decision-making criteria that codify our founder's ideas

As one might expect, only a small percentage of companies in existence today have been in operation for over a century. The vast majority disappear long before they reach the 100-year mark. Why is that? The way I see it, top executives tend to become consumed by conceit when their business succeeds. They forget they are members of society, instead becoming self-centered and power hungry. This can happen no matter what size a company is. But the larger the company, the faster and greater its decline will be once its executives become bloated with self-importance.

Where does the Daiwa House Group stand in this regard? We have been in business for 63 years. Our late founder Nobuo Ishibashi passed on to the corporate group the goal of reaching ¥10 trillion in consolidated sales by our 100th anniversary while continuing to play a useful role in society through our business. Today we are working to achieve that dream, sharing the same values among executives and employees throughout the organization.

In his later years, as company advisor, Mr. Ishibashi would always say things like, "Employees have their families. Suppliers and subcontractors have theirs. As a corporate entity we have an obligation to sustain those people's livelihoods. The company is therefore a public institution." This loyalty to his employees and sense of responsibility to all stakeholders was part of Mr. Ishibashi's moral fiber, and it drew many people to him. That approach to life and business is what put the Daiwa House Group in the position we are in today, endowed with the trust of society.

When I became president in 2001, I codified Mr. Ishibashi's idea into six criteria for decision-making. The company's management would be based on deciding whether or not an action benefits: the company, our employees, our customers, our shareholders, and/or society; and whether or not it is a positive force for the future. A solid relationship with stakeholders is a sine qua non for any company. So is maintaining a long-term view to overcome day-to-day difficulties. I set the course for management of

the company based on this awareness. Daiwa House Industry has since become a signatory to the United Nations Global Compact, a demonstration of our commitment to sustainable development. I feel that the six criteria represent essentially the same values.

My focus was to consistently follow the business spirit of our founder. Mr. Ishibashi, who built the business from scratch, is the father of the company, and as an employee I felt like one of his children and it was quite natural for me to honor this relationship. My wish now is for the executives and employees who will be responsible for the corporate group going forward to build upon the founder's spirit. I remain convinced that as long as our executives honor the business spirit of the company's founder, they will not fall into the trap of self-aggrandizement, thereby placing the company in jeopardy.

| We must live up to our stature as a large company the more we grow

Daiwa House Industry Co., Ltd. alone employs about 17,000 people at present. The Daiwa House Group as a whole has about 64,000 employees —an organization of significant size. In fiscal 2017, our 79th fiscal term, we achieved good business results, and consolidated sales exceeded ¥3,700 billion. In the current fiscal year we will continue to push forward and try to reach ¥4,000 billion.

It is more important than ever, especially when things are going well, to heed the advice in the saying, “The boughs that bear most hang lowest,” and maintain a humble approach in our words and deeds within the bounds of society. The larger the company is, the greater the requirement that we live up to its stature. And we must not forget that the words and deeds of each and every employee can build or destroy the stature of the company.

A new president and COO of Daiwa House Industry took over in November 2017—Mr. Keiichi Yoshii. Mr. Yoshii is a person who sets an example worth following, in my opinion. He also belongs to that generation that learned directly from

the founder; as a business leader he practices modesty. Under his leadership, the Group will be able to carry on the founder's spirit, fulfill our duties as a public institution, and achieve sustainable growth. When you are working for the social good, it becomes natural to take care of matters properly. And when you do this on a regular basis, it builds trust in the character of the company, our stature.

| Solving environmental problems and addressing emerging social issues

I believe that creating businesses useful to the world will be fundamental to our business development in the future. In 2001, I initiated the concept of “Asu Fukaketsuno,” an initialism from the Japanese language for: safety (Anzen), speed & housing stock, social welfare (Fukushi), the environment (Kankyo), health (Kenko), ICT (Tsushin), and agriculture (Nogyo). These are fields that represent the primary issues facing humanity the world over; they are also relevant to the United Nation's Sustainability Development Goals (SDGs). When we create new businesses and contribute to society, we are doing so from the vantage point of working to resolve these issues.

Environmental efforts are particularly important at the global level. Our Group is accelerating efforts to achieve a “carbon-free society,” and continues to work toward net zero greenhouse gas (CO₂) emissions from both our own activities and related business endeavors. We are engaged in pilot projects to create energy self-sufficient houses and buildings and ZET (Net Zero Energy Towns).

The Daiwa House Saga Building was completed in February 2018, Japan's first energy self-sufficient office building made possible by using renewable energy. I attended the ceremony commemorating its completion in Saga Prefecture, Japan, and toured the power storage facilities inside the building. In addition to being an advanced initiative within the company, we believe that it holds great potential as a business for the future.

Sustainable Growth Based on Our Founder's Spirit

The Group also operates wind farms in the Sadamisaki Peninsula of Ehime Prefecture—an environmentally friendly project to raise the utilization rate of natural energy. We will be boosting the priority level of the electricity supply from renewable energy sources in the future for its ability to contribute to the prevention of global warming.

We also plan to actively create new businesses, not only in the area of the environment but also to resolve such social issues as labor shortages in an aging society. We have already introduced the use of robotic suits at construction sites, and would like to offer more products and services like these, which anticipate the needs of society. To reach the goal of ¥10 trillion in annual sales as a corporate group, it is essential that we cultivate employees who are willing to take on challenges. We can do this through collaboration with venture companies and through human resource development. What I would most like to see are ventures emerging from within the company to commercialize self-developed ideas. Currently, we have 317 group companies. I believe that we can expand to almost any size if we are able to create new products and services useful globally to society, in addition to our existing businesses.

I Cultivating personnel to sustain growth

In addition to creating new businesses, to achieve sustainable growth in the future the one thing we should focus on above all is personnel training. While the acquisition of knowledge, skills, and proficiencies is of course important, efforts to build character are equally indispensable. We are asking especially those in managerial or executive positions to nurture subordinates, placing an emphasis on communication.

In my youthful days on the job, I had a bitter experience that I later learned from. As manager of the Yamaguchi Branch, I was hot-blooded toward work and as a result my subordinates became afraid of me and I was left with no support. After six months on the job, I confessed my troubles to Mr. Ishibashi, who was visiting on inspection. He said just one thing: "For leaders, strong decision-making is crucial." I thought long and hard about the meaning behind his words, and decided to carry out one-on-one conversations with my subordinates.

Through these conversations, opening up to each other brought mutual understanding so that what I had to say could reach them directly, even if it was a tough thing to hear. By communicating, managers and employees become able to understand the intentions behind each other's words, and are able to build trust. With our organization as large as it is now, this effort is all the more important.

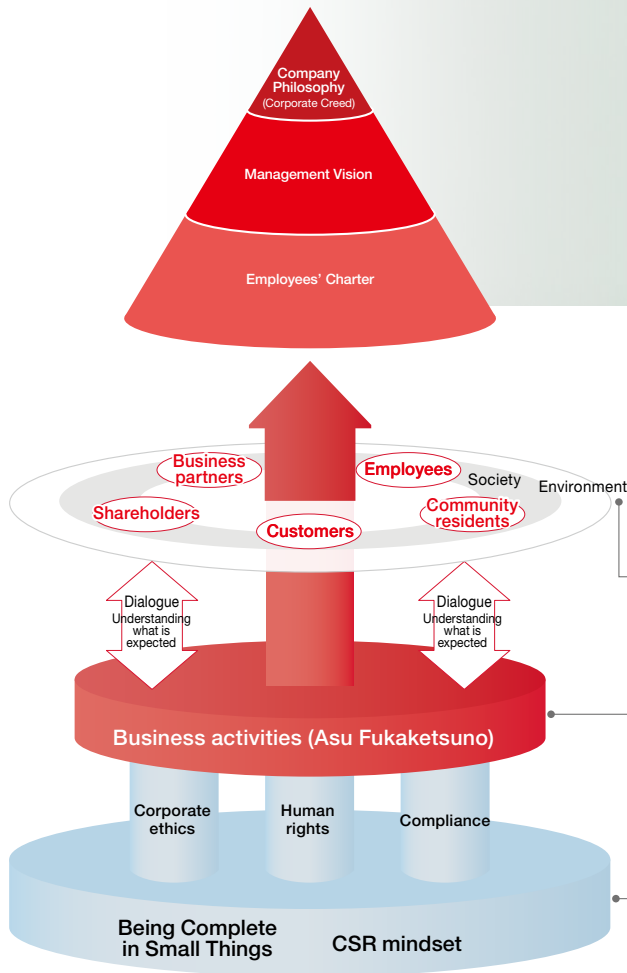
Finally, I believe in diversity and realize that everyone has their own strengths and abilities. Though, if you ask me what accounts for differences in performance, I would say it comes down to effort. And what drives effort is will. As our founder, Mr. Ishibashi, dreamed in postwar Japan, great ambition will lead to new business opportunities. I feel that



the mission of top management is to channel the ambition of employees into things that will make the world a better place.

I look forward to the continued understanding and support of our stakeholders regarding management of the Daiwa House Group.

Takeo Higuchi
Chairman and CEO



■ CSR Guidelines

01 Contributing to society through business

We contribute to society through our business by applying our proprietary technology and expertise.

02 Co-creating a brighter future with our stakeholders

We strive to understand requests submitted to our company through dialogue and through our relationships with our stakeholders. As a good corporate citizen, we do our best to respond.

03 Conduct of every single Group employee

We strive to adhere to corporate ethics, human rights, and regulatory compliance.

■ Our six criteria for decision-making

- Does it benefit our company?
- Does it benefit our employees?
- Does it benefit our customers?
- Does it benefit our shareholders?
- Does it benefit society?
- Does it contribute to our future?

Sustainable Growth Based on Our Founder's Spirit

Message from the President

Pulling together our resources as a Group to co-create value for individuals, communities, and people's lifestyles, we pursue business that addresses domestic and international social issues with comprehensive measures.

I Learning key principles for decision-making from the founder's "The Future of the Daiwa House Group"

My name is Keiichi Yoshii. I was appointed president and COO of Daiwa House Industry last November. I came up primarily through sales, and have been working since 2011 to develop our overseas business.

I have been involved in all kinds of decision-making, and the key principles that guided me came from a small booklet written by the company's founder, Nobuo Ishibashi, entitled "The Future of the Daiwa House Group." The booklet clearly transmitted Ishibashi's will. Ever since it was put in my hands upon joining the company, I would return to it from time to time and get moral support from his words. I learned a great many things from its pages about how to act as a leader—having an upbeat spirit, setting an example for others to follow, and taking a hands-on approach—the last of which was especially important for work on the front lines of sales.

No matter what the situation, going into the field or down to the floor to confirm matters with one's own eyes before making a decision has been a vital practice, not only for me, but for management throughout the company. A hands-on approach is useful whether the situation involves acquiring land for commercial use or involves internal issues related to engineering or administration. For example, our accounting department manager would go to the construction site to check on the progress of construction and confirm directly if the handover would be on time and if the sale could be put on the books as scheduled. Nothing is very special about this. Doing business well means to be thorough in taking care of what needs to be taken care of. An attentiveness to detail over the years is what has built our business and management foundation, and is one of our Group's strengths.

I 5th Medium-Term Management Plan revises our earnings forecast upwards again

As a Group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group has the



organizational capacity, problem-solving capabilities, and information resources to address social issues and generate new value by developing proposals that integrate upstream and downstream business processes, while including peripheral areas of our existing businesses. We have started to develop business that is closely tailored to each region, both domestically and around the world, including in North America, Oceania, and the ASEAN region, and we are striving to further expand that business.

The Group is now steadily implementing our 5th Medium-Term Management Plan. We have made such progress that we were able to achieve the final year's target profit in the second year of the plan, after revising the target upward last May.

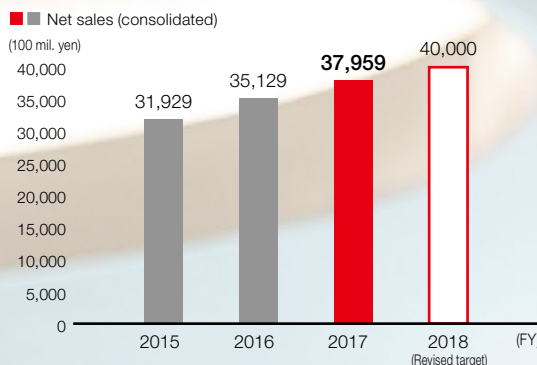
Regarding the results for the fiscal year ended March 31, 2018, consolidated sales rose 8.1% to ¥3,795.9 billion, led by three businesses—the growth driver of rental housing, coupled with commercial, business and corporate facilities. Ordinary income rose 14.7% to ¥344.5 billion, and net income attributable to the parent company's shareholders was ¥236.3 billion (up 17.2% from the previous year), with operating income of ¥347.1 billion (up 11.9%).

Regarding the projected results for the current fiscal year, we expect that the three growth businesses mentioned above will continue to perform well. We have revised our earnings forecast once more this fiscal year on the back of increased sales of development properties, an expansion of overseas business, and American and Australian companies joining the Group. Our forecast for the fiscal year ending March 2019 is anticipated consolidated sales of ¥4,000 billion, operating income of ¥354 billion and net income of ¥237.0 billion.

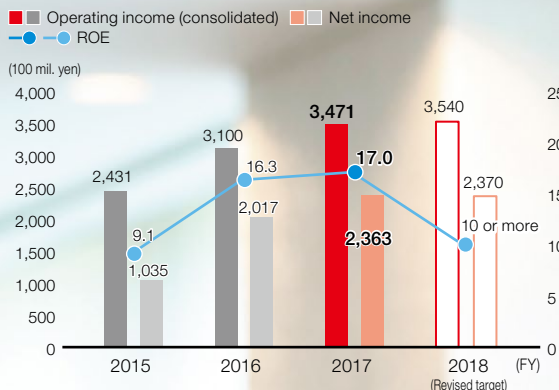
In addition to the 5th Medium-Term Business Plan, the Group is implementing a Medium-Term CSR Plan. We are managing progress on social and environmental efforts aimed at building trust with stakeholders through CSR Self-Assessment Indices. In fiscal 2017, we saw improvements in scores especially in the areas of employees, community residents, and the foundation of CSR management.

Looking ahead, we hope to achieve our final-year targets and further strengthen our management foundation as part of the Medium-Term CSR Plan.

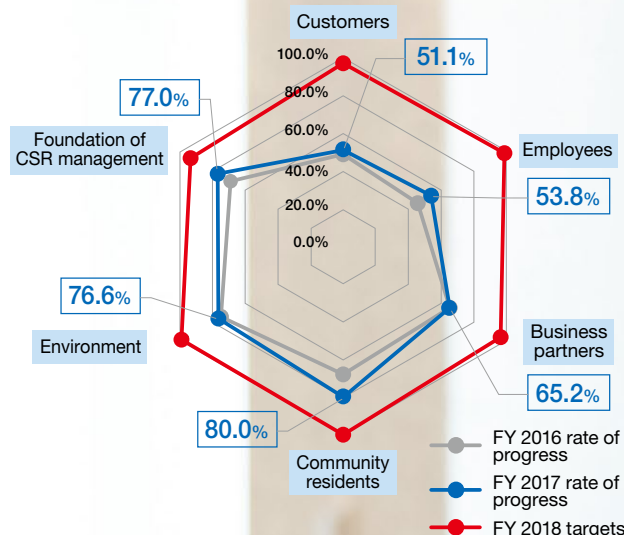
Net Sales (consolidated)



Operating Income, Net Income, ROE (consolidated)



CSR Self-Assessment Index



Sustainable Growth Based on Our Founder's Spirit

I Strengthening horizontal ties throughout the group, pursuing business, and solving social issues

The Group is pushing forward to achieve sales of ¥10 trillion on the 100th anniversary of its founding in 2055, a dream given to us by the founder. This goal holds great significance for the Group's future.

If you are merely on track to achieve your targets, you tend to get lulled into a type of management that is too caught up in short-term sales tactics. One might see the goal of consolidated sales of ¥10 trillion in 2055 (37 years away) as a bar set too high that will be difficult to reach, especially if you project the company in a straight line forward from where we are at today. That is why it is important to have a strategy based on long-term thinking. This involves looking ahead toward a new age and asking how will the world change, what kind of social issues will emerge, and what we should do as a corporate group to move in that direction. In order to build such a strategy, it is necessary to think creatively, see what pieces and functions are missing as a corporate group, and try to put the pieces together.

The top executives work with all managers and employees of the group to pursue sales together based on strengthened horizontal ties throughout the group. This allows us to respond to larger social issues. Currently as a Group, we are putting the puzzle together using a variety of business pieces—as a general contractor, housing manufacturer, and condominium developer, and through involvement in the development of commercial, business and corporate facilities, leasing, and hotels. Engagement in a wide range of business areas allows us to provide solutions ranging from the maintenance of social infrastructure (including railways) to construction of all types, as well as city planning, retailing, and services. We can make use of these strengths to help solve social problems facing people in their lives.

I Pursuing international business that is useful to the world

As a corporate group, we work to solve social problems both inside and outside Japan from every angle. We combine pieces to try to develop the right overseas businesses, ones that will dovetail with the needs and circumstances of each country and bring benefits to that country.

When I was put in charge of international business

operations in 2011, Chairman Higuchi made sure to remind me: “Do not start out with the intention of making a profit. Consider first the difficulties faced by local communities in each country.” Our overseas business initially was worth just over ¥10 billion; it has since grown to ¥200 billion. Although we plan to continue expanding in the future, we will not pursue sales blindly at all costs. Our stance will not change; we will continue being committed to resolving social issues.

Especially when considering issues on a global scale, it is essential to deal with environmental problems. Based on the Paris Accord adopted in 2015, as companies around the world boost their efforts toward bringing about a carbon-free society, in fiscal 2016 the Daiwa House Group formulated Challenge ZERO 2055, a long-term environmental vision with targets set for 2055, our company's centennial year. This initiative, which accords with global environmental management practices, will guide our efforts to achieve zero environmental impacts. In March 2018, we joined the EP 100 and RE 100 campaigns of the international non-profit, The Climate Group. We declared that: “We will double energy efficiency by 2040 and cover the electricity needs in our business activities entirely with renewable energy.” We will further accelerate efforts to attain these goals, taking the lead ourselves to bring about a carbon-free society, and utilize our environmental efforts to attract opportunities in Japan and overseas.

We will continue engaging with stakeholders in carrying out our business. Our “six criteria for decision-making” is a way to get the “all clear” go-ahead signal from our stakeholders. For example, as one of our work assessment indices, we have the directive to “fulfill 80% of orders scheduled for the month within the first five days of the month.” By implementing an accelerated sales process, proposals and construction quality can be improved, which will further increase customer satisfaction. It will improve our work environment and that of our suppliers' employees, help to cut costs, and so on.

Even in overseas operations, we will develop businesses while valuing employees, local partners, and other stakeholders.

I Building positive workplace environments for employees

To reach greater heights and contribute further to society, the most critical task we face is to develop human resources. The company is in its 64th year, so we have nearly 40 years to go before our 100th anniversary. It is management's responsibility

to prepare a roadmap that enables new employees to envision their own roles two or three decades down the road. I always tell employees, “half of a manager’s role is to cultivate those coming after us.” As stated in our corporate creed, we want every one of our employees to have opportunities to learn and grow when they are young. We aim to be a corporate group that provides such opportunities to be active in a number of fields.

Working in the field of business, individuals seek growth as well as achievements. We provide training at the managerial level as well, including a branch manager recruitment system that I went through and Daiwa House Juku. Last year we also introduced a geographical block system. So, our policy is to train and give people experience in managing wide areas, not just a single project or business area.

As I mentioned at the beginning, we are building an environment that allows all employees in the corporate group to engage in their work with a consistently positive state of mind as they go through various stages of life. There are things that can be done through company systems, especially for female employees and employees of overseas bases, to enable them to demonstrate their talents on the job. Promoting diversity becomes extremely important as well, especially with a declining population in Japan.

If you live a long life, you are likely to encounter setbacks from time to time. However, our Group offers people second chances—the opportunity to take on a different challenge if one hits an impasse in one’s job. The past cannot be changed, but the future can. We will continue to devote ourselves to operations in the current fiscal year, the final year of the medium-term plan, as a corporate group that will continue to serve the world with the kind of upbeat spirit we have cultivated throughout our history.

Keiichi Yoshii
President and COO

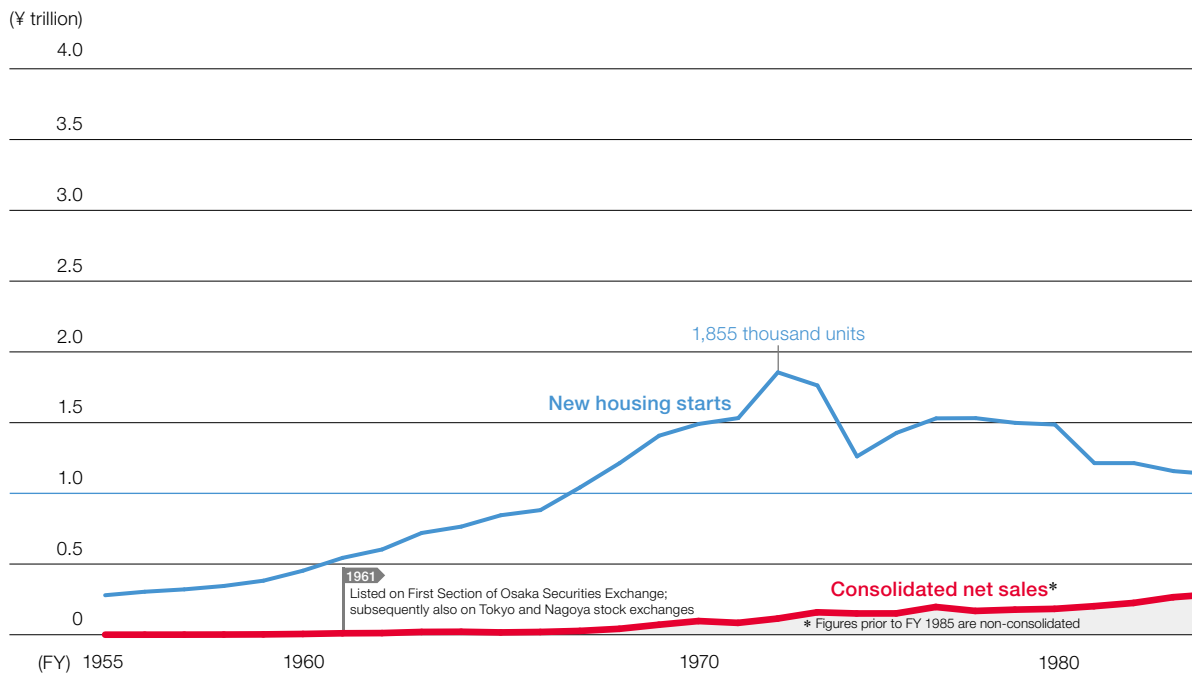
KEIICHI Yoshii



The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation ❶ The history of the Daiwa House Group

“Doing things because they will be of service to society” — this is our guiding motto, and with these words always in our minds, we have responded to changing social issues by launching a constant stream of new products and services onto the market.



Transition of sales

Evolution of field of operations

Social issues

Industrialization of construction → Supplier of prefabricated housing

Postwar housing and materials shortage

Solving the building materials shortage and creating a revolution in Japan's construction industry
1955— the Pipe House, our first product



Following a major typhoon that destroyed and damaged large numbers of wooden structures, Nobuo Ishibashi noticed how both bamboo and rice, which have hollow stems, were able to bend flexibly and gracefully despite the fury of the wind, without breaking. This gave him the idea of a steel-pipe structure, and the Pipe House pioneered the subsequent industrialization of construction in Japan, by which the country's building industry was revolutionized.

The starting point for the construction of the prefabricated houses needed to meet the housing shortage caused by the Baby Boom
1959— the Midget House



Nobuo Ishibashi realized that the average house was too small for the large families resulting from the Baby Boom, and he heard children complain that there was nowhere at home where they could study properly. In response, he conceived the Midget House, which could be erected in only three hours. This proved immensely popular, and laid the groundwork for today's prefabricated housing industry.

Solving the problem of buying one's own home through a tie-up with a private financial institution
1962— foreshadowing today's housing mortgage loans



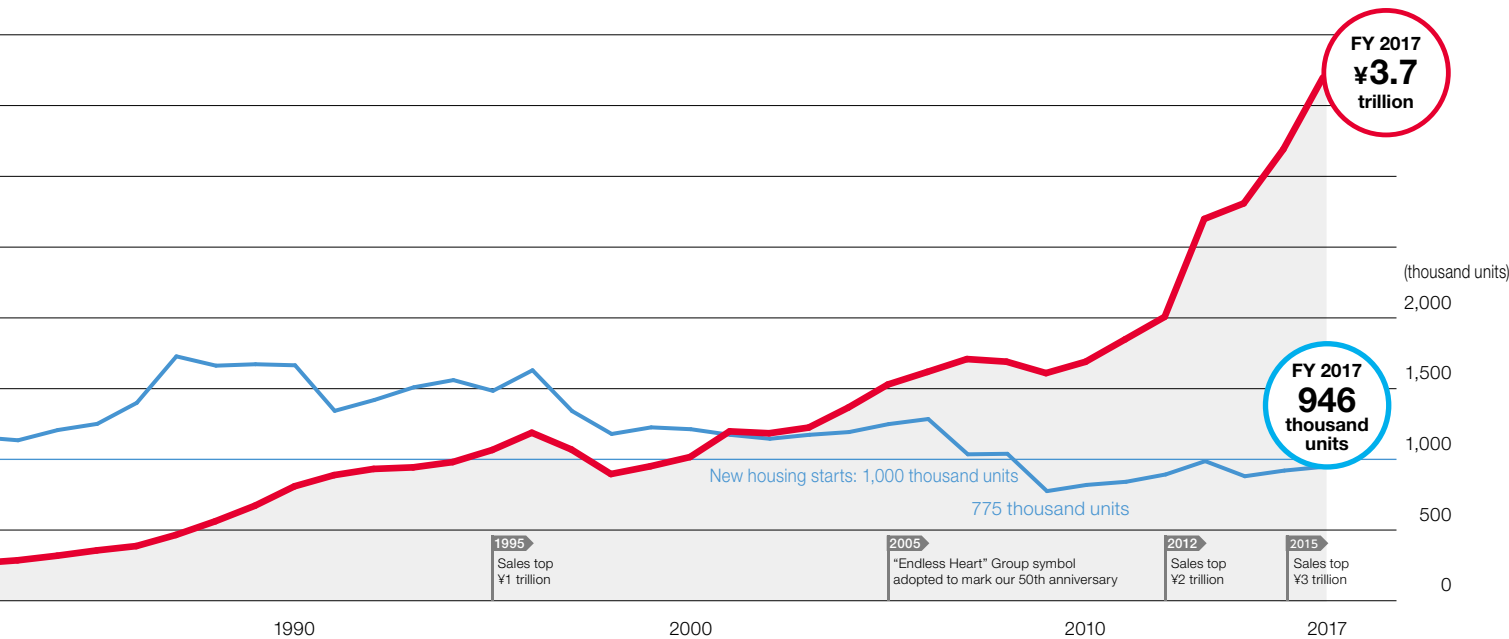
At that time, to purchase one's own home generally required being able to pay the full price in cash. Daiwa House Industry constructed Habikino Neopolis—Japan's first private-sector large-scale housing development—and to facilitate the sale of these homes it was able to offer the country's first mortgages through a tie-up with a private financial institution. In addition, mortgages linked with a life insurance policy were devised—the first such system ever proposed.

Solutions from the Daiwa House Group

Managerial Philosophy and Overall Picture
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Foundation of CSR Management
 Data Section

Immediately after WWII, it was expected that Japan would need large amounts of timber for use as buildings materials in the reconstruction of the country. At that time, Nobuo Ishibashi—who would later become the founder of Daiwa House Industry—harbored a strong desire to protect Japan’s forestry resources. A major typhoon had recently devastated parts of the country, causing immense damage to timber-framed houses, and Mr. Ishibashi noticed that bamboo and rice plants in the fields had been largely unaffected by the typhoon. This was because their hollow-tube structure allowed them to bend with the wind without breaking. Seeing this, he was inspired to create the Company’s first product—the Pipe House. Rather than using Japan’s rapidly diminishing timber resources, Mr. Ishibashi came up with the concept of the “industrialization of construction,” in which the structural framework of a house consisted of factory-made steel pipes assembled on site. This enabled the erection of high-quality housing with a short construction period, constituting a revolution in the Japanese home-building industry.

Since then, following our founder’s guiding principle of “doing things because they benefit society as a whole,” we at Daiwa House Industry have been accurately evaluating social needs and employing a flexible mindset to invent and deploy a constant stream of new products, services, and approaches. The validity of our approach to business is proven by the fact that even today—amid a long-term decline in new housing construction starts in Japan—the Group’s business scale continues to grow steadily.



Total lifestyle enterprise

Group that co-creates value for individuals, communities, and people’s lifestyles

On the eve of motorization of Japanese society

Opening up of new market made possible by increased motorization

1976— startup of retail and wholesale facilities business



With the growth of motorization in Japan, we at Daiwa House Industry saw possibilities opening up for a promising new market—retail outlets located along major roads leading into and out of major urban areas, known as “roadside shops” in Japan. Since then, we have been growing this new market by deploying our proprietary LOC System, which lets us match up landowners seeking effective ways to utilize their idle land holdings with prospective corporate tenants looking to open new outlets.

Preparing for advent of aging population

Unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities

1989— Silver Age Research Center established



We set up the Silver Age Research Center in anticipation of the fully-fledged arrival of an aging population, and as part of our dedication to creating a social environment in which people can be sure of spending their post-retirement years in comfort and without worries. The staff at the center study the design of nursing care facilities and certain aspects of the care services provided there, and thus far we have put this know-how to use in the planning and design of more than five thousand medical and nursing care facilities.

Retailing revolution with advent of Internet-dominated society

The logistics revolution—playing a core role in the infrastructure revolution, for consumers and for industry

2003— development of large-scale logistics facilities



The logistics industry is a vital part of today’s Japanese economy, and the Daiwa House Group has developed a large number of logistics facilities, centered on built-to-suit facilities, which are closely tailored to meet each individual tenant company’s requirements. Our start-to-finish comprehensive services, from site proposal through facility design and construction to day-to-day operation, are now relied on by a large number of corporations.

Ongoing global warming

Helping solve global environmental issues through our Environment & Energy business

2007— Group commenced wind-generated electric power business



The Group has long focused its attention on the world’s increasingly severe environmental issues. We believe that, in the 21st century, it is vital to commercialize electricity power generation from the renewable natural sources of wind, solar radiation, and water. As a first step, we entered the wind-power field, and subsequently expanded our use of photovoltaic power generation using solar panels on the roofs of our own factories and other facilities. As a result, the total amount of electricity generated by the Group from renewable energy sources have grown to approximately 302 GWh*, sufficient to supply the needs of around 68,000 households.

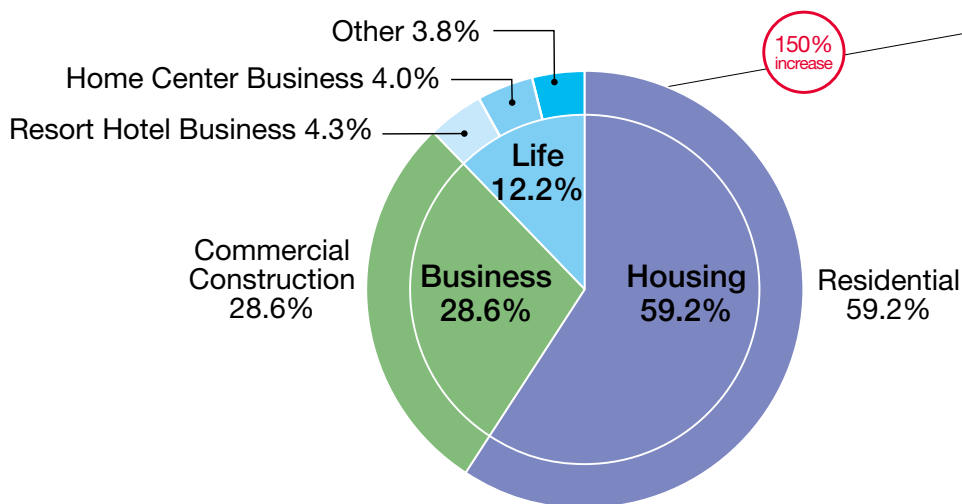
*As of March 31, 2018

The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation ② The Daiwa House Group today

We are no longer just house builders.
In line with our motto of being “a Group that co-creates value for individuals, communities, and people’s lifestyles,” we create new value for the whole of society.

FY 2005 (50th anniversary)
Net sales: ¥1,528.9 billion



* Segment classifications were changed with effect from FY 2009.

Housing

Popularization of long-life quality housing

Providing spacious houses (with high ceilings and large open spaces) that can withstand repeated strong earthquakes

2014 Launched the xevo Σ



Housing

Increase in single-person households and increased entry of women into the workforce

Rise in demand for rental housing with security features, due to increase in number of working women

2010 Became first housing company to offer rental housing with advanced security features



Business

Raising the asset value of residential communities

Urban planning that makes optimal use of the natural environment and offers greater convenience for residents

2017 Completion of Takao SAKULa City commercial/residential development



Increased number of tourists visiting Japan

Offering accommodation and services targeted at growing number of tourists coming to Japan

Construction of city hotels offering wider variety of unique local attractions

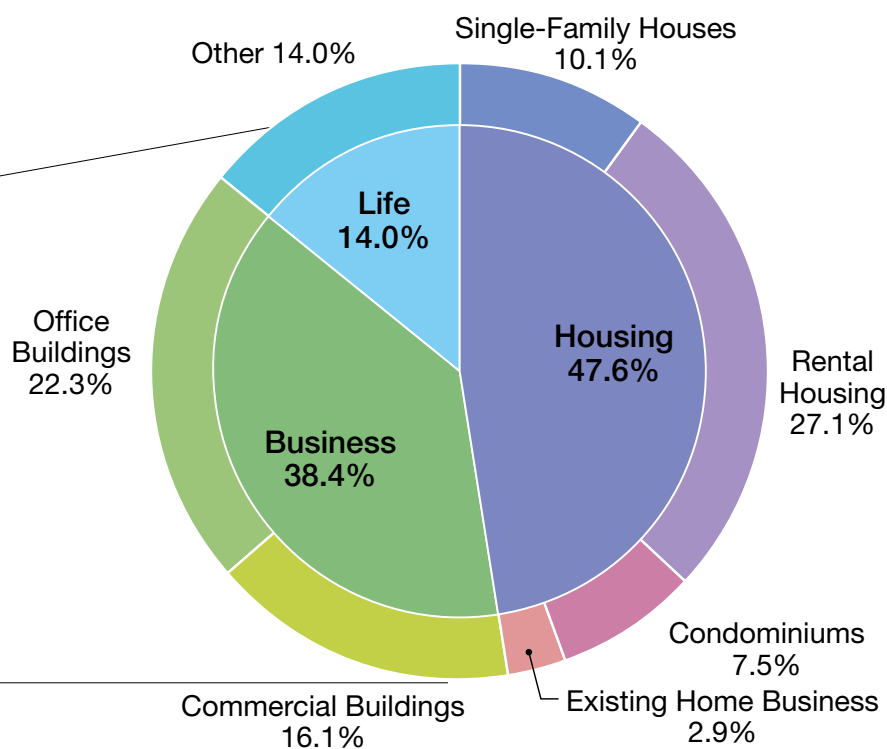


In 2005 (the 50th anniversary of the founding of Daiwa House Industry) the Daiwa House Group adopted a new group symbol—the “Endless Heart.” Since then, in line with our motto of being “a Group that co-creates value for individuals, communities, and people’s lifestyles,” we have extended our operations beyond the confines of the category of “house builder” to establish a wide range of businesses needed by society. Our long-term goal is to help realize a sustainable society by the time we reach our 100th anniversary.

We divide the Group’s business operations into three broad areas that we call Housing (construction of single-family houses, rental housing, and condominiums, and operation of home renovation services), Business (construction and operation of commercial and business facilities as well as medical and nursing care facilities, among others), and Life (construction and operation of home centers, hotels, and others). Through these operations, we aim to provide new value in all aspects of society.

FY 2017

Net sales: **¥3,795.9 billion**



Business

Energy stability and the fight against climate change

Proactively involved in the power generation business on the concept of “wind, solar and hydro”

2007 Contributed to the diffusion of renewable energies by utilizing our technological resources and land-use data that we have accumulated



Life

A shrinking labor pool because of a falling birthrate and aging population

Use of robotic technologies in medical/nursing care facilities, factories, construction sites and other workplaces

2007 Proposed the use of robotic technologies to help improve QOL in a super-aging society



©Prof. Sankai, University of Tsukuba / CYBERDYNE Inc. HAL® is an exoskeletal suit developed and manufactured by CYBERDYNE Inc.

Business

Japanese companies expand operations overseas

Helping Japanese companies set up operations overseas through development of conveniently located industrial parks

2016 Completed distribution-use warehousing facilities at Daiwa Manungal Industrial Parks in Indonesia



Strong economic growth by ASEAN nations

Fujita joins Group, strengthening our ability to offer overseas project proposals in addition to our urban redevelopment business in Japan

2018 Construction started on Water Front City Project (provisional), a hotel project in Vietnam

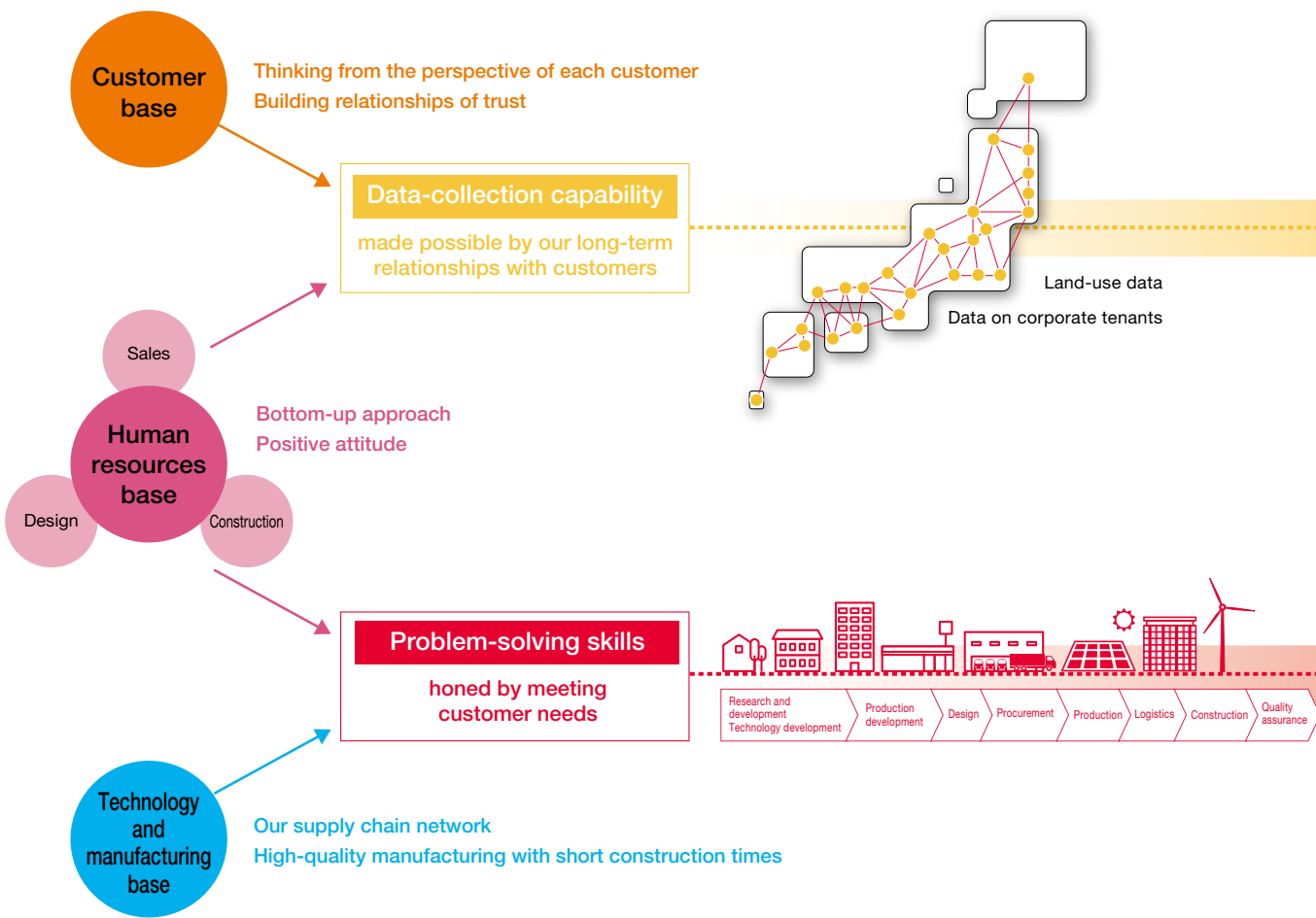


The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation The source of our value creation lies in the Group's three "bases," plus our organizational ability

The source of our value creation consists of the three "bases" that we possess—our human resources, customer base, and technology & manufacturing skills—as well as our strengths in data collection and in the proposal of effective solutions to customer issues, in addition to the organizational capability that stems from the matrix formed by our offices and branches, business divisions, and Group-member subsidiaries and affiliates.

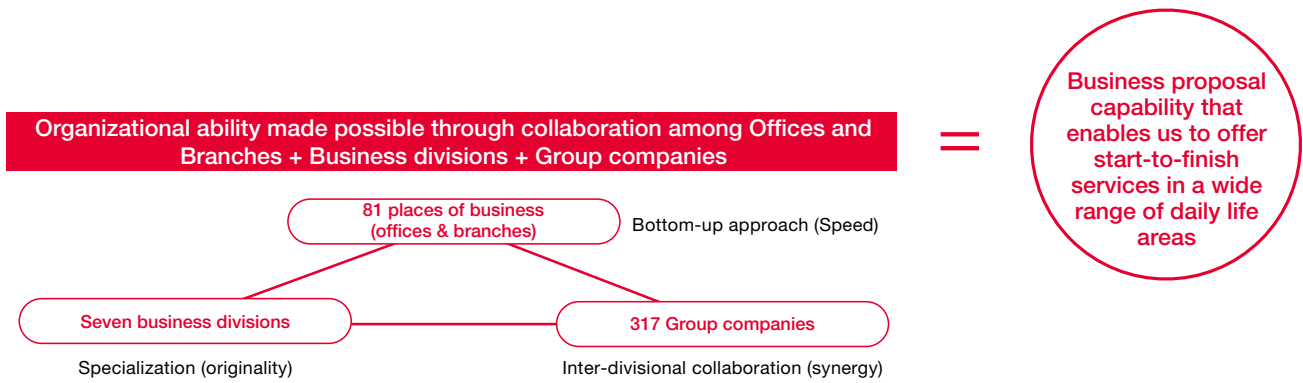
Three bases plus two strengths



Simultaneously with creating new businesses that address social issues, we have also worked to strengthen the Group's business foundations. These consist principally of three "bases"—our human resources, which support our ability to continuously evolve in line with our founder's business philosophy; our solid customer base, which has been built up over long years of close relationship with our corporate clients and individual customers; and our thoroughly reliable technological expertise and manufacturing skills, which enable us to embody the value our customers seek in the products and services we provide. Finally, the data collection capability and solution proposal capability that these three bases have made possible constitute the Group's vital intangible assets, built up over many years of operation.

At the same time, the Group's organizational capability has been greatly reinforced thanks to the comprehensive strength provided by the three-in-one matrix formed by our offices and branches, business divisions, and Group-member subsidiaries and affiliates. In line with our emphasis on the bottom-up approach and speedy execution, we have delegated considerable decision-making authority to our branches and offices; we have created business divisions designed to optimally leverage proprietary technology and specialist know-how; and the subsidiaries and affiliates who are members of the Daiwa House Group work efficiently to highlight the unique characteristics of each of their businesses and to reinforce intra-Group collaboration.

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	Housing			Business		Life
Offices and branches	 Single-Family Houses Single-family house sales offices (99)	 Rental Housing Rental apartment sales offices (182)	 Condominiums Condominium sales offices (10)	 Commercial Buildings Commercial facility sales offices (75)	 Office Buildings General construction sales offices (36)	 Other Environment and energy sales offices (22)
Planning and construction	Housing construction			Non-housing construction		Construction Support Business Royal Home Center Daiwa Logistics DesignArc
Management and operation	Existing Home Business Daiwa House Reform Nihon Jyutaku Ryutu Daiwa Living			Daiwa LifeNext Daiwa Royal Daiwa Information Service		Health and Leisure Business Daiwa Resort Sports Club NAS
			Cosmos Initia	Daiwa Lease Fujita		Daiwa Energy Eneserve Corporation

The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation ④ The Daiwa House Group's value-creation process

Our business is built on a base that is in turn strengthened by the conduct of that business.

To this virtuous circle that underpins our sustainable growth, Daiwa House Industry brings a medium- to long-term perspective on both society and the environment to make social contributions through our business activities.

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Changes in the operating environment



World

- ✓ Rising global population
- ✓ Rapid economic growth in emergent nations and urban progress
- ✓ Impact of AI, IoT, and big data on society
- ✓ Growing severity of climate change
- ✓ Emergence of the sharing economy
- ✓ Emergence of the millennial generation

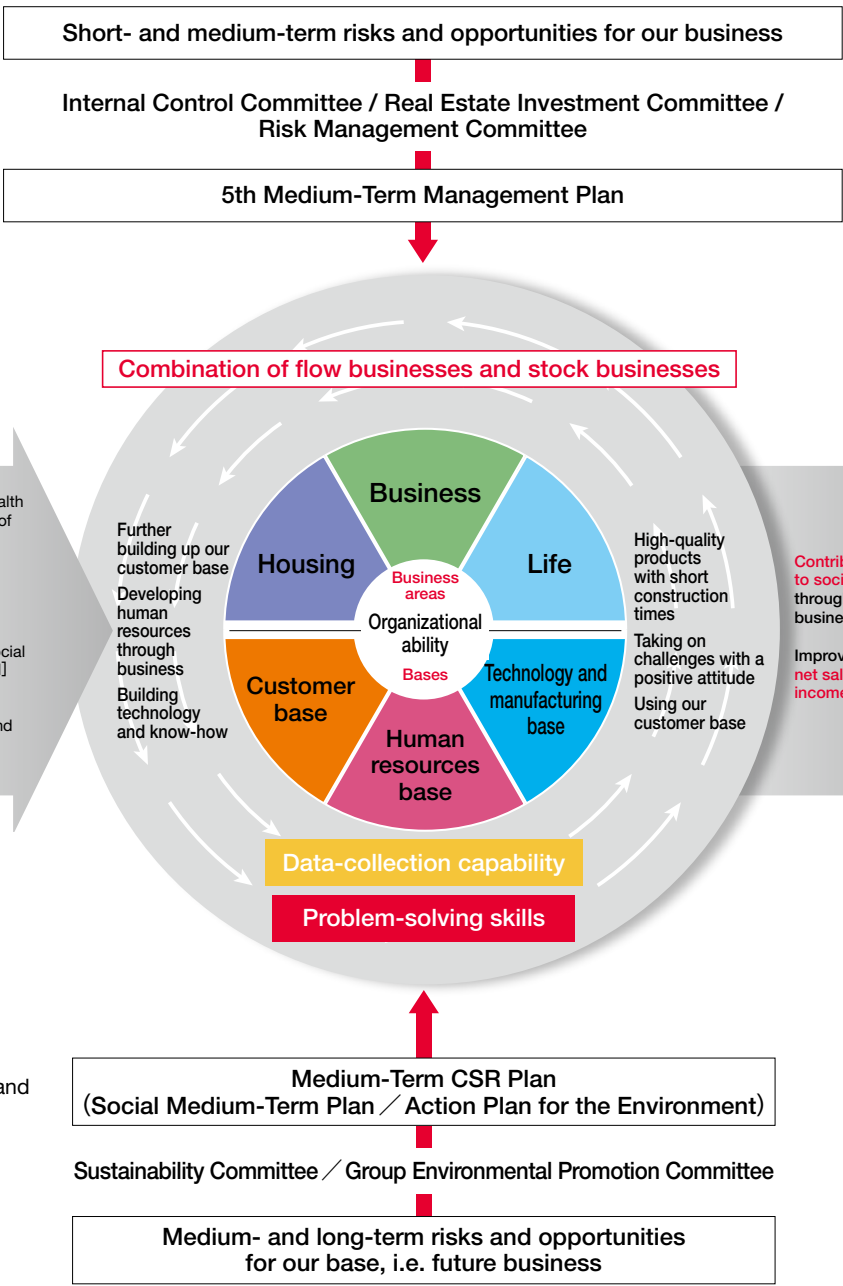
- Maintain financial health and make good use of shareholders' equity [Financial Capital]
- Building a trusting relationship with stakeholders [Human Capital / Social Relationship Capital]
- Minimization of environmental risk and impacts [Natural Capital]



Japan

- ✓ Falls in both total population and number of households
- ✓ Overconcentration in Tokyo and decline of regions
- ✓ Planned further increase in consumption tax
- ✓ Holding of 2020 Tokyo Olympics and Paralympics
- ✓ Aging population and shrinking workforce
- ✓ Low birth rate and late marriage taken hold as demographic characteristics
- ✓ Working style reform and increasing public role of women
- ✓ Persistence of energy problems

The value-creation process



Contributing to society through business
Improving net sales, net income, ROE

Sustainable society
Our sustainable growth

Past

Current

Future

Our business model is characterized by a virtuous circle in which, by strengthening our three bases—our human resources, our customer base, and our technology and manufacturing—through our involvement in a diversity of business activities that cover individuals, communities, and people’s lifestyles under the headings of Housing, Business (non-housing construction), and Life (daily life-related services), we in turn draw on these core capabilities to generate new business opportunities. This has given us a distinctive business activity portfolio that combines flow businesses and stock businesses, something not found among other home builders and developers.

To ensure that this virtuous circle retains its integrity into the future, we seek to minimize risks and maximize opportunities by considering our medium- and long-term risks and opportunities in terms of society and the environment with regard to changes in the operating environment, and to incorporate these into our Medium-Term CSR Plan (Social Medium-Term Plan and Action Plan for the Environment). As a result, we not only make a contribution to society and help preserve the natural environment, the very basis of our business is transformed into something that takes greater account of society and the environment. Through this two-fold approach, we will both help realize a sustainable society and achieve our own sustainable growth as a company.

FY 2017

Business areas	Results (outputs)	Contribution to society and the environment (outcomes)	
Housing	<ul style="list-style-type: none"> ▶ Number of housing units sold: 52,199 (↘) ▶ Units under management*1: 896,150 (↗) ▶ Number of renovations: 49,721 (↗) 	<ul style="list-style-type: none"> • Long-life quality housing 83.7% • Purchase and resale of existing homes 	<ul style="list-style-type: none"> • Home with rental units • Rental housing boasting advanced security features • Serviced homes for elderly
Business	<ul style="list-style-type: none"> ▶ Retail and wholesale facilities constructed: 1,478 (↘) ▶ Leasing floorspace of sublease areas within commercial facilities: 6,157,287 m² (↗) ▶ Development site area of logistics projects: 8,207,537 m² (↗) ▶ Orders received for contract-based medical and nursing care facilities: 574 (↗) 	<ul style="list-style-type: none"> • Community-based commercial facilities • Care-based medical facilities 	<ul style="list-style-type: none"> • Advanced logistics facilities • Next-generation industrial parks • Smart cities
Life	<ul style="list-style-type: none"> ▶ Customer visits to our home centers: Approx. 28,435,000 (↘) ▶ Guest stays at our resort hotels*2: Approx. 3,388,000 (↗) ▶ Number of sports club users: 188,696 (↗) ▶ Number of parking lots under management: 53,375 (↗) 	<ul style="list-style-type: none"> • Slow life • Greater health and leisure • Convenience of transportation 	<ul style="list-style-type: none"> • Contribution to CO₂ reduction: 5.14 million t • Urban greening: 765,000 m²

Bases	Results (outputs)	Contribution to society and the environment (outcomes)	
Customer	<ul style="list-style-type: none"> ▶ Number of Daiwa Family Club members*3: 235 thousand (↗) ▶ Rental housing owners*4: 81,606 (↗) ▶ Members of commercial facility owners club*5: 6,728 (↗) ▶ Corporate tenants*6: Approx. over 4,000 (↗) 	<ul style="list-style-type: none"> • Rate of satisfaction in ten-year inspection (Single family housing) 95.9% • Rate of reordering by existing owners (Rental housing) 39.5% • Rate of reordering by existing owners (Commercial facilities) 33.3% 	
Human resources	<ul style="list-style-type: none"> ▶ Training hours per employee: 3.70 hours per year ▶ Rate of satisfaction of employees: 82.7% (↗) ▶ Number of female managers: 15.3 times compared to FY 2005 (↗) ▶ Overtime work hours: 5.6 fewer hours per month on average compared to FY 2014 	<ul style="list-style-type: none"> Satisfaction of our employees with respect to general personnel development 67 points/100 	<ul style="list-style-type: none"> Proportion of employees with high work motivation 64%
Technology and manufacturing	<ul style="list-style-type: none"> ▶ The Trillion Club (Materials): 241 companies ▶ The Setsuwa Club (Equipment): 149 companies ▶ The Confederation of Partner Companies (Construction): 4,663 companies 	<ul style="list-style-type: none"> Number of companies with whom we have CSR procurement agreements 6,593 (95.4%) 	<ul style="list-style-type: none"> Number of employees trained on-site 793 (Housing: 484 Building construction: 309)
Co-creation with local communities/environment	<ul style="list-style-type: none"> ▶ Community co-creation activities of branch offices: 3,173 (↘) ▶ Power generation projects using renewable energy Capacity (total): 180 235MW (↗) 	<ul style="list-style-type: none"> Cooperative projects with NPOs/NGOs 1,157 	<ul style="list-style-type: none"> CO₂ emissions (against FY 2005) 41.8% reduction

*1 Totals for rentals and condominiums under management *2 Totals for resort hotel guests *3, 5, 6 See p. 040 Membership organizations for owners
 *4 Number of landowners on whose land we have built rental housing

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The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation **5** A vision of the Daiwa House Group's future
(co-creating a brighter future with society and the environment)

We will make more active use in our business operations of the problem-solving skills we have built up together with stakeholders, as a way to expand new business opportunities.

Current: Strengthen business base by addressing social and environmental issues from a longer-term perspective to maintain our competitive advantage



Medium-Term CSR Plan (Materiality of society and environment)

Problem-solving skills

based on a bottom-up approach that arise out of our strengthening of our management base

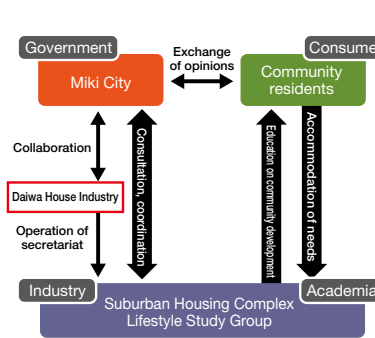


Open stakeholder meetings
Identification of social issues

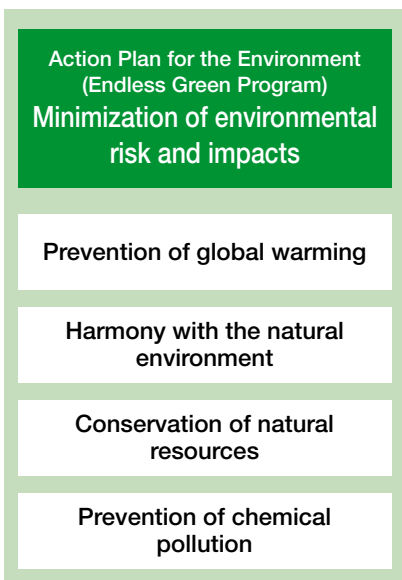


The stakeholder meetings held every year since 2004 are a venue for discussion on specific topics with stakeholders who attend in response to our open invitation. The meetings are attended by corporate executives and department heads who are there to direct activities and gather information.

Housing complex restoration projects as a collaborative effort of industry, government, academia, and consumers
Dialogue and co-creation



Daiwa House Industry is engaged in a housing complex restoration project at the Midorigaoka Neopolis, one of the suburban housing complexes we developed during Japan's years of strong economic growth. The objective is to accelerate the establishment of a "multi-generation recycling-oriented community" through exchanging opinions with community residents.



Making our buildings ZEBs with technologies of energy conservation, renewable energy, and electric energy storage systems
Response to social issues



To help achieve a carbon-free society, Daiwa House Industry is working to make its buildings, including retail and hotels as well as office buildings, into Net Zero Energy Buildings (ZEBs). At the Daiwa House Saga Building, we have combined solar power generation and storage batteries to create the first office building in Japan to be self-sufficient in electric power using 100% renewable energy.

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Based on our Medium-Term CSR Plan, we are working from the perspectives of society and the environment to build relationships of trust with stakeholders and minimize environmental risks and impacts. By integrating this work into the value creation process and strengthening the three “bases” and the “organizational ability” that underpin these activities, these initiatives help us maintain and improve the competitiveness of our existing businesses and contribute to society through our operations.

Moreover, by ensuring that this work is put into practice and maintained, we are strengthening our ability to identify complex societal needs, to engage in dialogue and co-creation with a variety of other parties, and to respond to social issues.

We also intend to make maximum use of our ability to respond to social issues as a means of extending the scope of new business opportunities by devising business strategies that emerge from these social issues in order to expand our business fields in the future.

Future: New business opportunities arising out of social issues

Global social issues

Expanding our business fields

Sustainable Development Goals (SDGs)



Grow share in core businesses
Aiming to be No. 1 in all segments

Identify overlaps between social issues and customer needs to enhance the competitiveness of our core business in Japan.

Expand field of business
Developing “Plus 1 and Plus 2 Businesses”

Utilize the customer base and the technology and manufacturing base of our core businesses to develop new businesses that resolve social issues.

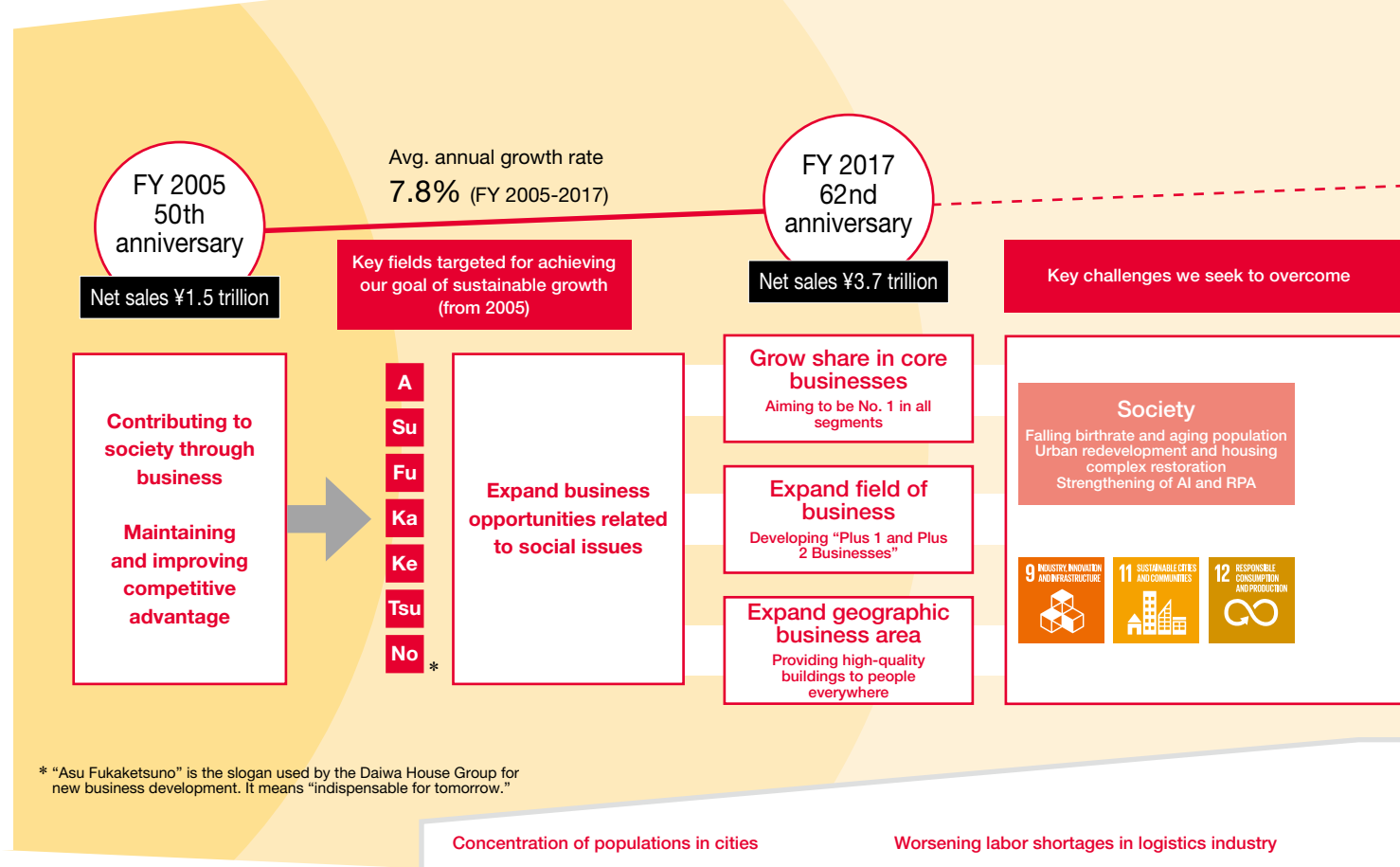
Expand geographic business area
Providing high-quality buildings to people everywhere

Identify social issues facing emerging nations and regions and draw on capabilities built up in Japan to seize business opportunities.

The Group's Origins and Vision of Sustainable Growth

The Story of Value Creation **⑥** A vision of the Daiwa House Group's future (expanding our business fields)

To realize our management vision, Daiwa House Industry will continue to be a corporate group that listens to and responds to the voices of the world around us so as to achieve our ambitious dream of annual net sales of ten trillion yen by our 100th anniversary.



* "Asu Fukaketsuno" is the slogan used by the Daiwa House Group for new business development. It means "indispensable for tomorrow."

Concentration of populations in cities

Resolving the problem of empty homes, growing the market for second-hand homes



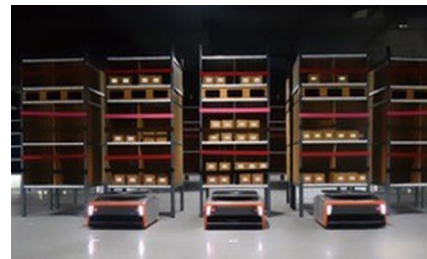
Adopting our Groupwide brand "Livness," we are drawing on the comprehensive capabilities of the Group to supply streamlined one-stop services for customers that include handling the sale and purchase of existing homes as well as their purchase and resale and renovation.

A Su
Expand field of business

11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Worsening labor shortages in logistics industry

Provision of next-generation logistics centers to resolve that industry's labor shortfall



Provision of highly functional and well-located logistics facilities through the development of appropriate and suitably located logistics facilities and the adoption of intelligent logistics using the IoT, AI, and robotics.

Tsu
Expand field of business

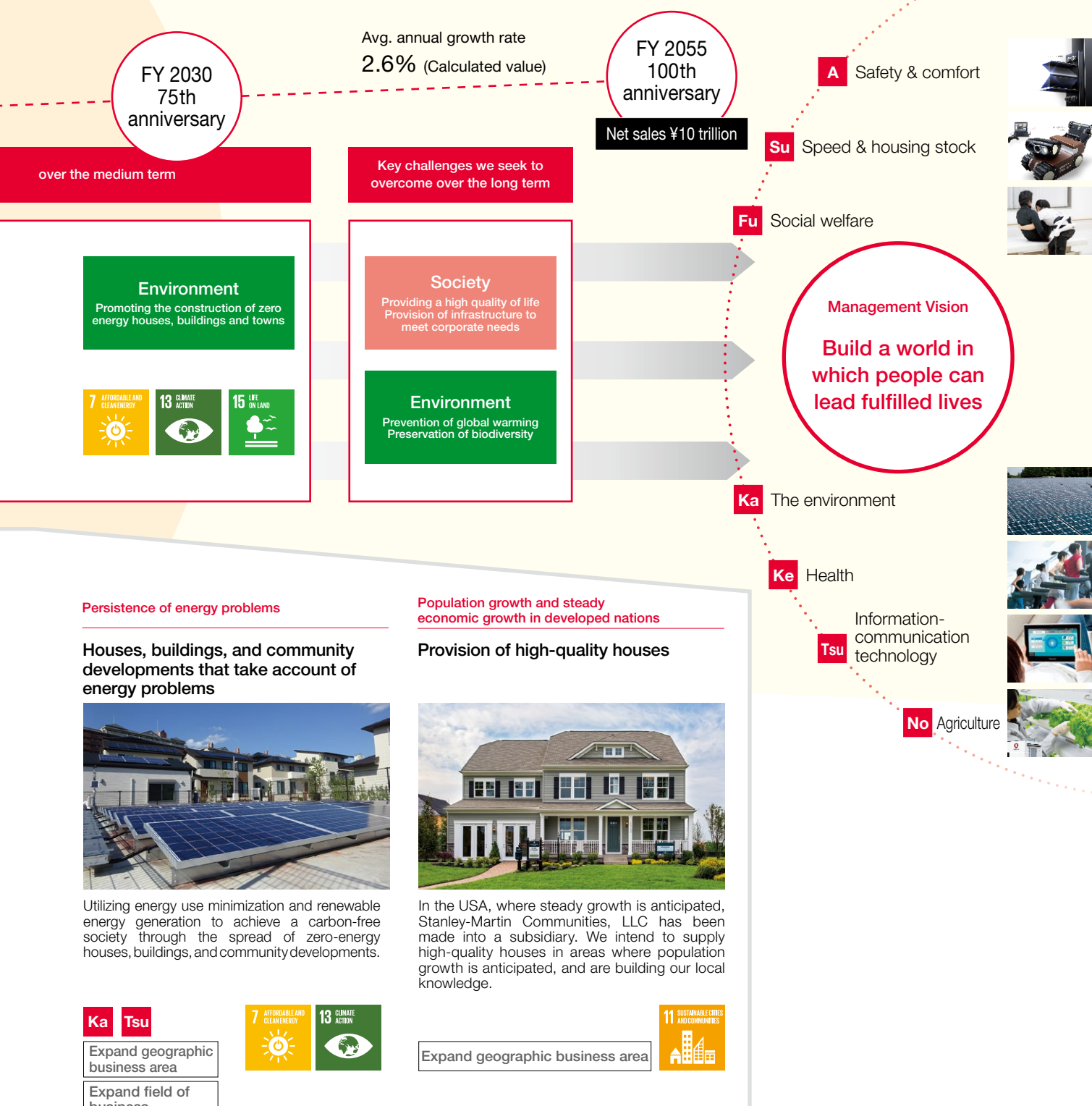
9 INDUSTRY INNOVATION AND INFRASTRUCTURE

Groundwork for the future

Nobuo Ishibashi, the founder of Daiwa House Industry, handed down to us his dream of achieving annual net sales of ten trillion yen by the year 2055, which will be the 100th anniversary of the Company's establishment. This goal reflects Mr. Ishibashi's strong desire that Daiwa House Industry be permanently regarded by society as a necessary entity because of the major contribution it makes to solving social problems.

By expanding both our field of business and our geographic business area, as well as by listening to the voices of the world around us to improve the market share of the core businesses we have been involved in to date, Daiwa House Industry is taking up the challenge of achieving our dream. This dream is expressed in our management vision of "building a world in which people can lead fulfilled lives."

To achieve this, we seek to lay the groundwork for new business and maintain ongoing growth while also considering contribution to the SDGs, based around concept of Asu Fukaketsuno (Indispensable for Tomorrow), which details the businesses we must engage in.



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Framework for Management Implementation

Overall Picture for Achieving Our Vision

Everyone at the Daiwa House Group shall work to achieve the management vision, carrying on the founder's spirit.

Nobuo Ishibashi promoted the principle of pursuing business in a way that is useful to the world around us from the time he founded the company in 1955. We have achieved growth for over half a century by doing business that way, by contributing to society. The Daiwa House Group adopted the "Endless Heart" symbol on our 50th anniversary in 2005 as a symbol of our founder's spirit and a management philosophy that is based on the demands of the times. Our management vision is to build a world in which people can lead fulfilled lives. The Group will continue to work with a long-term perspective, aiming to steadily achieve the goals of the Medium-Term Plan without losing sight of the universal approach embodied in the founders' spirit.

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Universal Approach

Our Founder's Spirit

Pursuing business useful to the world around us

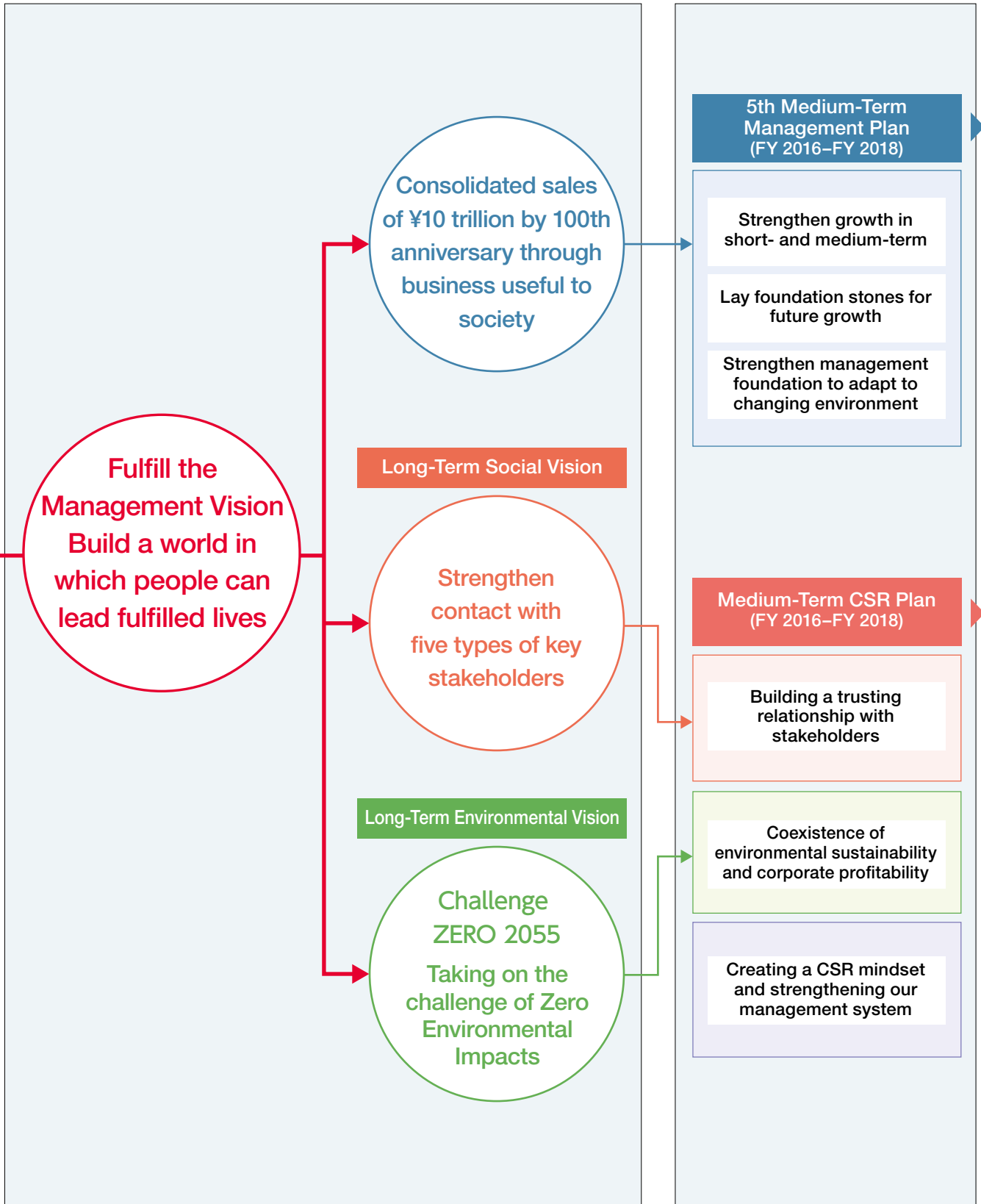


Endless Heart



Daiwa House®
Group

Long-Term Outlook **Medium-Term Plan to Benefit Society**



Details on the next page. For details, please see our 2018 Integrated Report (to be issued in September 2018)

Framework for Management Implementation

Medium-Term Plan and Assessment Indices for Achieving Our Vision

Long-Term Vision

Long-Term Social Vision

As a Group that co-creates value for individuals, communities, and people’s lifestyles, the Daiwa House Group is strengthening contact with our five types of key stakeholders, and contributing to society through our business activities.

1. [Customers] We are sincere in our communication with everyone, and put our full efforts into offering high-quality products and services. We do our best to satisfy our customers and win their trust.
2. [Employees] In addition to caring for the health and safety of our employees, we also strive to create an open and fair work environment, and to give every member of staff the opportunity for personal development.
3. [Business partners] We value our collaboration and cooperation with our business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.
4. [Community residents] We respect the culture and customs of each region, and support the sustainable development of society through our business activities and social contributions.
5. [Shareholders] In the spirit of the company’s Management Vision, “Co-creating a Brighter Future,” we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

Long-Term Environmental Vision

As a Group that co-creates value for individuals, communities, and people’s lifestyles, the Daiwa House Group contributes to the emergence of a sustainable society and is addressing the challenge of zero environmental impact in the Group, including in our global supply chain.

“Challenge ZERO 2055”

- | | |
|---|---|
| <p>Challenge 1</p> <p>To contribute to the emergence of a carbon-free society, we are targeting zero greenhouse gas emissions throughout the product life cycle by promoting thorough energy-efficiency measures and utilizing renewable energy.</p> | <p>Challenge 3</p> <p>To contribute to the emergence of a resource-recycling society, we shall pursue the sustainable use of resources by constructing houses and buildings that are more durable, pursuing the goal of zero waste emissions, and working to ensure a healthy water cycle.</p> |
| <p>Challenge 2</p> <p>In order to preserve and improve our natural capital, our Group shall achieve no net loss of green space by ensuring zero deforestation through material procurement and by developing communities filled with greenery.</p> | <p>Challenge 4</p> <p>We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings in addition to minimizing the risk (ultimately to zero) of adverse impacts on the health of people and ecosystems.</p> |

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Medium-Term CSR Plan (FY 2016–FY 2018)

CSR Self-Assessment Indices (Goal Management)

Building a trusting relationship with stakeholders

Social Medium-Term Plan

By understanding what is expected of our company through interaction and dialogue with our stakeholders, and working to meet those expectations as a corporate citizen, our hope is to build a trusting relationship with them.

Customers	<ul style="list-style-type: none"> • Provide high quality products • Proper communication with customers • Long-term efforts to earn trust
Employees	<ul style="list-style-type: none"> • Provide a safe and healthy work environment • Develop human resources • Create work environments and systems where a diverse range of employees can work flexibly • Provide employment opportunities for exceptional human resources
Business partners	<ul style="list-style-type: none"> • Fair competition • Encourage business partners in CSR efforts • Improve labor conditions and ensure human resources for construction subcontractors
Community residents	<ul style="list-style-type: none"> • Active involvement in, and collaboration with other parties for local community development • Contribute to the community by sharing business knowledge gleaned through experience

Coexistence of environmental sustainability and corporate profitability

Endless Green Program 2018

We are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

Prevention of global warming	<ul style="list-style-type: none"> • Promoting the construction of zero energy houses, buildings and towns • Expanding the power generation business by adopting renewable energy
Harmony with the natural environment	<ul style="list-style-type: none"> • Promoting sustainable wood procurement • Promoting the preservation and creation of green spaces in development and town planning
Conservation of natural resources, Water resource conservation	<ul style="list-style-type: none"> • Promoting the application of the "3Rs" to construction waste • Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources) Promoting reproduction building materials
Prevention of chemical pollution, Prevention of soil contamination	<ul style="list-style-type: none"> • Further improving indoor air quality in residential facilities • Strengthening the management of soil contamination risks during land purchases

Creating a CSR mindset and strengthening our management system

We will create a CSR mindset by revitalizing our organizations through business improvements, and create a solid management foundation through increased awareness.

Investor relations	<ul style="list-style-type: none"> • Transparency
Risk management and other issues	<ul style="list-style-type: none"> • Risk management • Stakeholder engagement
Compliance	<ul style="list-style-type: none"> • Ethical conduct • Corporate ethics / compliance with laws • Safety
Human rights	<ul style="list-style-type: none"> • Human rights awareness-raising • Handle human rights issues

Customers P030–	Customer (owner) satisfaction Long-term viewpoint evaluations Questionnaire evaluation after taking residence
Employees P044–	Degree of satisfaction of employees to overall human resources training Evaluation of OJT Rate of acquisition of professional qualifications by young employees Acquisition rate of male absence from work for child-rearing No. of female managers Rate of employees with disabilities
Business partners P060–	Education of in-house employees Evaluation of business partners and purchasing work based on in-house criteria Rate of response of self-checks based on the Business Partner Code of Conduct No. of employees trained on-site No. of labor accidents No. of support company members
Local communities P072–	Collaboration with NPOs and NGOs Participation rate in Endless Donations Amount conversion of community co-creation activities by branch offices
Environment P104–	Prevention of global warming Rate of decrease from the fiscal 2005 figure in CO ₂ emissions per unit of sales Contribution to CO ₂ reduction
	Harmony with the natural environment (Preservation of biodiversity) Ratio of C-ranked wood Surface area of green spaces
	Conservation of natural resources Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials [Manufacturing, new construction] Recycling rate [Manufacturing, new construction, civil engineering, demolition, renovation] Ratio of houses certified under the Long-Life Quality Housing Certification System
	Water resource conservation Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales
	Prevention of chemical pollution Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances
	Prevention of soil contamination Serious risks of soil contamination during land purchases
Foundation of CSR management P142–	External assessment of ESG information disclosures In-house CSR awareness survey Attendants' satisfaction with Stakeholders' Meeting No. of branch offices visited for CSR training Incidence rate of risks specified to be handled with priority Safe driving management Human rights awareness-raising Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)

* For all of the entire assessment indices, see pp. 179–184.

DaiwaHouseGroup Sustainability Report 2018 028

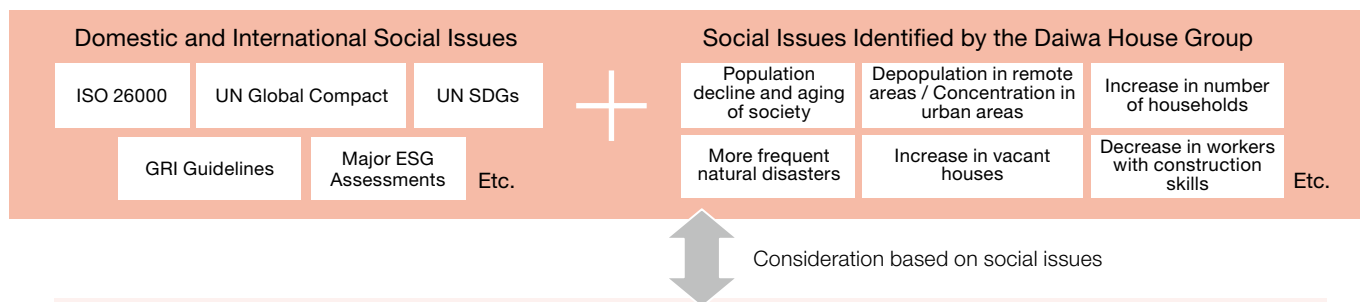
Framework for Management Implementation

The Process for Identifying Priority Issues for the Medium-Term CSR Plan

Considering the business operations of the Daiwa House Group and the extent of its impact as the focus of the Medium-Term CSR Plan (for fiscal 2016–2018), we examined priority issues from a societal perspective and in terms of our company’s interests. In order to take aggressive steps toward resolving social and environmental issues while anticipating our management foundation and future business, we have identified priority issues to be addressed over the medium term, set up assessment indices, and are working to achieve our goals over the three-year period.



STEP 1: The Group adds priority issues for consideration to strengthening management foundation we are already undertaking from ISO 26000, GRI guidelines, UN SDGs, and other sources, along with Japan’s primary social issues. Based on medium-to-long-term risks and opportunities, we identify candidates for CSR materiality related to the management



Medium-to-long-term risks and opportunities related to management foundation and future business

Examples of Risk

- Weakening management foundation such as human capital due to shortage of personnel
- Increasing seriousness of labor and human rights issues in the supply chain, weakening of technology and manufacturing base
- Hindrance of business due to worsening relationship with community residents
- The strengthening of climate change-influenced environmental regulations, obstacles to operations, frequent occurrence of natural disasters

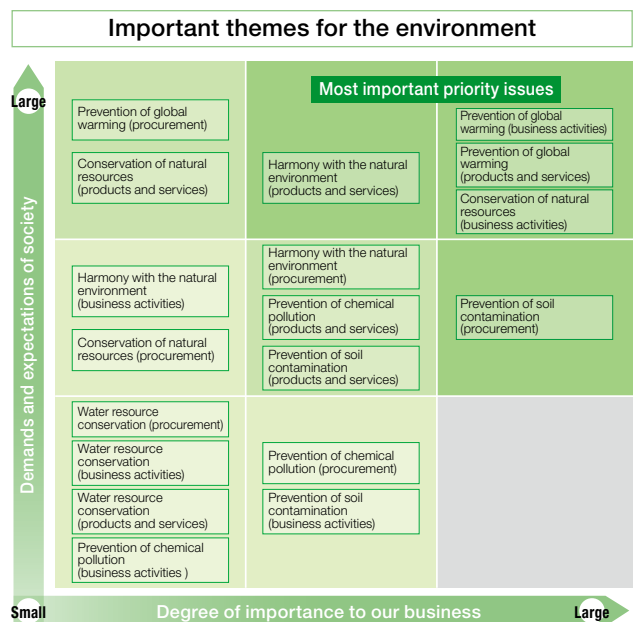
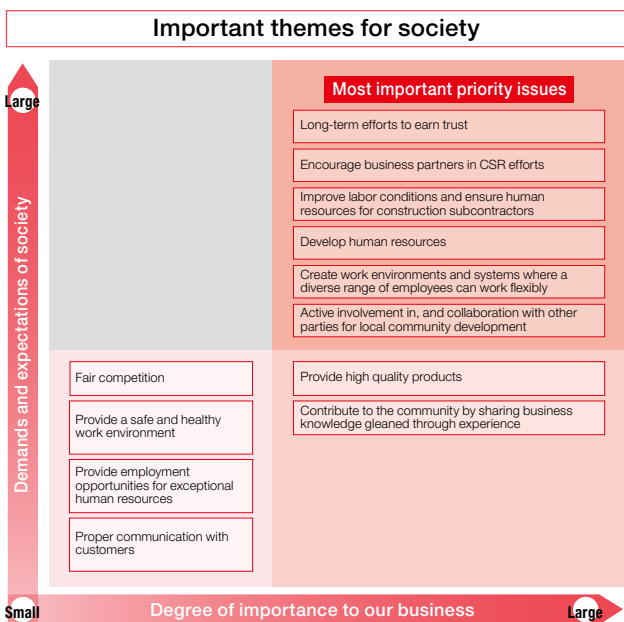
Examples of Opportunities

- Creation of business opportunities and productivity improvement through diverse human resources (employees/business partners) demonstrating their abilities
- Smooth development of business by establishing trust with community residents
- Increased demand for energy-saving construction and expansion of renewable energy market by shifting to a carbon-free society

STEP 2: We confirmed the validity of issues through stakeholder meetings and dialogues with experts, and performed a final verification within the company.

STEP 3: Based on societal views and the company viewpoint, we identified our priority social and environmental issues.

STEP 4: We set up assessment indices to adapt a proper response to each priority issue. (pp. 179–184)

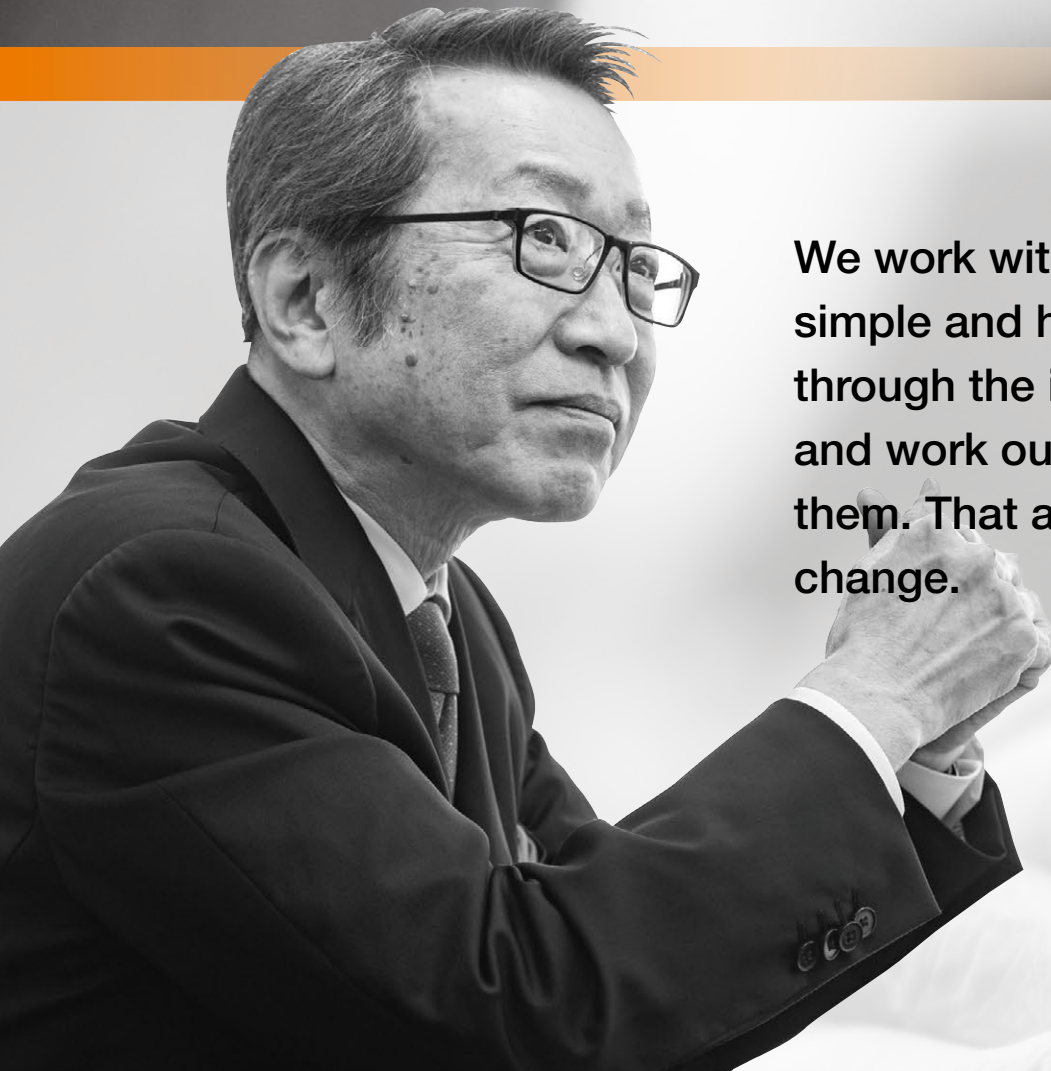


Implementation Report

Co-creating a Brighter Future with Our Customers

Commitment from the Executive Officer in Charge	031
Providing High Quality Products	035
Proper Communication with Customers	038
Long-Term Efforts to Earn Trust	040
Businesses to Address Social Issues / Sustainable Consumption	041

Co-creating a Brighter Future with Our Customers



We work with customers in a simple and honest way to think through the issues they face and work out how to resolve them. That approach will never change.

Osamu Fujitani

Representative Director and Senior Managing Executive Officer, Head of Marketing

Commitment from the Executive Officer in Charge

Working out the optimal use of land without rushing to find answers

The Daiwa House Group values the idea of co-creating a brighter future with customers, starting with building relationships of trust from the outset through marketing. Sometimes, people see the sales figures of Daiwa House Industry and wonder about our profitability. While it is only natural to pursue a fair profit as a commercial enterprise, in sales we are not interested solely in short-term profits or profits solely for the company itself.

We will take a long-term perspective in branches around the country and allow time to build strong relationships of trust with customers such as landowners, sometimes extending over a period of 10 or 20 years. We ask, "What can we do to make a true contribution here?" We will visit landowners frequently and

ask them what they want in terms of land use, then make land use proposals. During that time, there is no rush to come up with answers. We take as much time as is needed to find the optimal use of land. Nothing has changed from the era when the focus was on housing sales. This is an approach to selling homes based on seeing things from the customer's standpoint.

Personally, I have been affected by something the founder Nobuo Ishibashi said in the mid-1970s when he was an advisor to the company. He had just returned from a tour of the United States and said, "In Japan, too, as motorization spreads, roadside stores will certainly become necessary." That was the start of the commercial facilities business that I began to work on. Initially, we tried to cold call landowners and present land use proposals, but this approach by and large invited suspicion. Even so, we started to gain the trust of people one by one. At the time, our focus was on acquiring land for stores, and the scale of the project was about 10 billion yen.

Contribution to SDGs



After that, in the 1990s, when a certain clothing store chain began developing stores nationwide, we started taking their orders for roadside stores along arterial roads, which we handled from the procurement of each site to the construction of the stores. On that project, to date we have built a total of about 600 stores. We also had another clothing chain customer whom we had been in contact with since it had only a single local clothing store, and we helped that company develop its business through store development. This customer now has an extensive nationwide deployment of stores. We have thus expanded our business as a group by responding to needs in line with the stage of each company's business, including establishing distribution warehouses as well as stores.

We aim to please both landowners and tenant firms

The commercial facilities business has grown by 40 times since its inception to a scale of about 400 billion yen. I am pleased with this growth, and the most rewarding part of my work is when a customer tells me that they see us as a company that is always willing to listen and consider things on their behalf. We really try our best to find out what issues the customer is facing and then find ways to resolve those issues, which goes beyond the pursuit of sales driven from our side alone.

We also do not consider the relationship with the customer to be over once the building has been constructed, but instead continue to value that relationship. Whether before or after the building has gone up, we carry out sales by working closely with the customer in a simple and honest way. Such an approach allows us to build relationships of trust, which may in turn lead to new orders or the introduction of new clients.

Landowners are not the only type of customer we have. The tenant firms that rent space in the buildings are also valued customers. We similarly provide attentive follow-ups on business with tenant firms, trying to be as useful as possible.

Even now, as the scale of the business grows, we approach each case conscientiously, holding meetings with both landowners and tenant companies. We also insist on seeing the land with our own eyes to assess the situation as part of a reliable business style that is grounded in a bottom-up approach.

It is essential to adapt quickly to changing times

Land utilization needs are evolving naturally with the changing times. In addition to commercial facilities, there is a growing need for nursing care facilities, childcare facilities, and hotels, and we are working hard as a group to meet such demand. In Japan, there are ever-present concerns about a decreasing population due to a declining birthrate and aging population, but from my many years of experience in land use, I believe that business will not necessarily shrink, but the nature of business will change. Although we do need to carefully consider business risks resulting from population decline, I would say the key to doing business is the ability to respond quickly to changing times.

For example, distribution facilities have traditionally meant warehouses for storing inventory, but with the rise of online shopping services, the number of tenant companies seeking the functions of a store rather than a warehouse is on the rise. Also, a change in working styles is anticipated due to the declining population. The demand for office buildings might change, for example, if people spend more time working from home and less time commuting to an office. It will be essential to detect such trends at an early stage, and create proposals that take such changes into account.

Over the years I have gotten to know many landowners, and one of the changes I have felt in recent years is how more of them wish to utilize their land in a way that benefits the local community, or they want to do business in a way that takes advantage of the strengths of the local community. As a result, we are seeing an increase in requests to build facilities for nursing care, medical institutions, and rental housing with built-in store, for example. These are trends we cannot afford to ignore.

One of the Group's biggest challenges is expanding outside of Japan. Although people's needs will vary from country to country, the focus on working with customers to help them resolve the difficulties they face is the same no matter what the country. At present, in Taiwan and the United States we are experimenting with cold calling to solicit business from landowners. This sales method is rarely seen abroad. In fact, it takes a great deal of time and effort, but is an effective way to learn what issues the local area faces as a whole, in addition to meeting the needs of the individual landowner, and has already led to results.

No matter the country, land is a curious commodity because the land that appears on the real estate market does not necessarily have high investment value. In contrast, if you search out land that is not on the market, it is possible to generate value by working with the landowner to develop a proposal that meets their requirements. As we move ahead with overseas development, we will value our relationships with both landowners and tenant companies, and do our best to create proposals that bring advantages to both parties.

Co-creating a Brighter Future with Our Customers

We need to do our jobs in a simple and honest way, always working for the customer. And no matter how big the business grows, this is the simple path that the Group should take, a stance that is indispensable for co-creating a brighter future. We must continue striving to build relationships of trust with our customers while maintaining a connection to our business roots.

Social issues

One important role of the housing and construction industry is to protect people from natural disasters—both lives and property. Japan is a country particularly prone to natural disasters, including major earthquakes, typhoons, and heavy snowfalls. Housing safety is vital to the populace. In recent years, due to climate change, we have seen an even greater frequency of abnormal weather such as localized torrential rains, and house-buying customers are becoming insistent on receiving a warranty that extends for a number of years after they move in.

Japan is also an aging society that faces a declining population and declining number of households. This trend is accompanied by an ongoing concentration of the population in major cities, which causes depopulation in remote areas and subsequently an increase in the number of vacant houses. Housing solutions are needed that anticipate the changes society are headed toward and that accurately meet people's lifestyle needs.

A number of social issues also exist, such as how to increase service life and save energy, and how to develop housing that is well-suited to a location in terms of urban development. It is necessary to consider such things for the future of houses and buildings, based upon the ability of business to provide solutions.

Risks and opportunities for the Daiwa House Group and its responses

Housing and other structures are fundamentally built to the specifications of the customer. Our goal is not perfection, but to strive at all times to provide better products and services. Improvement efforts inherently involve risk, but also embody new opportunity.

As customer needs and the times change, our business direction must take into consideration where society is headed. In a society with an aging population and dwindling birthrate, lifestyles have been changing dramatically, giving rise to different forms of housing needs. Trying to anticipate those changes and taking missteps in preparation for them can bring risk. The Daiwa House Group is taking action to adapt to current conditions while also maintaining a medium-to-long-term perspective on the issues facing housing and construction.

As our business continues to advance globally, another key issue is how to supply products and services outside of Japan. We need to have a clear view of risk and opportunity in this endeavor, as well. One way to turn risk into opportunity is by providing management and maintenance for a property after its sale with a commitment to the same high standards of quality set in Japan.

Long-term social vision [Customers]

We are sincere in our communication with everyone, and put our full efforts into offering high-quality products and services. We do our best to satisfy our customers and win their trust.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[Priority issues]

Providing High Quality Products

P35–37

In fiscal 2018 we plan for over 90% of the houses we build to meet the “long-life quality housing” standards put out by the Japanese government. For comparison, 83.7% of the houses we built in fiscal 2017 met these conditions. With regard to free maintenance for a period of one year after construction, in the cluster housing segment we achieved our fiscal 2018 targets in fiscal 2016, and in the general and commercial construction segments performance has come very close to fiscal 2018 targets.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Rate of long-life quality housing (single-family housing segment)	83.7%	90% or above

[Priority issues]

Proper Communication with Customers

P38–39

We at Daiwa House Industry conduct many forms of training, including 32 hours of basic training for new employees. Each department also has its own training program to build skills aimed at improving communication with customers. Participation in new employee training reached 100% for both the single-family house and cluster housing segments in fiscal 2017 and met targets for fiscal 2018. In the future, we plan to improve the rate of participation in training programs in the construction, commercial facilities, and condominium segments.

In the cluster housing segment, according to our survey conducted one month after completion on customer satisfaction during construction and in the post-contract follow-up period, customer satisfaction was 67.4% in fiscal 2017, and our target is 80% for fiscal 2018. We will continue working to improve satisfaction levels.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Rate of participation in new employee training (Single-family house and cluster housing segments)	100%	100%
Rate of employee participation in training for each level, and local seminars (general construction segment)	79.4%	95%

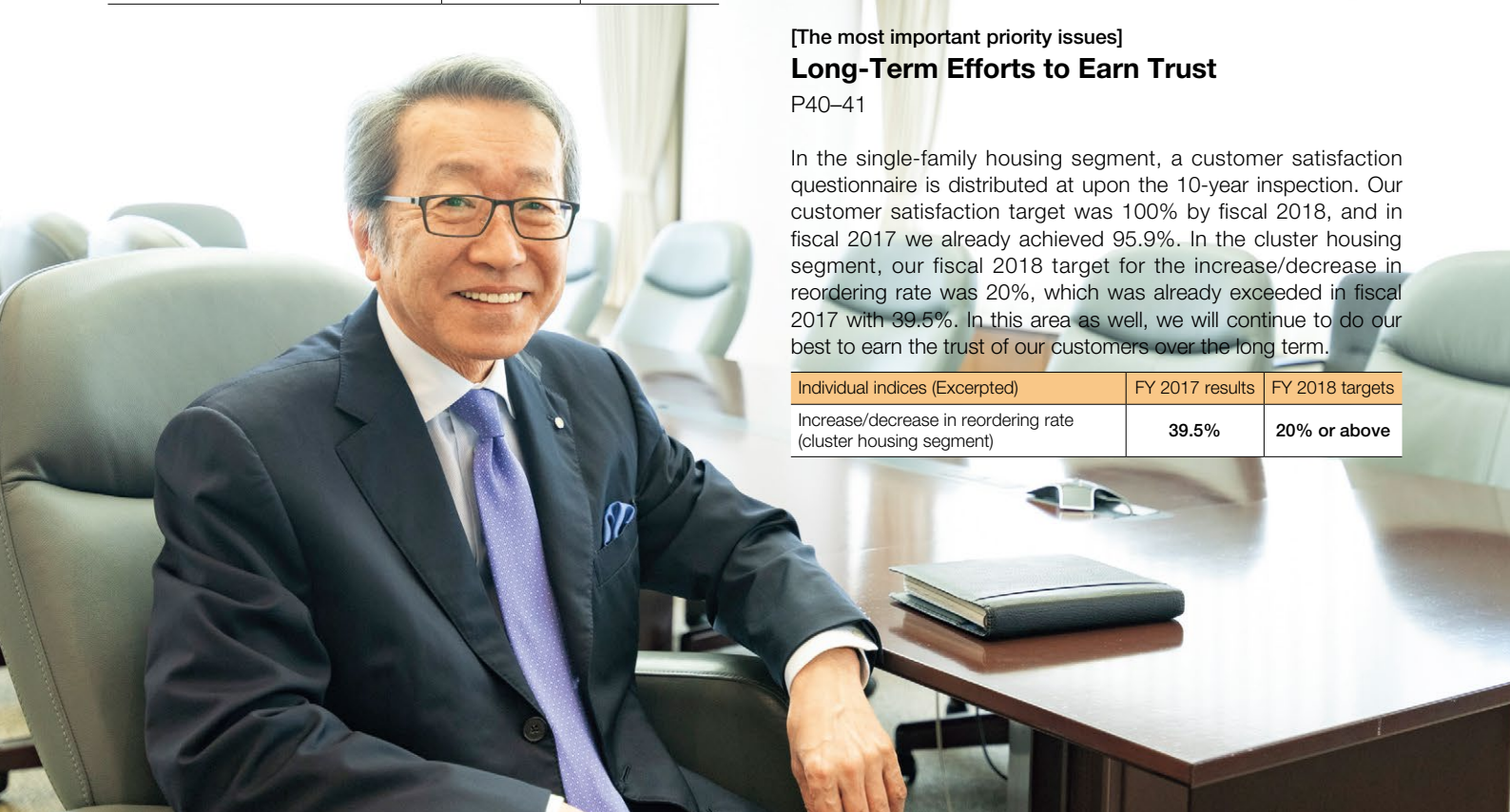
[The most important priority issues]

Long-Term Efforts to Earn Trust

P40–41

In the single-family housing segment, a customer satisfaction questionnaire is distributed at upon the 10-year inspection. Our customer satisfaction target was 100% by fiscal 2018, and in fiscal 2017 we already achieved 95.9%. In the cluster housing segment, our fiscal 2018 target for the increase/decrease in reordering rate was 20%, which was already exceeded in fiscal 2017 with 39.5%. In this area as well, we will continue to do our best to earn the trust of our customers over the long term.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Increase/decrease in reordering rate (cluster housing segment)	39.5%	20% or above



Co-creating a Brighter Future with Our Customers

[Priority issues]

Providing High Quality Products

Basic Policy and Concept

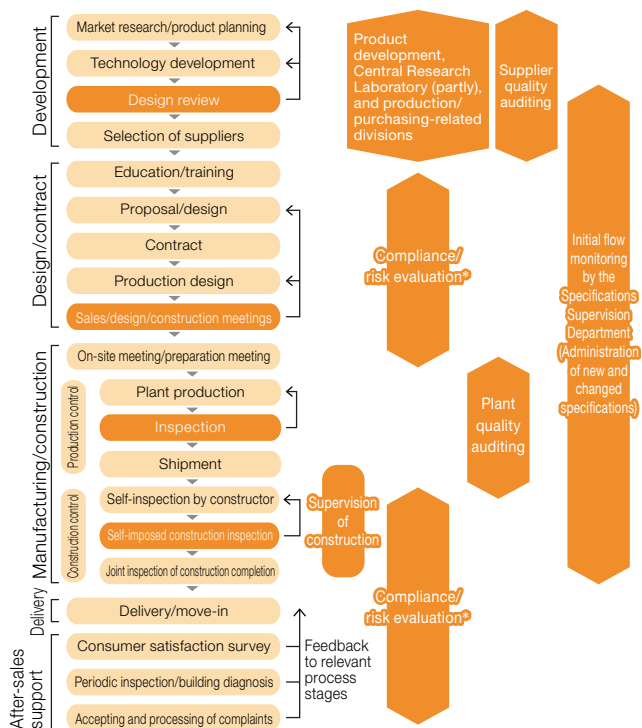
The Daiwa House Group provides a broad range of buildings as a “Group that co-creates value for individuals, communities and people’s lifestyles.” Buildings also protect human lives and valuable property, and must provide safety and peace of mind. People expect to use such buildings for a long period of time and hand them over across generations. This is why we promise to deliver high-quality products, and make efforts to improve quality throughout the entire life cycle of buildings, from product development to design, construction, maintenance, and to scrapping (demolition).

Management

Quality Assurance System

Daiwa House Industry pursues quality improvement throughout the production process, from development to design and contract, production and construction, to after-sale services. As shown in the diagram below, we conduct inspections and take measures to improve development, production and construction, and other individual processes. We also evaluate the quality of our products in both physical and intangible areas through questionnaire surveys, periodic inspections, and various inquiries received following delivery to customers, thereby maintaining quality that satisfies the end customers who use our products. Input received from customers is incorporated into individual processes for improvement with respect to the physical quality of products, the quality of services provided by employees, and the operational quality of our systems and structures.

Quality assurance system flow (Housing)



* Compliance risk assessment refers to efforts to strengthen the technology platform at worksites (safety, waste, quality, design and construction).

Specifications Supervision Department given the authority to implement cross-sectoral management and transmit specifications information

We have been building a management system to prevent improper construction that was discovered in fiscal 2014 to be noncompliant with legal regulations. As part of this system, in fiscal 2015 we established a council to prevent recurrences originating in the violation of fire protection certification; we established a specifications administration project office in fiscal 2016. To strengthen the system we initiated the Specifications Supervision Department under the direct supervision of the president in January 2017. The Specifications Supervision Department manages the transmission of technical information in a cross-sectoral, centralized way as related to new and modified specifications in the design, production, and construction of both single-family houses and rental housing. If the department finds any noncompliance or irregularities with regard to specifications, it has the authority to halt product development, manufacturing, or sales, and impose control over the related department in order to prevent nonconformity before it occurs.

The Head Office appoints a person from its Technology Department who has experience in various fields to be a Product Design Checker. This person has the specialized knowledge to check the details of both new and modified designs with respect to many kinds of performance—those that relate to customer safety, such as fire protection and structural performance, and those that relate to comfort, such as sound insulation and thermal efficiency. The Specifications Supervision Department supervises the checking process to ensure its proper implementation.

In November 2017 we began using a drawing generation system that automatically highlights the points in construction most critical to fireproofing. The system allows us to provide important specifications to engineers and technicians in advance for each property, enabling more accurate checking during inspections, preventing nonconformity.

Our housing products and some construction products have obtained model conformity authorization* from the Ministry of Land, Infrastructure, Transport and Tourism, so supervision of building specifications is critical.

* A system for the advance authorization of conformity to designated building standards pertaining to mass-produced building equipment for one model, or housing models built using standard specifications. If authorized, building checks and inspection processes become simplified.

Strengthening quality management through ICT (Information and Communication Technology)

Building Information Modeling (BIM)

We are adopting BIM to centralize information through the full life cycle of a building and across all of its processes, including sales, design, production and construction, and after-sales service. Through the use of BIM we are able to more smoothly build consensus with the customer using 3D data of the building. Also, by centralizing building information we can share design changes or other information in real time, achieve consistency among drawings, and in other ways assure quality as expected by the customer.

Quality Inspection System, D-Doc

To strengthen and improve the quality and efficiency of construction site quality inspections, we began using the D-Doc system throughout Japan in October 2015 in the construction segment and in April 2016 for the housing segment. The system allows inspections to be conducted at construction sites using a tablet device (mobile data terminal) or a smartphone, registering the results and sharing the data on the spot to streamline inspections and speed up the multiple check process.

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

Implementation of the ISO 9001 Quality Management System Standards

At Daiwa House Industry’s plants throughout Japan we are automating, streamlining, and using more robots to achieve thorough quality standardization in an integrated production system that extends from parts machining to assembly. Our plants nationwide, together with the Production and Procurement Division of the Head Office, have acquired ISO 9001 certification, the international standard for quality management systems. In our production sector, ISO 9001 quality management systems have been implemented as a tool to further promote efforts to enhance and stabilize product quality.

Regarding implementation, we are undergoing audits by an external certification body.

Providing product information

Daiwa House Industry provides the customer with product information documents upon delivery of the housing unit. For example, with a single-family house we provide a “Guide to Your Home” that covers building maintenance, and upon request, independent housing performance evaluation certificates (evaluation certificates for design and construction) based on Japanese housing performance labeling standards. For condominiums, at the meeting to hand over the “keys,” we also provide an instruction manual on using the building and facilities, a purchase follow-up support document, and historical data about the building in “D’s File.”

Major efforts

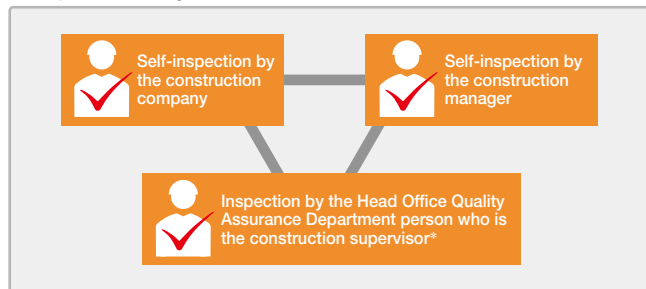
Impact assessment on product safety

I Housing (single-family house and cluster housing businesses)

Japan has rigorous standards for building safety to protect building owners and residents (consumers), based on the Building Standards Act.

In addition to construction quality self-inspections carried out by the construction company and construction manager based on the Building Standards Act, we employ a triple check system that requires a Quality Assurance Department inspection as the construction supervisor. A building must pass this inspection before it can be delivered.

■ Triple Check System



* Inspection by the Quality Assurance Department person: As part of the physical inspection—an essential part of a completion inspection—this inspection is conducted by focusing additionally on one particular process. Furthermore, all quality records are reviewed by the construction supervisor. As construction supervisor, the person also verifies the drawings, monitors the legal status of approval and authorization, and monitors the design process through in-process inspections.

I Construction (commercial facilities and general construction business)

Performing quality control in every process is essential for delivering high-quality products to customers. In addition to self-inspections conducted by building contractors and construction supervisors, our quality assurance department conducts supervisory on-site inspections and quality checks on design, construction, and facilities.

I External thermal ventilation wall for extended service life of houses

Daiwa House Industry has actively adopted the use of an external thermal ventilation wall for single-family houses that has exceptional, condensation- and moisture-blocking performance inside the wall to prevent structural deterioration. Improving the durability of a housing unit improves its safety and maximizes its service life.

In June 2009, the Japanese government enacted the Act on the Promotion of Popularization of Long-life Quality Housing, legislation that provides stipulations for measures to prevent the deterioration of a building frame or other structure, along with energy saving measures, and more. Far in advance of this legislation, in 2005 Daiwa House Industry developed the external thermal ventilation wall, an external wall system that excels at thermal insulation, preventing rainwater and condensation permeation while offering fireproofing, sound insulation, and durability. The ability to prevent the permeation of rainwater and condensation greatly reduces construction risk on site, and factory production ensures stable quality. Since the development of the external wall system in 2005, it has come to be used today in 97% of our single-family housing units (as of fiscal 2016).

The wall system features a “double barrier” structure.

First, it creates a moisture barrier on the inside of the structure, blocking moisture from penetrating into the walls and reaching the indoors. Then, on the outside it has an air-permeable layer composed of a high-density fiber-based insulating material that greatly reduces the risk of condensation forming inside the wall because it will facilitate the quick discharge of moisture without cooling the structure, even if moisture from indoors penetrates the wall.

This air-permeable layer inside the wall not only wicks away moisture, it acts as a secondary waterproof layer to prevent water leakage due to rainwater permeation. If the external wall’s primary waterproof layer ever gets compromised and outside rainwater penetrates the wall, it can be discharged outside through the air-permeable layer. This structure thereby greatly reduces the risk of water leakage due to rainwater (in everyday use).

To assure this kind of product quality, Daiwa House Industry employs the concepts of stable quality through factory production and a “double barrier” structure, which allows us to supply safe, highly durable single-family housing units that can handle any eventuality or risk.



Co-creating a Brighter Future with Our Customers

Self-imposed regulations for products and status of violation incidences

Measures to prevent the recurrence of nonconforming attic space party wall panel construction, etc.

Failures to comply with regulations instituted by the Minister of Land, Infrastructure and Transportation for attic space party wall panel construction have occurred three times since fiscal 2014. We are taking this situation quite seriously. To achieve fundamental corrective measures within the Head Office's Technology Department, Production and Procurement Department, and On-Site Construction Department, a Specifications Supervision Department was established under the direct supervision of the president to oversee the transmission of technical information directly related to safety performance. Its role is to completely prevent the recurrence of nonconformity. To ensure that such situations do not arise again, the following preventive measures are steadily being implemented.

- (1) Specifications Supervision Department carries out cross-sectoral management and transmission of technical information with supervisory authority
- (2) Product Design Checker checks and Specifications Supervision Department supervises
- (3) Renewed and improved training at production and construction sites
- (4) Specifications consolidation and system building

Related subject Published on April 21, 2017 (press release)
https://www.daiwahouse.com/about/release/house/pdf/release_20170421.pdf

Below is a report of each instance of nonconformity and repair status.

Self-imposed regulations for products and status of violation incidences

Instance of nonconformity	Nonconformity to specifications approved by Minister of Land, Infrastructure, Transport and Tourism for attic space party wall panel in rental houses, etc.
Details of nonconformity	On October 18, 2016 we made public a report to the Minister of Land, Infrastructure, Transport and Tourism that found nonconformity to specifications approved by the Minister of Land, Infrastructure, Transport and Tourism in some of the party wall panels installed in attics in 160 rental houses that were manufactured at company plants (Tohoku Plant, Tochigi Ninomiya Plant, Ryugasaki Plant, Niigata Plant, Mie Plant, Nara Plant, Okayama Plant and Kyushu Plant). The current progress of corrective measures is shown below.
Units affected. As of June 11, 2018	160 units
Number of units with repairs completed As of June 11, 2018	133 units
Additional notes	For rental housing, until repairs for all households are completed, the "building" as a single unit is not treated as completed, so the number of units with completed repairs does not match the number of households. As of March 2017 the company has not been fined or penalized for these incidences.
Related subject	Published on October 18, 2016 (press release) https://www.daiwahouse.com/about/release/house/pdf/release_20161018.pdf

Customer satisfaction with products

To make sure that the products we develop, manufacture, design, and build according to company standards are good, high-quality

products that lead to customer satisfaction, we use questionnaires and other surveying techniques. Additionally, all data from customers that are considered to be feedback are analyzed by the CS Promotion Department and shared with all sections related to the processes involved, which leads to improvements.

The results of our management indicators on customer satisfaction and product quality in fiscal 2017 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P179–182 CSR Self-Assessment Indices Customers
 Provide high quality products
 Long-term efforts to earn trust

Research on product safety

We are pursuing research and development on healthy and comfortable living environments that minimize heat shock* and heat stroke by reducing drastic temperature changes in a house.

Generally, when a living room has an air conditioner installed, the temperature difference between the living room and a non-air-conditioned room such as a bathroom can be as much as 6 to 8°C. The temperature difference is so large that a rapid drop in temperature when moving from a warm room to a cold room can cause a rapid change in blood pressure or pulse, which can be hard on the body. Elderly people in particular, and individuals with high blood pressure, are susceptible to stroke under such circumstances, which can lead to death in the home.

One solution to reduce the temperature differences that can seriously affect people's health and life in a house is to have an air conditioning system that covers the entire home. However, that would require a machine room for the air-conditioning equipment alone and houses are generally too small. Also, it takes more energy to maintain a fixed temperature throughout an entire house.

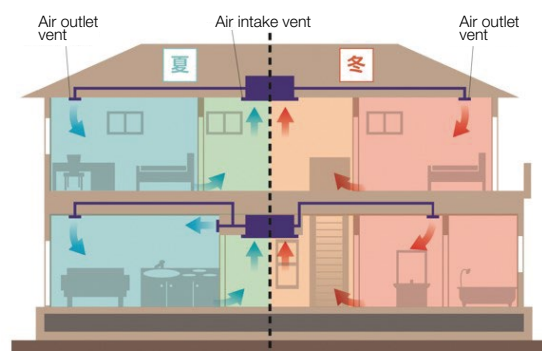
To reduce the temperature difference between rooms and minimize the cause of heat shock, we developed a floor-by-floor central air conditioning system.

By installing air conditioning equipment in the ceiling duct space, we eliminate the need for a machine room dedicated to air-conditioning equipment, making it possible to use the interior of the house fully for living space.

Furthermore, we have implemented a weekly schedule timer that maintains a comfortable temperature according to different patterns of living between the first floor and the second. The timer lowers the indoor temperature when no one is present, eliminating wasteful use by floor, thereby achieving about a 30% reduction in energy consumption as compared to an ordinary central air conditioning system.

Going forward, we plan to continue engaging in R&D to help customers lead healthier, more comfortable lives in energy-saving living environments.

* The effect of a rapid change in blood pressure and pulse on the body due to sudden temperature change



Safe, comfortable air temperature control all year round with our floor-by-floor central air conditioning system

[Priority issues]

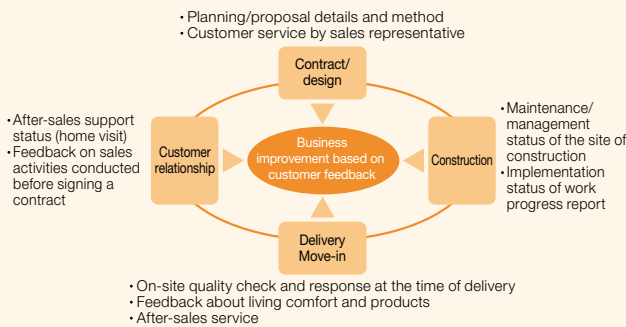
Proper Communication with Customers

Basic Policy and Concept

The Daiwa House Group engages in business activities aiming to win the trust and esteem of its customers. Our executives and regular employees are all instilled with the idea of putting one's fullest effort into the most ordinary tasks, which we do for our customers as a corporate approach. We also go one step beyond "putting the customer first" to "putting each individual first," a code of conduct to ensure that we look at things from the perspective of each customer. This approach of responding to the detailed requests of each individual customer is a feature of this company, which was built on single-family housing design and construction. We apply the approach equally to the construction of large-scale commercial facilities and distribution facilities.

To see things from the vantage point of each customer, good communication is crucial. Our stance is to always be honest and frank with customers, demonstrating "communication with integrity" premised on the protection of personal information (privacy) and based on our Principles of Corporate Ethics and Code of Conduct. We will do everything possible to uphold our promises and respond quickly and in good faith to all requests.

Proper communication with customers is the basis for building relationships of trust. In the three quality aspects (quality of products, employees, and operations), we pursue improvement through all business activities, aiming to satisfy customers' expectations and to promote customer satisfaction.



Management

Systems for enhancing *three qualities*

With respect to the *three qualities*, first, we believe that final satisfaction is achieved by providing *product quality* that exceeds customers' performance requirements. We therefore analyze input from customers at the CS Promotion Department and share the results with all related departments in pursuit of improvement. As for *employee quality*, we have faith that a strong group forms when individuals come together at a high level. Customer requests vary from person to person, and it is critical that our employees have flexible skills to answer requests on the spot. We work hard to develop those skills through on-the-job and off-the-job training.

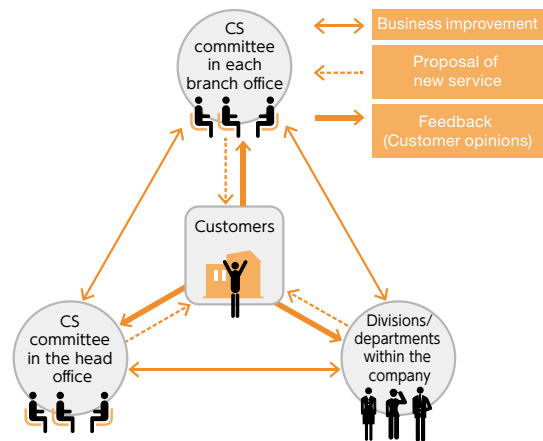
To achieve *operations quality*, it is important for all employees to grasp basic practices and rules. It is essential that all employees share with each other the proper way of doing their jobs for all to understand. The implementation of the plan-do-check-act (PDCA) cycle is also vital for further improving operations.

CS Promotional System

To ensure that customer feedback drives improvement in products and services, customer satisfaction committees have been set up at the head office and all worksites, tasked with sharing examples of customer feedback (objective statistics and "direct feedback") and implementing the PDCA cycle for initiatives through monthly meetings. Proposals for improvements based on customer feedback, as well as confirmations of progress, are carried out by a liaison council for the Product Development Department and liaison council for the construction segment. We have thus established a system that allows each worksite to share specific measures, while a rapid response is possible when Groupwide decisions need to be made.

Previously a single department had been taking care of matters related to both customer satisfaction and quality. To further boost customer satisfaction, in fiscal 2014 we improved the system by splitting the functions between the Customer Satisfaction (CS) Division and the Quality Assurance Department. Now, customer feedback and quality data can be used on a regular basis to promote improvements based on the customer's perspective.

■ Promoting improvement activities through CS committees



Call Center communications

■ [Single-family/rental housing] Daiwa House Customer Center

We aim to build an endless partnership with our customers. To this end, we have opened a Customer Center as a concierge desk to handle various queries regarding houses and buildings. The Customer Center (toll-free/24-hour, 365-day operation), in cooperation with individual branch offices, provides information on periodic inspections and maintenance support. Moreover, the Daiwa House Group offers a wide variety of services ranging from house cleaning to renovation, the buying and selling of houses, leasing, and moving services.

To become a long-term, reliable housing consultant and partner, we serve our customer needs in the spirit of "together with our customers."

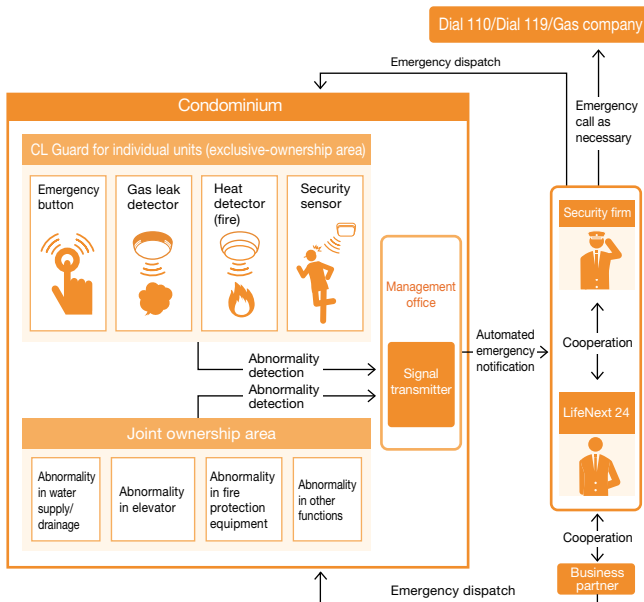
Co-creating a Brighter Future with Our Customers



[Condominiums] Emergency response system “LifeNext 24”

We have established the “LifeNext 24,” an emergency center for our condominium customers, operating 24 hours a day, 365 days a year.

Flow of the emergency response system



Note: Monitoring items differ, depending on the specifications of the condominiums.
 © Emergency center “LifeNext 24” has been established within Daiwa LifeNext Co., Ltd., a condominium management company of the Daiwa House Group.

[Commercial and office buildings] 24-hour Customer Service Call Center

Our customer service call center provides after-sales support 24 hours a day, 365 days a year, so that after delivery, customers can use buildings in a more worry-free and comfortable manner. We are working to provide better advice and will analyze the opinions received and continue using the information from our customers to make improvements.

Major efforts

Satisfaction with the quality of customer service

We hold training seminars on a regular basis for all employees of Daiwa House Industry who communicate directly with customers to make sure they know what it means to “put each individual first” and see things from the customer’s perspective. Role-playing competitions are one way in which our employees can share their knowledge or pick up practical skills to use in the field. We also distribute questionnaires to ascertain how customers view our customer service, the results of which we use in personnel training.

The results of our management indicators on proper communication with customers in fiscal 2017 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P179–180 CSR Self-Assessment Indices Customers Proper communication with customers

Voluntary restrictions and legal violations in marketing and communications

In addition to complying with government and industry regulations, Daiwa House Industry has imposed various self-restrictions on advertising that include human rights considerations. We have also established an advertising production system for creating and utilizing templates for advertising materials. Their use is reducing the risk of improper expression in the advertisement creation phase.

A dedicated team set up to carry out final checks for advertisements has strengthened our checking system, part of a concerted risk management effort that has resulted in zero incidences of violations and therefore no fines or penalties imposed during the fiscal year.

Measures to protect customer privacy

Daiwa House Industry fully recognizes the importance of protecting personal information, and believes that the proper use and protection of this information not only forms the basis of our business activities, but also represents a key area of our social responsibility. From this perspective, we have established our Privacy Policy and disclose it inside and outside the company.

In accordance with the Privacy Policy, we have built a secure organizational and personal information management system, and we provide thorough education and training on a regular basis to ensure compliance with this privacy policy and internal rules.

In addition, we recognize the great sensitivity of personal information and the importance of protecting it when using information technologies; therefore, we have implemented a user authentication system, access restrictions, and operational log controls. We also take measures at various levels, including hard disk drive encryption and the detection of illegal external access.

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

[The most important priority issues]

Long-Term Efforts to Earn Trust

Basic Policy and Concept

We at Daiwa House Group regard buildings as important assets of both customers and society. We also consider that buildings exist in the context of people's lives and businesses, and must be tailored to people who live in and use the buildings. Our mission is to ensure that a building is maintained in excellent condition for a long period of time to sustain its value as an asset and enable people to use it across generations. We have established a system of maintenance and after-sales service that we continue to improve to ensure that good asset value is handed down to the next generation.

Of equal value to us are the relationships of trust we have built up over time with customers. We wish to maintain communications over the long term with customers who use the single-family houses or condominiums that we build, and also with the owners of rental housing, commercial facilities, or business facilities built for the purpose of asset utilization, so that everyone can use their buildings safely and worry-free.

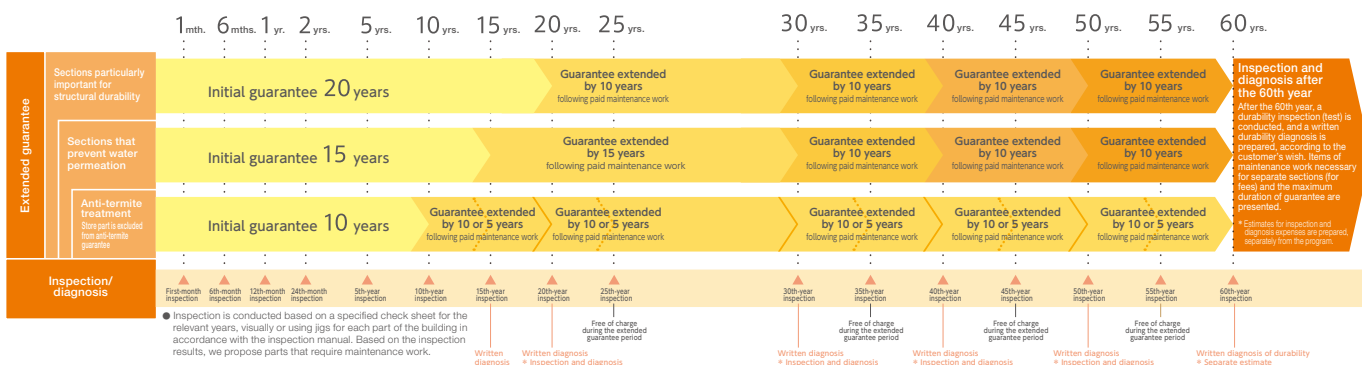
Management

Long-term quality assurance

We have established a system for long-term guarantees and after-sales service tailored to the structure of buildings and circumstances of the owner (e.g. single-family houses and rental housing). We offer initial guarantee periods of up to 20 years for exterior walls, structure, and other parts of buildings, and also provide a periodic building diagnosis service.

We visit individual customers, and conduct maintenance work to repair areas requiring improvement identified in the building diagnosis, thereby maintaining and improving the value of housing as an asset. Information collected through these after-sales services is summarized by the CS Department and fed back to the relevant departments, leading to improvement in product development and quality assurance.

Single-family houses—steel-framed and wooden (one-story, two-story or three-story)



* The above warranty details apply to contracts dated April 1, 2018 or later.

Membership organizations for owners

We run a membership organization for owners that serves as a forum for information exchange and the promotion of friendship among building owners throughout Japan. Seminars and consultations are held by experts in asset utilization; members gain access to the latest information; and they receive assistance with the maintenance of buildings they own or with asset utilization of rental housing they manage, for example. Owners socialize with one another through organized trips, Christmas parties, boat cruises, and other events. We promote such activities to maintain communication over the long term and build solid relationships between owners and the Daiwa House Group.

Main membership organizations for owners

	Single-family houses	Rental housing	Commercial facilities
Name	Daiwa Family Club	Daiwa House Owners Clubs	Owners Clubs
Total membership	235,000 (As of April 30, 2018)	93 clubs in Japan 35,754 (As of March 31, 2018)	65 clubs in Japan 6,728 (As of March 31, 2018)
Major activities	<ul style="list-style-type: none"> An Internet service exclusively for members Information and advice given to resolve concerns and to answer owners' questions about future housing. 	<ul style="list-style-type: none"> New information provided on managing rental housing Information exchange among members, study tours to deepen friendship, etc. 	<ul style="list-style-type: none"> Seminars on the effective use of real estate Study tours to promote friendship among members <p>Note: Business consultations on opening commercial establishments for tenant companies held (leading to over 4,000 business deals as of March 31, 2018)</p>

Managerial Philosophy and Overall Picture
Customers
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Co-creating a Brighter Future with Our Customers

Major efforts

Long-term efforts to earn trust and customer satisfaction

Daiwa House Industry conducts customer satisfaction surveys to build relationships of trust with customers in housing and other businesses. We conduct single-family house questionnaires after one month, one year, two years, and 10 years from taking up residence. We also conduct rental housing questionnaires after six months, and condominium questionnaires three months, one year, and two years after taking up residence and general construction questionnaires at the time of delivery.

Since 2001 we have run the Daiwa Family Club website for owners of single-family houses. Since that time we have been conducting Web-based questionnaires, and in 2014 we renewed the website, adding a section for Daiwa House Industry staff to share information with registered owners to strengthen the company's communications with customers. In the cluster housing business and commercial facilities business we are able to ascertain customer satisfaction with buildings over the long term through communication that takes place in Owners Clubs.

The results of our management indicators on long-term efforts to earn trust in fiscal 2017 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page ▶ P179–182 CSR Self-Assessment Indices Customers Long-term efforts to earn trust

Businesses to Address Social Issues / Sustainable Consumption

Basic Policy and Concept

Keeping constantly in mind our founding principle of pursuing what is most useful to society, the Daiwa House Group aims to build sustainability by focusing on creating businesses that help provide solutions to social issues while reducing harmful effects on society and the global environment.

We try to develop products and construction methods with low environmental impact in terms of both procurement of materials and construction of buildings. We also consider it vital that CO₂ emissions are kept low as customers use the buildings, and that environmental performance is maintained over the long term. Such considerations are reflected in our product development design concepts and after-sales maintenance system. We engage in such measures, with a focus on the in-use environmental performance of buildings after delivery, an important consideration, for the benefit of the environment and society as a whole.

We aim to maintain long-term product performance while also keeping high seismic standards in our buildings to meet today's demand in Japan, a country highly prone to earthquakes. We also promote gender equality in housing as part of numerous efforts that address social issues. Moreover, we consider it our mission as a leading company to support children's education with regard to housing.

From this perspective, we see our mission as contributing to a sustainable society through the maintenance of buildings over a long period of time, supported by customer-oriented partnerships between our company and our stakeholders, where we can learn from and teach one another to deepen our mutual understanding.

Related page ▶ P121–122 Co-creating a Brighter Future with the Environment Helping to reduce greenhouse gas emissions through our products and services

Management

Social and environmental measures in R&D and new business development

Daiwa House Industry's Central Research Laboratory clearly articulates the research and development process based on regulations set by the R&D Division, and carries out R&D work on elemental technologies that lead to the development of new businesses. Through investigation—the initial phase of R&D—and feasibility studies conducted to verify hypothesized utility, superiority, and feasibility, we are able to discover where the needed value lies with regard to important technical issues for the world, thereby establishing key R&D themes. Furthermore, at the applied research phase, midway along, not only do we verify technical quality and performance, quantifiables that are prerequisites for commercialization, but we also factor in such things as environmental friendliness, requirements for social acceptance, and user safety.

In the area of new business development, we have been investing in and cooperating more with venture firms that engage in product development in such areas as social welfare, medical care, and nursing care—working on solutions to social issues.

Related page ▶ P163 Evaluation of ESG aspects in business investments

Additional earthquake-proofing efforts

Earthquake-proofing measures are needed for buildings, and as part of our efforts toward sustainability in society we have incorporated knowledge and lessons learned from major earthquakes in recent years to regularly reappraise the seismic performance of buildings and specifications for facilities and equipment.

Educational support for the next generation

With growing social awareness of sustainable consumption and the need to solve social issues, we do more than just provide information to our own customers. We visit elementary schools, junior high schools, and high schools to teach children about housing and architecture. Among our efforts for university students, we have held lectures on “corporate social responsibility and consumer education.”

We identify and analyze the number and details of sessions of such next-generation development support activities across the Group, and continuously develop materials, cooperate with progressive projects, and make other ongoing improvements to help our employees provide better educational support.

Related page P085–086 Community Co-creation Activities
Educational support for the next generation

Major efforts

R&D to create businesses that will solve social issues

Air pollution in emergent nations has become a serious issue; yet, air pollution still remains unresolved today in parts of Japan, especially in urban areas with high vehicle exhaust emissions. A recent air pollution issue that has come to the fore that affects our health is atmospheric particulate matter with a diameter less than 2.5 micrometers, known as PM2.5.

To combat the PM2.5 problem, in 2015 we jointly developed with our Group company Daiwa Lease an outdoor air purification green wall system for improving the air quality in urban environments.

The earthen layer inside the green wall acts as a purifying filter. Air pollutants are pumped into the back of the wall by a fan, pass through the soil layer, and come out as clean air from the front of the wall.

We also apply our research to indoor air purification using natural energy. More companies have awakened recently to the need to provide a healthy work environment for employees. Greenery and clean air have a healing effect on the mind and body and create a refreshing environment that can go far in reducing employee stress and improving productivity.

We will continue to pursue green innovation in technical development to take full advantage of greenery and utilize the natural functioning of plants and microorganisms for the betterment of life and society.

Product development to solve social issues

Houses designed to facilitate the sharing of housework to support working women

Daiwa House Industry offers housing design for single-family houses that makes it easier for household chores to be shared, as both the husband and wife are working in more households today. The layout and design ideas incorporated into the “Kaji (Chore) Share House” are aimed at reducing the burden of housework by making it easy for everyone in the house to do chores.

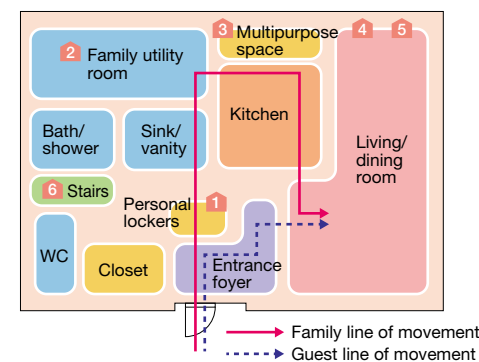
For the 10-year period from 2006 to 2015, the number of two-income households in Japan increased about 14% to 11.14 million*1. Between 1985 and 2015, the percentage of women among all employees rose from 35.9% to 43.9%*1, and has been increasing year by year. With more women in the workplace, society looks forward to increasing achievements by women. Meanwhile, the sharing of housework with men doing the chores to lighten the load on women in the home has become more prevalent. Still, the average amount of time men spend per day on housework in Japan is 28 minutes*2, less than one fourth*2 the time spent by their counterparts in the United States, Germany, and Sweden. Many consider such little help to be no help at all to women.

Considering such social conditions, we put together a project team with primary input from female employees, and conducted an in-house survey. The questionnaire found not only that women do far more housework than men, but that a gender gap in the view of housework caused frustration for women. These results gave rise to the idea that specific household chores should not be divided up, but that everyone in the family should understand what the chores are, talk to each other about them, and share them. We thus incorporated into house design this idea of “chore sharing” and have been selling these specially designed houses with well-considered layout and unique design ideas throughout Japan.

This type of single-family house helps to reduce the amount of housework performed by women, enabling women to take more active roles in society at a time when the Japanese government itself is promoting women’s participation and advancement in the workplace as a national project.

*1: Source: Labour Force Survey, Ministry of Internal Affairs and Communications
*2: Source: Cabinet Office website (hours of housework, excluding child-rearing by the husband for children under the age of 6)

Flow in chore share house



World’s first fully automatic laundry folding machine, laundroid—joint development and a joint venture

Three companies—seven dreamers laboratories, Panasonic, and Daiwa House Industry—established the joint venture Seven Dreamers Laundroid Inc. on April 11, 2016 to engage in product design, mass production development, manufacturing, and sales of the world’s first fully automatic laundry folding robot, laundroid.

Seven Dreamers developed the innovative technology of the automatic laundry folder; Panasonic contributed their clothes dryer technology and home appliance development strength, while we brought experience in the businesses of housing and medical/nursing care facilities. Joint development on the basic folding technology began in October 2015. The development of the Laundroid will release people from the drudgery of folding clothes, allowing them to share valuable time together with family or follow their interests, thereby bringing big lifestyle changes.

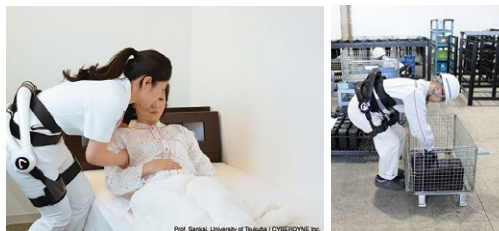
Co-creating a Brighter Future with Our Customers

Product development to address social issues

▮ Aiming to reform working styles

As the working population in Japan continues to decline with low birthrates and an aging population, significant expectations have been placed on changes to how people engage in labor in the workplace. Daiwa House Industry has been building a model of work-style reform using robotics technology and IT in medicine, nursing care, factories, and construction.

We are also building local safety nets using AI and IoT technologies to enable people to grow old and live without fear or worries.



The robotic suit "HAL" is one example of a product that has been developed and produced for the nursing care field, as well as the factory floor.

© Prof. Sankai, University of Tsukuba / CYBERDYNE Inc.

HAL® is an exoskeletal suit developed and manufactured by CYBERDYNE Inc.



Confined space inspection robot "Moogle"

▮ Support for an active later life

Daiwa House Industry is carrying out activities and building a framework to support seniors who want to lead an active, healthy later life. The four keywords at the heart of the project are: health, purpose in life, connection, and security. Some of the activities include: revitalizing suburban apartment complexes to create communities in which people feel connected and can live their entire lives with a feeling of security; hosting residential training programs and events for participants to interact with the community and one another; and workshops to envision new kinds of community development. The aim of these activities is to create a society in which seniors can lead active lives as they get older.

Product development for sustainable use

▮ Sustainable houses for living worry-free

Prior to the Great East Japan Earthquake in 2011 we built houses primarily to withstand a single major earthquake. We followed a "pre-quake" principle of making houses resistant to strong shaking and to protect lives by holding up in an earthquake.

However, the Great East Japan Earthquake brought significant repeated aftershocks, which caused "tremor fatigue," lowering the anti-seismic performance of the original design. In many cases, houses were no longer livable after all of the aftershocks. Learning an important lesson, we came upon a "post-quake" principle of building a house to continue to be

safe and livable by minimizing post-earthquake damage. This involved a shift in thinking from preparing for a single major earthquake to "sustained resistance" to maintain the building's initial performance by preparing for a major earthquake followed by repeated aftershocks.

This sustained resistance technology is featured in our energy-absorbing anti-seismic wall D-NΣQST, which has an anti-seismic Σ-shaped device built into the wall to absorb the energy of an earthquake.

The anti-seismic Σ-shaped device moves up and down rapidly in response to the shocks of an earthquake, thereby effectively absorbing seismic energy. Also, by concentrating the sway of the entire structure, it minimizes damage to the outer walls, columns and beams, and the building structure itself.

D-NΣQST (pronounced "D-next") anti-seismic walls are standard equipment in Daiwa House Industry's xevoΣ ("xevo-sigma") single-family house brand. This seismic-resistant house, designed to withstand a massive earthquake with strong recurring aftershocks, minimizes quake damage. The steel-framed structure has fewer columns, which creates larger open interior spaces for easier modification of interior layout. It also uses our "external thermal ventilation walls" to extend the house's service life and to save energy—our offer of a sustainable house that can be lived in worry-free for a long time.



Energy-absorbing anti-seismic wall: D-NΣQST

Conformity with JTI's Support System for Moving and Changing Houses (Fixed Rent Guarantee)

Since December 20, 2016, Daiwa House Industry has been constructing all of its newly built single-family houses to conform with the Japan Trans-housing Institute (JTI)'s Support System for Moving and Changing Houses (Fixed Rent Guarantee), the first such initiative in the industry.

Since November 2011, JTI has authorized all of Daiwa House Industry's newly built single-family houses for its support system for moving and changing houses, and its My Home Leasing System.*1 Through this latter system, JTI would conduct an assessment if one of Daiwa House Industry's newly built single-family houses became vacant, based on which it would pay the owner rent. With the Support System for Moving and Changing Houses (Fixed Rent Guarantee), all houses authorized under the My Home Leasing System would also be authorized under the new system, with JTI guaranteeing a minimum rental income*2 for 50 years from completion of construction. The advantages of this program are that the building owner can expect a stable house rent income for the rest of his/her life, and that the resident can rent a house at below market price. Our customers who purchase our newly built single-family houses, regardless of age, are eligible to use this JTI program to lease their old or new houses. The program helps families to raise children and senior retirees to change their residence or move from an urban area to the suburbs.

The program not only provides advantages to families raising children and seniors but also benefits society by making effective use of houses as social property when they no longer fit the lifestyle of their owners.

*1: Some building site conditions may prevent some houses from being eligible.

*2: Amounts will vary according to region.

Implementation Report

Co-creating a Brighter Future with Our Employees

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Co-creating a Brighter Future with Our Employees

We are committed to understanding and confronting workplace problems, taking concrete measures in response, steadily instating policies and putting them into practice.

Moritaka Noumura

Executive Officer
General Manager
Human Resources Department

Commitment from the Executive Officer in Charge

Taking Action with a Long-Term View Toward Labor and Human Resource Issues

In our corporate activities, we regard issues related to employees as some of our most important concerns. Providing a human resources system where employees have their development planned through a substantial education system, are continually provided opportunities in order to ensure motivation toward work, all the way through to retiring to a secure lifestyle is necessary for a corporation.

Daiwa House Industry takes a long-term view in solving problems in this field, and takes action quickly where necessary. For example, in Japan, the core of corporate pension, the Employees' Pension Funds (EPF) plan, was established in 1966. Soon within the decade, we had already set a pension plan in place, making efforts to create an environment where employees

were able to work without having to worry about life after retirement.

In more recent years, our pension system has been highly evaluated by employees reaching mandatory retirement age. "When I retired, I learned the amount of pension I would be receiving, and felt genuinely thankful to have been employed at such a wonderful company. I'm truly glad I worked hard here for so many years." This beneficiary's statement brings an immense amount of happiness to those of us concerned with personnel.

Of course, our efforts regarding pension are only part of our larger concept of "Co-creating a Brighter Future with Our Employees." The low birthrate and aging population of Japan will bring a decline in the workforce, and fluidization in human resources, changes in working styles, and increased workplace diversity (LGBT, etc.) are just several of the large number of issues at hand. Correcting the problem of long working hours, and the advancement of women and the elderly are under particular consideration. It is becoming necessary to reconsider work styles

Contribution to SDGs



and strengthen support systems.

With the progression of a globalized economy, correspondence to diversity is becoming increasingly necessary as well. With this in mind, increased promotion of women in the workplace is a prioritized concern within the Daiwa House Group, as part of the strengthening of our “basic human resources” system. Compared with other global corporations, our ratio of women employees in managerial and executive positions is relatively low, and we feel that it is necessary to recognize the present conditions and actively make efforts to change this. We must be careful, however, not to view this as simply a passing trend, to be handled with superficial measures. We consider human resources promotion and development related to our employees and company organizations to be indispensable.

From here, in the interest of increased appointment of women employees to managerial and executive positions, we plan on evaluating the potential of all of our employees, providing further opportunities for training and personnel support.

Toward Implementation of Measures in Anticipation of a Decreasing Workforce

It is important to promote the active participation of elderly people in the workplace. Currently, our Group has established 65 as the age of mandatory retirement, but for interested employees our yearly-updated “Active Aging System” has been established. Participants in this program may casually work in weekly three holiday system. This program also goes by the name “Stay Active All Your Life System,” and allows employees to maintain a point of contact with the company while broadening their own experience and knowledge. Approximately half of all employees reaching mandatory retirement age go on to participate in the system and remain active in their respective workplaces.

The purpose of this system is not the procurement of more employees, but rather an opportunity for senior employees to pass down their knowledge and experience, creating situations fitting the spirit of importance with which we regard the founder’s legacy.

Corresponding with this program, our Group requests employees reaching 60 years old to attend a “Life Design Seminar.” Here, employees are encouraged to think about their future life plans, encompassing not only work, but also family life and community participation, and are able to receive counseling regarding their lives after mandatory retirement.

Needless to say, from the perspective of the corporation, employees are “human resources.” When discussing the assets of a company, the term “people, money, things” is frequently used, but we would like to add “time” to this phrase. In order to spend one’s post-retirement time in a meaningful way, it is necessary to carefully consider the importance of work-life balance during one’s active time as a worker.

With this in consideration, the problem of long working hours has become an issue that requires serious action. To this point, there have been a variety of measures already taken, but from

January of this year, employees were given a survey, and combined-result opinion polls are carried out regularly with employees and CSR in efforts to concretely identify problems. Employee satisfaction is connected to customer satisfaction. To work in a manner that is satisfying to customers, the work itself must be enjoyable and conducted in a positive cycle. In contemporary society, “loyalty to the company” is a phrase that has largely fallen out of use, but in its place “a feeling of attachment to one’s company” is likely a concept of importance to both employees and corporations alike.

From here, these policies are not to serve as general guidelines, but rather itemized measures executed in response to actual situations in given workplaces. These policies are not to be regarded only as a blanket “revolutionary call to work” from the corporate side, but should instead be thought of as a decisive “working style revolution” within the comprehension of all of our employees. Keeping “Co-creating a Brighter Future with Our Employees” as our indispensable motto, these new policies are essential to the continued growth of our corporation.

Toward being a corporate group with dignity worthy of business expansion

As of March, 2018, the consolidated sales of our Group have exceeded three trillion, seven hundred billion yen. By this figure, our lofty founding aim of “ten trillion yen of consolidated sales by fiscal 2055, the 100th anniversary year of our company’s foundation” is not just a dream, but rather a concrete goal we are continuing toward. An issue we currently have to consider is whether our “social existence” is appropriate to the size of our business, given our growth as a corporate Group. For example, even in achieving a business size large enough to qualify as a business representative of Japan, a degree of dignity is necessary in order to maintain social trust.

This is why I believe that the elevation of each of our employees’ character and personality as well as executives, and consequently the “stature of the company,” is an issue of importance for our Group that requires consideration. Concretely speaking, from this year, our “Workplace Environment Improvement Project” has been established, confronting a variety of issues related to personnel and human resources. This program is not transitory, but designed with a long-term view toward the establishment of management capable of correspondence to societal changes and contribution toward sustainable growth.

There are many additional topics falling under our theme of “Co-creating a Brighter Future with Our Employees.” For example, together with our corporate overseas expansion, we have hired employees abroad, and our method of handling personnel who are active overseas is an important issue. Also, as our Group companies continue to grow, development of personnel in charge of each company is a priority. Expansion such as this only further necessitates the consideration of connections between employees.

Co-creating a Brighter Future with Our Employees

No matter what the issue, it is necessary to, upon understanding the actual situation in a given location, proceed in a manner that emphasizes continued mutual trust with employees. The Daiwa House Group will continue give consideration as to how to act, both in general and as a member of society, and in light of its existence steadily implement measures to solve current issues with “Co-creating a Brighter Future with Our Employees” as its underlying theme.

Social issues

The most important task for any company is to resolve various issues related to the people in its business operations. For the sustained growth of a company, it is necessary to consider our human resources as equal to talent, and the recruitment and training of such employees is absolutely necessary, as is the provision of continuous opportunities for fulfilling activity and education.

The accelerating pace of population aging and birth rate decline bring a lot of problems, including a declining labor force participation rate, increased job mobility, and diversification of working styles. Reducing long working hours and encouraging more women and elderly people into the workforce in particular are issues that have been gaining attention, and changes in working styles and enhancement of support systems are needed. Furthermore, in an increasingly globalized economy, it is expected that it will be more and more necessary to deal with issues related to diversity.

Risks and opportunities for the Daiwa House Group and its responses

The Group has approximately 64,000 employees, which means many kinds of personalities and diverse capabilities. Consistently providing an environment that brings out the best in everyone will be a driving force for generating new business opportunities. On the other hand, if we cannot meet new demands in terms of personnel systems and work environments in order to change with the times, we could lose our corporate power and competitiveness.

Therefore, we think that it is important to always be sensitive to any change in society and in employee's awareness as a company, as well as preparing personnel systems and work environments that appropriately adapt to such changes.

Long-term social vision [Employees]

In addition to caring for the health and safety of our employees, we also strive to create an open and fair work environment, and to give every member of staff the opportunity for personal development.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[Priority issues]

Providing a Safe and Healthy Work Environment

P49–52

The rate of paid leave taken for fiscal 2017 was 55.0% while the fiscal 2018 goal is 70%, and the Diagnosis (living practices) score in the health analysis score for fiscal 2017 was only 55.2 pts while the fiscal 2018 goal is 70 pts. We will make efforts to achieve these goals.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Diagnosis (living practices) score in the health analysis score	55.2 pts	70.0 pts or above

[The most important priority issues]

Developing Human Resources

P52–55

We have set the fiscal 2018 goal of 80% for the Degree of new employee satisfaction of OJT and the Rate of self-assessment of older employees with regard to Degree of satisfaction of employees to overall human resources training. We achieved 85.8%, exceeding the goal for the former while we did not reach the goal by managing to achieve only 71.8% for the latter for fiscal 2017.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Evaluation of OJT		
① Degree of new employee satisfaction of OJT	①85.8%	①80%
② Rate of self-assessment of older employees	②71.8%	②80%

[The most important priority issues]

Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly

P55–58

Though our paternity leave rate target for fiscal 2018 is 50%, the rate for fiscal 2017 only reached 34.1%. In addition, the number of women employees hired into managerial positions target for fiscal 2018 (calculated in April, 2019) is 160, and in fiscal 2017, 123 women were hired as managers (excluding eight temporarily transferred employees). The target rate of employees with disabilities in fiscal 2018 is 2.3%, and in fiscal 2017 this goal was achieved with a rate of 2.33%. From here, we will continue to work to improve these rates.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
No. of female managers	123	160
Rate of Employees with Disabilities	2.33%	2.30%

[Priority issues]

Providing Employment Opportunities for Exceptional Human Resources

P58–59

The target rate of women employees hired from among new graduates (general employees) for fiscal 2018 is 30%, with a rate of 24.3% in fiscal 2017. The hiring target for qualified engineers in fiscal 2018 is 150 employees, with the number at 129 employees in fiscal 2017.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Rate of hiring of new graduate females (general employees)	24.3%	30%



Co-creating a Brighter Future with Our Employees

[Priority issues]

Providing a Safe and Healthy Work Environment

Basic Policy and Concept

Out of respect for basic human rights, the Daiwa House Group takes measures to ensure a safe and healthy workplace for employees. To encourage the growth of each employee, it is necessary to create an environment that encourages individual abilities, and a corporation's sustained development of contribution to society is also a priority. In April of 2018, we signed in agreement with the 10 principles of the UN Global Compact, related to the United Nations' advocacy of human rights, labor, the environment, and anti-corruption.

In the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, "consideration for health care and safety" is outlined to promote the mental and physical health of employees, and the maintenance of an orderly workplace.

Additionally, in accordance with Safety and Health Management Regulations, safety in workplaces and construction sites is being managed together with employees to consistently maintain an orderly environment. Additionally, our "Basic Policy to Promote Safety and Health at Work" is set every year, with policies and aims instituted for each business establishment, building a system by which safety is prioritized in workplaces for the sake of employees of the Daiwa House Industry and business partners. To create workplaces such as these, it is important to promote employee knowledge and awareness through instruction and training, in both our company and with business partners.

In our Group, through steady effort to prioritize health care and the eradication of long working hours, we believe in productivity improvement through the promotion of health management. These are efforts not only in accord with high domestic labor standards, but also in observance of the International Labour Organization's core labor standards, and corresponding to labor laws in various countries. We actively participate in global efforts, such as the prevention of forced and child labor. We also strive to prevent the spread of various contagious diseases in accordance with increasing corporate globalism.

Director and Managing Executive Officer is in charge of General Safety Management. In total, six Executive Officers overseeing single-family houses, cluster housing, and construction are appointed in charge of Safety at the Design and Construction Department, which promotes the design & construction of buildings.

Important matters concerning safety at individual branch offices are reported to the Executive Officer in charge of General Safety Management, from the Executive Officers in charge of Safety at the Design and Construction Department and from the Safety Management Department. The Executive Officer in charge of General Safety Management also escalates important matters to the Directors and Audit and Supervisory Board Members when necessary. Through the general management of measures related to safety and health as above, the routes of orders to individual branch offices are clarified.

Establishment of various systems related to labor problems

Our company has established systems as indicated below.

■ Labor problem policies and measures

Theme	Policy and system establishment
Prevention of child labor	Our company has specified completion of high school as a minimal recruitment target.
Prevention of forced labor	During the hiring process, on premise of application we absolutely inform participants of their acceptance after one round of screening. Following acceptance, employees are informed of their working conditions, and upon agreement they are formally hired.
Dialogue with employee representative	Within the company, we have established a "president's suggestion box" and "Advance Board," systems which enable employees to directly suggest improvements to management and head offices in charge. Also, from an employee's perspective as a stakeholder, participation in yearly stakeholder meetings is available.
Subsistence wage assistance	We observe minimum wage laws in Japan, similar to other countries throughout the world.

Related page ▶ P069-071 Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors
P151-158 Human Rights Management

Management

General management of safety and health by the Board of Directors

We appoint the Director and Managing Executive Officer in charge of Safety, and the Representative Director and Senior Managing Executive Officer as Chair of the Central Occupational Safety and Health Management Committee, at the center of safety and health management. In this way, we ensure general management of safety by the Board of Directors including CEO.

Furthermore, Daiwa House Industry holds regular meetings of the "Central Occupational Safety and Health Management Committee," which is composed of company executives and heads of the technology, production, and administrative divisions. The committee meets to get a solid grasp of the current state of occupational safety and health at the company, and to discuss related issues. The details of the meetings are announced at a joint board of directors' meeting, with the participation of directors and executive officers, and are incorporated into the process of setting the "Basic Policy to Promote Safety and Health at Work."

As an organizational structure for safety management, the

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■ Management system toward reducing excessively long work hours

Year of introduction	Description
April 2004	<ul style="list-style-type: none"> • Lockout system To eliminate excessively long workdays, branch offices were closed at 22:00 (the closing time was changed to 21:00 in February 2009).
April 2007	<ul style="list-style-type: none"> • Home Holidays system To encourage the taking of paid holidays, employees were obliged to take one paid holiday every quarter (three months) in a planned manner.
April 2009	<ul style="list-style-type: none"> • Abolition of the deemed work hour system To ensure the proper counting of working hours, the deemed work hour system that was applied to work outside the office was abolished, and management based on net working hours was applied to all job types. • Introduction of regular working hours for each department and job type To reduce unnecessary overtime work, adequate regular working hours were introduced for each department and job type.
June 2011	<ul style="list-style-type: none"> • Introduction of an HR Department inspection system An in-house system was introduced for representatives from the Human Resources Department to visit branch offices around Japan, and directly investigate labor management issues, such as unpaid overtime payments and the overlooking of excessively long workdays.
April 2012	<ul style="list-style-type: none"> • Introduction of a PC lockout system A system was introduced to disable the use of PCs before check-in at the office or after check-out from the office, or without application for overtime work.
November 2013	<ul style="list-style-type: none"> • Visualization of infringement upon the Article 36 Agreement A system was introduced to enable timely confirmation on PCs by employees, superiors and administrators, concerning infringement upon overtime work hours stipulated in the Article 36 Agreement.
April 2014	<ul style="list-style-type: none"> • Review of branch office business performance assessment Earnings per hour, leveling of workload, and the rate of acquisition of paid holidays (Home Holidays) were incorporated into the criteria for bonus assessment for each branch office. • Introduction of a half-day substitute holiday system To encourage a flexible working style, a system was established to enable the taking of substitute holidays on a half-day basis.
September 2015	<ul style="list-style-type: none"> • Introduction of the "Black Office Authorization System" (Standard revisions in June, 2018) These are modification instructions for independent company standards regarding excessively long working hours. In the event that no improvement is seen, the workplace is recognized as a "Black Office," and bonus reductions are issued. • Yellow Card (modification guidance issued by the human resources department) <ol style="list-style-type: none"> ① In the event that an employee's monthly overtime exceeds 80 hours without industrial physician consultation ② In the event that no improvement is seen after an internal survey detects overtime pay, after improvement guidance has been issued by the human resources department. • Red Card ("Black Office" designation and reduction in bonus pay) <ol style="list-style-type: none"> ① In the event that three yellow cards have been issued within the course of one year ② In the event that employees receive disciplinary punishment due to violations related to personnel management
February 2017	<ul style="list-style-type: none"> • Introduction of the "Premium day" Each branch office implements "Premium day" on arbitrary day of even-numbered month in principle, on which employees are encouraged to take a half-day paid holiday in the afternoon.

Dissemination concerning safety and health to employees

Our company has established health and safety management regulations. In addition to the interest of preventing occupational injury or third party injury before it happens, these standards are also outlined as part of our effort to create safe and healthy workplaces. In order to establish basic safety and health targets as common knowledge among employees, our "Basic Policy to Promote Safety and Health at Work" is distributed each year. To achieve these targets, employees and officials in charge of each workplace are to fully understand the contents of the "Basic Policy to Promote Safety and Health at Work" and together create a safety-and-health promotion plan. Additionally, through a majority of general office work issued by our Safety and Health Committee and councils, understanding of our safety and health system is to be reinforced and further promoted as common knowledge. Through efforts such as these, we aim to achieve "zero accident," highly efficient workplace environments.

Risk management system for work safety

We primarily operate in the construction industry, and therefore accidents on construction sites are risks of high priority. We therefore require serious accidents to be reported to the Secretariat of the Risk Management Committee, and endeavor to prevent the recurrence of such accidents on a company-wide scale, in combination with the management systems as described above.

Major efforts

Risk assessment concerning labor issues

■ Identifying the actual status of overtime work

We endeavor every month to identify the actual status of overtime work throughout the company in order to eliminate excessively long workdays and comply with the Article 36 Agreement.

The company-wide monthly overtime work stood at 29.6 hours on average in fiscal 2017, reduced by 5.6 hours from 35.2 hours in fiscal 2014.

It must be noted that more overtime work hours have been recorded in engineering departments (design and construction) than in sales and administrative departments.

■ Companywide change of mean overtime hours

Fiscal year	Mean overtime hours
2014	35.2 hours
2015	31.5 hours
2016	30.4 hours
2017	29.6 hours

■ Status survey on work hours

We conduct a status survey on work hours once every quarter, in order to identify the actual work hours and effectively prevent unpaid wages.

■ Employee attitude survey "View Research 100"

We conduct an attitude survey once every four years, in order to identify employees' attitude about work and the present status at workplaces, thereby clarifying points for enhancing employee satisfaction, and incorporating the survey findings into personnel systems.

■ View Research survey results

Fiscal year	Survey rate
2004	83.3%
2008	90.7%
2012	90.6%
2016	91.4%

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■ Performance data

Fiscal year	Annual total work hours per employee	Annual overtime/ Person	Rate of attainment of paid holidays
2015	2,203 hours	378 hours	45.9%
2016	2,180 hours	365 hours	53.5%
2017	2,171 hours	355 hours	55.0%

Risk assessment concerning the health and safety of employees

■ Periodic medical examination

Groupwide, 97.0% of Daiwa House Group's employees attended our regular health examination in fiscal 2017. Efforts are being carried out in the interest of achieving a full 100% attendance in the regular health examination. In Daiwa House Industry, we have had 100% attendance for five straight years, starting from fiscal 2013. With regard to employees who received special remarks, our rate for follow-up examination attendance has also stood at 100% for two years, starting in fiscal 2016.

From here we are aiming at 100% attendance Groupwide, and as part of the examination process a major aim is the early detection of disease, rapid treatment, health risk management, and thorough follow-up procedures to a second examination of employees singled out for it, in the interest of progressive improvement and employee health maintenance. Additionally, in fiscal 2017, 96.3% of our employees attended specified health examinations. A "Health Improvement Seminar" was held, providing specific health care information to encourage employees to pursue their own health improvement independently.

■ Medical examination of employees putting in many hours

At Daiwa House Industry, the company's occupational health physician is requested to check the results of the periodic medical examination and provide necessary advice.

In compliance with the Occupational Safety and Health Act, under which a medical examination is mandatory for those who put in exceptionally long hours, the company is to require employees whose monthly total of overtime work and work on holidays exceeds 80 hours (including executives) to have an interview with the occupational health physician and receive instruction to prevent health problems.

Achievements concerning the health and safety of employees

■ Mental health care

From December of 2011, a stress-check system was introduced that enables employees to measure their stress levels. In accordance with the December, 2015 revisions to the Occupational Safety and Health Act of Japan, stress checks have been carried out since 2016. In fiscal 2017, the number of the employees who took the examination during the implementation period stood at 15,562, 88.7% of applicable employees. Among those who took the examination, 41 employees registered as having high stress levels, and were requested to consult physicians. All of these employees received physician consultation and/or received subsequent care.

We have additionally carried out organizational analysis, specified as obligatory of effort, and notified the branch offices of the results, based on Daiwa House Industry averages and the scale of each office. Subsequent action has been taken based on the individual characteristics of each branch office, including on-site visitation and consideration given toward improvement in workplace environments. During the interim between yearly checkups, an online self-check is also available.

In addition, as part of orientation for new managers, basic mental health care training is provided with a focus on line care and self care. From fiscal 2017, self care training has been available for new employees. Group discussion is being conducted concerning the prevention of mental disorders, treatment of employees with mental disorders, and for the sake of improving the workplace environment in general, studying the importance of awareness.

■ Regarding Excellent Enterprise of Health and Productivity Management 2018 (White 500)

In fiscal 2016 our company was chosen for Japan's Ministry of Economy, Trade, and Industry's "2017 Health and Productivity Stock Selection," and went on to be commended by the health insurance association as a "2018 Excellent Enterprise of Health and Productivity Management (White 500)," a company that works well in cooperation with health insurers. Selection for the White 500 was based on the following three evaluation points:

- ① Introduction of health analysis systems and implementation of data-based lifestyle improvement activities
In September of 2016, a scoring system was outlined for health checks and surveys, and a system for analyzing this data was introduced. Through this, it became possible to draft improvement plans for individual offices addressing issues such as smoking, diet, and exercise. From December of the same year, a health promotion activity subsidy system was established to provide support for lifestyle improvement-related activities in each given workplace. "Proactive Health Management" was promoted alongside the goal of increasing our 2015 lifestyle score of 53.2 to 70 by 2018.
- ② Encouraging employees to take their accrued paid leave
As a way of encouraging employees to use their accumulated paid leave time, we have introduced a paid vacation acquisition rate to our bonus provision evaluation standards. We also introduced an annual paid holiday scheduling sheet, established companywide holidays, and have worked to create an environment where employees feel that they can easily utilize their paid holiday time.
- ③ Provision of training and follow-up programs for persons with or at risk of metabolic syndrome
In October of 2007, The Daiwa House Industry Health Insurance Union began providing an online program offering information, correspondence, and consultation for employees suffering from metabolic syndrome. Also, advice from nutritionists and public health nurses concerning lifestyle improvement is available over the course of six months.

Ratio of branch offices with the OHSAS 18001 (Occupational Health and Safety Assessment Series) Certification

While we have not acquired the OHSAS18001 Certification, we hold a safety and health committee session at each branch office at least once a month, in order to publish and share health and safety information.

In addition, dedicated occupational health physicians are hired at our Head Office and at the Tokyo Head Office, because more than 1,000 employees continuously work there.

Response to global health issues

Our Code of Conduct requires the Group to take care of health and safety. We have established a system to ensure health management against contagious diseases above the statutory level.

Our employees are obliged to take periodic medical examination every year, including chest X-ray examination to find tuberculosis, lung cancer, pneumonia and other diseases at an early stage.

To manage risk, the company issues alerts related to contagious diseases to all Group employees based on warnings issued by the Ministry of Foreign Affairs and World Health Organization (WHO).

In the past, when warnings were issued regarding severe acute respiratory syndrome (SARS) in 2003, a new strain of influenza in 2009, Middle East respiratory syndrome (MERS) in 2015, and dengue fever, the company warned employees working in affected areas overseas to take extra precautions, and issued a travel advisory to all employees about dangerous regions in order to prevent contagion.

Major accidents and responsive actions

In fiscal 2017, five industrial accidents occurred involving our employees. Industrial accidents at construction sites that involved the employees of our business partners are described in p. 070.

In fiscal 2017, no accidents involving the deaths of our employees occurred at construction sites. In the event of a serious accident that involves the risk of death (e.g. fall of a crane, pile driver, or other construction machinery), we investigate the causes, and disseminate and implement recurrence prevention measures through in-house notification and/or special patrol.

Training and awareness-raising activities concerning health and safety

Occupational Safety and Health Education in FY 2017

E-Learning related to asbestos	4 seminars 6,539 attendees total
Mental health line care seminar (training for newly-appointed managers)	165 people
Mental health self care seminar (training for new employees)	853 people

Accidents involving deaths

No industrial accidents involving the deaths of our employees occurred from fiscal 2015 to 2017. Industrial accidents at construction sites that involved the employees of our business partners are described in p. 070.

Employees exposed to higher risks of accidents and diseases associated with their work

In our company, we consider the risk of contracting specific diseases during work taking place abroad to be higher than the risk when working within Japan. As such, we recommend that all employees working abroad (77 employees as of April, 2018) undergo inoculation against hepatitis A and B, tetanus, rabies, Japanese encephalitis, and typhoid fever.

[The most important priority issues]

Developing Human Resources

Basic Policy and Concept

As stated in its Company Philosophy (Corporate Creed), our group aims to “develop people through business.” We believe that human resources are the Group’s greatest assets. In addition to the above, our Principles of Corporate Ethics and Code of Conduct emphasize the development of human resources, and the fostering of a corporate culture where we pursue human resource development with medium- and long-term perspectives, and each individual is able to plan their own growth and self-improvement. We also believe that it is critical for the sustainable growth of businesses to carry on our founder’s spirit. Based on the founder’s counsel to “reflect on what businesses and products will be useful to people and that will make them happy,” we strive to anticipate the needs of the times and train people to be bold in taking on challenges and not be constricted by preconceived notions. We want them to execute their ordinary work duties in a thorough manner, which embodies the meaning of “being complete in small things.”

Toward this goal, we provide various types of training combining OJT and Off-JT, and believe in having our employees learn by doing. We feel that hands-on training helps individuals develop and use their abilities and unique talents, which ultimately allows them to make useful contributions to society.

In the coming years, we will recruit and help develop company executives who have a global mindset, toward the further globalization of business. Proactive measures will also be taken to establish systems that enable the development of locally hired employees at overseas offices, toward promotion as global employees. In honor of the 100th anniversary of our company’s foundation, we will continue to further instill the founder’s spirit, thereby retaining and developing next-generation employees, and recruiting and developing talented individuals to become managers.

Management

At our company, we have developed management for human resource development based on OJT and Off-JT combined with an evaluation system. Participants in training seminars are given surveys, the results of which help us understand points to be improved upon and gauge the effectiveness of the training. From here, we are able to map out an improvement plan based on the PDCA (Plan - Do - Check - Act) cycle.

Some numerical targets concerning human resource development are chosen for specification and publication as part of the CSR Self-Assessment Indices.

Related page P181–182 CSR Self-Assessment Indices Employees

OJT and Off-JT

OJT and Off-JT are carried out effectively in training and education systems for human resource development. OJT is implemented in individual workplaces with the goal of helping employees acquire practical business skills, enabling regular consultation between managers and employees, and increasing the effectiveness of employee development by linking evaluation systems through all levels of employment. In particular, an “OJT Elder” system has been established to help new recruits clarify employees in charge of training and generally support the training process on an organizational basis.

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Off-JT involves stratified group training with a view of promoting human resource development based on independence and self-support. An open-invitation system has been established for participants to specific group training events.

General image of grade-specific Off-JT

Target	Grade-specific education		Senior executive and future president training	Department/job-specific training	Branch office education	Support for self-development
	Entry-level employee training	Manager and leader training				
Directors			External seminars for top management team			
Managers		Training for newly appointed branch directors and branch office managers	Daiwa House Juku	Department/job-specific specialized training	"Being complete in small things" training, manners training, compliance training, human rights education training, CSR training, etc.	Foreign language courses Support for preparation for official qualification examinations Correspondence courses, etc
		Training for newly appointed managers	Training for branch office manager candidates			
Mid-level supervisors and general posts		Training for OJT Elders Training for team leaders				
Entry-level employees	Follow-up training On-site training Basic training					

Division/Group Company Collaborative Training Support System

We hold an HR development liaison council meeting every month, aiming at the sustainable enhancement of education and training. The Human Resources Training Center, the primarily responsible department for education and training, takes the leadership in the system, where training details and methods are shared, and desirable pedagogy to enhance the personality and capabilities of employees are discussed, with training representatives from individual divisions.

Similarly, information is periodically exchanged with training representatives from individual Group companies, in order to promote human resource development.

Career counseling

We have established career counseling functions and systems in order to avoid personnel mismatches, where the skills that employees have acquired do not efficiently match their workplaces or careers. In addition to a system where employees can state their own ideas about career development, we establish and operate a system for periodic surveys to identify the technical skills of employees, and a system for employees in the accounting department to report their accounting skills, among other systems.

Major efforts

HR development through OJT

OJT Elders

Managers (sales office managers, section managers, and other line supervisors) are in charge of OJT, and are therefore responsible for systematically providing training and support for new employees throughout our entire organization. OJT Elders take on the role of assisting managers, serving as leaders to carry out OJT through all of our related businesses. To be as influential as possible to new employees, the appropriate character, knowledge, and experience are necessary. Regular senior employees who are chosen as OJT Elders first participate in a training seminar to promote awareness regarding the development of new employees, and methods of guidance and interaction are studied for the sake of effectively carrying out OJT in their current workplaces. From fiscal 2018, the OJT Elder program to support the development of new employees has been extended for two additional years, and in addition, OJT Assistants (relatively close to the newcomers in seniority, with whom new employees can consult casually) are definitively appointed to strengthen preparedness to support new employee development throughout all of our related organizations.

Training support patrol system

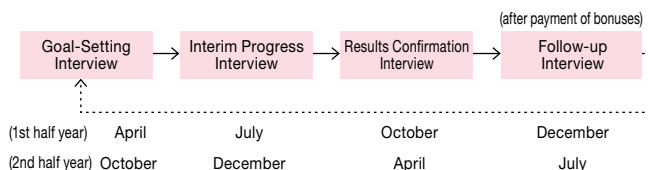
Staff from the Human Resources Training Center known as "round supporters" go around to each worksite to ensure that the OJT Elders system is functioning smoothly and that guidance and training is being provided consistently to new recruits. They provide support by interviewing such new employees and OJT Elders to check on how well the new employees are progressing and how their training and education are developing.

Linkage with evaluation systems

To facilitate the further development of human resources, gradespecific evaluation systems are implemented under management by the Human Resources Department. Through management that links human resource development with evaluation systems, the Daiwa House Industry periodically confirms progress in human resource development, and facilitates the further growth of employees. The Human Resources Department continuously operates and improves the evaluation systems, thereby promoting human resource development by managers.

In the evaluation management system targeted at chiefs and regular employees, the superior has an interview with each subordinate at least once every quarter, and provides inputs whether the subordinate is exercising his/her abilities. The superior and the subordinate also share the common recognition about points for development, thereby promoting the further growth of the subordinate. The evaluation results of a subordinate by the superior can be confirmed by the subordinate him/herself, so that abilities required at work can be clearly identified.

In the target management system aimed at managers, target setting and appraisals are periodically conducted through interviews with the higher superior, thereby facilitating the achievement of organizational targets, and encouraging the further growth of managers.



Off-JT HR development

Entry-level employee training

New employee training

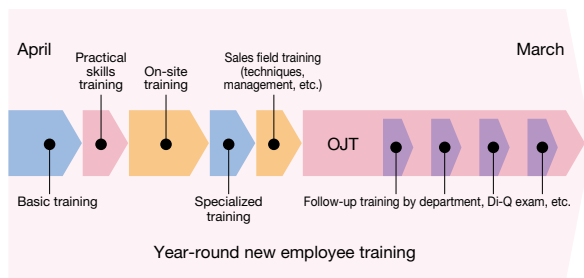
The first year for new recruits is viewed as an important period during which the foundation is built of their new chapter in life, not only as working adults but also as Daiwa House Industry employees. Therefore, the new recruits undergo an annual educational program following a preplanned curriculum. Following

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basic training of about one week, new recruits are assigned to their respective departments. Not only employees in construction-related posts but all employees in all job descriptions, from design to sales and administration, receive practical on-site training. In this manner, they acquire specialized knowledge about manufacturing and building construction through firsthand experience. After this, a training program is carried out roughly every three months. The new employees acquire practically applicable knowledge and skills, and their levels of assimilation are checked from time to time.

In July 2007, the company introduces a standardized qualifying examination (Di-Q Examination*) which tests employees' practical abilities against target levels that are required of the employees to operate as professionals.

* Di-Q Examination: An in-house examination that tests the practical skills that employees need for their respective posts to confirm their level of skill acquisition.



■ Summary of training programs

	Target	Aim
OJT training	All positions	The acquisition of practical skills by learning how to view things and how to act on a fundamental level as working members of society
On-site training (nationwide employees only)	Sales	To give even new salespeople a realistic feel for and the confidence to explain buildings by having them visit construction sites and production sites
	Engineering	To train engineers to be proficient in manufacturing by showing them the construction process from production to construction—start to finish—plus test runs
	Managerial	To give managers a realistic understanding of the buildings we build and sell by showing them how our products are manufactured
Sales field training (nationwide employees only)	Engineering, Managerial	To reinforce the importance of seeing things from the customer's point of view by providing the experience of a salesperson
Group training	All positions	To check on the understanding of basic principles and the level of learning at worksites

■ Training for mid-career recruits

Mid-career workers are given the chance to study the company's history, founding spirit, CSR measures, and so on to prepare them for their jobs, teaching them the company's approach and providing evaluation criteria for making decisions.

■ Manager and leader training

■ Training for newly appointed branch directors and branch office managers

This training is for newly appointed branch directors and branch office managers. It offers a chance to learn how to fulfill one's role, become better prepared, and acquire evaluation criteria for making decisions that can be applied on the job.

■ Training for newly appointed managers

Newly appointed line managers (office managers, section managers, group leaders, office leaders) and others are given this training to develop preparedness, leadership skills, practical knowledge and thinking skills to use in practice as persons in charge within the organization.

■ Training for team leaders (Optional)

This training is for employees with juniors working under them in their section. The training offers a chance to learn methods for bringing out the best in subordinates so that the team can function most effectively, providing leadership and communication skills and tips, particularly with respect to training subordinates.

■ Senior executive and future president training

■ Training for branch office manager candidates

This training has been given since fiscal 2005, with the aim of developing candidates for branch office managers, plant managers, and others for upper-level management posts. An in-house open call is put out to motivate people to rise to leadership positions and to discover talented individuals. At the end of fiscal 2017 a total of 475 people have completed this program.

■ Daiwa House Juku

Daiwa House Juku is a Groupwide training program for next generation business leaders begun in May 2008. Its practical training in management skills involves drawing up strategies to address actual management issues. At the end of fiscal 2017 a total of 337 people have completed the program, among whom 114 have become company executives.

■ Manners training

■ "Being Complete in Small Things" and manner training

At Daiwa House Industry, we believe that the commitment of all employees in all workplaces to doing ordinary things, such as proper greetings and good manners, quite ordinarily is at the source of doing greater things and serving society through business operations.

Based on this idea, in July 2011, we commenced the "Being Complete in Small Things" and Manner Training Program that is carried out at each branch office with all member participation, including the branch office manager and other executives. For this program, staff from the company's Human Resources Training Center serve as instructors.

■ Average annual hours spent on HR development through OJT and Off-JT

■ Average annual training hours per employee spent on HR development through Off-JT

The data for fiscal 2017 was as follows.

The data below includes only grade-specific training and non-grade-specific training, and excludes training aimed at upgrading specialized knowledge and skills in each division.

■ ① Training hours per employee

Training hours per employee	3.70 hours
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* Training hours per employee = Total training hours / employees

■ ② Breakdown by type of training

Hours for each type of training indicate hours per participant.

(Entry-level employee training)	New employee training	32.0 hours (Basic training only)
	Training for mid-career recruits	17.0 hours
(Manager and leader training)	Daiwa House Juku	160.0 hours
	Training for newly appointed branch directors and branch office managers	10.0 hours
	Training for branch office manager candidates	50.0 hours
	Training for newly appointed managers	31.5 hours
	Training for team leaders (Optional)	16.5 hours
	Training for OJT Elders	2.5 hours
	OJT Elder follow meeting	3.0 hours
(Training for all employees)	"Being Complete in Small Things" and manner training	2.0 hours
	Training camp toward real-estate transaction specialist	22.5 hours

Co-creating a Brighter Future with Our Employees

[The most important priority issues]

Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly

Basic Policy and Concept

The Daiwa House Group upholds international codes of conduct, including the Universal Declaration of Human Rights adopted by the United Nations, and the Core Labor Standards outlined by the International Labour Organization (ILO). In addition, we respect the Guiding Principles on Business and Human Rights, endorsed by the United Nations Human Rights Council as global standards. Taking responsibility for human rights within our own company, as of January, 2018 we have specified our own “Daiwa House Group Human Rights Policy.” In accordance with counseling from experts from outside the company, the policy was enacted after a resolution from the board of directors in December of 2017. In April of 2018 we expressed through signature our support of the 10 principles of the UN Global Compact, related to the United Nations’ advocacy of human rights, labor, the environment, and anti-corruption.

As outlined in the Respect for Human Rights section of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, we declare respect for the dignity and basic human rights of all individuals and never discriminate on grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, disability, age, belief, social status, or other factors. In accordance with this, we offer equal opportunities to all of our employees.

Based on these policies, it is our priority to establish workplaces securing a degree of diversity, where diverse employees are able to fully make use of their individual skills and work with pride, flexibility, and a sense of fulfillment. We believe that it is necessary to adhere to the minimum wages stipulated by the Minimum Wage Act, paying wages high enough to enable healthy and cultured living in accordance with the “right to maintain the minimum standards of wholesome and cultured living” outlined in the Japanese Constitution.

We believe that when diverse employees can actualize their individual performance in a flexible working environment, the lives of employees are enriched, and their increased motivation is positively linked to customer satisfaction.

Our 5th Medium-Term Management Plan includes the promotion of diversity into its basic policy to expand promotion of the active inclusion of female, elderly, and disabled employees, in the interest of systemically creating flexible workplace environments for diverse personnel.

Management

In addition to securing diverse human resources, it is our priority to actively promote participation of women in the workplace. By the end of fiscal 2020 we have created the target of having 500 women employees in managerial positions Groupwide (with a target of 200 women managers at our company non-consolidated). To this end, we are working to create a system that supports women employees in childbirth, child rearing, and other various “life events” while supporting their career development.

In order to confirm progress in these endeavors and to help design further methods of promotion, ever year, we use numerical values to help understand the degree of progress in the active participation of women in the workplace, and carry out regular employee surveys. From here, we plan on continuing to develop ways to establish workplaces where diverse personnel can work



Technical training for new employees



Training for newly appointed managers



Daiwa House Juku

Rate of employees subject to personnel evaluations

All employees at the Daiwa House Industry are subject to periodic personnel evaluations, regardless of gender or rank. At the same time, all our employees are subject to transfer. We endeavor to issue an informal notice to employees to be transferred two weeks in advance.

actively, and implement policies to help bring about increased awareness.

With regard to employees with disabilities, the target rate of 2.3% employment has been set for April 1st, 2019. Through carrying out our social responsibility and promoting the active participation of diverse personnel, we will continue to elevate our corporate value.

Additionally, viewing the workplace environment from the side of the employees, we are striving to establish office strategies for an age of population decline. We are currently promoting the concept of “promoting creativity and productivity through comfortable, healthy offices,” emphasizing the long-term view of creating workplaces conducive to diverse work styles.

Major efforts

Achievements of the prohibition of discrimination in employment and recruitment

Promoting post-retirement re-hiring

At our company, starting from 2013, the age of mandatory retirement was extended from 60 to 65. In our previous post-retirement re-hiring system, a limited-term contract and fixed salary were set, but simply raising the mandatory retirement age has enabled employees to continue to work in a more stable form of employment. At the same time, the company has adopted a system in which the performance of individual re-hired employees is evaluated and reflected in their salaries, providing motivation to elderly employees and producing results commensurate with their remuneration.

In fiscal 2015, our company established an Active Aging Program to aid in the re-hiring of employees over 65. With “Stay active all your life” as a slogan, this program enables elderly employees recognized as healthy by the company to continue working on a one-year renewable contract without an age limit. Employees taking advantage of this system serve as role models, contacts, and sources of technical advice for younger employees.

It should be noted that the expansion of the employment of seniors in no way affects hiring rates for younger generations.

The state of Active Aging Program participants

Fiscal year	Employees resigning upon reaching mandatory retirement age, etc.	Active Aging Program participants among left column number
2014	33	13
2015	55	37
2016	66	48
2017	69	39

Rate of employees with disabilities

Daiwa House Industry’s rate of employment of persons with disabilities was 2.33% (as of April 1, 2018).

Instead of assigning employees with disabilities to specific sections, the company assigns them to a wide variety of sections including sales, design, construction, and administration, in consideration of their aptitudes, as with employees without disabilities. The company is striving to realize a workplace environment in which employees with disabilities can work in a truly rewarding manner while enjoying the understanding of their healthier colleagues.

Recruitment of international employees

In fiscal 2018, we recruited ten international students as our employees. We recruit human resources capable of exercising their abilities in our company, regardless of their nationality.

Recruitment of elderly employees

Among the 303 mid-career recruits for fiscal 2017 (excluding part-time hires), 46 were over the age of 50, constituting 15.2% of the total. We hire personnel who are able to actively work at our company, regardless of age.

Measures for promoting women

Promoting women

As of April 1, 2018, 19.9% of the company’s employees were women. Their average length of employment was 9.8 years. In fiscal 2018, 28.3% of the employees newly hired immediately after graduation were women.

In addition, the ratio of female employees to employees overall has been rising year by year—from 21.6% in 2016 to 22.9% in 2017 and 24.2% in 2018.

Trends concerning women employees (non-consolidated)

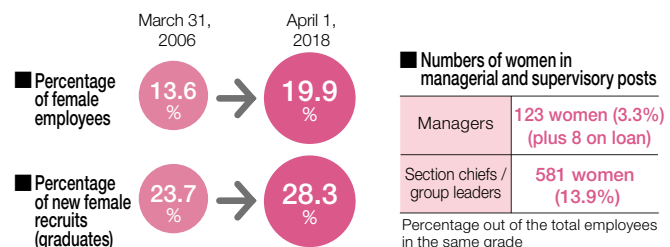
	Number of employees	Women among left column number	Ratio of women
2015.4.1	14,862 employees	2,740 employees	18.4%
2016.4.1	15,267 employees	2,886 employees	18.9%
2017.4.1	15,725 employees	3,032 employees	19.3%
2018.4.1	16,275 employees	3,239 employees	19.9%

Development of women managers

As of April 1, 2018, there were 123 female managers (3.3%, excluding those on loan) (plus 8 on loan) and 581 female section chiefs or group leaders (13.9%). The number and ratio of women in management positions in the Group overall was 240 (3.4%) in fiscal 2016, 261 (3.6%) in fiscal 2017, and 302 (4.0%) in fiscal 2018. We are working to encourage a corporate culture that actively encourages women to become managers. We aim to quickly boost these figures and achieve our goal of 500 by fiscal 2020.

Trends concerning women managers (non-consolidated, excluding those on loan)

	Number of managers	Women among left column number	Ratio of women
2015.4.1	3,257 employees	67 employees	2.1%
2016.4.1	3,422 employees	86 employees	2.5%
2017.4.1	3,568 employees	100 employees	2.8%
2018.4.1	3,694 employees	123 employees	3.3%



Co-creating a Brighter Future with Our Employees

Expansion into sales and technical divisions

As of April 1, 2018, women accounted for 9.1% of the Daiwa House Industry employees in sales posts (up 0.8% from the previous year), and 12.7% of those in technical posts (up 0.5% from the previous year). Continuing from last year, as a women's support program in the sales division, career training was held for women in sales positions by department and talks were given to managers on training women. In the engineering division, additional programs included holding information exchange meetings among female engineers by district in the housing construction department and holding interviews to anchor our female engineers upon returning to work from childcare leave.

The ratios of employees returning to their positions and remaining in the company following maternity and childcare leave

■ Taking of childcare leave and returning to positions

	Male	Female
a. Total number of employees entitled to childcare leave	603	143
b. Total number of employees who have taken childcare leave	206	155
c. Childcare leave rate	34.2%	108.4%
d. Total number of employees who returned to their positions in fiscal 2017 after taking childcare leave	206	120
e. Total number of employees who have remained in the company for at least 12 months after returning to their positions following childcare leave	207	101
f. Rate of employees who return after childcare leave	100%	92.3%

* Because the year of a child's birth and the year of childcare leave may differ, the childcare leave rate may not reach 100%.

* [f. Rate of returning to work] = d / (d + number of retired workers currently on childcare leave)

Remuneration to female employees

In fiscal 2017, average annual remuneration was 8,937,000 yen per employee.

Our employees working in Japan are categorized into general employees (all regional and domestic employees), who undertake core operations of the company, and administrative/support staff (regional employees). Among all employees, wages vary according to competence, performance, and degree of contribution, never according to gender.

When formalized hiring of women employees to general positions began in 2000s, an inevitable pay gap existed due to the difference in years worked between newly hired women and male employees who had been at the company for longer. And though promotional systems for women undergoing "life events" (childbirth, child rearing, etc.) to assist with continuing work and developing work competence and awareness were in place, the rate of women placed into managerial positions remained low.

Setting of living wages

The Daiwa House Group adheres to the rule of remunerating its employees at a proper level, pursuant to the statutory minimum wage prescribed by law, and based on local living prices, in the respective countries.

Regarding various types of welfare programs

■ Classifications of allowance provision to domestic employees

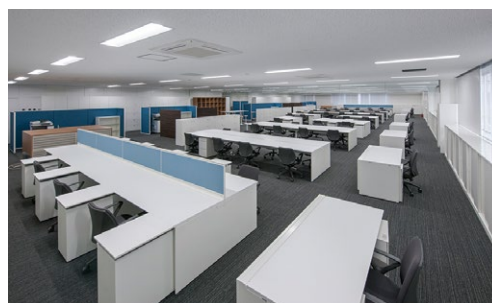
	Employees	Employees on probation	Post-retirement specially commissioned employees	Limited-term contractual employees
Retirement allowance	○	×	×	×
Taking childcare leave	○	○	○	○
Group Insurance entry	○	○	○	○
Stock ownership entry	○	○	○	○

Measures to develop a creative workplace environment

To this point, our offices have primarily focused on "hardware" measures such as cost reduction, the efficient use of space, and energy-efficient buildings. As our next step, however, the focus turns to the employees working in these offices as corresponding "software."

In recent years, due to the effects of an aging society with a decreasing birthrate, with the problem of a decreasing workforce necessitating increased human resource security and productivity, IT advancement, employee diversity, and work-style reforms are frequent topics regarding employee and company demands and expectations in the office environment. Using these ideas as keywords, we have developed the concept of "promoting creativity and productivity through comfortable, healthy offices," taking measures to establish new office standards in the Daiwa House Industry that encourage employees to fully manifest their abilities and work with vitality and enthusiasm.

Concretely, testing enacted from October of 2017 in the newly moved Kitakyushu office is still underway.



Active utilization of information and communication technologies

We are endeavoring to enhance our corporate value in various aspects, through the proactive utilization of information and communication technologies. Among other measures, we aim to realize an environment where employees can further concentrate on fulfilling and creative operations by leveraging information and communication technologies toward improved productivity through work-style reform among employees. More specifically, the following four reforms are in progress:

- ① Work-style reform toward on-site completed operation, by upgrading the operational efficiency of construction engineers through the utilization of smart devices;
- ② Work-style reform among office workers, by upgrading the operational efficiency through the automation of office work, which had to be handled by humans due to difficulties in the application of IT;
- ③ Manufacturing reform by reviewing business models in housing construction as our core business, thereby improving the user experience of customers, more efficiently utilizing engineers, and shortening lead time;
- ④ Communication reform to upgrade organizational power, by establishing a system to broadly leverage the substantial knowledge and wisdom acquired by employees through work experience, without limiting them within individuals or departments.

To maintain an environment where employees are able to efficiently utilize information and communication technology, we provide help desk services for computer-related consultation. We also promote the distribution of easy-to-understand manuals to assist employees. Starting from 2018, we have introduced a chatbot (an online, interactive AI virtual agent), along with improvements to our help desk services. Additionally, each individual department workplace and has its own "IT Promotion Commissioner" appointed, and we are outlining methods of cooperation between workplaces and our information system department in the interest of contributing to IT literacy improvement opportunities for all of our employees.

[Priority issues]

Providing Employment Opportunities for Exceptional Human Resources

Basic Policy and Concept

As the decrease in Japan's population is expected to become prominent, in addition to the offering of employment opportunities to capable human resources, the creation of workplaces that foster pride and motivation in employees are two aspects of "Co-creating a Brighter Future," values that the Daiwa House Group considers indispensable for long-term development.

At our company, from hiring of personnel through their working career all the way to retirement, we take a long-term view of employee development focused on enriching the lives of our employees. We strive to handle social issues such as population decline and the globalization of the economy in as accurate a manner as possible, providing employment opportunities befitting the times in order to secure exceptional personnel and contribute to society. As one of our efforts, to promote long-term business in local regions, we offer recruiting opportunities limited to these locales.

Additionally, we have instated a system where employees can choose between "nationwide employment" and "local employment," enabling employees to choose their own ideal working location while contributing to regional recruitment.

In addition to this, our Group companies overseas are working to promote local recruitment at individual sites, in line with our policy of employing and helping to develop human resources in each country.

Management

To retain human resources of the next generation, we verify recruitment performance and key recruitment points for the next term, under the leadership of the Human Resources Department and in cooperation with individual departments.

We have also established a system for the centralized management and utilization of employment information, and put up a dedicated organization (Shared Service Center) that operates this system, thereby promoting this system throughout the Group.

In addition, it is important to incorporate input from front-line personnel into human resource policies in order to retain talented human resources. To this end, we conduct a questionnaire survey targeted at all employees every four years. The levels of employee satisfaction are quantified based on the survey results, and requirements are identified.

Major efforts

Recruitment measures to retain talented human resources

Corporate briefings for the families of students

In these years, a trend is observed that students consult their guardians about their future career and determine their direction in job hunting. Therefore, we hold corporate briefings targeted at the guardians of students in job hunting. At these briefings, we describe our corporate profile, individual business operations, welfare systems, and human resource systems.

Co-creating a Brighter Future with Our Employees

Retrial in recruitment review

In this review system, even when a student is not successful in an interview with the Daiwa House Industry, and fails to proceed to the next step, the student is not entirely excluded from the review process, but is able to retry the same step of the interview.

This system enables students who are highly motivated to work with us, but who have failed to proceed to the next step due to clumsiness in an interview, to deepen insights into themselves and make a retrial in the same step of interviewing at their own will, so that we can accept more willing students.

This system inherits our corporate spirit that sales activities start when an offer is declined, as our founder stated. Through this system, we aim at recruiting students who have willingness and a strong mind to overcome difficulties when they fail in a certain challenge.

Recruitment with commitment to geographic areas

In this recruitment system, we make a commitment to allocate students who are highly motivated to work with us, and who strongly hope to work in their local communities, to the relevant geographic areas.

The applying students can select their areas of work on a first come, first served basis. In the future, there is a possibility of transfer across Japan.

Limited-term contractual and temporary employees

Limited-term contractual employees

	Limited-term contractual employees	Post-retirement specially commissioned employees	Employees on probation	Part-time employees*	Total
April 2017	954	143	66	674	1,837
April 2018	964	167	58	662	1,851

* Part-time employees are counted on actual number base.

Employment and turnover

As of April 2018, Daiwa House Industry had 16,275 full-time regular employees.

In fiscal 2017, the company newly hired 1,022 full-time regular employees (886 new graduates and 136 mid-career recruits).

In April 2018, 935 new graduates (670 men [71.7%] and 265 women [28.3%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were 2.54% in fiscal 2015, 3.08% in fiscal 2016, and 3.03% in fiscal 2017.

In fiscal 2017, no dismissal took place for the reason of personnel reduction.

Regarding notification of personnel in the event of important business changes

At our company, in the event that there is an important business change that may have an effect on our employees, we notify them approximately half of a year in advance.

Recently, in April of 2013, when Daiwa House Reform Co., Ltd. was split up, we let employees know in October of 2012, working to inform them as early as possible.

Consensus content and ratio of all employees as subjects of group negotiation agreements

At our company, there is no in-house labor union to date, but we acknowledge constitutional "freedom of association."

Continuous employment and support to the termination of employment

Career design support system

We introduced a career design support system in 2008, through which the company supports its employees who plan to leave the company before their mandatory retirement age, and take up new employment or become self-employed in accordance with their own lifestyle.

This system is aimed at highlighting the life of each individual one step closer, and preparing an environment where they can nourish autonomy and independence, thereby providing opportunities for creating human resources who will broadly exercise their abilities in society. As of April 2018, 119 persons have used this system.

Life design seminar

We carry out a "life design seminar" each year for employees who turn 60 years old.

The seminar deals with the personnel system and treatment from age 61 to the mandatory retirement age of 65, and the interim working style and lifestyle. Inside/outside lecturers conduct additional seminars on the public pension system, corporate pension system, and health management, in the interest of support of our employees' life plans.


	FY 2015	FY 2016	FY 2017
Participants	120	105	134

Implementation Report

Co-creating a Brighter Future with Our Business Partners

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Co-creating a Brighter Future with Our Business Partners



Since “worksites bind us to a common destiny,” we need to know what our business partners think of us in order to build and maintain the trust between us.

Yoshiaki Tanabe

Director and Managing Executive Officer
Deputy Head of Technology
Deputy Head of Production and Procurement
Head of Safety
Senior Department Manager, Technology

Commitment from the Executive Officer in Charge

A synergy beyond anyone’s imagination with and between business partners in coming to the aid of disaster-stricken areas

I built my career at Daiwa House Industry as a person in charge of construction work, which caused me to work on construction projects with many, many business partners. What that long experience has so evidently taught me is that, without the efforts of our business partners, Daiwa House Group would not be in business.

That thought was never clearer than, in 2011, when we were building temporary housing after the Great East Japan Earthquake. Though I had been an executive officer but one year at the time, I was given command and instructed to build about 2,000 units in the stricken areas, amidst that unprecedented

damage, in just two months’ time.

That said, we had to start with a housing design, so right from the get-go, it was a united front that involved the Purchase, Design and Production departments and even the Central Research Laboratory. And, what proved to be a reliable force alongside that was the Confederation of Partner Companies. Even before we put the word out, many of the roughly 4,700 partners nationwide were already prepared to cooperate and, as they put it, “could deploy at any time.”

Then, once the building started, huge numbers of workmen moved nimbly in and out of the area in shifts, putting everything they had into building the much needed homes under extremely challenging conditions. The synergy they demonstrated was completely beyond anyone’s imagination. Despite the pressure of having to literally build communities within a very tight time frame, every man on every construction site diligently engaged in work knowing that “slipshod quality just because these were

Contribution to SDGs



temporary housing units was absolutely unacceptable.” Thanks to them and many others, we were able to provide the stricken areas with the requested housing on time.

Some years later, we were called upon to repeat this same kind of collaborative effort following the Kumamoto Earthquake of 2016. As the director tasked with overseeing the effort, I like to think of it as yet another perfect example of “Co-creating a Brighter Future with Our Business Partners.”

Seriously listening to people at our worksites is a good first step to solving issues

Nevertheless, our relations with our business partners are not without problems. With a nationwide labor shortage only getting worse, construction sites have been in a bind as of late.

Several years ago, I visited about 460 business partners across Japan and inquired how they saw the situation at the construction sites they worked on. This wasn’t some sort of “courtesy visit” as I spent two sometimes three hours listening to unbridled opinions about their relationships with us. Some of it was quite hard to swallow. In particular, many blamed the labor shortage on not being able to guarantee young workers a sufficient number of holidays.

Once back at the head office, I shared the information with the concerned departments and we immediately implemented improvement measures where we could. Of course, a labor shortage is not something that can be solved overnight. But, I felt it was crucial to show, for starters, that we were seriously listening to the people on our worksites and wanted to work with them to solve whatever problems there were. After these discussions, many business partners thanked me for listening, which made me very conscious of my responsibilities as an executive officer.

People working in the construction industry today have greatly changed the way they think from before. Young people do not want to work for anyone who operates the old-fashion way of expecting overtime be put in without pay. We need to improve benefits and work environments with our sights fixed on five years and ten years down the road, beginning with guaranteed holidays like in other industries. As a part of those improvements, we have started promoting “8 days-off over a 4-week period” that aims to ensure 2 days-off every week.

For that to happen, it is imperative that we try everything we can such as changing the work flow at construction sites, introducing equipment that automates work and reduces labor, and using ICT (Information and Communication Technologies). We must find ways to enhance productivity in order to complete the same job with less people.

Creating worksites that allow young people to have hope in the future

Looking at the future of the construction subcontractors we work with, I’m of the belief that our proactive efforts to innovate the way we do business is equally as important to them as us. Let me explain. There are many sole proprietors in the construction industry who “work alone.” Besides being concerned with finding jobs, they have a lot of issues on their plates such as no compensation should they get hurt. There are also many subcontractors where the boss is getting up in his years and pressed to find a successor to take over the business. Yet, there isn’t always someone to fill his shoes. When I talk with these people directly, I get the feeling that these issues, because they are so deep and complicated, shouldn’t be dealt with based on precedent.

Another big issue is to build some kind of mechanism for properly developing young workers. If there were development programs that could train an individual in multiple skills, it might help solve the labor shortage issue.

In recent years, mechanization has progressed considerably and greatly reduced the physical labor that characterized the work we did building homes and commercial facilities a long time ago. Moreover, the merits of prefabricated construction are gradually shaping an environment where high quality buildings can be built without skilled labor. And, looking farther ahead, as BIM (Building Information Modeling) and work support robots get introduced, I foresee worksites being revolutionized at a very quick pace.

I take the situation our business partners are in very seriously and, as we continue to address those issues in various ways, I want to increasingly promote the spirit of “collaboration and coprosperity” we have shared with our business partners till now. This is the direction we should take in building a network that can accurately respond to social demands. The most important point within that is to create worksites that allow young people to have hope in the future. The Daiwa House Group is absolutely serious about addressing and delivering a proper response to this big issue.

Co-creating a Brighter Future with Our Business Partners

Social issues

With Japan's birthrate falling and its population becoming top-heavy with senior citizens, concerns over labor shortages run all across industry. The construction industry, in particular, is seeing a steady decline in young recruits, while the average age of on-site labor keeps getting older. Going forward, creating a motivating worksite will be a vital issue for what regards securing the necessary human resources. Another critical issue we acknowledge is to have veterans pass down their skills and knowhow to the upcoming generation.

We should also point out that, in stark contrast to the mechanization and automation that continues to advance in all fields of industry, much of the project site work in the construction industry still relies on manual labor. So, with the labor pool shrinking, it is all the more important to ensure safety on the job.

Risks and opportunities for the Daiwa House Group and its responses

We have expanded our scope of business in recent years with the help of our business partners. But, in a world of untamed materialism, carelessness and conceit on the part of Daiwa House Group employees is losing us the trust of these valuable cohorts and, in the medium to long term, could weaken the very foundations on which we build things for a living. Both executives and employees alike need to buckle down and work more closely with our business partners in order to thoroughly manage the risks associated with safety, quality and compliance. It is especially important to eliminate on-the-job accidents.

Another point requiring our attention is business continuity. As we continue to expand business, there is the possibility of an interruption somewhere in our supply chain seriously impacting all of our operations. I see this as a signal that we need to more carefully manage our supply chains across our procurement, production and construction operations.

Long-term social vision [Business partners]

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[Priority issues] Fair Competition

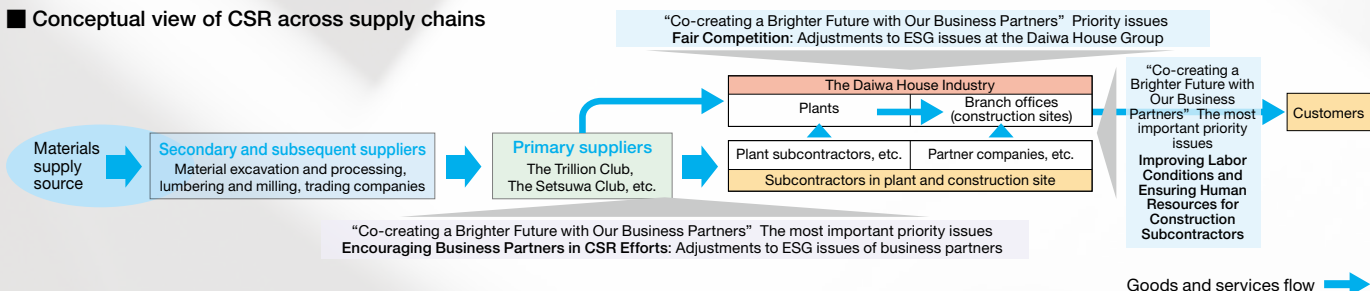
P65-66

Our fiscal 2018 target for resolving subcontractor claims within one month is 100%. In fiscal 2017, we did that with 93.3% of the cases we received.

Moreover, to make sure that our employees act responsibly to all of our business partners, we submit to our cohorts a questionnaire survey on the conduct of Daiwa House Industry employees. For fiscal 2018, we are targeting a reply rate of 70% and a 75% consensus that "there are no problems" in the way our employees handle themselves. In fiscal 2017, these numbers were 70.2% and 78.6%, respectively, both of which attained their targets. We will continue to deal with behavioral issues in order to improve how we square up in terms of fair business practices.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Questionnaire survey for business partners about Daiwa House Industry employees' conduct		
① Rate of response	① 70.2%	① 70%
② Percentage of respondents who stated "no problem" with regard to our employees' conduct	② 78.6%	② 75%

Conceptual view of CSR across supply chains



[The most important priority issues]

Encouraging Business Partners in CSR Efforts

P66–69

On the subject of in-house employee training, we are targeting a 95.0% participation rate in training by level of purchasing employees and a 100% participation rate in training for construction managers in fiscal 2018. In fiscal 2017, this former cleared our target of 96.5%, whereas this latter stopped just shy thereof at 97.9%.

Moreover, we have set a target of 4.5 points or above for evaluation of business partners and purchasing work based on in-house criteria in fiscal 2018. This score in fiscal 2017 was 4.4 points. Going forward, we will continue to strive for “Co-creating a Brighter Future” with our business partners.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Evaluation of business partners and purchasing work based on in-house criteria	4.4 pts	4.5 pts or above

[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

P69–71

In our efforts to help our construction subcontractors secure worksite human resources, we set the “number of on-site trainees” in fiscal 2018 to 500 persons for the housing segment and 330 persons for the construction segment. In fiscal 2017, we allowed respectively 484 and 309 persons to train at our work sites. Going forward, we will continue to support our subcontractors in their training efforts in order to help them retain the human resources we would like them to have.

With regard to labor accidents, we set a target of 20% less accidents than the previous year for fiscal 2018. The number of accidents in fiscal 2017 increased by 5.67% and consequently did not attain our target. Nevertheless, we are fully committed to improving this aspect of our business until reducing labor accidents at our construction sites to zero.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Number of on-site trainees	① Housing segment: 484 persons ② Construction segment: 309 persons	① 500 persons ② 330 persons



Co-creating a Brighter Future with Our Business Partners

[Priority issues]

Fair Competition

Basic Policy and Concept

In the Daiwa House Group, we look at our suppliers as business partners out to complete the same job. The fact that we can offer customer-satisfying quality owes to a vast supply chain of material and equipment manufacturers, installers, aftercare service providers and other supporting businesses.

That said, the Daiwa House Industry is very much in agreement with the "Regulations for Construction Work Contracting" of the Construction Industry Act where it states, "The concerned parties of a construction work contract must conclude a fair contract based on agreement from equivalent standpoints and must observe the contract in good faith." We also transact business with business partners who are protected under the subcontracting law in the full spirit of the law. Additionally, in our "Principles of Corporate Ethics and Code of Conduct," we honor our partnerships with our business partners, seek good relations with them and aspire for the healthy development of the industry as a whole under principle of free market competition. In that, we call for "good relations with our business partners," "refusal to use a dominant bargaining position" and "fair and free competition" because "Co-creating a Brighter Future" with our business partners is the underlying principle. Moreover, in our "Basic Procurement Policy," we require that business transactions be "fair, legally compliant, highly ethical and based on market principles" and that that be made known to our business partners.

■ Excerpted from the Daiwa House Group's "Principles of Corporate Ethics and Code of Conduct"

With business partners

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships.
In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

• Good relations with our business partners

We consider our suppliers vital business partners we cannot do without and shall always engage them on equal and fair terms and with a spirit of co-existence and co-prosperity.

• Refusal to use a dominant bargaining position

We shall never use our dominant position to force unreasonable business conditions on others, bargain, etc. Moreover, we shall not make inappropriate demands to our business partners, extort them in any way, shape or form, or commit any acts in their regards that may question our dignity, and we shall be cautious in our use of entertainment for business and shall not accept any gifts.

• Fair and free competition

We should refrain from actions, including bid-rigging, that may hinder free and fair competition, and refrain from behavior that may raise suspicion, such as information exchange, meetings, or contacts.

■ Excerpted from the Daiwa House Group's "Basic Procurement Policy"

• We shall establish a point of contact that is fair and impartial to all business partners, and conduct business based on the principles of competition and a high standard of ethics.

• We shall conduct business fairly and in full compliance with applicable laws and regulations both in Japan and abroad.

• We shall build good relations with business partners in the spirit of co-existence and co-prosperity.

Management

In promoting "Co-creating a Brighter Future" with our business partners, we think it is important to establish a mindset and business processes that respect fair competition. For that to happen, all executive officers and employees undergo training that enables them to make decisions and act in line with our "Principles of Corporate Ethics and Code of Conduct."

A couple of the processes we use to verify that business transactions are being implemented fairly are the internal audits conducted by the Internal Audit Office and the audits of purchasing operations that the Head Office Purchasing Department does.

Moreover, as a tool for solving problems between us and our business partners, we survey members of the Confederation of Partner Companies once a year and look for paths to improvement in their feedback. And, to give our business partners the means to report their concerns, we created a "Partners Hotline" and take very seriously every matter they raise.

Another thing we did to strengthen our auditing practices was to improve the effectiveness of the "compliance/risk evaluations" we conducted up until fiscal 2016. Whereas before these evaluations served to analyze the compliance with technical requirements and the safety and quality management of branch offices, starting in fiscal 2017 we are applying a new management approach that "verifies compliance/risks." More specifically, we measure improvements against improvement plans crafted from internal audits, compare current relations against results of our business partners questionnaire survey and provide coaching where needed in both cases.

Related page ▶ P158–163 Foundation of CSR Management Risk Management

Major efforts

Resolving problems in relations with construction-related subcontractors originating with the Daiwa House Industry employees

A few key results from a questionnaire survey we sent to our business partners in fiscal 2017 are shown below. What we do, after analyzing results like these, is to report them to the executive directors of concerned departments and our representative directors, and then feed them back to the branch offices that operated as the business partners' point of contact in the Daiwa House Industry to craft and implement improvements.

The information is also used in training programs of the Engineering Department to promote improvements by measuring the progress of improvement activities.

	FY 2015	FY 2016	FY 2017
Rate of response	60%	68.4%	70.2%
Percentage of responses citing "no problems" in the way our employees conduct themselves	75%	72.0%	78.6%

* CSR Self-Assessment Indices: Business partners — Fair competition — Responsible action toward all business partners — Revised as appropriateness of Daiwa House Industry employees' conduct based on in-house criteria

* Data for FY 2014 and FY 2015 was taken from the old self-assessment index, but the same indicators were used.

Related page ▶ P163–165 Corporate Ethics / Compliance
P186 Daiwa House Group Basic Procurement Policy

Resolving problems in relations with suppliers originating with the Daiwa House Industry employees

Audits of branch office purchasing operations

At Daiwa House Industry, we periodically audit the purchasing operations of our branch offices to make sure that ordering, contracting and other transactions with business partners are conducted properly and fairly by the PDCA method. These audits are done either annually or quarterly depending on how the branch offices score. Purchasing operations are also subject to corrections and guidance if and when so indicated in the results from business partner surveys. The areas audited in fiscal 2017 are listed below.

Evaluation items of branch office purchasing operations audit (Excerpted)

- ① Conclusion, renewal and management of basic contracts
- ② Implementation of periodic evaluations of business partners (Quality claims and correction of unsafe acts, etc.)
- ③ Preparation of a vendors list and registration of vendors
- ④ Understanding of business status (Aware of payments, orders and business relations)
- ⑤ Prevention of late/missed payments by documenting and tracking order slip issuance
- ⑥ Do individual contracts specify matters in detail?
- ⑦ Does the time allotted for estimates correspond to the expected price range?
- ⑧ Are illegal materials purchased under pressure?
- ⑨ Are requested subcontracting rates unreasonably low?
- ⑩ Does the business site exploit its business position?
- ⑪ Are subcontractors being extorted to work for unreasonably low rates?
- ⑫ Are payment conditions appropriate?
- ⑬ Are contracts concluded properly?
- ⑭ Are payments made properly?
- ⑮ Are proper procedures used when project additions, changes or rescheduling arise?

[The most important priority issues]

Encouraging Business Partners in CSR Efforts

Basic Policy and Concept

In our pursuit of sustainable business, the Group places strong emphasis on the environment, society and governance (ESG) in our business practices. Doing this requires efforts not only within the Group but also across entire supply chains, meaning from our business partners, as well. We believe that, by faithfully fulfilling our corporate social responsibilities (CSR) and getting our business partners to do likewise, we can meet the hopes and expectations of society on the one hand and minimize the impact we have on the environment on the other. This approach, we believe, builds between us and our business partners relations of “coexistence and coprosperity” that society will approve of.

In the Daiwa House Group, we teach our employees to build and maintain such relations of “coexistence and coprosperity” with our business partners, via our “Principles of Corporate Ethics and Code of Conduct.” We also have laid out a comprehensive policy on human rights, compliance and other matters we expect our business partners to observe in a “Business Partner Code of Conduct” that we adopted in 2006. Furthermore, after reorganizing some of the criteria that had been in effect, we newly issued our “CSR Procurement Guidelines” in 2015.

CSR Procurement Guidelines

Our CSR Procurement Guidelines establish 7 principles that underline the social and environmental responsibilities we expect of our business partners, in a “Business Partner Code of Conduct.” They expand off this code to more articulately define 20 social and environmental requirements for our business partners, under our “Corporate Activity Guidelines.”

Fundamentally, the code is straightforward and tuned to the times. For example, the “compliance” principle was included to keep business free of corruption and graft by placing the onus on business partners to act ethically and lawfully. Where the code lists “considerations for occupational safety and health,” business partners are expected to concern themselves with health and safety by preventing on-the-job accidents, attentively managing sanitation and hygiene, and preparing for unforeseeable events like natural disasters. Moreover, the code’s call for business partners to “respect human rights” is a strong denouncement of forced labor, child labor, harassment and the infringement of human rights based on gender, etc.

Also, as a new signatory of the United Nations Global Compact, Daiwa House Industry supports and promotes the compact’s 10 principles concerning human rights, labor standards, the environment and anti-corruption. Going forward, we will urge our more influential business partners to get behind the 10 principles in order to spread compliance fully across our supply chains.

Besides all of this, we have “Guidelines for Products” that specify our control policy with regards to chemical substances contained in construction materials and biodiversity in wood procurement – two areas that bring a high level of risk to our supply chains but can be audited and traced well upstream.

While the Business Partner Code of Conduct espouses broad universal values that underscore public interest in reasonable work hours, minimum wage and other issues, our various guidelines on corporate activity and products are business tools that we flexibly revise in line with social demand.

Co-creating a Brighter Future with Our Business Partners

Related page P186–188 Daiwa House Group CSR Procurement Guidelines

- | |
|---|
| <p>(1) Business Partner Code of Conduct
Seven principles concerning social & environmental responsibility</p> <ol style="list-style-type: none"> 1) Establish a relationship of trust with customers 2) Secure legal compliance 3) Considerations for occupational safety and health 4) Fair business activities 5) Environmental conservation 6) “Co-creating a Brighter Future” with local communities and 7) Respect for human rights |
| <p>(2) Corporate Activity Guidelines
Twenty specific requirements concerning social & environmental responsibility</p> |
| <p>(3) Guidelines for Products
Standards for social & environmental responsibility concerning construction materials and other products that our business partners procure, and delivery to Daiwa House Industry, consisting of the two guidelines below:</p> <ol style="list-style-type: none"> 1) Chemical Substance Management Guidelines [Basics] 2) Biodiversity Guidelines [Wood Procurement] |

Related page P115–116 Co-creating a Brighter Future with the Environment Supply Chain Management in Our Entire Business (Environment)

Management

At Daiwa House Industry, we assist 3 member organizations that operate in our supply chains, in the interest of “Co-creating a Brighter Future” with our material suppliers, etc. Through these organizations, we learn of demands and issues our business partners have with us. Together, we promote CSRs via closely knit communications, e.g., conveying to our business partners from time to time things we want them to respect in business processes.

With regard to risk information, we seek out, identify and improve ethical and compliance problems of our Group employees, as well as issues between primary and secondary subcontractors, by way of a questionnaire survey we send to our business partners and a “Partners Hotline” that they can use to contact us. These tools help our business partners to keep business free of graft and corruption, and prevent human rights infringements.

To promote CSR-oriented procurement, we established the CSR Procurement Subcommittee in 2010, consisting of representatives from Procurement, Construction and other related departments. Through this subcommittee, we have established a system for collaboration with order placement personnel at individual offices.

* To keep corruption and graft out of business with and by our suppliers, we plan to document Anti-Bribery Bylaws that are far more reaching than our current Anti-Bribery Regulations. (The Anti-Bribery Bylaws will be adopted and enforced during the current fiscal year.)

Application of the CSR Procurement Guidelines

When contracting with new business partners, we explain to them the purpose of our “CSR Procurement Guidelines” and have them submit a letter of consent that they will honor the guidelines.

As part and parcel to doing business with us, we require business partners to analyze and report the chemical substances found in the parts and materials we purchase from them for use in single-family houses and low-rise rental housing. We use our “Chemical Substance Management Guidelines” (Guidelines for Products) for this. With all other parts and materials we purchase

as well, we require business partners to honor our guidelines by way of information briefings, design documents, etc.

Moreover, every year since fiscal 2011, we have audited wood suppliers and made those results public as per our “Biodiversity Guidelines” [Wood Procurement] (Guidelines for Products). They are required to verify the legality and sustainability of wood they procured in the previous fiscal year and then are instructed to make improvements highlighted in audit results.

Beginning in fiscal 2017, we started monitoring all matters raised in our “CSR Procurement Guidelines” by having our business partners conduct self-assessments.

■ CSR-related policy and management for business partners

Date of implementation	Item	Contents
February 2006	Management	Started the annual questionnaire survey toward business partners
October 2006	Policies	Business Partner Code of Conduct took effect (Collected letters of agreement from partners)
July 2009	Management	Started the operation of a Partners Hotline
October 2010	Policies Management	Chemical Substance Management Guidelines took effect Started chemical substance survey for centralized procurement (at the time of contract)
October 2010	Policies	Biodiversity Guidelines took effect (Collected letters of consent from partners)
January 2011	Management	Started annual CSR wood procurement survey
July 2015	Policies	CSR Procurement Guidelines took effect (Daiwa House Industry only) (Collected letters of consent from partners)
April 2016	Policies	“CSR Procurement Guidelines” Used across the Daiwa House Group
April 2017	Management	Self-assessments based on our “CSR Procurement Guidelines”

Related page P127–128 Preserving biodiversity in our procurement and business activities

Member organizations in our supply chains

At Daiwa House Industry, we assist the below member organizations with their operations.

■ The Confederation of Partner Companies (4,663 companies):

The Confederation of Partner Companies, consisting of 82 branches nationwide, was formed by our partner subcontractors engaged in manufacturing and construction/installation work. Its activities have focused on the improvement of safety, quality, technology and work efficiency, as well as the promotion of environmental conservation efforts. The Confederation members have been enhancing their mutual trust by promoting the sharing of information through the information site “WEB Ren.”

■ The Trillion Club (241 companies):

Composed of material suppliers, the Trillion Club serves to improve the financial standing of both member businesses and Daiwa House Industry, by enhancing material quality, respecting delivery schedules, developing new construction materials and innovating technologies.

It promotes mutual development and friendly relations by taking full advantage of regional characteristics and facilitating information sharing, through two categories of promotional activities.

■ The Setsuwa Club (149 companies):

The Setsuwa Club, which is composed of housing equipment manufacturers and sales companies we have had dealings with, has enhanced cooperation and collaboration among the member companies, by participating in exhibitions and various other activities and promoting the sharing of information on equipment technology. The Club has four branches in the Kansai, Kanto, Chubu and Kyushu regions.

Managing business partners in terms of QCDMSE

At Daiwa House Industry, we select and manage new business partners in terms of Quality, Cost, Delivery, Morals, Safety and Ecology (QCDMSE).

In selecting new suppliers, we first screen documented evidence of their quality, environmental considerations, delivery performance, costs and management against our regulations on purchasing operations. Then, for those that pass this initial step, we audit and assess their quality management policy and system, and additionally evaluate safety and health conditions and practices at their plants, considerations they take for nearby residents, and their environmental measures, claim handling and employee training programs. We only conduct business with suppliers who clear a certain level of evaluation. And, after commencing business with them, we use the same approach for follow-up assessments.

In selecting new construction subcontractors, we review their application against QCDMSE criteria and interview them as per our regulations on managing subcontractors. These processes help us to verify the candidate company's compliance record, safety and health assurances, their distancing from antisocial forces, legal permits in their possession, their participation in Japan's public health insurance program, and other defining features. With those that pass, we conclude a Basic Subcontractor Agreement and obtain a trade name proof of registration from them. All regulations and standards apply to the new subcontractor. At construction sites, alongside managing the site in terms of QCDMSE, we clarify the roles that we and the subcontractors play in that process.

Major efforts

Explaining our CSR Procurement Guidelines to business partners

To address risks in our supply chains, we explain to our business partners the importance of work safety, human rights, preventing graft and corruption in business, reducing environmental loads and risks, and other matters in the procurement phase. We then obtain a letter of consent from those who agree with the purport of our "CSR Procurement Guidelines." In fiscal 2016, we introduced these guidelines to our Group companies and began promoting CSR procurement across the entire Group. And, in fiscal 2017, we implemented having business partners from those we obtain a letter of consent conduct self-assessments of their procurement practices so that we could confirm that the guidelines were being followed.

Explaining our CSR Procurement Guidelines to our employees

As part of our efforts to promote CSR procurement, we launched a CSR Procurement Subcommittee of persons in charge of procurement, construction and product development in 2010 and built a system for working with the persons in charge of ordering

at our various worksites. This subcommittee shares environmental and social issues related to procurement, audits procurement practices of the entire Group and implements measures for solving issues.

Encouraging business partners to respect human rights and institute good work practices

Our "CSR Procurement Guidelines" forbid child labor, forced labor and harassment, and encourage not only the Daiwa House Group but business partners as well to show consideration for human rights on the corporate level. Moreover, we conduct a survey every year of wood procurement to make sure that no one in the Daiwa House Group procures illegally felled wood or wood taken from indigenous people in total disregard for their human rights.

Much to our pleasure, there were no reports of human rights abuses prohibited in our "CSR Procurement Guidelines" (child labor, forced labor and harassment) in fiscal 2017.

Related page ▶ P155 Assessment of business partners human rights risks
P127-128 Preserving biodiversity in our procurement and business activities

Checking our supply chains for ESG issues

To identify risk factors in our supply chain, we periodically check and monitor the work progress of all primary subcontractors at construction sites and plants, using a checklist prepared by us that includes such items as workplace safety, labor relations, and waste disposal. With new business partners, we stipulate our CSR procurement requirements in contracts with them and provide education so that they conduct themselves appropriately as a whole. If there are any problems, we will take corrective measures in a timely manner, and implement actions to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question.

Monitoring business partners for ESG issues

We had our business partners conduct self-assessments in April - May 2017 against the "CSR Procurement Guidelines" we adopted in 2015, as a mechanism for each business to gauge how well they adhere to the guidelines. Also, to ensure none of our business partners are procuring illegally felled wood, etc., we conduct a CSR wood procurement survey every April that helps us to monitor their procurement practices.

- Scope of application:
Members of the Confederation of Partner Companies, the Trillion Club and the Setsuwa Club and other suppliers that are required to submit a letter of consent under our "CSR Procurement Guidelines" (3,863 businesses)
- Companies that replied: 587 (15.1% response rate)

Co-creating a Brighter Future with Our Business Partners

■ CSR wood procurement survey

The Daiwa House Group has regularly conducted a survey of our suppliers' wood procurement practices since fiscal 2010. From the results of these surveys, we have classified the procured wood into three types: certified wood, recycled wood, and our company's recommended wood. Any wood that meets certain criteria (scoring at least 90 points on the 110-point scale) is evaluated as S-ranked wood. Moreover, any wood that scores less than 70 points is evaluated as C-ranked wood, a category targeted for improvement.

In March 2016, we revised our wood procurement evaluation criteria in order to more rigorously assess risk areas and certification bodies, and evaluate legality and sustainability (biodiversity, human rights, etc.) more closely based on the actual situation.

In fiscal 2017, we added content from the Clean Wood Act (Act on Promoting the Distribution and Use of Legally Harvested Wood) to our survey. Survey results from fiscal 2017 are shown below.

■ Assessment result of used timber

	FY 2017	FY 2016 (Reference)
Rank S	84.2%	86.5%
Rank A	11.4%	7.9%
Rank B	2.0%	3.1%
Rank C	2.4%	2.5%

[Related page](#) P125–128 Harmony with the Natural Environment (Preservation of Biodiversity)

Action taken with business partners with marked ESG risks

In fiscal 2017, there were no reports of human rights abuses (child labor, forced labor or harassment) espoused in our "CSR Procurement Guidelines." With regard to work safety violations, appropriate corrective measures are taken at construction sites and the related data is compiled and analyzed by Head Office's departments.

In the event of harm caused to customers or hosting communities, fair competition (anti-corruption) or compliance violations, matters are quickly corrected at the worksite and related information is centralized by the Risk Management Committee for sharing across the company.

If ESG risks are identified upstream in Daiwa House Industry supply chain, the business partner who is violating the environmental (chemical substances, biodiversity, etc.) or social (human rights, graft, etc.) standards set forth in our "Guidelines for Products" is instructed to correct the matter.

[Related page](#) P140 Chemical Substance Management Guidelines
P127 Conducting wood procurement survey at our suppliers

Action taken with business partners with marked ESG risks

As a regular action, monthly activities serve to share information on products and ESG risks confirmed and summarized by area leaders from each of our branch offices. The information is then disclosed and the necessary action is taken. Moreover, in April 2018, the functions of the Purchasing Promotion Department were retooled to address product and ESG risks in tighter coordination with branch offices.

[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

Basic Policy and Concept

Business at our company is done with the cooperation of many business partners from across our supply chains. In fact, most of these business partners are subcontractors who provide manpower for our plants and job sites. This makes their human rights and labor conditions important matters to us. Reason being that providing them a job environment where they can safely engage in work over extended periods of time helps the subcontractor secure and retain the necessary human resources. We also believe that good workplace environments are critical for passing down skills and providing customers with high quality products.

Every year at Daiwa House Industry, we set out a "Basic Policy to Promote Safety and Health at Work," on which each branch office formulates a work safety and health plan that fits their particular situation and builds the systems for effectuating that. Work safety and health are then managed in line with applicable regulations, in order to ensure the subcontractor's personnel safety on the job.

We are always grooming job sites to protect the health of the subcontractor's personnel and enable them to work safely. This includes requiring subcontractors to show "considerations for occupational safety and health" as stated in our "CSR Procurement Guidelines." Underscored by this policy, we take every measure to prevent accidents and to manage health with our long-standing goal of zero work-related deaths.

Moreover, in line with the "respect for human rights" called for in our "CSR Procurement Guidelines," we observe the limits placed on overtime work by the Labor Standards Act and take constructive steps to eradicate excessive overtime work at our plants and construction sites. Also, as a part of our "work style reform" efforts, we started to gradually increase the number of "construction holidays," with the aim of guaranteeing workers "2 days off every week."

In addition, we honor the minimum wages set forth in the Minimum Wage Act because it is important to provide living wages that consent people a healthy and cultured way of life. We believe it necessary from the perspective of human resource development and guaranteeing living wages, to support the subcontractor's personnel not only with skills training but also financially. For this reason, we have both a financial aid program for acquiring skills and a skills certification system, above and separate to complying with wage requirements.

Going forward as well, we will continue to improve workplace environments so that not only the subcontractor's job site personnel but also their families can feel "safe and secure," and build relations based on long-term "coexistence and coprosperity."

[Related page](#) P049–052 Providing a Safe and Healthy Work Environment

Management

Safety guidance in construction sites

At Daiwa House Industry, we are continually making improvements to construction site working conditions as a collaborative effort of the Safety Management, Engineering, Design and Construction, and Production departments. Guiding these improvements are our regulations on safety and health management, and data we obtain by tracking accident frequency rate and other indices. We

also are providing guidance and training to our employees and our subcontractors' personnel through periodic and surprise patrols of job sites and meetings to promote occupational safety and health.

When contracting with new subcontractors, we evaluate their abilities to manage work and safety, and provide them with safety guidelines they have to follow.

Communications with the Confederation of Partner Companies

The Confederation of Partner Companies is a membership organization made up of construction subcontractors. It is organized into partner companies of our branch offices, regional offices that represent geographical blocks and a headquarters, the Confederation of Partner Companies. They stay in close communication with construction personnel, branch managers and even representative directors at Daiwa House Industry through meetings on various levels where they share information on a wide range of subjects — safety, quality, technical strengths, work efficiency improvements, human resource development, etc. — and formulate improvement measures.

Amenities and building codes that make it easier for subcontractors to work at our plants

Our plants are tied to a variety of stakeholders, to note the workforces at Daiwa House Industry, the plants themselves and our business partners, and our customers and the residents of the hosting community. In order to build good relations with these stakeholders, provide for ourselves a *monozukuri* platform and contribute to the greater effort to protect the global environment, we have standards on building and renovating our plants. We strongly believe that providing safe workplace environments where plant personnel feel motivated improves employee retention rate and fuels the impetus to pass down skills. In turn, a skilled and dedicated workforce supports management at both the companies supporting our plants and the plants themselves.

Our “plant and control building construction, and renovation manuals,” guidelines relating maintenance, specify infrastructure codes and require us to use universal design as the fundamental train of thought, incorporate environmental (CASBEE), fire prevention measures, and provide break rooms, smoking areas, infirmaries and other amenities for personnel from business partners to use. Moreover, when it comes to building cafeterias, the manuals encourage gathering opinions from both our business partners' employees and our own workforce so that the resulting cafeteria is built to a greater level of satisfaction. With buildings that are not up to the code and will not be rebuilt, we make renovations to the best extent possible.

Major efforts

Risk assessments of construction site health and safety

In fiscal 2017, we assessed risks at all of our branch offices, plants and departments. Working from our “Risk Management Activity Policies,” we applied the PDCA cycle to legal compliance with the Construction Industry Act and other laws and regulations, workplace safety assurances, workplace environmental development, and other aspects.

■ Safety targets for fiscal 2018

Item	Important activities
Incidents resulting in death...0	Conduct activities for preventing serious accidents in line with safety and health management plan. (Identify and correct risks on a monthly basis.)
Incidents caused by a third party...0	Increase 3rd party accident prevention in construction plans and reviews.
Heavy machinery-related incidents...0	① Implement patrols of worksites where heavy machinery is used. ② Provide guidance on preventing accidents with heavy machinery as a part of safety enhancement activities.
Slip/fall incidents resulting in an absence of at least four workdays...0	① Prepare work plans for building construction and demolition jobs. ② Enforce safety belt use when working in high locations. ③ Meticulously review scaffolding installation plans for housing jobs and open areas, e.g., stairwells, atriums, etc.
Heat stroke incidents resulting in an absence of at least four workdays...0	① Educate housing crews about heat stroke. ② Educate building and housing complexes crews at each worksite.

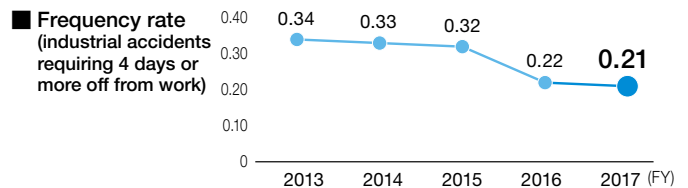
■ Number of construction site accidents requiring 4 or more days of missed work

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Construction site accidents	44	48	47	34	35

■ Frequency rate of accidents requiring 4 or more days of missed work

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Frequency rate	0.34	0.33	0.32	0.22	0.21

“Frequency rate” represents the number of industrial accidents that have occurred involving worker injury or death per one million hours worked.



Deaths amongst business partner personnel

■ Number of construction sites deaths

	FY 2015	FY 2016	FY 2017
Incidents	4	0	2

Co-creating a Brighter Future with Our Business Partners

Support for issues faced by construction subcontractors

■ Nationwide building skills contest

At Daiwa House Industry, we have teamed up with our plant subcontractors to jointly organize a building skills contest for the purpose of reviewing and overhauling quality and safety practices and to improve the building skills needed to do business. The contest originally tested welding skills only, but in fiscal 2017, we added carpentry and forklift operation events and divided the welding competition into “skill challenge” and “open” events. The contest was held on November 1 – 2, 2017 at our Nara Plant with about 90 participants between contestants from our plant subcontractors and judges from our company. The contest effectively improved both the skill and motivation of our business partners’ personnel by assessing and awarding the skills they demonstrated from quality and safety perspectives.



Building skills contest

■ Assistance in human resources training

Because of the declining numbers of skilled workers in the construction industry and the young recruits needed to replace them, we at Daiwa House Industry are helping our business partners to hire and train graduates fresh out of schools. To help with hiring, we visit polytechnic schools, coordinate job fairs with high schools and job placement services, and offer internships via programs we jointly sponsor with our subcontractors.

We also provide our subcontractors financial support to train fresh recruits in specialized skills.

Moreover, we have a “Certification System for Skilled Engineers and Technicians” that awards engineers and technicians who demonstrate skills of a commendable level with technical licenses and higher pay. The purpose of the program is to build a stronger construction business, improve the quality of our work and motivate the workforce.

■ Career advancement in the construction industry

Daiwa House Industry was quick to announce participation in the “Construction CareerUp System” promoted by the Ministry of Land, Infrastructure, Transport and Tourism within their nationwide campaign for work style reform, and has since worked to spread it amongst business partners. The system manages information on construction workers such as qualifications they possess, employment history and status of their social health insurance coverage. It centrally organizes the information employers need to properly assess worker skills and is intended to help workers to advance their careers via better benefits.

Support for issues faced by plant subcontractors

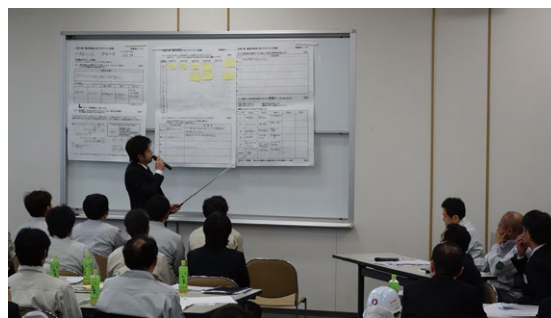
■ Support for improving safety, quality and compliance

In production and procurement divisions, “safety, quality and compliance are prioritized in all operations.” The organizational structure for promoting that arrays the various plant-specific committees (Safety and Health Committee, Quality Committee, Environment Committee, etc.) around the plant’s “Plant Risk Management Committee,” which acts as a conduit for sharing information and coordinating operations with the Head Office’s Risk Management Committee. They also share with business partners information about events that occurred and risks that are foreseen at other plants. The Risk Management Committees at Daiwa House Industry’s plants are instrumental in reducing ESG risks, solving production issues and uniting the Head Office and production floors in efforts to manage risks.

■ Passing on skills and employee retention [Supervisor training]

Training was imparted to supervisors from business partners working at our plants. In the program, they shared what their plants are doing with “4M11 Management”^{*} and issues they are having, and discussed possible solutions. The purpose was to improve their motivation and make them conscious of participating in management as supervisors, by honing their floor management abilities and teaching them ways to develop subordinates and demonstrate leadership. In fiscal 2017, 135 supervisors from across Japan (65 in East Japan; 70 in West Japan) took part in separate 2-day programs that were organized for East and West Japan. Because of the interacting they do with supervisors from other plants, the participants discover a lot of new things about safety, quality, developing subordinates and more.

^{*} A basic approach to managing manufacturing floors that focuses on manpower, materials, machines, methods and information



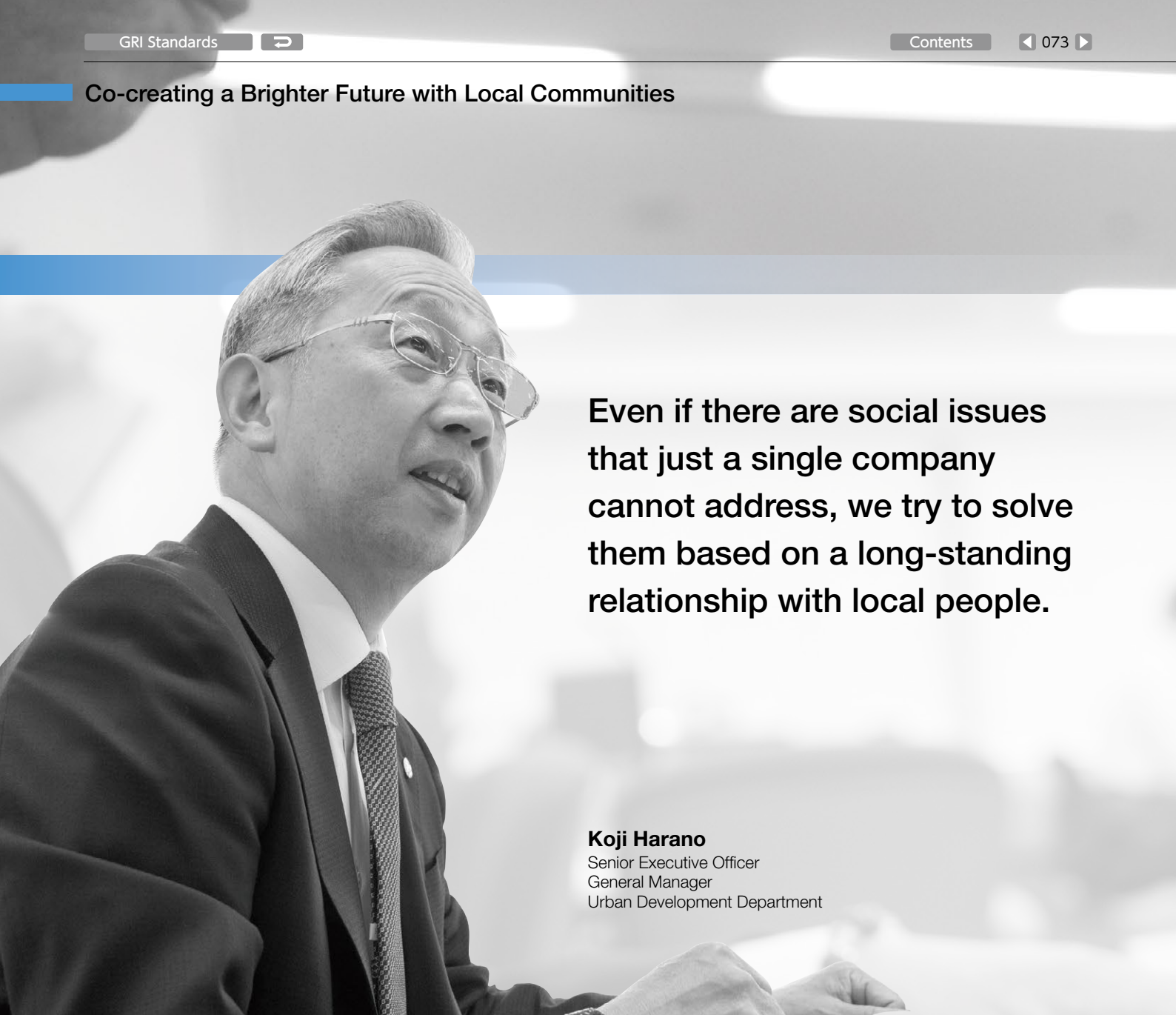
Supervisor training

Implementation Report

Co-creating a Brighter Future with Local Communities

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Co-creating a Brighter Future with Local Communities



Even if there are social issues that just a single company cannot address, we try to solve them based on a long-standing relationship with local people.

Koji Harano

Senior Executive Officer
General Manager
Urban Development Department

Commitment from the Executive Officer in Charge

Pursuing true land use in local communities is the business essence.

Local communities face various issues such as education, welfare, the environment, and what a community should be like where people interact with each other. These issues cannot be solved without collaboration among the government, companies, NPOs, NGOs, and local people. While trying to solve social issues through business, companies need to work with various stakeholders to find solutions.

Today in Japan, new towns that were constructed during a period of high economic growth are aging with depopulation in remote areas progressing. In addition, with residents aging resulting from the low birth rate with an aging population, the imbalance among age groups in remote areas creates various

issues. What is needed is to revitalize remote areas based on a long-term perspective and make it possible for a wide range of people from the young to the elderly to live together comfortably.

Having a great deal of experience in addressing era-defining social issues from early days, the Daiwa House Group is engaging in new attempts.

The starting point for them is the “management of appropriate land,” which allows us to research potential land for development and grasp the situation. We have promoted our business with emphasis on the truly useful utilization of land for the area from a long-term perspective, respecting local landowners, families, and neighboring people. We have treasured interactions with people living in local communities for ages, fostering trusting relationships with them. Our familiarity with the land’s location, climate, history, and tradition enables us to find optimum utilization of land, which in turn empowers us to solve today’s social issues.

Contribution to SDGs



Facing local issues while keeping pace with changing times

One of the efforts to address the local issues is the activity to rebuild the relations with inhabitants in the “Royal City Shikabe Resort” in Shikabe Town of Hokkaido. The Group has carried out such an activity in earnest since last year. It executed a comprehensive tie-up agreement with Shikabe Town for the development of the town and aims at promoting the migration thereto and permanent settlement therein of people and vitalizing the local community in cooperation between the municipal government and the private corporation. While Shikabe Town is a residential area with scenic beauty in a forest, it faces the issue of decrease in its population as a result of aging, and the Group is promoting the development of a new town there by creating a community as a core of such activity.

In addition, the Group is good at the land readjustment project by taking the change in the industrial structure into consideration as a technique for developing a town. For example, while the number of people engaging in agriculture is decreasing in the suburbs of the Tokyo metropolitan area, the question how to maintain the remaining farmlands or whether or not to utilize such lands by changing their use has become a serious issue for the people in the entire area including landowners. On the other hand, while the number of industrial developments is increasing as the improvement in the traffic infrastructure such as expressways represented by the Tokyo Metropolitan Inter-City Expressway has progressed in recent years, factories, logistic centers, etc. located along the coast have come to move to the inland areas.

In such changing times, the Group carries out the project to enhance the value of the entire area by harmonizing the improvement in new logistic facilities, etc. with the preservation of farmlands where agriculture is continued by using the technique of the land readjustment project on the basis of the intention of each landowner. The Land Readjustment Act stipulating such technique is full of contents underlying the creation of towns by repeating dialogues steadily at sites. The Group is advancing the development based on such Act by making good use of know-how accumulated internally through experiences until now while respecting intentions of local residents as much as possible. It thinks that such efforts will not only vitalize areas but also lead to the creation of sustainable towns from the viewpoint of taking the measures for the BCP (Business Continuity Plan) at the time of earthquakes by improving inland logistics.

It also engages in the land readjustment projects in suburban residential areas in Yamato City of Kanagawa Prefecture and Narashino City of Chiba Prefecture. It promotes the development of towns there enabling people to continue to reside there for the future by endeavoring to make good use of lands that were difficult to be used in the past by improving infrastructures appropriately in close cooperation with people living there and administrative authorities by implementing various ideas.

In addition, the Group has started the revitalization project for many housing complexes constructed in the times of rapid economic growth. For example in the commuter town in Miki City of Hyogo Prefecture, the Group has established a study group jointly with the administrative authority, the university and the residents, and such group is now carrying out the project for revitalizing a suburban housing complex. While the aging rate is nearly 40%, the development of the town creating the community together with the young generation including children as well as enabling residents to continue to live as long as they desire is underway. This is the fourth calendar year from the commencement of the project in 2014. Although it is impossible to obtain a result soon, the Group continues its efforts as one of the social duties thereof.

Town planning with local people's smiles

With regard to activities for local revitalization, we put emphasis on how much we can contribute to local communities above securing corporate profits. Aging housing complexes and unoccupied houses, which are becoming urgent social issues in Japan, are issues that we, as a company committed to “living,” cannot miss. All our employees are united in their desire to achieve something thrilling through town planning and engaging in town planning with local people's smiles.

Our desire to revitalize local communities for the future grew into another desire to contribute to the development of children, who will support the future Japan.

In 2012, our Group donated some 2.71 million-square-meter land in Takahagi City in Ibaraki, which we had owned as a corporate property, to the Scout Association of Japan so that it would be utilized for children's experiences in nature and environmental education. The association is currently using it as “Yamato no Mori Takahagi Scout Field” for youngsters' outdoor activities and environmental education.

In addition, the Group donated a control building last year inside the site which can be used as a training and accommodation facility. This donation was made since the philosophy of such association to endeavor to soundly bring up young people conforms with the policy of the Group to attach importance to the upbringing of human resources. It is our dream to see Japanese talent who will lead the world in various fields produced through the association's activities.

In addition to the activities mentioned above, we, facing social issues, are promoting activities leading to their solutions in various areas across Japan. What a single company can do is limited, but we believe that under sublime principles, trying many things with various stakeholders is our Group mission. We are going to further accelerate “Co-creating a Brighter Future with Local Communities” so that we can get closer to the founder Nobuo Ishibashi's dream of building an ideal local community.

Co-creating a Brighter Future with Local Communities

Social issues

The suburban housing complexes (new towns) developed in the times of rapid economic growth have become too old throughout Japan. The social issues in local communities have become more and more serious, such as unbalanced age groups and vacant houses. The Group, which has developed large-scale housing complexes, shall take responsibility for facing such housing issues in recent years.

In addition, the creation of communities among residents and the vitalization of areas are also big social issues in local communities. In order to endeavor to solve such issues through the community co-creation activities by understanding the issues in areas by having dialogues with residents there, it is indispensable to cooperate with various stakeholders such as administrative authorities, companies, NPOs, NGOs and citizens living there instead of activities carried out only by a single corporation.

In order to solve these issues, it is vitally important to create a living environment that retains and improves its appeal over the long-run, by enhancing the value of the local environment, security and comfort.

Risks and opportunities for the Daiwa House Group and its responses

The issues that local communities face transform over time and, if persons engaged in local business carelessly develop relations with stakeholder from the local community, they might very well lose sight of the issues and needs. This sort of attitude can get in the way of business.

However, if looked at inversely, business opportunities will present themselves and business will progress smoothly when good relations are built with the local community through “community co-creation activities” that bring buildings, neighborhoods and, above all, value to the local community.

Long-term social vision [Community residents]

We respect the culture and customs of the local communities where we conduct business and contribute to their sustainable development through our business activities and community co-creation activities.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[The most important priority issues]

Proactive relations and coordination as the basis of local community development

P83-91

The fiscal 2018 target for “NPO-NGO Collaboration Opportunity” is 50%, while the fiscal 2017 result stood at 45.5%. The fiscal 2018 target for “Endless Donation” membership rate is 25.0%, while the fiscal 2017 result stood at 35.7%, which means that targets were achieved for the second year in a row.

With regard to “Monetary Value of Worksites’ Community Co-creation Activities,” the fiscal 2018 target is 300 million yen, but the fiscal 2017 result stood at 171,876,000 yen. We are going to participate in community co-creation activities more actively.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Collaboration with NPOs and NGOs	45.5%	50% or above

[Priority issues]

Contributing to the community by sharing business knowledge gleaned through experience

P83-91

Our fiscal 2018 target for “No. of classes given by dispatched instructors (D’s School: Risk reduction, living environment)” is 20 programs, while 19 programs were reported in fiscal 2017. As for “No. of cases of education support (Other: Career education, member of society instructor, on-site experience, and others),” our target for fiscal 2018 is 70 cases, whereas there was a sharp rise in fiscal 2017 at 204 cases, which easily cleared our target.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
No. of cases of education support	204	70



Co-creating a Brighter Future with Local Communities

Supporting Community Development Through the Construction Business

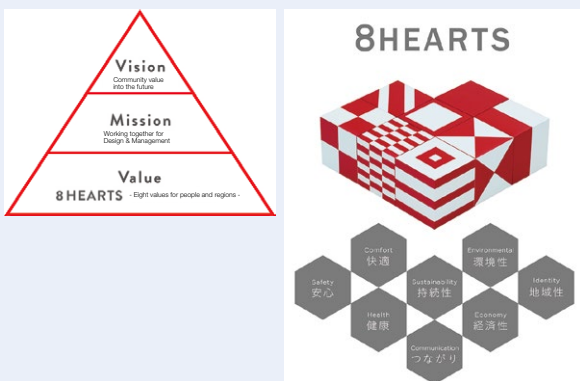
Basic Policy and Concept

The Daiwa House Group, as a Group that co-creates value for individuals, communities, and lifestyles, aims for sustainable development of business through interactions with customers and local community consisting of local people, local business partners, local governments, and local companies. Daiwa House Industry, as a local community member, finds it important to promote “Co-creating a Brighter Future” with Local Communities.

As an effort for it, we are supporting the growth of communities by promoting social contribution through business. Our particularly symbolic activity is town planning mobilizing the Group capabilities based on our “Community Development Vision.” This is intended to carry out the mission of “Working together for Design & Management” with local communities under the vision of “Community value into the future.” Through the activity we focus on two factors, “For the benefit of people” and “For the benefit of regions,” promoting town planning enhancing eight values for both: safety, health, comfort, communication for people; and environmental, economy, identity, and sustainability for regions.

In addition, we, based on our “Community Development Vision,” hold up the policy of actively participating in urban redevelopment. It is such a delicate project that we are required to steadily establish communication with landowners. That is why we find it important to prepare some guidelines such as a company regulation for promoting smooth communication with local communities.

Engaging mainly in the construction business, our Group needs to work with local construction subcontractors for construction services and local suppliers for material procurement. In addition, to build a long-standing relationship with customers and win their trust, community-based marketing with a medium- to long-term perspective and follow-up services, and human resources who carry these out, are needed. From this perspective, with a good relationship with local stakeholders maintained, we are going to promote procurement and employment in local communities, mobilize our technologies and human resources, and build customer platforms for the development of local communities.



Related subject Community development page of the official Daiwa House Group website <https://www.daiwahouse.com/English/about/community/>

Related page P185 Community Development Vision of the Daiwa House Group

Management

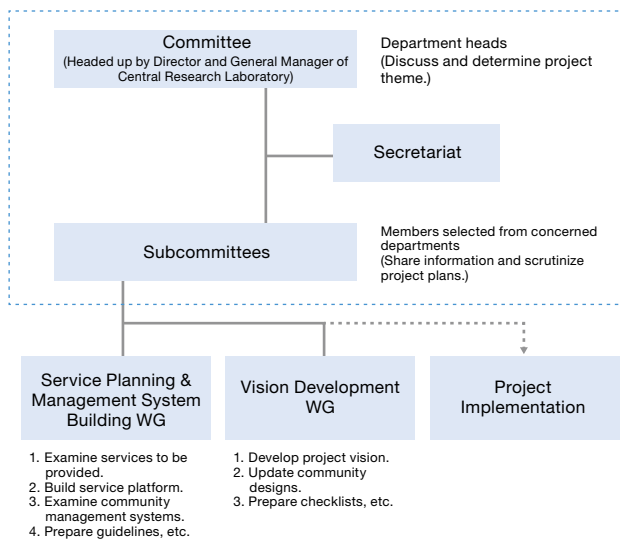
The Daiwa House Group has built an effective system for creating pioneering communities. It begins with the Sustainable Community Development Promotion Committee that is headed up by Director and General Manager of our Central Research Laboratory and works closely with related departments and Group companies.

Projects are promoted by coordinating Head Office departments, including Urban Development Department, and business segments that best serve the type of development, whether that be simple zoning, full-scale redevelopment or any number of formats we handle. We also work with local governments and other organizations on forming communities in residential districts of built-for-sale houses, restoring housing complexes and rebuilding relations amongst owners of forest-side towns.

Because community development requires human resources with diverse skills and knowledge, we impart training and education via all sorts of training programs. This includes internal training overseen by our Qualifications Support Committee that assists new recruits and young people in our workforce in acquiring the skills and licenses needed for community development projects.

■ Sustainable Community Development Promotion Committee

Participating departments and companies: Urban Development, Technology, Management Administration, business segments, Information Systems, Customer Satisfaction, eight Group companies



■ Managing relationship-building with local communities in redevelopment projects

As our redevelopment projects, in many cases, go hand in hand with the Land Readjustment Project and the Urban Redevelopment Project as our business method, we need to form a consensus with landowners, the leading actors of local communities, to found an association. As associations' projects, we proceed with our projects. It is therefore important to fully communicate with landowners as association members and neighboring people in each stage. In Land Readjustment Projects, there are many cases in which we fully take charge of the readjustment associations' responsibilities and we have formulated a flow that checks what was agreed on regarding project management with the readjustment associations in order to clarify the project processes.

In our urban development projects, we have an organizational structure established that enables us to continue to communicate with local community members including landowners even after

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land-related projects are completed. Even if there is something wrong with our projects, we check the details, trying to meet customers' requests as much as possible.

Consideration for access to public transportation in our urban development projects

Our company regulations for designing in our urban development projects oblige us to design pedestrians' traffic lines with their traffic lines to traffic facilities (stations, bus stops, etc.) as well as to particular facilities and, within housing and city blocks taken into account, which policy is applicable to all properties.

Under the concept, "Friendly Design" based on universal design, we develop and design housing products so that diverse people including the elderly, children, and people with disabilities can build a comfortable life. In our urban development projects, we have the policy of making the main traffic lines such as the traffic line to traffic facilities barrier-free as a company regulation, promoting town planning that enables diverse people to enjoy a comfortable life.

Major efforts

Building relations with local communities in community development projects

Forming communities in residential districts of built-for-sale houses

Starting with the first-ever ZET (Net Zero Energy Town) in Japan "SMA-ECO Town Harumidai," we have constructed four ZETs. In "SMA-ECO Town Hidamari-no-Oka," proceeds from a solar power plant of some 100kW shared by the residents are utilized for the town management such as sharing of ultracompact mobility*, operations of security lighting and security cameras. In addition, the town offers life support services to each household and has a system in place that allows each household to save money for maintenance. In "SECUREA Toyota Kakimoto," electricity is interchanged among a solar power plant and a civic hall, both of which are shared by the residents, and three single-family houses to promote self-sufficient use of energy. In "SECUREA Toyota Honmachi," as Toyama City's PPP (Public Private Partnership) project, we constructed an adjacent community hall, a district center, a branch library, and a net zero energy housing complex equipped with a park with anti-disaster functions. When constructing public facilities, we incorporated the local community's opinions through dialogue with Toyama City and built for them environment-friendly buildings that would promote efficient use of energy and energy reduction. To develop the town, we held dialogues with the local community about the launch of the community association and the managing system of the snow melting facilities in the housing area and provided cooperation to the management of existing snow melting facilities in the community.

These four ZETs founded their respective condominium associations to promote residents' management of towns and we participate in the management of the associations for a few years from a time when they were founded to a time when residents can manage them smoothly. Through our Group's continuous support for the management of the condominiums and of the associations we are communicating with local people.

"SECUREA Garden Hibarigaoka" is scheduled as part of the remodeling project of the Hibarigaoka Housing Complex, which was constructed in 1959. The project is promoting "Area

Management," which allows the residents and neighboring people to build a community or the residents to take the lead in enhancing the local environment and the community value. "SECUREA Garden Hibarigaoka" residents also participate in the project to contribute to building a better community. In addition, the community center "Hibari Terrace 118," the hub for the project, is operating. In the adjacent area is constructed a pedestrian path with indigenous plants, creating interaction space endlessly.

* Two-seated vehicle that is smaller than a minicar, capable of turning in a small radius, excellent in environmental performance, and easily available for local trips. Introduced in Hidamari-no-Oka for a limited period.



Full view of Harumidai

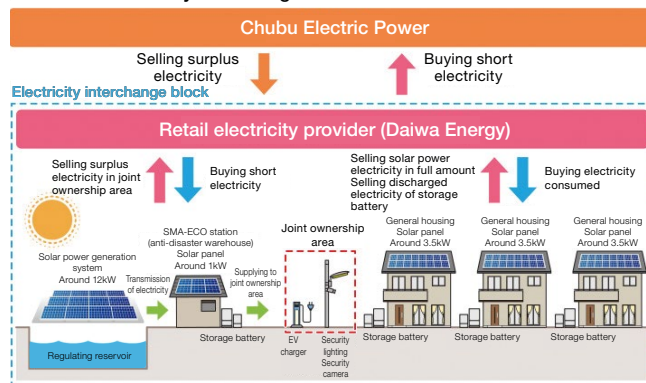


Solar power plant in Hidamari-no-Oka

Electric vehicle in Hidamari-no-Oka

Toyota Kakimoto electricity interchange block

Scheme of electricity interchange block



* Conceptual diagram



Management support for condominium association

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Hibarigaoka

Interactive events in forest-side towns

“Royal City Shikabe Resort,” which started to sell properties in 1974, is a resort complex consisting of a forest-side town, a golf course, and a hotel. While many owners settle in the forest-side town, they are becoming people of advanced years during the passage of time after the sales of the properties, which raises an issue of dilution of human relationships.

With a view to making Shikabe Resort adored by owners, attractive, and timeless, we are engaging in relationship reconstruction with the residents. In July 2016, we held an unveiling party of the owner salon, the core part of the activity. In addition, we hold various participatory events for the residents such as culture festivals and the Christmas party to build a community based on self-help and mutual aid. Furthermore, we concluded the Agreement on the Promotion of Community and Town Planning with Shikabe Town in August 2017 to promote community revitalization and migration to and settlement in the town under the public and private cooperation. We will not only revitalize Shikabe Resort, which we manage, but also clarify and implement the revitalization of Shikabe Town, where the resort is located, by working closely with the public-sector.

While administrating the infrastructure and facilities in 14 forest-side towns across the country, we, with a view to securing and training local administrators, hold an annual safety seminar with business partners that are working with us for administration jobs to discuss safety management thoroughly and promote friendship among them.

Housing complex restoration projects

In “Midorigaoka Neopolis” in Miki City in Hyogo Prefecture, one of the suburban housing complexes developed during a period of high economic growth, we are promoting the “Condominium Restoration Project” to address various issues that have come to light nearly 50 years after its development.

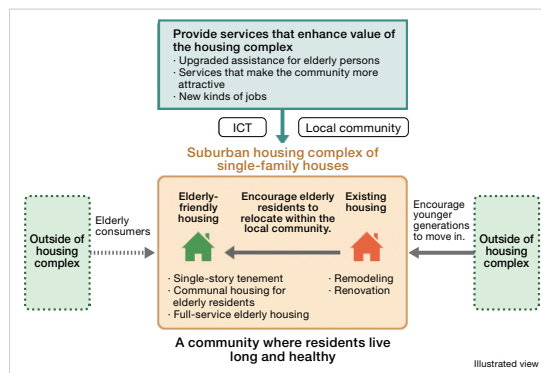
Following the launch of the “Suburban Housing Complex Lifestyle Study Group” as a collaborative effort of industry, government, academia and consumers to exchange opinions with local residents, we founded the “Organization for Promoting an Ageless Active Community” as a collaborative effort of industry, government, academia and consumers. Government and the Daiwa House Industry are mainly running the organization in cooperation with universities and private companies to promote the organization’s activities. In addition, we have organized a management council for the organization consisting of local community associations and NPOs, sharing and checking the organization’s activities with the local community.

In April 2017, we opened a satellite station utilizing vacant stores in the shopping street to promote communication with the local community such as dialogue with local residents, healthcare events for the elderly, events local children can enjoy as well as to publicize the organization’s activities. Furthermore, in order to make the condominium restoration project community-based for

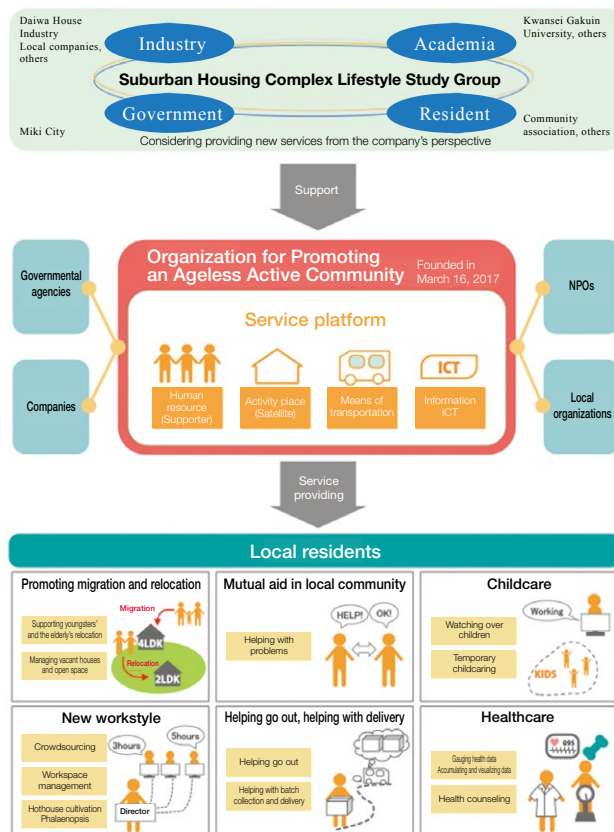
carrying it out jointly, we are planning to launch the “Living Lab,” a system in which residents, companies, and universities work together to solve local issues, encouraging local residents to participate in it through promotion events. Through these activities we, in addition to restoring Midorigaoka Neopolis, are going to construct a platform for the restoration of suburban housing complexes applicable in other areas as well.

In “Kamigo Neopolis” in Sakae-ku, Yokohama City, we started a regular meeting with local residents in 2014 and concluded the “Town Planning Agreement” with the community association in June 2016, thinking about the future of the local community with local residents through workshops and seminars. In addition, we are considering establishing the new community hub as the core for town planning activities, providing a briefing in regular meetings to discuss its establishment.

Business model used in housing complex restoration



Business model used in housing complex restoration



Local revitalization through land readjustment projects

A land readjustment project is intended to develop and improve public facilities such as roads, parks, rivers, readjust land, and promote housing land utilization. Based on the general contract with land readjustment associations organized by local people, the Daiwa House Group participates in the management of the associations' projects, going ahead with the project smoothly by securing business feasibility through acquisition of reservation land. With local people's requests in mind, we are engaging in land utilization and facility construction according to local situations. Specifically, we are developing public facilities such as roads and parks, and reforming land that is poorly connected with roads or whose form is bad. In addition, our land readjustment aims for land safety improvement in preparation for disasters and effective utilization of land.

In the land readjustment project for Kitajimahigashi, Kadoma City of Osaka Prefecture, we planted some 70 cherry trees along the river around the area, forming a row of cherry trees with those along the adjacent Sunago Water Canal (named second "hundred election of Osaka green"). We are supporting the local row of cherry trees preservation association's activities.

In addition to land readjustment projects for housing, our Group undertakes industrial land readjustment projects to create new housing and employment and contribute to local revitalization.

(Land readjustment projects after 2000 we engaged or are engaging in as an entrusted operator)

Property name	Location	Development size	Purpose of use	Date of construction completion
Land readjustment project for Innai green area, Funabashi City	Funabashi City, Chiba	2.5 ha	For housing	September 2000
Land readjustment project for Gyoda green area, Funabashi City	Funabashi City, Chiba	1.7 ha	For housing	September 2000
Land readjustment project for Saginumadai daiichi, Narashino City	Narashino City, Chiba	4.6 ha	For housing	June 2003
Land readjustment project for Kanegasakujinya-mae, Matsudo City	Matsudo City Chiba	0.7 ha	For housing	November 2003
Land readjustment project for Shakuji-idaï 6 chome	Nerima-ku, Tokyo	0.7 ha	For housing	November 2005
Land readjustment project for Kawarazuka Miyanouchi, Matsudo City	Matsudo City, Chiba	2.2 ha	For housing	October 2006
Land readjustment project for Yachiyodaminami 2 chome, Yachiyo City	Yachiyo City, Chiba	1.3 ha	For housing	March 2008
Land readjustment project for Nakaofudoya Komamae, Saitama City	Saitama City, Saitama	5.6 ha	For housing, commercial facility	December 2009
Land readjustment project for Muraokahigashi, Fujisawa City	Fujisawa City, Kanagawa	3.8 ha	For housing	December 2013
Land readjustment project for Kokuryokitaura, Chofu City	Chofu City, Tokyo	1.0 ha	For housing	February 2014
Land readjustment project for Oizumigakuen-cho 2 chome	Nerima-ku, Tokyo	0.6 ha	For housing	September 2015
Land readjustment project for Wakokita Interchange area	Wako City, Saitama	18.2 ha	For industry	October 2015
Land readjustment project for Kitajimahigashi, Kadoma City	Kadoma City, Osaka	7.5 ha	For industry	In progress
Land readjustment project for Kawamuko-cho Minamikochi area	Yokohama City, Kanagawa	20.7 ha	For industry	In progress
Land readjustment project for Sakaikoga Interchange area	Sashima-gun, Ibaraki	23.0 ha	For industry	In progress
Land readjustment project for Shimotsuruma Sanyaminami, Yamato City	Yamato City, Kanagawa	3.9 ha	For housing	In progress
Land readjustment project for Saginumadai 2 chome, Narashino City	Narashino City, Chiba	1.8 ha	For housing	In progress

List of urban redevelopment projects (specific entrusted business) (finished property after 1997)

	Property name	Location	Contractor	District size	Gross floor area	Purpose of use	Project period		Construction period	
							Decision of urban planning	Project approval	Commencement of construction	Completion of construction
				(ha)	(m ²)					
1	Kita 8 Nishi 3 Higashi District Class 1 urban redevelopment project	Sapporo City, Hokkaido	Redevelopment Association Entrusted operator for specific business	0.7	63,784	Housing, business facility, commercial facility	2002	2003	From 2004	2007
2	Makishi/Asato District Class 1 urban redevelopment project	Naha City, Okinawa	Redevelopment Association Entrusted operator for specific business	2.3	46,000	Housing, public facility, commercial facility, hotel	2006	2007	From 2008	2010
			Total	3.0	109,784					
				(ha)	(m ²)					

Data of participation in urban redevelopment project participation (property whose construction started in 2013 or later)

	Property name	Location	Contractor	District size	Gross floor area	Purpose of use	Project period		Construction period	
							Decision of urban planning	Project approval	Commencement of construction	Completion of construction
				(ha)	(m ²)					
1	Kanazawa Station Musashikita district class 1 Urban redevelopment project (third construction zone)	Kanazawa City, Ishikawa	Kanazawa City Reserve floor space acquisition	0.2	11,050	Housing, welfare facilities, stores	1976	2004	From 2011	2013
2	Daikumachi 1 chome district class 1 Urban redevelopment project	Mito City, Ibaraki	Redevelopment association Participating association members	1.5	36,800	Housing, business facility, hotel, parking lot	1999	2001	From 2011	2013
3	Kitashinagawa 5 chome first district class 1 Urban redevelopment project	Shinagawa-ku, Tokyo	Redevelopment association Participating association members	3.6	249,920	7 buildings in total including business facility, housing, commercial facility, childcare support facility	2007	2009	From 2012	2015
4	Odakicho 2 chome district class 1 Urban redevelopment project	Yokosuka City, Kanagawa	Redevelopment association Participating association members	0.6	49,595	Housing, commercial facility, medical facility, parking lot	2008	2010	From 2013	2015
5	Hinodecho Station A district Class 1 urban redevelopment project	Yokosuka City, Kanagawa	Redevelopment association Participating association members	0.7	28,585	Housing, commercial facility, welfare facility, public facility	2008	2011	From 2013	2015
			Total	6.6	375,950					
				(ha)	(m ²)					

Co-creating a Brighter Future with Local Communities

Community engagement in urban development

From fiscal 2015 to 2017, we implemented community engagement programs for 23* urban development projects that, in terms of area, accounted for a total of 804,392 m². As key components of these community engagement programs, we formulated landscaping guidelines, assisted residents in forming and activating administrative organizations, built assembly halls and supported interactive events amongst residents and neighbors, and built systems to finance community management with proceeds made from renewable energy sales. These projects are described in the following table.

* 10-plus residential subdivisions of single-family houses that Daiwa House Industry's Urban Development Department were involved in from the design stage. "Lots" in the below table are the number of lots sold by Daiwa House Industry.

Subdivision	Location	Developed area	Lots	Noteworthy measures
SECUREA City Tsukuba Kenkyu Gakuen	Tsukuba City, Ibaraki	73,247m ²	171	<ul style="list-style-type: none"> Built an assembly hall in the subdivision to host interactive events and function as emergency infrastructure in a disaster. Assisted residents in forming a community administrative organization and built a system for managing common infrastructure such as an assembly hall under contract with Daiwa House. Set "Community Development Guidelines" as supplemental rules for development plans.
SECUREA City Lake Town Miku-no-mori	Koshigaya City, Saitama	43,603m ²	145	<ul style="list-style-type: none"> Built an assembly hall at the heart of the community, assisted residents in forming an administrative organization and built a system where that organization manages the assembly hall, etc. Nasta Co., Ltd., Japan Post Co., Ltd., and Daiwa House Industry worked together to publicize a new delivery locker to single-family houses.
Bloom Square Sakado	Sakado City, Saitama	15,972m ²	74	<ul style="list-style-type: none"> Purchased the grounds and buildings of the district's junior high school at the proposal of the municipal government, invited alumni and nearby residents to a "farewell party" prior to demolition, and gave away memorabilia and flowers to those who wanted them. Created a park around a lone cherry tree, erected a stone monument to the former junior high school and a sign telling the school's history in the park, and built shareable flowerbeds for owners and members of the neighborhood association to use. Built a new building to house the neighborhood association in the project area to replace the previous one that was outside the district. Also, assisted the association in establishing (incorporating) the authorized territorial bond group.
Bloom Square Shiki/Niiza	Niiza City, Saitama	8,351m ²	45	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines" and landscaping covenants.
SECUREA Garden Hibarigaoka	Nishitokyo City, Tokyo	14,504m ²	78	<ul style="list-style-type: none"> It has been planned as part of the rebuilding project of the Hibarigaoka Housing Complex founded in 1959. The residents have contributed to making the community better by participating in the "Area Management" adopted by the Hibarigaoka Revitalizing Project. In addition to newly constructing a green road assimilating with Hibarigaoka greenery along a beautiful row of cherry trees, we are going to install a harvest garden in which all the residents can grow orchard trees. This is the way we are going to foster the residents' communication. We are going to make the green road along the town block decorated with plants indigenous to Musashino and harmonious with the entire Hibarigaoka greenery. We are also going to install benches so that pedestrians can stop to enjoy conversation. We are going to prepare a town planning guideline to inherit priceless values Hibarigaoka has treasured and make the town more attractive in the future.
Tokyo Shin Toshin Tama New Town Higashiyama	Hachioji City, Tokyo	322,102m ²	340	<ul style="list-style-type: none"> Showed great consideration for biodiversity because preliminary environmental surveys found a rich wildlife habitat that included some rare species, e.g., preserved 30% plus of the green tracts within the project area as park area, relocated trees, built animal corridors and took other measures to protect the wildlife. Set "Landscaping Guidelines" in order to create an esthetically unified landscape. Concluded an agreement on landscaping that preserved a considerable amount of greenery by requiring a 1 m-wide buffer zone as green tract between houses and principal roads. Built an assembly hall at the center of the subdivision that doubles as emergency infrastructure in times of disaster. Supported the establishment and operation of the Higashiyama Agri Club (rental farm land and orchards).
SECUREA Garden Takao SAKULA CITY	Hachioji City, Tokyo	15,543m ²	83	<ul style="list-style-type: none"> Created an administrative organization to manage security cameras, greenery buffer zones and other matters in the zone with single-family houses. The council for the entire town consisting of single-family houses, condominiums, and commercial facilities is organized, promoting information sharing and various events. Visualization of energy in single-family houses, condominiums, and commercial facilities is established and cool share by Daiwa House One Heart Card (point added) is promoted.
Seaforesta Inage Seaside Park	Chiba City, Chiba	9,786m ²	42	<ul style="list-style-type: none"> There are only two access points to the town block. The street design makes it difficult for an outsider to enter the town as well as a car to go through it. At the entrance to the town are installed a granite gatepost, a wrought-iron gate wall, and a 3.5 meter-high gate tree.
SECUREA Sagami-hara Yokoyama	Sagami-hara City, Kanagawa	5,993m ²	48	<ul style="list-style-type: none"> Cul-de-sac (dead end) roads are going to be constructed in some zones to clarify community boundaries. By this a better community can be fostered.
SECUREA Yokohama Hiyoshi 1st stage, 2nd stage and 3rd stage	Kohoku Ward Yokohama City, Kanagawa	7,720m ²	46	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines."
SECUREA Shinyokohama	Kohoku Ward Yokohama City, Kanagawa	12,608m ²	66	<ul style="list-style-type: none"> Worked with the local authorities to convert a private road outside the project area into a public road. Developed the community in consideration of the local environment by preserving the original terrain in land development plans, planting trees native to the area, using the original topsoil, etc. Created a unified landscape by crafting Community Development Guidelines on planting and maintaining greenery within home lots.

SECUREA Garden Fuchinobe	Chuo Ward Sagami-hara City, Kanagawa	21,401m ²	79	<ul style="list-style-type: none"> Introduced "AzMama" as a "community child-raising" service and staged interactive events for residents such as child-raising workshops, etc. Assisted residents in forming an administrative organization and built a system where that organization manages the security cameras, garbage collection points, landscaping, etc. Assisted the administrative organization in launching their "Sumai Support Net" website as a means for residents to share information.
SECUREA Toyota Honmachi	Toyama City, Toyama	6,139m ²	21	<p>With a view to realizing a "Town where you are part of an advanced lifestyle and local community," the following measures have been taken.</p> <ul style="list-style-type: none"> By developing a building that contains three public facilities, a library branch, the city hall satellite, and a community hall and a housing area together, town planning based on the public-private partnership was realized. A solar power system shared by residents was installed in a public parking lot. In addition, a park equipped with anti-disaster pergolas, toilet stools, anti-disaster warehouse, lithium ion batteries was developed, functioning as a residents' activity hub and communication spot in the event of a disaster. The condominium management association was founded, constructing an organizational structure to manage solar power system shared by residents, anti-disaster warehouses, lithium ion batteries, and planted zones installed in housing areas. By equipping all single-family houses with a solar power system, lithium ion batteries, and fuel cells, electricity was diversified. Realizing ZET utilizing the solar power system shared by residents is the next goal. Through visualization of energy in the entire housing area an effort is being made to increase residents' awareness of the environment. In order to realize a good living environment and landscapes, the no power pole policy is promoted and planted zones are developed. By issuing a construction agreement, the framework to maintain landscapes in the future is established.
xevo Square Naruko-kita	Nagoya City, Aichi	11,976m ²	37	<ul style="list-style-type: none"> Built a 3 m-tall retaining wall 50 cm back from the road in order to reduce the slope on the northern end, and created a buffer zone by planting vegetation.
xevo Square Toyota Inoue-cho	Toyota City, Aichi	10,166m ²	31	<ul style="list-style-type: none"> Through government and the local community association's discussion, a flower bed area managed by local residents was constructed, helping them with community building. By expanding the connecting road's width to 6.5 m, traffic safety for cars, local residents and children was improved.
SMA-ECO Town Toyota Kakimoto	Toyota City, Aichi	6,910m ²	23	<ul style="list-style-type: none"> A SMA-ECO station used as a local residents' communication spot, an activity hub in the event of disaster, and a charging space for next-generation vehicles (EV including ultra-compact mobility) was constructed, equipped with a meeting hall, an anti-disaster warehouse, and EV chargers. Assisted residents in forming an administrative organization for the housing complex and built a system where that organization manages the assembly hall, electric vehicle chargers and security cameras. Adopted landscaping covenants and Community Development Guidelines to keep the living environment and landscape in good condition over time. By making all single-family houses ZEH-based (no energy balance) for their construction, ZET was realized throughout the town. In addition, through visualization of energy an effort is being made to increase residents' awareness of the environment. Introduced a simple power interchanging system for the "3 zones and assembly hall" in order to efficiently use the electric power generated by solar power systems and stored in batteries. Built 1 house to be energy self-sufficient by using solar power and storage batteries, and reducing energy consumption by controlling exposure to sunlight, ensuring ventilation by the wind, etc.
SECUREA Toyota Nishinakayama	Toyota City, Aichi	16,250m ²	61	<ul style="list-style-type: none"> Set "Community Development Guidelines" in order to create an esthetically unified landscape.
SMA-ECO Town Hidamari-no-Oka	Kuwana City, Mie	16,648m ²	66	<ul style="list-style-type: none"> Upgraded resident support services using a community-shared solar power system that contributes to the "Net Zero Energy Town" initiative. This service is being implemented for the entire subdivision and each house in it, and enables the community administrative organization to function without collecting dues from residents. As services to the town, the town management of visualization of energy, electric ultra-compact mobility, security lighting, security cameras was implemented. As "homeowner services," maintenance is provided to extend the life of the house and keep equipment running efficiently, and house improvement savings accounts are available. Developed the subdivision with buried utility lines in some areas, incorporated the landscape into exterior plans and created contiguous green spaces. Introduced landscaping service in ready-built housing zones to manage and maintain esthetics.
SECUREA Nara Hyakurakuen	Nara City, Nara	2,936m ²	11	<ul style="list-style-type: none"> Buried utility lines and introduced cobblestone pavements along principal roads in the subdivision. Also, beautified the landscape by incorporating vegetation into retaining walls along principal roads and decorative facing for retaining walls along existing roads.
SECUREA Toyonaka Honmachi	Toyonaka City, Osaka	1,433m ²	10	<ul style="list-style-type: none"> Because existing private roads were narrow and steep under administrative control of several development zones, they were made less steep with their width expanded to 2.5 m and put under administrative control to improve peripheral people's safety and comfort.
SECUREA Maitamon	Kobe City, Hyogo	23,153m ²	114	<ul style="list-style-type: none"> Set "Community Development Guidelines" in order to create an esthetically unified landscape.
Hofu Techno Town	Hofu City, Yamaguchi	141,926m ²	10	<ul style="list-style-type: none"> By signing a cooperation agreement with local government to form the public-private partnership, we engaged in sales activities and the development of the industrial complex to create employment and revitalize the town. We installed a park with some 4,000-square-meter multipurpose square on the seaside of the development zone. Equipped with benches and health appliances, the park functions as a place of relief for local residents and locally operating companies' employees.
SECUREA Hanahata	Fukuoka City, Fukuoka	16,002m ²	39	<ul style="list-style-type: none"> The management association was founded to revitalize the local community as well as manage and effectively utilize joint ownership areas. The town planning guideline is prepared to create an orderly beautiful town.
Total	23	804,369m²	1,640	

Co-creating a Brighter Future with Local Communities

Hiring locally in Japan and overseas

In order to go ahead with community-based business sustainably, Daiwa House Industry is promoting recruitment activities locally with worksites operating in 81 spots across Japan. In fiscal 2017, we hired 136 mid-career recruits as full-timers (among them 29 recruits are locally-based). By allowing career-track employees to choose to work either nationally or locally, we respect their intention about their places of work, contributing to the creation of local employment.

With growing interest in place of work year by year and growing demand for locally-based business activities taken into account, we guarantee new graduates' desired initial place of work from the fiscal 2018 hiring of new graduates. We believe that their working in their respective desired places of work will further contribute to local society. In Group companies outside Japan, we are promoting local recruitment in each site under the philosophy of recruiting and developing local talent.

Related page P044-059 Co-creating a Brighter Future with Our Employees Providing Employment Opportunities for Exceptional Human Resources

■ Newly hired university graduates' starting salary (fiscal 2018 data)

Career track position (nationally-based employees)	216,000	yen	(equivalent to 1,341 yen an hour)
Non-career track position (locally-based employees)	179,000-185,000	yen	(equivalent to 1,111-1,149 yen an hour)

Local procurement

Ever since our founding, we have grown in concert with our construction subcontractors under a spirit of "co-existence and coprosperity." In 1986, we launched the "Confederation of Partner Companies" (CPC) to help our subcontractors improve their practical skills and for both sides to learn from each other and build friendly relations. As of March 31, 2018, the CPC had 4,663 member companies and was conducting business activities in 13 blocks across Japan via 82 branches, 3 working groups for business promotion and 4 working groups for functional enhancement.

In choosing construction subcontractors, checks are made to first verify that the company is a CPC member and then a fair and impartial decision is made in consideration of a number of business factors.

[The most important priority issues]*

Community Co-creation Activities

Basic Policy and Concept

The Daiwa House Group places a lot of importance on earning the trust of local communities that host our business operations. In fact, we view our social contribution activities that we conduct on the community level as "co-creation activities" and develop them to resolve social problems that our hosting communities face. The fundamental approach that we use to develop these activities is espoused in our "Principles of Community Co-creation Activities." Guided by these principles, we engage in dialogues with people from the local community, from which we can accurately identify their issues. We then take concrete steps together with the community to solve those issues and, in the process, seek their trust in us.

Since fiscal 2014, we have been conducting upward of 2,000 community co-creation activities a year between our branch offices and Group companies across Japan, with the intention of making them a regular component of doing business. An example of that is seen in the way multiple branch offices have taken constructive steps to strengthen their connections with NPOs and other community-based organizations, and sought common solutions to social issues of the local community and business issues on the corporate front. Going forward, we will strive to qualitatively improve activities in the priority fields of "educational support for the next generation," "environmental preservation" and "welfare services." We will focus especially on enhancing our "youth development" activities.

Principles of Community Co-creation Activities

1. As a responsible corporate citizen, the Daiwa House Group shall aim at building a society in which every person can enjoy true abundance, always striving to achieve and maintain great harmony with local communities.
2. The Daiwa House Group shall engage in dialogue with its stakeholders to understand local issues, and take action together with them while making effective use of available resources.
3. The Daiwa House Group shall encourage its individual employees to actively participate in its community co-creation activities, considering them as opportunities for personal development.

* Below are our priority issues in Co-creating a Brighter Future with Local Communities.
 [Most important priority issue] Active involvement in, and collaboration with other parties for local community development
 [Priority issue] Contributing to the community by sharing business knowledge gleaned through experience

Management

Process that branch offices use to promote community co-creation activities

Taking the improvement of the quality of community co-creation activities seriously, we are creating the opportunities to support the development of the next generation, preparing the support manual, and supporting those appointed as the Community Co-Creation Committee in worksites across Japan.

The Committee is mainly responsible for our community co-creation activities planning and implementation. The Committee interviews civic movement sections of local governments, local organizations, and NPOs to grasp local social issues in our business areas. In order to establish a link with business strategies, the Committee checks with worksite managers regarding worksite management-related issues. Main issues include relationship-building with local communities, worksite revitalization, and development of human resources.

With social issues viewed in light of worksite management-related issues, the Committee works on planning and programming and prepares a plan following worksite managers' and General affairs and accounting managers' approvals. Based on the plan prepared biannually, the Committee implements the community co-creation activities as well as encourages employees to participate in them and subsequently evaluates the goal attainment level before documenting the evaluation in a report.

The CSR Department in the Head Office, which centrally collects the information about activity plans in worksites, activity implementation details, results, and accomplishments through the report system, provides support for better community co-creation activities. Recent times witness community investments (donations or support for local organizations or event projects) at each worksite growing and such investments can be managed on the report system. The community co-creation activities results are reflected in the evaluation of worksites' business management soundness. Employees' volunteer activities are assessed and encouraged through the evaluation as well.



Related page P170 Management soundness assessment of worksites

Numerical targets for community co-creation activities

At Daiwa House Industry, we set numerical targets for our community co-creation activities and, for each of our stakeholders, we have created our own "CSR Self-Assessment Indices (CSR Indicators)" that we use in our CSR activities. Two priority topics we look at are "Active involvement in, and collaboration with other parties for local community development" and "Contributing to the community by sharing business knowledge gleaned through experience"; this former has 3 indicators and this latter 2. For example, one indicator of this former is "Collaboration with NPOs and NGOs," which, for fiscal 2018, we set a numerical target of 50%. We then have a system in place for promoting our engagement (trust building) with NPOs and other organizations, using the PDCA cycle.

As for funding our community co-creation activities, there is an indicator in our "CSR Self-Assessment Indices" for "Amount conversion of community co-creation activities by branch offices," which we use to set numerical monetary targets. In addition to that, ever since we joined the "1% Club" advocated by the Japan Business Federation, we have tried to sustainably use 1% of our ordinary income on co-creation activities that contribute to local communities. Moreover, Daiwa House Industry

implements action intended to activate local communities. In these efforts as well, Community Co-creation Promotion Committees take the lead in pairing social issues of local communities and management issues of branch offices, exploring modes of community investment and contribution, and, at some branch offices, developing community engagement programs by talking with local groups.

Major efforts

Number of cases and costs of community co-creation activities

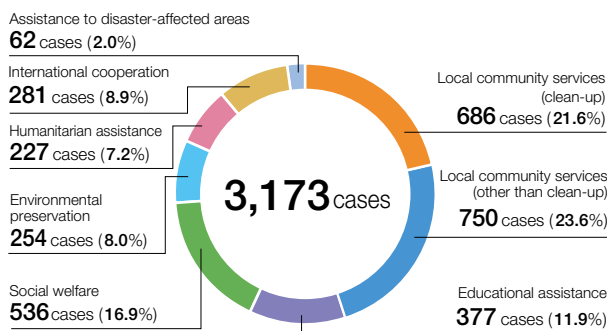
The number of cases of community co-creation activities implemented by our Group in fiscal 2017 was 3,173 cases, down 2.9% from the previous fiscal year, while the number of cases implemented by our company was 2,542 cases, up 10.9% from the previous fiscal year.

In order to address local issues based on the Principles of Community Co-Creation Activities, we, in addition to taking dialogues with local governments and local people such as NPOs seriously, have been making activities more fruitful, promoting planning and implementation of such activities as make employees feel like doing it again. As a consequence, more worksites were seen to implement activities that the Community Co-Creation Committee and local people had jointly worked for and the cases in cooperation with NPOs and NGOs accounted for 45.5% (1,157 cases of 2,542 cases), up 2.9% from the previous fiscal year (42.6%, 977 cases).

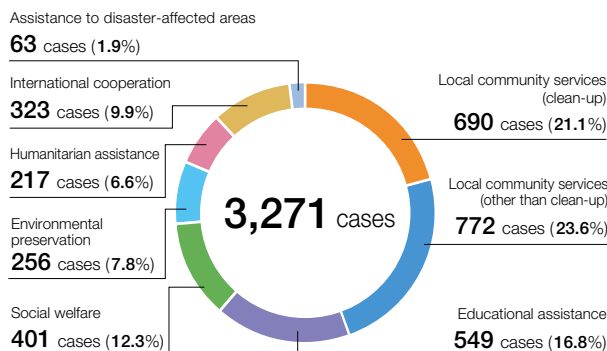
With regard to leave for volunteer activities, we newly introduced a new system in fiscal 2015 that would enable employees to take leave for volunteer activities on a half a day basis so that they would take leave more easily. (the rate of leave for volunteer activities in fiscal 2017: 28.9%)

When the community co-creation activities by worksites in fiscal 2017 were calculated in terms of labor costs and amount of donations, the monetary value was 171.876 million yen.

■ Daiwa House Group's community co-creation activities in fiscal 2017



■ Fiscal 2016



Co-creating a Brighter Future with Local Communities

Fiscal 2015

Assistance to disaster-affected areas

37 cases (1.5%)

International cooperation

231 cases (9.2%)

Humanitarian assistance

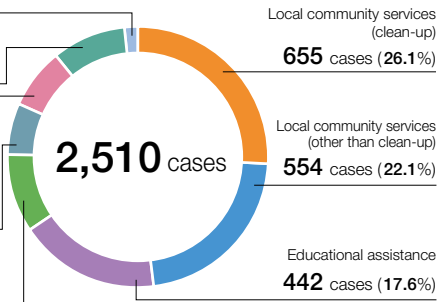
189 cases (7.5%)

Environmental preservation

157 cases (6.3%)

Social welfare

245 cases (9.8%)



		FY 2015 results	FY 2016 results	FY 2017 results
Number of cases of community co-creation activities	Daiwa House Industry branch offices	1,576 cases	2,206 cases	2,475 cases
	Daiwa House Industry Head Office	92 cases	86 cases	67 cases
	Daiwa House Group companies	842 cases	979 cases	631 cases
	Total	2,510 cases	3,271 cases	3,173 cases
Leave obtained for volunteerism		3,582.5 days	4,371 days	4,803 days
Rate of obtainment of leave for volunteerism*		23.5%	29.5%	28.9%

* The rate of obtainment of leave for volunteerism is calculated by dividing the total number of holidays obtained for volunteer activities by the total number of employees at the end of the fiscal year.

Educational support for the next generation

Quest Education

Since 2007, Daiwa House Industry has cooperated for the Quest Education Program as career education support for junior and senior high school students (sponsored by Educa & Quest). This program allows them to experience company internship as a school curriculum. They explore as teams real social issues and future-oriented missions offered by companies as homework over one year and propose their answers.

Students from some 150 schools, as interns, access our company's mechanism and philosophy through our employees. Embracing the philosophy under which we have promoted business, they, as our "employees," work in teams to seriously face the questions for which there is no absolutely right answer and propose their own final answers to us (281 teams of 2,600 teams in total proposed their own answers in fiscal 2017).

Finally, as the compilation of learning, the "Quest Cup Japan" is held and participating teams present respective proposals to various companies. In fiscal 2017, Sakuragaoka High School (Aichi Prefecture), our intern, reached the top of the 281 teams. Some comments from participating students: "The Quest provided me with the skills to explore issues in preparation for presentation, to complete a mission with a team, to send my message to someone, to review and other skills;" and "I talked to business people directly and their words were all educational. I want to treasure this occasion for my future." A student who did not participate in this fiscal year cup said: "There was a lot to study in various processes and we knew that we have no limitation." As shown in these comments, we could enhance their motivation for learning and create an opportunity for further learning leading to another stage.

Our employees visit nationwide schools and send to students their own candid messages about the significance of

working for society or attitude to work, helping them deepen their understanding through active communication.



Sakuragaoka High School students who are making a presentation

Workplace practice for people who have difficulty finding employment

We admit people who have difficulty finding employment for workplace practice on a regular basis at the request of General Corporation "Career Support & Talent Enhancement Plaza." During a two-week workplace practice, we help them acquire skills needed for work such as preparation of materials on PCs and learn attitudes and how to behave as business people as part of the development of human resources and the creation of upskilling opportunities.

Admission of special needs school students for workplace practice (Chiba Branch)

Chiba Branch admits students from Municipal Senior Special Needs School of Chiba for workplace practice at the school's request. In response to students' desire to get a clerical job on PCs, they experienced clerical work such as order placement for business cards, office supplies, work clothes, documents filing, and preparation of materials.

They looked nervous in a foreign environment at first, but gradually became used to it as they continued to communicate with many employees from various departments.

Students who finished the workplace practice left positive comments such as "Thank you so much for giving me a precious experience. I will make the best of what I learned to make my school life fruitful."

Though just one week training, the workplace practice is a good opportunity for them to work in society. We are going to further promote education support to help many students think about their own future career.



Admission of students from Municipal Senior Special Needs School of Chiba

Implementation of Project "Let's Paint Pictures at Construction Sites." (Construction Site Art Project)

Since our Company has learned that children have only a few opportunities of showing pictures painted by them to members of local communities, it actively promotes the activity for having pictures painted by children on sheets, etc., temporarily enclosing its sites under construction in order not only to decorate

its construction sites with their pictures but also to create opportunities of supporting the education by having results of efforts of children seen by as many people as possible by offering its construction sites by which members of local communities come and go.

As it wishes to make its construction sites deeply connected with neighboring residents as places where it attaches more importance to relations with members of local communities, it implemented this project at 42 sites in the country in this fiscal year (an increase by 6 sites over the result in the preceding fiscal year). Our Company has been told not only by children that it has become enjoyable for them to see pictures every day on the way to and from schools but also by members of local communities that streets have become brighter.



Children painting pictures on sheets

Donation for Construction of Control Building of “Takahagi Scouting Field in Yamato’s Forest”

Our Company made a donation in March 2017 to the Public Foundation Scout Association of Japan (hereinafter referred to as the “Scout Association of Japan”) for constructing a control building of “Takahagi Scouting Field in Yamato’s Forest.”

The control building was completed on Monday, July 31, 2017, and the opening ceremony was held on Sunday, August 5, 2017. Our Company donated land (approx. 2.71 million m²) owned thereby in Takahagi City of Ibaraki Prefecture to the Scout Association of Japan in May, 2012 in order to have such land utilized for children to experience nature and learn about the environment. Such association currently makes good use of it as the “Takahagi Scouting Field in Yamato’s Forest” for outdoor activities mainly in camping and environmental education for young people.

The control building donated by our Company as mentioned above was utilized as the base of operation of the assembly “Nippon Jamborette Takahagi 2017” held from Friday, August 4 to Wednesday, August 9, 2017 and is used as a training and accommodation facility of the association in “Takahagi Scouting Field in Yamato’s Forest.”

Related subject News Release on August 7, 2017
<https://www.daiwahouse.com/about/release/house/20170807093212.html>

Environmental preservation

Forest Preservation Activity in “Calm Forest” in Mt. Rokko

The South Hyogo Prefecture Earthquake that occurred on January 17, 1995 has caused landslides of slopes and cracks of the ground everywhere in mountains surrounding Mt. Rokko in Hyogo Prefecture. The ground softened by the earthquake is exposed to the risk of causing disasters with mudslides due to heavy rains, etc. in the future. Therefore, the “Mt. Rokko-Related Green Belt Improvement Project” has been started and endeavors

have been implemented to protect and grow the forest belts in Mt. Rokko and neighboring areas to improve the safety measures against disasters such as mudslides and maintain the urban environment and landscape rich in green trees from a viewpoint of conserving and developing the ecology system and the diversity of species.

The Daiwa House Group has agreed to such project and engaged in the growth of the forest in Mt. Rokko. Fiscal 2017 marked the tenth anniversary of its activity. A total of more than 300 employees and their family members of the Group have participated in the project so far. They mainly plant young trees, cut grass on the ground and thin out the forest in cooperation with NPO Corporation Japan Forest-Volunteer Association. They also engage in the activity of planning plant observation assemblies, etc. to teach the beauty of the forest and the importance of nature through their above-mentioned activity.

As the trees have grown to about 5 meters tall from 1.5 meters at the time of young trees being planted at the beginning of the activity, more and more participants have come to visit the forest to joyfully observe the growth of the trees carefully nursed by them. The Group will continue and support the activity to give some help to the restoration of the mountain.



View of cutting grass on ground in “Calm Forest” in Mt. Rokko



View of attaching nameplates to grown trees

Welfare services

Participation in “LIVES TOKYO 2017”

As the attention to the way of having relations with handicapped persons has come to be drawn more and more in Japan, many companies and organizations have started various efforts for relations between handicapped persons and non-handicapped persons. Our Company considers it necessary and indispensable to create an inclusive society together with persons with diversified cultures, backgrounds and personalities. Therefore, in order to reinforce the “ties” between handicapped persons and non-handicapped persons, it agreed to the purpose of the event “LIVES TOKYO 2017” for “promoting the employment of handicapped persons by supporting each other” as planned by NPO Corporation Hands-On Tokyo and participated in such event.

The first event was held at Tokyo Midtown on Sunday, September 10, 2017, and our Company introduced its effort for the welfare services in its robotic business.

Such an event was a valuable opportunity for our Company to become aware of many things through efforts to have actual conversations and communications with handicapped persons. These events provide an opportunity to create a society where handicapped persons and non-handicapped persons can live hand in hand by creating places where each person can play active roles by making good use of his or her strong ability.

The Group will contribute to society through its business activities by continuously promoting its supporting activities.

Co-creating a Brighter Future with Local Communities



View of Event on That Day

■ Nationwide Promotion of New Community Co-Creation Activity Program “D-SIP”

Daiwa House Industry has promoted the community co-creation activity program in the welfare service field “D-SIP” throughout the country since April 2018.

This program consists of “Learn,” “Feel” and “Act” and causes employees to learn directly from handicapped trainers in training, feel barriers (handicaps) through the community co-creation activity and be led to actual activities such as direct supports.

For “Learn,” employees endeavor to improve their knowledge about communications with handicapped persons by hearing their “real” voices from handicapped trainers. For “Feel,” employees themselves ride wheelchairs and wear kits for experiencing difficulties suffered by aged persons and then survey barrier-free conditions in restaurants and various facilities in local communities. For “Act,” employees give cooperation in operating booths in various events held in the country such as sports events and concerts for giving support such as description and guidance about stadiums and halls to handicapped persons and aged persons visiting such events.

By participating in such training and activities, employees can not only improve the quality of customer services but also make good use of them for their work for reviewing buildings and communities from every viewpoint, resulting in improvement in the companywide universal manners. By engaging in such activities for becoming thoughtful of others, knowing communities and improving lifestyles, our Company will contribute to local communities as a “group that co-creates values for individuals, communities and lifestyles.”

* D-SIP is the abbreviation of Daiwa House Social Inclusion Program.



Employee experiencing Barriers (Handicaps) in Community

■ Cooperation given to “Wish Vacation”

There are more than 200,000 children suffering from intractable diseases throughout the country, and family members besides them. Those facing various difficulties in their daily lives are not only children suffering from intractable diseases but also their family members. Each of the family members such as a mother and a father always nursing a child and his or her brothers and sisters demanding attention from their parents and feeling lonely faces an intractable disease every day, and have various thoughts. The Endless Donations support the activity “Wish Vacation” where a child suffering an intractable disease and his or her family members are invited to and guided through Asakusa, a sightseeing area, as a family tour, giving the child and other family members having rare opportunities in their normal daily lives to go outdoors to enjoy a family tour. An employee of our Company participated in such activity as a volunteer on the day of such activity and supported a child suffering from an intractable disease and his or her family members.

A child suffering from an intractable disease and his or her family members tends to have extremely few relations with society. Our Company hopes that they become able to have dreams and courage for the future by having mutual contacts with members of society and actually feeling that they are not alone through this “Wish Vacation.” In addition, it assists them to reinforce a family bond through a family tour and find hope and vitality for the future.

As mentioned above, our Company could create an opportunity to think about “living hand in hand” by encouraging its employees to directly participate in the activity performed by the organization supported by the Endless Donations as a volunteer and actually have contact with a family suffering from an intractable disease. It also provided an opportunity to grow itself through the new finding.



Employee supporting sightseeing through Asakusa

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

Daiwa Sakura Aid

We received an interesting phone call toward the end of March 2008. It had come from the town of Yoshino in Nara Prefecture and was a direct request for help: “The cherry trees in Yoshino are not doing well. If those that have withered are not removed and saplings planted in their place, we’re going to lose them. The founder of Daiwa House Industry is from Yoshino and we sure would like his help.”

Yoshino is known for its cherry blossoms and for being a World Heritage, but the cherry trees were in critical shape because of environmental changes in recent years and diminishing vigor.

Perhaps, it was destiny that our founder hailed from there because, in 2008, we started lending our support to conserving and rejuvenating the cherry trees of Yoshino.

Related subject Daiwa Sakura Aid
<https://www.daiwahouse.com/sustainable/social/contribution/sakura/>

[About Daiwa Sakura Aid]

Daiwa Sakura Aid is an aid program determined to convey the “sensitivities, etiquettes and esthetics nurtured in Japan” in the form of culture, traditions and a sense of oneness with the natural world, to the next generation. It consists of two activities centered on the keyword of sakura (cherry blossom): a preservation project aimed at conserving the cherry trees on Mt. Yoshino and a music and planting project that teaches kindergarten and elementary school children across Japan about traditional Japanese music instruments and has them plant cherry trees.



Landscape of Mt. Yoshino viewed from Nakasembon

Preserving the cherry trees on Mt. Yoshino

A total of 135 employees of the Group and their family members participated in the activity 6 times in total in fiscal 2017, gathered cherries and planted trees. In addition, our Company invited a specialist in soil environment and carried out the soil improvement by attaching importance to the growing environment of cherry trees on Taikohanamizuka, on which it has concentrated its energy so far.

The year of 2016 marked the 60th anniversary of the establishment of Yoshino Town and the 100th anniversary of the foundation of Public Foundation Mt. Yoshino Landscape Preservation Committee, a cooperating organization. These three parties took such occasion to jointly carry out the project to improve the environment including the equipment of the rest facility on Taikohanamizuka. However, since the path and stairs to Taikohanamizuka were dangerous as being partially eroded, they were repaired and improved in fiscal 2017 to enable local residents and tourists to walk along it safely.

The about 2.5 meters tall young tree planted in 2015 to commemorate the 60th anniversary of the foundation of our Company grew to about 4.5 meters tall in the spring of 2018 as a result of the soil improvement of Taikohanamizuka having been carried out continuously since the preceding fiscal year, and the tree is growing smoothly.

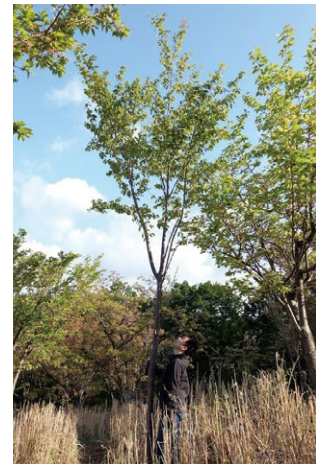
Our Company will reinforce the cooperative system with local residents and continue to give long-term support for the purpose of regenerating and maintaining cherry trees in Mt. Yoshino.



Young Trees Growing Project in Mt. Yoshino Growing Garden



Path to Taikohanamizuka repaired and improved in Fiscal 2017



Young Tree planted for Commemoration of 60th Anniversary of Foundation of Company



View of gathering seeds for growing young trees from mother trees of white mountain-cherry trees growing in Mt. Yoshino

Music and planting project

While continuing the activity to preserve cherry trees in Mt. Yoshino, our Company has learned that more and more cherry trees are coming near to the end of their lives throughout the country. Therefore, it has carried out the Music and Planting Project mainly with elementary schools throughout the country since fiscal 2010 under the slogan “Let’s transmit cherry trees” in order to transmit cherry trees to the future generations.

The activity was carried out at 29 locations in fiscal 2017, and a total of 8,528 children participated in it and planted 640 cherry trees. A total of 76,618 children have participated in it at 261 locations and planted 640 cherry trees so far.

Our Company has introduced a new program since fiscal 2017 to make children more willing to grow cherry trees by themselves by appointing them as “Cherry Tree Guards” of schools. In planting young trees, they cover their roots with earth while shouting “Cherry trees, grow bigger and bigger.” When such event is concluded, the Cherry Tree Guarding Handbook showing how to grow them, etc. is given to every child.

Our Company will help children becoming leaders in the future to feel the greatness and beauty of the Japanese culture through “experiences of touching real things” and, at the same time, transmit the importance of the natural environment and lives to them by causing them to grow cherry trees carefully. According to the questionnaire survey conducted in fiscal 2017 for teachers and staff members of schools (194 persons responded), 99.5% of them agreed to the purpose of the activity, and 99.0% of them were satisfied with the result of such activity.

In addition, our Company has carried out regular inspections of young trees having been continuously planted since the implementation of the project in fiscal 2015 (visits of planting workmen based on the responses to the questionnaire survey). According to the regular inspection carried out in fiscal 2017, all cherry trees planted by 75.7% of schools responding to the questionnaire survey have grown healthily, and 24.3% of schools

Co-creating a Brighter Future with Local Communities

responding to the questionnaire survey said that the cherry trees had been dead or partially dead. Planting workmen visited those schools and improved the environment for enabling cherry trees to grow by replanting them, spreading fertilizer, improving soil and so on.

Our Company will keep an eye on the growth of cherry trees as well as the growth of children and improve the system for the transmission to the next generation.



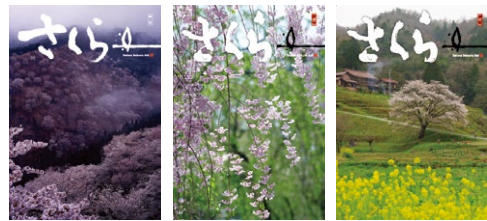
View of experience of drum



Children planting a cherry tree



Appointing ceremony of cherry tree guards



Pamphlets introducing cherry trees from around Japan

Result of Regular Inspections in Music and Planting Project

Year	FY 2015 (Inaugural year)		FY 2016		FY 2017	
	Location	%	Location	%	Location	%
Inspections	130	—	143	—	153	—
Replies (%)	70	53.8	104	72.7	136	88.9
Replies that trees were doing fine	39	55.7	75	72.1	103	75.7
Replies that trees needed attention	31	44.3	29	27.9	33	24.3

Charity concert

Information on the Daiwa Sakura Aid program is being proactively shared to make the activities more widely known and to create opportunities to preserve and hand down cherry trees to future generation and to experience Japanese culture.

One product of those efforts is a series of charity concerts performed by artists who agree with the project's activities. In fiscal 2017, concerts were held in 19 locations in and around Greater Tokyo and the Kansai. And, donations for preserving cherry trees were solicited during the concerts and collected a total of 1.3315 million yen.

In addition to that, the significance of the cherry tree in Japanese culture was reiterated by collecting donations and staging photo exhibitions in Yoshino, publishing pamphlets and other activities intended to spur interest in this iconic tree's protection and preservation.



Donations being collected in Yoshino

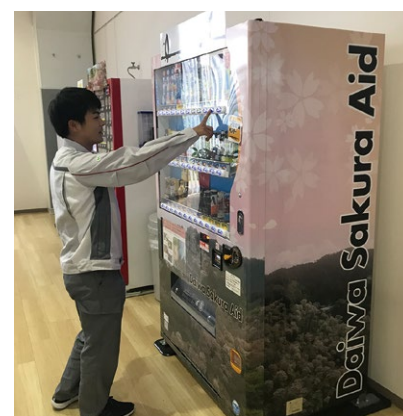
Cooperation with Branch Offices, Worksites and Group Companies

Daiwa House Industry is improving the system in cooperation with its branch offices, worksites and group companies throughout the country for enabling even employees and customers unable to directly participate in the cherry tree preservation activity in Mt. Yoshino itself to participate in such activity elsewhere.

Our Company allots part of the profits earned with automatic vending machines installed in its branch offices, worksites, plants and construction sites to the cherry tree preservation activity and donated ¥871,434 to that activity in fiscal 2017. Daiwa Resort Co., Ltd. engages in the activity to donate one yen per cup of coffee. Daiwa Lease Co., Ltd. expands its range of the activities to the activity to donate five yen/kilogram of clothes collected in commercial facilities operated by it and so on.



View of clothes collection activity



Automatic vending machine with donation function installed in the Nara Plant

Endless Donations and Heart Donations

Donations

Our Company has introduced and operated the donation collecting system since fiscal 2005 as one of the community co-creation activities which its employees can easily participate in and continuously carry out.

It is a mechanism where an employee can donate any registered amount of money automatically from his or her salary once he or she voluntarily registers such amount on the page of the in-house intranet for exclusive use for such purpose.

The donations consist of 2 types: the “Endless Donations” and the “Heart Donations.” The Endless Donations are donations of a fixed amount per month as registered. The Heart Donations are donations collected for supporting stricken areas when any disaster or the like occurs.

We have endeavored to expand such donations and newly introduced the donation collecting system to 20 member companies of the Daiwa House Group since fiscal 2017.

Endless Donations

More than 5,900 employees were registered in fiscal 2017. For the amount of money donated in fiscal 2018, the “Reserve for Recommended Organizations” has been established for our Company to recommend organizations acting globally in addition to “Reserve for Publicly Selected Organizations” for our Company to publicly select organizations by inquiring contents of activities of organizations endeavoring to resolve social problems and their requests to it. Our Company thus publicly and widely invites organizations acting in local communities and gets opportunities to cooperate with employees and learn about various activities. In addition, it will give a wide range of support suited to the scale of the Group by supporting global organizations.

Organizations subsidized with Endless Donations (Results in Fiscal 2017)

Supported Organizations		Total Amount of Donations
General Corporation	Children's Hospice Project	¥1,470,000
General Corporation	Kukuru	¥1,500,000
NPO Corporation	Supporting Net for Children with Diseases Volunteers for Play	¥1,000,000
NPO Corporation	Children Theater Chiba Prefectural Center	¥1,500,000
NPO Corporation	J Communication	¥700,000
Public Corporation	Dreams for Children with Intractable Diseases and their Family Members	¥1,500,000
Total		¥7,670,000

Heart Donations

Emergency donations are collected from employees following an event that has caused serious damage to society.

Results of Heart Donations (Last 3 Years)

Fiscal year	Disaster	Beneficiary	Donation by Daiwa House Group
2017	Northern Kyushu Heavy Rain Disaster	Japanese Red Cross Society	¥8,583,788
2016	Earthquake in Kumamoto	Japanese Red Cross Society	¥31,052,000
2015	Earthquake in central Nepal	Japanese Red Cross Society	¥9,680,636
	Storms in East Japan	Japanese Red Cross Society	¥8,299,568

Related subject Endless and Heart Donations
<https://www.daiwahouse.com/sustainable/social/contribution/funds/index.html>

Interaction with local communities at plants

It is important for the sustainable operation of a plant to consider a local community and engage in the active communication activity. The “Own Plant Construction and Reconstruction Manual” showing the standards for improving plants requires the planning of outer structures of parking lots by taking traffic of neighboring residents into consideration, the installation of shields made of planted trees or walls against noises and exhaust fumes emitted by large vehicles and headlights at night, the securing of tree-planted spaces providing a sense of the seasons and the selection of kinds of such trees. In addition, it requires the designing by taking the use by neighboring residents in disasters into consideration.

In addition, our Company promotes the community co-creation activities in the plants for establishing good relations with neighboring residents. Main activities are the cleaning activity, the participation in community events, the Music and Planting Project (mentioned above) and the acceptances of internships. It provides opportunities to think about manufacturing worksites, meaning of work and future occupations through the acceptances of plant tours and internships from elementary schools and junior high schools in local communities.

Major donations and sponsorships as a corporate citizen

Official sponsor of the 2020 Tokyo Olympics and Paralympics

Daiwa House Industry believes in promoting sports that entertain and excite those watching, therefore we are signed on as an Official Sponsor of the 2020 Tokyo Olympics and Paralympics and will use our business activities in the “construction and housing development” field to show the world what a proud host Tokyo is and contribute to the success of the games.

Support for the Osaka Symphony Orchestra

Daiwa House Industry has been a proud sponsor of the Osaka Symphony Orchestra since fiscal 2006. Our head office is located in Osaka and we feel both obligated and capable of contributing to life in the city by supporting the hometown orchestra.

Hosting cultural forums at the Nobuo Ishibashi Memorial Museum

We opened the Nobuo Ishibashi Memorial Museum in 2007 as a tribute to the achievements of our founder Nobuo Ishibashi and to introduce our corporate history. In 2008, we began hosting a cultural forum with a colorful panel of persons who discuss the future presence and policies of Japan in retrospect of Ishibashi's entrepreneurial spirit, wisdom and leadership. The forum has been staged for 10 years straight and attended by people from all across Japan.

Sponsorship and Participation in Osaka Marathon

Our Company has supported the “Osaka Marathon” as an official sponsor since the first event held in 2011. In addition, the entire Group has sponsored and participated in such events in various manners such as participating in “the Osaka Marathon ‘Cleanup’ Operation” and exhibiting its products in the booths in the expositions and as water-supply volunteers and runners.

Related subject Topics
 Our Company made “Osaka Marathon 2017” magnificent as one of the biggest events in Osaka.
<https://www.daiwahouse.com/about/release/topics/20171204144250.html>

Co-creating a Brighter Future with Local Communities

Topics

Efforts by Daiwa House Group for supporting Reconstructions

Supporting Activities for Reconstruction after the Great East Japan Earthquake

Since the formation of communities among persons moving into public houses used during reconstruction in stricken areas is a problem to be addressed, our Company has organized events for enabling mutual contacts among occupants of such houses built by our Company in cooperation between the Sendai Branch Office and the Reconstruction Supporting Office in order to support the nurture of such communities.

In cooperation with the city hall, our Company organized the ceremony for handing over keys at the time of completion of the third public housing used during reconstruction in Nishimaenuma of Ishinomaki City and held the assembly for lecturing about common vegetable gardens and gardening and the event for explaining how to use tools in disasters such as outdoor cooking benches and manhole toilets after the ceremony. Such events were appreciated by occupants and brought about opportunities for those going to live in the same public housing to contact one another and introduce themselves to one another.



View of mutually contacting event for occupants of public housing used during reconstruction



Assembly for explaining how to use outdoor cooking benches

Supporting Activities for Reconstructions after Kumamoto Earthquake

Kumamoto Branch Office continuously engages in the supporting activities in temporary housing in Nishihara Village such as holding an assembly for lecturing how to manually make sacred ropes with festoons and installing illuminations to illuminate temporary housing as it did in the preceding year in order to form a community.

When installing the illuminations, residents expressed their desire to participate in decorating them. Therefore, the employees of our Company and the residents installed them together. On the day of the installation, many residents including children participated in decorating them. When the illuminations were turned on, the residents said "They are beautiful and also useful as measures against crimes," which pleased the employees.



Installation of illuminations at temporary housing in Nishihara Village

Implementation Report

Co-creating a Brighter Future with Our Shareholders

Commitment from the Executive Officer in Charge 093

Returning Benefits to Our Shareholders and
Investor Relations 097

External Evaluation of Daiwa House Industry's IR 101

Co-creating a Brighter Future with Our Shareholders



As our range of business grows year by year, Our Group will increase the range of dialogue and the information we disclose to explain our management style.

Takeshi Kosokabe

Representative Director and Senior Managing Executive Officer
CFO
Head of Administration Division, Management Administration

Commitment from the Executive Officer in Charge

Working towards precise communication by understanding the desires of stockholders and investors

Towards our goal of “Co-creating a Brighter Future” with our stockholders and investors, and in accordance with the Corporate Governance Guidelines, it goes without saying that we disclose priority information to our shareholders for investment decisions while we also pursue fairness and transparency in management. The Daiwa House Group has, more than before, been spending more effort on investor relations. We have held theme based small meetings and we understand the importance of actively opening dialogue for communication.

Along with that, as a method to promote further understanding of our management style and business contents, we hold study tours of our production and research plants along with other

locations. We are devoted to introducing what we do in as much detail as possible through tours of *monozukuri* locations and explanations provided by the executive officers in charge, so that all people involved can be more interested. Things that cannot be explained at announcements of financial earnings, such as new business ventures and Our Group history, are carefully explained.

Since fiscal 2016, we have been printing these integrated reports. Thanks to that, we have received various comments from the persons who have read the reports. As for the fiscal 2017 version, we made sure to reflect the comments we have received to enrich the contents as well as creating a chance to open dialogue with investors. Due to this, we have received the “Best IR Award” and the “20th Nikkei Annual Report Award in 2017 (Second Place)” awards from the Japan Investor Relations Association, among others. In the integrated report, we have focused on explaining our Medium-Term Management Plan but also give insight into Daiwa House Industry’s primary corporate

value and the direction for our future. Going forward, we will enrich these details as part of our communication.

Along with information disclosure outside of the company, we believe it is important to make improvements to management by giving the comments we have received from shareholders and investors as feedback within the company. As for concrete actions being taken, we are presenting the comments of shareholders and investors once a year to the Board of Directors and twice a year to external directors, auditors and independent directors.

Focusing on management foundations, non-financial and ESG information disclosures

As the investment policies of shareholders and investors are diverse, we realize that persons who are interested in the non-financial and ESG aspects are gradually increasing. Within ESG, interest is especially high in regard to governance but we have also received plenty of questions about climate change and “environmental” efforts, our management foundation and our relationship with stakeholders.

We have also received questions related to how we plan to execute sustainable growth in such questions relating to our ESG efforts. In Japan, where the population continues to decline, the demand for housing has the potential to stagnate, but the lack of personnel may interfere with the ability to execute projects. Our company has customers, human resources, technology and *monozukuri* as our 3 fundamental strong points and we place importance on building a reliable relationship with deeply invested stakeholders. The entire management team shares the awareness that efforts for ESG are an indispensable task to continue sustainable growth, even if the business environment were to deteriorate.

While strengthening our efforts year by year from the perspective of ESG, we also pursue the strengthening of non-financial information disclosure, the clarification of issues and we plan to fully explain our direction for response in the future.

Development of Heartfelt IR Activities for Stakeholders and Investors

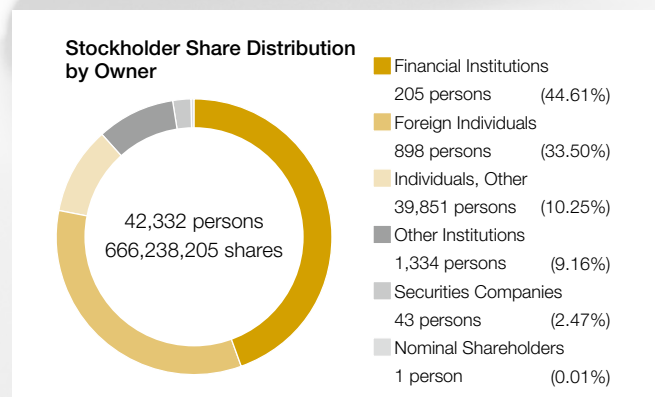
During rapid business development abroad and the expansion of our business fields, we have received a multitude of questions regarding Our Group’s investment plan. We plan to invest 1 trillion yen within the 3 years of the 5th Medium-Term Management Plan. Though it is a huge amount, our fundamental business is made-to-order business and our operating cash flow and real estate

sales offer cover, so we do not believe the debt burden to be very large. Furthermore, regarding the debt-to-equity ratio that evaluates soundness of financial decisions, we have set a budget limit of 0.5 times. For stakeholders and investors, from a medium- to long-term perspective, we are protecting the budget limit that affects the interest rate and will continue to explain our growth investments into real estate and equipment etc., for the sake of understanding. By focusing on rental housing, commercial facilities and business facilities, which are growth drivers, we will steadily invest in real estate, including overseas business, to achieve the Medium-Term Management Plan.

Going forward, as for making a reliable relationship with stockholders and investors, we will of course disclose further information about performance and finance and deepen the understanding of our business endeavors through increased explanations of what Our Group does. For example, the history and development of each business, the current and future market superiority, what kind of contributions are being made to society and profitability, among other points, can be cited.

Moreover, for retail and wholesale facilities, that have seen a big increase in their business scale in recent years, our company has maintained its “housing development spirit,” developed over many years, and because of that land owners and communities have been able to see their land used in the best possible way. In that way, the business model for the familiar road side stores that have become part of the scenery was created.

To further the communication with stockholders and investors, we understand the importance of having the explanations about the business background be given not just by the finance department but also from executive officers in charge and related departments. We think that it is important for our Group to continue “Co-creating a Brighter Future” with our stakeholders through these heartfelt IR activities.



Co-creating a Brighter Future with Our Shareholders

Social issues

In recent years, companies have been evaluated by investors not only on short term performance but also on whether the company can sustain medium- to long-term growth. The reason for this is that, along with the actual business, there is the necessity of clarifying and explaining to shareholders and investors the ESG and non-financial aspects, or in other words, the primary corporate value.

Furthermore, excessive short-termism (short-term profit orientation) can be seen as an obstruction to good relationships between stockholders and investors and thus it is important to develop a business environment that can sustainably grow for medium- to long-term. For that reason, we believe that along with planned investments in human resources, equipment and research and development, creation of good relationships with customers, business partners, employees, citizens and stakeholders is vital.

Additionally, ESG related information disclosure and engagement are stuck at the trial and error stage, and opportunities for information disclosure etc. are still limited. We believe that going forward, pursuing sustainable growth as a social issue should be emphasized with active information disclosure and the accumulation of constructive dialogue with stockholders and investors.

Risks and opportunities for the Daiwa House Group and its responses

Changes to the condition for stakeholders, such as employees and business partners due to societal changes such as population decline in Japan, can manifest as a risk to Daiwa House Industry in various forms such as shortage of personnel and more.

In addition to the above, we must make careful decisions concerning risks involved in concentrated investments, because we are making proactive investments into logistics facilities and other growing areas following the business expansion of the Daiwa House Group. This is also the case with overseas businesses. Risks of variation in foreign exchange rates must also be securely handled.

We believe that it is important to increase business opportunities that will lead to sustainable growth, by accurately identifying risks related to the enhancement of corporate value, and having dialogues with shareholders and investors, as described above.

Long-term social vision [Shareholders]

In the spirit of the company's Management Vision, "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[Priority issues]

Transparency

Regarding "External Evaluations for ESG Information Disclosures," using the fiscal 2015 FTSE4Good rating of 2.0 as a benchmark, our goal for fiscal 2018 is 4.0. Regarding this, our result for fiscal 2017 was 3.7.

Furthermore, using our fiscal 2015 result of 68.4% for "GRI Responsiveness of ESG Information Disclosures" as a benchmark, we have set our fiscal 2018 goal at 80%. In fiscal 2017 our result was 91%, achieving our goal.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Status of GRI-handling of ESG disclosure information	91.0%	80%



[Priority issues]

Stakeholder engagement

As for “Attendants’ satisfaction with Stakeholders’ Meeting,” we have set a target of achieving 100% in fiscal 2018. Toward this target, our result in fiscal 2017 was 84.6% for the percentage of those who found the meeting ambiance conducive to frank discussions, and 76.9% for the percentage of those who found our information easy to understand. We will continuously promote proactive engagements with stakeholders.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Stakeholders’ Meeting (attendants’ satisfaction)		
• Percentage of those who found the meeting ambiance conducive to frank discussions	84.6%	100%
• Percentage of those who found our information easy to understand	76.9%	100%



Co-creating a Brighter Future with Our Shareholders

Returning Benefits to Our Shareholders and Investor Relations

Basic Policy and Concept

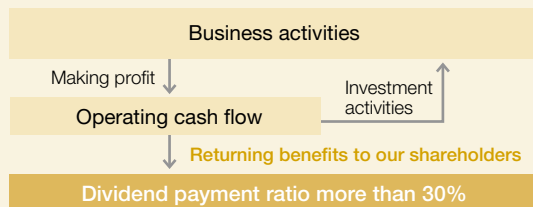
Daiwa House Industry returns part of the profit it makes from its business activities to its shareholders. In so doing, the company's basic policy is to strive to increase shareholder value by improving earnings per share (EPS), by maximizing medium- to long-term corporate value through such measures as investment in real estate, overseas business expansion, mergers and acquisitions, and investment in research and development, plant and equipment, and other growth-oriented targets.

We strive to maintain a stable dividend payment, setting our target dividend payment ratio at 30% or above of the current term net profit that is attributable to the parent company's shareholders, and remunerating our shareholders in line with the company's business performance. Our approach to acquiring our own shares is to take action at an appropriate timing in consideration of the market situation, capital efficiency, and other factors.

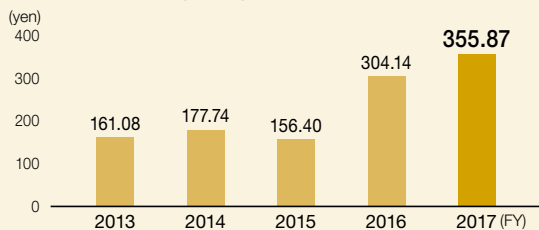
In order to build a relationship of trust over the long term with all stakeholders, including shareholders and investors in and outside Japan, we communicate information necessary for their investment decisions such as the management policy, finances and business initiatives as well as background factors, non-financial information and the business environment, in addition to disclosures required by law, in a quick, accurate, fair and impartial manner, in accordance with our basic policy on information disclosure.

In the spirit of "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

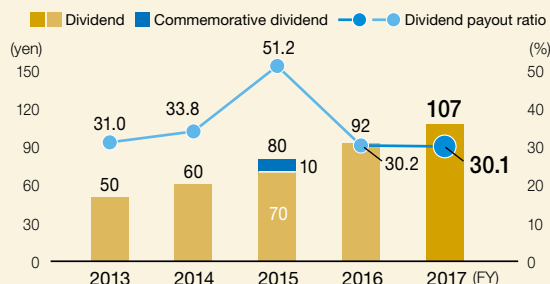
■ Concepts of profit sharing



■ Current term net profit per share



■ Dividend & dividend payout ratio



* As for FY 2015, the 60th anniversary commemorative dividend of 10 yen per share is included.

Management

To contribute to the company's sustainable growth and increase in medium- to long-term corporate value, the management team and executive officers in charge of IR see our company's IR activities as one of our basic policies. To realize constructive dialogue, we have organized the company in a way that each department within the company can cooperate and we are working to make our management strategy and management plan more understandable. Furthermore, we have organized the structure in a way that we can accumulate and provide data to external corporate assessment agencies, which provide data to investors. In addition, we are working towards having constructive dialogue with shareholders and investors on both financial and non-financial aspects from the perspective of sustainably increasing the corporate value.

As for information disclosure that is used to judge corporate value, along with one-on-one interviews, we also have management briefing sessions, facility study tours, IR tools, the website, SNS and other media which we use to actively broadcast information.

Furthermore, along with working towards information disclosure, we periodically present the comments and desires received through our dialogue with stockholders and investors to the management team and executives. We also hold reporting sessions for external directions twice a year and share our awareness of issues from an objective and independent perspective.

Through IR activities, along with working toward receiving evaluations that properly assess our corporate value, we provide timely and relevant feedback of all comments and desires to the management team to make better management decisions for the maximization of corporate value.

Results of our Activities

Major IR Activities for FY 2017

	As needed	Quarterly	Semiannually	Annually
• Financial summaries are uploaded to our website with voice explanations		●		
• The contents of financial results briefing and management briefing sessions disclosed on the website in the audio and text formats		●		
• Contribution of articles to IR journals	●			
Activities for institutional investors and analysts				
• Individual meetings with institutional investors in and outside Japan; reception of telephone interviews	●			
• Financial results briefing session by teleconferencing		●		
• Management briefing session by the top management team			●	
• Overseas road show by the top management team				●
• Integrated report small meeting	●			
• Small meetings organized by securities firms	●			
• Proactive participation in an IR conference organized by securities firms	●			
• Facility tours for institutional investors	●			
Activities for individual investors				
• Online company briefing sessions				●
• Facility tours for individual shareholders				●
Provide feedback about opinions received through IR activities to the departments within the company				
• Report IR activities at board of directors meetings				●
• Report IR activities to external directors			●	
• Exchange opinions on business performance and market trends with the business division		●		



Scenes from the management briefing session

Managerial Philosophy and Overall Picture

Customers

Employees

Business Partners

Local Communities

Shareholders

Environment

Foundation of CSR Management

Data Section

Co-creating a Brighter Future with Our Shareholders

Information disclosed to investors

Information Disclosure in the “IR Information” section of the official website

Daiwa House Industry is working to use the official website for timely and relevant information disclosure to all stakeholders as well as institutional investors and stockholders.

We publish timely information, not limited to the disclosure of monthly order amounts, qualitative quarterly reports and performance highlights, but also including explanations about financial summary briefings, financial presentations with both English and Japanese voice recordings, to the website.

Furthermore, regarding our company’s management policies and business efforts, we are publishing top message, business explanations, policies about returning benefits to our shareholders, capital policies and more on almost all pages in both English and Japanese to provide better understanding for all shareholders and investors both domestic and abroad. Separately from this, the videos used in management briefing sessions and individual investor briefing sessions given by the management team are also uploaded to the website in our efforts to provide various types of information disclosure.

Efforts Towards Integrated Reports

Our company published our “2017 Integrated Report” in August of 2017. Within this booklet, in addition to performance and business strategy, financial conditions and information, we were also able to explain our company philosophy, brand value, human resources, technology and other intangible assets such as non-financial information, allowing us to introduce the Daiwa House Group’s stance toward increasing medium- to long-term corporate value and sustainable growth.

In fiscal 2016, we received the following comments from investors: “we are focusing on what makes the Daiwa House Group what it is. In addition to ROE targets, we want to know the *raison d’être* for the Daiwa House Group. We understand how the founder’s spirit is connected to the expansion of the business, but we want to know the strategy for training human resources that will become the foundation of the continued value growth of the company in the future.” While considering these comments, we put effort into fully explaining our group’s potential for growth by focusing on our 3 foundations of management (human resources, customers, technology and *monozukuri*) in the fiscal 2017 publication.

Furthermore, in December of 2017, we held an “integrated report small meeting” using this booklet as a communication tool with investors. This small meeting became a venue for active exchange of opinions.

The results of these efforts, the “2017 Integrated Report” was chosen as “An Exceptional Integrated Report” (a report that received good evaluations from various management institutions as “an integrated report with a high degree of improvement”) by GPIF (the Government Pension Investment Fund). In addition, the report was awarded 2nd place in the Nikkei Annual Report Awards.

Dialogues and communications with institutional investors

Through individual interviews, telephone communication, small meetings and more, we were able to open dialogue with a total of 733 institutional investors and analysts in fiscal 2017.

Our management used these dialogues as an essential venue for us to explain our company’s policy for returning benefits to our shareholders and growth strategies to institutional investors abroad when visiting England, North America, Hong Kong, Singapore and Australian investors.

Furthermore, our company holds business briefing sessions focused on interested investors by business segments. In fiscal 2017, in regard to this segment, which is our growth driver, the executive officers in charge of each business held discussions and explanations about “logistic center development efforts” in June and in “strong points of retail and wholesale facilities” in November, along with the growth background of business expansion and future growth. We received comments from investors that participated such as “we were able to confirm the expansion of business opportunities, and the details were positive.”

Dialogues and communications with individual investors

In December of 2017, using the internet we held online briefing sessions aimed at individual investors, with a total of 469 participants.

This time around, marking our 4th internet briefing sessions, we based the briefing on the “2017 Integrated Report” to provide an explanation of our company’s policy for returning benefits to our shareholders and growth strategies and then we opened the floor to questions from participants. We received a large amount of questions such as “What is the strongest feature of your company?” and “What is the condition of work style reforms and the role of women in the workplace?” to which the CFO answered in real time. The online briefing sessions were evaluated highly by individual investors that participated, with feedback received such as “I was able to understand Daiwa House Industry’s strong point and the future direction for business development,” “I can feel a high potential for growth,” “it was great listen to the voice to top executives” and “the fact that it was live was great, and that we can watch it again from the archives is also appreciated.”

Furthermore, the facility study tours aimed at individual stockholders that we are focusing our energy on were also held for the 4th time. These tours, held in Tokyo and Nara, became invaluable opportunities for our company to further explain our management philosophy and business strategy. Taking the comments like “I want to take a tour of a factory,” and “I hope you will hold a management briefing session in Tokyo,” that we received from stockholders that participated in prior study tours, we decided to hold a variety of options in different regions to meet the needs of participants.

Stockholders that participated left feedback like “the explanations were easy to understand and because I could tour the facility it was convincing,” “because I was able to learn about the spirit of the founder, business details and technology of the company, I became an even bigger fan.”

Facility tour for individual shareholders

• Nara tour

Date: Friday, March 23, 2018

Venues: Nara Factory, Daiwa House's Experience House

The number of participants: 40 persons

Date: Saturday, March 24, 2018

Venue: Nobuo Ishibashi Memorial Museum, Central Research Laboratory or Daiwa House Industry D-Room (rental housing simulation facility) Plaza Hall

The number of participants: 51 persons

• Tokyo tour

Dates: Friday and Saturday, April 6 and 7, 2018

Venues: Tokyo Head office of Daiwa House Industry Co., Ltd., Try-IE-Lab (single-family house experience facility) or D's TETOTE (nursing care and welfare equipment exhibition hall)







The number of participants: 96 persons










Facility tours for individual shareholders

Co-creating a Brighter Future with Our Shareholders

External Evaluation of Daiwa House Industry's IR Inclusion of Daiwa House Industry in ESG indices

 <p>FTSE4Good</p>	<p>FTSE4Good Index Series</p> <p>The ESG Investment Index made by London Stock Exchange Group's FTSE Russell. The index began in 2001 and is characteristic because of its operation with a multi-stakeholder committee made up of investors, labor unions, NGOs and more, that protect its independence. Daiwa House Industry has been a member since March of 2005.</p>	<p>Rating: 3.9 (Out of 5.0)</p> <p>* Current as of June 29, 2018</p>	<p>Worldwide 953 companies In Japan 152 companies</p>
 <p>FTSE Blossom Japan</p>	<p>FTSE Blossom Japan Index</p> <p>Used by the GPIF (Global Pension Investment Fund), which is the world's largest pension fund, as an ESG index that includes Japanese companies.</p>		<p>In Japan 155 companies</p>
 <p>2017 Constituent MSCI ESG Leaders Indexes</p>	<p>MSCI World ESG Leaders Index / MSCI World SRI Index</p> <p>The ESG Investment Index made by Morgan Stanley Group's MSCI. Characteristic as an index that considers the target company's production characteristics while providing evaluations based on high priority ESG issues. Our company has received the high evaluation of "AA" since fiscal 2013.</p>	<p>Rating: AA (From within the 7 levels from "AAA" to "CCC")</p> <p>* Within the top 25% of incorporated Japanese companies * Current as of June 29, 2018</p>	<p>Worldwide 844 companies</p>
 <p>2017 Constituent MSCI SRI Indexes</p>			<p>Worldwide 398 companies</p>
 <p>2017 Constituent MSCI Japan ESG Select Leaders Index</p>	<p>MSCI Japan ESG Select Leaders Index</p> <p>The GPIF uses this as an investment target as it is an index that includes Japanese companies.</p> <p>For an explanation about the logo, please check the following link. https://www.daiwahouse.com/sustainable/csr/esg/evaluation/index.html</p>		<p>In Japan 251 companies</p>
 <p>Member 2016/2017</p> <p>STOXX</p> <p>ESG LEADERS INDICES</p>	<p>STOXX® Global ESG Leaders</p> <p>The ESG Index made by STOXX, an ESG survey and data provider from Holland. Based on the ESG data provided by Sustainalytics*, our company has been incorporated into this index since fiscal 2016.</p> <p>* This is an ESG Survey and data provider from Holland. Has been ranked as the "Best Independent Socially Responsible Investing Research Firm" for three years (From fiscal 2013 to 2015 according to IRRI)</p>	<p>Score is undisclosed</p>	<p>Worldwide 403 companies</p> <p>* Current as of October 2017</p>
<p>MEMBER OF</p> <p>Dow Jones Sustainability Indices</p> <p>In Collaboration with RobecoSAM</p>	<p>Dow Jones Sustainability Indices</p> <p>An ESG index that was co-created with the American publishing company S&P Dow Jones Indices and the Swiss survey and rating firm Robeco SAM. Our company has been classified to the real estate sector and we have been incorporated into the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) since fiscal 2013.</p>	<p>Total score: 56 points (our of 100)</p> <p>* Current as of September 2017 * Within the top 30% for the sectors and regions on the left</p>	<p>Asia and Pacific Regions 152 companies</p> <p>* Current as of September 2017</p>

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

	<p>Ethibel EXCELLENCE</p> <p>An ESG Index created by the NGO Forum Ethibel, headquartered in Belgium. Component companies maintain above average performance regarding ESG in all regions throughout the world. Our company has been incorporated in the Ethibel Excellence Investment Register since December 7, 2016.</p>
	<p>ECPI</p> <p>An investment management company headquartered in Luxembourg and Milan that has created various ESG indices separated by business type, region and theme. Our company has been incorporated since fiscal 2016.</p>
	<p>MS-SRI</p> <p>An index that targets Japanese companies that was jointly created by Morningstar Japan K.K. and the non-profit organization the Center for Public Resources Development. Our company has been incorporated since July 2003 when the index was officially announced.</p>
	<p>Nadeshiko Brand (METI/TSE) award</p> <p>A program jointly created by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that introduces companies, by business type, that are actively taking efforts to promote the careers of female employees and create an environment where females will continue working and designates them as a publicly-listed company with good female empowerment practices (for TSE first section, TSE second section, TSE Mothers and JASDAQ). Since designated companies also have “management ability that promotes diverse human resources” and “adaptability to environmental changes,” these companies can be thought of as “companies with potential for growth.” Our company was designated for the 4th consecutive year in fiscal 2018.</p>
	<p>New Diversity Management Selection 100 (METI) award</p> <p>A program created by the Ministry of Economy, Trade and Industry that evaluates companies on their innovation, productivity growth and results that are achieved through the maximum utilization of female, elderly, foreign, disabled, diverse career persons. In addition, our company was the first in the housing/buildings industry to receive both the Nadeshiko Brand award and the New Diversity Management Selection 100 award at the same time in March 2016.</p>
	<p>Competitive IT Strategy Company</p> <p>The Competitive IT Strategy company is a co-started endeavor from the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that not only introduces desirable companies to investors from the perspective of increase in corporate value in the medium- to long-term, but also promotes efforts that companies take for “Competitive IT Management.” Companies are chosen from publicly-listed companies (TSE first section, TSE second section, TSE Mothers and JASDAQ) based on IT efforts that bring about increases in productivity, earnings, management innovation and new value creation. Our company has been chosen for the 3rd consecutive year in fiscal 2018.</p>
	<p>Health and Productivity Company</p> <p>The Health and Productivity Company Program is a program that honors middle to large sized businesses for their efforts for good health management based on efforts according to regional health issues and measures to promote health that have been published by the Japan Health Council. Through the visualization of “Good Companies” that make efforts to promote health, the program aims to develop and environment that can receive social evaluations such as “a company that strategically works toward health promotion of employees from a management perspective” from employees, job-seekers, affiliated companies and financial institutions etc. Our company was certified as “Health and Productivity Company 2018” in the large-scale business category (White 500) in February 2018. As Group companies, the following four companies were certified.</p> <ul style="list-style-type: none"> ■ In the large-scale business category: Daiwa House Industry Co., Ltd. and Daiwa Lease Co., Ltd. ■ In the medium-scale business category: Daiwa Energy Co., Ltd. and Media Tech Inc.

Co-creating a Brighter Future with Our Shareholders

Recognition by other major external parties

Received an A- evaluation at the CDP (2017 Climate Change Report, 2017 Water Report)

In the “2017 CDP Climate Change Report” and the “2017 Water Report” selected by the international non-profit organization CDP, Daiwa House Industry received a score of A-. CDP is an international non-profit organization founded in 2000 in England and has accumulated the signatures of many institutional investors (more than 800 for climate change, more than 600 for water). Every year CDP sends out questionnaires to companies, compiles their answers and publishes results and evaluations on strategies and activities.

Ranked 31st in the CSR Corporate Ranking by Toyo Keizai

Daiwa House Industry was ranked 31st in the latest edition (February 17, 2018 issue) of the CSR Corporate Ranking published by the Japanese economic journal Toyo Keizai every year. Toyo Keizai Inc. published this ranking after examining and assessing the 1,413 companies that were mentioned in the 2018 edition of CSR Kigyo Soran (CSR Compendium) in terms of the utilization of human resources, the environment, corporate governance, and impact on society, as well as financial data.

CSR evaluation

Human resources	Environment	Corporate governance	Impact on society
AAA	AAA	AAA	AAA
83.5	97.3	95.8	92.3

Financial evaluation

Growth	Profitability	Safety	Scale
AAA	AA	AAA	AAA
83.7	77.1	89.7	100.0

The “2017 Sustainability Report” was awarded the Minister of the Environment’s Award at the Environmental Communication Awards

At the “21st Environment Communication Awards,” hosted by the Ministry of the Environment and the Global Environment Forum, our “2017 Sustainability Report” was deemed to be the best environmental report and awarded the “Minister of the Environment’s Award.”

Related page P174 Received the Minister of the Environment Award at the Environmental Communication Awards



Grand Prize Logo

The “2017 Integrated Report” has received various awards

At the “20th Nikkei Annual Report Awards 2017,” where Nikkei Inc., honors the best annual report of Japanese companies, the “2017 Integrated Report” published by our company was awarded 2nd place. Furthermore, the “2017 Integrated Report” was chosen as “An Exceptional Integrated Report” by management institutions of the GPIF (Government Pension Investment Fund) and as “An Integrated Report with a High Degree of Improvement.”

[2017 Nikkei Annual Report Awards Reviewer Evaluation]

- ① The company philosophy of “doing it to contribute to the world” is put into business and the efforts for increasing corporate value are shown concretely and in detail, and the story of the company is captivating.
- ② The chairman’s message, the message following the president’s that explains the value creation story that has inherited the founder’s spirit, and the explanation of the Medium-Term Management Plan from external environment, opportunity and risk analysis are also easy to understand.
- ③ The founder’s spirit is shared company-wide and the goal of the management to realize the dream of making the business group into a company that makes sales of 10 trillion yen by its 100th year can be understood.

[Comments from entrusted domestic management institutions of the GPIF]

Discussion with auditors was conducted from the perspective of how to make the intent of the management penetrate to the field. Furthermore, risk management disclosure relating to real estate development investments is important information from the perspective of investment decisions. CSR self-assessments are of great interest.



2017 Integrated Report

Best IR Award hosted by the Japan Investor Relations Association

Our company was chosen as one out of 7 companies for the “Best IR Award 2017” hosted by the Japan Investor Relations Association. This award aims to select and honor companies that fully understand the goal of IR, actively work toward IR and get high support from the market. Reasons why we were chosen to receive the award include the easy to understand numerical values that were disclosed and the ability for our company to hold small meetings with valuable discussions based on business types.



Best IR Award Logo

Implementation Report

Co-creating a Brighter Future with the Environment

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Co-creating a Brighter Future with the Environment



To “Zero Carbon” beyond “Low Carbon”

We are committed to addressing the global environmental issues through various policies looking into the future.

Kazuto Tsuchida

Representative Director and Senior Managing Executive Officer
General Manager in charge of Engineering
Head of Production and Procurement Department
General Manager, Overseas Business
In charge of the Environment

Commitment from the Executive Officer in Charge

Putting forward “Slowing and Adapting to Climate Change (prevention of global warming)” as the materiality in the long-term environmental vision.

The Daiwa House Group is increasing our efforts for a “carbon-free society” as a social mission for environmental issues, continuing to approach zero greenhouse gas emissions through business activities and business services.

The Paris Agreement, which was signed by 196 countries and regions in 2015, sets the goal of reducing CO₂ emissions in the world by 50 to 70% by 2050 and virtually 100% in the second half of this century. With the global standard shifting from “low carbon”

to “zero carbon,” we are seriously trying to achieve the goal as a corporate citizen.

Of the four environmental priority themes set as policies for achieving the goal in the long-term environmental vision “Challenge ZERO 2055” formulated in 2016, we put forward “Slowing and Adapting to Climate Change (prevention of global warming)” as the materiality. Based on this, we, looking ahead up to 2055, have in action various measures against greenhouse gas emissions and are preparing a roadmap for reduction in greenhouse gas emissions.

Specifically, in addition to promoting “zero carbon” through business activities, we apply technologies and expertise gained through them to business services, which creates a virtuous cycle of zero carbon promotion between business activities and business

Contribution to SDGs



services. As part of business activities, we, as the first-ever construction industry company in the world, have joined EP100 and RE100, global initiatives for energy efficiency and renewable energy respectively, committing ourselves to doubling energy efficiency and full use of renewable energy.

Meantime, our “zero carbon” through business services manifests itself in the promotion of the construction of zero energy houses, buildings and towns. Having been already developing and disseminating energy self-efficient houses, we are promoting Net Zero Energy Building (ZEB) based on “D’s Smart Series” (environment-friendly buildings), developing smart cities/towns, and engaging in environmental energy businesses that provide solutions based on energy saving, creation and storage.

Businesses based on “Zero Carbon” expanding nationwide and outside Japan.

Our efforts for “Zero Carbon” are achieving positive results, not simply ending in goal setting. In business activities, the first-ever large scale ZEB store in Japan has been open in Aichi prefecture since 2016. In Saga prefecture, our office was constructed as an “electricity self-sufficient building” this February.

With regard to “Zero Carbon” through business services, demonstration tests of energy self-sufficient housing are going on at SECUREA Toyota Kakimoto, a housing estate in Aichi prefecture. For ZEB, “D’s Smart Series”-based office buildings, stores, nursing facilities, distribution facilities, factories, and medical facilities have been established in series. Starting with the first-ever ZET (Net Zero Energy Town) “SMA-ECO Town Harumidai” in Osaka, the ZET development is being promoted nationwide. Furthermore, we steadily have in progress such projects as “Takao SAKULA CITY” (Tokyo), where our commercial facilities, and house and condominium dwellers are engaging in cool share for the construction of a multiplex town based on our total capabilities and “Toyama City Safe and Smart Model City Block” (Toyama prefecture), where, in addition to the promotion of energy saving, anti-disaster collaborations between public facilities and housing blocks are promoted.

Advanced technologies for energy saving are highly appreciated domestically and internationally. We have many requests for technology introduction from Australia, China, and the U.S., where environmental controls are becoming stricter year by year. With cooperation among each division such as production, construction, and overseas business further enhanced in addition to obtaining each housing equipment supplier’s cooperation, we are going to offer energy saving and creation technologies according to each country’s local climate and cultures. This is the way we are going to accelerate the growth of our overseas business.



Electricity self-sufficient building (Daiwa House Saga Building)



Energy self-sufficient housing (SECUREA Toyota Kakimoto)



First-ever ZET in Japan (SMA-ECO Town Harumidai)

Co-creating a Brighter Future with the Environment

Taking environmental issues positively as business opportunities, not as risks

What background does it make the Daiwa House Group to keep a competitive advantage in efforts for a “carbon-free society”? It can be traced back to 5S [Seiri (Neatness), Seiton (Order), Seiso (Cleaning), Seiketsu (Cleanliness), and Shitsuke (Discipline)], which are illustrated in keeping housing construction sites neat and clean and remembering to classify construction waste. We believe that our uncompromising pursuit of 5S in all nationwide construction sites under the philosophy of “Being complete in small things” underlies our current efforts for environmental protection. We also believe that our long-running commitment to naturally carrying out what is described as commonplace like keeping construction sites neat for customers and local communities and reducing waste has increased our awareness of environmental issues and made us a corporate group that is seriously working on them, fulfilling various social stakeholders’ expectations.

When our Group business is seen from medium- to long-term perspectives, global environmental issues can be a business risk factor. For example, the rise in the average temperature can trigger heatstroke in construction sites, which can worsen labor environments or delay construction periods. With heavy rains or snows more frequent, deliveries of materials to construction sites can be disturbed. In addition, as a risk of transition to a carbon-free society, costs for developing and manufacturing environmentally-friendly products can increase.

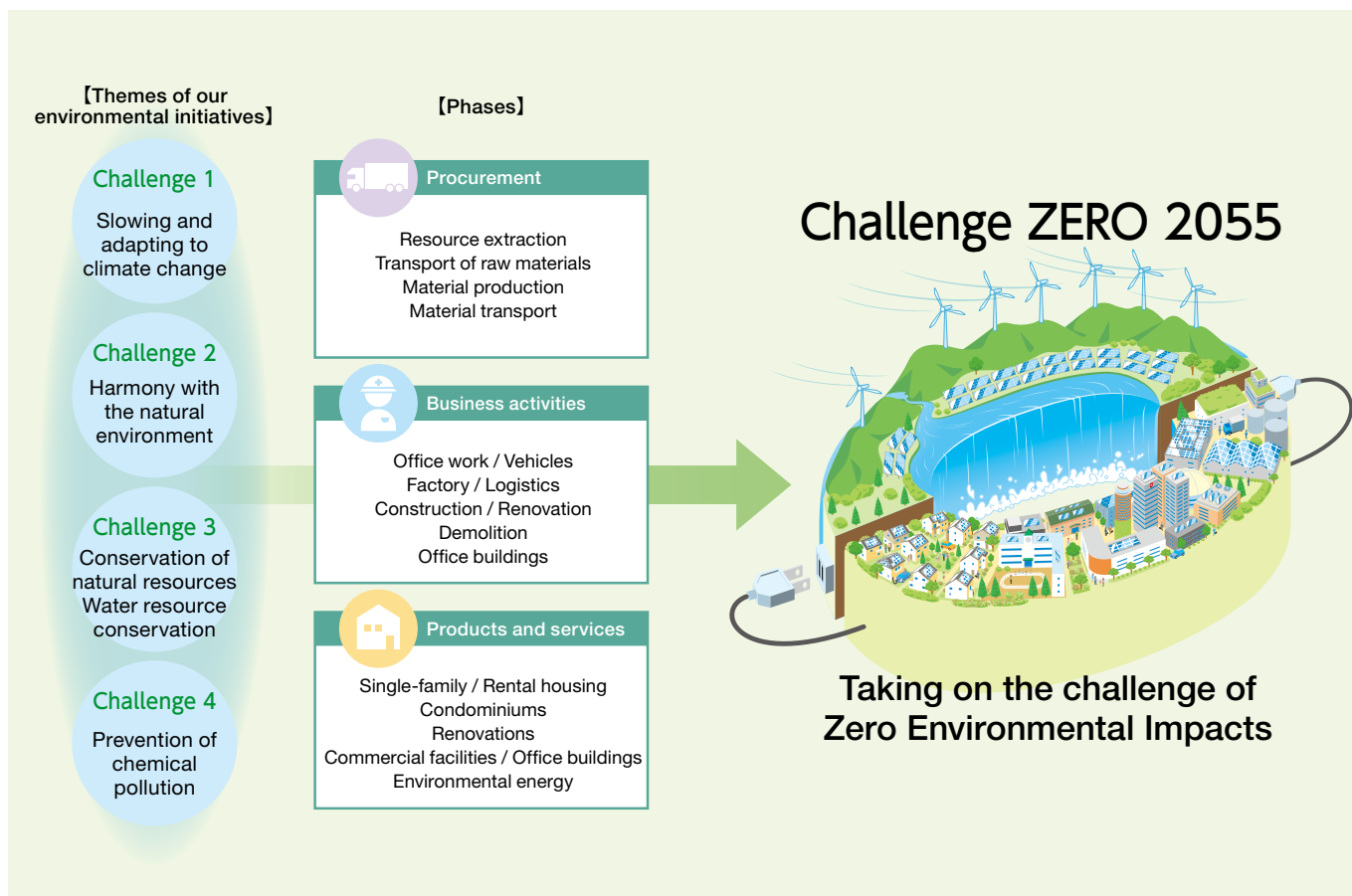
However, our Group is going to take medium- to long-term business risks not as something negative but as business opportunities and promote strategic activities for the environment in line with growth strategies. “D’s SMART,” which gave birth to ZEB, is a good example. By mobilizing the capabilities of our Group companies to generate synergy, we are going to certainly achieve “Challenge ZERO 2055,” contributing to the creation of sustainable society.



Long-Term Environmental Vision

The Daiwa House Group aims to realize a sustainable society as a group that co-creates value for individuals, communities, and lifestyles and tries to make zero environmental impacts within our Group, globally, and through supply chains.

Our Group formulated the long-term environmental vision “Challenge ZERO 2055” in fiscal 2016, focusing on 2055, which marks the 100th anniversary of the foundation of Daiwa House Industry. As a “group that co-creates value for individuals, communities, and lifestyles,” the Group management vision, we aim to realize a sustainable society and try to create zero environmental impacts through three stages (procurement, business activities, and products and services) with four environmental priority themes in mind (slowing and adapting to climate change, harmony with the natural environment, conservation of natural and water resources, and prevention of chemical pollution).



Co-creating a Brighter Future with the Environment

Long-Term Environmental Vision

Slowing and adapting to climate change
(Prevention of global warming / energy)

Challenge 1

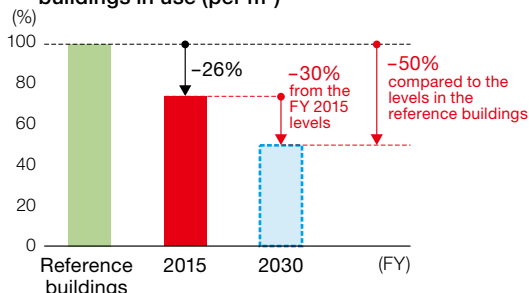
We aim for **zero CO₂ emissions throughout the product life cycle** through uncompromising pursuit of energy saving and utilization of renewable energy in order to achieve a carbon-free society.

Action 1



By achieving ZEH and ZEB for average new houses and buildings (by 2025 for single-family houses, by 2030 for buildings), we aim to reduce greenhouse gas emissions (per area) from houses and buildings in use by 30% by 2030 from the fiscal 2015 levels. At the same time, we are going to promote the construction of zero energy towns through renewable energy-based power generation and low-carbon electricity supply.

Greenhouse gas emissions from houses and buildings in use (per m²)



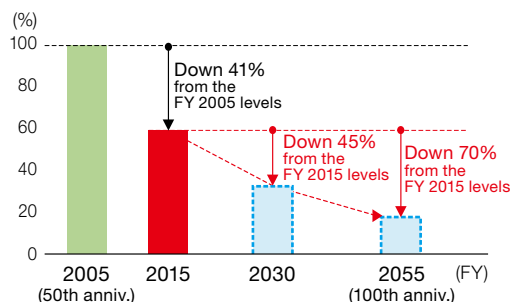
Action 2



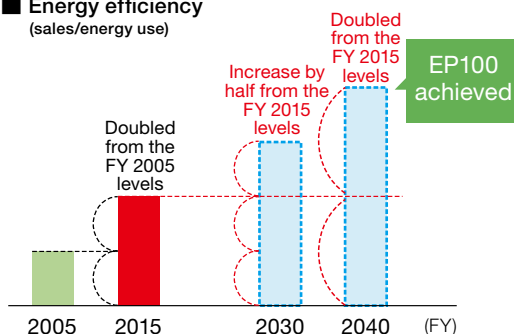
We aim to reduce greenhouse gas emissions in all facilities and all business processes (per sales unit) by 45% by 2030 and by 70% by 2055 from the fiscal 2015 levels.

- By further promoting energy saving for existing facilities and achieving ZEB for facilities to be newly constructed, we aim to increase the Groupwide energy efficiency (sales unit per consumed energy) by half by 2030 and double it by 2040 from the fiscal 2015 levels. [EP100]
- We aim to expand renewable energy and raise the ratio of renewable energy-based power generation (including sales of electricity) to the Groupwide use of electricity up to 100% by 2030 and fully cover it with renewable energy by 2040. [RE100]

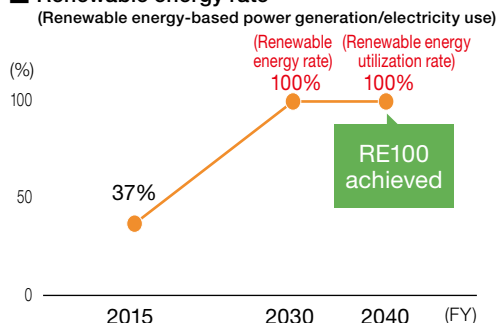
Greenhouse gas emissions per sales unit



Energy efficiency
(sales/energy use)



Renewable energy rate
(Renewable energy-based power generation/electricity use)





Procurement



Business activities



Products and services

Harmony with the natural environment
(Preservation of biodiversity)

Challenge 2

In order to preserve and improve our natural capital, our Group shall achieve **no net loss of green space** by ensuring **zero deforestation** through material procurement and by developing communities filled with greenery.

Action 1



Minimize the loss of our natural capital associated with development and improve the quantity and quality of green space by collaborating with our customers when we construct housing, buildings, and towns. Achieve the objective of no net loss* of green space.

* The concept of offsetting a loss of biodiversity in one location by increasing biodiversity in another location, resulting in no net impact.

Action 2



Regarding the building materials used to construct houses and buildings, we are focusing on zero deforestation associated with wood procurement by 2030 and zero deforestation associated with material procurement across all our business by 2055.

Conservation of natural resources
(Longer durability / Waste reduction / Water resource conservation)

Challenge 3

In a bid to realize a resource-recycling society, we aim for **sustainable utilization of resources** through an increase in durability of housing and buildings, zero waste emissions, and a sound water cycle.

Action 1



We aim to extend the durability and increase the variability of our new houses and buildings. In addition, in order to have property asset values of high-quality houses and buildings maintained for a long term, we are going to renovate or remodel existing houses and buildings in an optimal way and create the market in which they will be appropriately evaluated and circulated.

Action 2



We aim to realize zero waste emissions (recycling and reuse) throughout the life cycle of houses and buildings by 2030 and through the other businesses by 2055.

Action 3



In a bid to minimize (ultimately to zero) water risk, we are going to reduce water consumption and manage waste water thoroughly throughout the life cycle.

Prevention of chemical pollution

Challenge 4

We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings to **minimize the risk (ultimately to zero)** of adverse impacts on the health of people and ecosystems.

Action 1



Identify the risk of chemical substances in the life cycle of houses and buildings, employ substitutes, promote reduced use of toxic chemicals, and appropriately manage chemical substances with using a precautionary approach. Continue to minimize the risk (ultimately to zero).

Action 2



Continue working on minimization of the risk (ultimately to zero) through strict management of soil contamination risk, including conducting investigations and applying countermeasures from initial land transaction through the construction process, employing the same standard to the company's own land holdings.

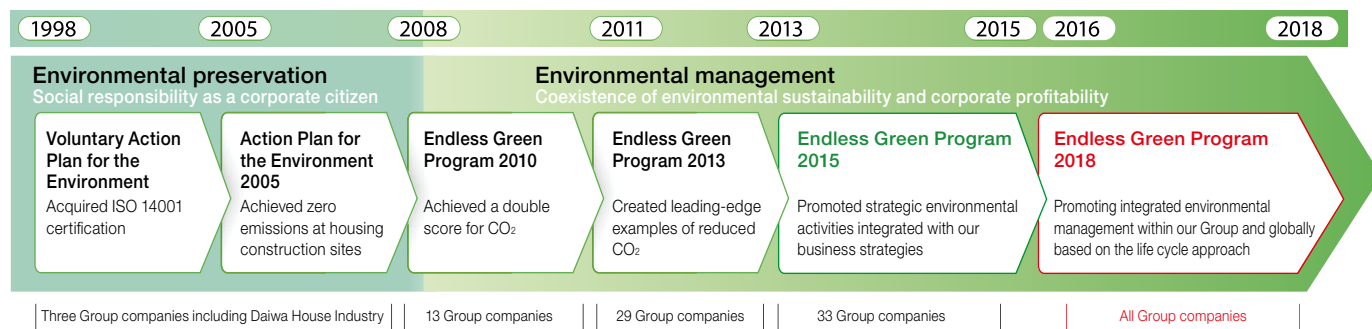
Co-creating a Brighter Future with the Environment

Action Plan for the Environment (Endless Green Program 2018)

About every three years, the Daiwa House Group formulates a plan with concrete targets. Known as the Endless Green Program (EGP), it is implemented on a schedule under the Medium-Term Management Plan toward achieving the goals of the Long-Term Environmental Vision.

In our Endless Green Program 2018 recently formulated for implementation in the period fiscal 2016 to 2018, we are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

History of the Action Plan for the Environment



The Daiwa House Group has identified four environmental themes (social issues) associated with its business that hold a high degree of interest for stakeholders as well. Initiatives will be promoted in the three phases of Procurement; Business Activities; and Products and Services.

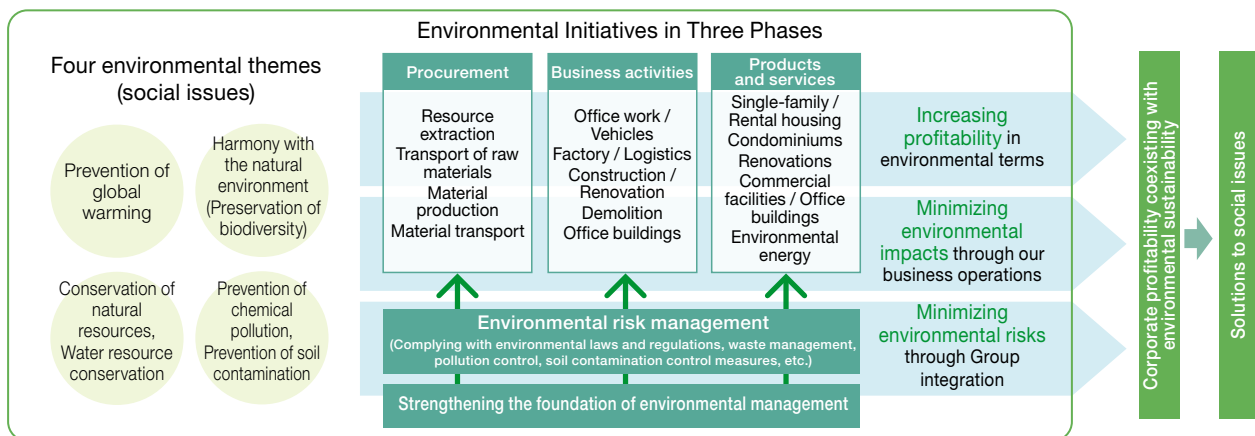
In the phase of Procurement, we are implementing collaboration on joint ownership and improving environmental policy initiatives with our suppliers with the goal of procuring raw materials having low environmental impacts.

In the Business Activities, we promote manufacturing that

demonstrates a high degree of productivity with regard to resources and energy efficiency. This is achieved with efficient facilities and equipment infrastructure as well as with innovative business processes at each stage of the operational process. In this way, we are reducing environmental impacts.

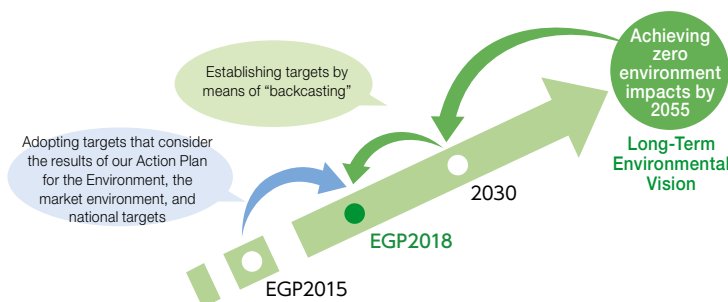
Furthermore, in the domain of Products and Services, we are strengthening initiatives supporting global warming prevention and the preservation of biodiversity through development and dissemination, including the promotion of eco-friendly houses and buildings.

Overall Action Plan for the Environment



Establishing targets through “backcasting”

In identifying the targets for our four themes introduced above, we applied the technique of “backcasting” for the Long-Term Environmental Vision we formulated as our objective for 2055, when Daiwa House Industry will mark its 100th anniversary. We have identified the period from 2025 to 2030 as our milestones, and have indicated the levels to be attained after three years.



Identification of materiality (priority issues)

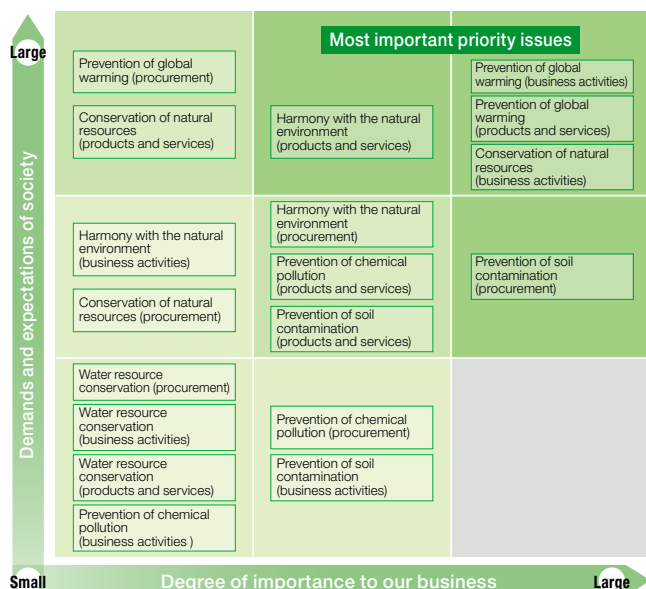
In formulating our Endless Green Program 2018, we reacquainted ourselves with priority issues that address the importance of our company’s environmental initiatives as well as society’s requests and expectations. We also commissioned experts to confirm the validity of these issues and identify their materiality.

In addition, we determined whether important issues we have identified and other issues were in line with our initiatives, and reflected them in our Environmental Action Plan’s target level and basic policy.

Process for identifying materiality



Materiality map



Related page P141 Dialogue with experts and investors

Note: For more details on identifying materiality, please visit our website.

Search

Policies of Endless Green Program 2018

Environmental theme	Phase	Degree of improvement	Policies
Prevention of global warming	Procurement	Implementation	Supporting energy efficiency among suppliers and formulating a certification system for energy-efficient building materials
	Business activities	Continuous improvement	Incorporating smart innovations in new facilities Continuing improvements to energy-efficient operations in existing facilities and the systematic updating of facilities
	Products and services	Priority improvement	Promoting the construction of zero energy houses, buildings and towns Expanding the power generation business by adopting renewable energy (wind, sun, water, biomass)
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Continuous improvement	Promoting sustainable wood procurement
	Business activities	Maintenance and management	Promoting environmental greenery in Daiwa House Industry and its Group facilities
	Products and services	Priority improvement	Promoting the preservation and creation of green spaces in development and town planning
Conservation of natural resources, Water resource conservation	Procurement	Implementation	Identifying risks to resources and water from primary building materials
	Business activities	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the application of the “3Rs” (reduce, reuse and recycle) to construction waste Promoting the adoption of water-saving devices
	Products and services	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources) Promoting reproduction building materials Promoting the adoption of water-saving devices
Prevention of chemical pollution, Prevention of soil contamination	Procurement	Maintenance and management (chemicals) Continuous improvement (soil)	Strengthening the management of chemical substances in the procurement of building materials Strengthening the management of soil contamination risks during land purchases
	Business activities	Maintenance and management	Reducing the release and transfer of PRTR-listed hazardous chemicals during the production stage; reducing VOC emissions
	Products and services	Continuous improvement	Further improving indoor air quality in residential facilities Expanding the response and solution to soil contamination incidents
Strengthening the foundation of environmental management / Environmental risk management			Improving the reliability of environmental performance data within the Group and globally Devising and implementing an environmental law management system within the entire Group

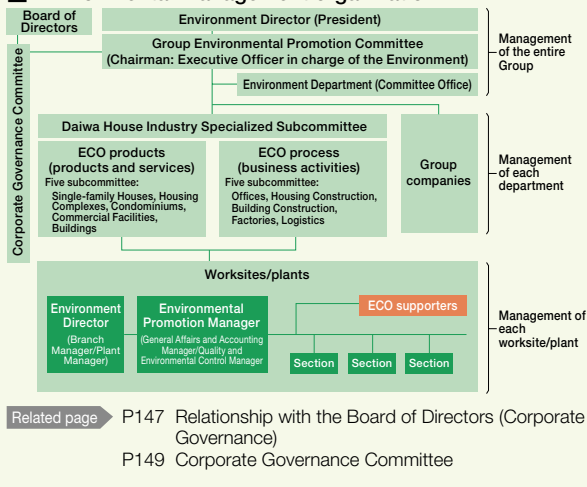
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Environmental Management

Policy and Concept

The Daiwa House Group has its “Long-Term Environmental Vision” shared by the group companies, and formulates an Action Plan for the Environment in a bid to realize it. Furthermore, we are promoting integrated environmental management within our Group and globally in simultaneous pursuit of reduction in environmental impacts and increase in corporate profitability. The Group Environmental Promotion Committee has been established with the Daiwa House Industry COO and the Executive Officer in charge of the Environment assuming Director and Chairman positions respectively. Meeting biannually, the committee supervises our Group’s environmental activities, discusses and makes decisions on basic policies for environmental activities our Group should undertake and environmental risks and opportunities. In addition, the committee has a subsidiary organization consisting of 10 specialized subcommittees with each Executive Officer at the top, which meet quarterly for review. This is the way the subcommittees function as the cross-segment working units, promoting detailed improvement activities. Important matters concerning our environmental management are to be reported to the Corporate Governance Committee through the Group Environmental Promotion Committee. The Corporate Governance Committee, which includes external directors and auditors, discusses what was reported from diverse and long-term perspectives and delivers its recommendations to the Board of Directors as appropriate to make sustainable corporate management go ahead.

Environmental management organization



Promoting Environmental Management

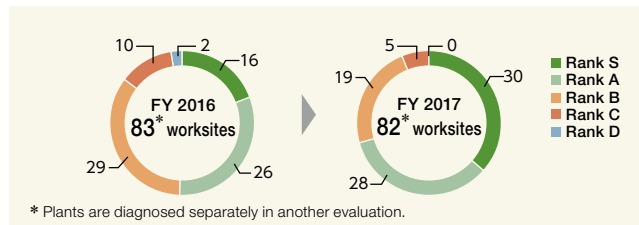
One of the basic policies of Principles of Corporate Ethics is “with the environment.” The entire Group is committed to environmental management in line with this basic policy.

Reflect achievements in environmental activities at worksites in business performance assessment

Our worksites, based on the environmental improvement plan “My Worksite ECO Plan” formulated at the beginning of the fiscal term, undertake respective improvement activities systematically and the progress is quantitatively evaluated according to the five ranks of A through D and S in the form of “Your Worksite ECO Diagnosis.” The diagnosis results are disclosed quarterly and reflected in the worksites’ business performance assessments with an aim to increase the motivation for improvement activities. The worksite which was highly evaluated as a result of diagnosis is commended as the “Most Outstanding ECO Worksite,” while the worksite which failed to perform well is subject to “Follow-up training” by the Environment Department, which helps it analyze what is needed for a better evaluation and make and carry out policies for it.

In fiscal 2017, 30 worksites were awarded the highest level of Rank S, while none was ranked as D. In fiscal 2018, in addition to reviewing evaluation items, we are going to elevate evaluation criteria for the items that will be used continuously to further improve the level of environmental activities.

Results from “Your Worksite ECO Diagnosis”



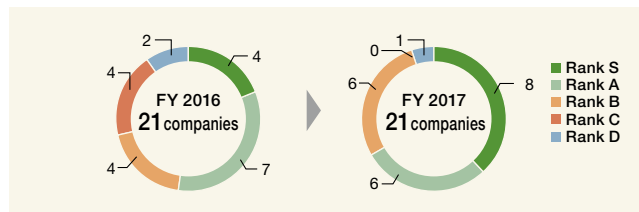
Reflect environmental management results of main Group companies in business performance assessment

In fiscal 2016, we expanded the scope of our environmental management to all of our Group companies including sub-subsidiaries. For those located in Japan among them, we set numerical targets and encourage them to further their efforts. For our 21 main Group companies with a large environmental impact, we have incorporated “environmental management” in our business performance assessment of them, evaluating the progress of our Group companies’ environmental activities according to the five ranks of A through D and S.

In fiscal 2017, we held the first-ever environmental management seminar for Executive Officers in charge of the Environment from our Group companies. It increased the participants’ awareness of the global trend of the environment, society and governance as well as the association between environmental activities and company management through experts’ lectures and they promoted environmental management under the leadership of the management.

With regard to specific promotion of environmental activities, as a result of the Groupwide sharing of improvement examples and specialized education through our Group’s joint working on energy saving or chemicals, eight of the 21 companies were awarded the highest level of Rank S, while one was ranked as D. In fiscal 2018, in addition to continuing these efforts, we are going to enhance environmental information dissemination to Executive Officers in charge of the Environment from our Group companies and further improve the level of environmental activities both in a top-down fashion and a bottom-up fashion.

Group’s environmental performance assessment results



Reinforcing the foundation of environmental management with information technology

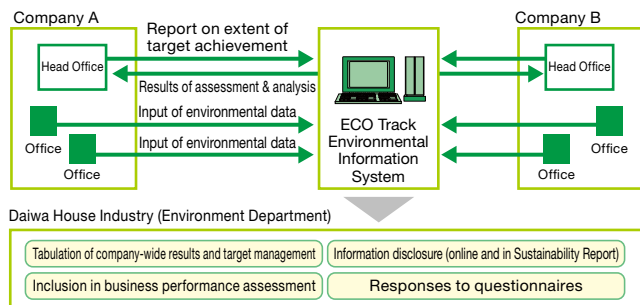
[Environmental performance data management system]

In fiscal 2016, our Group introduced the ECO Track Environmental Information System. Each Group company and worksite enters its environmental performance data into this system on a monthly basis. As a result, CO₂ emissions and waste emissions are tallied, which allows for quarterly monitoring of target achievement status.

Conventionally, detailed data from worksites had been compiled and managed by each Group company, but the introduction of the

ECO Track system enables the unified management of data, improves the accuracy of aggregation, and increases the efficiency of tabulation work. For fiscal 2018, we plan to further increase the efficiency of our environmental initiatives by providing analysis functions and target management for each worksite.

Environmental performance data management system



[System to comply with environmental laws and regulations]

Our Group introduced the environmental regulation management system “Compliance Manager”* in fiscal 2016 and has had in place the integrated environmental law management system within our Group ever since.

As each of our Group companies used to acquire information about environmental laws and regulations and deal with matters individually, they varied in the way they behaved.

We therefore decided to introduce the system to standardize environmental regulation management duties among our Group companies. This facilitates the Groupwide sharing of information about enactment of new laws and law amendments, improves operational efficiency and deepens understanding of law and regulations. In addition, the system makes it possible to report to what extent they comply with laws and regulations, and is responsible for unified management of the Group's risks.

We aim to monitor their compliance degree and rectify their behavior where appropriate in order to minimize risks.

* A web service that makes it possible to clarify environmental laws and regulations to comply with and check and report compliance degree.

Acquisition of ISO 14001 and implementation of environmental audits

The Daiwa House Group has succeeded in acquiring certification of registration with ISO 14001, the international standard for environmental management systems, and we continue to update and maintain our registration status. Moreover, the segment in charge uses the manual made by each company to periodically implement environmental audits and provides instruction and confirmation regarding the operation status of the environmental management system in addition to details of environmental performance, regulatory compliance, and risk avoidance. As well, the results of the audits are reported to the management as material for management reviews and are utilized to promote continuous improvement.

ISO 14001 certification

Company name	Scope certified by ISO 14001
Daiwa House Industry	Production and Procurement Headquarters (excluding Purchasing Department) and all 10 plants (100%)
Daiwa Lease	Entire company (100%)
Daiwa Logistics	Safety and Quality Promotion Department, Mie Branch, Nara Branch, Osaka Minami Branch (former Kansai Haiso Center) (25%)
Fujita	Entire company (including offices outside Japan) (100%)

(as of March 31, 2018)

Environmental accidents and complaints (fiscal 2017)

In fiscal 2017, we were not involved in any serious violations or litigation regarding environmental laws.

Environmental Education and Awareness-Raising

In order to promote environmental activities in which all people can participate, our Group is working on environmental education not only through collective training but also in combination with awareness-raising exercises from a variety of perspectives that include providing support for the acquisition of qualifications and an award system.

Promoting environmental education and qualification acquisition, and the President's Award for outstanding environmental activities

We offer specialized education to each department with emphasis on the main environmental risks including waste and soil contamination, while offering general education focusing on social trends of the environment, our Group's policies, and outstanding environmental activities. Furthermore, in addition to offering training seminars to each ECO supporter in each worksite, we have ECO supporters offer ECO training seminars in their respective worksites continuously (biannually) so that each worksite can share its own challenges and measures against them for better environmental activities.

Since fiscal 2008, we have hosted “Challenge! We Build ECO Contest,” which commends environmental activities that each worksite undertakes. With 199 applications accepted in fiscal 2017, outstanding activities were commended in each of the categories of ECO Products, ECO Process, ECO Technology, and ECO Communication and the most outstanding activity was honored with the President's Award. These outstanding activities are disclosed on the intranet and in the corporate newsletter, while ECO supporters also take the lead in spreading them to the worksites across Japan.

In addition to reviewing the environmental education system, we are going to enhance position- or job-specific environmental education and continue to help employees acquire environmental qualifications so that they will increase their own environmental knowledge and awareness. Furthermore, from fiscal 2018, we are going to install two full-time ECO supporters in each worksite to enhance the development of environmentally-conscious staff and promote environmental activities in which all people can participate.

Environmental education provided (fiscal 2017)

Category	Contents	Form	Number of participants and frequency
Specialized education	Waste management	Auditing	At each worksite, biannually (218 in total)
	Environmental regulation management	Auditing	4 companies
	Soil contamination control measures	Training	606 participants
	Environmentally conscious design	Training	486 participants
	Environmental management	Training	68 participants
General education	ECO supporters	Training	Twice a year (164 participants)
	Eco training at worksites	Training	At each worksite, biannually
	General training for new employees	Training	364 participants
	Group environmental management training	Training	36 participants from 24 companies

(as of March 31, 2018)

Employees with main environmental qualifications (Daiwa House Industry)

Qualification	Number of acquirers (cumulative total)
Eco Kentei (Environment and Social Certification)	1,115
CASBEE Assessor for Home (Detached House)	334
CASBEE Assessor for Building	291
Healthy Housing Advisor	964
Energy Manager	30
House Energy Saving Expert	27
Building Energy Saving Expert	2

(as of March 31, 2018)

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Co-creating a Brighter Future with the Environment

Supply Chain Management in Our Entire Business (Environment)

Policy

The Daiwa House Group has been influencing the global environment as well as diverse stakeholders throughout the supply chain as it procures materials and undertakes construction work. It also has an influence on personnel who work in the material-producing countries and processing sites, suppliers and their employees as well as local communities situated close to construction sites. Therefore, we believe that collaboration with suppliers is indispensable to reducing any negative environmental impacts, and we promote cooperation in all phases of our operations through monitoring, training, and collaborative development.

In July 2015, we established our Basic Procurement Policy and our CSR Procurement Guidelines. Applicable to our Group, our Basic Procurement Policy is intended to advance procurement with consideration for Quality, Cost, and Delivery — or “QCD” — as well as society and the environment. Moreover, the scope of our CSR Procurement Guidelines includes all primary suppliers and stipulates comprehensive social and environmental standards, including human rights, work safety, and environmental protection. As for management of chemical substances and wood procurement in particular, we have established specific guidelines and evaluation standards, and have implemented continual monitoring.

■ CSR Procurement Guidelines (Excerpt of environmental portion only)

(1) Business Partner Code of Conduct

5) Environmental Protection	By contributing to the emergence of a society and lifestyles that allow people to live with a sense of enrichment in harmony with their environment, we are taking steps to reduce our environmental impact from two perspectives: business processes as well as products and services.
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(2) Corporate Activity Guidelines

5-1	Complying with environmental laws and regulations and responding to the demands of society	Complying with domestic and international environmental laws and regulations, we are striving to reduce our environmental impact by meeting the demands of the global community and our stakeholders.
5-2	Responding to climate change	Promoting energy efficiency and reduction of greenhouse gas (GHG) emissions in our products and services as well as in our business processes (such as procurement and processing), we are focused on utilizing natural sources of energy.
5-3	Promoting resource conservation	Promoting “Reduce, Reuse, Recycle,” “Resource conservation, Longer durability, Resource recycling” with consideration for product life cycle (manufacturing, use, disposal) and water resource conservation through thorough water saving and water risk management.
5-4	Managing chemical substances	Providing our suppliers with information on the chemical substances in our products and reducing the use of substances associated with higher risks, we offer products with little impact on our stakeholders’ health and the natural environment.
5-5	Protecting biodiversity	Promoting forest preservation through sustainable wood procurement, we are striving to develop towns in harmony with green spaces and designed with harmony with their local environment.

(3) Guidelines for Products

- ① Chemical Substance Management Guidelines
- ② Biodiversity Guidelines [Wood Procurement]

Related page → P186–188 CSR Procurement Guidelines

Increasing suppliers’ awareness of our environmental policy

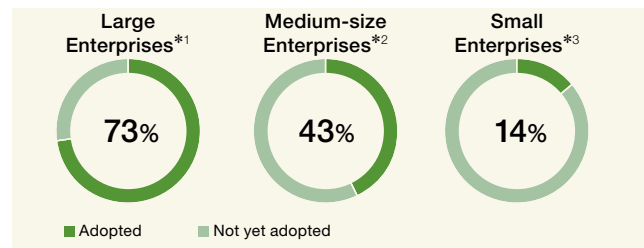
In fiscal 2015, we held briefing sessions on CSR Procurement Guidelines for suppliers and five group companies (Royal Home Center Co., Ltd., DesignArc Co., Ltd., Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.) also held similar briefing sessions for their respective suppliers in fiscal 2016. After it was confirmed that they understood the importance of reducing environmental impacts and environmental risks at the procurement stage through these briefing sessions, we received consent forms for our Group CSR Procurement Guidelines.

In order to enable our suppliers to confirm the progress of our CSR Procurement Guidelines, we have provided a system in which they can make a self-assessment on the website.* In particular, regarding the environment, they can check their compliance with environmental laws and regulations as well as greenhouse gas emissions reduction targets. We are going to share suppliers’ self-assessments with them and conduct in-depth interviews with main suppliers about their environmental efforts in order to further environmental activities.

* Intended for material suppliers, production and construction partners, and suppliers of machinery and equipment



■ Example of self-assessment (Percentage adopting CO₂ emission reduction targets)



*¹ 300 or more employees (75 companies)

*² 50–299 employees (97 companies)

*³ 1–49 employees (421 companies)

Related page → P066 Encouraging Business Partners in CSR Efforts

Management

Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the “Business Partner Code of Conduct” of our CSR Procurement Guidelines. We collaborate on environmental work through our three supply chain networks: The Trillion Club supplies our materials; the Confederation of Partner Companies comprises manufacturing and construction subcontractors; and the Setsuwa Club supplies our facility equipment.

Monitoring of supply chain

To identify risk factors in our supply chain, we check and monitor all subcontractors' work progress in construction sites and plants, using our checklist that includes such items as waste disposal. If there is any problem, we are going to take correction measures in a timely manner, and take action to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question.

From this fiscal year, in order to check the details of greenhouse gas emissions reduction measures, their implementation results, and numerical figures achieved, all of which the traditional self-assessment system has failed to cover, we will conduct questionnaire surveys targeted at the main suppliers. They make it possible to grasp the information about primary and even secondary suppliers' greenhouse gas emissions reduction targets. In addition, we conduct surveys on water intake, drainage volume, and water risk in preparation for water risks in the future.

With regard to wood procurement, the risks associated with the environment and human rights are high compared to other items we procure, so we conduct an annual wood procurement survey targeted at suppliers for Daiwa House Industry (Purchasing Department, Product Development Department, Design and Construction Department, and Condominium Promotion Division) and five of our Group companies to monitor the legality and sustainability of our wood procurement. Should any business partner fail to satisfy our requirements, we conduct interviews with such partners and request them to take some corrective actions.

Regarding the use of chemical substances, we request that our suppliers submit a chemical substance usage report sheet on major building materials to see if they comply with the guidelines.

In order for each supplier to implement environmentally-friendly business activities and product supply according to the CSR Procurement Guidelines, we, in addition to clarifying specific standards, aim to reinforce cooperation with our suppliers for reciprocal audits and information-sharing based on self-assessment and questionnaire survey results to further improve the level of environmental activities.

Related page P127 Conducting wood procurement survey at our suppliers
 P140 Implementation of the Chemical Substance Management Guidelines

Supporting suppliers

We have established a corporate office for each supplier organization to support their operations. Each supplier, working with our corporate office, determines its own priority theme and project every fiscal year to promote them as environmental initiatives.

Since fiscal year 2017, the Trillion Club has organized training seminars for new member companies. Under the theme "Asu Fukaketsuno" (indispensable for tomorrow), the club is trying to make member companies familiar with environmental policies and help them with environmental efforts through delivering lectures at the request of member companies, conducting study tours of member companies' offices and production plants, and providing opportunities for opinion exchange. The Confederation of Partner Companies is promoting horizontal development of improvement activities leading to environmental impacts reduction such as 3Rs in construction sites and CO₂ saving construction through contests and member journals. The Setsuwa Club co-hosts product technology exhibitions featuring member companies' new environmental technologies and seminars to publicize eco-friendly technologies.

	Supplier (organization's name)	Membership	Major efforts
Procurement	Materials suppliers (Trillion Club)	241 companies	Plant energy saving diagnosis, support for equipment updating, joint energy-saving project
	Equipment manufacturers (Setsuwa Club)	149 companies	Joint development of eco-friendly technology, organization of technology exhibitions/seminars
Manufacturing	Partner companies engaged in manufacturing and construction (Confederation of Partner Companies)	4,663 companies	Improvement projects at manufacturing and construction sites, awards for outstanding cases

(as of March 31, 2018)

Co-creating a Brighter Future with the Environment

Focal theme

1

Prevention of Global Warming (Energy / Climate Change)

Challenge ZERO 2055

We aim for zero CO₂ emissions throughout the achieve a carbon-free society.

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"

2055 (ultimate goal)	2030 (milestone)
70% reduction in greenhouse gas emissions per unit of sales from the fiscal 2015 level	45% reduction in greenhouse gas emissions per unit of sales from the fiscal 2015 level
Renewable energy utilization rate 100%* (Renewable energy utilization amount/ electricity use)	Renewable energy rate 100% (Renewable energy-based power generation/electricity use)
Construction of zero greenhouse gas emission houses, buildings and towns	30% reduction in greenhouse gas emissions (per m ²) when using houses and buildings from the fiscal 2015 level

* 2040 Target

Endless Green Program 2018

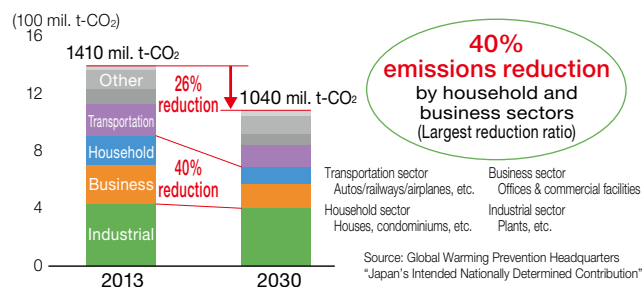
Management indicator	FY 2018 targets
CO ₂ emissions per unit of sales (compared with the fiscal 2005 level)	-60%
CO ₂ emissions (after offset by renewable energy power generation) (compared with the fiscal 2005 level)	-43%
The percentage of renewable energy power generation in electric power purchased	-65%
Contribution to CO ₂ reduction	5,150,000 t-CO ₂

Policy and Concept

Social issues

Recently, abnormal weather events have been increasing in frequency in various parts of Japan and around the world and it is thought that such events may be caused by global warming. In order to counter this trend, at the United Nations Framework Convention on Climate Change known as COP 21, it was agreed to limit the global average temperature increase to well below 2.0°C above pre-industrial levels ("2°C goal") and the Paris Agreement which aims to reach net-zero greenhouse gas emissions from human activities in the second half of this century was adopted. Based on these, Japan set a 26% cut in GHG emissions by 2030 and 80% cut by 2050 compared to the fiscal 2013 levels as targets. On the other hand, looking at GHG emissions in Japan by economic sector, "household," "business" and "other" account for about 40% of the entire amount emitted and the emissions in "household" and "business" sectors have increased by about 70% over the past quarter-century. In order to achieve the 2030 targets, it is required to reduce GHG emissions in these sectors by about 40%.

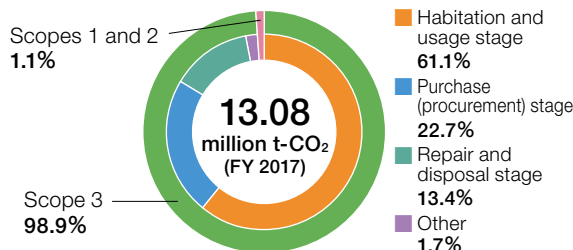
Japan's greenhouse gas reduction goals (2030)



GHG emissions attributable to the household and business sectors in Japan. In addition, we are helping to reduce GHG emissions by improving the energy efficiency of existing houses and buildings and supplying electricity from renewable sources to them.

* Some of the greenhouse gasses such as methane, nitrogen monoxide and chlorofluorocarbons are excluded from targets and results management of our Group as their emissions are low and they do not have great influence.

Greenhouse gas CO₂ emissions in our value chain



Related page P199 Reducing CO₂ emissions in the value chain

Our response to the risks and opportunities facing our Group

In Japan, in order to achieve the 2030 targets, the government has been tightening the energy-efficiency regulations on houses and buildings by, for example, introducing the Building Energy Efficiency Act, and an incentive program is being prepared for advanced energy-efficient structures such as ZEH*1 and ZEB*2. In response to these initiatives, our Group is maintaining and strengthening the energy-efficiency measures for our own facilities to reduce the cost of responding to them. Also, by adapting and making use of the knowhow that we have gained, we are making proposals to our customers with more focus on Zero-Energy house and building construction and town development to increase the number of orders and raise the price of each house and building. In addition, we have entered the business of energy generation from renewable sources. We are expanding this business by making use of company-owned idle land and by making proposals about using idle land held in the public sector. We believe it is important that we will independently increase the use of these products in the medium-to-long term without subsidies and the like. Therefore, we are using green building certifications and have a dialogue with ESG investors and others in order to establish the environmental real estate market at an early stage.

*1 Net Zero Energy House *2 Net Zero Energy Building

Our Group's effect on society and the environment

The Daiwa House Group has been working to "visualize" greenhouse gas emissions* throughout our value chain in order to achieve "zero environmental impacts" in the life cycle. In our Group, GHG emissions derived from our business activities are as low as 1.1% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions from sources other than our company) account for the majority of 98.9%.

In particular, GHG emissions generated in the "habitation and usage stage" of houses and buildings which tend to be used over a long period of time account for about 60%. To tackle this issue, we are reducing the GHG emissions from our own facilities to start with, and by applying the knowhow that we acquire through these efforts to increase the share of our energy-efficient, energy-generating and energy-storing products, we are helping to reduce

Contribution to SDGs



product life cycle through uncompromising pursuit of energy saving and utilization of renewable energy in order to

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊: Goal for fiscal 2017 achieved 🙄: Goal for fiscal 2017 not achieved (improved from the previous year) 😞: Goal for fiscal 2017 not achieved (worsened from the previous year)

Reduction targets achieved through Groupwide energy-efficiency initiatives

In fiscal 2017, we achieved the targets by promoting energy conservation in each company and segment in the Group and by increasing the use of renewable energy.

In the future, it will be required to develop plans for energy conservation that will not involve equipment updating because any possible updating to equipment has been made such as converting to LED lights and improving air conditioning efficiency. Our Group will share knowledge on energy conservation and efficient measures via our Group Energy Saving Joint Working Group as well as continuing to promote energy conservation, mainly through operational improvements by using our unique Energy Conservation Check Sheet.

In addition, we will aim to develop our new company-owned facilities as ZEBs in order to reduce CO₂ emissions generated through our business activities.

A minimum of 60% of the energy we purchase is from renewable energy sources.

In fiscal 2017, the electricity purchased throughout our Group totaled 476,837 MWh, representing a 1.9% increase year-on-year, but the amount of renewable energy we generated also increased significantly to 301,960 MWh, representing a 120% increase year-on-year; consequently, the amount of renewable energy that we generated accounted for 63% of the electricity that we purchased and the target was achieved.

We launched 30 new solar power plants and one hydroelectric power station in fiscal 2017, bringing the total number of operating plants to 180 across our Group, which are capable of generating 235 MW of power in total.

In fiscal 2018, although it is expected that we will purchase more electricity as our business expands, we aim to generate a larger quantity of renewable energy to reach 65% of renewable energy generated to electricity purchased.

CO₂ emissions greatly reduced through our products and services

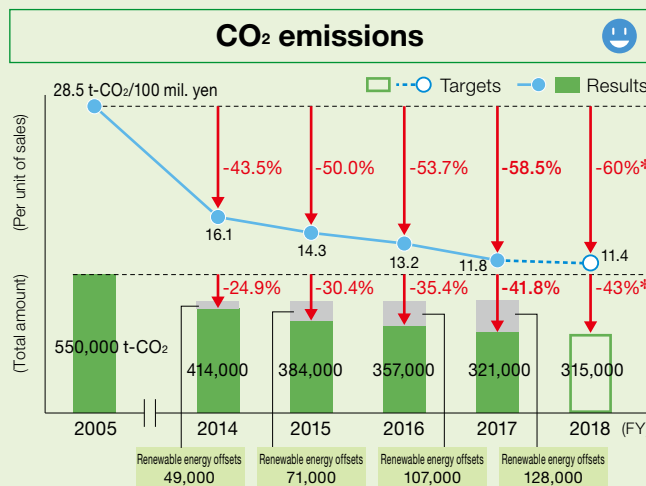
In fiscal 2017, we achieved the CO₂ emissions reduction target, reducing the record-high 5.14 million t-CO₂, which is a 3.6% increase year-on-year.

A further decrease in the capacity of solar power generation facilities to be installed is expected due to a decline in rates offered under the renewable energy feed-in tariff system, but we will work toward a CO₂ emissions reduction of 5.15 million t-CO₂ in fiscal 2018 by making every effort to provide more energy-efficient buildings.

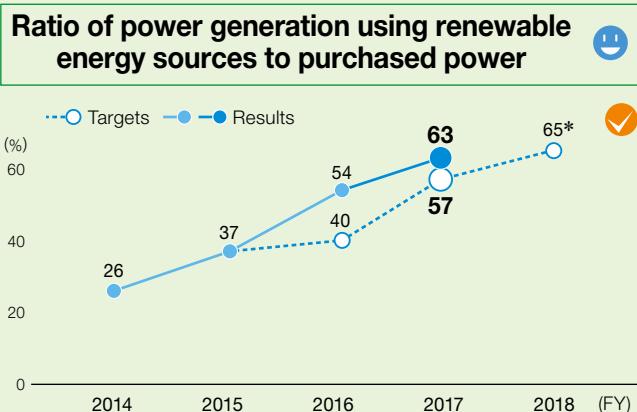
● Contribution to CO₂ reduction

A numerical value representing how much we contributed to reduction of CO₂ emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions.

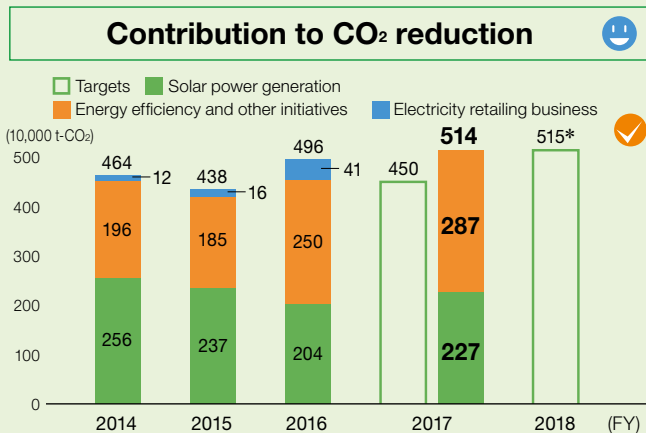
Related page ▶ P198 Calculation method and scope of coverage of environmental data Contribution to CO₂ reduction



* We revised our fiscal 2018 targets upward because our fiscal 2017 results already exceeded our original targets for fiscal 2018.



* We revised our fiscal 2018 targets upward because our fiscal 2017 results already exceeded our original targets for fiscal 2018.



* We revised our fiscal 2018 targets upward because our fiscal 2017 results already exceeded our original targets for fiscal 2018.

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Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

1

Prevention of Global Warming (Energy / Climate Change)

Greenhouse gas emissions reduction in our procurement and business activities

Basic Policy

Support suppliers in their efforts in energy saving and establish the Energy-Efficient Building Materials Recognition System

In order to reduce greenhouse gas emissions in the procurement stage, the Daiwa House Group grasps the current situation and the targets regarding our suppliers' energy-saving efforts and the energy efficiency of their products and is discussing how we should be collaborating with them in this regard.

CSR Procurement Guidelines (Excerpt from "Responding to climate change")

5-2 Responding to climate change

Promote the reduction of greenhouse gas emissions and energy savings through our products and services as well as business activities (procurement and processing, etc.) and work to utilize natural energy.

Related page P186-188 CSR Procurement Guidelines

Incorporate smart innovations in new facilities, as well as continuing improvements to energy-efficient operations in existing facilities and the systematic updating of equipment

The Daiwa House Group is helping to realize a carbon-free society by reducing GHG emissions from our business activities while promoting its renewable energy generation business.

In particular, by using the technology and the knowhow that we have acquired in the construction industry, our Group is working to reduce energy consumption by introducing leading-edge energy-efficient technology in new construction as well as extensive operational improvements and systematic updating of equipment in existing buildings and is aggressively promoting its renewable energy generation business.

Policies for our own facilities

We will aim to build our new company's and Group's facilities as ZEBs in the future.

Energy-Efficient Facilities Investment Guidelines

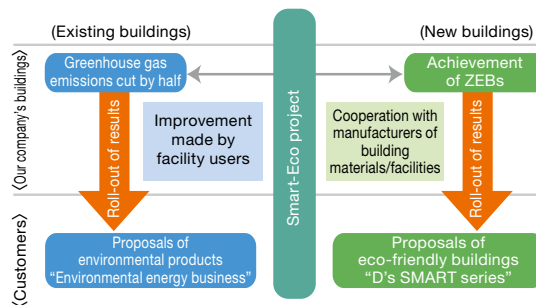
In order to promote systematic energy-conservation initiatives in our company's and Group's facilities, the Group formulated internal Energy-Efficient Facilities Investment Guidelines. These Guidelines require annual energy consumption reduction (per unit of sales) of 3% by investing the amount equivalent to 15% of energy costs into energy efficient facilities.

detailed energy management practices; and enhance the effectiveness of the measures we implement. At regular meetings of energy efficiency promoters, we discuss issues and measures and share future plans. In addition, according to our Energy-Efficient Facilities Investment Guidelines, we make systematic investments into energy efficient facilities such as updating of lighting fixtures and air conditioning with a target investment amount equivalent to 15%.

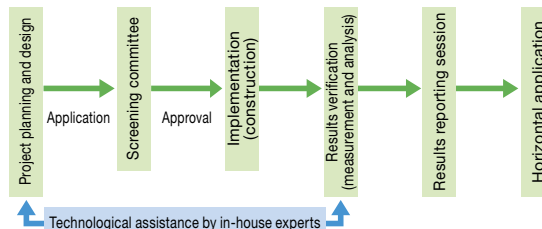
Employing Our Environmental Management Budget System to develop examples of leading-edge technologies

The Daiwa House Group has introduced advanced energy-efficiency technologies in our company's and Group's facilities while promoting the commercialization of the Smart-Eco Project and its horizontal application through demonstrations and testing. As the supporting system, we have introduced the Environmental Management Budget System. In addition to the public subsidy, we contribute to our in-house budget for leading-edge projects that meet our internal standards, such as the introduction of innovative environmental technologies. This system is intended to support the implementation of these projects. Under this system, the phases of planning, design, review, implementation, results verification, reports, and horizontal application are combined into a single cycle. We strive to maximize results with the technological assistance provided by our in-house experts.

Smart-Eco project



Operational flow of the Environmental Management Budget System



Plan for introducing renewable energy

As one of the efforts to reduce greenhouse gas emissions, our Group introduces renewable energy at our new company facilities such as offices, commercial buildings, sports and nursing care facilities and promotes the self-consumption of electricity that we generate. We stipulate that offices and sports facilities must set up solar power generation systems in the Office Relocation & Opening Manual and the Facilities Setup Policy respectively.

Management

Energy Management System

Under the Act on the Rational Use of Energy, the Daiwa House Group appoints energy management supervisors and energy-efficiency promoters. Considering the wide range of business sectors we are engaged in, we voluntarily appoint these energy management supervisors and energy-efficiency promoters in each sector, including factories and shopping centers; implement

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In addition to newly built facilities, we will also consider whether renewable energy can be introduced at facilities in need of repair and will introduce it as much as possible, to increase the renewable energy consumption share across the Group.

Major efforts

Greenhouse gas emissions reduction at the procurement stage

We have determined that 98.9% of our greenhouse gas emissions attributed to the value chain can be classified as Scope 3 emissions (indirect emissions from sources other than our company). Among these Scope 3 emissions, 22.7% are attributable to purchased products and services. Because this represents the second largest portion, followed by use of sold products, emissions from this procurement stage are considered a very important category.

As a result, we formulated our CSR Procurement Guidelines in fiscal 2015 and are encouraging our suppliers to address climate change together with us. In fiscal 2016, we established a mechanism that enables our suppliers to self-assess how they set their GHG emissions targets and how well they understand their GHG emissions in the production stage.

In the future, referring to the results of the self-assessments, we will conduct surveys with our major suppliers to understand their more detailed situations. We will share information on what they specifically do as their energy efficiency initiatives and how GHG emissions targets are set at tier 2 suppliers, to improve the levels of energy efficiency efforts. In addition, to reduce GHG emissions attributable to habitation and the usage stage of the houses and buildings that we provide, we will also formulate procurement standards that assign higher priority to facilities and building materials exhibiting high energy-efficiency and insulation values.

Related page P115 Increasing suppliers' awareness of our environmental policy
P199 Reducing CO₂ emissions in the value chain

Building our new facilities as ZEBs

In the past, we developed new company facilities with the environmental performance goal of achieving a minimum CASBEE (Comprehensive Assessment System for Built Environment Efficiency) rating of A and a maximum BEI (Building Energy Index) index of 0.7.

In fiscal 2017, we set an even higher target and established a policy that we must aim to develop new company facilities as ZEBs. We will reduce GHG emissions generated from our business activities by building or rebuilding company facilities as ZEBs.

Continuing improvements to energy-efficient operations in existing facilities and the systematic updating of equipment

We identify the top runner energy-efficient workplaces for each building application and implement intensive energy conservation measures at these workplaces and roll out those measures that were found to be effective in other workplaces.

In fiscal 2017, Group Energy Saving Joint Working sessions were held twice to share knowledge and knowhow useful for energy conservation among Group companies, and created an Energy Conservation Check Sheet including a list of energy conservation measures which are easy to implement in terms of operations. This check sheet is utilized at large facilities.

In fiscal 2017, we made investments in energy-efficient facilities to the tune of 1.3 billion yen, equivalent to about 17% of our total energy costs. We estimate that this investment will accrue an 8,000 t-CO₂/year reduction in greenhouse gas emissions. We will continue to shift our equipment to energy-efficient ones in a systematic way according to the Energy-Efficient Facilities Investment Guidelines.

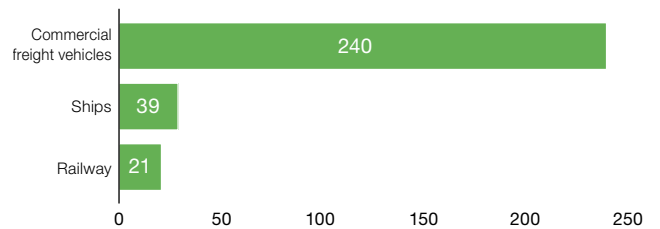
Related page P195 Environmental Data Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (existing)

Changing the transportation modes

As we transport materials from our own plants to construction sites, we are also working on the reduction in greenhouse gas emissions generated during transportation. Generally, such GHG emissions can be reduced by moving freight with ships and by rail instead of using trucks.

In fiscal 2017, we started transporting materials produced at our Tochigi Ninomiya Plant to a warehouse in Aomori prefecture by rail instead of using trucks. In addition, we increased the distance of railway transportation when moving freight from our Tochigi Ninomiya Plant to the Hakodate area and the distance of ship transportation when moving freight from the same plant to the other areas in Hokkaido, in order to shorten the distance of truck transportation. This has allowed us to reduce approx. 48 t-CO₂ of GHG emissions in half a fiscal year and to improve the working environment of the truck drivers.

CO₂ emissions per volume of transportation (fiscal 2016, freight)



Source: CO₂ emissions in the transportation sector by the Ministry of Land, Infrastructure, Transport and Tourism

World's first in the construction/housing industry to join EP100 and RE100

In March 2018, the Daiwa House Group joined the international EP100 and RE100 initiatives, both committing to promote the use of renewable energy and improve energy productivity operated by an international NPO, the Climate Group. We became the world's first company in the construction/housing industry to join these programs.

As part of EP100, we have set a target of improving the energy productivity* in the Groupwide business activities 1.5 times higher by 2030 and doubling it by 2040 compared to 2015 levels. As part of RE100, we are aiming to supply electricity from renewable energy sources (including selling electricity) that exceeds the electricity consumption by 2030 and then, to switch to self-consumption and to supply 100% of Groupwide electricity from renewable energy sources by 2040. Our Group will further work toward investments into energy-efficient facilities and operational improvements, and the introduction of renewable energy in order to achieve these two long-term targets set for the international initiatives. We will help to realize a carbon-free society through these efforts.

* The amount of revenue per unit of energy



EP100 and RE100

With an aim to achieve the goals stipulated in the Paris Agreement adopted at the 21st session of the Conference of the Parties to the Framework Convention on Climate Change known as COP 21, the Climate Group operates these international initiatives to promote more productive use of energy, adaption to climate changes and others. EP100 brings together a group of companies aiming to double their energy productivity by introducing highly energy-efficient technology and initiatives while RE100 brings together a group of companies aiming to procure 100% of electricity required for business operations with renewable energy.

Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

1

Prevention of Global Warming
(Energy / Climate Change)

Helping to reduce greenhouse gas emissions through our products and services

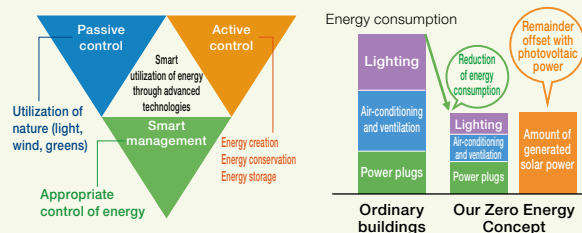
Basic Policy

Promoting the development of zero-energy homes, buildings and communities

The Daiwa House Group is supporting the emergence of carbon-free society by promoting the development of zero-energy-loss towns across Japan. While energy consumption can be minimized through the smart use of natural wind and sunlight, we are also generating renewable energy with the objective of achieving a balance between the amount of energy generated and the amount consumed throughout the year.

Moreover, our goal is not only to maintain a zero energy balance; we are also working to develop energy self-sufficient houses, buildings, and communities. We remain dedicated to providing society with added value that contributes to new lifestyles.

■ Our zero energy concept



Expanding the business of energy generation from renewable sources (wind, sun and biomass)

The Daiwa House Group is promoting the introduction of wind and solar power generation systems in our own facilities and on idle land with the intention of generating the amount of electricity required for our business activities from these renewable energy sources by 2030 and of supplying 100% of Groupwide electricity with renewable energy by 2040.

Management

Single-family housing: ZEH-compatible “xevo Σ” and environmental brand “For Nature” to make more proposals for environmentally-friendly houses

Our flagship single-family housing product, “xevo Σ” (pronounced “zevo sigma”), is an environment-friendly product compatible with ZEH, the Net Zero Energy House. We also launched “For Nature,” an environmental brand of single-family housing equipped with environmental products such as Ene-Farm domestic fuel cells and solar power generation systems on our unique exterior insulated vent wall to facilitate the setup of these items; thus we are increasing proposals for and the sales of new single-family houses that can help to reduce environmental impacts.



Rental housing: Promoting acquisition of energy-efficient housing certifications and its diffusion into society

In our rental housing business, we are facilitating the use of the Low-Carbon Building Certification System*1 and the Building-Housing Energy-efficiency Labeling System (BELS)*2 as a way to get owners and residents interested in energy-efficient housing.

In order to promote these efforts, we are standardizing certified specifications and any certifications that have been issued are displayed on the rental housing search sites managed by our Group.

*1 The competent administrative agency certifies buildings that help to reduce CO₂ emissions.

*2 A third-party evaluation body evaluates and certifies the energy-efficiency of new and existing buildings. The efficiency levels are shown with ★ in five ranks.

Commercial and office buildings: Operation of Guidelines for Design for the Environment

In our commercial and office building segment, we follow the Guidelines for Design for the Environment that we first adopted in 2009. Specifically, during a design review, we use the Design for Environment Assessment Sheet to check whether the design fulfills the concept of environment-friendly D's SMART Series buildings and others to conduct quantitative assessments on the environmental-friendliness. Through these mechanisms, we utilize the technology and knowhow that we gained through demonstration tests of our own facilities for customers' building proposals. The same assessment methods are also employed by Daiwa Lease Co., Ltd. and Fujita Corporation in our Group.

Community development: Developing and operating the Designing for Community Development into the Future - community development guidelines

Daiwa House Industry developed the Designing for Community Development into the Future as community development guidelines in 2016 and established the eight core values including the environment that we would like to provide people and community.

In fiscal 2017, we revised the Designing for Community Development into the Future Handbook that had been developed together with Designing for Community Development into the Future. This gives specific ideas for increasing the eight values and these ideas are disclosed on the intranet. We are facilitating the development of a comfortable community for people to live by rolling out these initiatives across the country.

Promoting renewable energy

In order to accelerate the introduction of renewable energy across the Group, the Daiwa House Group launched the DREAM* Project. Under the concept of Wind, Sun and Water, we are launching wind power, solar power and hydroelectric power generation systems on our unused land as well as idle land owned by local governments and companies.

* D: Daiwa House Group, R: Renewable, E: Energy, A: Asset, M: Management

Major efforts

Single-family housing: Further increasing the number of ZEHs

In our single-family housing business, Daiwa House Industry is making efforts aiming to realize energy self-sufficient housing in 2020.

Our flagship “xevo Σ” housing product provides high-level energy efficiency with good thermal insulation. In addition, by making proposals with more focus on solar power generation systems, highly-efficient water heaters and energy-efficient devices which are provided in our environmental brand housing called “For Nature,” we can further improve the energy-efficiency and realize ZEHs. We will make proposals with more focus on ZEHs to our customers for our new single-family houses to further reduce environmental impacts.



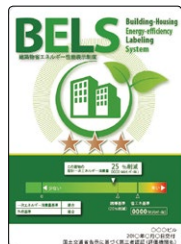
Appearance of xevo Σ

Rental housing: Promoting acquisition of BELS certifications – Leading the industry with one of the highest number of certified buildings

In our rental housing business, we are promoting the acquisition of the BELS certifications with an aim to improve the energy efficiency of buildings that we provide. In fiscal 2017, 2,339 buildings received the Building-Housing Energy-efficiency Labeling System (BELS) rating of three stars (BEI* ≤ 0.9) or higher which accounts for approx. 50% of all the buildings that we provided (a 26% increase year-on-year). Among these buildings, 1,567 received the BELS certifications. Utilizing these results, we are trying to make our customers aware of the importance of the environment.

Daiwa House Industry will drive this initiative further and actively work toward the acquisition of a 5-star BELS rating (BEI* ≤ 0.8).

* Building Energy Index. Designed primary energy consumption / standard primary energy consumption (excluding consumption by home appliances and OA equipment).



BELS certification mark

Commercial and office buildings: Developing environmentally-friendly technologies for various types of buildings and promoting ZEBs

We are promoting the Smart-Eco project under the concept of Intelligent Energy Use through Advanced Technology. We sell the D's SMART Series which packages environmentally-friendly technologies for buildings for various applications based on the results of experiment verifications conducted at our facilities to increase the number of ZEBs (Net Zero Energy Building). We first released D's SMART OFFICE for offices in fiscal 2011, then developed D's SMART Series for six different applications – STORE for stores, FACTORY for factories, LOGISTICS for logistics centers, SILVER for nursing facilities and MEDICAL for medical facilities. In fiscal 2017, we took advantage of subsidies and made proposals with more focus on ZEBs. We also increased the number of ZEBs to 104 (53 buildings)* including ZEB Ready and Nearly ZEB. In the future, we will make use of the knowledge we have gained from these efforts and focus on the further advancement of ZEB technologies and the development of new technologies in order to provide energy self-sufficient buildings which are advanced versions of ZEBs to society.

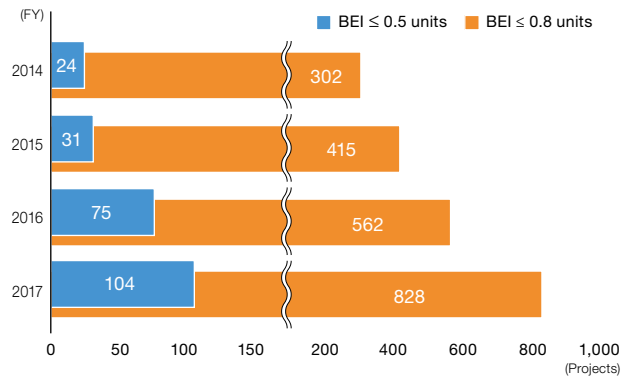


Head Office, Hoko Electronics Co., Ltd.

* 104 is the number of facilities that are designed as ZEBs and 53 is the number of buildings that have these facilities (the total of the three companies in Group).

Number of units designed to ZEB*1 specifications or guidance standards*2

Notes: Number of combined-use buildings by application
The numbers for fiscal 2017 are the results of our Group



*1 Buildings with BEI ≤ 0.5 are ZEB in a broad sense and include ZEB Ready and Nearly ZEB structures.

*2 Buildings with BEI ≤ 0.8 meet Japan's guidance standard as specified in the Building Energy Efficiency Act.

Community development: Further increasing the number of evolved ZETs

After developing Japan's first Net Zero Energy Town (ZET) in 2013, our Group created four* ZETs in Japan, including the SECUREA Toyota Kakimoto (Aichi prefecture) for which we significantly reduced costs by adopting the passive design for efficient use of natural energy and energy-efficient designs and the SMA-ECO Town Hidamari-no Oka (Mie prefecture) for which we provide services to the residents using revenues made from solar power plants in the town shared by them. Through these efforts, we are working to create new values in the towns, not just only achieving zero-energy communities. Our Group is making efforts to realize even more advanced ZETs through the creation of these new values.

* 65 houses in Sakai city, Osaka (2013), 66 houses in Kuwana city, Mie prefecture (2014), 21 houses in Toyota city, Aichi prefecture (2015) and 21 houses in Toyama city, Toyama prefecture (2016)

Promoting acquisition of Green Building Certifications

The Group is promoting acquisition of green building certifications. In the preceding fiscal year, we acquired certifications for long-term superior housing, low-carbon building certifications, and BELS certifications (energy efficiency star ratings that demonstrate a specific superior level of energy efficiency).

■ Status of acquisition of Green Building Certifications (fiscal 2017)

Long-life quality housing	7,486 units (single-family houses)
Low-carbon building certification	205 units
BELS certification	1,567 units

Related page P197 Environmental Data Status of certification and acquisition of Green Building Certifications

Actively introducing renewable energy

In fiscal 2017, we started the operation of 30 new solar power plants including DREAM Solar Fujiyama in Shizuoka prefecture, bringing the total number of operating renewable power plants to 180 across our Group. As of the end of fiscal 2017, the total output of the renewable power plants operated by the Daiwa House Group was 235 MW. The annual power generation of these facilities totaled 302 GWh, which represents 63% of our Group's electricity purchases of 477 GWh. In 2018 onwards, we will continue to launch new solar power plants. We plan to start the operation of our second wind power plant in 2019 in Seiyo city, Ehime prefecture.

Co-creating a Brighter Future with the Environment

Prevention of Global Warming (Energy / Climate Change)

Topics

Reinforcing efforts toward the realization of a carbon-free society as the Group as well as globally by participating in the international initiatives (SBT, EP100 and RE100)

The Paris Agreement

At the United Nations Framework Convention on Climate Change known as COP 21, the Paris Agreement was adopted and one of its long-term goals is to limit the global average temperature increase to well below 2.0°C above pre-industrial levels. In response to this, the Daiwa House Group made a commitment to set up Science Based Targets (SBTs) based on the SBT initiatives in order to achieve the Paris Agreement goal. Currently, we are working toward the approval of the SBTs.

Our Group's Long-term Environmental Vision, Challenge ZERO 2055, describes how we would like the Group to be in 2055 when we celebrate our 100th anniversary saying, "To contribute to the emergence of a carbon-free society, we are targeting zero CO₂ emissions throughout the product life cycle by promoting thorough energy-efficiency measures and utilizing renewable energy."

Between fiscal 2005 and fiscal 2015, we successfully reduced the greenhouse gas emissions per unit of sales by 41%* by the efforts of the Group companies conducting energy conservation activities and utilizing renewable energy. We changed the benchmarks from fiscal 2005 to fiscal 2015 according to the SBT approval criteria and have set up new reduction targets.

* According to the SBT rules, this was calculated using a CO₂ emission factor of energy which is different from the one in the Action Plan for the Environment.

Paris Agreement (December 2015)

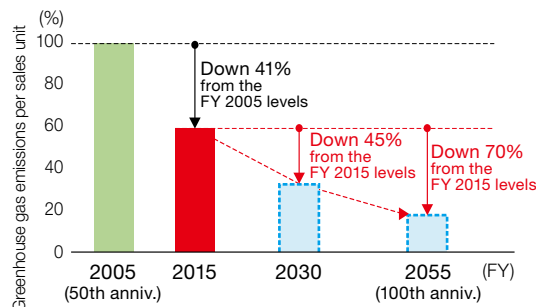
Limit the global average temperature increase to well below 2.0°C

2050
Global GHG emissions
50 – 70% reduction

In the second half of this century
Net zero GHG emissions globally

196 countries agreed

The world will work toward a carbon-free society
(zero energy & renewable energy 100%)

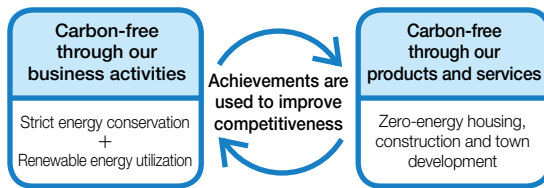


To achieve the targets

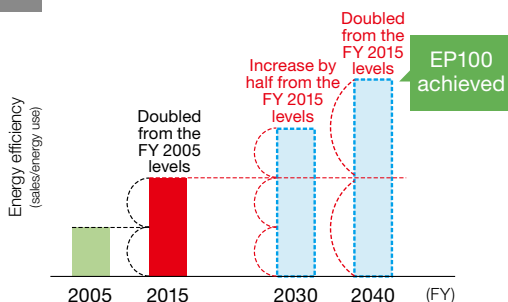
To work toward the achievement of the SBT targets, the Daiwa House Group joined the EP100 and RE100 initiatives in March 2018, which are operated by an international NPO, the Climate Group, and we became the world's first company in the construction and housing industry to join these two initiatives. In order to achieve the two long-term targets set for the international initiatives, we will make every effort to build our new facilities as ZEBs as well as improving energy efficiency by rolling out energy conservation measures at top runner energy-efficient workplaces and making investments into energy efficient facilities and operational improvements for the existing facilities. In addition, we will help to realize a carbon-free society by actively introducing renewable energy mainly from the solar power generation systems at our facilities.

Efforts to be made through our business activities as well as products and services

As our Group is engaged in the construction, real estate and environmental energy businesses, we will make every effort to develop and provide more energy self-sufficient houses, create ZEBs, develop smart cities and expand the environmental energy business utilizing the knowhow on energy efficiency, energy generation and energy storage that we worked on at our own facilities. We will tackle climate changes as a social issue through our business activities as well as products and services.



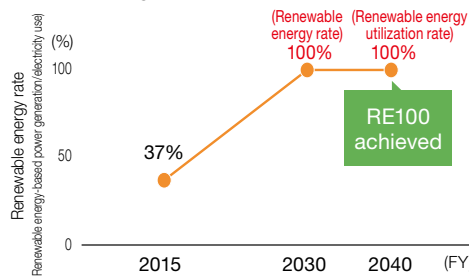
EP100 target Improve the energy productivity in the Groupwide business activities 1.5 times higher by 2030 and double it by 2040 compared to fiscal 2015 levels



[Specific measures to achieve the targets]

- Build our new facilities as ZEBs
- Roll out energy conservation activities at the top runner energy-efficient workplaces identified for each building application
- Continue investments in energy-efficient facilities (15% of the energy cost)
- Operate environmentally-friendly sophisticated facilities using the BEMS, etc.

RE100 target Supply electricity from renewable energy sources (including selling electricity) that exceeds the electricity consumption by 2030 and supply 100% of Groupwide electricity from renewable energy sources by 2040



[Specific measures to achieve the targets]

- Introduce renewable energy at our new and existing facilities
- Develop mega-solar power systems
- Develop wind power generation systems
- Develop hydroelectric and biomass power generation systems

Topics

Example Development of a smart community with the Community's Solar Power Plant and single-family houses equipped with three types of batteries

Daiwa House Industry developed a smart community as part of the Toyama City Safe & Eco-smart Model City Block Development Project in October 2017. All of the 21 single-family houses built in the community are equipped with three types of batteries, i.e. a solar power generation system, home lithium ion batteries (6.2 kWh) and home fuel cells as well as our original D-HEMs. In addition, a system to visualize energy use in the whole community called SMA × ECO Cloud and a solar power generation system shared by all the residents in the community called Community's Solar Power Plant (10 kW) are used. Through these efforts, we aim to create Net Zero Energy Town (ZET).

At the public facilities in this community embracing the concept of the D's Smart Office, our environmentally-friendly building product, the energy consumption is reduced with technology that utilizes natural energy such as light ducts. In addition, the facilities are equipped with a solar power generation system, home lithium ion batteries and a micro cogeneration system so that they can serve as a disaster management center in the community in case of emergencies such as blackouts and the like.



Toyama City Safe & Eco-smart Model City Block Development Project

Example Development of a self-sufficient office using renewable energy (Saga prefecture)

In March 2018, our Group built the Daiwa House Saga building equipped with an energy self-sufficient system that is comprised of a solar power generation system and batteries enabling it to be fully powered with renewable energy. We are planning to make this building fully powered with renewable energy at the operational stage.*

This building is equipped with an energy self-sufficient system in which a solar power generation system and batteries are used in tandem, and development of this system is also being conducted here. Various types of environmentally-friendly technologies such as a solar power generation system (83.2 kW), lithium ion batteries (75 kWh) and an air-conditioning system which uses well water and solar heat are utilized, making the building fully powered by off-the-grid energy. In addition, because we use power output from the solar power generation system and the batteries (direct current) as is, we can reduce the power lost due to the conversion of AC into DC by approx. 8%. This building received a BELS rating of ☆☆☆☆☆ (81% reduction in primary energy consumption) meeting the Nearly ZEB standards.

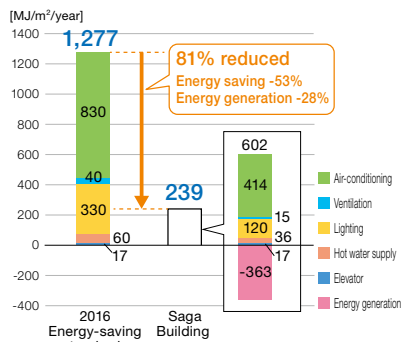
A Well Water & Solar Heat Hybrid Air-Conditioning System which uses well water pumped from underground and solar collectors on the rooftop is used to provide electricity to the air-conditioners that consume the largest amount of power. This system and natural ventilation can reduce electricity consumption required for the air-conditioning of the building by approx. 70% compared with the energy-saving standards.

* The primary energy consumption at the design stage was reduced by 81%, but at the operational stage where the buildings are actually used, we will work to achieve the energy self-sufficiency by significantly reducing energy consumption through natural ventilation and other measures and by trying to use air-conditioning as little as possible in spring and in autumn.



Daiwa House Saga Building

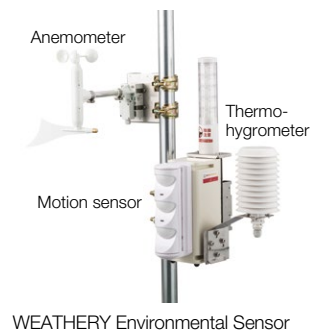
Primary energy consumption (at the design stage)*



Example Adapting to climate change –How to prevent heatstroke on construction sites

In recent years, global warming has been increasing the number of extremely hot days, and we are at a greater risk for heat stroke. In particular, on construction sites, where workers work outdoors, it is extremely important to prevent heatstroke in response to climate change.

As ways to prevent heatstroke, Daiwa House Industry and the Confederation of Partner Companies set up rest areas on construction sites where workers can rest in the shade, supply water and other drinks at all times and provide educational programs aimed at preventing heatstroke. In fiscal 2016, we developed the WEATHERY environmental sensor in cooperation with its manufacturer. It incorporates three sensors: motion, wind speed, and temperature & humidity. When it detects a temperature, humidity, or wind speed exceeding a reference value, it notifies the administrator by e-mail while also triggering an indicator light and voice alert. Using this device, we can know the weather status even when we are not on the sites, enabling us to take steps to prevent heatstroke or prepare for strong winds at an early stage as a preventive measure. As of May 15, 2018, a total of 927 sensors have been installed at construction sites. We will continue to make efforts for increased use of this innovative system.



Co-creating a Brighter Future with the Environment

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Challenge ZERO 2055

In order to preserve and improve our natural procurement and by developing communities

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"	
2055 (ultimate goal)	2030 (milestone)
Zero deforestation arising from material procurement for all business segments	Zero deforestation resulting from wood procurement as a building material for houses and buildings
No net loss of green space (green space lost ≤ green space created)	Expansion of green spaces
	Determining quantity of green space lost

Endless Green Program 2018	
Management indicator	FY 2018 targets
Ratio of C-ranked wood in procured wood	0%
Surface area of green spaces	800,000 m ²
Compliance rate with voluntary standards for biodiversity conservation (development)	100%

Policy and Concept

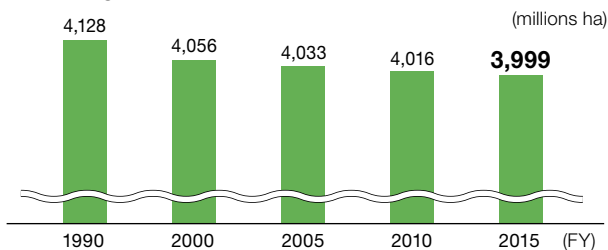
Social issues

The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 tells us that it was realized again that our daily lives are supported by various natural blessings (known collectively as "ecosystem services") and that, to ensure we will receive these benefits sustainably well into the future, it is important to conserve the forests, oceans, and other ecosystems that produce these benefits. However, biodiversity in Japan remains on a downward trend*1 as a result of development and other human activities.

Globally, forests currently account for about 4 billion hectares, or about 31% of the total land area, but they continue to recede*2. The deforestation and deterioration of forests are having serious impacts on global warming and loss of biodiversity; therefore, we must take steps to implement sustainable forest management while eliminating illegal logging, one of the aggravating factors.

*1 Source: Ministry of the Environment "Comprehensive Assessment of Biodiversity and Ecosystem Services" (JBO 2)
 *2 Source: Forests and Forestry White Paper, 2016 edition

Trend in global forested area



Source: United Nations Food and Agriculture Organization (FAO) "World Forest Resource Assessment (FRA) 2015"

Our Group's effect on society and the environment

The development projects in which our Group participates over the course of a year cover about 100,000 square meters, which has a not insignificant effect on the natural environment. Before undertaking these development projects, we first make an effort to gain a thorough understanding of the natural environment's potential on the site. We then seek to implement the commercial development while minimizing the loss of this potential. Moreover,

in our external structural plans related to the construction of houses and buildings, we contribute significantly to the formation of local ecosystem networks by improving site greening, all the while focused mainly on local native species and the like.

On the other hand, the structural materials and interior materials we utilize for these houses and buildings involve the consumption of large quantities of lumber. In a given year, the Daiwa House Group consumes about 38,900 m³ of wood sourced from countries of origin located around the world. In an effort to minimize global deforestation, we are encouraging the use of wood that is obtained legally and sustainably through our supply chain.

Our response to the risks and opportunities facing our Group

In the event that a development project contributes to the loss of a local ecosystem, we face the risk of a loss of business opportunities or the cost of restoring the ecosystem. As we procure wood over the long term, demand for legally and sustainably harvested wood will surely increase, as this is one of the main materials our Group uses. Concerns have arisen that procuring such wood will become difficult, possibly generating a hike in the purchase price. In response, we have adopted our Biodiversity Guidelines [Development & Community Creation]. One of the management indexes we have established for developments above a certain scale is "compliance with (development) voluntary standards." For wood procurement, we have formulated our Biodiversity Guidelines [Wood Procurement]. We are taking steps to minimize risk by extending its scope across our Group and revising our wood evaluation criteria from time to time in collaboration with environmental NGOs.

Meantime, house purchasers and facility owners are beginning to find ever more value in maintaining harmony with the natural environment and conserving biodiversity more than ever. Therefore, the value added to houses and buildings that accommodate user needs is increased, and expansion of environmental greening projects and the like can be expected. Our Group proactively promotes housing, facilities, and town development in harmony with the natural environment and takes into consideration the protection of biodiversity; at the same time, we are working to create a mechanism to maintain and preserve greenery. Through these efforts, we aim to improve the appeal of the town, protect asset values, and contribute to the formation of a positive community.

Contribution to SDGs



11.7



12.8



15.1
15.2

capital, our Group shall achieve no net loss of green space by ensuring zero deforestation through material filled with greenery.

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

🟢: Goal for fiscal 2017 achieved 🟡: Goal for fiscal 2017 not achieved (improved from the previous year) 🔴: Goal for fiscal 2017 not achieved (worsened from the previous year)

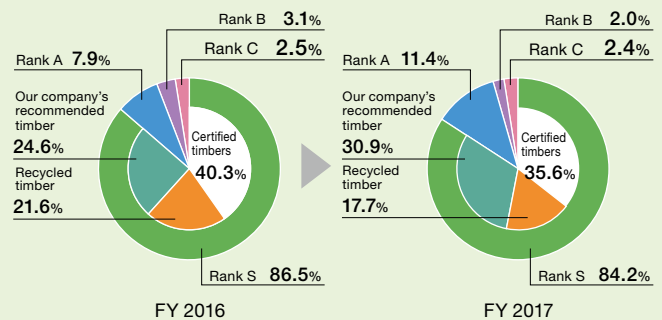
C-ranked wood associated with sustainability issues reduced to 2.4% of total

In fiscal 2017, we shared our procurement standards with our suppliers through our CSR Procurement Guidelines to increase the ratio of S-ranked wood while improving the C-ranked.

As a result of this initiative, in fiscal 2017, our usage of C-ranked wood saw a 0.1% improvement year on year although it did not reach the 1.2% target, while our usage of S-ranked wood saw a decrease of 2.3% from last year (84.2%). We will continue to work to improve the situation by requesting our suppliers to switch their suppliers in order to reduce our usage of C-ranked wood to 0% within fiscal 2018.

Ratio of C-ranked wood in procured wood 🟡

Assessment result of procured wood

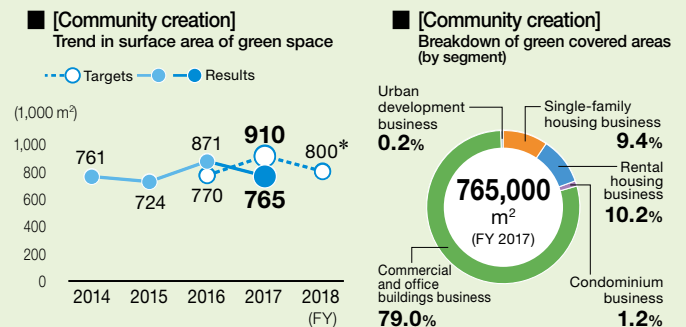


The green-covered area totaled 765,000 m² for the fiscal year, equivalent to the area to 16 Tokyo Domes, failing to meet the target

In fiscal 2017, we received more orders of buildings with a larger building area and a smaller external structure area relative to the site area, thus the green-covered area created by all the businesses saw a decrease of 12% year on year, totaling 765,000 m² and failing to meet the 910,000 m² target. This is mainly because of the decrease in the external structure area created in our commercial and office buildings segment. Based on this situation, we will work to increase the percentage of the green-cover area in the external structure area and encourage the relevant employees to include green spaces in the initial proposals.

In fiscal 2018, we will work to increase the green area coverage and improve the quality, aiming to reach 800,000 m², which is an approx. 10% increase above the fiscal 2015 level.

Surface area of green space 🔴



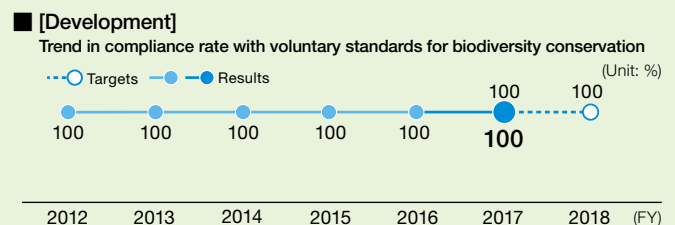
* We revised our fiscal 2018 target downward because our fiscal 2017 result was worse than that of the previous year.

Maintaining and continuing compliance with voluntary standards for biodiversity conservation on large development projects.

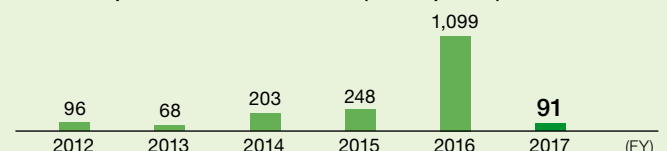
In fiscal 2017, the site (developed) area of our development sector decreased significantly to 91,000 m², however, the percentage of compliance with our own voluntary standards* according to our Biodiversity Guidelines [Development & Community Creation] has remained stable at 100% every year since 2012. We will further pay attention to the biodiversity in the development stage and stay in compliance with the voluntary standards.

* For our large-scale development projects, our evaluation tool comprising 30 independently determined and self-evaluated items applied a rank of B or higher regarding our compliance with our voluntary standards. These evaluations are performed by the individuals in charge of the respective projects, and the state of compliance with standards is determined by the various departments of the Head Office.

Compliance rate with voluntary standards for biodiversity conservation (development) 🟢



Trend in performance of site area (development) (Unit: 1,000 m²)



Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Preserving biodiversity in our procurement and business activities

Basic Policy

Promoting sustainable wood procurement

The business operations of the Daiwa House Group are dependent on the abundant natural capital provided by our environment. In particular, our procurement activities can have a major impact on biodiversity and the natural environment. The aspect of our natural capital that is most affected by our Group is wood. So, in light of the status of logging areas, we are working to promote the adoption of certified wood and recycled wood as part of our wood procurement in consideration of the legality and sustainability of logging areas with the goal of meeting our Biodiversity Guidelines [Wood Procurement] in terms of reducing deforestation to zero.

Excerpt from our Biodiversity Guidelines [Wood Procurement]

1. Certified wood
Procure wood that has been certified by various organizations.
2. Recycled wood
Procure wood recycled from construction scrap.
3. Our company's recommended wood
When procuring wood that is not classified as certified or recycled, verify if it meets or exceeds certain standards in terms of legality (three items) and sustainability (eight items) and procure only wood that is judged to meet a certain minimum level.

Related page P186-188 CSR Procurement Guidelines
P203 Environmental Data Biodiversity Guidelines [Wood Procurement]

Promoting environmental greenery in Daiwa House Industry and its Group facilities

In our business activities, we will work on the biodiversity preservation through ecosystem surveys on the regulating reservoirs within our facilities and protection of native species on the construction sites.

Management

Management of a CSR Procurement Subcommittee spanning several business segments

In 2010, with the introduction of our Biodiversity Guidelines [Wood Procurement], we struck a CSR Procurement Subcommittee that spans the purchasing, development, construction, CSR, and environmental segments of our Group. To ensure implementation of CSR procurement in our various companies, we constructed our system in cooperation with purchasing and construction personnel in charge of branch offices. Moreover, we promoted procurement according to these guidelines and instituted the PDCA cycle.

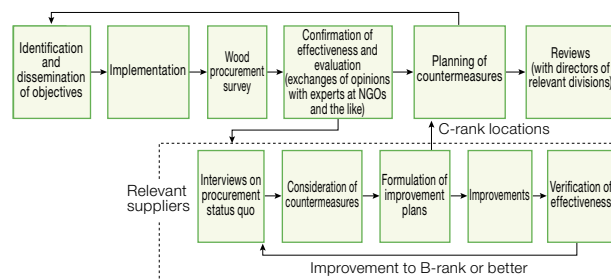
Conducting wood procurement survey at our suppliers

In line with our Biodiversity Guidelines [Wood Procurement], we conduct the annual wood procurement survey* starting from 2011. In this survey, we request our suppliers to check the legality

and sustainability of the wood that we procured from them during the preceding year, and we evaluate and categorize them into S, A, B or C based on the survey results. We also call for suppliers providing C-ranked wood (unacceptable sustainability) to work on the improvement. We disclose the survey results outside the Group and report them to our stakeholders including environmental NGOs with whom we collaborate to receive guidance and advice from a professional point of view.

* Wood covered by the survey includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

Flow of Wood Procurement Survey



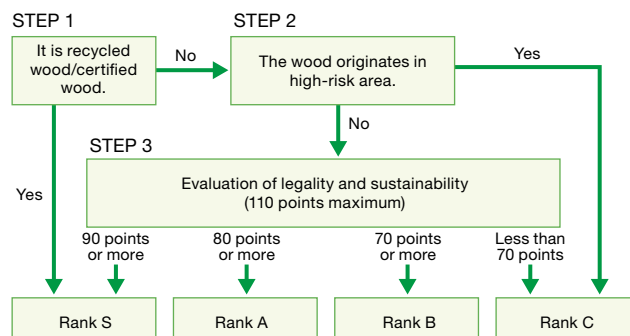
Survey results evaluated according to wood procurement evaluation criteria

Using the results of the wood procurement survey, our Group evaluates and categorizes procured wood according to the wood procurement evaluation criteria into four ranks: S, A, B, and C. First, recycled wood and wood certified by one of the three forest management certification bodies (FSC, PEFC or SGEC) is categorized as rank S. Next, if the wood is sourced from a high-risk area*, it is categorized as rank C. For wood not sourced from a high-risk area, we evaluate the legality and sustainability, and assign rank S for scores of 90 points or more, rank A for scores of 80-89 points, rank B for scores of 70-79 points, and rank C for scores below 70 points, out of a potential total of 110 points. We exchange opinions on the evaluation criteria with environmental NGOs and other experts and revise them as necessary.

We use the Forest Stewardship Council's risk evaluation tool, the Global Forest Registry, to understand the situation regarding risks related to compliance with laws and ordinances, biodiversity, human rights and the like in the countries from which we procure wood.

* Wood certified by only three institutes (FSC, PEFC and SGEC) is assigned rank S.

Evaluation flow of survey results



Major efforts

Expanding the implementation of the Biodiversity Guidelines [Wood Procurement]

In keeping with our own Biodiversity Guidelines [Wood Procurement], we are promoting the sustainable use of wooden construction materials in our various different business segments, including single-family and rental housing, condominiums, and commercial facilities. Beginning in fiscal 2013, we conducted a survey on wood procured by some of the Group companies. In addition to publishing the results in the sustainability reports from fiscal 2014, we are working to expand the number of companies that researches wood procurement.

Since fiscal 2008, as part of our commitment to sustainable procurement, all our Group companies have been ensuring that the paper used in our offices qualifies as Forest Cultivation Paper™.*

* A collective name for various kinds of paper that meet our company's own environmental standards, including paper certified by Forest Certification Systems

■ Increase in the number of companies participating in the Wood Procurement Survey

FY 2010–2013	1 company Daiwa House Industry Co., Ltd.
FY 2014	3 companies Daiwa House Industry Co., Ltd., Royal Home Center Co., Ltd., DesignArc Co., Ltd.
From FY 2015	6 companies Daiwa House Industry Co., Ltd., Royal Home Center Co., Ltd., DesignArc Co., Ltd., Daiwa Lease Co., Ltd., Fujita Corporation, Cosmos Initia Co., Ltd. (sample survey only)

The percentage of C-ranked wood reduced by changing suppliers

The fiscal 2017 survey, similarly to that of the preceding fiscal year, covered the wood used for the major parts (construction materials, framing/crosspieces, wood for below-grade and finishing materials) in the housing and rental housing products (obtained through centralized purchasing) and general buildings (obtained through decentralized purchasing) of our Group.

The results for fiscal 2017 indicate that 84.2% of the wood used, including certified and recycled wood, was S-ranked, showing a slight decrease from the previous fiscal year (86.5%) but still maintaining a high level. On the other hand, our use of C-ranked wood decreased to 2.4% from 2.5% in the preceding fiscal year. This was achieved because we requested the suppliers of the pieces of wood categorized as C based on the survey results in the previous fiscal year to make improvements by procuring more pieces of wood from the low-risk areas so that we can switch the sources.

In terms of switching the sources, we had an issue that we could not secure a sufficient quantity of wood from the low-risk areas, but we have been making improvements by having the suppliers understand our Group's idea of sustainable wood procurement and procuring more pieces of wood from the low-risk areas.

We will continue to share the results and issues of the Group companies at the Groupwide CSR Procurement Subcommittee meetings and promote the use of recycled and certified wood as well as making efforts to make further improvements such as through interviews with the wood suppliers.

Efforts to preserve biodiversity in the workplace

At our Mie Plant, it was discovered that there was a habitat of a near-threatened freshwater mussel in a regulating reservoir of approx. 6,000 m² in the plant premises, so we have been making efforts to protect this species since 2012.

Our efforts include reservoir draining for cleaning, installation of fishways, and publication of the Biodiversity Research Report. In fiscal 2016, we invited lecturers with the cooperation of NPOs and the like, and collected and classified aquatic habitats together with about 100 community residents including elementary school students. We also held a workshop to observe the collected habitats.

In fiscal 2017, as the result of these initiatives, we signed the Mie Biodiversity Partnership Agreement, which is one of the biodiversity conservation activities promoted by the prefecture. Through this Agreement, Mie prefecture is working together with companies and NPOs which have made achievements in the field of biodiversity conservation for mutual cooperation and information exchange to conserve global biodiversity.

We will enhance the networks with administrative and external environmental organizations and individuals, and continue the efforts in collaboration with many stakeholders.



Agreement signing ceremony

Biodiversity conservation activity on the construction sites

When we were repairing the water channel beside the construction site in Kadoma city, Osaka, it was found that various types of fish including native field gudgeon whose population is becoming low recently lived in the water channel, so we began efforts to conserve the biodiversity in the water channel after its repair.

The water channel repair required stopping the water flow for bank protection construction. Therefore we needed to collect the fish in the water channel before the repair. We conducted the conservation activity together with the community; our employees, subcontractors, landowners and city office workers cooperated in the fish collection to conserve the native species and we also provided the residents with opportunities to feel nature. The collected fish were moved to the water tank set up in the site office and they were released to the water channel once its environment was confirmed after the repair.



Field gudgeon



Loach



The fish being released

Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Preserving biodiversity through our products and services

Basic Policy

Promoting the preservation and creation of greenery in development and town planning

In addition to our initiatives to promote green town planning as part of our effort to preserve and restore our natural capital and ecosystem services, the Daiwa House Group is striving to transform the way people live and work to ensure greater harmony with nature. In keeping with this approach, we are taking steps to implement a policy of “no net loss of green space” by creating more green space than is lost to development. Moreover, we are seeking greater harmony with nature in our business operations and are promoting communities filled with greenery.

Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry, acknowledging the importance of contributing to the creation of a rich network of ecosystems, remains committed to minimizing its impact on biodiversity through its construction of large-scale real estate developments, housing and buildings in urban areas. We are now promoting initiatives in keeping with the six points in our guidelines.

Biodiversity Guidelines [Development & Community Creation]

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve a sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

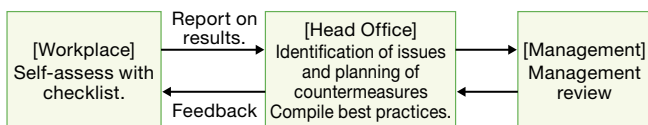
Related page P203 Environmental Data Biodiversity Guidelines

Management

Implementation of Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry has developed its own checklist containing specific things to be addressed regarding the 6 items to which we need to pay attention for development projects with a floor area of 3,000 m² or larger including built-for sale houses, rental houses, condominiums in accordance with the Biodiversity Guidelines [Development & Community Creation]. Based on the checklist, we quantitatively assess proposals for each building to ensure compliance with the voluntary standards. Moreover, we share information on the buildings, mainly those that achieved a certain level of positive results from the checklist with other relevant departments by introducing case examples.

Implementation flow of Biodiversity Checklist



Implementation of Planting Design Guidelines

In our condominium business, external experts provided supervision as we implemented the Planting Design Guidelines in 2014. We use these guidelines when we systematically formulate and design a greening design concept, select tree types, or perform planting management and maintenance.

Major efforts

Promoting greening with standardized planting

Under our theme “Greening Will Change Communities,” our Group promotes the greening of development and contracting projects as well as the creation of communities of greenery. Specifically, we are seeking to improve quality in addition to increasing the amount of greenery while linking the green areas created by the Group into this ecological network.

In fiscal 2017, in our rental housing business, we developed a planting plan tool to provide customers with a higher quality planting plan. With regard to the proposed tools, in particular, the planting proposal tool that had been already used in our housing business was applied to the rental housing business as well, and we developed a “Tree Planting List” that summarizes the features and properties of typical garden trees and a “Garden Coordination” guide that summarizes coordination methods for rental housing and started their deployment in the company.

In the housing and rental housing businesses going forward, we will provide our customers with suggestions on how we can introduce high-quality greenery using a variety of tools. Moreover, we will promote initiatives in other sectors such as our commercial and office buildings business and Group companies and continue to promote business development with consideration of the ecosystem.

Promotion of the environmental greening business

Daiwa Lease, our Group company, promotes its own environmental greening project “ECOLOGREEN” under the theme of “Greening will change communities.” The company makes proposals on comprehensive greening, including wall, rooftop, exterior, and indoor greening. In addition, we are working to create green spaces and green lifestyles by expanding greenery in facilities where many people gather (such as commercial facilities of our Group). As a result of the promotion of these efforts, the construction site surface area of green space under Daiwa Lease in fiscal 2017 totaled 41,600 m².

In addition, we have adopted the term “VERDENIA” as a name for spaces that maximize the relaxation effect of plants, thereby introducing a new development in indoor greening that employs scientific research on office spaces. Such environments cater to our preferences for sound, scent, color, and the other senses. We therefore recommend the development of office spaces that are in close proximity to plants while catering to the five senses. Our sales offices in Tokyo, Osaka, Nagoya, and other locations opened model houses to offer places where customers can directly experience the spaces.

We will create “relaxing space & communities” incorporating plants and also introduce reforms to conventional corporate methods of working in the future.

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section



VERDENIA model house (Osaka Head Office of Daiwa Lease)

Implementation of an ongoing monitoring survey

In preserving biodiversity, we believe that environmental surveys are important not only when a development is being pursued but also thereafter. Particularly in areas where valuable species have been confirmed to exist, we conduct ongoing monitoring in collaboration with government agencies and other stakeholders.

Project	Business type	Start of fiscal year	Location	Area	Surrounding environment	Activity / status report
Tama New Town	Development	2009	Hachioji, Tokyo	322,102 m ²	Residential area with artificial hill	Monitoring to continue after development. Survey results compiled into a list (not disclosed).
Hokusetsu Sanda Second Techno Park District	Development	2010	Sanda, Hyogo prefecture	971,289 m ²	Industrial complex (marsh in project area)	Monitoring to continue after development. Control transferred to Sanda after fiscal 2013 (survey to continue).
Construction of a new electric equipment assembly plant	Contract	2016	Fujisawa, Kanagawa prefecture	4,003 m ²	Industrial area	Report on survey result issued by City of Fujisawa (not disclosed).

TOPICS

Example PREMIST Shonan Tsujido in Kanagawa prefecture certified by the Association for Business Innovation in harmony with Nature and the Community (ABINC) for the first time as our condominium

For our condominium PREMIST Shonan Tsujido, we conducted an ecological survey (biodiversity risk assessment) on the birds and insects that live in and around the planned site (biodiversity risk assessment) in cooperation with external environmental consultants in March and June 2016. Then, by reference to a natural environment survey conducted by Fujisawa City and the biotope network general plan in Fujisawa City, we selected some species that are common around the forests in the city and easily identifiable as indicator organisms and developed a planting plan that is favorable for those indicator organisms. The green area was divided into

several zones and the small creatures to be invited to each of the zones were selected to design plants and habitats for them.

In addition, to encourage the condo residents to help maintain and preserve the rich greenery and ecosystem, we organized environmental learning programs for them such as nature observation and monitoring events and also introduced health promotion services based on AI technology such as automatic measurement for runners on the outer perimeter road of the site. These initiatives have been devised to increase opportunities for the residents to appreciate the merits of biodiversity while enjoying contact with nature.

In recognition of these efforts, PREMIST Shonan Tsujido was certified by the Association for Business Innovation in harmony with Nature and the Community (ABINC) for the first time as a condominium of our company. Rich green spaces can be created with a green coverage rate of 38.65%, which is also well received by visitors to the model house.

We will work to obtain the certification for other projects as well.

Targets concerning the impact on biodiversity

Main items	Target	Result
The ratio of the area that contributes to biodiversity to the site area	25% or more	27.6%
Volume of greenery	To secure a certain volume of greenery in three dimensions	Green spaces were designed separately for layers of different heights (tree layer, bush layer, and herb layer) so that tree crowns continue over an area of 10 m × 10 m.



Certification by the Association for Business Innovation in harmony with Nature and the Community (ABINC)

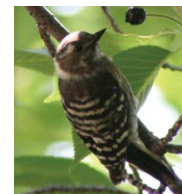


PREMIST Shonan Tsujido

Examples of the indicator organisms



Small copper



Pygmy woodpecker



Shrike

Co-creating a Brighter Future with the Environment

Focal theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Challenge ZERO 2055

With the aim of contributing to the emergence
the service life of houses and buildings and

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"

2055 (ultimate goal)

2030 (milestone)

Zero waste emissions across all business segments	Zero waste emissions during the life cycle of houses and buildings
Managing global water risk throughout the supply chain	
Extending the service life of houses and buildings	

Endless Green Program 2018

Management indicator

FY 2018 targets

Construction waste emissions (manufacturing; compared with fiscal 2012 level)	-0.6%	
Construction waste emissions (new construction; compared with fiscal 2012 level)	-20%	
Recycling rate	Manufacturing	≥95%
	New construction	
	Civil engineering	
	Demolition	
	Renovation	≥85%
Water consumption per unit of sales (compared with fiscal 2012 level)	-26.0%*	
Ratio of houses certified under the Long-Life Quality Housing Certification System	90%	
Adoption rate of pre-engineered buildings	32%*	

* Target values have been revised as a result of our review of the scope of coverage.

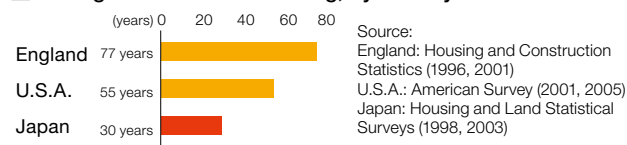
Policy and Concept

Social issues

As the world population continues to increase and emerging economies achieve economic growth, consumption of the world's natural resources has surged over the years. Consequently, environmental damage resulting from resource depletion and increasing waste generation has grown serious. The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 underpinned the intention to dramatically reduce waste generation by 2030. The concept of a "circular economy" that continues to recycle and reuse products and parts of value is also gaining increasing attention, particularly in Europe. In Japan, as various recycling laws continue to progress and expand, a foundation is being established to encourage the emergence of a society committed to recycling. At the same time, the "scrap & build" approach to houses and buildings has remained common practice since the period of high economic growth. For example, the service life of a Japanese house averages about 30 years at present, which is extremely short-lived compared to the life of the typical house in Europe or North America. This is also considered an issue from the viewpoint of effective use of resources.

Moreover, with regard to water resources, the United Nations warns that the world's available water will decrease by 40% by 2030. Japan, meanwhile, enacted the Basic Act on the Water Cycle in 2014 as it continues to promote the appropriate and efficient use of water.

■ Average service life of housing, by country



Our Group's effect on society and the environment

When one looks at the life cycle of a house or building from the perspective of resource conservation, it is evident that a new building uses many resources, some of which are discarded as scrap during the construction process. Moreover, after being used for many years, the structure must be demolished after it has served its purpose, with all components finally discarded as waste. Clearly, a policy of conservation of these natural resources would lead to waste reduction, use of recycled materials, recycling, and resource conservation in addition to extending the service lives of houses and buildings. Extending the durability of these structures

would have significant benefits. The Daiwa House Group constructs a number of buildings for various applications. By leading the shift away from the scrap & build approach and toward a society focused on maintaining and preserving high-quality housing stock for the long term, we are contributing significantly to minimizing our use of resources in new construction.

In addition, waste generated during the construction process can be reduced by improving production efficiency at the factory, which also contributes to resource conservation. Furthermore, by reusing and recycling waste generated in both construction and demolition, we not only benefit our own company but also restrict the consumption of new resources by various industries.

Our response to the risks and opportunities facing our Group

Improper handling of waste remains a risk if there is a lack of mechanisms for properly managing and recycling the construction waste discharged from the tens of thousands of construction sites created every year. Concerns have also arisen about the potential for future increases in management costs due to stringent regulations on waste and water resources as well as increased processing costs due to the shortage of industrial waste disposal sites. In response, we at Daiwa House Industry have strengthened our management system by assigning waste management specialists to each district and conducting evaluations on all of the waste disposal companies. We have also established a system for collecting construction by-products generated at housing construction sites and recycling them within our own plants. We have thus reduced the risk of improper handling and improved the recycling rate at the same time.

Meanwhile, we recognize a business opportunity in markets for houses and buildings with a long service life. In our proposals for new construction, we emphasize that customers can receive tax benefits by acquiring a "long-life quality housing certification," and we expect to obtain higher unit prices reflecting the higher added value of such housing. Therefore, we are seeking to publicize the ratio of certified long-life quality housing we provide as a standard specification; so far, we have obtained certifications for about 80% of our single-family houses. We have also established a long-term warranty system and are marketing our renovation and maintenance services through inspection opportunities and the like, leading to an increase in orders for home renovations. Moreover, eight of our Group companies have established a system for properly evaluating and marketing existing houses. We are focused on improving our rate of acquisition of brokerage contracts when people make plans to move.

Managerial Philosophy and Overall Picture
 Customers
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 Business Partners
 Local Communities
 Shareholders
 Environment
 Foundation of CSR Management
 Data Section

Contribution to SDGs	11.3	12.2
	11.6	12.4 12.5

of a society committed to recycling, our Group is pursuing the sustainable use of resources by extending working toward zero emissions of waste.

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

: Goal for fiscal 2017 achieved : Goal for fiscal 2017 not achieved (improved from the previous year) : Goal for fiscal 2017 not achieved (worsened from the previous year)

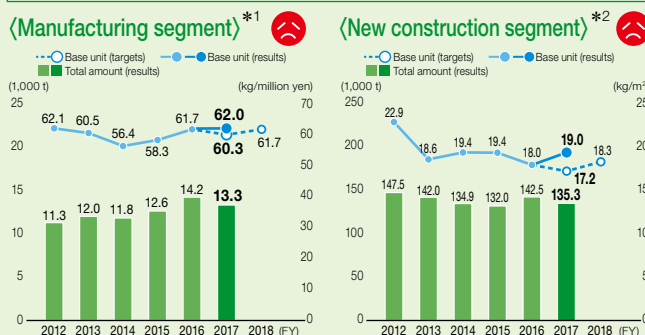
Converting waste into valuable resources and reducing the amount of resources used

In fiscal 2017, waste emissions per sales unit in our manufacturing business decreased by 0.2% compared with the fiscal 2012 level, so we were unable to achieve our target. This was because we disposed of waste plastic, which used to be sold to China as valuable resources, as waste in response to the import restriction imposed by China. In the future, we will select the disposers to which we can sell waste plastic for value to reduce waste emissions.

In the meantime, waste emissions per construction area in our new construction business decreased by 17.4% compared with the fiscal 2012 level, so we were unable to achieve our target. This was because the buildings we constructed in fiscal 2017 included fewer buildings with a relatively small wall surface area per floor area, such as warehouses, and more buildings with a relatively large wall surface area per floor area, such as hotels.

We will work to estimate the amount of resources to be used on construction sites accurately and use only the necessary amount to reduce waste emissions.

Construction waste emissions



*1 We revised the past results and our target for fiscal 2018 because the waste emissions arising from the retirement of leased property have been excluded since fiscal 2017.
*2 We revised the past results because part of the demolition waste was included. We also revised down our target for fiscal 2018 because the result in fiscal 2017 increased year on year.

Maintaining high recycling rates across all departments

The members of the Daiwa House Group continually strive to sort waste conscientiously at our construction sites, sharing recycling routes among worksites and reducing the types of waste that are difficult to recycle.

In fiscal 2017, we continued to successfully maintain our high recycling rate and in some instances improved it further, not only in our manufacturing and new construction businesses but also in the renovation and demolition of existing houses. For some worksites with a low recycling rate, we will continue to work to improve the recycling rate in cooperation with the external waste disposers to which we entrust waste treatment.

Recycling rates

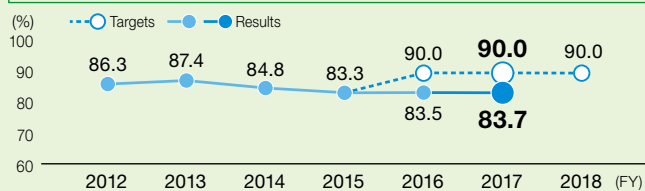
	FY 2015 results	FY 2016 results	FY 2017 targets	FY 2017 results	FY 2018 targets
Manufacturing	98.7%	98.6%	95%	97.6%	95%
New construction	93.5%	97.7%	95%	98.1%	95%
Civil engineering	99.3%	99.8%	95%	98.5%	95%
Renovation	78.7%	80.0%	82%	81.8%	85%
Demolition	96.5%	96.0%	95%	96.6%	95%

Maintaining our high certification rate for long-life quality housing at 83.7%

In our housing business, we have been seeking to obtain long-life quality housing certifications under the terms of the Act on the Promotion of Popularization of Long-life Quality Housing.

In fiscal 2017, although we were able to maintain our consistently high level of certification at 83.7%, we failed to achieve our target. We will continue to seek such certifications in the future.

Ratio of houses certified under the long-life quality housing certification system



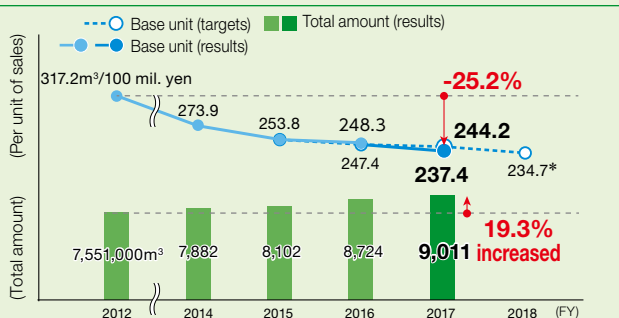
Significantly reducing water consumption through the adoption of water-saving devices

Our Group promotes water consumption reduction activities with a Groupwide target set for the reduction.

In fiscal 2017, the opening of new hotels increased water consumption, but the installation of water-saving devices (volume regulating water shutoff valves for bathtubs, water-free toilets, water-saving faucets and showerheads) as well as water meters at offices, hotels, and resort/sports facilities decreased Groupwide water consumption per sales unit by 25.2% compared to the fiscal 2012 level. We therefore achieved our target.

We will continue to promote the installation of water-saving devices to reduce water consumption on a Groupwide scale.

Trend in total water consumption and unit consumption



* We revised our fiscal 2018 targets upward because our fiscal 2017 results exceeded the original fiscal 2018 targets.

Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Waste reduction and zero emissions at production and construction sites

Basic Policy

Promoting the application of the “3Rs” (reduce, reuse, and recycle) to construction waste

The Daiwa House Group manufactures all housing and pre-engineered building products at its own plants in keeping with its corporate mission to promote “the industrialization of construction.” As a result, the waste generated at our production and construction sites is primarily the result of “carrying excess materials in case of need” and “reworking due to manufacturing or construction errors.” To counter these tendencies in the production phase, we use drawings to ensure accurate calculation of the amount of material required and seek to improve the precision of these drawings in order to eliminate the need to bring in excess material. In the construction phase, we reduce the generation of waste at construction sites by assembling materials on-site that have already been pre-cut to the required measurements.

Furthermore, we are promoting the recycling of waste by thoroughly sorting waste at all stages of production, construction, dismantling, and renovation.

Management

Adopting product development, design and construction processes conducive to resource conservation and recycling

When new materials and parts are adopted in housing and pre-engineered building products, Daiwa House Industry conducts construction verification and other measures to ensure that they meet the required performance. We are also reducing waste generation by improving current materials to achieve resource-efficient design and by improving the layout procedures we use for materials to ensure minimization of wood waste from the materials processed at construction sites. In addition, we are promoting reuse and recycling of the waste materials generated at construction sites by separating the waste into 19 categories in accordance with our voluntary standards that are more stringent than legal standards, which require separation of waste into five categories.

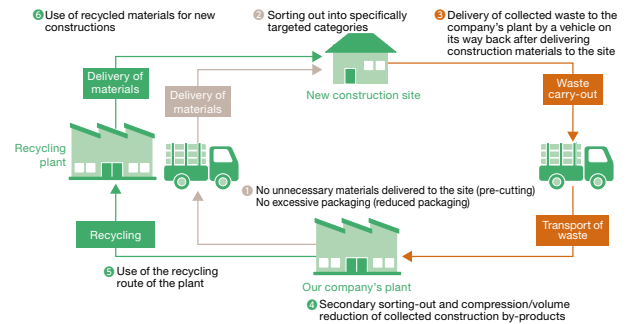
As part of our efforts to use recycled construction materials in general construction, in 2008 we established an initiative to promote the adoption of “green procurement items” (30 check items). A supplier that meets at least 10 of these 30 items is recognized as a “green procurement site.”

[Related page](#) P208 Environmental Data 30 green procurement items

Improving the recycling rate with our Plant Depo

At our residential new construction sites, we at Daiwa House Industry have introduced a system we call Plant Depo that is intended to reduce the improper treatment of waste while promoting the recycling of construction waste. Through this system, we collect construction waste at the construction site and truck it to the plant using the same truck used to transport materials to the construction site. There, it undergoes secondary sorting and is compressed to reduce its volume. By using this plant recycling route, we have achieved zero emission of waste.

Plant Depo System

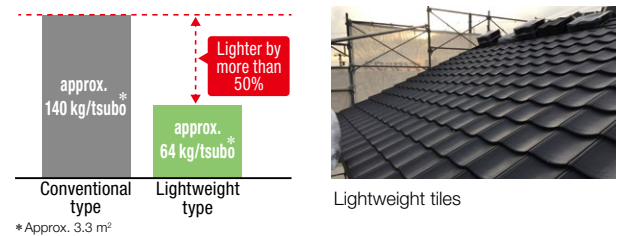


Major efforts

Adopting lightweight roofing materials to reduce the amount of resources used

Our housing department started to use a new lightweight product as a roofing material in fiscal 2017. With the product, the amount of resources used for roofing materials can be reduced by about 50% on a weight basis without losing the massive feeling of conventional ceramic tiles. The reduction of the weight of roof also leads to the reduction of the resources used for the structures that support it (pillars, beams, foundation). Furthermore, the tile scraps generated at construction sites can be recycled as raw materials after being processed to powder.

Gypsum board layout criteria



Dissemination of pre-engineered buildings for business use such as shops and offices

Daiwa House Industry has developed system architecture products designed for standardized outer walls and structural members of similar size and specification and is promoting their adoption by offices, stores, facilities for the elderly, warehouses, and medium-sized plants. In addition to conserving resources through comprehensive rationalization of steel-frame buildings, these pre-engineered products can be factory-manufactured and processed to the specified design dimensions for principle members; moreover, they help to minimize the generation of waste at the construction site.

In fiscal 2017, the adoption rate of pre-engineered building products for Priority applications* was 30.3%.

* Priority applications:
Convenience stores,
drug stores, nursing
care facilities



Daiwa KOMFORT (our Ryugasaki Plant Office Building)

Implementation report on the Endless Green Program 2018

Focal
theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Efforts at conserving resource in the construction of houses and buildings

Basic Policy

Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources)

Houses and buildings are constructed with a large amount of resources and used for residential and other purposes over many years. Therefore, the reduction of the materials and parts used for them to the minimum level required to ensure the necessary performance, as well as the extension of the service life of the buildings, can be ideal resource conservation measures. In addition to designing and developing houses and buildings with an extended service life, we believe that proper maintenance can extend the useful life of a structure. Accordingly, we have established our own support services and long-term warranty system.

We are also focusing on developing a system for evaluating and distributing existing houses in order to maintain high-quality housing stock properly over a long period.

Promoting the adoption of recycled building materials

As a wide variety of construction materials are procured for the construction of houses and buildings, it is important to employ recycled materials in addition to new materials from the perspective of the conservation of natural resources. Our housing products accordingly include particle boards, gypsum boards, and slates made from recycled scraps as standard materials.

Management

Reviewing the amount of resources used throughout the life cycle

In addition to the development of houses where customers live for many years, we are committed to the reduction of resources used for housing products. Our Product Development Department, research laboratories, Production Department, and Purchasing Department have established a cross-segment “base strengthening” working group to reduce the amount.

We also set up the Provision of Quality Housing Stock Association jointly with other companies in the same industry for proper evaluation and distribution of quality stock that has been created, which has formed a market that creates new value. Our Group has also launched “Livness,” a brand under which eight Group companies jointly opened general contact points concerning the housing stock business in January 2018. We will offer a one-stop service to make proposals on renovation and purchase/resale that are suitable for the circumstances of customers.

Major efforts

Promoting long-life quality housing with a long service life

In Japan, where the social “life” of buildings is relatively short in comparison with those in Europe and the United States, the extension of the service life of houses to allow families to continuously live in them over multiple generations will reduce the use of resources and help conserve natural resources. Therefore, in addition to ensuring the basic performance of our housing products in such areas as durability and seismic resistance, our company considers versatility to respond to changes in family structure and ease of upkeep and maintenance in order to develop

houses where a family can live for many years. For example, in the area of durability, we are using the electrodeposition painting method for major structures, which results in a service life exceeding 75 years.* In line with this approach, we worked to promote and disseminate Japan’s “Long-Life Quality Housing Certification System,” which raised the recognition rate for fiscal 2017 to 83.7%. We will continue to promote the effort to extend the service life of housing.

* According to Japanese housing performance labeling standards, the highest rating is accorded to houses whose structural framework has been evaluated as being able to last three generations (75–90 years).

Creating a housing stock business brand “Livness”

We established Daiwa House Renew, a home renovation company, in 2003 and also made Nihon Jyutaku Ryutu Co., Ltd., a real estate brokerage company, a wholly owned subsidiary in 2007 to contribute to the revitalization of the housing stock market.

In fiscal 2017, to further expand the housing stock business, eight of our Group companies jointly started up “Livness,” a brand in the housing stock business, and opened new general contact points to provide consultation services and respond to requests concerning the business, including trade mediation, purchase/resale, and renovation, for customers all over Japan. We aim to open a new point in 60 locations mainly in urban areas by fiscal 2025 to increase the total number to 100 in the future.



Collaborating in the development of a system for properly assessing and distributing quality housing stock and utilizing SumStock

In recent years, the conventional approach of “scrap & build” has become discredited. Today, the trend is toward utilizing a quality product for a long period of time with the concept of “housing stock.” Therefore, in 2008, the Provision of Quality Housing Stock Association (“SumStock”) was established with the participation of Daiwa House Industry and nine other housing manufacturers. SumStock’s purpose is to promote the development of high-quality housing stock and keep this housing stock in use.

Our newly built single-family houses meet all conditions of SumStock. Therefore, when customers sell their homes because of a change in their stage of life, the house sales professionals* of our Group’s Nihon Jyutaku Ryutu Co., Ltd. conduct evaluations according to SumStock’s original protocol. We maintain the proper value and reliability of the house for the next customer, which contributes to a smoother sale and better moving experience.

* Professionals with knowledge of architecture. These are qualified personnel who have completed the training curriculum prescribed by the Provision of Quality Housing Stock Association.

Co-creating a Brighter Future with the Environment

Implementation report on the Endless Green Program 2018

Focal theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Water resource conservation

Basic Policy

Identifying risks to water resources and promoting the adoption of water-saving devices to reduce water consumption in our company buildings as well as houses and buildings

The supply of water is expected to become precarious in the future due to the effects of climate change. Consequently, concern about protecting our water resources is increasing worldwide.

The risks to our water resources vary greatly because of regional characteristics, so the Daiwa House Group evaluates water risk at each facility and undertakes management appropriate to the local risk level. We also identify water risks at the point of origin of wood and other materials that we procure, and promote water risk management throughout our supply chain. In addition, for continuous use of water resources, we promote the reduction of water consumption, wastewater management in factories, and the reduction of water consumption in houses and buildings on a Groupwide scale.

Management

Promoting water risk countermeasures in the supply chain

Our Group procures materials produced overseas via suppliers and it is important to identify water-related risks and take countermeasures against them in the whole supply chain. In fiscal 2017, we conducted water risk assessment in the countries that produce the wood used by our Group as main raw materials. We will encourage suppliers to our Group to reduce water consumption and also conduct water risk surveys in our manufacturing sites in fiscal 2018. In addition, we will identify the raw materials that are easily affected by water issues by grasping water consumption in the supply chain of raw materials and promote water risk countermeasures throughout the supply chain.

Reducing water consumption in our facilities and products

Our Group promotes the reduction of water consumption and wastewater management in factories on a Groupwide scale. Since it is said that domestic water use represents 70% of water consumption in Japan, our single-family houses and rental housing segments are actively installing water-saving devices to promote the reduction of water consumption in the life cycle of customers. In addition, we conduct a water risk assessment of our Group's facilities to identify water risks.

We have voluntarily participated in the CDP Water program, which surveys water risk countermeasures and resource conservation activities of companies and discloses the information, since fiscal 2017. Our rate in fiscal 2017 was A-.

Major efforts

Water risk assessment of producing countries for wood procurement

In fiscal 2017, we conducted water risk assessment in wood producing countries because wood is especially affected by water

issues among the main raw materials for our Group.

Our Group procures wood from 27 countries in total and the wood procured from the top four producers (Japan, Finland, China, and Canada) accounts for slightly less than 70% of the total procurement volume. While the future water risk level in China is 3 or more, which is relatively high, we have confirmed that the water risk is low in Japan, Finland, Canada, and the other 17 countries, so we consider that we can mitigate water risk by diversifying the producer countries.

In fiscal 2018, we will survey our main suppliers concerning items such as water consumption and cost, legal compliance, reduction activities, and water risk in their manufacturing sites. In addition, we will grasp water consumption in the overall supply chain of raw materials using an LCA tool to promote water risk countermeasures throughout the supply chain.

Risk assessment results in wood-producing countries

Country	Procurement ratio	Risk level			
		Present	2020	2030	2040
Japan	25%	3.1	2.31	2.31	2.24
Finland	18%	1.0	1.45	1.72	1.86
China	18%	2.9	3.3	3.29	3.30
Other 17 countries	9%	Less than 3			
Canada	7%	1.2	1.04	1.13	1.26
Other 6 countries	5%	3 or more			
Unknown (recycled materials, etc.)	18%				

Risk levels 0-1: low, 1-2: low to medium, 2-3: medium to high, 4-5: very high
Source: WRI-Aqueduct Country and River Basin Rankings, Aqueduct Projected Water Stress Country Rankings

Assessing the water risk at our Group facilities

In order to identify the water risk at Group facilities noted for their high water consumption (plants, hotels, and resort/sports facilities), we used WRI-Aqueduct*1 and WWF-DEG Water Risk Filter*2 to quantify the water risk including the local features and the actions to respond to the risk taken by the respective facilities*3. We currently own facilities only in Japan and have confirmed that none of them have high risk.

*1 A tool for analyzing water risk in the world published by the World Resources Institute (WRI)

*2 A tool for quantifying water-related risk developed jointly by the World Wide Fund for Nature (WWF) and the Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)

*3 The assessment was conducted based on the situation in fiscal 2016 and the assessment results for the facilities owned as of March, 31 2018 are mentioned. We aim to conduct the assessment again in two years.

Water risk assessment results

(locations)

Segment	Nationality	(Low) ← Risk level*4 → (High)				
		1	2	3	4	5
Plants	Japan		28			
Resort facilities	Japan		29			
Sports facilities	Japan		69			
Hotels	Japan		46			

*4 Risk levels. 1: Very limited risk, 2: Limited risk, 3: Some risk, 4: High risk, 5: Very high risk

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Promotion of water conservation in Group facilities (locations)

Segment	Company name	Nationality	Number of sites
Plants	Daiwa House Industry	Japan	10
	Daiwa Lease	Japan	14
	DesignArc	Japan	3
	Sports Club NAS	Japan	1
Resort facilities	Daiwa Resort	Japan	28
	Nishiwaki Royal Hotel	Japan	1
Sports facilities	Sports Club NAS	Japan	59
	Daiwa Royal Golf	Japan	10
Hotels	Daiwa Royal	Japan	45
	Osaka Marubiru	Japan	1

* as of March 31, 2018

Assessing the water risk at our Group facilities

The Group reached the target in its water consumption per sales unit in fiscal 2017 by reducing it by 25.2% in comparison with that in fiscal 2012.

We have taken the measures in each facility for water conservation and achieved the remarkable effect of reduction by introducing water-saving showers to sports facilities and hotels.

In addition, we have carried out not only the replacement of existing equipment with water-saving ones in existing facilities but also the installation of water-saving equipment such as water-saving showers, water-saving toilets and water volume regulating faucets in newly built hotels and sports facilities by planning such installation in their design phase.

We will continue to endeavor to reduce our water consumption further by introducing the water-saving equipment to existing facilities and newly built ones.

Water-saving measures at individual facilities

Segment	Company name	Water-saving measures
Office	Daiwa House Industry	• Installing water-saving type faucets
Resort facilities	Daiwa Resort	• Controlling a flow rate by installing a water meter for each system
	Nishiwaki Royal Hotel	• Introducing water-saving equipment
Sports facilities	Sports Club NAS	• Installing waterless toilets • Installing water-saving showers
	Daiwa Royal Golf	• Regulating flow rates by adjusting water shut-off valves of water supply pipes inside buildings
Hotels	Daiwa Royal	• Employing water volume regulating faucets as faucets of bathtubs in newly built hotels

Recycling of water in the Osaka Head Office Building and Tokyo Head Office Building of Daiwa House Industry and resort hotels

The recycled water reuse system has been introduced to the Osaka Head Office Building and Tokyo Head Office Building of our company. Since the water-saving function in the Tokyo Head Office Building has been highly rated, it was awarded the platinum certificate*, the top rank certificate among the LEED-EBOM certificates (for existing buildings)*, in March 2017.

In addition, water is partially recycled in two resort hotel facilities of member companies of the Group.

* The LEED certification is the international system for assessing the environmental performance of buildings developed by the U.S. Green Building Council and rates them with the total score of 7 assessed categories (consisting of site selection; water resource preservation and water conservation; energy and atmosphere; materials and resources; indoor environment; innovation; weighting by area). Among other things, the LEED certification (for existing buildings) assesses and certifies the operation and control of existing buildings.

Water recycling in each facility

Facility name	Recycling method	Recycled water volume (Recycling rate)
Osaka Head Office Building of Daiwa House Industry	Reusing waste water from air conditioners, etc. and rainwater for washing toilets after treating them for recycling.	5,578 m ³ (12%)
Tokyo Head Office Building of Daiwa House Industry	Producing recycled water from that fed to a cooling tower or used inside restaurants or buildings and using such water for washing toilets.	4,775 m ³ (9%)
Hotel & Resorts MINAMIWAWAJI	Using miscellaneous waste water for washing toilets and for being sprayed.	Approx. 30 m ³ (0.03%)
Royal Hotel OKINAWA ZANPAMISAKI	Using water treated in a purification tank for being sprayed after filtering and sterilizing it.	Approx. 30 m ³ (0.02%)

Promotion of employment of water-saving equipment for single-family houses and rental houses

In order to reduce the water consumption in the residential stage, our company promotes the employment of water-saving equipment for residential houses and rental houses.

The Group continuously endeavors to employ water-saving toilets as standard equipment and fully reach the target (100%) in the introduction of water-saving appliances (low flow rate shower head and at-hand water turn-off faucets) to bathrooms in all of the newly built single-family houses and newly built low-rise rental houses.

As a result, we installed hot-water-saving appliances in bathrooms in all of the newly built single-family houses (100%) in fiscal 2017 as we did in the preceding fiscal year. In addition, we installed hot-water-saving appliances in 65% of bathrooms of newly built low-rise rental houses same as in the preceding fiscal year.

Topics

Example Reduction in volume of utilized resources by reviewing existing products

The Housing Business of our company endeavors to bring about improvement by implementing the cross-sectoral “Base Reinforcement Working” by the Product Development Department, the Research Laboratory, the Production Department and the Purchasing Department. In fiscal 2017, we reduced the volume of used iron reinforcing rods by approximately 10% while keeping the structural performance by reviewing layouts of such rods for foundations employed at the time of reinforcement of grounds with piles. We also reduced the volume of plasterboards by approximately 29% (on a weight basis) by reviewing the layout rules of sound insulations and heat insulations and the type of plasterboards to be installed on ceilings of first floors of two-story houses. We will continue to endeavor to effectively utilize limited resources.

Example Participation examples of the “Water Project” jointly organized by the Ministry of the Environment and private sector

Since the “Basic Act on the Water Cycle” was promulgated in April, 2014, the Ministry of the Environment has promoted the “Water Project.” This is the project in cooperation between the government and the private sectors in order for the national government, local self-governing bodies, business entities and people to endeavor to preserve water resources now and in the future.

The Group has agreed to the purpose of this project and participated therein. The entire Group will exhibit its efforts through this project by taking such measures for water resource protection as the promotion of the water-saving activities and the active employment of water-saving appliances for residential houses and rental houses by aiming for water resource protection.



Co-creating a Brighter Future with the Environment

Focal theme

4

Prevention of Chemical Pollution

Challenge ZERO 2055

We shall institute appropriate management of to zero) of adverse impacts on the health of

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"

2055 (ultimate goal) 2030 (milestone)

Chemical pollution: Minimizing the risk (ultimately to zero)
Soil contamination: Minimizing the risk (ultimately to zero)

Endless Green Program 2018

Management indicator	FY 2018 targets
Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)	-40%
Reduction of VOC emissions per unit of sales (compared with fiscal 2013 levels)	-10%*
Compliance rate with voluntary standards for indoor air quality of residential facilities	≥100%
Serious risks of soil contamination during land purchases	Zero

* We have adopted more stringent targets as we work to reduce VOC emissions.

Policy and Concept

Social issues

In line with the commitment signed in 2002 at the World Summit on Sustainable Development (Johannesburg Earth Summit 2002) which stipulates that "chemicals should be used and produced in ways that do not harm human health and the environment," Europe and the U.S.A. promoted the regulation of chemical substances through TSCA*1, the EU/REACH regulation*2, and the RoHS Directive*3. Domestically, restrictions on the management of various chemical substances — such as amendment of the PRTR Law*4 and the Chemical Substances Control Law*5 — have been strengthened. In 2016, risk assessments are required to be undertaken for chemical substances in the interests of occupational health and safety. With respect to housing and buildings, issues have arisen related to "sick house" and "sick building" syndrome. The introduction of regulations has brought some improvements, but further horizontal approaches are required from both an architectural and medical perspective.

Regarding issues of soil contamination, a higher management level is required in the effort to prevent negative health effects and the spread of pollution. The presence of contaminated soil or the potential for soil contamination, as well as the increase in so-called idle brownfield lands that cannot be sold or reused, has become a social issue.

- *1 The Toxic Substances Control Act is a regulation on toxic substances that took effect in the U.S.A. in 1977.
- *2 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007
- *3 RoHS (Restriction on Hazardous Substances): An EU Directive on the restriction of hazardous substances in electric and electronic equipment, which prohibit the use of these substances
- *4 The Pollutant Release and Transfer Register (PRTR) and SDS system have underpinned the law aimed at promoting voluntary improvement of chemical substance usage by business operators and are preventing obstacles to environmental protection.
- *5 A law aimed at controlling environmental pollution by introducing a preliminary examination of new chemical substances and applying regulations appropriate for the properties of the chemical substances

Our Group's effect on society and the environment

The plants and construction sites of our Group utilize various chemical substances that can affect the surrounding environment when discharged into the air and water. For this reason, we undertake thorough and appropriate management of these chemical substances and minimize their impact by seeking to reduce their use or by adopting substitutes for hazardous chemical substances in the interests of prevention.

Regarding the use of our housing and buildings after delivery, while there are growing concerns about the health effects of volatile organic compounds (VOCs) emitted from building materials, we are seeking to reduce risks by collaborating with suppliers to develop and popularize low-VOC building materials and by providing appropriate information.

The majority of our construction projects — some several thousand

annually — involve drilling, thus we are always faced with the risk of spreading soil contamination. Therefore, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately. Additionally, we provide solutions entailing appropriate and reliable soil contamination countermeasures, and we support the commercialization of brownfields in order to promote the proactive use of such land. In this way, we are contributing to the treatment of long-neglected pollutants while preventing the spread of new pollutants.

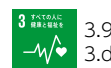
Our response to the risks and opportunities facing our Group

In the event human health is affected by so-called sick house syndrome caused by building materials that emit harmful chemical substances in the houses and buildings developed by our company, we would be exposed to the risks of lost credibility in the marketplace, onerous costs associated with remediating the problems, and tarnishing of our brand image. In response, we have established Chemical Substance Management Guidelines and have shared them with our suppliers. We confirm the details of any restrictions on the use of substances and the quantity of emissions stipulated in the Guidelines. Regarding indoor air quality, we also set voluntary standards that are more stringent than the maximum values established by the government. Every year, we implement improvements to a given number of properties after measuring and assessing the measured values. Furthermore, by responding to requirements related to health considerations for houses and buildings, we can improve our competitiveness and increase our market share. Toward that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials and are promoting the development and popularization of health-conscious specifications with more emphasis on the indoor air environment.

Meanwhile, apart from compliance with all relevant laws and regulations, we face the risks that soil contamination could be discovered after a land purchase, making it difficult to commercialize, or that soil contamination detected after development and sale would cause a considerable decline in asset value. Therefore, before purchasing a site for a project, we conduct surveys of the topography and land history before buying any property as a matter of principle. If any risk of soil contamination is present, we conduct a soil survey. Should soil contamination be detected, we take appropriate pollution control measures. In recent years, the need to make use of land such as vacant lots at factory sites and gas stations has been increasing. Our ability to respond to these needs has given us a competitive advantage, and our orders are growing. We have therefore strengthened our ability to deal with complicated soil contamination projects by building a strong network of land surveyors and remediation companies in addition to developing our own remediation technology.

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Contribution to SDGs



chemical substances throughout the life cycle of houses and buildings in addition to minimizing the risk (ultimately people and ecosystems).

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊: Goal for fiscal 2017 achieved 😊: Goal for fiscal 2017 not achieved (improved from the previous year) 😞: Goal for fiscal 2017 not achieved (worsened from the previous year)

Reducing our use of chemical substances by adopting innovative construction methods and using weaker paint solvents

The Group endeavors to bring about improvement by aiming at reducing emissions and transfers of the PRTR-listed hazardous chemicals and emissions of VOC*1 by attaching importance to the painting process.

We reached the target in fiscal 2017 since the emissions and transfers of the PRTR-listed hazardous chemicals per sales unit were reduced by 42.2% in comparison with those in fiscal 2012. We also reached the target since the emissions of VOC per sales unit were reduced by 13.9% in comparison with those in fiscal 2012. The plants of our company endeavored in fiscal 2017 to make thinner weak solvents for washing painting machines. In addition, Daiwa Lease Co., Ltd., belonging to the Group, promoted its effort to make rust preventive paint and thinner weak solvents and make panel repairing paint water-based paint by setting the targets.

The single-family housing and rental housing sector of our company plans to make paint for steel frames and thinner weak solvents and make electrodeposition repair and additional paint weak solvents for some products in fiscal 2018. In addition, the commercial and office buildings sector of our company will more strongly make thinner for rust preventive paint weak solvents. DesignArc Co., Ltd. belonging to the Group plans to reduce the volume of consumed paint by replacing washing agents for foamed urethane nozzles and changing painting methods for some products.

*1 VOC (Volatile Organic Compounds)

Achieving our targets by exceeding the national guideline values

The Group has set a target more stringent than the guiding value prescribed by the national government for residential facilities and measures the indoor air quality at fixed times a year.

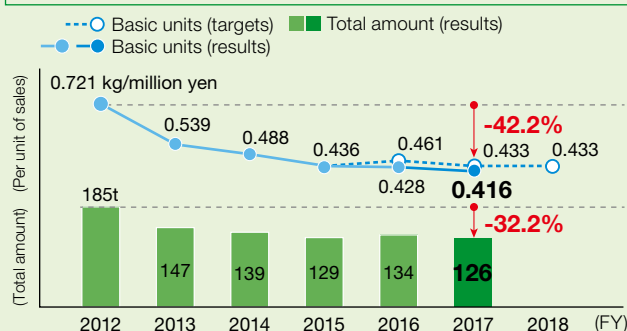
Every sector of the Group reached the voluntary target in fiscal 2017. The residential housing related sectors advanced the shift to low-formaldehyde emitting construction materials, and other sectors than the residential housing related sectors took measures such as thorough ventilation at the time of building. The Group will keep and continue such efforts.

Continuing to reduce serious risk of soil contamination to zero

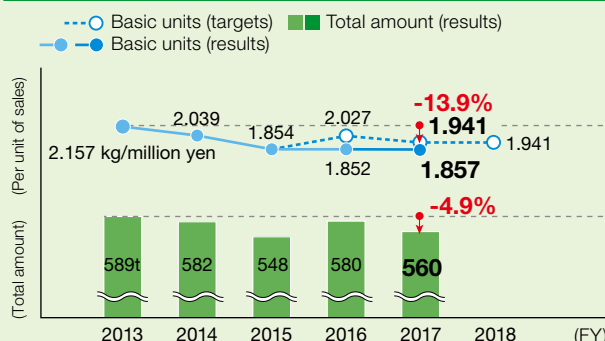
We have adopted a basic policy on soil contamination countermeasures and have established special departments to address and minimize soil contamination risks.

In fiscal 2017, we maintained and extended our record of zero serious risk of soil contamination associated with land purchases. In principle, when purchasing land, we conduct a survey before purchasing any property. For purchased land, if it is determined that a risk of contamination exists, we sell it only after conducting soil investigation and implementing soil remediation measures.

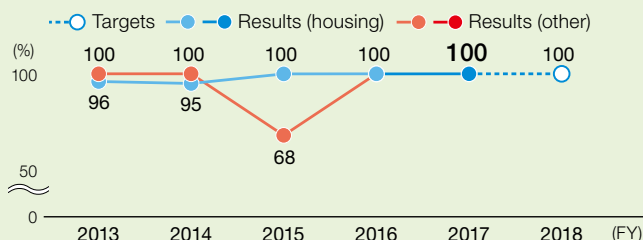
Release and transfer of PRTR-listed chemicals



VOC emissions



Compliance rate with voluntary standards for indoor air quality of residential facilities



Serious risks of soil contamination during land purchases



FY 2017 targets	FY 2017 results	FY 2018 targets
Zero	Zero	Zero

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Implementation report on the Endless Green Program 2018

Focal theme

4

Prevention of Chemical Pollution

Reducing chemical substances in our procurement and business activities

Basic Policy

Reinforcement of control of chemicals contained in procured construction materials and reduction in hazardous chemicals in production stage

In order to minimize the risk of chemical substances in our plants, the Daiwa House Group is focusing on those chemicals targeted by the PRTR* and is prioritizing those exhibiting especially high toxicities such as carcinogenicity, reproductive toxicity, and mutagenesis. These are the chemicals whose use we seek to reduce. Furthermore, in an effort to control air pollution, we are taking steps to reduce the amounts of VOCs present in paints.

* PRTR (Pollutant Release and Transfer Register): A system that requires business operators to report the release and transfer of chemical substances once a year to the government, which then tabulates and publicizes the collected data.

Reinforcement of risk management of soil contamination at time of purchase of lands

Moreover, in terms of soil contamination countermeasures, we conduct comprehensive soil surveys and are implementing countermeasures at our plants and construction sites while ensuring appropriate management.

Management

Promotion system implemented through a cross-segment working group

In order to reduce the amounts of chemical substances handled in our plants, we hold periodic meetings of a cross-segment joint working group that includes participants from the development and manufacturing segments. Our development segment, as part of its commitment to continuous improvement, investigates ways to substitute less toxic alternatives for current materials, using reports on the status of chemical substance usage in our plants, as well as this segment selects new materials with low toxicity when setting materials. Moreover, our Group companies are collaborating to share information and promote improvement initiatives.

Preventing air pollution and water pollution

In addition to having taken preventive steps by performing measurements and inspections according to the terms of the Air Pollution Control Law and Water Pollution Control Law at all of our plants, we at Daiwa House Industry have strengthened our management system and are continuing to comply with emissions standards regarding soot and drainage.

With regard to wastewater in particular, we perform ongoing maintenance and are more stringently monitoring the discharge from the wastewater treatment facility for the electrodeposition coating apparatus, which is the main source of discharge to public waters (coastal bodies of water and waterways). In addition, our plants in Kyushu, Nara, and Ryugasaki introduced D's FEMS* and are monitoring for abnormalities with the drainage facilities. We will continue to take steps to prevent air and water pollution.

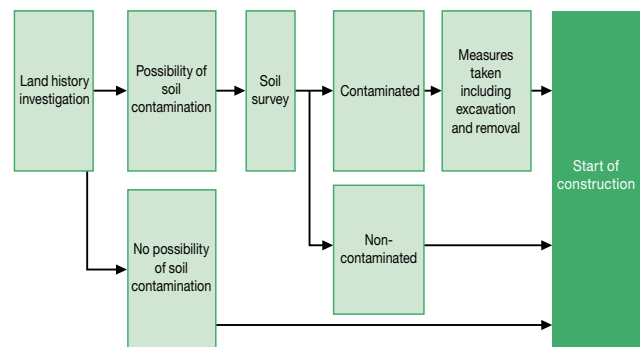
* Our unique plant energy management system

Preventing the spread of soil contamination accompanying land transactions and construction

In principle, prior to purchasing any land, we investigate into the history of the land we intend to market later. If it is determined from the soil history investigation that soil contamination might be present, we undertake a soil survey. If soil contamination is found, we will sell the property only after contamination countermeasures have been put in place. Moreover, when soil is carried in or carried out during construction work, we confirm the regional source of that soil and conduct a quality inspection on the soil and in areas where a contamination risk arises from the soil that is carried in or out. We then select an appropriate disposal site based on the results of the soil survey and take steps to prevent secondary contamination.*

* Spread of contaminated soil into non-contaminated areas

■ Flow for prevention of soil contamination risk in association with land transactions



Major efforts

Measures to address soil contamination at our holdings (plants)

As part of the compliance with the Soil Contamination Countermeasures Act and the risk management, our company surveys soils of its plants according to schedules. Since a plant (the fourth factory of the Nara Plant) fell under Articles 3 and 4 of the Soil Contamination Countermeasures Act in fiscal 2017 as a result of a discontinuation of operation of a specific facility and its dismantling work, we carried out the surveys for soil contamination such as a depth survey by boring. Since soil contamination was detected in part of the site as a result, we reported such detection to the competent authority and is performing the work for excavating and removing such contaminated soil. We plan to carry out such surveys in other plants one by one from now on.



Loading work of contaminated soil in Nara Plant

Related page P209 Environmental Data Measures to address soil contamination at our holdings

Implementation report on the Endless Green Program 2018

Focal theme

4

Prevention of Chemical Pollution

Reduction in toxic chemicals in our products and services

Basic Policy

Improvement in the indoor air quality of residential facilities

To minimize (ultimately zero) the risk of chemical substances, it is important to reduce the use of toxic chemicals and substitute them with benign alternatives at the development and planning phases of our houses and buildings and to confirm that no indoor air quality problems are present after construction. At Daiwa House Industry, we are taking steps to improve indoor air quality in residential housing by enforcing countermeasures against the sick house phenomenon by using industry-leading building materials and by constructing houses to healthy specifications that meet standards for the presence of VOCs.

Chemical Substance Management Guidelines

In 2010, we formulated our Chemical Substance Management Guidelines and put them into effect. We did so in an effort to minimize the chemical substances present in our products, share this information with our suppliers, and minimize the use of high-risk materials so as to provide products with little impact on the health of stakeholders and the environment. These Guidelines are being applied mainly to our housing products (single-family, low-rise rental housing). In 2015, we positioned these Guidelines as part of our CSR Procurement Guidelines. Regarding the use of prohibited substances and restricted substances, we have adopted the goal of extending the targets to encompass all products we procure.

In these new guidelines, we have designated about 480 types of managed substances, with each assigned coverage under one of the three levels of management: “use prohibited;” “control required / use restricted;” and “monitoring required.”

Management levels under the Chemical Substance Management Guidelines

Management level	Target
Level 1 <Use prohibited> Substances and substance groups that are prohibited to be used in all products	All procured products
Level 2 <Control required / Use restricted> Substances and substance groups for which the status of use in major construction materials should be identified. (Some materials have restrictions on their use.)	
Level 3 <Monitoring required> Substances and substance groups for which the status of use in major construction materials should be identified.	Housing products (single-family, low-rise rental housing)

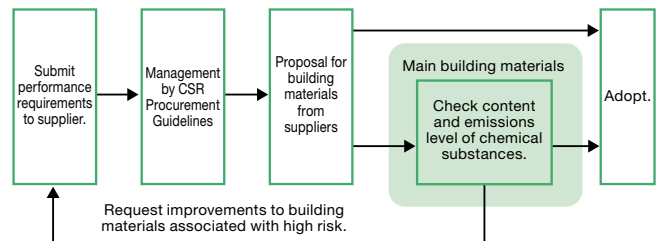
Related page P186-188 CSR Procurement Guidelines
P115 Supply Chain Management in Our Entire Business (Environment)

Management

Implementation of the Chemical Substance Management Guidelines

Through the use of these Guidelines, we identified the chemical substances used in our building materials and took steps to minimize the risk of these substances by monitoring for their presence or absence as well as the amounts contained and emitted. In fiscal 2016, as part of our CSR Procurement Guidelines, the scope of these Guidelines was extended to include Daiwa Lease Co., Ltd., DesignArc Co., Ltd., and Cosmos Initia Co., Ltd. in addition to Daiwa House Industry.

Operation flow of Chemical Substance Management Guidelines



Establishing the voluntary standards for specific measured substances under the Housing Quality Assurance Act

In order to contribute to a better indoor air environment, we established the goal of setting the voluntary standards more stringent than the national guidelines set for five substances*1 under the Housing Quality Assurance Act*2 as specific measured substances. We conduct indoor air quality measurements every year for a certain number of residential facilities at completion of construction to evaluate and improve the air quality.

*1 Formaldehyde, toluene, xylene, ethylbenzene, and styrene
*2 Act regarding the promotion of quality assurance of houses

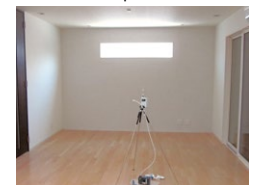
Major efforts

Proactively adopt low-VOC building materials and improve indoor air quality concentrations.

Daiwa House Industry as well as our Group companies Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd. provide many residential facilities. To contribute to better indoor air environments, all the interior finishing materials we use are rated as Japanese formaldehyde emission class F☆☆☆☆.* Moreover, even for interior finishing materials applied to foundations, we are proactively adopting formaldehyde-free glass wool and rock wool and the like.

In addition, we conduct indoor air quality concentration tests at a given number of properties following construction every year and undertake assessments and improvements. The scope of these tests includes built-for-sale houses and rental apartments; residential buildings such as nursing facilities where the period of residence is typically lengthy; and, in 2014, we expanded the scope of application of this system to include hotels and hospitals.

In the future, we intend to conduct investigations of a given number of properties with consideration for the intended use of the building and changing conditions such as the region and climate. Upon receiving the results of the analysis, we will undertake to improve the indoor air environment.



Measuring indoor air quality concentrations

* The rank with the least release, with no restrictions on use for indoor finishes

Developing and publicizing health-oriented specifications

Since fiscal 2015, we have been testing and evaluating our main wooden construction materials with a more realistic method by employing a chamber test* that measures the release of formaldehyde and other chemical substances emitted by these materials. The results of these tests have directed us toward the use of substitute building materials with lower emissions of formaldehyde and the like.

Furthermore regarding single-family housing, we are adhering to health-oriented specifications that focus on the indoor air environment, and are providing housing that considers the air environment even more.

* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials

Co-creating a Brighter Future with the Environment

Eco Communication

Policy and Concept

We, as the Daiwa House Group, are committed to continuously improving our environmental activities through communicating our approach and efforts to address environmental issues in an easy-to-understand way, both internally and externally, as well as in dialogues with stakeholders. Believing in the importance of communication between employees and stakeholders with whom they are in daily contact, we encourage our employees to improve their awareness and knowledge of environmental issues and to practice environmental responsibility.

Development of communication with stakeholders (external communication)

Dialogue with experts and investors

When we at Daiwa House Industry set a new policy or target, we hold dialogues about the details of activities of the Group with external stakeholders, such as well-informed persons and NGOs, when appropriate and endeavors to enrich them further.

Specifically, when we developed and determined the action plan for the environment in fiscal 2015 “Endless Green Program 2018 (EGP 2018),” we exchanged views with our customers (for single-family houses and commercial facilities), business partners, shareholders, investors, etc. about extraction of the priority issue for the Group. Then we verified with some well-informed persons whether or not the priority issue so extracted was appropriate, identified the materiality (priority issue) for the Group and incorporated it into the EGP 2018.

Daiwa House Industry has come to receive more and more questions and ratings about the way of thinking and efforts of the Group for the environment from institutional investors and external rating agencies in recent years. Therefore, we continued to participate in the “Environmental Information Disclosure Infrastructure Project” organized by the Ministry of the Environment in fiscal 2017, published the information about our ESG (Environment, Society and Governance) on the platform of the system and then exchanged views.

Furthermore, we held the ESG Small Meetings (twice) for institutional investors for the first time, held meetings for individually exchanging views (twice) and thus deepened mutual understanding further in fiscal 2017.

We will promote the understanding about the Group and secure the transparency of the study process by continuing to hold dialogues with well-informed persons, investors, etc. and, at the same time, enhance the practical effectiveness of the activities by incorporating opinions from wide viewpoints based on the latest knowledge and findings into our company.

- Related page ▶ P029 The Process for Identifying Priority Issues for the Medium-Term CSR Plan
 P173 Cooperation with Government Agencies, External Organizations, etc.

Strengthening information dissemination through our environmental website

The Group releases information about the environment in our company through the websites, the sustainability reports, the exhibitions, the environmental education for children, etc. Among other things, we consider the websites to be important as the media to be used by various stakeholders and endeavor to enrich their contents.

Our environmental website “Efforts for the Environment” displays the contents such as the short movies describing our long-term environmental vision “Challenge ZERO 2055”, the introduction to environmentally conscious products and their examples and the “Environmentally Symbiotic Residential Houses in the World” showing residential houses in the world meeting local characteristics. In addition, we regularly distribute the web magazine *SUSTAINABLE JOURNEY* to general public. We inform as many people as possible of smart cities and sustainable ways of living in the world and enable them to serve as references for the environment-conscience lifestyle.

In addition, we continue to enlarge and improve the websites in English for overseas stakeholders and endeavor to enrich their contents further.



Environmental website



Environmental education for infants

Horizontal development utilizing the company's intranet and internal environmental bulletin

The Group issues the internal environmental bulletin “We Build ECO Press” (bimonthly) for introducing our leading-edge environmental examples and ecological activities performed by employees to raise the awareness of our employees.

In addition, we promote the company-wide and Groupwide environmental activities by explaining the “Endless Green Program 2018”, publishing materials for the environmental education, making environmental events thoroughly known through the in-house intranet.

In fiscal 2017, we expanded the contents by additionally publishing the “Examples of Environmental Activities by Branch Offices and Worksites” compiled item by item from effective environmental activities among efforts made by each of the branch offices and worksites. In addition, we have newly started to regularly send timely environmental information by mail to the executives as the “Environmental Management News” to contribute to the improvement of the level of the environmental management.

We will promote the increase of the awareness of our employees about the environment and their practical environmental activities by enriching the contents further.



Internal environmental bulletin “We Build ECO Press”

記事名	発行日	発行部局	発行頻度	発行回数	発行部局	発行頻度	発行回数	発行部局	発行頻度	発行回数	発行部局	発行頻度	発行回数
環境活動事例集「環境活動事例集」	2017.10	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1
環境活動事例集「環境活動事例集」	2017.10	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1
環境活動事例集「環境活動事例集」	2017.10	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1
環境活動事例集「環境活動事例集」	2017.10	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1
環境活動事例集「環境活動事例集」	2017.10	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1	環境部	年1回	1
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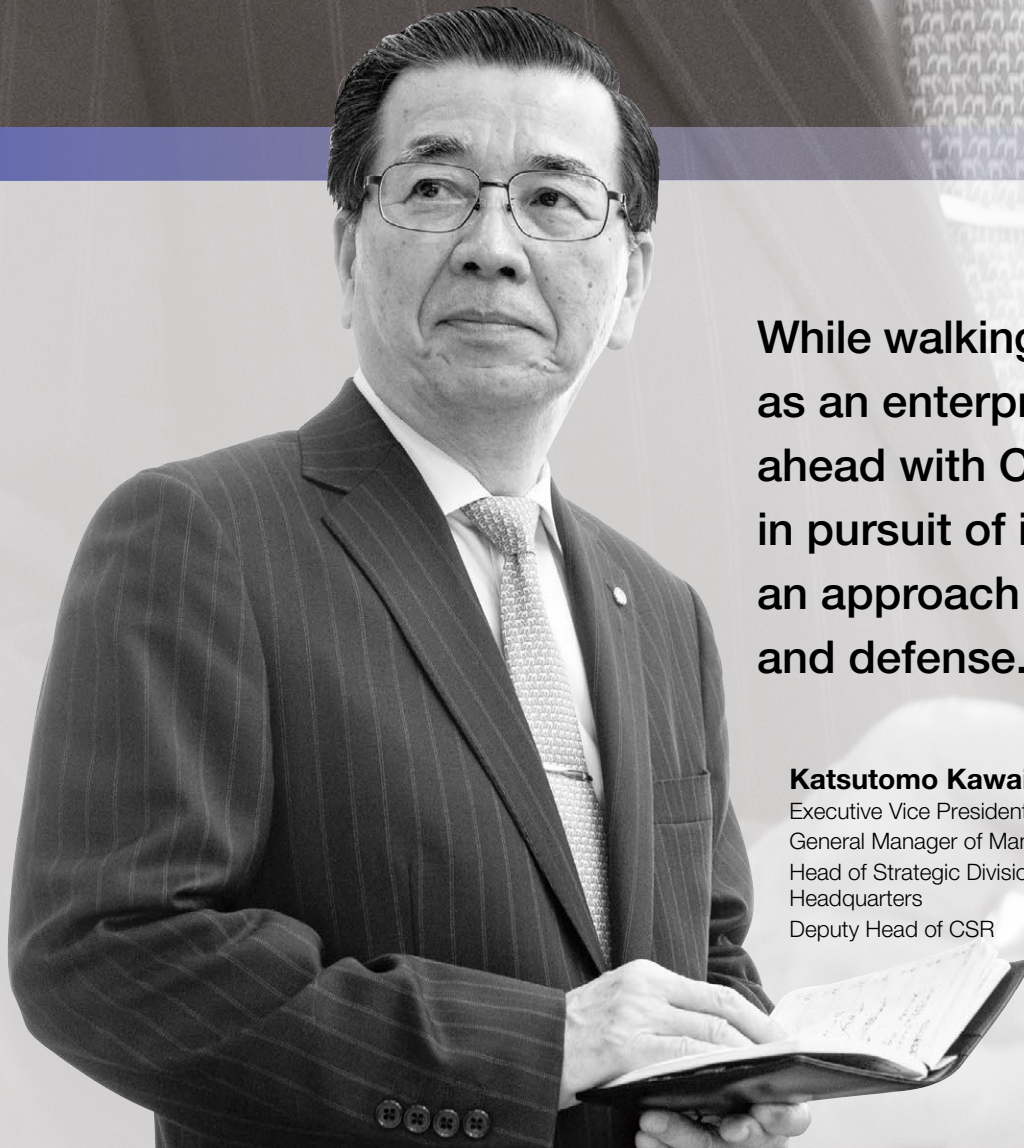
Introduction of environmental initiatives in the worksite

Implementation Report

Foundation of CSR Management

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Foundation of CSR Management



While walking on the main street as an enterprise, we will push ahead with CSR management in pursuit of its business with an approach combining offense and defense.

Katsutomo Kawai

Executive Vice President
General Manager of Management Administration Headquarters
Head of Strategic Division, Management Administration Headquarters
Deputy Head of CSR

Commitment from the Executive Officer in Charge

Seeking to create a sound corporate culture

As the policy of General Manager of Management Administration Headquarters for fiscal 2018, we continue to have a policy stipulating that “We shall walk on the main street to continue to grow as a sustainable corporate group by taking the offense-defense balance into consideration.” Seen from the outside, it may look like we are proceeding with more of the same as the previous year. However, now that the business scale of the Group is further expanding, we think that “the main street” in the sense that we head down “the right path as a human” and “the right path as a business person” is an important issue among others. And under the above-mentioned policy, we have set “the thoroughgoing enforcement of risk management and corporate

compliance” and “the improvement of productivity by improving the way of working and creating new ideas and devices” as priority items concerning CSR management.

Amid a series of compliance problems caused by several companies in recent years, self-interest or self-protection of managers or employees seems to be the underlying root of the whole problem. What it boils down to is that the misjudgment on what an organization should protect causes a serious problem concerning compliance.

So long as we are human, we cannot rule out anyone making a mistake. The important thing is not making a mistake, but how we behave when we make a mistake. When we make a mistake, it would be no problem if we admit it immediately. However, we tend to hide the mistake, and a lie sets off a chain of lies. This may lead to a serious problem for an enterprise. All business persons should take it to heart.

Contribution to SDGs



Anti-fraud mechanism as a concerted effort of business and administrative divisions

To prevent compliance-related problems inside our company, it is important to create a corporate culture that encourages honest recognition when we make a mistake during work. To avoid making a mistake, building a mechanism of business audits to point out items that are going to be a problem will be also important.

As we succeed the “decisive communication” since the founding of our company, we have fostered a culture of taking on challenges without fear of failure. And even if you make a mistake in a forward-looking effort, we recommend not to regard it as ruining your career, but rather go ahead and give another try, driven by the mistake. It is very good that this leads to the further growth of the employee himself or herself and the company as well, so we should continue to value it.

Added to the above, as might be expected, it is also important to build a mechanism to check the occurrence of a mistake or fraud in advance and prevent it from happening. We consider it an essential element for sustainable growth that Management Administration Headquarters develops “defense” on the company-wide basis and enhance the offense-defense balance.

In this regard, our company has established a branch office system characterized by an organizational system that each branch has both business division and administrative division. In the sales field, we value an attitude of defending while offending. On the other hand, in the administration division, an attitude of offending while defending has been thoroughly implemented. To put together company-wide and forge ahead with management combining defense and offense, not to think defense and offense separately, that is the critical point to establish compliance.

Changing the image of and enhancing “Business Audits”

Looking back on fiscal 2017 in terms of management administration, it was a considerable effort to have implemented annual business audits of all branch offices. It used to be implemented biannually and still was a hard work. Having reinforced the structure of Internal Audit Office with increased manpower, the annual audits have become possible.

Business audits of the Group is not fault-finding of branch offices. Its purpose is to find out a behavior that is likely to become a problem and make it visible. We will seek audits that are thanked by branch offices for “being pointed out as it was helpful.”

When I was working at a branch office, I myself felt like, “What should I do if I am pointed out something in business audits?” Some of you might still feel like this. But the point is, to find out something overlooked in the sales field or something might lead to a mistake, thereby firmly supporting our employees who are wrestling day after day. Even if we found a problem, it’s the mission of business audits to work together to solve the problem, not to question accusingly.

Seeking the way of management administration that goes with the times

Although we “shall walk on the main street to continue to grow as a sustainable corporate group by taking the offense-defense balance into consideration,” not all the existing in-house rules will become the main street. As the times change, rules should be changed as necessary. As the word “fueki ryuko (the principle of fluidity and immutability)” indicates, while there’s essence of matters that we should keep in this world, making new challenges in line with the changes of the times is important as well. It can be said especially important to face up to the difference in the sense of value between generations for management administration in response to the demand of the times.

To cite an example of guiding our subordinates, if we condemn them unheard just like old times, even if it’s for strict observance of compliance, we will not gain understanding. Now that power harassment and other problems are coming up to the surface, responding to them not only based on our own past experience but also consideration for the young generation is absolutely required for managers.

Regarding the long working hours, which has become a social problem, I feel the necessity to review the work itself, whether overtime work is really necessary or not. Managers should review the way of work on-site and change it by exercising originality and ingenuity.

At a manager meeting, I said “Keeping the business rule is not always good. You’ll have to be prepared to break it when necessary.” Needless to say, it’s easy to say, but doing so is not easy. Even so, review of business rule is one of the responsibilities that managers must fulfill, and Management Administration Headquarters is required to provide solid support to this initiative.

Foundation of CSR Management

Whether we can commit to the society for something is the foundation of CSR

In addition to the efforts described above, the Daiwa House Group strives to activate the Board of Directors and Corporate Governance Committee to upgrade the management administration system. At such opportunities, we, including external directors as well as company directors, are trying to have vigorous discussions on a broad range of projects. Fortunately, our external directors recognize the briskness of the “Board of Directors where everyone can speak out.” We also value the attitude of listening to each director’s opinion based on his expertise and standpoint.

As the Group will further expand in the future, business management combining defense and offense while at the same time firmly staying on the “main street” will gain importance. When we face a severe managerial environment, let alone in a favorable business environment, being an organization in which offense-defense balance properly functions will be driving force of sustainable growth.

The quintessence of CSR management is, we think, whether we can commit to the society for something through our business operations. To this end, in principle, all the managers must always be aware that whether what we are doing now is really beneficial to the society. A person who walks on the “main street” of management is the one who carries through with nothing special on a routine basis as a human and as a member of a company. Doing everything exhaustively is the very core element of the Group’s CSR management. We think it is a mission as an enterprise to continue handing down this practice.

Social issues

For an enterprise to meet the need of society and being trusted by its stakeholders, it is essential to think ahead all the time and grasp social issues accurately. Besides that, incessant pursuit of fair corporate governance is important as well.

In addition, the falling birthrate and aging population in Japan is a social issue that enterprises should cope with. This issue can have an impact on all aspects of the management infrastructure, and as an enterprise, we must tackle this proactively from a long-term point of view.

Risks and opportunities for the Daiwa House Group and its responses

While the scale of business and that of the organization are expanding and their influence on society is increasing, the risk may arise in our acquisition of human resources as an influence of a declining birthrate and aging population although the number of our business opportunities increases.

In addition, any risks not contemplated until now may arise as a result of expansion of business domains. Even a small mistake may result in damage to the trust of the entire Group in some cases. Considering the prevention of such risks from arising, we endeavor to improve the internal control by the Risk Management Committee in order to thoroughly enforce corporate compliance. In order to carry on the management by taking the “offense-defense balance” into consideration, the worksites constituting the frontlines of sales activities in the whole country and the Administrative Division of the Head Office jointly endeavor to share information on problems and resolve them by cooperating closely with each other.

Business risks and opportunities are changing with the passing of time. We think that the continuous enhancement of sensitivity to corporate compliance by all executives and employees and the proper management of risks including potential ones will bring about the increase in the number of business opportunities as a result thereof.

Aiming at Building of Foundation of CSR Management

We will build the solid foundation of the management by creating the CSR mindset and enhancing the awareness through the activation of the organization with work performance improvement.

Results of Medium-Term CSR Plan (From CSR self-assessment index)

[Priority issues]

Ethical conduct

P168–170

In the “In-House CSR Awareness Survey” for surveying the actual situation of ethical conduct in the Company, we have fixed the target score at 80 points out of 100 for fiscal 2018. The actual score in fiscal 2017 was 77.8 points. We will continue our efforts to enhance the CSR awareness.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
In-house CSR awareness survey	77.8 pts	80 pts

[Priority issues]

Creation of a CSR mindset

P163–165

Regarding the “number of worksites visited for the CSR training program” as one of the efforts to create the CSR mindset in the Company, we fix the target number for each fiscal year and have fixed it at 83 for fiscal 2018. The actual number in fiscal 2017 was 56 and exceeded the target number for that fiscal year. We will endeavor to reach the target for fiscal 2018.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
No. of worksites visited for the CSR training program	56	83

[Priority issues]

Human rights awareness-raising

P151–158

Regarding the rate of attendance at the training program for raising the human-right awareness of the employees of Daiwa House Industry, while the target rate is 200% (expecting two attendances per person a year) for fiscal 2018, the actual rate was 186.7% in fiscal 2017. Regarding the rate of attendance of the employees of Group companies, while the target rate is 100% for fiscal 2018, the actual rate was 116.4% in fiscal 2017, and the target was reached. We will promote our efforts for continuously raising the human-rights awareness to reach the target.

Individual indices (Excerpted)	FY 2017 results	FY 2018 targets
Human rights awareness-raising activities		
① Our employees	①186.7%	①200%
② Employees of our Group companies	②116.4%	②100%

Foundation of CSR Management

Corporate Governance

Basic Policy and Concept

Promoting Corporate Governance

Daiwa House Industry considers corporate governance a priority issue in our business management in order to remain a corporation trusted by society. As such, our basic approach is to establish and maintain a swift and accurate decision-making and business execution system, an optimal supervisory and auditing structure, and a corporate governance mechanism incorporating diverse and long-term perspectives.

Operating on these systems, we pursue, and continue to improve, our corporate governance in the best possible manner, so that we may maintain both our contribution to society and value creation for our shareholders at high levels: the former through our business activities in a broad range of fields fulfilling society's needs as a group that co-creates value for individuals, communities, and lifestyles as stated in our management vision and advancing proactive innovation and exploration of new areas; and the latter as a publicly listed corporation that creates stable economic value surpassing capital cost on a medium- to long-term basis.

Management

Corporate governance system

To put our management vision into practice, the senior management in charge of business execution should always explore social needs based on a bottom-up approach, and the Board of Directors should deliberate and determine how we concretize the social needs as a business.

Taking these into account, we choose to be a Company with an Audit & Supervisory Board and have a Board of Directors centering on executive directors so as to enable accurate and swift actions on how to respond to the society's needs through our business operations. In this structure, we appoint a multiple number of independent external directors to increase transparency and soundness in our business management. The Board of Directors is further regulated by auditors and the Audit & Supervisory Board that are independent of the Board of Directors.

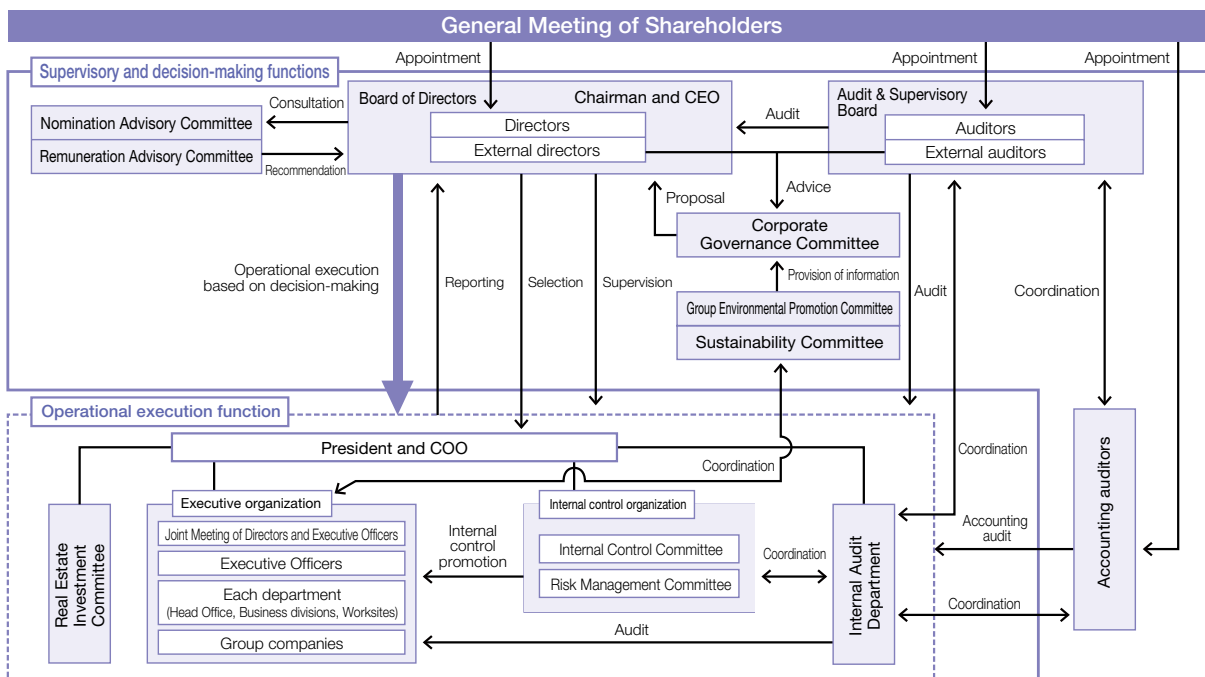
Currently, the company has a well-balanced so-called "hybrid-type board" with "managerial functions" centering on 16 executive directors and "supervisory functions," which is mainly consisted of three independent external directors (of which, one is female) and six auditors and the Audit & Supervisory Board (of which, three are external directors) who do not vote to a decision-making of the Board of Directors.

The Board of Directors of our company appoints Chairman who serves as Chief Executive Officer (CEO), who is granted supreme authority of decision-making and supervisory functions, and chairman of the board. Granted operational execution function based on the bottle-up approach as well, Chairman achieves high levels of decision-making and supervisory functions.

Regarding the nomination of directors and officers and remuneration, to enhance independence and objectivity, we have a Nomination Advisory Committee and a Remuneration Advisory Committee formed on a voluntary basis, the majority of whose respective members are external directors headed also by an independent external director.

We also have the Corporate Governance Committee to deliberate on overall management visions, strategies including efforts toward achieving SDGs (UN's Sustainable Development Goals) and ESG, and other subjects, so as to sufficiently incorporate the knowledge of external directors into the company's medium- to long-term managerial issues for sustainable growth of our company.

Corporate governance system



Selection of directors

Our company's Article of Incorporation stipulates that the term of office of directors as one year, and the Regulations of Directors set by directors stipulates the procedures and standards for selecting directors.

Standards for selection of directors are as follows.

1. Having good character and knowledge, good managerial sense and a mastery of wide-ranging managerial issues
2. Having an excellent company-wide perspective and abilities to analyze and judge subjectively
3. Having outstanding foresight and insight
4. Capable of accurately grasping the trend of the times, managerial environment and changes in the markets
5. Highly motivated to improve his own quality
6. Capable of proactively expressing his or her opinion from a company-wide perspective

Evaluation of Board of Directors

We evaluate the effectiveness of the Board of Directors annually since 2015 based on the Corporate Governance Guidelines

established to realize sustainable growth and medium- to long-term corporate value enhancement.

The Audit & Supervisory Board and the Board of Directors analyze and evaluate the whole Board of Directors based on the self-assessment by directors through a questionnaire survey method. In fiscal 2017, we conducted a questionnaire survey in cooperation with an external organization, and assured anonymity by having replies made directly to the external organization. Taking into consideration a report on the aggregate results from the external organization, we have confirmed the structure of the Board of Directors, its decision-making process, administration status of the Board of Directors including performance management, status of support to external directors, and status of the execution of duties of the directors. As a result of the above, we have determined that the effectiveness of our Board of Directors is maintained adequately.

On the other hand, we shared the diversified structure of the Board of Directors, as well as acquisition of knowledge required to keep up with the ever-changing managerial environment and other issues.

We will continue striving to improve the effectiveness of the Board of Directors and our management system.

■ Status of holding Board of Directors (Expected attendees: Directors and Auditors)

FY 2017	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭
Directors	17/19	18/19	16/19	18/19	18/19	19/19	19/19	18/19	18/18	18/18	18/18	17/18	18/18	18/18
Auditors	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	5/6	5/6	6/6	6/6	6/6
Attendance rate	92%	96%	88%	96%	96%	100%	100%	96%	100%	96%	96%	96%	100%	100%
Matters to be resolved	6	6	3	4	2	5	5	3	8	1	4	5	8	9
Matters to be reported	2	2	0	2	0	0	2	4	0	0	1	0	1	2
Time required	80 min	110 min	40 min	35 min	30 min	70 min	70 min	55 min	140 min	30 min	100 min	110 min	135 min	125 min

Audit & Supervisory Board

The Audit & Supervisory Board audits the execution of duties of Directors and Executive Officers, determines the content of proposals for submission to the General Meeting of Shareholders on the appointment or dismissal of accounting auditors or against the reappointment of accounting auditors, and conducts other items prescribed by accounting auditing and other laws. The Board receives in a timely and appropriate manner reports from Directors, employees and accounting auditors on items necessary for auditing the execution of duties by the Audit & Supervisory Board, Directors and Executive Officers. Additionally, the Audit & Supervisory Board shares necessary information with the accounting auditors, Internal Audit Department and external directors in an effort to improve auditing quality and perform audits efficiently.

Having received a mandate from shareholders as independent entities to audit execution of duties of Directors and Executive Officers, Audit & Supervisory Board Members fulfill their duty to ensure healthy and sustained corporate growth and establish a high-quality corporate governance system worthy of society's trust. In light of the characteristics of their full-time position, fulltime Audit & Supervisory Board Members work proactively to put in place audit environments and collect information. In addition, they routinely monitor and verify the status of internal control system construction and operation.

External Audit & Supervisory Board Members express their opinions frankly, being that they are appointed as part of a legal requirement for augmenting the independence and neutrality of the audit structure and taking into consideration the reason for their appointment, and recognizing that they are expected to express their audit opinions neutrally and objectively.

One of fulltime auditors has a wealth of knowledge of finance and accounting, improving financial expertise of the Audit & Supervisory Board.

Selection of auditors and accounting auditors

Our company's Article of Incorporation stipulates that the term of office of auditors as four years, and the Corporate Governance Guidelines and the Regulations of Auditors set by the Audit & Supervisory Board stipulate the procedures and standards for selecting auditors. Concept of the composition of auditors is as follows.

1. Audit & Supervisory Board shall be composed by a majority of external auditors for the purpose of securing of independence of the Board, and one or more members shall be designated as independent officer set forth by stock exchanges.
2. External auditors shall be selected among professionals of finance, accounting, laws, business management and other expertise.
3. Fulltime auditors shall be selected among those who have rich experiences in our company, and one or more of them shall be selected among those who are considerably versed in finance and accounting.

Procedures of selecting accounting auditors and other matters are stipulated in the above-stated regulations, in which a policy of selecting new accounting auditors, including the cases where operational execution of an accounting auditor is disrupted, is clearly described.

- Related subject**
- Items related to organizational composition, organizational operation, etc. [Auditor-related]
https://www.daiwahouse.com/ir/governance/pdf/governance_report.pdf
 - Policy and procedures of information disclosure nomination based on the Corporate Governance Code
<https://www.daiwahouse.com/English/ir/governance/status.html>

Foundation of CSR Management

Committee on supervisory and decision-making functions

Corporate Governance Committee

The Corporate Governance Committee is composed of external directors, external auditors and fulltime auditors, the CEO, COO and CFO and Representative Directors. This committee conducts exchanges of views on vision, strategies and other items related to corporate governance and overall company management from diverse perspectives and based on a long-term viewpoint.

As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee (Chairman: Executive Officer in charge of the Environment, Current: Representative Director and Senior Managing Executive Officer), a meeting structure associated with the Committee, and Sustainability Committee (Chairman: General Manager of Management Administration Headquarters, Current: Executive Vice President), and exchanges opinions with them.

By incorporating into corporate management the full extent of the knowledge and wisdom of external directors and external auditors, the Committee aims to create a “better company,” convening with the principal purpose of contributing to enhancing corporate value over the medium- to long-term. (Chairman: Chief Executive Officer (CEO), Frequency: twice a year in principle)

■ Status of holding Corporate Governance Committee

(Expected attendees: External Directors, External Auditors, Fulltime Auditors, CEO, COO, CFO and Representative Directors)

FY 2017	①	②
Number of attendees	15/15	16/16
Attendance rate	100%	100%

Nomination Advisory Committee

The Nomination Advisory Committee receives explanations from Representative Directors on the contents of the General Meeting of Shareholders proposals regarding the appointment or dismissal of Directors and the evaluation of individual Directors, discusses the validity and states its opinion therefore maintaining objectivity concerning the nomination of individual Directors. The Nomination Advisory Committee formulates and declares “Independence Standards for Outside Executives” on the appointment of independent and neutral external directors. In principle, external directors who fulfill the Standards are appointed. (Chairman: independent external director, Frequency: annually in principle)

■ Status of holding Nomination Advisory Committee

(Expected attendees: External Directors, Chairman and President)

FY 2017	①
Number of attendees	4/5
Attendance rate	80%

Nomination Advisory Committee

The Nomination Advisory Committee, the majority of which is composed of external directors, is chaired by an external director. The Committee receives explanations on the policy concerning the contents of remunerations, etc. of directors and executive officers, as well as the contents of individual remunerations, etc., discusses the validity of the process of deciding remunerations, etc. and states its opinion, thereby playing a role of enhancing fairness and objectivity.

Director’s remunerations, status of auditor’s audit and auditor’s remuneration are disclosed in securities report.

Related subject <https://daiwahouse.com/ir/shouken/pdf/79yuuhou.pdf>

Related page [The 79th Term Securities Report \(Japanese text only\)](#)
 P056 Director’s remunerations
 P061 Details of audit fees
 P053 Status of internal audit, auditor’s audit and accounting audit

■ Status of holding Nomination Advisory Committee

(Expected attendees: External Directors, Chairman and President)

FY 2017	①
Number of attendees	5/5
Attendance rate	100%

Committee related to execution of operations

As for committees involved in execution of operation (Management Committee), we have, in order to operate business in its extensive business field, established the Joint Management Council to promptly and appropriately conduct subjects decided by the Board of Directors, the Real Estate Investment Committee and the Group Environmental Promotion Committee as a review organization for decision-making by the Board of Directors and matters necessary to the guidance of our management, and the Internal Control Committee and the Risk Management Committee to supervise the company-wide internal control system and to secure effectiveness of its implementation while striving to deploy well-balanced business between high certainty approaches against business opportunities and risk control.

Joint Management Council

To enable the Board of Directors and the Executive Officers to encourage mutual communications, as well as to appropriately execute decisions determined by the Board of Directors, we establish Joint Management Council. (Chairman: President)

■ Status of holding Joint management Council

(Expected attendees: Directors, Executive Officers and Auditors)

FY 2017	①	②	③	④	⑤	⑥
Directors	17/19	18/19	18/19	18/18	17/18	18/18
Auditors	6/6	6/6	6/6	5/6	6/6	6/6
Attendance rate of Executive Officers	45/45	42/42	41/42	41/42	41/42	41/42
Matters to be resolved	97%	99%	97%	97%	97%	98%

Internal Control Committee

To construct an appropriate internal control system in line with the provision of the Basic Policy for Internal Control System Construction, the Committee requests reports on the system’s operational status and provides supervision. (Director: President, Chairman: General Manager of Management Administration Headquarters)

Risk Management Committee

The Committee constructs and maintains a risk management system to prevent and curtail the manifestation of risks related to the management of the Daiwa House Group, as well as to reduce the amount of damage when risks materialize and to implement them. (Chairman: General Manager of Management Administration Headquarters)

Real Estate Investment Committee

[Establishment of Real Estate Investment Committee]

To ensure a proper decision when making investment to a real estate development project by assessing and fully deliberating and considering its feasibility and risk, we have established Real Estate Investment Committee. As a general rule, the Committee is held about once every 10 days and President takes the chair. Our company’s decision-making is carried out in parallel with a request and approval process through electronic network communication and resolution of the Board of Directors.

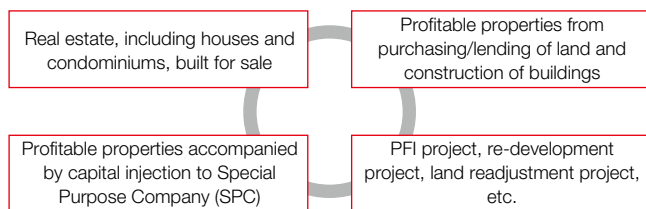
To contribute to request for approval and decision-making by the Board of Directors, the Real Estate Investment Committee deliberates on domestic and overseas real estate investment projects of more than a certain level of amount, in accordance with a classification by monetary value. Projects relate to the Tokyo Olympic Games and the Tokyo Paralympic Games, the right to operate highly public facilities (concession relating to infrastructure facilities, such as airport, park and road), as well as highly newsworthy projects that have large social impacts, regardless of whether the land or facility is public or private, are to be deliberated

no matter how much it is invested. Deliberations are also made in the cases where a project contains a risk to bring harmful rumor to our company, a composition of project partners may pose a risk of virtually taking on full responsibility to our company even if our investment ratio is low, and other cases.

[Deliberations based on our own standard]

Deliberation of projects is made sufficiently based on the explanation of originating department and relevant departments. As investment standard, a hurdle rate to IRR is set. If the IRR exceed the standard, a resolution to execute investment is adopted. At the same time, the Committee conducts multidimensional risk assessment (15 departments, 25 items), including whether or not the execution of investment is consistent with management philosophy, management strategy and brand image of our company, legal risks, soil and underground water contamination, ground risks and appropriateness of construction cost. So even if an investment project clears the condition in the economic viewpoint, execution of this investment differs substantially from what we aspire to be, or our vision, exerts great influence on the environment or in other cases, such investment is not approved.

Major real estate development projects to be deliberated



Risk assessment for investment decision

[Economic risk assessment]

- Setting of hurdle rate to IRR*

+

[Multidimensional risk assessment (15 departments, 25 items)]

- Consistency with management philosophy, management strategy and brand image
- Legal risk
- Impact on the environment, including soil/underground water contamination and ground risks
- Appropriateness of construction cost, etc.

* Set based on the WACC (weighted average of shareholder's equity cost and liability cost) standard with risk premium and other factors added

Incentive system for medium- to long-term corporate value enhancement

The remuneration of our Executive Officers links to the company performance and comprises appropriate incentives (remuneration and investment system) as a value equivalent to corporate value creation so as to create and secure excellent management human resources and to contribute to sustainable development as a listed company. Elements of these incentives consist of fixed remuneration and an annual bonus as short-term monetary reward, Compensatory Stock Options which in order to exercise are subject to achieving performance goals set in our Medium-Term Management Plan, as an investment system linked to medium-term performance and stock price, as well as a stock awards plan in which issued stocks fluctuate in accordance with ROE performance. This well-balanced incentive system is structured against short-, medium- and long-term management responsibility assumed by the Directors.

As a motivation for the employees to increase our corporate value, we encourage them to acquire treasury stock through our employment stock ownership program. Specifically, we have introduced "Long-term stock ownership incentive system," through which we provide incentives added to the monthly incentive system in a phased manner according to period of contribution/ownership, and Employee Stock Ownership Plan (ESOP) for formulating the 5th Medium-Term Management Plan. Our executives and employees are united to increase our sustainable corporate value.

Supervision of the Board of Directors concerning SDGs and ESG

As for the efforts toward achieving SDGs and ESG, Chairman of the Group Environmental Promotion Committee and Chairman of the Sustainability Committee report periodically to the Board of Directors. Also, to share information on these activities and enhance the contents of activities, activity status is reported to the Corporate Governance Committee, which is composed of Representative Directors and external directors, and efforts are being made more effectively.

Diversity of gender of the Board of Directors, etc.

The Board of Directors of our company is consisted of various directors who have different backgrounds of expertise, experience and so on. And it's basically composed of less than 20 persons that include two or more independent external directors, as it is the adequate number of directors for the Board of Directors to fulfill its functions most effectively and efficiently. The number of female directors of the Group is as follows.

Number of female board members

Daiwa House Industry *1	Group *2	
Directors	Directors	Executive Officers
1	10	4

*1 As of June 30, 2018
*2 As of April 1, 2018

Related subject Information disclosure in accordance with the Corporate Governance Code
Concept of balance, diversity, scale, etc. of the entire Board of Directors
<https://www.daiwahouse.com/English/ir/governance/status.html>

Groupwide efforts to promote internal control

Daiwa House Group instituted Regulations for Group Management in 2007. By these regulations, each company of our Group, as a basic principle, ensures to further develop their business with a spirit of independence and self-reliance and the rule to require reporting to Daiwa House Industry concerning priority items was adopted. Under moderate influence of administration and discipline by Daiwa House Industry, we respect flexible and efficient business conduct of each Group company and guarantee the appropriateness of their business.

As for management administration, we make key Group companies inside and outside Japan to report status of monthly profit and loss and conduct conference calls. Therefore, we are able to confirm business progress against the business plan formulated at the beginning of the term, promote sharing of issues and understand the financial outlook at an early stage.

Foundation of CSR Management

Human Rights Management

Basic Policy and Concept

Daiwa House Group supports international standards including the Universal Declaration of Human Rights established by the United Nations and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO)*. The Daiwa House Group declares in its Principles of Corporate Ethics its stance on respect for human rights: "We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status." In January 2018, we instituted the "Daiwa House Group Human Rights Policy" with the understanding of the corporate responsibility to respect human rights, which is stated in the UN's "Guiding Principles on Business and Human Rights." This policy was instituted with advice from outside experts and a resolution of the Board of Directors held in December 2017. For our business partners, we have established the CSR Procurement Guidelines as comprehensive social and environmental standards concerning human rights, labor practices, environmental protection, and bribery (including anticorruption), and which clearly states about respecting human rights as one of the codes in the Business Partner Code of Conduct, so we will respond to human rights issues that occur in our supply chain in a responsible manner. In April 2018, we participated in the UN Global Compact. We support the Children's Rights and Business Principles released jointly by UN Global Compact and UNICEF, and work proactively to solve social issues. Through our business, we strive to fulfill our commitment of contributing to the realization of a society where human rights are respected, as a Group that co-creates value for individuals, communities, and people's lifestyles.

It is our future task to implement human rights management that can respond to the supply chain and value chain, which will further expand and become complicated as overseas business increases. To reduce as many people whose rights are violated by our business as possible, even just one, we will reinforce a mechanism to grasp and monitor the impact and extract and improve issues from the viewpoint of human rights due diligence. As part of our ongoing efforts, we try to reduce infringement of rights of indigenous inhabitants of the place of origin by wood procurement. (See Page 158.)

Respect for dignity and basic human rights of various stakeholders pursuant to this basic policy is brought by daily jobs of each one of our employees. For this reason, we think highly of providing human right education. In every April, we set a Policy on Human Rights Awareness-Raising Activities under the name of President and all employees are notified to receive trainings more than twice a year.

* Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO): Principles established in the ILO's Declaration on Fundamental Principles and Rights at Work, adopted at the 86th Session (1998) of the International Labour Conference and consisting of four categories: freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect to employment and occupation. All Member States (187 countries including Japan) respect, promote and assume responsibilities to realize these Fundamental Principles.

Policy on Human Rights Awareness-Raising Activities (excerpts of items only)

Commitment to the respect for human rights

Approach to promote the respect for human rights

- Continuous implementation of human rights due diligence
 - [Respect for customers' human rights]
 - [Respect for employees' human rights]
 - [Respect for business partners' human rights]
 - [Respect for community residents' human rights]
- Dialogues and discussions with stakeholders
- Education
- Report

(Established in January 2018)

Daiwa House Group Principles of Corporate Ethics and Code of Conduct (Parts relating to human rights are excerpted)

Respect for human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.

1. Creating an environment that respects human rights

We will strive to deepen understanding by participating in human rights awareness-raising activities. We will bear that in mind in our words and behavior to respect the personality and individuality of each person and to create an environment that respects human rights.

2. Fair recruiting activity

Based on the concept of fair recruitment and selection, we will only judge and select applicants based on aptitude and capability.

3. Elimination of discriminatory business conduct

We will not discriminate in our business activities, or perform acts to contribute to discrimination.

(Established in April 2004, revised in June 2017)

Daiwa House Group CSR Procurement Guidelines (Parts relating to human rights are excerpted)

(1) Business Partner Code of Conduct

7. Respect human rights: respect the dignity and basic human rights of all people relating to our business activities and do not abuse human rights.

(2) Corporate Activities Guidelines

7-1. Elimination of all forms of forced or compulsory labor

Do not make employees work against their will by unreasonably binding them mentally or physically.

7-2. Abolition of child labor

Do not employ children below the minimum working age (the minimum working age is 15 years old in principle, and labor that has possibility to impair their health, safety, and morality will be 18 years old) provided in the law of each country.

7-3. Abolition of any form of harassment

Respect the individuality of employees and do not perform behaviors or harassment that deny their individuality. Do not perform sexual harassment.

(3) Guideline for Products

② Biodiversity Guidelines [Wood Procurement]

- Areas and tree species that have issues or clear grounds of legality and sustainability such as human rights violations and government corruption are set and assessed as "high risk areas" (in fiscal 2016, three areas were set).
- Assess only three forest certifications, FSC, PEFC and SGEC that have strict standards on human rights and biodiversity.

* Example items of human rights in assessing wood procurement

(Established in July 2015, revised in July 2018)

■ Vision of Human Rights Awareness-Raising

Since Daiwa House Group is mainly based on the construction industry, it differs from other business categories that sell finished goods. Therefore, our employees engaged in sales, design and construction create buildings by directly communicating with customers, business partners, community residents and various stakeholders. As such, in order to avoid complicity in human rights violations through our business, it is particularly important to raise the awareness of employees about human rights.

Daiwa House Group has continued to conduct human rights awareness-raising activities for employees in accordance with our conviction that “all corporate entities are required to respect human rights.” In 2015, on the occasion of the 60th anniversary of the corporate founding, our employees voluntarily sought to participate in human rights awareness-raising activities looking ahead to the future, formulated and made widely known “Our vision of human rights awareness-raising” and shared with all of our employees the state and direction to aim for.

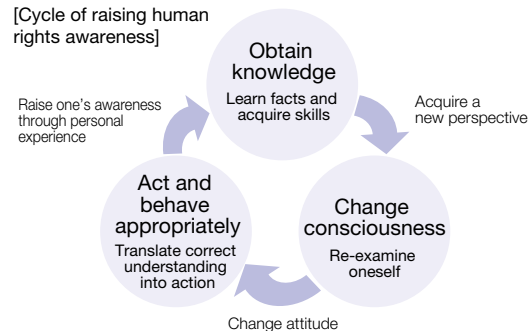
We also inform employees annually about human rights awareness-raising activities in all of the worksites in our Group, the policy on building a human rights management structure and “Human Rights Awareness-Raising Activity Policies” through our in-house notices at the beginning of the term.

Related subjects Policy on Human Rights Awareness-Raising Activities
<https://www.daiwahouse.com/sustainable/csr/jinken>
 Fiscal 2018 Policy on Human Rights Awareness-Raising Activities
<https://www.daiwahouse.com/sustainable/csr/pdfs/2018/jinkenhoujin.pdf>

- Our Vision on Human Rights Awareness-Raising - Just and fair response at all times

We pledge to learn proactively through human rights awareness-raising activities and various other opportunities to raise our awareness of human rights and get closer to our ideal selves.

[Cycle of raising human rights awareness]



As we strive to get closer to our ideal selves, we can impart a positive impact on our stakeholders.

- We provide products and services to customers in various situations, helping them to achieve abundance in their lives.
- We make sincere efforts for human rights, thereby enhancing the company's corporate value and winning our shareholders' trust.
- We nurture the spirit of solidarity with our business partners, building an equitable relationship founded on mutual understanding.
- We work to create a corporate climate in which employees' diverse characteristics are positively accepted, dedication to work is correctly rewarded, and members mutually enhance each other's abilities and character.
- We strive to understand community residents' feelings and contribute to building a society that is founded on solidarity and is free of prejudice.

The Daiwa House Group employees adopted “Our Vision on Human Rights Awareness-Raising” to share their future vision through human rights awareness-raising (education). (April 2015)

■ Priority issues of the Medium-Term CSR Plan concerning human rights and the page this report is published on

Target	Priority issues of Medium-Term CSR Plan on human rights	Main themes on human rights	Pages
Customers	Provide high quality products	Product safety	P035-037
	Proper communication with customers	Restriction of marketing communication leading to human rights violations, personal information management	P038-039
Employees	Provide a safe and healthy work environment	Occupational safety and health	P049-052
	Creating work environments and systems where a diverse range of employees can work flexibly	Abolition of discrimination, promotion of diversity	P055-058
Business partners	Encourage business partners in CSR efforts	Responding to human rights and labor practices in the supply chain	P066-069
	Improve labor conditions and ensure human resources for construction subcontractors	Safety and health of employees in our construction-related business partners, improvement of work environment	P069-071
Community residents	Active involvement in, and collaboration with other parties for local community development	Cooperation and assistance with NPOs Exchange with community residents at plants	P083-091
Foundation of CSR management	Responding to human rights issues	Prevention of all forms of discrimination and harassment	P151-158
	Human rights awareness-raising	Human rights awareness-raising activities taking into account the influence of employees on individual stakeholders	

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

Foundation of CSR Management

Management

The Daiwa House Group is fully aware that no corporate entity can operate its business without its employees, and “business activities that respect human rights” and “business activities that are not complicit in violating human rights” by corporate entities are examples of duties fairly conducted by each and every employee. Therefore, we have organized a system to survey and understand human rights risks and to respond (including improvement and relief) according to the philosophy that awareness-raising and education activities for employees engaged in all of the operations is the most important commitment in human rights management. Details of concrete surveys and the implementation status of services will be described below.

In particular, we recognized “discrimination” as a “social issue that cannot be explained reasonably by ignoring personal individuality

and based on the person’s affiliated group or social category and that is treated differently (detrimentally).” Real estate including buildings are not only valuable to customers. Construction of buildings has business characteristics in which our employees take the lead and create through direct communication with customers, business partners, community residents and various stakeholders. Therefore, if our employees do not correctly understand about human rights they may be complicit in discrimination unconsciously.

Daiwa House Industry’s measures taken on human rights are reinforced by continuously conducting information exchange and engagement with human rights-related organizations and experts in the areas of human right issues. We understand that the present issue is to be able to implement a human rights management system at overseas sites at the same level as in Japan.

Human rights management system

Target stakeholders	Policy	Impact study and monitoring	Planning and implementation of response to issues	Whistleblowing system and consulting services
All stakeholders	<ul style="list-style-type: none"> Daiwa House Group Human Rights Policy (Commitment) Principles of Corporate Ethics and Code of Conduct 	<ul style="list-style-type: none"> Understanding of human rights issues through engagement with “various organizations and NGOs” representing individual stakeholders. Understanding from the following surveys 	<ul style="list-style-type: none"> CSR Department mainly promotes responses of each department in the Head Office and worksites responsible for handling human rights issues 	<ul style="list-style-type: none"> Response to human rights issues given to the following various whistleblowing systems Official Website consultation service (e.g. consultation on the Act on the Elimination of Disability Discrimination)
Customers	CS philosophy	<ul style="list-style-type: none"> Survey relating to CS Inspection relating to safety and quality of buildings 	<ul style="list-style-type: none"> Improvement via CS Committee Improvement of building safety in accordance with quality assurance system 	<ul style="list-style-type: none"> Daiwa House Industry Customer Consulting Center
Our employees	<ul style="list-style-type: none"> Vision on Human Rights Awareness-Raising Human Rights Awareness-Raising Activity Policies (policies by the President and COO) 	<ul style="list-style-type: none"> Survey on actual conditions of human rights CSR awareness survey Employees’ awareness survey (View Research 100) Questionnaire survey for business partners 	<ul style="list-style-type: none"> Human rights awareness-raising training operation plan (including human rights awareness-raising organization chart) Workplace awareness improvement based on CSR awareness survey Improvement of our worksites based on questionnaire survey for business partners 	<ul style="list-style-type: none"> Corporate Ethics and Human Rights Helpline Risk Information Hotline Auditors whistleblowing system General Affairs Department of all of the worksites (consulting services for harassment, etc.)
Business partners (construction subcontractors, employees of suppliers)	<ul style="list-style-type: none"> CSR Procurement Guidelines 	<ul style="list-style-type: none"> Self-assessment on CSR Procurement Guidelines CSR wood procurement survey 	<ul style="list-style-type: none"> Request for improvement to business partners through CSR Procurement Subcommittee Business partners’ voluntary promotion of improvement by self-check 	<ul style="list-style-type: none"> Partners Hotline

Detecting risks relating to human rights

To understand the human rights awareness and actual status of its employees, the Daiwa House Group conducts fact-finding survey every four years. As for the results of the survey, the Head Office’s department in charge analyzed collected data by worksite and by Group company and summarized the results in “Feedback sheet,” so the problems and issues have been clearly visualized.

Human rights awareness-raising promoters of each worksite are supposed to make use of the problems and issues revealed by the survey in planning future human rights awareness-raising activities.

Corporate Ethics and Human Rights Helpline

Since 2004, the Daiwa House Group has been operating a hotline for in-house breach notification (“whistleblowing”) and consultation services, while implementing regulations to protect whistleblowers. The hotline is available, and the regulations are applicable, to all Group employees, regardless of their type of employment. From 2013, this service was renamed the “Corporate Ethics and Human Rights Helpline.” The hotline accepts not only reports of suspected or confirmed cases of breach but also reports of, and requests for help and advice on, a variety of workplace- or human rights-related problems, thereby contributing to early detection and resolution of such problems.

In the process of working toward resolution, whistleblowing is accepted under anonymity. In the factual confirmation and investigation, privacy of not only the consulter but also employee(s) in question and third parties who cooperate in the investigation are

respected. Hearings of the persons concerned are held based on compliance with confidentiality. Along with such actions, appropriate measures are taken to prevent recurrence. Once the problem has been resolved, a follow-up investigation is carried out to ensure, in some cases, that the reporter will not be subject to retaliatory treatment or that improvements have been made, thus always protecting hotline users.

As measures for recurrence prevention, information is shared among related worksites and departments via the persons in charge of the hotline at worksites to raise general awareness of the risks. Training programs are also organized to draw attention to such issues. Also, points of contacts for consultation for Group employees have been put in place at the CSR, Legal, and Human Resources Departments, facilitating the detection of legal irregularities, violations of human rights, workplace problems, and the like. Several contact points are available within the company to lower the psychological barrier that employees may feel about reporting or seeking advice, thus easing the way for them to reach out at an early stage.

In addition, as with the Corporate Ethics and Human Rights Helpline, we accept issues relating to human rights via the Partners Hotline which is a whistleblowing system from business partners in relationship between the Daiwa House Group employees and business partners.

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System for promoting human rights awareness-raising activities

The Group has organized Human Rights Awareness-Raising Committee headed by the President, as described below, to periodically check the implementation status of the human rights awareness-raising activities of the entire Group.

Additionally, human rights awareness-raising promoters are assigned to each worksite of the company and Group companies to ensure provision of trainings at each workplace and swift response and reporting on individual human rights problems.

■ Organization of the Human Rights Awareness-Raising Committee



Implementation of human rights education

The company is focused on human rights awareness-raising training for obtaining proper knowledge. At each worksite, all employees are ensured to receive human rights awareness-raising trainings more than twice a year (more than once a year at each Group company).

All training programs by job grade deal with human rights-related theme to promote understanding and dissemination of the relation between our position/assignment and human rights.

Guidelines for land use surveys

As a building constructor that is essentially linked with land use, we pay particularly close attention to avoid complicity in buraku discrimination (also called the “dowa issue”), discrimination against the descendants of Japan’s feudal-period outcasts historically associated with specific geographic locales. Acts of “investigating dowa district locations” or “letting others know about dowa district” are never should be performed by a real estate transaction agent. Our human rights awareness-raising training is a program that puts weight on new employees’ acquiring proper knowledge about dowa issue as a matter of first priority. For this purpose, in 2011, we drew up guidelines for our market research conducted when purchasing premises for our business. More specifically, it stipulates not to set research items that may lead to a land-associated discrimination, such as “Not to set a question to evaluate school district (school).” We also created a check sheet to check received research reports if it contain any description that could develop into a discrimination.

Major efforts

Total number of discrimination cases and corrective actions implemented

At our worksites and Group companies, human rights awareness-raising promoters are assigned to create a system to immediately response to and report individual human rights problems. As for sexual harassment, “vice person in charge at contact point for sexual harassment,” which differs from human rights awareness-raising promoter (person in charge at contact point for sexual harassment), is selected for each worksite for

easier access to consultation.(Number of consultation/reporting from all the worksites in fiscal 2016: 8 cases, in fiscal 2017: 20 cases).

* In addition to reporting to this organization, we operate a hotline for in-house breach notification and consultation for employees called Corporate Ethics and Human Rights Helpline, and implement consultation and handling of harassment.

Related page P160 Whistleblower systems (grievance mechanisms)

Results of applying human rights due diligence to stakeholders in business

■ Assessment of employees human rights risks

We respond promptly, individually and specifically to consultations concerning violation of human rights from customers and stakeholders other than our employees and employees of our business partners (consultation cases in fiscal 2016 were zero), and conducts a CSR awareness survey annually as an effort to confirm the level of employees understanding and permeation of Daiwa House Group Principles of Corporate Ethics including respect of human rights. We have been conducting this survey since fiscal 2004 and in fiscal 2017 we received 45,660 cases from the entire Group. Besides this survey we conduct every four years the actual conditions survey on human rights issues in each workplace with the aim of understanding actual conditions of human rights awareness and violation of human rights. This survey was conducted in 2015 at Daiwa House Industry and in 2017 at Group companies (31 companies), and there were 11,237 responses (response rate: 75.6%) and 35,260 responses (76.9%), respectively. Results of these responses were provided to all of the worksites and Group companies as feedback and are utilized in improvement. In the fact-finding survey conducted in fiscal 2017 with our Group companies, necessity of improvement in “prevention of power harassment” and “knowledge an awareness of dowa issue” was confirmed with a multiple number of companies. Given these results, human rights awareness-raising promoters and CSR members of the Head Office held meetings for individual companies with poor results, planned and carried out trainings intended for managers and also for all the employees, depending on the actual status.

Several opinions to improve the work environment are written in the above surveys and given to the Corporate Ethics and Human Rights Helpline every year. For the purpose of respecting fundamental human rights at work, we have adopted a computerized management system to accurately register daily working hours and attendance and absence at all the offices. This is a centralized data management system that records attendance and quitting times and handles procedures such as the issuance of orders and approval for overtime work. At the same time, we have been taking various measures to reduce working hours, by eliminating late-night overtime work, thus mitigating the physical and psychological burden on employees, and reviewing the way the company works in general. For example, we have adopted a “lock-out” system on a Groupwide basis, under which all the offices are automatically closed at eight or nine in the evening. Meanwhile, we have been making continuous efforts to streamline work and increase efficiency. In fiscal 2011, the Human Resources Department commenced a periodic office inspection. In fiscal 2012, a new working hour control system was introduced. In this system, office computers can be made inaccessible outside regular working hours if their users have not undergone formalities to obtain approval for overtime work or working on holidays. In this manner, employees are protected from taking on excessive workloads by both motivational and systematized measures aimed at eliminating illegitimate overtime work.

Foundation of CSR Management

Assessment of business partners human rights risks

CSR Procurement Guidelines of Daiwa House Industry instituted in 2015 contains the Business Partner Code of Conduct, and had business partners working in side our plant and construction companies working at construction sites (all primary subcontractors) submit a letter of consent when the Guidelines were instituted (total number of letters of consent collected on the Groupwide basis: 6,593/6,911 companies (95.4%). The Guidelines and the Business Partner Code of Conduct set out workplace safety, labor-related matters and other matters (including forced or compulsory labor, child labor and harassment), and the status of observance is monitored with our original checklist. By doing this, we detect human rights risks in our supply chain. If a problem is detected, we correct it as it arises and provide education to prevent recurrence. Additionally, our company carries out annual questionnaire surveys toward business partners to check if there is any unfairness or inadequacy in the details of order placement to subcontractors or the attitude of our employees. Based on these results, we check if our employees have built fair and equal business relationship with our business partners, thereby establishing sound and good relationship free from human rights violation.

With regard to wood procurement, which involves particularly high human rights risks among other materials that we purchase, we conduct an annual survey of business partners placed under the responsibility of the Purchasing Department, which accounts for most of our wood procurement, the Product Development Department, the Design & Construction Department, the Condominium Promotion Division, and five Group companies. For a business partner that procured wood not satisfying our requirement standards, we conduct a hearing and take corrective actions.

The number of foreigners working at construction sites in Japan is increasing, and some cases of unrighteous employment procedures and actual status of unlawful employment (e.g. unpaid wages) have become social problems. In view of such situation, we operate internal rules pursuant to the Guideline for Subcontractor Guidance concerning Foreign Worker Acceptance Program” set by the Ministry of Land, Infrastructure, Transport and Tourism, and take care so the rights of foreign workers will not be violated. When a foreign worker enters a site of construction we undertake, we make it a rule to verify his legitimate employment eligibility in advance without fail, and confirm identity when he enter the site.

Last year, no formal complaint was filed against our company concerning forced or compulsory labor. The entire class of executives is made thoroughly aware that appropriately regulating employees' working hours is the very least that we should observe in compliance with the labor law. Likewise, no formal complaint was filed against the company concerning child labor. Under the company's Code of Conduct, we declare our practice of fair recruitment. While it's natural for us to observe the ban of child labor as stipulated by the Labor Standards Act, we are also working on fair recruitment/selection of employees as a promoter company of the Fair Recruitment and Human Rights Center. In December 2015, we acquired certification as a "company proactively committed to fair recruitment and human rights awareness-raising" from the said Center.

Related page P127-128 Preserving biodiversity in our procurement and business activities

Stakeholder engagement in applying human rights due diligence

Engagement with employees

The Daiwa House Group organizes the aggregated results of the CSR awareness survey on a sheet so that year-on-year change and Groupwide averages can be compared and provide feedback to worksites and departments. In individual workplaces, employees confirm their issues and areas lacking effort, and then draw up an improvement plan and report the plan to the Head Office. We implement a mechanism in which outcomes of the current fiscal year can be confirmed from survey results of the next fiscal year and are making improvements continuously.

Results of the actual conditions survey on human rights issues

are analyzed per worksite and Group company by the department in charge of the Head Office, and "feedback sheets" stating overview towards improvement are prepared and questionable points and issues are visualized. Human rights awareness-raising promoters take into account and make use of problems and issues when planning human rights awareness-raising activities such as future training.

Fact-finding survey was conducted in 2017 with 31 Group companies (total number of respondents: 35,260 persons (response rate: 76.9%). In this fact-finding survey, the necessity of improvement in "prevention of power harassment" and "knowledge an awareness of dowa issue" was confirmed with a multiple number of companies. Human rights awareness-raising promoters and CSR members of the Head Office held meetings for individual companies with poor results, then planned and carried out trainings.

Our company cooperates a multiple number of human rights groups and initiatives on a daily basis. Some Group companies are working toward improvement with the cooperation of outside experts by, for example, inviting lecturers of training from human rights groups.

Fact-finding survey on human rights issues Questions (excerpts)

- Do you think that there is a fact or atmosphere of dismissal or other detrimental treatment (demotion without explanation) of female employees because of pregnancy, childbirth or other reasons?
- Have you received power harassment yourself since April 2017 till today?
- What would you do if you were asked by a friend of acquaintance of yours whether a property that Daiwa House Industry sells is in a dowa district?
- Do you think it's "overindulgence" that a foreigner seeks consideration for human rights in Japan because of the difference in culture or religion from that of his or her mother country?
- Was any training or education provided regarding the Act for Eliminating Discrimination Against People with Disabilities (enforced in April 2016) at your workplace?

— 36 questions including the above

Feedback sheet of 2017 Fact-finding survey on human rights issues

人権問題に関する実態調査 2017 フィードバックシート

調査項目	前回 (2015.9)	調査結果	今年 (2017.4)	調査結果
総合	C	76.5	B	76.6
グループ別				
東日本	D	81.7	C	81.4
西日本	C	64.2	A	66.3
中部	D	68.7	D	67.4
南関東	B	76.9	B	76.4
北関東	B	79.3	B	78.2
中部	C	62.9	C	62.6
その他	A	76.0	A	80.7

※ 調査結果の推移は、前年度と比較し、今年度は、全体的に向上傾向にある。特に、東日本・西日本・中部・南関東・北関東の各地域において、調査結果が改善傾向にある。また、今年度は、調査対象の範囲が拡大したため、調査結果が向上傾向にある。

Engagement with business partners

Results of the questionnaire survey for business partners and improvement plans based on these results are explained and informed by utilizing the opportunities of meetings that business partners' employees attend such as the consultative meeting to promote occupational safety and health held in worksites. Also, we implement a mechanism to assess the results of these actions by survey results of the next fiscal year. We also conduct dialogue on safety and work environment through meetings with member organizations (the Trillion Club, the Confederation of Partner Companies) of suppliers and construction-related business partners.

Related page P170 PDCA Cycle for CSR Management of worksites P067 Member organizations in our supply chains

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Engagement with other stakeholders

The Daiwa House Group cooperates with various groups which aim to solve human rights issues, from the perspective of human rights due diligence.

In fiscal 2017, we received many replies seeing insufficient understanding of sexual minorities as problem in employee awareness survey, etc. conducted at Daiwa House Industry and some Group companies. In view of this, in January 2018, we invited Mr. Ken Matsunaka, Representative of Good Aging Yells, a certified NPO, to provide a training titled “Our first approach to LGBT—Creating a comfortable workplace for everyone” for our managers and leaders of Head Office and Head Branch.

In May, upon the request of the Osaka Real Estate Marketing Association, Daiwa House Industry provided trainings themed on “CSR and Corporate Activities” and “Prevention of Sexual Harassment,” which are given to our own employees, for employees of their member companies (93 employees of 28 companies). We offered our know-how on human rights-related employee education to our industry peers who aspire to realize a society where human rights are respected just like we do.



Training given by Mr. Ken Matsunaka

Response to human rights violation

Grievance mechanism relating to employees human rights

Daiwa House Industry has been operating the Corporate Ethics and Human Rights Helpline as the points of contacts for whistleblowing and consultation regarding violation of employees' human rights. In fiscal 2017, we received 139 cases of whistleblowing and consultation mainly on the harassment. Whistleblowing and consultation can be made by several methods: by interview, telephone, mail or over the internet or by post. To keep consultants from suffering detrimental treatment, such as retaliation, at their workplace, we have established the Whistleblower Protection Regulations. In resolving complaints, we respect to the extent possible the intention of consultants, respect the privacy of employee(s) in question and third parties who cooperate in the factual confirmation and conduct hearing from parties concerned. Depending on the confirmed situation, we impose disciplinary actions or directly instruct to the actor as a corrective action.

Related page ➡ P160 Whistleblower systems (grievance mechanisms)

Response to issues relating to harassment by employees

At the company, moral harassment, especially the kind bordering on power abuse, and sexual harassment are strictly forbidden as prescribed under the company regulations and communicated via in-house notices. Offenders are subjected to punishment. Through seminars and educational booklets, we repeatedly impress upon employees the fact that moral harassment is more than just a problem for the persons concerned and that it should be viewed as an organizational problem that can lead to the lowering of morale in the workplace concerned.

As for sexual harassment, considering the importance of early responses and easy access to advice, points of contact for reporting and consultation are put in place at the Head Office as well as all the worksites. Since victims of sexual harassment are mostly women, both male and female consultants are appointed. Moreover, a mechanism has been put in place to reinforce coordination between the Head Office and worksites in this regard.

For example, all the worksites are required to submit a report to the Head Office every three months, detailing progress of preventive measures that they have devised, such as antiharassment training programs and the diffusion of information on contact points, and also notifying the number of consultations. In fiscal 2017, the total number of Corporate Ethics and Human Rights Helpline users reporting or seeking advice on harassment and responded to was 38 (35 cases in fiscal 2016). In resolving complaints, in line with the Whistleblower Protection Regulations, we conduct hearing with both consultant and employee(s) in question and listen to what the third parties say to grasp the situation in a fair manner. When decided necessary for correction, we take disciplinary action against the employee(s) after deliberation was made by the Disciplinary Committee.

Cooperation with human rights organizations/initiatives

Our company is a formal or supporting member of a number of organizations that work toward the resolution of human rights-related problems in society. We advocate and endorse the objectives of these organizations and participate in their various initiatives. We also collect information in a continuous manner by taking part in the activities of organizations such as the Buraku Liberation and Human Rights Research Institute and the Corporate Federation for Dowa and Human Rights Issues, Osaka, attending seminars on the rights of the child and the violation of human rights, and subscribing publications on related subjects.

[Major cooperation organizations]

- ① Buraku Liberation and Human Rights Research Institute
This organization works toward the elimination of all forms of discrimination and the realization of a society in which all human rights are respected.
- ② Corporate Federation for Dowa and Human Rights Issues, Osaka
This organization is aimed at generalizing correct understanding and knowledge about buraku discrimination from the corporate CSR perspective in cooperation with local governments, based on the belief that the earliest resolution of the dowa issue is a task of national importance.
- ③ Fair Recruitment and Human Rights Center
This organization was established to encourage proactive corporate initiatives for the establishment of fair recruitment criteria and the promotion of in-house human rights training programs.
- ④ Association of Osaka City Corporations for Human Rights
This is an association of particularly socially influential Osaka-based corporations that engage in mutual improvement and awareness raising to build a “brighter society.”
- ⑤ New Media Human Rights Organization
This non-profit organization (NPO) was established to contribute to solving a variety of human rights-related problems that occur on the Internet.

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- ⑥ Multi-Ethnic' Human Rights' Education Center for Pro-existence
This NPO was established to promote necessary changes for the realization of a society in which true harmony and solidarity exist between Japanese and non-Japanese, on the assumption that Japan will become a multi-ethnic society in the 21st century.
- ⑦ Normalization Club
This social welfare corporation engages in social welfare projects and operates or manages social welfare facilities that support the daily lives of, and provide community-based welfare services for, the elderly and people with disabilities. The organization is aimed at realizing a society in which the human rights of all persons are respected, regardless of the presence or absence of disabilities.
- ⑧ Osaka Real Estate Marketing Association
This is a voluntary organization of corporations that pledge to respect human rights in their business operations and wish to improve their marketing capabilities and human rights consciousness, toward the goal of building a society free of discrimination.

Implementation status of human rights awareness-raising activities against employees

Human rights awareness-raising training

All the employees of the company receive human rights awareness-raising trainings more than twice a year. Each of our 91 branch offices and plants across the nation as well as the Head Office, Tokyo Head Office and the Taiwan branch office voluntarily selects its own human rights theme and provides training. After trainings are provided, Human Rights Office of CSR Department collects and checks training report of all participants.

When we detect the problematic ideas or obviously wrong understanding in participants' questions through the report in case they are dissatisfied or have doubts about training contents, we reply to them individually to raise the awareness of the employees. Therefore, they include, for example, training programs for Directors and Executive Officers, employees in executive and supervisory positions, and new recruits, to enable employees to learn to fulfill their responsibilities commensurate with their positions.

In April 2018 and April 2017, for the purpose of making the corporate responsibility to respect human rights, which is stated in the UN's Guiding Principles on Business and Human Rights, easily understood by all our employees, we have developed and distributed original DVDs and materials on the subject on "Respect for human rights of our customers" and "Respect for human rights in our supply chains." Providing trainings with these materials encourages the understanding of our employees, which lays the basis of execution of human rights due diligence. Added to that, in April 2016, we developed our company's original DVDs and materials themed on the Act on the Elimination of Disability Discrimination and distributed them to all of the worksites and Group companies. We also conducted "Universal Service Experience Training" practically teaching how to serve and treat wheelchair users, the visually impaired and the hearing impaired to those worksites interested.

In April 2016, we implemented human rights awareness-raising trainings for the first time at our overseas base (Taiwan branch office). In April 2017, we conducted training on the subject of "The disabled in Taiwan" by inviting a speaker from a local NPO, Taiwan Access for All Association. We will continue to select human rights theme and provide trainings not only in Japan but also overseas in consideration of culture, custom and others of the region.



Human rights awareness-raising training conducted at the Taiwan branch office

Implementation status of human rights awareness-raising training

Type of training	Total number of participants	Total training hours*	Participation rate
① Daiwa House Industry worksite training	36,589	18,295 hours	186.7%
② Daiwa House Industry Head Office hosted training (grade-specific programs)	1,855	2,783 hours	-
③ Group companies training	44,145	22,073 hours	116.5%

* ① and ③ are aggregated as 0.5 hours, and ② as 1.5 hours.

In-House newsletter Jinken-no Hiroba (Human Rights Plaza)

The in-house newsletter Jinken-no Hiroba (Human Rights Plaza) is published every two months on the Daiwa House Group's intranet for the purpose of raising employee human rights awareness. The newsletter addresses various themes relating to human rights with which the employees are expected to become familiar under different circumstances. It is used and appreciated by many employees as a handy means of learning about human rights and acquiring new knowledge.



Image of Jinken-no Hiroba (Human Rights Plaza)

Other measures to avoid complicity in human rights violations

Our company conducts human rights awareness-raising training and other awareness-raising activities in a continuous manner and according to schedule so that employees will not be complicit in violating human rights. In compliance with the Daiwa House Group Principles of Corporate Ethics, in which we declare that we take a firm attitude and collectively act and "cut off all ties with antisocial forces, regardless of the reason," all the executives and employees share the same commitment to not having any contact with antisocial forces (such as organized crime groups). For this purpose, we maintain regular contact with related external organizations including the police, lawyers, and the National Center for Removal of Criminal Organizations. In our major contracts, such as basic service contracts with our business partners, a clause is always included for the elimination of antisocial forces to enable us to immediately cancel the contract if the business partner is found to be an antisocial force. Furthermore, in February 2016, we established "Regulations for Responding to Anti-social Forces," which sets out how to respond to anti-social forces as an organization, obligatory pretransaction attribute examination of business partners and others. The regulations have been operated since April.

Implementation status of human rights awareness-raising activities with business partners

We established the Business Partner Code of Conduct in 2006 and CSR Procurement Guidelines in 2015 and have presented comprehensive policies calling on business partners such as protecting human rights and compliance with laws. At the establishment of the CSR Procurement Guidelines, we conducted briefing meetings to inform our business partners. Furthermore, in April to May, 2017, in order for the Guidelines to gain foothold, we conducted a self-assessment to our business partners to see if they operate business in line with the CSR Procurement Guidelines on a daily basis. Under a mechanism we operate to utilize them for future improvement activities, the aggregated results were sent back to each worksite as feedback. As for physical safety, an important human right for workers, we have conducted business owners training targeted at business owners of our business partners, as well as new visitors education, and supervisors/safety managers education targeted at workers.

Related page P068 Encouraging business partners to respect human rights and institute good work practices

Response to rights of indigenous people

As we procure wood from all over the world, we have established CSR Procurement Guidelines – Biodiversity Guidelines [Wood Procurement] as our policy in order to avoid complicity in biodiversity destruction or human rights violations. In accordance with these Guidelines, we conduct surveys on wood procurement annually, and we set it as an assessment item so no procurement is conducted from areas categorized as “high risk areas (tree species)” with high possibility to violate the rights of indigenous people. In case we confirm actual conditions of procurement from such areas, we will conduct corrective activities against relevant suppliers. Furthermore, we timely amend assessment items including high risk areas based on information obtained from NGOs and forest certification bodies possessing detailed information on logging areas worldwide. Since the establishment of these Guidelines in 2010, the most recent amendment of assessment items was performed in fiscal 2016.

In fiscal 2017, “Rank-C” wood procured from high risk areas accounted for 2.4% of the total in the survey and has improved by 0.1% from the last fiscal year (2.5%).

Related page P127–128 Preserving biodiversity in our procurement and business activities

Risk Management

Basic Policy and Concept

The Daiwa House Group identifies risks associated with the compliance, environments, quality, information security, human rights and others, then prevents and control these risks and minimize the loss caused by them. We consider that such risk management will contribute to protect rights and interests of not only our company but also our stakeholders who are involved in our business.

In fiscal 2017, we promoted risk management activities based on the priority items of ①Identify issues through an operational audit (audit report), ②Comply with the Construction Business Act, ③Comply with the Building Lots and Buildings Transaction Business Act, and ④Comply with the Labor Standards Act.”

Management

In order to proceed with the building and the operation of its internal control system including risk management, our company has appointed the President and COO as the director of the internal control system and the Internal Control Committee meets quarterly with the General Manager of Management Administration Headquarters as the chairman.

Further, we have established the Risk Management Committee as a meeting structure specialized in risk management, and made it mandatory to individually report any risk cases immediately to the Head Office Risk Management Committee Secretariat. Through this initiative, reported information on risks associated with compliance, environment, quality, information security, human rights and others can be promptly communicated to and shared with executive officers and managers of relevant departments.

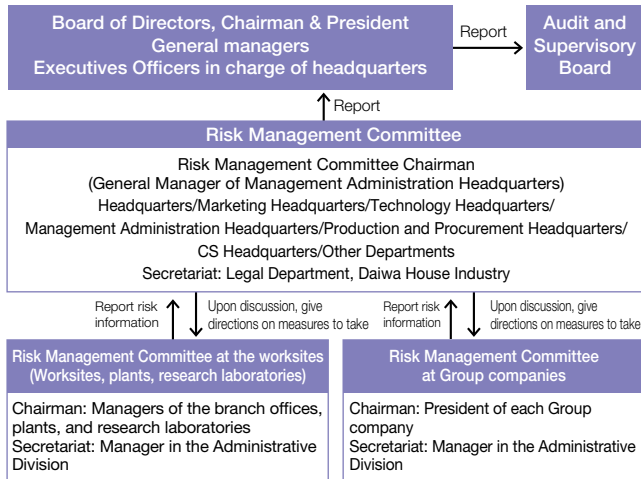
In addition, we have set up a system to follow the progress of the risk management structure improvement on a regular basis. Specifically, the Head Office Risk Management Committee meets monthly to share risk cases reported by worksites and Group companies. These risk cases are reported to the Board of Directors twice a year. To deal with critical risks, we launched a working group to discuss preventive measures and give instructions to worksites and Group companies to tell them what must be done as well as implementing them across the Group.

Normally, Chairman of the Risk Management Committee is, as director of the risk management, responsible for developing the Daiwa House Group’s risk management system and implementing risk preventive measures. Furthermore, risk management managers are assigned at each department to monitor risks continuously. Serious scandals, accidents and other cases occurred at other companies are also notified immediately, and necessary education is provided. On top of that, Internal Audit Office monitors everyday risk management situation at each department. Matters relating to risk management collected through the above are periodically reported to the Board of Directors and the Audit and Supervisory Board through the Internal Control Committee. The Board of Directors supervises management of these matters and takes necessary actions.

Foundation of CSR Management

At the Corporate Governance Committee, opinions are exchanged on strategies and visions concerning corporate management as a whole. It is also provided with information on risks, including ESG risk, that exert influence on business management on a mid- to long-term viewpoint.

Organizational chart for communicating risk information



Related page P147 Corporate governance system

Structure of internal control system

The Daiwa House Group refers to the COSO's framework for building and operating its internal control system, constituent elements of which are ① Control environment, ② Risk assessment, ③ Control activity, ④ Information and communication, and ⑤ Monitoring. Details are as follows.

① Control environment

Basic policy for building our internal control system is determined by the Board of Directors, and this clearly demonstrates the attitude of the top management. The basic policy also declares that all the executives and regular employees are the leaders of the internal control system and advocates that all individuals should attain the goal of internal control. On that basis, we have formed the Internal Control Committee with the President and COO as the director, Executive Vice President as chairman and directors in charge of each department as members of the Committee. The Internal Control Committee reports the internal control status to the Board of Directors semiannually, thereby creating a governance environment in which the Board of Directors and individual directors are involved.

② Risk assessment

We have adopted the risk-based approach, which is, assessing risks on a departmental basis and clarifying risks of importance to be addressed in the relevant year, and taking concrete measures in view of the importance and frequency of such risks.

③ Control activity

Risk management is carried out by a multilayered structure composed of the Internal Control Committee, the Head Office Risk Management Committee, Branch Office and Group Company Risk Management Committees. Measures against risks to be avoided are taken Groupwide as necessary through internal notices and other means.

④ Information and communication

Each department of our company are required to report on the operational status of internal control system. Members of the Internal Control Committee summarize and submit the reports, and thereby delivering information necessary for managers of the internal control system to carry out their responsibilities. In case that the regular information communication method does not work, Whistleblower System (Corporate Ethics and Human Rights Helpline, Risk Information Hotline) is also in place.

⑤ Monitoring

The Internal Audit Office audits the status of compliance with laws and internal rules, thereby monitoring the validity of the internal control system functions. Additionally, we are practicing activities to conduct questionnaire surveys with the Members of the Internal Control Committee to uncover flaws in the internal control system and make corrections.

Precautionary approach

① Internal Control Committee

In July 2015, the Board of Directors resolved that an Internal Control Committee shall be established. This Committee receives reports on the internal control situations within the entire Group with an aim to verify and correct any internal control defects. It consists of Executive Officers in charge of Administrative Divisions and Business Segments.

② Risk Management Committee

We have made it mandatory to immediately report any risk cases arising in the Head Office, a worksite or a Group company (including those outside Japan) to the Head Office Risk Management Committee Secretariat. Risk information received by the Secretariat shall be promptly communicated to the Executive Officers and the managers in relevant departments, and is reported at a monthly Head Office Risk Management Committee meeting.

Furthermore, the Risk Management Committee meets not only at the Head Office but also at worksites and Group companies on a regular basis. Branch Office and Group Company Risk Management Committees share the contents of proceedings of Head Office Risk Management Committee meetings across the Group, as well as building a risk management system within each worksite and Group company and making proposals in terms of business improvements to the Head Office. These two types of Risk Management Committees, namely the Head Office Risk Management Committee and the Branch Office and Group Company Risk Management Committees, are operating by complementing each other, making the Group's risk management systems more robust.

Whistleblowing systems (grievance mechanisms)

With an aim to collect risk information that is not appropriate to report to a Risk Management Committee member or a branch manager at an early stage, our Group has established the Risk Information Helpline within the Risk Management Committee Secretariat, in accordance with the Whistleblower Protection Act. With this, we have made it possible to report any risk information anonymously.

As one of the whistleblower systems, we have launched the Corporate Ethics and Human Rights Helpline. With this Helpline, which can help prevent corruption including bribery, we are working toward the prevention and early detection of workplace wrongdoings such as violations of law and acts of dishonesty. We are making every possible effort to protect the privacy of whistleblowers and prevent unfavorable treatment toward them including reception of anonymous reporting on violations of the Code of Conduct and policies. Furthermore, information on critical cases is shared at training for General Affairs and Accounting General Managers, compliance training and legal training, etc., to ensure such cases are widely disseminated within the Group.

We have established the Auditors' Whistleblower System, which is a point of contact for whistleblowers independent from management, through which any executives and employees of our Group can directly report any wrongdoing within the Group to our auditors and supervisors by completing and sending a reporting form via the intranet. The operation of this system started in October 2016 with an aim to achieve effective risk management by our auditors and supervisors.

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Understanding risks in the supply chain

For thorough risk management at each worksite of the supply chain, the Production and Procurement Headquarters is working in cooperation with the plants and branch offices by focusing on safety, quality and compliance. Specifically, the Department links the five categories of safety, quality, operations, procurement and environments with risk management through operational audits. It considers some of the issues pointed out by an audit and their contents as plant risks, and such risks are managed through the PDCA Cycle by the Plant Risk Management Committee, and the Department discusses the PDCA Cycle and gives instructions of the Head Office Risk Management Committee to the plants and branch offices. In this way, the PDCA Cycle is repeated at plants and the Head Office.

Related page P071 Support for issues faced by construction subcontractors

The operation of a risk information network system to be started

Aiming for speedy and efficient risk information sharing and analysis, we have introduced a new network system called Space Finder. This has computerized risk information which used to be created and circulated in writing, enabling it to be viewed by a multiple number of people at the same time and speeding up communication of risk information. Computerization has facilitated information processing, including information search, as well, realizing expedited and more efficient risk information analysis.

Whistleblower systems (grievance mechanisms)

① Corporate Ethics and Human Rights Helpline

┃ Purpose

The Corporate Ethics and Human Rights Helpline is one of the consulting services that we provide. Its purpose is to prevent and detect workplace wrongdoings such as violations of law and acts of dishonesty at an early stage, in order to achieve the enhanced self-cleansing function and social credibility.

Anyone in our Group can receive consultation through this Helpline when it is difficult to solve or improve the situations involving violations of law or acts of dishonesty, etc., within the workplace, or if an emergency response is required.

┃ Start of the operation

In fiscal 2004, we established the Whistleblower Protection Regulations and started the operation of the Corporate Ethics Helpline. In fiscal 2012, we integrated this with the whistleblower system for human rights and since then, we have been receiving various reports and providing consultation regarding issues about workplaces and human rights in addition to protecting whistleblowers.

┃ Who can use this helpline and how is the contact information shared

All the executives and employees of the Daiwa House Group, including employees, post-retirement specially commissioned employees, temporary helpers, limited-term contractual employees, part-timers and temporary employees, can use this Helpline.

The contact information is widely disseminated through worksite training, the company's intranet, CASEBOOK, posters and periodically-issued in-house publications.

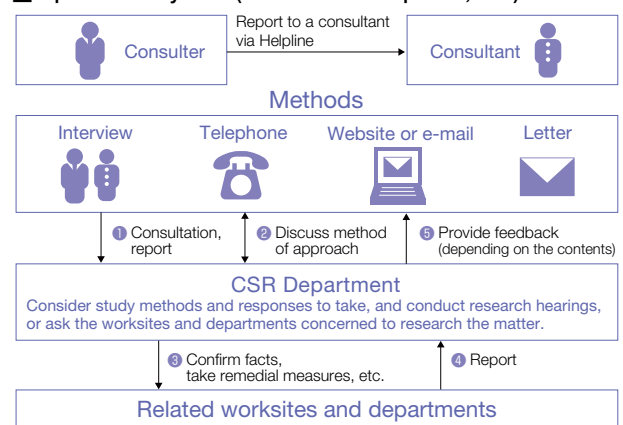
┃ Operation

In order to internally deal with issues after confirming the facts as much as possible, as a rule, only the consuler can contact the Helpline.

When solving problems, the consuler's intention is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrence. We do our best to protect the privacy of the consuler and people involved as well.

In accordance with the Whistleblower Protection Regulations, whether the consuler is suffering retaliation after the problem is solved and whether improvements are made after actions are taken are checked depending on the consultation contents in order to protect the consuler so the whistle blowing will not exacerbate his or her working environment. The Helpline can be used anonymously as well.

■ Operational system (website and telephone, etc.)



* Related departments: Cases are handled including fact confirmation by the Administrative Division at each worksite in the case of Daiwa House Industry and by the person in charge of Group CSR Promotion in the case of Group companies.

┃ Others

For serious cases handled through the Helpline and other means, we are doing our utmost to prevent them from reoccurring by sharing information on such cases with the managers in branch offices at training for General Affairs and Accounting Managers, compliance training and legal training, etc., as well as issuing an alert to prevent similar cases from occurring at other worksites. When sharing information, we respect the human rights of consulers and are careful not to reveal their identity.

② Risk Information Hotline

Our Group has established the Risk Management Regulations and made it mandatory that when a risk case arises, its details are reported to the Risk Management Committee by the branch manager or persons in similar positions on an as needed or regular basis. However, it is expected that there will be risk information which will not be appropriate to report via this route (for example, information that may be covered up if it is reported to one's senior), and it is thought that it is important to know the signs and recognize a risk as a risk in order for us to manage risks.

Therefore, it is necessary to prepare a route through which our employees can report about risks in a simple and prompt manner when they think, "This is a risk, isn't it?" "Would it cause disadvantage for the company if I don't do anything about it?" "Are the company rules not being followed here?" From these perspectives, we have established the Risk Information Hotline as a point of contact for the whistleblowers regarding risk management.

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I Operation

Information can be provided by telephone or by completing and sending a reporting form via the intranet. In order to prevent unfavorable treatment toward consultants, the Risk Management Regulations stipulates to the effect that consultants must not be unfavorably treated. This Hotline is available to be used by all the executives and employees including those working within the Group and can be used anonymously as well.

③ Auditors' Whistleblower System

In October 2016, the Daiwa House Group started the operation of the Auditors' Whistleblower System through which information can be provided to our auditors who are responsible for supervision.

I Operation

Can be used by: All the executives and employees of the Daiwa House Group

Information provided to: Auditors of Daiwa House Industry
 Operation: In accordance with the Auditors' Whistleblower Regulations, we receive information regarding violations of law, acts against the company regulations and corporate ethics, etc., acts that may adversely affect the health and safety of our stakeholders, and acts that may lead to the deterioration and destruction of the global environment and others.

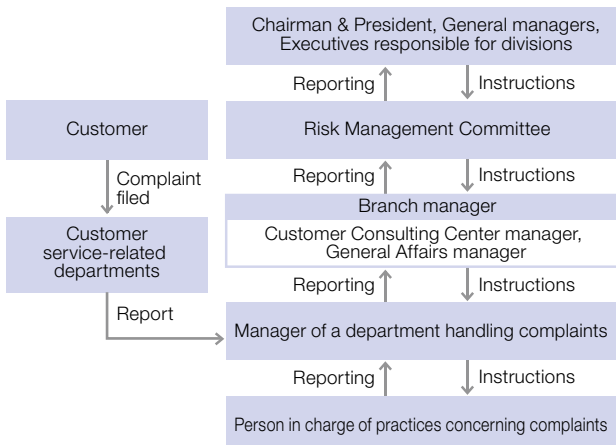
This Hotline is available to be used by all the executives and employees including those working within the Group and information can be provided over the intranet. Auditors and investigation collaborators must conduct investigation in a fair and equitable manner, and must not disclose information that can identify the whistleblower without obtaining the consent of the whistleblower, even if the whistleblower-identifiable information needs to be disclosed in the course of investigation. It can be used anonymously as well.

④ Complaints and opinions from customers

We have established company rules that comply with ISO 10002, which are international standards for complaint handling aimed at consumer protection. We have thus established a system for sincerely and quickly responding to complaints and opinions received from customers.

Complaints and opinions received from customers are escalated to the manager of a complaint-handling department through a Customer service-related department. Complaints and opinions are subsequently shared by the branch manager, the Risk Management Committee, the general manager and the Executive Officers responsible for the division, and then by the Chairman and the President*. Instructions concerning actions to be taken are cascaded to persons in charge of actual complaint handling on a case-by-case basis.

* The scope of information sharing varies depending on a case-by-case basis.



④ Partners Hotline

With an aim to uncover and deal with problems that may lead to violations of law in the relationship between our Group's employees and business partners at an early stage, we operate a whistleblower system called Partners Hotline, through which we receive information from our business partners. Under this system, information regarding violations of laws, etc. of our business partner itself are received as well.

Similarly as the Corporate Ethics and Human Rights Helpline, it receives a wide range of information on labor problems, human rights, bribery including anticorruption and so on. This Hotline can be used anonymously, too.

In fiscal 2017, we received 15 reports in total and have already dealt with all of them.

The results of the whistleblower system operation

The numbers of reports received via our whistleblower systems (grievance mechanisms) for fiscal 2017 are as below. When solving problems, in accordance with the Whistleblower Protection Act and the company regulations, the intention of the consultants is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrences.

	FY 2015	FY 2016	FY 2017
Corporate Ethics and Human Rights Helpline	131	150	139
Risk Information Hotline	6	9	3
Partners Hotline	16	16	15

Dealing with risks in the businesses and activities in high-risk countries

I Establishing an anti-bribery system

We have established the Anti-Bribery Regulations with an aim to prevent our executives and employees from giving bribes to government employees. Currently, we are in the process of developing more specific Anti-Bribery Bylaws. These Bylaws take a risk-based approach in which bribes are dealt with even more carefully in high-risk countries, in accordance with the Corruption Perceptions Index published by Transparency International.

Related subject: P165-167 Anti-corruption / Fair Trade

I Reports on business in high-risk countries

When doing business in a country or a region, or with an individual or an entity, subject to sanction measures imposed by the Security Council, the U.S. government and other institutions which implement such measures, it is required to report the details of the business to financial institutions, etc., and there are risks associated with remittance restrictions, etc. Thus, we have made it mandatory to promptly report any such business to the Risk Management Committee at the planning stage.

I Risk-reporting rule

When a risk case arises in an overseas Group company, it must be reported to the Head Office Risk Management Committee Secretariat (Legal Department) immediately or on a regular basis.

Sanction measures due to a violation of law and litigation (including ESG-related issues)

Reserves in anticipation of a violation of law and litigation

The company may be led to make an estimate at the year-end and sets aside reserves for the payment of a fine or settlement highly likely to occur in the future due to an event that took place in the previous fiscal year or earlier. At the end of fiscal 2017, there were no significant reserves.

Initiatives for improved Group IT governance

As the digitalization progresses rapidly, there is a growing movement in our Group companies to expand business with advanced services driven by the latest digital technologies. And to gain competitive advantage, speedy launch of services is required. On the other hand, we recognize that, when launching digital technology-driven services, it is necessary to give a careful consideration to the identification of information that we should protect as an organization, concept of security, measures from a technological aspect, how we respond quickly at the occurrence of an incident and other matters.

We have developed various kinds of regulations and implemented them across the Group in accordance with the Information Security Assurance Declaration (Basic Policy).

In addition, we have cultivated human resources for information security and built a CSIRT/SOC* system with the Information Systems Headquarters that has been promoting our IT use and utilization as the leader, and through communications with the persons in charge of IT in the Group companies, we provide security topics, understand the actual security levels and give guidance on how to solve problems.

Moreover, considering the current situation about cyber attacks becoming more sophisticated, we adopted the latest security technologies and are sequentially implementing them in the Group companies. In addition, a common infrastructure and management administration foundation system is being used across the Group to facilitate the standardization of business processes and the appropriate use and utilization of its information assets.

Through these approaches to the establishment of a security system, we are working to enhance our IT governance in the entire Group.

* CSIRT: (Computer Security Incident Response Team)
 Organization of specialists that deals with cyber security-related incidents occurred
 * SOC: (Security Operation Center)
 Role or organization specialized in surveillance and analysis of threat to information systems

Business continuity management

As represented by "Pipe House," our first product, our company has provided services that can please our customers in relation to natural disasters. In terms of a corporate structure, we aim to become a Disaster-resistant Company in order for us to fulfill corporate social responsibilities in case of a large-scale disaster or other crisis that can cause extensive damage, by continuing important operations that support our business activities and by making efforts toward early restoration if the business is discontinued by any chance.

For typhoon, flood damage and other natural disasters as well as bomb warning by a terrorist, etc., we have prepared action manual in which what we should do on the spot is clearly described. Once every six months, disaster drill is implemented at all our worksites.

Given the recent international circumstances, we also have developed a system under which employees on overseas business trip can deliver information to relevant divisions of the Head Office in the event of a crisis. In case of a terrorist attack, riot, coup, natural disaster and so on, relevant divisions of the Head Office share information simultaneously

and take first response swiftly.

Seeing earthquake hazard as the most critical risk and considering its frequency of occurrence and scale of damage, we are conducting business continuity management focused on the following three points.

Framework to ensure security and safety of employees

When a disaster occurred, we confirm employees' safety and get information on affected branch offices. Depending on the situation, we set up a disaster countermeasures office and a local disaster countermeasures office, and have laid out a framework to provide support to our call centers or plants when they are hit by a disaster. In case the Head Office is affected, Tokyo Head Office and Central Research Laboratory (Nara Prefecture) are specified as substitute Head Office and continue with the business of our company.

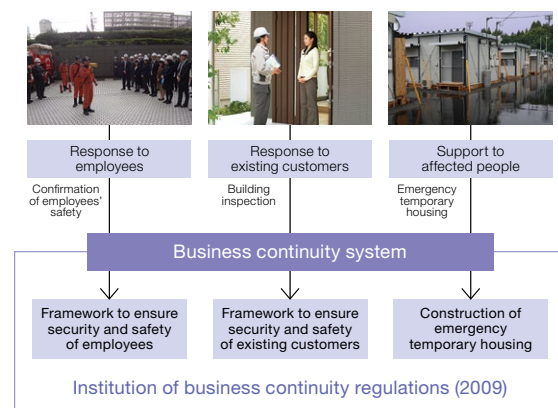
Framework to ensure security and safety of existing customers

In the event that an earthquake of a seismic intensity of 6 upper occurs, we make it a rule to immediately confirm our existing customers' safety. We also have put ourselves in a position to deliver relief supplies to affected area through various routes including our Group companies.

Construction of temporary housing

Having launched a project, which has been undertaken consistently by the Group from the design stage through property management after its delivery, we are prepared to smoothly conduct emergency activities in case of emergency.

We built 11,041 temporary houses after the Great East Japan Earthquake in 2011, and 1,016 temporary houses in the 2016 Kumamoto Earthquakes as the Group.



Foundation of CSR Management

Evaluation of ESG aspects in business investments

We evaluate the ESG aspects of a target company prior to signing an M&A contract as part of due diligence.

We evaluate the superiority, synergy possibilities in qualitative aspects, business risks and other factors of a target company by investing its business and legal aspects including business models, internal control systems, compliance levels, lawsuits, environments, human resources and labor management, as well as its financial and tax aspects.

We assume the possibility that risks extracted through these evaluations and investigations will actually occur and the influence that they may give on the corporate value when they actually occur, and then we make a decision whether or not we will proceed with the deal and make necessary preparations for the contents of the M&A agreement.

Corporate Ethics / Compliance

Basic Policy and Concept

In the Daiwa House Group, all the executives and employees are committed to maintaining high ethical standards and complying with the laws and the corporate philosophy system of the Group when conducting its business. While building trust with our various stakeholders including our customers, we aim to become a corporate group that can make contributions to society.

In April 2004, our Group adopted the Principles of Corporate Ethics and Action Guidelines, which defined the rules of conduct to serve as a basis for realizing our company philosophy and policies. In 2014, we revised these to the Principles of Corporate Ethics and Code of Conduct, with approval of executive officers in charge of each division who also serve as a director, in response to changes of social situations in and outside Japan, and in order for each and every employee to put the Company Philosophy and the message we send in every aspect of our corporate activities, Co-creating a Brighter Future, into action even more.

■ Daiwa House Group Principles of Corporate Ethics

Believe One Heart

With our customers

We are sincere in our communications with everyone, and put our full efforts into offering high-quality products and services, doing our best to satisfy our customers and win their trust.

With the compliance

Not being satisfied with merely following the letter of the law, we also act in conformity with the highest ethical standards so as to meet the expectations of our wide range of stakeholders.

With an ideal work environment

In addition to caring for the health and safety of our employees, we also strive to create an open and fair work environment, and to give every member of staff the opportunity for personal development.

With business partners

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

With the environment

In line with our belief that environmental issues are a matter of concern for the whole world, we work to protect the natural environment and to bring about a society where people can live in harmony with nature.

With the communities

We respect the culture and customs of each region, and support the sustainable development of local communities through our business activities and social contributions.

Respect for human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.

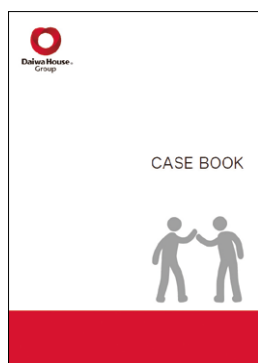
Related subject

Principles of Corporate Ethics and Code of Conduct
https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html

Management

With an aim to share the Principles of Corporate Ethics and Action Guidelines with our employees and help them put these into action, our Group has been producing an educational booklet titled CASEBOOK and distributing it to all employees since fiscal 2005.

CASE BOOK is written so that the employees can understand the essence of Principles of Corporate Ethics and Code of Conduct through various cases and grow into employees who are capable of making judgments based on the Corporate Ethics in any situation. In response to changes of situations in and outside the Group, we revise the booklet every two years. The eighth edition was published in April 2018 and it has been read out together in morning assemblies and on other occasions in the workplaces to enhance ethics.



Furthermore, we conduct a CSR awareness survey once a year to monitor employees' awareness toward corporate ethics and compliance. The survey results are analyzed, feedback is provided to achieve workplace improvements, and the worksites and the Group companies make improvement plans and act on these plans, and in this way, the PDCA Cycle is repeated.

Meanwhile, we operate various whistleblower systems such as the Customer Consulting Center for our customers, the Partners Hotline for our business partners, the Corporate Ethics and Human Rights Helpline, the Risk Information Hotline and the Auditors' Whistleblower System for our employees, as well as the Inquiries sections on the official websites, enabling these stakeholders to provide information to us in case they see any of our employees and others conducts any illegal, unacceptable, or suspicious activity.

For violations of law and our company regulations, we find the cause and the details based on the reports to the Disciplinary Committee with the President and COO as the chairman, and make the violator take responsibility. We share causes of violations through educational activities and training provided at each worksite in order to prevent them from reoccurring.

Policy regarding taxation

Recognizing that paying taxes is an obligation that we must fulfill as part of our corporate social responsibility, we properly file and pay taxes in compliance with applicable laws and regulations under Compliance with Laws of the Principles of Corporate Ethics, as well as Sensible Behavior and Compliance with Company Standards of these Principles.

For proper tax filing and payment, we are working to obtain necessary legal knowledge as well as building a system that enables us to correctly aggregate information on transactions within the companies. In addition, we discuss tax planning that can lead to higher corporate values, with proper tax payment as the primary objective.

We have not disclosed our tax information on an area-by-area basis, since 90% or more of our transactions are conducted with external customers based in Japan, and we do not have important matters to be disclosed. At present, there is no tax risk that we are aware of.

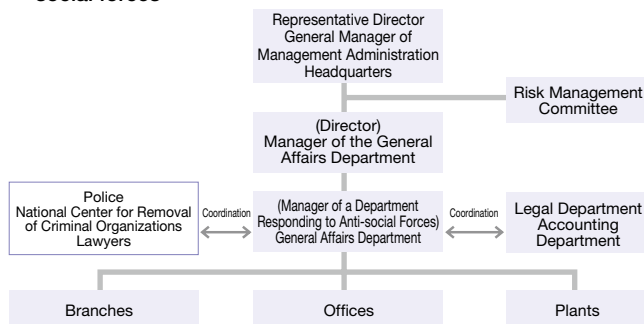
Complete prevention of connection with anti-social forces

The Daiwa House Group has also established the "Daiwa House Group Principles of Corporate Ethics and Code of Conduct" in order to realize sound corporate management and declared internally and externally that it completely prevents any connection with any anti-social force.

Daiwa House Industry has built the system for taking organized measures by establishing the basic policy and the "Regulations for Responding to Anti-Social Forces," clearly designating the department and its director comprehensively controlling practical measures under the General Manager of Management Administration Headquarters, who is the Representative Director, improving the manual for taking practical measures and taking other actions. In addition, it has built a communication and cooperation system for arising troubles by always reinforcing cooperation with external organizations such as the police and the prefectural centers for removal of criminal organizations.

Each Group company endeavors to build the system for excluding anti-social forces (such as improvement in rules, appointment of a director and cooperation with external organizations). In addition, the entire Group promotes combined efforts such as improving the database on anti-social forces shared by all companies of the Group.

Organizational chart for implementation of exclusion of anti-social forces



Function

Positions	Basic Function
General Manager of Management Administration Headquarters	Determination of Policy and Instruction for Resolution of Situation
General Manager of the General Affairs Department	Direction of Practical Measures taken for Resolution of Situation
General Affairs Department Legal Department Accounting Department	Practical Measures; Actual Consultation with Police
Branch Manager Plant Manager General Affairs and Accounting Manager	Improvement in Systems for Exclusion of Anti-Social Forces at Branch Offices and Other Operating Sites (See below.)
Common Employee	The employees shall have strong awareness about exclusion of anti-social forces, gather information thereon daily and report such information to the General Affairs Department.

Systems for exclusion of anti-social forces at branch offices and other operating sites

Person in Charge	Function and Duty
Person responsible for Meeting	Grasping of Purpose and Demand, Fixing of Time for Meeting, etc.
Person in charge of Recording (Clerk)	Recording of Words and Deeds of Visitors, Use of Recorder, etc.
Person in charge of Observation	Observation etc. of Appearance, Clothes, Characteristics, Belongings, etc.
Person in charge of Reporting	Reporting to Police, etc.

Foundation of CSR Management

Prevention of insider trading

Daiwa House Industry improves its system for preventing insider trading from happening and implements a training program for it Groupwide.

We have designated the person responsible for controlling insider information as the “Information Controlling Manager,” and the General Manager of Management Administration Headquarters has taken up such position. Generated insider information shall be immediately reported to the Information Controlling Manager.

We have built a system in which any of the executives and employees thereof and senior management of the Group company shall notify the General Manager of Management Administration Headquarters and obtain his or her approval before buying or selling any share or the like of Daiwa House Industry. Daiwa House Industry has built a system for employees of its Group companies in which any of such employees shall notify the Information Controlling Manager appointed by each company and obtain his or her approval before buying or selling any share or the like thereof. When an applicant for such approval notifies his or her intention to do so, he or she shall check by himself or herself whether he or she has any insider information, and his or her superior (person in charge of controlling information) shall also check it. Thus more than one person checks it to prevent any insider trading.

Furthermore, training programs are implemented for new employees straight out of school and personnel employed in mid-career at the time of their entrances into the Daiwa House Group, thereby raise the awareness of them about the prevention of insider trading from happening. In addition, it continues to raise the awareness of them with the CASEBOOK, etc.

Education for employees on laws, ordinances and regulations and corporate compliance therewith

In order to promote the acquisition of knowledge of laws, ordinances and regulations and raise the awareness about risk management, we actively implement training programs for corporate compliance. More specifically, we implement a training program for each class of employees such as new employees, core employees and managers in order to cultivate the knowledge and grounding required for each such class and a training program for each business segment to acquire the knowledge of laws, ordinances and regulations and so on relating to each such segment.

In fiscal 2017, 78 such training programs were held, in which a total of 3,584 employees participated. In addition to training programs organized by the Head Office, the worksites are encouraged to hold their own programs and practice voluntary compliance-related activities.

CSR trainings that include the contents of corporate ethics and compliance are also provided at our worksites throughout Japan.

■ Implementation status of each training program

	FY 2017	
	Times	Participants
Compliance training	78 times	3,584 participants
CSR training (including corporate ethics and compliance)	56 times	4,724 participants

Anti-corruption / Fair Trade

Basic Policy and Concept

The Daiwa House Group declares not only corporate compliance but also anti-corruption and prohibition of corrupt practices such as money laundering, embezzlement and obstruction of justice from the ethical viewpoint in accordance with various policies and rules such as the Daiwa House Group Principles of Corporate Ethics and Code of Conduct. The Group thereby stipulates that we shall conduct business transactions by ensuring transparency and fairness of business operations.

Basic policies on prevention of bribery

The Daiwa House Group sets forth in the “Principles of Corporate Ethics and Code of Conduct” not only the policy on prohibition of bribery but also the requirement of fair competition. In particular, it specifically stipulates as the measures against bribery that “we shall not offer any bribe to any politician or officer or staff member of any government or municipal office or local self-governing body” and that “we shall refrain from any act that may be suspected to be aimed at getting any favor for any permission, approval or the like even if such act is a legal donation, attendance at a social gathering or the like.” In fiscal 2017, we circulated an internal notice to call for attention not to conduct any act that may raise suspicion about inappropriate relation with public servants or deemed public servants by illustrating with examples.

It also clearly stipulates for other fair competition that “we are prohibited not only from conducting any act infringing the principle of free and fair competition such as an illegal price-fixing agreement but also from making any information exchange, meeting or contact for any adjustment that may raise any suspicion” and that, “when we offer any entertainment such as dinner and a social gathering, we shall do it to the extent allowed by social common sense by taking in-house rules, etc., of an entertained person into consideration.” Under such basic policies, all executives and employees share the awareness about the necessity of the suitable relationship with political and administrative entities.

Furthermore, as results of the overseas business expansion, the increase in the risk of offering bribes to foreign government officials accompanying such expansion and increased domestic and overseas desires to further improve the systems for preventing offers of bribes, we consider it necessary to further reinforce the system for prevention of offers of bribes. For our business partners, our CSR Procurement Guidelines stipulates anti-corruption and encourages them to observe it, through which the entire supply chain works to prevent corruption.

① Development and determination of “Basic Policies on Prevention of Offers of Bribes” more specifically setting forth contents of “Principles of Corporate Ethics”

In April 2018, the Daiwa House Group signed the United Nations Global Compact which contains Anti-corruption as one of its principles. Additionally, under the “Business Principles for Countering Bribery” of Transparency International and the “Guidelines for the Prevention of Bribery of Foreign Public Officials” of the Ministry of Economy, Trade and Industry of Japan, the Group has developed the “Basic Policies on Prevention of Offers of Bribes” and stated that it prohibits any bribery because it hinders fair competition and aggravates social corruption.

② Establishment of “Anti-Bribery Regulations” setting forth management system

On the basis of the “Basic Policies on Prevention of Offers of Bribes,” we have established the “Anti-Bribery Regulations” in order to set forth the system, prohibited matters, procedures, etc., required to prevent its executives and employees from being involved in offers of bribes to public officials, etc., throughout the Group.

The main rules thereof are as follows:

1. Selecting and appointing a director responsible for preventing offers of bribes
2. Establishing the consultation hotline and whistleblower hotline for ordinary times and emergencies
3. Prohibiting offers of benefits, etc., To public officials, etc., In principle and allowing exceptions through procedures, etc., For getting prior approvals
4. Controlling third parties such as agents
5. Giving training to persons engaged in overseas businesses
6. Conducting audits by the internal audit department
7. Reviewing them by management
8. Taking disciplinary actions against persons violating the rules
9. Supporting the group companies in improving their systems

Basic policy on fair trade

The Group has clearly stated that all executives and employees will abide by the principle of competition of a fair and free market in the Principles of Corporate Ethics to share the awareness to strictly observe the Anti-monopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and subcontracting law (Act against delay in payment of subcontract proceeds, etc. to subcontractors).

Policy regarding political contributions

We have complied with the Political Funds Control Act. We never make any political donations to individual politicians, which is prohibited under the law. Also, we do not make donations, in principle, to specific political parties or political fund-managing organizations. However, if we consider making contributions, we will make sure that such donations do not conflict with the restrictions specified in Article 22, Item 3 (1) of the Political Funds Control Act (restrictions on donations made by companies subsidized by the government). With regard to the purchase of fund-raising party tickets, as set forth in Article 8, Item 2 of the Act, we have made purchases in a legitimate manner. In addition, we will properly make expenditures on lobbying activities pursuant to the corporate compliance principles.

Guidelines for Transactions with Company for Own Interests of Directors, etc.

From the viewpoint of protecting the interests of shareholders, Article 11 of the “Corporate Governance Guidelines” sets forth the standards such as the “Guidelines for Transactions with Company for Own Interests of Directors, etc.” to prevent the persons related to our Group, such as Directors and Auditors, and its major shareholders from conducting any transactions that may conflict with the interests of our Group or its shareholders through abuses of their positions.

Management

We endeavor to prevent and detect any corrupt practices under the supervision of the Directors by developing internal monitoring systems such as the internal audit system and the whistleblower system in enforcing anti-corruption and complying with the principle of fair competition and trade. While it emphasizes the prohibition of offers of bribes in the “Code of Conduct” and endeavors to improve awareness through employee education, it collects written oaths from all executives and employees once every two years so that it can prevent any corrupt practices. In addition, it concentrates its efforts on early detection of problems with anti-corruption and compliance with the principle of fair competition and trade by carrying out survey questionnaires for business partners regularly.

Enforcement of anti-corruption with internal audits

To secure the transparency and fairness of business management pursuant to the Principles of Corporate Ethics, when asked for the investigation of corruption or illegal acts by the CSR Department or other relevant divisions, we conduct ad hoc internal audits to confirm the facts.

We have created the in-house supervisory mechanism, under which internal audits are implemented by Auditors and the Internal Audit Department; internal control activities over financial reporting are conducted by the J-SOX Department; issues are presented to the Risk Management Committee; and the Corporate Ethics and Human Rights Helpline is operated. We conduct corruption risk assessment by immediately making judgements on the information collected through such routes.

Promotion of fair trade based on questionnaire survey toward business partners

The Daiwa House Group carries out questionnaire survey toward business partners to check on a worksite level if there are any incipient problems that may lead to the violation of law or other cases. After collecting the questionnaires, each worksite endeavors to prevent any corruption or problem with compliance with the principle of fair competition and trade from occurring and improve the situation by drawing up an improvement plan and conducting improvement activities.

Enforcement of anti-corruption by Partners Hotline

As part of building an appropriate relationship with its business partners, the Daiwa House Group is operating “Partners Hotline” as a whistleblower hotline. This “Partners Hotline” is a mechanism of early detection and response to problems that may lead to the violation of law in the relationship of our employees and business partners. This whistleblower hotline receives information on any corruption or problem from the viewpoint of fair trade arising in the Group or the supply chain and addresses such corruption or problem.

Employee education on anti-corruption and fair trade

In order for all executives and employees will be able to make decisions and take actions at work pursuant to the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, we have created and distributed “CASEBOOK,” a textbook with concrete case examples and an educational tool for all employees, and read through it at morning meetings and other occasions. In addition, we endeavor to enrich the content of the “CASEBOOK” for meeting needs of the times by revising it regularly.

We educate our employees to refrain from any act that may cause misunderstanding even if such act is a legal donation, attendance at a mere social gathering or the like.

Foundation of CSR Management

Major efforts

Penalties and dismissals of employees for acts offering bribes

There was no case in fiscal 2017 where the Daiwa House Group imposed a penalty on any employee or dismissed him or her for his or her corrupt practice such as an offer of a bribe.

Prevention of money laundering

For the purpose of ensuring the safety and peace of peoples' lives and preventing any money laundering in accordance with the objective of the Act on Prevention of Transfer of Criminal Proceeds which contributes to the sound development of economic activities, we have laid down the Identification Regulations, which are the rules to verify identifiable elements of customers, transaction record keeping, notification of suspicious transactions and other matters, and kept our employees informed about them. After having made such efforts, we drew up and informed our employees about the "Questions and Answers about the Act on Prevention of Transfer of Criminal Proceeds," which are designed to explain the contents of the Act on Prevention of Transfer of Criminal Proceeds and the Identification Regulations in an easily understandable way. We provide internal trainings related to the prevention of money laundering as well.

Additionally, to verify that activities to prevent money laundering are performed appropriately pursuant to the above-stated laws and regulations, Internal Audit Office visits worksites to conduct audit.

On top of that, we have created the Risk Assessment concerning Transfer of Criminal Proceeds as documents prepared by a Specified Business Operator, etc., which is an obligation to make efforts specified in Article 32 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds. In the written Risk Assessment, we clearly state our policy and method we adopt to assess money laundering risks.

Risk assessment of corruption

We have included the provision for grasping and assessing risks of offers of bribes in the "Anti-Bribery Regulations."

Cease and desist order issued by Japan Fair Trade Commission to Fujita Corporation

On June 14, 2018, Fujita Corporation, one of our Group companies, received a cease and desist order from the Japan Fair Trade Commission for the alleged act deemed as interference of transaction to its competitor in the bidding for a general civil engineering order placed by the Tohoku Regional Agricultural Administration Office of the Ministry of Agriculture, Forestry and Fisheries.

The Daiwa House Group gravely accepts the order and will further reinforce its compliance system and implement recurrence preventive measures even more thoroughly, so we will never bring such consequences again and make the company-wide efforts to regain trust.

Related subject News release on the cease and desist order to a subsidiary issued by the Japan Fair Trade Commission (June 14, 2018)
https://www.daiwahouse.com/about/release/house/pdf/release_20180614-1.pdf

Management of Intellectual Property Rights

Basic Policy and Concept

With "Ensuring our competitive superiority and maintaining order in competition" as our basic philosophy, the Daiwa House Group is engaged in intellectual property activities. More specifically, our competitive superiority is ensured by promptly establishing rights of the fruits of our technological development and respecting other companies' intellectual property rights.

Management

We strictly observe the prescribed procedures of the acquisition, retention, and release of patent rights, which are fruits of the company's research and development; trademarks, the foundation of the Daiwa House brand; and copyrights and other intellectual properties, which are the results of our people's intellectual and creative efforts, treating them as our precious corporate assets.

In accordance with the principle of maintaining order in competition, we place the utmost importance on not only claiming our own IP rights but also respecting others' rights, making sure to prevent violations of other companies' patent or trademark rights through a solid investigation system.

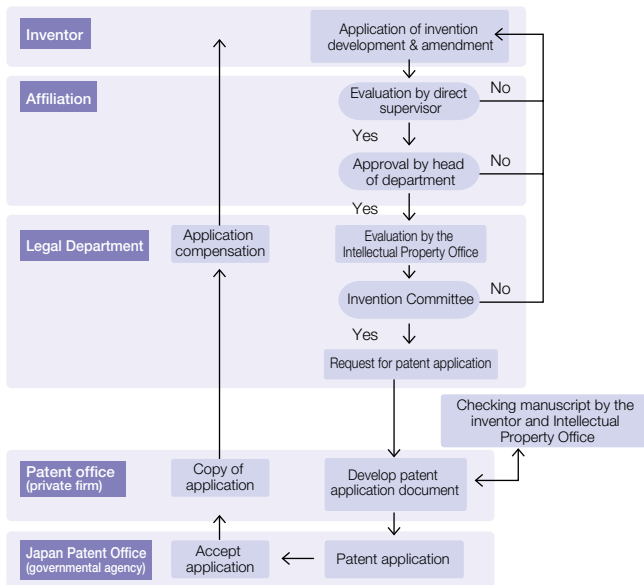
Additionally, in light of the importance of intellectual information, we have built an internal framework to deliver and gather intellectual information, and are utilizing IP rights by actively promoting licensing based on the patent rights, or the fruits of our technological development.

In order to promote the activities for intellectual properties further, we issue an intellectual property report, or summary of annual activities, grant cash bonuses for inventions implemented and hold an annual meeting to present excellent inventions and an invention contest and other events with an aim to increase our executives' and employees' awareness of intellectual properties.

Intellectual Property Office

The Intellectual Property Office, which belongs to the Legal Department, works in coordination with the Technology Department and other related departments for investigations about, and the acquisition and management of patents, design and trademark rights, copyrights, and other intellectual property rights, and also in cases of infringement of rights and litigation. Since close and swift coordination with research and development-related departments is essential, the Intellectual Property Office staff members are permanently posted at the Central Research Laboratory, our primary R&D center.

■ Diagram of the intellectual property rights management system



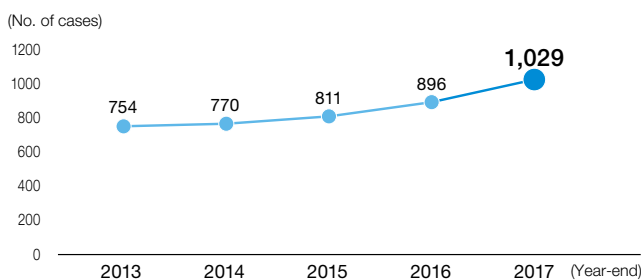
Major efforts

Number of patents owned

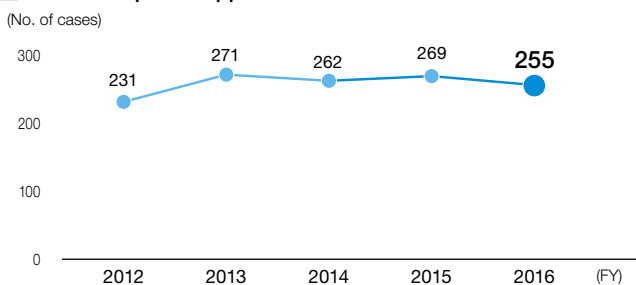
The number of patents owned (including those acquired outside Japan) was 1,029 as of the end of fiscal 2017, an increase of 133 from the end of fiscal 2016. The number of patents applied in Japan during fiscal 2016 was 255. The number of application is increasing as business segments in which we operate expands. The fields in which we have made patent applications reflect such trend: besides housing/building construction, or our pivotal business segment, in recent years percentages of the total number of our applications have been increasing in communication, robot and agriculture, which are related to our newly launched business segments.

■ Numbers of patents owned and patent applications in Japan in the last five years

Number of patents owned



■ Number of patent applications



CSR Management

Basic Policy and Concept

The Daiwa House Group considers CSR Management necessary to realize a sustainable society, the sustainable growth of the Group and the enhancement of its medium and long-term corporate value. In order to implement CSR Management, it is necessary to carry it on so that it can meet the requirements and expectations through dialogue with the society (stakeholders), as well as to strengthen ESG through its business, under our CSR Guidelines.

■ Daiwa House Group CSR Guidelines

We have established the Daiwa House Group CSR Guidelines on the basis of three viewpoints consisting of the “Social Contribution through Business,” the “Co-creating a brighter future with our stakeholders” and the “Code of Conduct for Each Individual of the Group” in order to contribute to society through business, handle stakeholders sincerely with good faith and continue to satisfy requirements of society as a corporate citizen. It has also established the “Daiwa House Group Principles of Corporate Ethics and Code of Conduct” as those more specifically and clearly setting forth the “Code of Conduct for Each Individual of the Group.”

Daiwa House Group CSR Guidelines

1. We contribute to society through our business by applying our proprietary technology and expertise.
2. We strive to understand requests submitted to our company through dialogue and through our relationships with our stakeholders. As a good corporate citizen, we do our best to respond.
3. We strive to adhere to corporate ethics, human rights, and regulatory compliance.

Related page P005–008 Message from the Chairman
P009–012 Message from the President

■ Policy of communication with stakeholders

As set forth in its CSR Guidelines Co-creating a Brighter Future with Our Stakeholders, the Daiwa House Group strives to satisfy expectations and requests from the society through vital communications with its stakeholders and aims to realize a sustainable society based on the spirit of “great harmony.” Meanwhile, Chapter IV of its Corporate Governance Guidelines stipulates “Good and Smooth Relationship with Stakeholders” and it also demonstrates the importance of communication with stakeholders in the governance system.

So the Group formulated the Daiwa House Group Communication Policy and has set important stakeholders based on its Employee’s Charter taking into consideration its management and business. Five categories of stakeholders—Customer, Employees, Business Partners, Local Communities and Shareholders—are defined as its important stakeholders. For this setting, approval of executives of relevant department including representative directors has been obtained through formulation of the Policy.

As for major responsibilities and tasks and communication method of each category of stakeholders, see the related pages shown below.

Related subject Official website Co-creating a Brighter Future with our stakeholders
<https://www.daiwahouse.com/English/sustainable/csr/vision/stakeholders/index.html>

Foundation of CSR Management

Management

Whole picture of our CSR management system

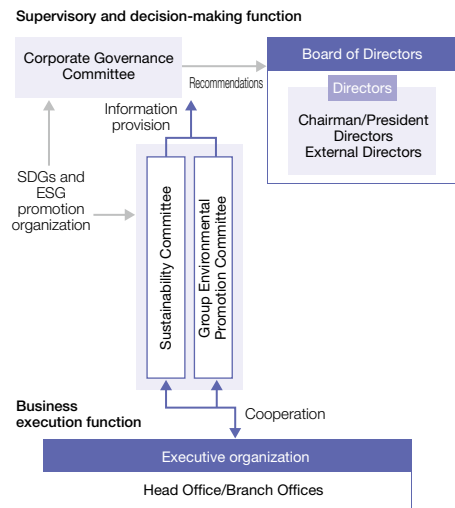
Daiwa House industry holds the Corporate Governance Committee (Chairman: Chief Executive Officer (CEO)) meetings for the principal purpose of becoming a “better company” by incorporating into corporate management the full extent of the knowledge and wisdom of external directors and external auditors and contributing to enhancing corporate value over the medium- to long-term.

As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee (Chairman: Executive Officer in charge of the Environment, Current: Representative Director and Senior Managing Executive Officer), a meeting structure associated with the Committee, and Sustainability Committee (Chairman: General Manager of Management Administration Headquarter, Current: Executive Vice President), and exchanges opinions with them.

The Sustainability Committee is in charge of the “society” field, such as relationship with stakeholders, and the Group Environmental Promotion Committee is in charge of important issues of the “environment” field. With the understanding of the actual state of the important issues, both Committees deliberate and determine the details of improvement, and instruct and oversee company-wide efforts related with the decisions made. It also plays a role of providing information to the Corporate Governance Committee and developing matters deliberated at the Corporate Governance Committee.

Related page P147–150 Corporate Governance

Positioning of each committee under the corporate governance system



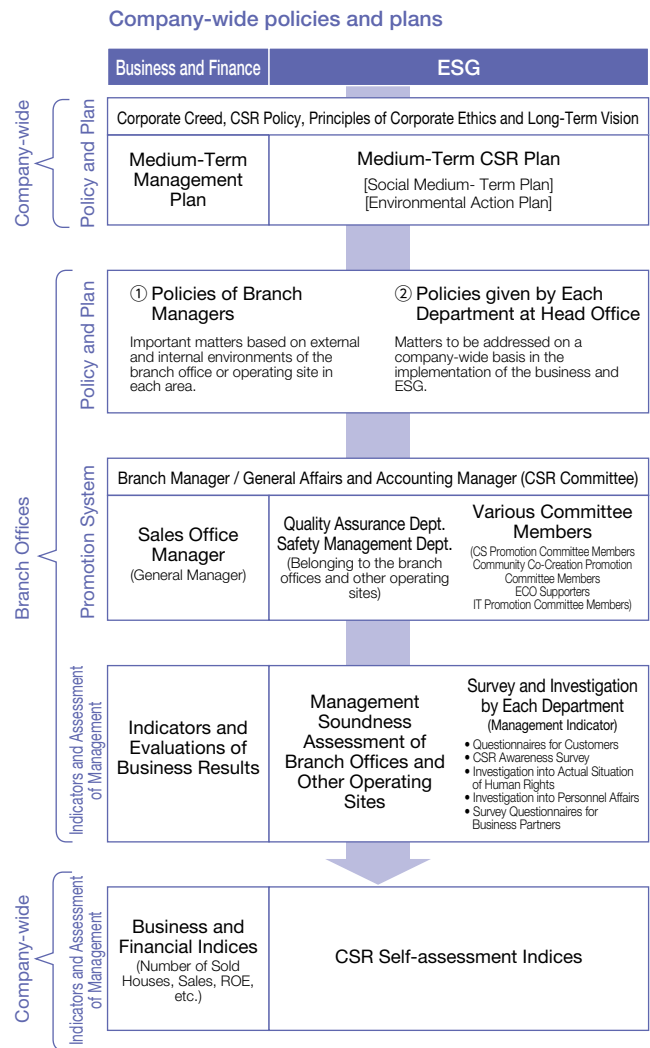
CSR management system of our branch offices

We have clarified the fact that the managers of the worksites are the “representatives of the President” in the organization and transferred the powers to manage 82 worksites to their managers in the whole country. Such managers implement the CSR Management suited to the characteristics of local communities and the conditions in such offices and sites by existing together with stakeholders such as local customers and business partners.

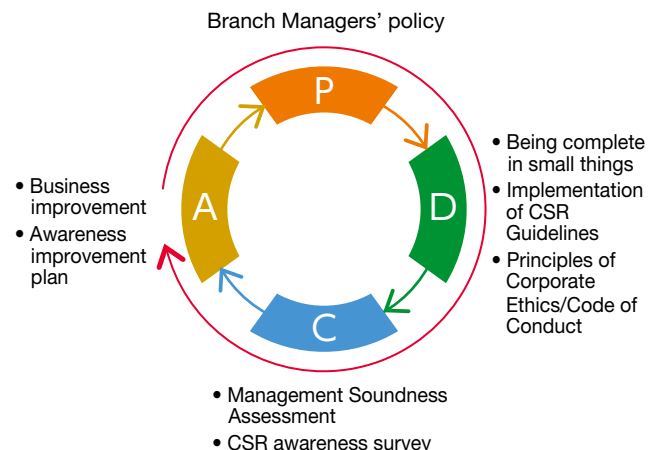
In order to enable the effective implementation of CSR Management at worksites in the whole country, we are developing and determining the policies of the branch managers thereof based on company-wide policies and plans and building

management systems such as the promotion system having a manager and administrative department, a management system and an assessment system for various indices. Under such CSR Management systems for the worksites, we endeavor to improve CSR Management by implementing the PDCA Cycle.

Whole picture of our CSR management system



PDCA Cycle for CSR Management of worksites

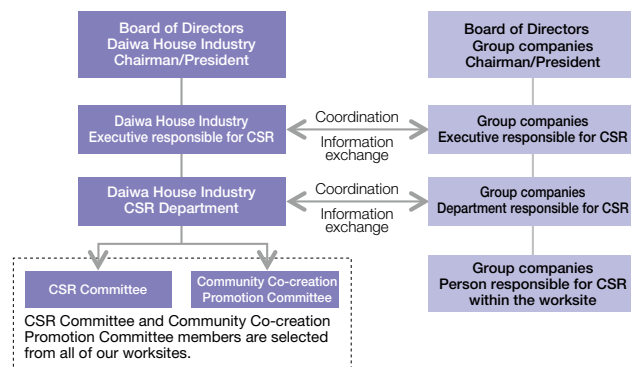


Group CSR promotion responsibility-taking system

CSR Department and other departments of the Head Office led thereby have functions of planning and adjusting CSR related policies, systems and items to implement in relation to CSR Management, and the Board of Directors decide important matters.

Since 2005, each worksite selects one CSR Committee member to familiarize everyone with corporate ethics and compliance. One Community Co-Creation Promotion Committee member is selected in addition to such CSR Committee member to promote planning and implementation of matters related with community co-creation activities, as well as awareness-raising activities intended for our employees. Since 2005, all of the Group companies have also started to appoint a manager for CSR, and are building a system to promote CSR activities.

CSR promotion organization structure of the Daiwa House Group



Major efforts

Major efforts by worksites in PDCA cycle of CSR management are as follows.

Plan (Policy and Plan)

Formulation of branch managers' policy

Our company provides explanation on its management policy with the managers of its nationwide branch offices at the annually held "Nationwide Branch Managers' Meeting." At this meeting, in addition to the business policies and plans, the company-wide policies and plans in relation to the ESG including strict observance of corporate ethics and compliance, risk management, personal development, ensuring occupational safety and health at the workplace are announced. And at all of our branch offices, Branch Manager's Policy is formulated in light of the above-stated policies, plans and issues, etc., that each branch office has.

Do (Implementation)

Thorough enforcement of the Principles of Corporate Ethics and Code of Conduct

Each of the worksites does business in cooperation with various stakeholders and establishes its organizational foundation by endeavoring to develop its human resources, improve the quality of buildings and take other actions under the Branch Manager's Policy. The Daiwa House Group has drawn up the "CASEBOOK" as an educational pamphlet and distributed copies to all employees thereof in order to enable them to share the way of thinking shown

in the "Principles of Corporate Ethics and Code of Conduct" constituting the basis of such endeavors and act thereunder. The Daiwa House Group has issued the eighth edition of the CASEBOOK in fiscal 2018, which the employees read together at each workplace of the worksites by making use of morning meetings, etc. In addition, it implements the training program of the CSR and human rights awareness-raising regularly.

Check (Confirmation and Evaluation)

Management soundness assessment of worksites

The management soundness assessment means the system to assess the worksites in order to firmly establish the "improvement in management efficiency" and "reinforcement of the management foundation" in the worksites in performing the "Check" of the CSR Management thereof. We have prepared a wide range of items to be assessed for the ESG, and the results of the assessment are calculated for each of the worksites and affect amounts of bonuses to be given to general managers thereof and employees belonging thereto.

List of assessed items in management soundness assessment of worksites

- Cash Flow
- Efforts at CSR
- Efforts at Quality
- Workplace Environment, Personnel Management and Human Resource Development
- Efforts at Safety
- Suitable Order Placements with Plants
- Efforts at Social Contribution (Community Co-creation Activities)
- Efforts at Environment
- Compliance Awareness, Risk and Corporate Compliance
- Compliance with Standards for Recording Sales

Implementation of CSR awareness survey

Since fiscal 2004, the Daiwa House Group has been conducting an in-house CSR awareness survey to gauge the status of practice of the Principles of Corporate Ethics and Action Guidelines (later Code of Conduct) by employees in their respective workplaces. It is a completely original questionnaire survey conducted on the Group's intranet in which participants answer anonymously about 50 questions regarding their workplaces. The results are converted into numerical points, and average values are obtained. We are conducting self-check (self-diagnosis) by comparing the results with those of the previous year to see changes in the employees' awareness during the year, and each worksite compares the results with the across-the-board average to find out the points they need to make additional efforts.

Action (Improvement)

Workplace awareness improvement plan based on CSR awareness survey

After the implementation of CSR awareness survey, taking the opportunity of plenary meetings or general morning assemblies, each workplace shares the trend of the employees' awareness and future tasks read from the survey results. Setting of the most important improvement items toward the next year and examination of concrete improvement measures are summarized in the "Workplace Awareness Improvement Plan." To cite a case, as a measure to the survey result (what an employee felt) that "it's less likely that everyone cooperates according to his or her ability to achieve our goal," we have practiced "presenting outcomes obtained by achievement of our goal, as well as compliments and appreciations received from our customers, to share the sense of fulfillment" for a year.

Foundation of CSR Management

Cooperating with External Organizations and Their Assessment (Society)

Cooperation with Industry Organizations

Basic Policy and Concept

The Daiwa House Group believes it just as important to communicate with industry organizations that represent financial circles and the housing industry as it is with customers, employees, business partners, community residents living near our branch offices and shareholders. By maintaining a dialogue with these industry organizations, both the organizations and we ourselves better understand the roles we are expected to play in society, release information both internally and externally, and take the lead in making policy proposals. Through our partnerships and other forms of relations with these organizations, we can contribute to important themes for building a sustainable world.

Global Compact Network Japan

In April 2018, Daiwa House Industry signed the UN Global Compact, which is a voluntary initiative that enterprises and organizations exhibit responsible and creative leadership, thereby acting as a good member of society and participating in creation of a global framework to realize sustainable growth.

With a view to future expansion of our overseas business, we considered it effective to sign the UN Global Compact, an international initiative which is highly compatible with our concept, to express the Group's view on human rights, labor, environment and anti-corruption and to gain understanding of people in countries and regions with different cultures and business customs. If an enterprise highly interested in solving social problems promotes such efforts under its leadership and discloses information, it will become best practice. Increase in the number of enterprises that follow suit will result in getting close to the realization of a sustainable society. We would like to do something no matter how small to contribute to the realization of a sustainable society through our participation in the Global Compact.

Leadership and policy proposals

Our company is a member of various financial and industry organizations and sits on a number of committees that focus on economic and social matters. As part of the housing industry, we are often called upon to demonstrate leadership and release information for the purpose of formulating and proposing policies to government.

Japan Business Federation

The Japan Business Federation was established to stimulate and release the business potential of individuals and entire regions, and to promote the sustainable development of the Japanese economy and improvements to the standard of living in Japan.

Japan Federation of Housing Organizations

The Japan Federation of Housing Organizations was established as a federation of the housing organizations that accommodate a wide diversity of housing structures and building methods, aiming for the realization of a higher standard of living. In order to develop and spread high-quality safe housing, as well as to respond to issues associated with environmental development, the Organization is engaged in recommendations on housing-related policies, tax systems, laws and regulations, etc. and research and delivery of information to all parties concerned.

Japan Prefabricated Construction Suppliers and Manufacturers Association

The Japan Prefabricated Construction Suppliers and Manufacturers Association was founded aimed at forging ahead with modernization and rationalization of construction production, forming good-quality social capitals and creating a higher standard of living through the development of housing industrialization and dissemination of prefabrication method.

The Association is proactively developing a broad range of activities, such as self-certification, dissemination of education, offering of recommendations and opinions in relation to prefabricated construction and housing. In times of disaster, it plays a central role in building emergency temporary housing.

Dialogue and cooperation with external organizations

We discuss social themes and cooperate in related efforts with diverse industry organizations.

Consortium for Building Research & Development

The Consortium for Building Research & Development was established following a proposal by the Building Research Institute with the objective of effectively utilizing research, development and corporate resources (capital, human resources, infrastructure and know-how) to improve the quality and appeal of buildings and housing, and to build platforms for cooperative research that do not impede or impair a competitive research and development environment.

Senior Housing Promotion Organization

The Senior Housing Promotion Organization was established for the purpose of promoting good quality, secure living and contributing to the sound development of local communities by having related businesses and other organizations do investigative research and share information on senior living and housing and the correlations thereof with welfare, etc.

The Provision of Quality Housing Stock Association

10 housing manufacturing groups are at the heart of activities of the Provision of Quality Housing Stock Association that aspires to enhance the value of existing houses as asset and vitalize secondary market.

The Association was the first one that has been registered as a member of "Safe R Housing," a group of business operators that is authorized to grant a mark, with the government's involvement, to existing houses that are anti-seismic and satisfied certain requirements in inspection which conforms to the defect insurance on traded existing houses or by other means.

Osaka Gender Equality Foundation

The Osaka Gender Equality Foundation was established to execute projects that are beneficial to the creation of a society where gender equality is ensured and men and women share responsibilities while respecting each other's human rights and fully display individuality and ability, thereby contributing to the realization of even better local communities including gender equal society.

Theme	Organization
Technology development	Consortium for Building Research & Development
Senior housing	Senior Housing Promotion Organization
Housing stock recycling-oriented society	Provision of Quality Housing Stock Association
Diversity	Osaka Gender Equality Foundation (Our employee serves as director)
Human rights	Buraku Liberation and Human Rights Research Institute Fair Recruitment and Human Rights Center Multi-Ethnic' Human Rights' Education Center for Pro-existence (NPO)
Community co-creation	Mirairo Inc. Giving a dream to the patients of intractable diseases and their families

Assessment by External Organizations (FY 2017 results)

Received the 4th Female Engineer Training Achievement Award

In August 2018, Kazuto Tsuchida, Representative Director and Senior Managing Executive Officer, Head of Technology Headquarters of Daiwa House Industry won the 4th Female Engineer Training Achievement Award* (Sponsored by the Cabinet Office, the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare) held by Japan Association of Technology Executives.

Since 2005, our company has been promoting an empowerment initiative on the pillar concepts of “increased hiring, longer retention and better utilization of women” in our workforce. In the construction industry, male employees were historically assigned to technical job. However, regarding the 50th anniversary of our founding as the first step toward promotion of female engineers to senior management, we have been working to retain and nurture female engineers by actively giving growth opportunities, cultivating such corporate culture on the Groupwide basis and other ways. As a result, the number of female engineers increased from 263 (as at the end of March 2006) to 787 during these 10 years (as of April 2017). Notably, at the construction sites often thought about as a workplace belonged to men, the number of female personnel in charge of construction rose to 116. Of which, 22 women (approx. 20%) are active in both childrearing and work. Such continuous efforts of ours to encourage female engineers to demonstrate their abilities were highly recognized in the receipt of the award.

* An awarding system aimed at the promoting women to executive/managerial posts to create an environment for the industry’s female engineers to work comfortably and enhance employment opportunities and expand the field of activities for women.

Corporate newsletter of the Group “Nagomi” won General Prize of the Keidanren-Recommended In-House Journal for the second consecutive years.

The Group newsletter “Nagomi” was awarded General Prize at Keidanren-Recommended In-House Journal 2017* sponsored by Keidanren Business Services, in the category of magazine and newspaper. Following fiscal 2014 and 2016, we received the prize for the third time for the second consecutive years.

* Keidanren (The Japan Federation of Economic Organizations)-Recommended In-House Journal is a recommendation and awarding system established in 1966 with the objective of promoting in-house public relations activities that truly helps business management and evaluate and encourage editors’ daily activities, thereby improving the level of in-house newsletters. In fiscal 2017, among 184 applications in the magazine and newspaper category, 1 Grand Prize, 3 Excellence Prizes, 20 General Prizes and 7 Special Prizes were selected.

[Comment] (Excerpts)

- ①The whole magazine specializes in management information, business description and business status, making your group newsletter a group communication tool that facilitates “information sharing.”
- ②The 300th Nagomi Special Issue adopts outstanding approach, for example, the cover consists of face photos of 300 people who have appeared on the newsletter so far. It admirably expresses “Discover the new by studying the old” and reflects high editing ability.



Awarding ceremony

Received the Good Design Award

Three Group companies applied to Good Design Award 2017 sponsored by the Japan Institute of Design Promotion, and their five products were awarded in three categories of Housing and Personal Residence, Housing and Housing Complex, and Shop and Fixtures for Sale.

Housing and Personal Residence

- Detached house PREMIUM GranWood Ashiya-no-le (Daiwa House Industry Co., Ltd.)

Housing and Housing Complex

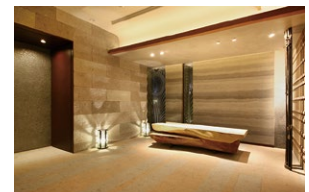
- Premist Shiroganedai, Condominium for sale (Daiwa House Industry Co., Ltd.)
- Initia Cloud Shibuya Sasazuka, Condominium for sale (Cosmos Initia Co., Ltd.)
- Initia Kasai/Pocket Base, Condominium for sale (Cosmos Initia Co., Ltd.)

Shop and Fixtures for Sale

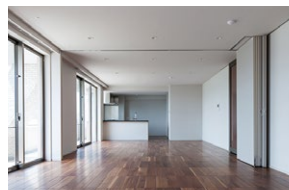
- Transight Modular System, prefabricated electrified fixture (Design Arc Co., Ltd.)



Interior of PREMIUM GranWood Ashiya-no-le



Entrance of Premist Shiroganedai, Condominium for sale



Interior of Initia Cloud Shibuya Sasazuka, Condominium for sale



Initia Kasai/Pocket Base Condominium for sale

Major awards and recognitions from external organizations for FY 2017

* 3.9 points as of June 2018

Awards/Listed indices	Implementing organization	Evaluation results/Score
FTSE4Good, FTSE Blossom Japan Index	FTSE Russell	ListED / 3.7* out of 5 points
STOXX® Global ESG Leaders indices	STOXX Ltd.	ListED
MSCI World ESG Leaders Index/MSCI World SRI Index/MSCI Japan ESG Select Leaders Index	MSCI Inc.	ListED / AA rating (AAA - CCC)
Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)	Jointly developed by S&P Dow Jones Indices LLC and Robeco SAM	ListED / 56 out of 100 points
MS-SRI	Jointly developed by Morningstar Japan Inc. and Center for Public Resources Development	ListED
Nadeshiko Brand 2018	Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange	ListED
Competitive IT Strategy Company	Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange	ListED
CSR Corporate Ranking	Toyo Keizai Inc.	Overall the 31st place among approx. 1,400 companies in Japan

Related page ▶ P101-102 External Evaluation of Daiwa House Industry’s IR

Foundation of CSR Management

Cooperating with External Organizations and Their Assessment (Environment)

Cooperation with Government Agencies, External Organizations, etc.

Basic Policy and Concept

The Daiwa House Group regards cooperation with various organizations as most important to put effort into environment, such as climate change and conservation of biodiversity. In this context, we assume leadership in achieving a more environmentally conscious and sustainable society through active participation in verification projects organized by the national government and its agencies, the promotion of environmental activities by industry organizations, the submission of proposals on environmental policies, and partnerships with various organizations.

Active participation in verification projects conducted by the national government, etc.

Daiwa House Industry actively participates in verification projects (e.g. ZEH, ZEB) and campaigns organized by the national government and its agencies to provide feedback on their policies and cooperates in promoting environmental activities.

In fiscal 2017, our efforts were introduced in the revised the Guidelines for Private Sector Engagement in Biodiversity published by the Ministry of the Environment, as a case example of building a system to promote conservation and sustainable use of biodiversity. We have also been involved in the Environmental Information Disclosure Infrastructure Project of the Ministry of the Environment since fiscal 2013. We are continuously providing feedback on the development of information disclosure infrastructure that facilitates the use of environmental information disclosed by companies by investors and others concerned.

Major programs the Group participates in

Organizer	Program
Ministry of Economy, Trade and Industry	Net Zero Energy House Support Project Net Zero Energy Building Verification Project
Ministry of Land, Infrastructure, Transport and Tourism	Leading-edge CO ₂ saving project for houses and buildings
Ministry of the Environment	<ul style="list-style-type: none"> Green Value Chain Platform Project to Support Companies in Setting SBT Environmental Information Disclosure Infrastructure Project "Fun to Share" climate change campaign Smart Life Japan Energy Conservation Campaign Businesses Recycling Challenge! Revision of the Guidelines for Private Sector Engagement in Biodiversity Water Project

Leadership among industry organizations and policy proposals

We participate in various committees on environmental issues of organizations of which we are a member, such as the Japan Federation of Housing Organizations and the Japan Prefabricated Construction Suppliers and Manufacturers Association. In these committees, we assume leadership in planning and promoting environmental action plans concerning climate change, conservation of natural resources, harmony with the natural environment, prevention of chemical pollution, and other environmental issues that should be addressed with the concerted efforts of the industry. We also provide information necessary to develop policies and make proposals on policies from the perspective of marketing and development.

Major organizations of which we are a member, and activities we participate in

Industry organization	Committees, etc.
Japan Federation of Housing Organizations	<ul style="list-style-type: none"> Building Regulatory Rationalization Committee Housing Performance Improvement Committee Environmental Management Subcommittee Housing Stock Committee Environmental Action Subcommittee
Japan Prefabricated Construction Suppliers and Manufacturers Association	<ul style="list-style-type: none"> Housing Committee / Environment Subcommittee Housing Committee / Technology Subcommittee / Energy Saving WG Housing Committee / Housing Stock Subcommittee, etc.
Japan Chemical Industry Association	Chemical Risk Forum
Provision of Quality Housing Stock Association	<ul style="list-style-type: none"> Planning & Administration Committee Assessment Training Committee

Industry organization	Committees, etc.
Housing History Information Accumulation and Utilization Promotion Council	Project Steering Committee

Dialogue and cooperation with government agencies

We participate not only in public relations activities via industry organizations but also in various committees and workshops of government agencies and their affiliate organizations. We take these opportunities to promote dialogues and cooperation to avoid business risks and create business opportunities through discussions on policies regarding environmental issues, and by sharing information and exchanging opinions on efforts made by non-governmental organizations.

Major activities

Organizer	Committees, etc.
Ministry of Economy, Trade and Industry	<ul style="list-style-type: none"> Smart Community Alliance Standardization Promotion Council for Housing Materials of Long-term Use
Tokyo Metropolitan Government	Obligation to reduce total greenhouse gas emission and emission trading program (The cap-and-trade program)
New energy Industry Section, Department of Commerce, Industry and Labor, Osaka Prefectural Government	Osaka EV Action Council
Institute for Building Environment and Energy Conservation	Housing Energy Saving Performance Review Committee
Japan Sustainable Building Consortium	<ul style="list-style-type: none"> Environmental Assessment Method Research Committee CASBEE Research & Development Committee Smart Wellness Housing Research and Development Committee LCCM Housing Standard and Certification WG
Environmentally Symbiotic Housing Promotion Council	Survey and Research Subcommittee, Promotion Subcommittee, etc.
Smart Wellness Community Council	Health & ICT Literacy Improvement Project, etc.

Cooperation with NGOs, NPOs and other local and citizens' groups

We build partnerships with NPOs and NGOs that have abundant information and knowledge about environmental issues and have innovative experience in the environment field. We cooperate with them while complementing each other's knowledge to promote environmental activities.

Major organizations with whom we have partnerships

	Organizer	Committees, etc.
Enterprise	Climate group	RE 100, EP100
	World Wide Fund For Nature (WWF) Japan	Implementation of the Wood Procurement Guidelines, sharing of information on risk areas, etc.
	Japan Climate Leaders Partnership	Collaboration in decarbonization business and aspiring policy recommendations by enterprises, etc.
	Japan Climate Initiative (JCI)	Strengthening of measures against climate change in Japan
	ZERI (Zero Emission Research and Initiative) Japan	Spread of and education on zero emissions activities
	Japan Healthy House Association	Research concerning healthy housing and dissemination and awareness raising concerning healthy living style
Citizens' groups	Reforestation Commercialization Research Group, Japan Project-Industry Council (JAPIC)	Reforestation Commercialization Research Group (industrialization of new forestry system, proposals on community revitalization, etc.)
	Green Purchasing Network	Dissemination of green purchase and CSR procurement
	Sky Front Forum	Technological Development Group (technological study on rooftop and wall greening)
University	Tokyo Institute of Technology	Advanced Energy Systems for Sustainability
Local organizations	Yoshinoyama Hoshokai	Cherry tree conservation activity at Mt. Yoshino
	Japan Forest-Volunteer Association	Conservation activities for Mt. Rokko

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

Assessment by External Organizations (FY 2017 results)

Received the Minister of the Environment Award at the Environmental Communication Awards

The Daiwa House Group “Sustainability Report 2017” was given the Minister of the Environment Award at the 21st Environmental Communication Awards. This was the highest prize in the Environmental Report Category. We received the Environmental Communication Awards for the sixth time four years in a row, and the Minister of the Environment Award for the third time two years in a row.

What earned us the award were high evaluations of our interim targets set from 2025 to 2030 planned revision of achievement level in 3-year intervals to realize our long-term environmental vision of “zero” environmental load in 2055, the year we will celebrate our 100-year anniversary and easiness to read as targets, results, assessment and others are reported by stakeholder on each theme. Another point for high mark is that efforts toward decarbonized society in renewable energy power generation and housing, construction and town planning aimed at “zero” energy are introduced in our report. The report itself also received positive reviews for being a superior report in terms of our extensive efforts related with sustainability and the amount of information.



Sustainability Report 2017



Grand Prize logo mark

Placed Number One at News Week's Green Ranking 2017 in the Real Estate Category

Daiwa House Industry came out top in the Real Estate Category of Green Ranking 2017 released by the US business magazine News Week. Among 500 global companies evaluated, we ranked the 35th place, and the 2nd place among 60 Japanese companies*.

The Green Ranking is a joint survey of News Week and Canada's Corporate Nights. It extracts quantitative data from disclosed information of enterprises to evaluate impact of corporate activities exerted on the environment and environmental management. Taking into consideration corporate attitude and governance toward environment, as well as data of energy consumption, greenhouse gas emission, waste

generation, it comprehensively evaluates environment-conscious efforts made by enterprises.

*Top 500 companies in market capitalization around the world as of December 31, 2016 were surveyed.

Recognized with Excellence Prize at the Environmental Human Resources Building Corporate Award 2017

Daiwa Lease Co., Ltd., one of our Group companies, was awarded Excellence Prize at the Environmental Human Resources Building Corporate Award 2017 sponsored by the Ministry of the Environment and Environmental Consortium for Leadership Development.

This awarding is based on the Act on the Promotion of Environmental Conservation Activities through Environmental Education and encourages companies that nurture human resources who are aware of the necessity of corporate management in harmony with the global environment and voluntarily take actions to practice it (environmental human resources). Daiwa Lease was recognized for its taking specific actions, such as providing study sessions and trainings on environment, utilization of acquired knowledge (construction of ZEB Ready, etc.), implementation of social contribution activities and the like, not just being satisfied with passing Eco Test.

Introducing an eco-supporter system in fiscal 2018, it intends to enhance its employees' awareness of environment and practice environmental actions, and also nurture employees who undertake excellent environmental conservation activities.

Related page P114 Promoting environmental education and qualification acquisition, and the President's Award for outstanding environmental activities

Received Excellence Award at the Eco Kentei Award 2017 in the Eco Unit Category

Daiwa Lease Co., Ltd., one of our Group companies, achieved the Excellence Award in the Eco Unit Category of Eco Kentei (Environment and Social Certification) Award 2017 held by the Tokyo Chamber of Commerce and Industry.

As they encourage their employees to obtain Eco Kentei certification by a top-down approach, the Eco Kentei certification rate reached 81% (an increase of 7 points year-on-year) in fiscal 2017. Taking Eco Kentei not only made the employees certified but also increased environment awareness of each one of them, resulted in brisk environmental activities at worksites.

In fiscal 2018, aiming to achieve the Eco Kentei certification rate of 90%, it intends to provide in-house e-learning and mock test and through which promote autonomous environmental activities at worksites more proactively.



Excellence Award plaque

Major awards and recognitions from external organizations for FY 2017

Awarded category	Award name	Organizer	Reason for the award	
Environmental management	CDP Climate Change Report 2017 A-	CDP (Carbon Disclosure Project)	Activities for slowing climate change	Daiwa House Industry
	CDP Water Report 2017 A-	CDP	Promotion of water resource management	Daiwa House Industry
	Green Ranking 2017 Real estate Category 1st place	News Week	Environmental-conscious efforts	Daiwa House Industry
ECO products	Townscape Competition	Foundation for Housing Production Promotion	Lake Town Miwa-no-Mori Management Association	Daiwa House Group
ECO communication	Highest Prize at the 21st Environmental Communication Awards	Ministry of the Environment, Global Environmental Forum	Daiwa House Group Sustainability Report 2017	Daiwa House Group
	Excellence Prize at Environmental Human Resources Building Corporate Award	Ministry of the Environment, Environmental Consortium for Leadership Development (EcoLeaD)	Provision of employee education, promotion of obtaining Eco Kentei certification, efforts to promote social contribution activities, environmental conservation	Daiwa Lease Co., Ltd.
	Excellence Award at the Eco Kentei Award 2017 in the Eco Unit Category	Tokyo Chamber of Commerce and Industry	Activities making good use of Eco Kentei	Daiwa Lease Co., Ltd.

Summary of the Daiwa House Group

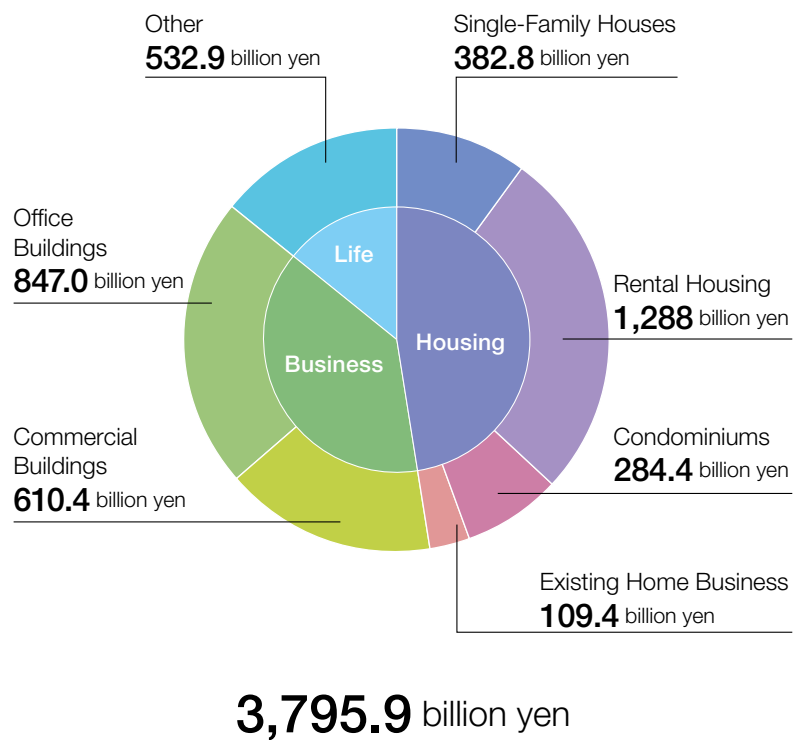
Company Summary (as of March 31, 2018)

Company Name	Daiwa House Industry Co., Ltd.
Established	April 5, 1955
Capital	161,699,201,496 yen
Head Office	3-3-5 Umeda, Kita-ku, Osaka, 530-8241, Japan
Tokyo Head Office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo, 102-8112, Japan
Branches/Offices	82 locations in Japan (including head offices)
Plants	9 locations in Japan
Research Center	Central Research Laboratory (Nara City)
Training Centers	Osaka, Tokyo, Nara
Net Sales	Non-consolidated: 1,814,277 million yen Consolidated: 3,795,992 million yen

Data Section

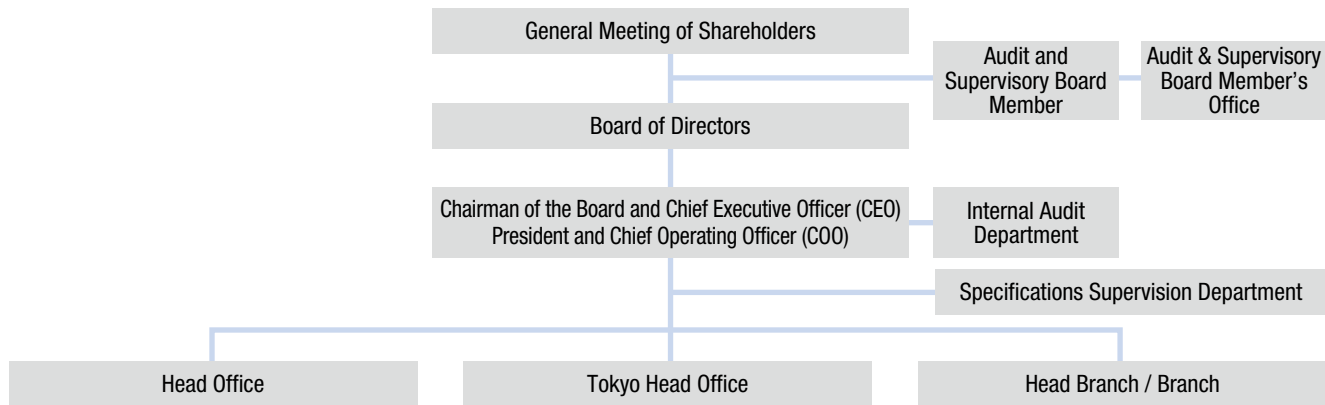
Sales (for the fiscal year ending in March 2018)

(Note: Percentage after subtracting transactions within the Group)



Organization

Organizational chart (as of April 1, 2018)



- Marketing Headquarters**
 - Marketing Support Department
 - Human Care Division
 - Livness Business Promotion Department
- Technology Headquarters**
 - Technology Department
 - BIM Promotion Department
 - Development, Planning and Design Department
 - Central Research Laboratory
 - Safety Management Department
 - Environment Department
 - Restoration Support Department
- Production and Procurement Headquarters**
 - Production Department **Plant** (9 in Japan)
 - Production Planning Department
 - Manufacturing Technology Center
 - Purchasing Department
 - Purchasing Promotion Department
- Management Administration Headquarters**
 - Management Strategy Department**
 - Corporate Strategy Planning Department
 - CSR Department
 - Secretariat
 - Agriculture Business Promotion Department
 - Defined Contribution Plan Management Department
 - Human Resources Training Center
 - Human Resources Department
 - Administrative Division**
 - General Affairs Department
 - Legal Department
 - Property Management Department
 - Accounting Department
 - Finance Department
 - J-SOX Department
 - IR Department
 - Group Management and Administration Department
 - Business Development Department
 - Corporate Communications Department**
 - Corporate Communications Department
 - Advertising Department
 - External Relations Department
 - Information Systems Headquarters**
 - Information Systems Department
 - Product Development Systems Department
 - Urban Development Headquarters**
 - Tokyo Urban Development Department
 - Osaka Urban Development Department
 - Forest-Side Housing Business Promotion Department
 - CS Headquarters**
 - CS Planning Department
 - CS Promotion Department
 - Quality Assurance Headquarters**
 - Quality Assurance Department

- Single Family Housing Promotion Division**
 - Marketing Department
 - Product Development Department
 - Design and Construction Department
 - M&E Department
 - Urban Housing Technology Department
 - Single Family Housing Design Department
 - Production Operation Center
- Apartment Promotion Division**
 - Marketing Department
 - Product Development Department
 - Design and Construction Department
 - Mid to High-Rise Property Technology Center
 - Integration Center
 - Production Design and Construction Material QS Department
 - Project Construction Department
- Commercial Construction Promotion Division**
 - Marketing Department
 - Shopping Center Department
 - Product Development Department
 - Design and Construction Department
 - Development, Planning and Design Department
 - Estimation Department
- General Construction Promotion Division**
 - Marketing Department
 - Product Development Department
 - Design and Construction Department
 - Development, Planning and Design Department
 - Estimation Department
- Condominium Promotion Division**
 - Sales Department
 - Development Department
 - Business Administration Department
 - Construction Department
 - Planning Department
- Environment and Energy Promotion Division**
- Overseas Headquarters**
 - Overseas Division

- Head Branch and branches (36 in Japan)**
 - Single Family Housing Division
 - Apartment Division
 - Commercial Construction Division
 - General Construction Division
 - Condominium Division
 - Environment and Energy Division
- Branches (45 in Japan, 1 overseas)**
 - Single Family Housing Sales Office
 - Apartment Sales Office
 - Commercial Construction Sales Office
 - General Construction Sales Office
 - Condominium Sales Office
 - Environment and Energy Sales Office

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Major Group Companies (as of April 1, 2018)

Japan

Housing

- **Single-Family Houses**
Daiwa House Industry Co., Ltd.
- **Rental Housing**
Daiwa House Industry Co., Ltd.
Daiwa Living Management Co., Ltd.
Daiwa Living Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
- **Condominiums**
Daiwa House Industry Co., Ltd.
Cosmos Initia Co., Ltd.
Daiwa LifeNext Co., Ltd.
Global Community Co., Ltd.
- **Existing Home Business**
Daiwa House Industry Co., Ltd.
Daiwa House Reform Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.

Business

- **Commercial Buildings**
Daiwa House Industry Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa Information Service Co., Ltd.
Daiwa Royal Co., Ltd.
Daiwa LifeNext Co., Ltd.
- **Office Buildings**
Daiwa House Industry Co., Ltd.
Fujita Corporation
Daiwa Lease Co., Ltd.

Life

- Daiwa House Industry Co., Ltd.
- Royal Home Center Co., Ltd.
- Daiwa Logistics Co., Ltd.
- DesignArc Co., Ltd.
- Daiwa Resort Co., Ltd.
- Daiwa Royal Golf Co., Ltd.
- Daiwa Royal Co., Ltd.
- Osaka Marubiru Co., Ltd.
- Daiwa Lease Co., Ltd.
- Daiwa House Insurance Co., Ltd.
- Daiwa House Financial Co., Ltd.

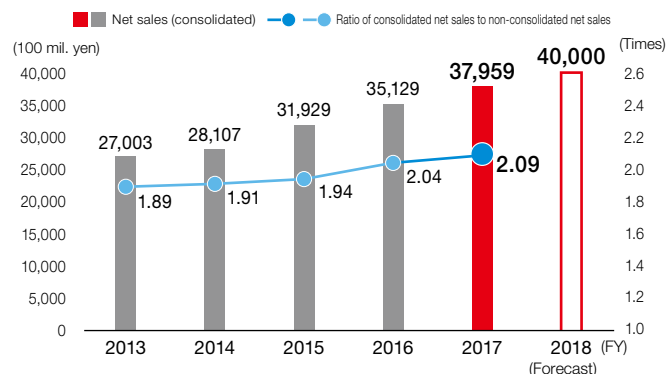
Overseas

- DH (Dalian) Administrative Management Consulting Center Co., Ltd.
 - Business process outsourcing (BPO)
- Dalian Dahezhongsheng Estate Co., Ltd.
 - Real estate development
- Dalian Yihe Property Management Co., Ltd.
 - Real estate management
- Dalian Civil Aviation Hotel Co., Ltd.
 - Management & operation of hotels
- Tianjin Jiuhe International Villa Co., Ltd.
 - Management of serviced apartments
- Daiwa House (Wuxi) Real Estate Development Co., Ltd.
 - Real estate development
- Daiwa House (Changzhou) Real Estate Development Co., Ltd.
 - Real estate development
- Daiwa Baoye (Wuxi) Property Management Co., Ltd.
 - Real estate management
- Daiwa Baoye (Nantong) Real Estate Development Co., Ltd.
 - Real estate development
- Shanghai Hebao Property Service Co., Ltd.
 - Real estate management
- Baoye Daiwa Industrialized House Manufacturing Co., Ltd.
 - Production & sale of industrialized housing parts and materials
- Daiwa House California Inc.
 - Real estate development
- Daiwa House Texas Inc.
 - Real estate development
- Daiwa House Guam Co., Ltd.
 - Construction
- Daiwa House Australia Pty Ltd
 - Real estate development
- Daiwa House Vietnam Co., Ltd.
 - Industrial park development/
Business process outsourcing (BPO)
- DT Development Vietnam LCC.
 - Real estate development/Management of serviced apartments
- Daiwa House Industry India Pvt Ltd
 - Real estate market research
- Daiwa House Real Estate Development Co., Ltd.
 - Rental factories
- PT Daiwa House Indonesia
 - Business administration in Indonesia
- PT Daiwa Manunggal Logistik Properti
 - Development, operation & management of logistics facilities
- PT Daiwa Tetra Manunggal Konstruksi
 - Construction
- Daiwa House Industry (Thailand) Co., Ltd.
 - Distribution facility development/Single-family housing business
- Daiwa House Malaysia Sdn. Bhd.
 - R&D of single-family houses and industrialized methods
- KD Living, Inc.
 - Rental housing
- Daiwa Living California Inc.
 - Rental housing
- Daiwa Living Australia Pty Ltd
 - Management of serviced apartments
- Daiwa Living Vietnam Co., Ltd.
 - Management of serviced apartments
- Daiwa Living Waldorf Holdings Pty Ltd
 - Management of serviced apartments
- Fujita (China) Construction Co., Ltd.
 - Construction
- Fujita Research
 - Research into overseas construction technology
- Fujita Corporation Vietnam
 - Construction/Real estate development
- Fujita Philippines Construction and Development, Inc.
 - Construction
- Fujita Engineering India Pvt., Ltd.
 - Construction
- Fujita Corporation Singapore Pte. Ltd.
 - Investment business
- Fujita Corporation (M) Sdn. Bhd.
 - Construction
- Fujita Integral Mexico S.A. de C.V.
 - Construction/Environmental business/Real estate development
- Fujita Corporation (Thailand) Ltd.
 - Construction
- Cosmos Australia Pty Ltd
 - Real estate development/Tourism
- Stanley-Martin Communities, LCC
 - Single-family housing business
- Rawson Group Pty Ltd
 - Single-family housing business

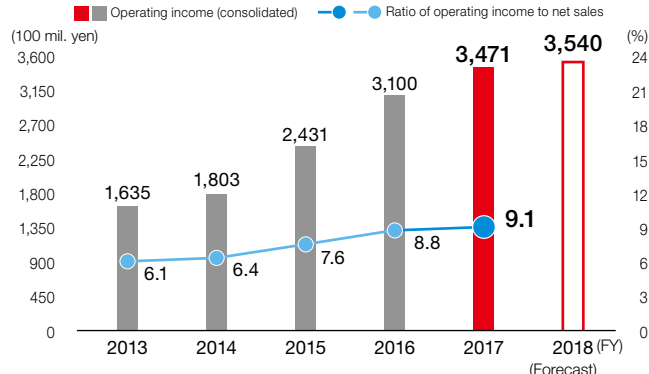
Note: Listed above are major affiliate companies affecting the sales of the Daiwa House Group.

Highlight of Financial Results and Consolidated Financial Indicators

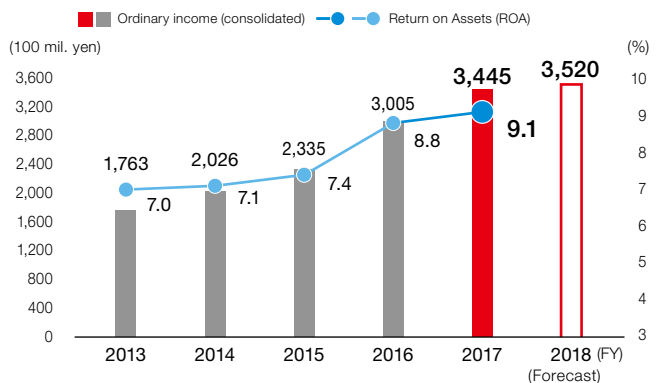
Net sales (consolidated)/Ratio of consolidated net sales to non-consolidated net sales



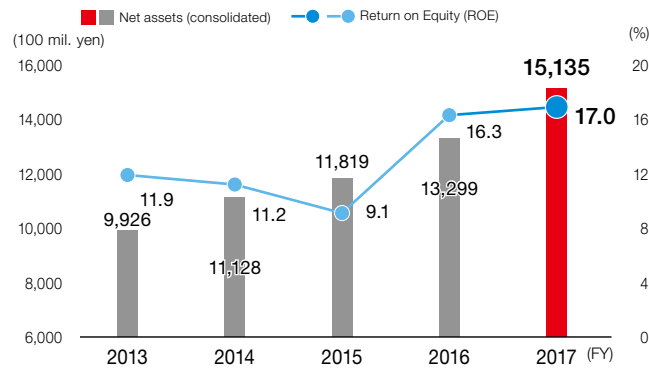
Operating income (consolidated)/Ratio of operating income to net sales



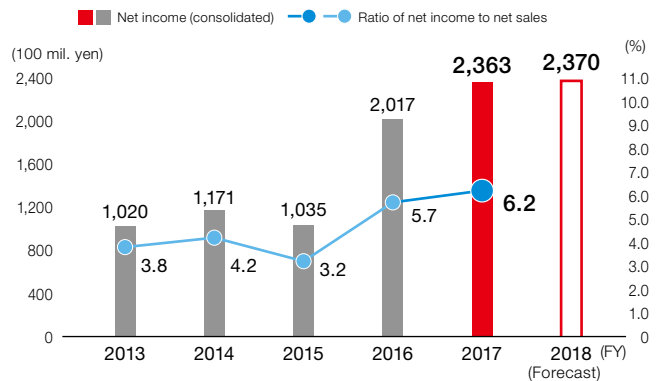
Ordinary income (consolidated)/Return on Assets (ROA)



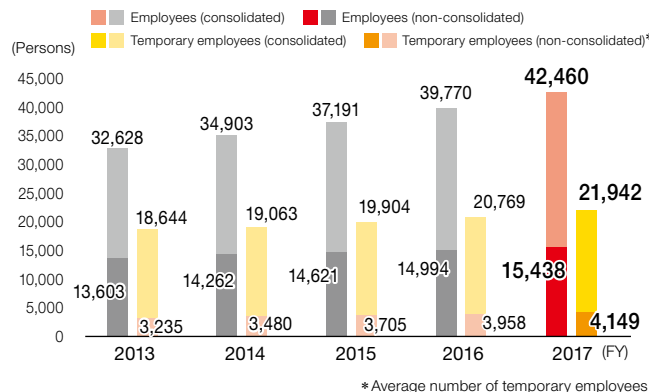
Net assets (consolidated)/Return on Equity (ROE)



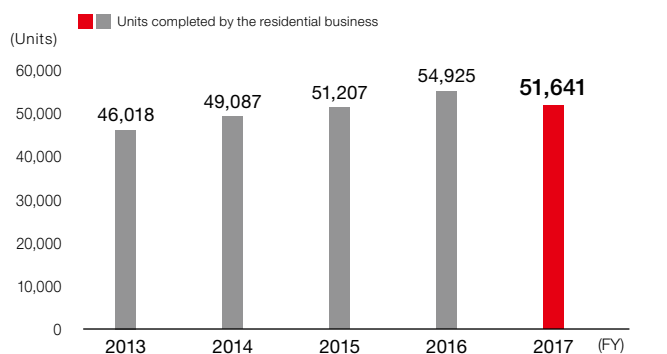
Net income (consolidated)/Ratio of net income to net sales



Number of employees (consolidated/non-consolidated)



Units completed by the residential business (Total of single-family houses, condominiums, and rental housing)



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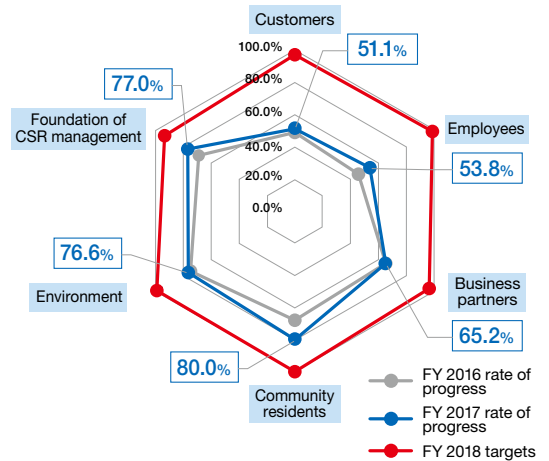
CSR Self-Assessment Indices

Fiscal 2017 results

In fiscal 2006, the Daiwa House Group introduced a CSR self-assessment index to measure and “visualize” CSR activity results. This has been beneficial in making improvements to CSR activities.

Along with the start of the 5th Medium-Term Management Plan, we formulated a Medium-Term CSR Plan aimed at strengthening our management foundation. Progress is managed annually by related departments using assessment indices that were revised according to the plan (implementation period: fiscal 2016 to fiscal 2018), with the goal of achieving performance objectives and strengthening management foundations.

In fiscal 2017, in our self-assessment, we scored 759 points on the 26 priority issues and 49 indices, against our fiscal 2018 target of 1,147 points, resulting in a 66.2% rate of progress (5.6% higher than the previous year).



Social

Customers (full points: 175)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017		
				Targets	Points	Results	Points	
Provide high quality products	No-charge after-service index within one-year of handover	Rate of long-life quality housing (Single Family Housing Promotion Division)	25 pts	90% or above	24 pts	83.7%	18 pts	20 pts
		No-charge after-service index within one-year of handover (Apartment Promotion Division)		Below 10 pts		4.46 pts		25 pts
		No-charge after-service index within one-year of handover (General Construction Promotion Division)		Below 10 pts		12.2 pts		20 pts
		No-charge after-service index within one-year of handover (Commercial Construction Promotion Division)		Below 10 pts		32.5 pts		10 pts
	Percentage of implementation of special inspection regarding product performance and specifications	Percentage of implementation of special inspection (Single Family Housing Promotion Division)	25 pts	100%	25 pts	90.4%	12 pts	15 pts
		Percentage of implementation of special inspection (Apartment Promotion Division)		100%		88.4%		10 pts
Proper communication with customers	Improved skill for communicating with customers	Rate of participation in new employee training (Single Family Housing Promotion Division)	25 pts	100%	25 pts	100%	14 pts	25 pts
		Rate of participation in new employee training (Apartment Promotion Division)		100%		100%		25 pts
		Rate of employee participation in training for each level, and local seminars (General Construction Promotion Division)		95%		79.4%		0 pts
		Rate of participation of beginner employees (new employees - third year) training, and tax training for all employees (Commercial Construction Promotion Division)		100%		89.2%		5 pts
		Rate of participation in role-playing competitions for sales employees within two years of joining the company (Condominium Promotion Division)		100%		97.2%		15 pts
	No. of complaints made to the head office	Degree of satisfaction of support during construction and after concluding agreement in one-month questionnaire (Single Family Housing Promotion Division)	25 pts	80% or above	25 pts	67.3%	3 pts	15 pts
		No. of complaints made directly to the head office (Apartment Promotion Division)		0		168		0 pts
		No. of complaints made directly to the head office (General Construction Promotion Division)		0		22		0 pts
		No. of complaints made directly to the head office (Commercial Construction Promotion Division)		0		47		0 pts
		No. of complaints made directly to the head office (Condominium Promotion Division)		0		43		0 pts
Long-term efforts to earn trust ★	Customer (owner) satisfaction	Degree of satisfaction in one-month questionnaire (Single Family Housing Promotion Division)	25 pts	80% or above	23 pts	67.4%	15 pts	15 pts
		Intention of recommendations in resident questionnaire and owner questionnaire (Apartment Promotion Division)		80% or above		29.5%		0 pts
		Degree of satisfaction in handover questionnaire by customer (General Construction Promotion Division)		80% or above		95.9%		25 pts
		Degree of satisfaction in relationship DM with existing owners (Commercial Construction Promotion Division)		80% or above		71.3%		20 pts
		Degree of satisfaction right before taking residence till three months afterward (Condominium Promotion Division)		1.25 pts		1.23 pts		15 pts

■ Points obtained out of full points by stakeholder and progress rate

Target stakeholder	Priority issues (The most important priority issues)	Indices	Points				Rate of progress		
			Full points	FY 2018 targets	FY 2017 results	FY 2016 results	FY 2017 rate of progress	FY 2016 rate of progress	Change
Customers	3 (1)	7	175	170	87	83	51.1%	48.8%	2.3 pts ↗
Employees	4 (2)	10	250	247	133	113	53.8%	45.7%	8.1 pts ↗
Business partners	3 (2)	8	200	193	126	130	65.2%	67.3%	2.1 pts ↘
Community residents	2 (1)	5	125	125	100	85	80.0%	68.0%	12.0 pts ↗
Environment	6 (-)	11	225	223	171	163	76.6%	73.0%	3.6 pts ↗
Foundation of CSR management	8 (-)	8	200	187	144	123	77.0%	65.7%	11.3 pts ↗
Total	26	49	1,175	1,145	761	697	66.4%	60.8%	5.6 pts ↗

* Results were rounded off to 3 significant digits and 2 places below the decimal. Some of the data for FY 2016 was revised by dropping fractions instead of rounding them up/down.
 * There are two priority issues. Of which, for the most important priority issues (★), three indices are set to implement weighted scoring.
 * Underlined figures in the Assessment method denote points obtained in fiscal 2017.

(Reference) FY 2016		Assessment method	
Results	Points		
83.4%	21 pts	20 pts	Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25 pts.
1.05 pts		25 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, <u>Below 10 pts: 25 pts</u>
12.5 pts		20 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, <u>10 pts–below 20 pts: 20 pts</u> , Below 10 pts: 25 pts
15.6 pts		20 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, <u>30 pts–below 40 pts: 10 pts</u> , 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, Below 10 pts: 25 pts
92.8%	10 pts	15 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, <u>90%–below 95%: 15 pts</u> , 95%–below 100%: 20 pts, 100% or 0 inspections: 25 pts
83.3%		5 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, <u>85%–below 90%: 10 pts</u> , 90%–below 95%: 15 pts, 95%–below 100%: 20 pts, 100%: 25 pts
100%	13 pts	25 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, <u>100%: 25 pts</u>
98.2%		20 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, <u>100%: 25 pts</u>
79.7%		0 pts	<u>Below 80%: 0 pts</u> , 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 92%: 15 pts, 92%–below 95%: 20 pts, 95% or above: 25 pts
94.1%		10 pts	Below 80%: 0 pts, <u>80%–below 90%: 5 pts</u> , 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts
93.0%		10 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, <u>95%–below 98%: 15 pts</u> , 98%–below 100%: 20 pts, 100%: 25 pts
68.2%	3 pts	15 pts	Percentage of highest evaluations of sales' post-agreement support and reporting and contact during construction in the one-month CS questionnaire Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, <u>60%–below 70%: 15 pts</u> , 70%–below 80%: 20 pts, 80% or above: 25 pts
193		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception
14		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception
54		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception
26		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception
68.2%	13 pts	15 pts	Percentage of total occupied by "I'm happy I used your company" and "Very good" evaluation in Overall Handling in the one-month CS questionnaire Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, <u>60%–below 70%: 15 pts</u> , 70%–below 80%: 20 pts, 80% or above: 25 pts
28.2%		0 pts	<u>Below 30%: 0 pts</u> , 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts
95.0%		25 pts	Percentage of total occupied by "Very satisfied" and "Satisfied" in the Overall Evaluation in the handover questionnaire by customer Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, <u>80% or above: 25 pts</u>
69.2%		15 pts	Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, <u>70%–below 80%: 20 pts</u> , 80% or above: 25 pts
1.18 pts		14 pts	Converted the average (Very Satisfied = 2; Satisfied = 1; Dissatisfied = -1; and Very Dissatisfied = -2) of seven items (Handling from site visit to agreement, Handling of residents explanatory meeting, Handling of private viewings, Post-agreement support, After-care support, Handling of 3-month inspection, and Degree of purchasing satisfaction) to a scale of 25.

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CSR Self-Assessment Indices

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017		
				Targets	Points	Results	Points	
Long-term efforts to earn trust ★	Long-term viewpoint evaluations	Degree of satisfaction in ten-year inspection questionnaire (Single Family Housing Promotion Division)	25 pts	100%	24 pts	95.9%	17 pts	20 pts
		Repeat orders by existing owners (Apartment Promotion Division)		20% or above		39.5%		25 pts
		Increase/decrease in re-ordering rate to total amount of orders (General Construction Promotion Division)		20% or above		-0.79%		0 pts
		Rate of reordering by existing owners (Commercial Construction Promotion Division)		30% or above		33.3%		25 pts
	Questionnaire evaluation after taking residence	Degree of total satisfaction in condominium association's board of directors questionnaire after 10 years (Condominium Promotion Division)	25 pts	80% or above	24 pts	64.0%	8 pts	16 pts
		Rate of highest evaluation concerning referral intention in one-month questionnaire (Single Family Housing Promotion Division)		70% or above		59.2%		15 pts
		Referral intention in questionnaire evaluation after taking residence (Apartment Promotion Division)		65% or above		29.6%		0 pts
		Rate of orders from introductions by owner member (Commercial Construction Promotion Division)		5% or above		0.25%		0 pts
	Degree of recommendations to friends and acquaintances (Condominium Promotion Division)		95% or above		79.8%		19 pts	

■ Employees (full points: 250)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017		
				Targets	Points	Results	Points	
Provide a safe and healthy work environment		Rate of obtaining of paid holidays	25 pts	70%	25 pts	55.0%	15 pts	
		Diagnosis (living practices) score in the health analysis score	25 pts	70 pts	25 pts	55.2 pts	10 pts	
Develop human resources ★	Degree of satisfaction of employees to overall human resources training		25 pts	85 pts	22 pts	67 pts	10 pts	
		Evaluation of OJT (Total for ① + ②)	25 pts	① Degree of satisfaction of new employees	80%	25 pts	85.8%	23 pts
		② Percentage of self-assessments conducted by elder employees		80%	71.8%		8 pts	
	Rate of acquisition of professional qualifications by young employees (Total for ① + ②)	① Percentage of employees newly licensed as a real estate broker ② Percentage of employees newly licensed as a class 2 architect	25 pts	20%	25 pts	15.4%	20 pts	10 pts
				25%		34.5%		10 pts
Create work environments and systems where a diverse range of employees can work flexibly ★		Acquisition rate of male absence from work for child-rearing	25 pts	50%	25 pts	34.1%	5 pts	
		No. of female managers	25 pts	160	25 pts	123	5 pts	
		Rate of employees with disabilities	25 pts	2.30%	25 pts	2.33%	25 pts	
Provide employment opportunities for exceptional human resources		Rate of hiring of new graduate females (general employees)	25 pts	30%	25 pts	24.3%	10 pts	
		No. of hirings of qualified engineers	25 pts	150	25 pts	128	10 pts	

■ Business partners (full points: 200)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017					
				Targets	Points	Results	Points				
Fair competition	Rate of conflict resolution within one month from reporting by business partners with regard to subcontracting law		25 pts	100%	25 pts	93.3%	23 pts				
		Responsible action toward all business partners		① Response rate to questionnaire survey about Daiwa House Industry employees' conduct by business partners		70%		18 pts	70.2%	18 pts	18 pts
				② Percentage of business partners that responded there was "No problem" in how Daiwa House Industry employees conducted themselves		75%			78.6%		18 pts
		③ Appropriateness of duties contracted to business partners based on in-house criteria	80% or above	74.0%	18 pts						
Encourage business partners in CSR efforts ★	Education of in-house employees	① Rate of participation in level-based training by purchasing employees	25 pts	95%	25 pts	96.5%	24 pts	25 pts			
		② Rate of participation in level-based training by construction managers		100%		97.9%		23 pts			
		Evaluation of business partners and purchasing work based on in-house criteria	25 pts	4.5 pts or above	25 pts	4.4 pts	20 pts				
		Rate of response of self-checks based on the Business Partner Code of Conduct	25 pts	70%	25 pts	—	0 pts				
Improve labor conditions and ensure human resources for construction subcontractors ★	No. of employees trained on-site	① Housing-related: Number of trainees from subcontractor	25 pts	① 500	25 pts	484	22 pts	23 pts			
		② Construction-related: Number of persons newly certified as skilled engineers/technicians		② 330		309		21 pts			
		No. of labor accidents	25 pts	-20% (compared with the previous year)	25 pts	+5.67%	0 pts				
	No. of support company members	25 pts	4,800	25 pts	4,654	19 pts					

		(Reference) FY 2016		Assessment method
		Results	Points	
		96.4%	13 pts	20 pts Percentage of total occupied by "Very good" and "Good" evaluations in Overall Satisfaction in the ten-year CS questionnaire Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts , 100%: 25 pts
		36.1%		25 pts Below 0%: 0 pts, 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts
		-4.39%		0 pts Less than 0%: 0 pts , 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts
		26.4%		10 pts Below 25%: 0 pts, 25%–below 26%: 5 pts, 26%–below 27%: 10 pts, 27%–below 28%: 15 pts, 28%–below 29%: 15 pts, 29%–below 30%: 20 pts, 30% or above: 25 pts
		58.1%		14 pts Converted the percentage "Very Satisfied" or "Satisfied" selected amongst the 7 levels of Overall Satisfaction in a questionnaire conducted by Daiwa LifeNext Co., Ltd., a Group company, to a scale of 25.
		62.2%	10 pts	20 pts Below 20%: 0 pts, 20%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts , 60%–below 70%: 20 pts, 70% or above: 25 pts
		27.7%		0 pts Below 30%: 0 pts , 30%–below 35%: 5 pts, 35%–below 45%: 10 pts, 45%–below 55%: 15 pts, 55%–below 65%: 20 pts, 65% or above: 25 pts
		0.6%		0 pts Below 1%: 0 pts , 1%–below 2%: 5 pts, 2%–below 3%: 10 pts, 3%–below 4%: 15 pts, 4%–below 5%: 20 pts, 5% or above: 25 pts
		91.4%		22 pts Average that "I will definitely recommend" or "I will likely recommend" were selected for the Likelihood of recommending to friends and acquaintances, in after-move-in questionnaires (three months, one year, and two years), converted to a scale of 25 pts.

		FY 2016		Assessment method
		Results	Points	
		53.5%	15 pts	Below 30%: 0 pts, 30%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts , 60%–below 70%: 20 pts, 70% or above: 25 pts
		53.8 pts	5 pts	Below 50 pts: 0 pts, 50 pts–below 55 pts: 5 pts, 55 pts–below 60 pts: 10 pts , 60 pts–below 65 pts: 15 pts, 65 pts–below 70 pts: 20 pts, 70 pts or above: 25 pts
		67 pts	10 pts	Below 50 pts: 0 pts, 50 pts–59 pts: 5 pts, 60 pts–69 pts: 10 pts , 70 pts–79 pts: 15 pts, 80 pts–89 pts: 20 pts, 90 pts or above: 25 pts
		85.9%	23 pts	15 pts Below 60%: 0 pts, 60%–69%: 5 pts, 70%–79%: 10 pts, 80% or above: 15 pts
		73.5%		8 pts Below 60%: 0 pts, 60%–69%: 4 pts, 70%–79%: 8 pts , 80% or above: 10 pts
		14.8%	15 pts	5 pts Below 10%: 0 pts, 10%–below 15%: 5 pts, 15%–below 20%: 10 pts , 20% or above: 15 pts
		40.5%		10 pts Below 15%: 0 pts, 15%–below 20%: 4 pts, 20%–below 25%: 8 pts, 25% or above: 10 pts
		32.9%	5 pts	Below 30%: 0 pts, 30%–below 35%: 5 pts , 35%–below 40%: 10 pts, 40%–below 45%: 15 pts, 45%–below 50%: 20 pts, 50% or above: 25 pts
		108	0 pts	119 or less: 0 pts, 120–129: 5 pts , 130–139: 10 pts, 140–149: 15 pts, 150–159: 20 pts, 160 or above: 25 pts
		2.19%	10 pts	Below 2.10%: 0 pts, 2.10%–below 2.15%: 5 pts, 2.15%–below 2.20%: 10 pts, 2.20%–below 2.25%: 15 pts, 2.25%–below 2.30%: 20 pts, 2.30% or above: 25 pts
		23.2%	5 pts	Below 22%: 0 pts, 22%–below 24%: 5 pts, 24%–below 26%: 10 pts , 26%–below 28%: 15 pts, 28%–below 30%: 20 pts, 30% or above: 25 pts
		151	25 pts	No. of hirings of Class-1 Architects, Class-2 Architects, Class-1 Construction Managing Engineers, Class-1 Electrical Construction Managing Engineers, Class-1 Plumbing Construction Managing Engineers, Class-1 Civil Construction Managing Engineers 109 or less: 0 pts, 110–119: 5 pts, 120–129: 10 pts , 130–139: 15 pts, 140–149: 20 pts, 150 or above: 25 pts

		FY 2016		Assessment method
		Results	Points	
		87.5%	21 pts	Converted rate to a scale of 25 pts.
		68.4%	17 pts	Converted rate to a scale of 25 pts.
		72.0%		Converted rate to a scale of 25 pts.
		72.9%		18 pts Audited purchasing practices of Purchasing Sections at branch offices across Japan (in-house criteria). Converted percentage of branch offices evaluated as "Fair" under quantitative evaluation items, to a scale of 25 pts.
		95.2%	21 pts	25 pts Below 75%: 0 pts, 75%–below 80%: 5 pts, 80%–below 85%: 10 pts, 85%–below 90%: 15 pts, 90%–below 95%: 20 pts, 95% or above: 25 pts
		91.0%		17 pts Evaluating point = (participation rate - 86%) × 12/14 + 13 * Average rate of participation in training by construction employees over 3-year period ending in FY 2015 = 86%
		4.2 pts	20 pts	Audited purchasing practices of Purchasing Sections at branch offices across Japan (in-house criteria). Scored the nationwide average for "Periodically evaluate business partners" as follows: Below 2.5 pts: 0 pts, 2.5 pts–below 3 pts: 5 pts, 3 pts–below 3.5 pts: 10 pts, 3.5 pts–below 4 pts: 15 pts, 4 pts–below 4.5 pts: 20 pts , 4.5 pts or above: 25 pts.
		15.1%	0 pts	Evaluated every other year, therefore there are no results for FY 2017. (Results for FY 2016 are shown below.) Below 50%: 0 pts , 50%–below 54%: 5 pts, 55%–below 60%: 10 pts, 60%–below 65%: 15 pts, 65%–below 70%: 20 pts, 70% or above: 25 pts
		214	7 pts	0 pts ①Housing: Evaluation points for no. of construction shop trainees = (no. of trainees - 400) × 12/100 + 13 * Average no. of construction shop trainees over 3-year period ending in FY 2015 = 400
		267		15 pts ②Architecture: Evaluation points for no. of persons newly certified as skilled engineers/technicians = (no. of certifications - 250) × 12/80 + 13 * No. of certified persons at the end of FY 2015 = 250
		-20.5%	25 pts	Rate of decrease from the previous FY in the number of labor (on-site) accidents Number of accidents increased: 0 pts , 0%–above -5%: 5 pts, -5%–above -10%: 10 pts, -10%–above -15%: 15 pts, -15%–above -20%: 20 pts, -20% or less: 25 pts
		4,658	19 pts	Evaluation points = (no. of members - 4,500) × 12/300 + 13 * Average no. of members over 5-year period ending in FY 2015 = 4,500

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CSR Self-Assessment Indices

Community residents (full points: 125)

Priority issues	Indices	Point allotment	FY 2018		FY 2017	
			Targets	Points	Results	Points
Active involvement in, and collaboration with other parties for local community development ★	Collaboration with NPOs and NGOs	25 pts	50%	25 pts	45.5%	20 pts
	Participation rate in Endless Donations	25 pts	25%	25 pts	35.5%	25 pts
	Amount conversion of community co-creation activities by branch offices	25 pts	300 million yen	25 pts	171.876 million yen	10 pts
Contribute to the community by sharing business knowledge gleaned through experience	No. of classes given by dispatched instructors (D's School: Risk reduction, living environment)	25 pts	20	25 pts	19	20 pts
	No. of cases of education support (Other: Career education, member of society instructor, on-site experience, and others)	25 pts	70	25 pts	204	25 pts

Environment

Environment (full points: 225)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017		
				Targets	Points	Results	Points	
Prevention of global warming	Business activities	Rate of decrease from the fiscal 2005 figure in CO ₂ emissions per unit of sales	25 pts	55% reduction*1	25 pts	58.5% reduction	25 pts	
	Products and services	Contribution to CO ₂ reduction	25 pts	4,700,000 t-CO ₂ *1	25 pts	5140,000 t-CO ₂	25 pts	
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Ratio of C-ranked wood	25 pts	0%	25 pts	2.4%	12 pts	
	Products and services	Surface area of green spaces	25 pts	910,000 m ² *1	25 pts	765,000 m ²	5 pts	
Conservation of natural resources	Business activities	Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials [Manufacturing, new construction]	25 pts	Manufacturing: 4.0% reduction*1 New construction: 27.0% reduction*1	25 pts	Manufacturing: 0.2% reduction New construction: 17.4% reduction	11 pts	0 pts
		Recycling rate [Manufacturing, new construction, civil engineering, demolition, renovation]		Manufacturing, new construction, civil engineering, demolition: 95% or higher; Renovation: 85% or higher		Manufacturing: 97.6% New construction: 98.1% Civil engineering: 98.5% Demolition: 96.6% Renovation: 81.8%		22 pts
	Products and services	Ratio of houses certified under the Long-Life Quality Housing Certification System	25 pts	90%	23 pts	83.7%	18 pts	20 pts
	Adoption rate of pre-engineered buildings for priority applications	32%*1		30.3%		16 pts		
Water resource conservation	Business activities	Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales	25 pts	24% reduction*1	25 pts	25.2% reduction	25 pts	
Prevention of chemical pollution	Business activities	Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances	25 pts	40% reduction	25 pts	42.2% reduction	25 pts	
Prevention of soil contamination	Procurement	Serious risks of soil contamination during land purchases	25 pts	0	25 pts	0	25 pts	

*1 Figures differ from those on the "Co-creating a Brighter Future with the Environment" and "Materials and Data Section (Environment)" pages because targets were revised based on FY 2017 results.
*2 Points in the 2017 Sustainability Report differ from FY 2016 points because fractions were dropped.

Governance

Foundation of CSR management (full points: 200)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2017		
				Targets	Points	Results	Points	
Transparency	External assessment of ESG information disclosures	① FTSE4Good Rating	25 pts	① 4.0	25 pts	3.7	23 pts	21 pts
		② Compliance with GRI Standards on ESG information disclosures		② 80%		91.0%	25 pts	
Ethical conduct	In-house CSR awareness survey		25 pts	80 pts	25 pts	77.8 pts	20 pts	
Stakeholder engagement	Attendants' satisfaction with Stakeholders' Meeting	① Percentage of total who found "meeting ambiance conducive to frank discussion"	25 pts	100%	25 pts	84.6%	20 pts	21 pts
		② Percentage of total who found "our information easy to understand"		100%		76.9%		19 pts
Creation of a CSR mindset	No. of branch offices visited for CSR training		25 pts	83	25 pts	56	20 pts	
Risk management	Incidence rate of risks specified to be handled with priority		25 pts	50% reduction	12 pts	28.5% reduction	7 pts	
Safety	Safe driving management		25 pts	20% or more reduction	25 pts	19.8% reduction	20 pts	
Human rights awareness-raising	Human rights awareness-raising	Participation rate in human rights awareness-raising training ① Individual	25 pts	① 200%	25 pts	186.7%	24 pts	23 pts
		Participation rate in human rights awareness-raising training ② Group		② 100%		116.4%		25 pts
Handle human rights issues	Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)		25 pts	100%	25 pts	88.4%	10 pts	

FY 2016		Assessment method
Results	Points	
42.6%	15 pts	Below 30%: 0 pts, 30%–below 35%: 5 pts, 35%–below 40%: 10 pts, 40%–below 45%: 15 pts, 45%–below 50%: 20 pts , 50% or above: 25 pts
36.9%	25 pts	Below 20%: 0 pts, 20%–below 22%: 5 pts, 22%–below 23%: 10 pts, 23%–below 24%: 15 pts, 24%–below 25%: 20 pts, 25% or above: 25 pts
148.334 million yen	5 pts	Below 100 mil. yen: 0 pts, 100 mil. yen–below 150 mil. yen: 5 pts, 150 mil. yen–below 200 mil. yen: 10 pts , 200 mil. yen–below 250 mil. yen: 15 pts, 250 mil. yen–below 300 mil. yen: 20 pts, 300 mil. yen or above: 25 pts
10	15 pts	Below 4: 0 pts, 5–9: 10 pts, 10–14: 15 pts, 15–19: 20 pts , 20 or above: 25 pts
245	25 pts	Below 9: 0 pts, 10–29: 5 pts, 30–49: 10 pts, 50–59: 15 pts, 60–69: 20 pts, 70 or above: 25 pts

FY 2016		Assessment method
Results	Points	
53.7% reduction	18 pts*2	Using 50% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 55% converted to a scale of 25
4,960,000 t-CO ₂	25 pts	Using 4,380,000 t-CO ₂ (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 4,700,000 t-CO ₂ converted to a scale of 25
2.5%	11 pts*2	Using 4.7% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 0% converted to a scale of 25
871,000 m ²	19 pts*2	Using 724,000 m ² (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 910,000 m ² converted to a scale of 25
Manufacturing: 0.5% reduction New construction: 20.9% reduction	12 pts	3 pts [Manufacturing] Using 0% as a benchmark, rate of progress against fiscal 2018 targets of 4.0% converted to a scale of 25 [New construction] Using 18.9% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 27% converted to a scale of 25
Manufacturing: 98.6% New construction: 97.7% Civil engineering: 99.8% Demolition: 96.0% Renovation: 80.0%		
83.5%	18 pts	20 pts Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25
30.4%		17 pts Using 27% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 32% converted to a scale of 25
21.7% reduction	10 pts*2	Using 20% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 24% converted to a scale of 25
40.6%	25 pts	Using 35% as a benchmark, rate of progress against fiscal 2018 targets of 40% converted to a scale of 25
0	25 pts	0: 25 pts , 1 or above: 0 pts

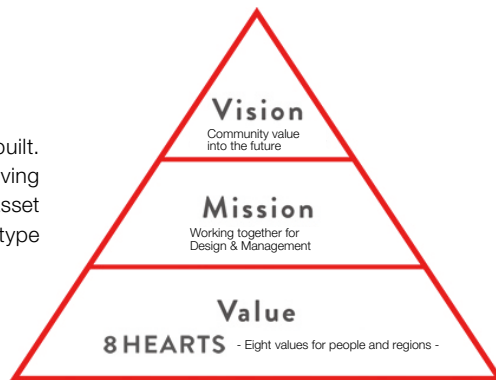
FY 2016		Assessment method
Results	Points	
3.2	15 pts	15 pts Converted 4.0 to a scale of 25 pts using the 2.0 resulted in FY 2015 as a benchmark.
75.5%		15 pts Converted an 80% progress rate to a scale of 25 pts using the 68.4% resulted in FY 2015 as a benchmark.
76.1 pts	20 pts	Below 50 pts: 0 pts, 50 pts–below 70 pts: 10 pts, 70 pts–below 75 pts: 15 pts, 75 pts–below 80 pts: 20 pts , 80 pts or above: 25 pts
68.0%	20 pts	17 pts Converted rate to a scale of 25 pts.
92.0%		23 pts Converted rate to a scale of 25 pts.
37	25 pts	FY 2016: 0: 0 pts, 1–20: 10 pts, 21–25: 15 pts, 26–29: 20 pts, 30 or above: 25 pts FY 2017: 30 or less: 0 pts, 31–50: 10 pts, 51–55: 15 pts, 56–59: 20 pts , 60 or above: 25 pts FY 2018: 60 or less: 0 pts, 61–80: 10 pts, 81–82: 20 pts, 83 or above: 25 pts
0.3% reduction	0 pts	Converted the rate of reduction to a scale of 25 pts.
10.2% reduction	15 pts	Rate of reduction of accidents causing injury during work Below 1%: 0 pts, 1%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts , 20% or above: 25 pts
182.9%	23 pts	22 pts Converted rate to a scale of 25 pts.
122.3%		25 pts Converted rate to a scale of 25 pts.
84.66%	5 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts , 90%–below 95%: 15 pts, 95%–below 100%: 20 pts, 100%: 25 pts

Community Development Policy

Community Development Vision of the Daiwa House Group (Established on October 2015)

Vision Community value into the future

Our development of a community does not end when infrastructure and buildings are built. Development of a community where happiness is presented to every human and other living things related to this community. Rather than thinking of communities as something with asset value, we create new values that will lead us to a new stage towards the future. That is the type of community development we are aiming for.



Mission Design & Management

Our basic philosophy is “Creating Dreams, Building Hearts.” This does not change even when developing communities. We engage in building a bridge between people and working together to lead the value of the community to the future. And to enrich the lives of every person who lives in this community. That is our mission and our challenge.

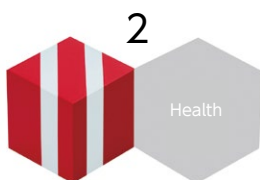
Value 8 HEARTS —Eight values for people and regions—

In our community development, there always are eight values (hearts) for people and regions that continue indefinitely at the core. How can we provide people with a safe, comfortable and healthy lifestyle? How can we improve to the maximum the regional economy, environmental friendliness and identity? With “Creating Dreams, Building Hearts” as the basic philosophy, we at Daiwa House Group aim to develop a community connecting to the future that connects people with people, and people with the region.



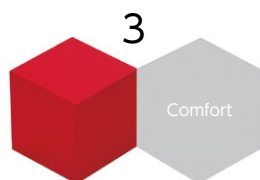
1
Giving consideration to safety to create a “secure environment”, where people smile.

- Crime prevention and monitoring measures
- Security towards the future
- Countermeasure and response to disasters (resilience)
- Consideration to safety



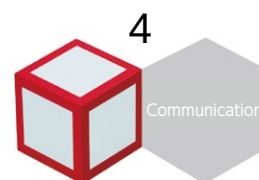
2
To a community where people can stay “with a healthy heart and body” for many years to come.

- Health maintenance and improvement
- Creation of a purpose in life
- Health and living support (medical and nursing care collaboration)



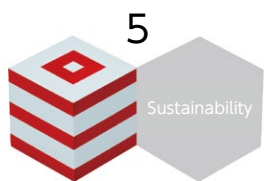
3
Create a convenient “comfortable daily life” for an enriched lifestyle.

- Improvement of usability
- Formation and maintenance of a comfortable space
- Providing lifestyle functions and services
- Responding to various lifestyles



4
Make more “communication” between people and people, people and the community for a more fostered community.

- Communication between people and people
- Communication between people and the community
- Communication between communities



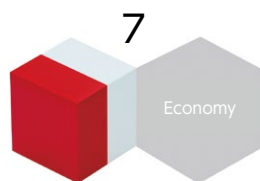
5
To a community that will be a “sustainable” society asset in the future as well.

- Flexible response to change
- Sustainable future plan
- Community independence
- Education and development of human resources who will be responsible for the next generation



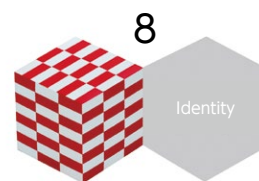
6
For a community “coexisting with the environment”, living together with nature and making smart use of limited resources.

- Effective utilization of resources
- Efficient use of energy
- Harmony with the natural environment
- Consideration for the local environment



7
For a community that becomes the center of a region to revitalize “economy”.

- Formation and maintenance of asset value
- Revitalizing regional economy
- Creating regional employment
- Maximizing business efficiency
- Solving administrative issues



8
To respect the history and culture, for a community that harmonizes with the “uniqueness” of the region.

- Conservation of traditional culture
- Harmony with regional characteristics
- Solving regional issues (cooperation with the region and administration)

Daiwa House Group Basic Procurement Policy (Established on July 1, 2015)

This policy provides the basis for procurement activities conducted by all employees of the Daiwa House Group. It underscores procurement practices with a good balance amongst QCDMSE (Quality, Cost, Delivery, Moral, Safety and Environment).

- 1 We shall focus on QCD (quality, cost and delivery) in order to meet the needs of end users.
- 2 We shall establish a fairness hotline for all business partners and shall conduct transactions according to the principles of competition and high ethical standards.
- 3 We shall strictly manage and use personal information and confidential information related to transactions.
- 4 We shall comply with all domestic and foreign laws and regulations and conduct fair transactions based on compliance.
- 5 We shall consider the health and safety of all people involved in a transaction.
- 6 We shall engage our suppliers in a spirit of mutual prosperity and build appropriate relationships.
- 7 We shall regard environmental concerns as global issues and shall contribute to environmental preservation in all transactions while reducing our environmental impact.
- 8 We shall recognize the impact of transactions on the local community and shall strive to give this issue due consideration.
- 9 We shall respect the dignity and fundamental human rights of everyone involved in our transactions and shall endeavor to avoid complicity in human rights violations.
- 10 We shall promote CSR procurement throughout the supply chain.

CSR Procurement Guidelines (Established on July 1, 2015, Revised on July 1, 2018)

These guidelines define the procurement activities the Daiwa House Group requires of its business partners. They not only establish “social” requirements related to human rights and safety that business partners must observe but also “environmental” requirements on biodiversity, chemical substances, etc.

* “Procurement” means not only the act of a business partner purchasing and delivering building materials and the like to Daiwa House Industry but also a broader range of corporate activities including the construction of real property and the transfer thereof to Daiwa House Industry.

■ Purpose

- (1) Prepare for a diversity of risks that originate with business partners and properly respond to problems that occur.
- (2) Continue business between Daiwa House Industry and business partners of a nature and means approved by society.

■ Scope of Application

All business partners who do business with Daiwa House Industry (Primary suppliers, primary subcontractors, etc.)

■ Composition

- (1) Business Partner Code of Conduct: 7 principles that underline the social and environmental responsibilities we expect of our business partners
- (2) Corporate Activity Guidelines: 20 more articulately defined social and environmental requirements for our business partners
- (3) Guidelines for Products: Social and environmental controls on products purchased by business partners and delivered to Daiwa House Industry, specifically:
 - ① Chemical Substance Management Guidelines [Basics]: Regarding the chemical substances contained in construction materials
 - ② Biodiversity Guidelines [Wood Procurement]: Regarding recommended types of wood to procure

Daiwa House Group CSR Procurement Guidelines

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1 Business Partner Code of Conduct		2 Corporate Activity Guidelines	
1) Establish a relationship of trust with customers	Make the best effort to satisfy and earn the trust of customers (end-users) by supplying good quality products and services, and being sincere in communications with them.	→	1-1 Procurement information disclosure 1-2 Considerations for personal information
2) Secure legal compliance	Not only observe laws and regulations but also act with high ethical standards in order to meet the expectations of stakeholders.	→	2-1 Acting in full compliance with laws and regulations, and high ethical standards 2-2 Management of confidential information 2-3 Non-involvement with antisocial forces
3) Considerations for occupational safety and health	Show due consideration for employee and supplier health and safety, and create workplace environments that are open-minded and fair.	→	3-1 Managing work safety and health 3-2 Establishment of a business continuity plan
4) Fair business activities	Value the partnership shared with suppliers and build proper relations with them. Promote the healthy development of the industry as a whole in line with the principles of competition of a free and open market.	→	4-1 Prohibited use of superior bargaining position against suppliers 4-2 Promotion of fair free trade 4-3 Respect for intellectual property rights 4-4 Prevention of corruption
5) Environmental conservation	Strive to reduce the environmental load of both "business processes" and "products and services" in order to help create a world where people can lead an affluent way of life in harmony with the environment.	→	5-1 Complying with environmental laws and regulations and responding to the demands of society 5-2 Responding to climate change 5-3 Promoting resource conservation 5-4 Managing chemical substances 5-5 Protecting biodiversity
6) Co-creating a Brighter Future with local communities	Respect the culture and customs of areas where conducting business, and contribute to the sustainable development of local communities through one's business activities, etc.	→	6-1 Considerations for and contributions to local residents and communities where doing business
7) Respect for human rights	Respect all persons involved in business activities and the basic human rights of all by not committing any acts that might infringe on those rights.	→	7-1 Elimination of all forms of forced or compulsory labor 7-2 Abolition of child labor 7-3 Abolition of any form of harassment

3 Guidelines for Products

① Chemical Substance Management Guidelines [Basics]

Control level	Controlled substances
Level 1 (Prohibited use) Substances and substance groups that are prohibited from use in all products	Substances prohibited under the laws of the country where doing business
Level 2 (Control required / Restricted use) Substances and substance groups for which the status of use in major construction materials should be identified (Some materials have restrictions on their use.)	Substances indexed and regulated by the Ministry of Health, Labor and Welfare, and some SVHC in REACH*1

*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): New directive on chemical substances enforced by the European Commission in June 2007

	Collect and make available for disclosure, as needed, information on product origins and the suppliers who processed or procured those products.
	Collect, manage, use and provide the personal information of customers, suppliers and others with utmost care.
	Observe laws and regulations in one's own country and abroad, understand the demands and expectations of the international community, and act with high ethical standards.
	Carefully manage confidential information and do not use such information for insider trading or conducting speculative acts that might invite suspicion thereof.
	Resolutely oppose and address any involvement with antisocial forces.
	Create well-ordered workplaces that safeguard workers against on-the-job accidents, carefully manage occupational hygiene and maintain the physical and mental health of workers.
	Develop and implement plans that ensure safety and enable business to continue in the event of natural disasters and other unforeseeable circumstances.
	Properly construe contracts with suppliers, being careful not to use one's superior bargaining position to low-ball prices, force unreasonable business terms and conditions on counterparts, or otherwise treat counterparts unfairly. Moreover, do not make unreasonable requests of suppliers, or accept or provide gifts or entertainment above and beyond socially accepted norms.
	Do not commit acts of collusion, cartelization or that otherwise undermine the principles of free fair trade, or share information, attend meetings or make contacts that might invite suspicion thereof.
	Recognize the importance of intellectual property rights (copyrights, utility designs, patents, etc.), and respect the intellectual property rights of third parties by not committing any acts that might infringe upon those rights.
	Do not bribe government officials or politicians on any level, or commit any acts that might invite suspicion thereof.
	Complying with domestic and international environmental laws and regulations, we are striving to reduce our environmental impact by meeting the demands of the global community and our stakeholders.
	Promoting energy efficiency and reduction of greenhouse gas (GHG) emissions in our products and services as well as in our business processes (such as procurement and processing), we are focused on utilizing natural sources of energy.
	Promote the "reduction, reuse and recycling of materials" across the lifecycle (production, use and discard) of products in order to conserve resources, and protect water resources by thoroughly reducing consumption and managing risks.
	Providing our suppliers with information on the chemical substances in our products and reducing the use of substances associated with higher risks, we offer products with little impact on our stakeholders' health and the natural environment.
	Promoting forest preservation through sustainable wood procurement, we are striving to develop towns in harmony with green spaces and designed with harmony with their local environment.
	Be open and honest with local communities, and work to earn their trust. Do not commit any act without considering how it might impact local residents.
	Do not make employees work against their will by unreasonably binding them mentally or physically.
	Do not employ children below the minimum working age (the minimum working age is 15 years old in principle, and labor that has possibility to impair their health, safety, and morality will be 18 years old) provided in the law of each country.
	Respect the individuality of employees and do not perform behaviors or harassment that deny their individuality. Do not perform sexual harassment.

② Biodiversity Guidelines [Wood Procurement]

- 1) Certified wood:** Wood that has been certified by various organizations
- 2) Recycled wood:** Wood recycled from construction scrap
- 3) Wood recommended by Daiwa House Industry:** Wood other than the above that clears 11 check items
(Three legality items and eight sustainability items)

(July 1, 2018 2nd Edition)

Materials and Data Section (Environment)

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Calculation and Reporting of Environmental Data

Basics

◇ **Report period:** April 1, 2017 to March 31, 2018

Reference: Number of consolidated subsidiaries: 281 (134 in Japan, 147 outside Japan)

◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. and its consolidated subsidiaries in Japan

(As of March 31, 2018)

The scope of these environmental data encompasses the domestic business operations of Daiwa House Industry and its consolidated subsidiaries, which are the target organization of Endless Green Program 2018, our Environmental Action Plan.

Excluded from the data, however, are smaller companies that impart no environmental impact for each indicator.

The coverage rate of the target companies is estimated at 94%.

Regarding the environmental impact of sites outside Japan that are excluded from the data, we report only CO₂ emissions and water consumption on pages 193 and 206 of Materials and Data Section because sales of our businesses outside Japan represent only 6% of consolidated net sales.

In addition, in the event of a change in the number of consolidated subsidiaries subject to environmental management, the following measures are undertaken in order to facilitate the comparison of any such change.

[When the number of relevant organizations decreases during the term (due to a sale, etc.)]

Data on the relevant organization is excluded from the relevant year's data and is also excluded from data from the preceding years.

[When the number of relevant organizations increases during the term (due to an acquisition etc.)]

If the environmental impact is large: Data on the relevant organization is excluded from the data for the relevant year or base year but is included beginning with the subsequent term of the Environmental Action Plan; past data is also included.

If the environmental impact is small: Data on the relevant organization is included beginning with the subsequent fiscal year.

Main referential guidelines

- "Sustainability Reporting Standards" by the GRI (Global Reporting Initiative)
- "GHG Protocol Corporate Accounting and Reporting Standard (Revised)" by the WBCSD/WRI
- "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" by the WBCSD/WRI
- "Environmental Report Guideline (2012 Edition)" by the Ministry of the Environment
- "Guidelines on Calculation Method for Greenhouse Gas Emissions for Business Operators" by the Ministry of the Environment
- "Basic Guidelines on Calculating Greenhouse Gas Emissions through Supply Chain Ver. 2.4" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Guidelines for Calculating CO₂ Emission Reduction Contribution Amount" by the Japan Chemical Industry Association

Report on preceding data

In general, the time period covered by our reports is the preceding 3 to 5 years.

If a calculation method or the scope of reporting is changed, corrections and reports are included in the above-mentioned periods as well as in the benchmarks for the base year.

CO₂ emission factor

As a general rule, our Group uses fixed values during the period covered by the Environmental Action Plan (three years) in order to ascertain accurately the improvement status of the Company itself.

Regarding fuel, etc., we use values based on the Energy Efficiency Act (Act on the Rational Use of Energy) and the Act on Promotion of Global Warming Countermeasures. Regarding purchased electric power, we use the actual values (average of each member company) released by the Federation of Electric Power Companies of Japan in fiscal 2005. The same emission factor used for purchased electric power is used in calculating the offset of renewable energy (power sales).

• Purchasing power	0.423 t-CO ₂ /MWh	• Kerosene	2.489 t-CO ₂ /kl
• Gasoline	2.322 t-CO ₂ /kl	• City gas	2.234 t-CO ₂ /1,000m ³ (N)
• Light oil	2.585 t-CO ₂ /kl	• LP gas	2.999 t-CO ₂ /t
• No. 2 fuel oil	2.710 t-CO ₂ /kl	• Cold, Warm Water	0.057 t-CO ₂ /GJ

The calculation of CO₂ is affected by inherent uncertainty resulting from the incomplete scientific knowledge used to determine emission factors and numerical data.

Heat quantity conversion factor

In the Daiwa House Group, energy consumption is calculated using the Joule (J), a derived unit of energy in the International System of Units (SI), and the following heat quantity conversion factors are used for each energy type. Regarding renewable energy (consumed in-house), it is assumed that electric power purchases have been reduced by its use; therefore, the same heat quantity conversion factor used for purchased electric power is used.

• Purchasing power	9.76 GJ/MWh	• Kerosene	36.7 GJ/kl
• Gasoline	34.6 GJ/kl	• City gas	44.8 GJ/1,000m ³ (N)
• Light oil	37.7 GJ/kl	• LP gas	50.8 GJ/t
• No. 2 fuel oil	39.1 GJ/kl	• Cold, Warm Water	1.36 GJ/GJ

Environmental Action Plan (Endless Green Program 2018)

Of the 20 items in the KPI related to the focal themes of each activity, 13 of the items have been accomplished and, compared to the results for the preceding fiscal year, three have gotten worse.

Environmental activities

Environmental theme	Focal theme		Management indicator		Scope	FY 2016 Results	FY 2017 Targets	FY 2017 Results
Prevention of global warming	Business operations	Reducing CO ₂ emissions associated with business operations	CO ₂ emissions per unit of sales (compared with fiscal 2005 level)		Daiwa House Group	53.7% reduction	53% reduction	58.5% reduction
			CO ₂ emissions (compared with fiscal 2005 level) (after offset by power generation using renewable energy sources)			35.4% reduction	34% reduction	41.8% reduction
	Products and services	Expanding our contribution to CO ₂ reduction by popularizing ECO products and services	The composition of power generated through reusable energy for purchased electricity		Daiwa House Group	54%	57%	63%
Harmony with the natural environment	Procurement	Promoting sustainable wood procurement	Ratio of C-ranked wood in procured wood		Daiwa House Group	2.5%	1.2%	2.4%
	Products and services	Promoting the preservation and creation of green spaces in development and town planning	Surface area of green spaces		Daiwa House Group	871,000 m ²	910,000 m ²	765,000 m ²
Conservation of natural resources	Business operations	Reducing waste at the production/construction stages	Manufacturing	Construction waste emissions per unit of sales (compared with fiscal 2012 level)	Daiwa House Group	0.6% reduction	2.8% reduction	0.2% reduction
			New construction	Volume of waste produced per construction site surface area (compared to 2012)	Daiwa House Group	20.9% reduction	25% reduction	17.4% reduction
	Business operations	Promoting recycling of construction waste	Manufacturing	Recycling rate	Daiwa House Group	98.6%	≥95%	97.6%
			New construction	Recycling rate	Daiwa House Group	97.7%	≥95%	98.1%
			Civil engineering	Recycling rate	Daiwa House Group	99.8%	≥95%	98.5%
			Demolition	Recycling rate	Daiwa House Group	96.0%	≥95%	96.6%
	Products and services	Popularizing housing and buildings that conserve natural resources and promote recycling	Housing	Ratio of houses certified under the Long-Life Quality Housing Certification System	Daiwa House Industry	83.5%	90%	83.7%
			Building	Adoption rate of pre-engineered buildings* ¹ (floor space)	Daiwa House Industry	30.0%	31%	30.3%
Business operations	Reducing water consumption associated with business operations	Water consumption per unit of sales (compared with fiscal 2012 level)		Daiwa House Group	21.7% reduction	23% reduction	25.2% reduction	
Prevention of chemical pollution	Business operations	Suppressing the use of chemical substances at the production stage	Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)		Daiwa House Group	40.6% reduction	40% reduction	42.2% reduction
			Reduction of VOC (volatile organic compounds) emissions per unit of sales (compared with fiscal 2013 levels)		Daiwa House Group	12.6% reduction	10% reduction	13.9% reduction
	Products and services	Improving indoor air quality in residential facilities	Completion of in-house criteria for indoor air quality		Daiwa House Group	Achieved in all segments	≥100%	Achieved in all segments

Basics of environmental management

Basic policy	Focal theme	Management indicator		Scope	FY 2016 Results	FY 2017 Targets	FY 2017 Results
Basics of environmental management	Expand environmental activities globally to business partners.	Understanding environmental impacts at operation sites outside Japan		Daiwa House Group	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan
		Environmental initiatives through business partner organizations		Daiwa House Industry	Introduction to 5 Group companies	Development of CSR Procurement Guidelines	Currently implementing self-assessments for CSR Procurement Guidelines
	Raise all employees' awareness of participation in environmental management.	Formulation and implementation of environmental performance assessment system	Number of companies below Rank D	Daiwa House Group	2 companies	0 companies	1 company
			Number of worksites below Rank D	Daiwa House Industry	2 worksites	0 worksites	0 worksites
		Implementation rate of worksite ECO training		Daiwa House Industry	95%	100%	99%

*1 Scope of application: Convenience stores, drug stores, nursing care facilities
 *2 We have reviewed our targets using the results of FY 2017.

- : Goal for fiscal 2017 achieved
- : Goal for fiscal 2017 not achieved (improved from the previous year)
- : Goal for fiscal 2017 not achieved (worsened from the previous year)

Self-Assessment		FY 2018 Targets	Related page
	At the newly constructed facilities of our company, we are pursuing the change to make them all Zero Energy Buildings as well as making energy self-sufficient offices. At existing facilities, we are trying to make operational improvements as well as taking actions to invest in energy saving through high-efficiency air conditioners, water heaters and LED lighting by using check sheets classified by application. As a result, we have accomplished our targets.	60% reduction*2	P118, 193, 194
		43% reduction*2	
	Through Groupwide efforts toward the DREAM Solar Project, we are smoothly achieving the development of our mega-solar business and have also built our first hydropower plant. We are operating 225 MW of solar power, 9 MW of wind power and 1 MW of hydropower. The total production of energy is 1.2 times that of last year. As a result, purchased electricity increased 2% accompanied by business growth, but we still achieved our targets.	65%*2	P118, 195, 196
	With the expansion of earnings, the contribution to overall CO ₂ reduction by use of insulation and energy saving efforts etc., have gone up accordingly. Furthermore, the environmental energy business expanded greatly and drove overall growth although the contribution to overall CO ₂ reduction by solar power has been declined in the single-family and rental housing business, commercial facilities business and office building business. As a result, we have achieved our target.	5,150,000 t*2	P118, 197, 198
	We changed our procurement of wood to low risk areas and took other measures for those ranked C by the research in the preceding fiscal year. The proportion of C-ranked wood decreased by 0.1 point as a result, but fell short of our target.	0%	P126, 201, 202
	The external area available for greening (with some greening regulations) was, in the commercial facilities and office building businesses, down by a large 31% compared with last year, falling short of our target surface area of green space. Note: Surface area of green space = external area X greening rate	800,000 m ² *2	
	In all properties, due to our strict adherence to in-house criteria for development and town planning, we have achieved our targets.	100%	
	Due to the reinforcement of regulations on importing waste in China, we have, more than before, been processing by-products as waste rather than as valuables that we sold. As a result, we were unable to achieve our target.	0.6% reduction*2	P132, 205, 207
	Regarding building-related construction, since the need for nursing care facilities and business hotels have gone up, there is a trend for construction site surface area of walls to increase, leading to increase waste emissions. As a result, we were unable to achieve our target.	20% reduction*2	
	Through our dedication to sort management of waste products, we have been able to maintain a high rate of recycling. As a result, excluding renovations all departments have achieved their targets. Going forward, we plan to maintain the high level through choosing the disposal route that allows recycling to continue.	≥95%	P132, 204, 207
		≥95%	
		≥95%	
		≥95%	
		≥85%	
	Although we maintained high standards in promoting the popularization of housing satisfying the requirements of long-life quality housing certifications, we were not able to achieve our targets.	90%	P132, 208
	Working toward improving productivity and the betterment of products, our adoption rates have grown at drug stores but declined at convenience stores and nursing care facilities. As a result, we were unable to achieve our target.	31%*2	
	Through the introduction of water conservation devices in offices, hotels and sports facilities as well as the installation of water meters in each respective system at resort facilities to prevent water leakage, we were able to achieve our target.	26% reduction*2	P132, 206, 207
	By promoting the weakening of coating machine cleaning thinners and anticorrosive paints and thinners, as well as change to water solvent paint for panel repair, we were able to achieve our target.	40% reduction	P138, 209
		10% reduction	
	We were able to achieve our targets in all segments by switching to low-emission building materials and by promoting ventilation before measurement.	≥100%	P138

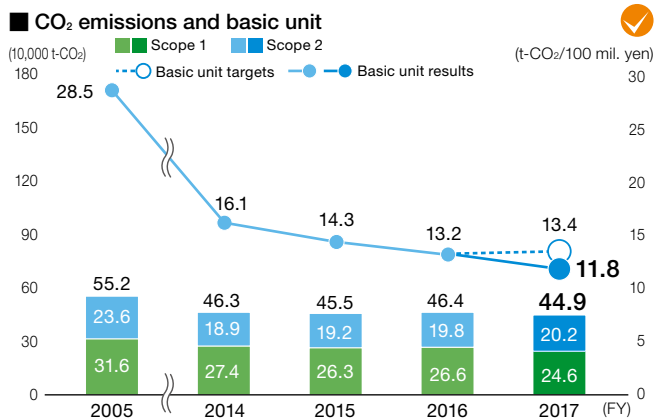
Self-Assessment		FY 2018 Targets	Related page
	As for operating sites and consolidated subsidiaries outside Japan, we rolled out our policies regarding the environment and also implemented surveys about environmental impacts. As a result, we were able to achieve our target.	Operating sites and all consolidated subsidiaries outside Japan	P115, 127, 135
	By implementing self-assessments for business partners who submitted letters of consent for our CSR Procurement Guidelines, we were able to achieve our target.	Surveys for suppliers about greenhouse gas emissions reduction	P115, 116
	While managing processes at our Group companies and worksites, we promoted environmental initiatives and conducted follow-up in an effort to achieve our targets, but some companies and worksites could not achieve their targets.	0 companies	P113
		0 worksites	
	Trying to conduct follow-up to implement trainings at all worksites, we increased its implementation rate from the preceding fiscal year; however, we were unable to achieve our target.	100%	P114

Materials and Data Section (Environment)

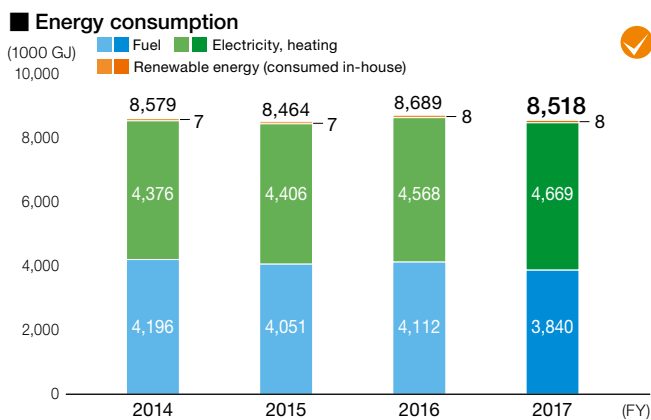
Prevention of Global Warming

ECO process

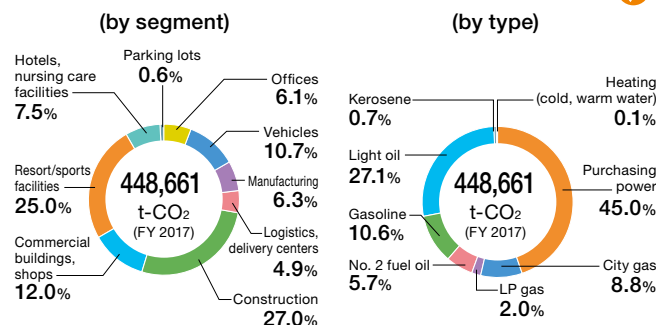
CO₂ emissions



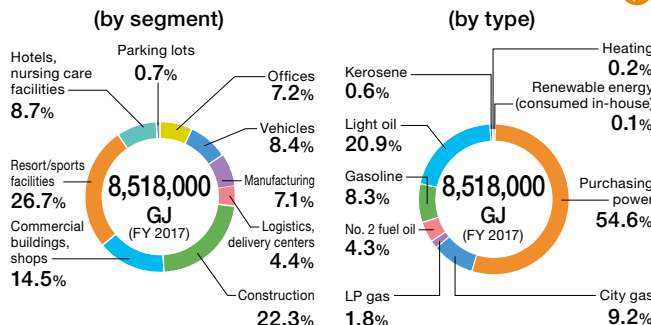
Energy consumption



Breakdown of CO₂ emissions



Breakdown of energy consumption



CO₂ emissions (by segment)

	2014	2015	2016	2017
Offices	27,285	26,723	26,129	27,213
Vehicles	55,415	54,940	49,850	48,008
Manufacturing	27,581	28,536	28,823	28,314
Logistics, delivery centers	23,048	22,294	22,641	22,155
Construction	145,599	135,661	139,900	120,925
Commercial buildings, shops	53,820	51,568	53,553	53,772
Resort/sports facilities	105,322	109,057	112,024	112,075
Hotels, nursing care facilities	24,555	24,286	28,675	33,484
Parking lots	739	2,038	2,281	2,715

Energy consumption (by segment)

	2014	2015	2016	2017
Offices	607	582	589	613
Vehicles	826	812	742	715
Manufacturing	577	599	612	606
Logistics, delivery centers	382	372	381	375
Construction	2,282	2,128	2,181	1,897
Commercial buildings, shops	1,232	1,178	1,226	1,234
Resort/sports facilities	2,108	2,204	2,266	2,271
Hotels, nursing care facilities	548	541	640	743
Parking lots	17	47	53	63

CO₂ emissions (by type)

	2014	2015	2016	2017	
Scope 2	Purchasing power	189,034	191,841	197,996	201,702
	Heating	-	-	-	620
Scope 1	City gas	31,577	33,644	37,238	39,259
	LP gas	8,732	8,096	7,927	9,147
	No. 2 fuel oil	26,756	25,313	26,612	25,514
	Gasoline	55,694	54,620	49,555	47,390
	Light oil	146,426	136,424	139,180	121,793
Kerosene	5,144	5,168	5,369	3,235	

Energy consumption (by type)

	2014	2015	2016	2017
Purchasing power	4,376	4,406	4,568	4,654
City gas	621	675	747	787
LP gas	148	137	134	155
No. 2 fuel oil	386	365	384	368
Gasoline	830	808	738	706
Light oil	2,136	1,990	2,030	1,776
Kerosene	76	76	79	48
Heating (cold, warm water)	-	-	-	15
Renewable energy (consumed in-house)	7	7	8	8

CO₂ emissions from operating sites outside Japan (reference)

(by segment)			(by territory)				
	2015	2016	2017		2015	2016	2017
Offices	1,127	2,798	3,716	Asia	1,506	3,243	4,004
Vehicles	1,858	2,001	2,181	Middle East	260	232	50
Resort facilities	4,682	4,897	4,767	North America	33	61	432
Total	7,668	9,696	10,664	Central and South America	15	108	108
				Oceania	5,853	6,052	6,071
				Total	7,668	9,696	10,664

〈Calculation method and scope of coverage of environmental data〉

■ CO₂ emissions / Energy consumption

◇ Overview

“CO₂ emissions” refers only to CO₂ emissions originating from energy, and energy consumption is calculated on a heat quantity basis. Note that CO₂ emissions from offices outside Japan are excluded because they are reference values only. The emissions are calculated by multiplying the CO₂ emission factor and heat quantity conversion factor for each type of energy based on purchasing data for electricity and fuel, respectively. It also includes a partial estimate for the construction segment.

◇ Calculation formula

$$\text{CO}_2 \text{ emissions (t)} = \sum \{ (\text{Annual consumption of electricity and fuel}) \times (\text{CO}_2 \text{ emission factor for each type of energy}) \}$$

$$\text{Energy consumption (J)} = \sum \{ (\text{Annual consumption of electricity and fuel}) \times (\text{Energy conversion factor for each type of energy}) \}$$

◇ Scope and calculation criteria

Segment	Target	Scope (Number of locations as of March 31, 2018)		Calculation criteria		
Offices	Daiwa House Group	All offices (head office, affiliates, branch offices and sales offices), research labs, training centers and exhibition halls	Total	917 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.	
			Offices	671 locations		
			Research laboratories	2 locations		
			Training centers	5 locations		
			Exhibition halls	239 locations		
Vehicles	Daiwa House Group	All company vehicles and privately owned permitted vehicles	Total	13,547 vehicles	At each site, we use gasoline credit card billing data or refueling receipts to determine the amount of gasoline consumed and multiply it by the respective CO ₂ emission factor.	
Manufacturing	Daiwa House Group	All production sites	Total	31 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.	
Logistics, delivery centers	Daiwa House Group	Transport	All transportation in the logistics business (our company vehicles only)	Total	560 vehicles	At each site, we use the monthly bill from the fuel supplier to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
		Delivery center	All delivery centers required for transporting materials (our company operations only)	Total	62 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
Construction*	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total	7,138,000 m ²	We estimate the overall situation by multiplying the sales floor area (sales amount) in the data collection period by the energy consumption per sales floor area (or sales amount) at a sample property. From this figure, we estimate the energy consumption by subtracting the energy consumption reduction estimated based on the implementation rate of energy-efficiency initiatives. This is calculated by multiplying the above energy consumption by the respective CO ₂ emission factor.	
			Housing construction	3,100,000 m ²		
			Building construction	4,038,000 m ²		
			Civil engineering	146 projects		
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company	Total	440 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor. <small>Note: Excludes the tenants' portion. (However, some tenant portions are included in facilities where such inclusion is required under the Energy Efficiency Act.)</small>	
			Commercial buildings	381 locations		
			Home improvement centers	59 locations		
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total	117 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.	
			Resort hotels	29 locations		
			Golf courses	10 locations		
			Fitness clubs	73 locations		
			Warm bath facilities, Restaurants	5 locations		
Hotels, nursing care facilities	Daiwa House Group	Urban hotels and nursing care facilities operated by our company	Total	59 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.	
			Urban hotels	52 locations		
			Nursing care facilities	7 locations		
Parking lots	Daiwa House Group	Parking lots operated by our company	Total	2,321 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.	

* Beginning in fiscal 2016, we identify the energy consumption of sample units for each application in some segments and review this value every year. Further, the preceding year's data is calculated with the same method.

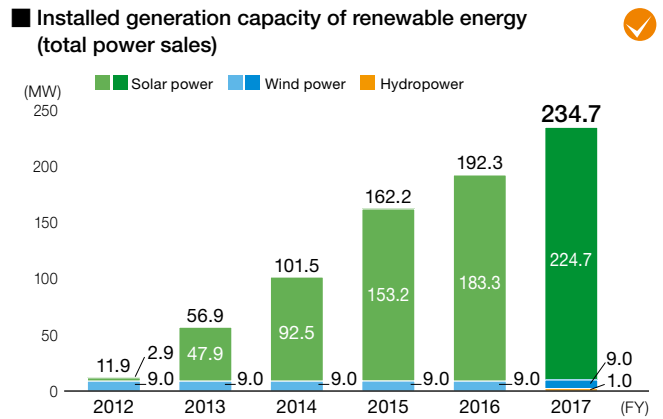
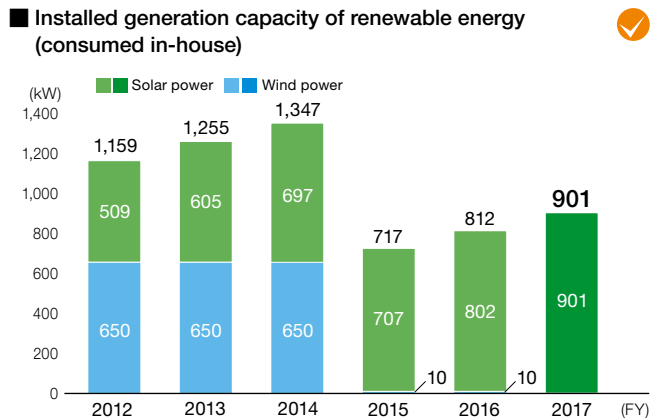
Sites outside Japan (Reference)

Offices	Daiwa House Group	Offices	Total	71 locations	(Purchased electricity) At each site, we determine energy consumption* ¹ based on invoices from electric power suppliers and multiply the values by CO ₂ emission factor for the respective country* ² . <small>*¹ At some sites, we prepare an estimate from the amount billed. *² From GHG protocol or IEA CO₂ emissions from fuel combustion</small>
Vehicles	Daiwa House Group	Company vehicles			
Resort facilities	Daiwa House Group	Resort hotels operated by our Group	Total	2 locations	(Fuels) At each site, we determine energy consumption based on invoices from fuel suppliers and multiply the values by CO ₂ emission factor indicated on page 190.

Materials and Data Section (Environment)

Prevention of Global Warming

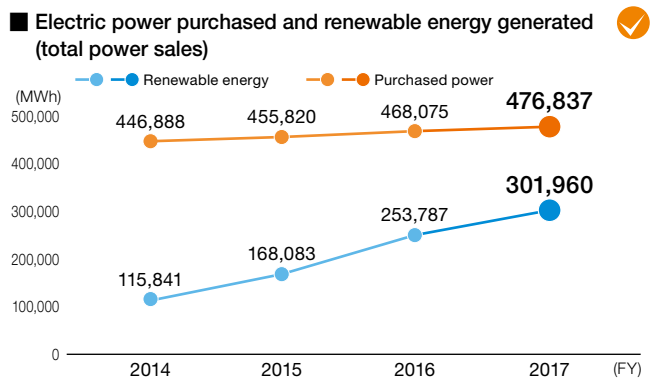
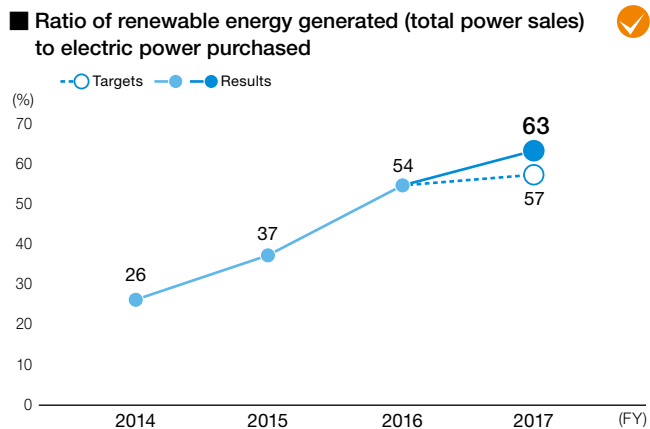
Renewable energy



Installed generation capacity of renewable energy (consumed in-house) (by segment)

Unit: kW

	2012	2013	2014	2015	2016	2017
Offices	116	116	152	191	277	375
Manufacturing	110	176	176	166	165	155
Logistics, delivery centers	128	128	128	81	81	81
Commercial buildings, shops	108	108	128	128	128	128
Resort/sports facilities	660	690	726	121	131	132
Hotels, nursing care facilities	30	30	30	30	30	30
Parking lots	7	7	7	—	—	—



Breakdown of renewable energy generated (total power sales)

Unit: MWh

	2014	2015	2016	2017
Wind power generated	26,926	26,549	28,344	27,340
Solar power generated	88,914	141,534	225,443	273,078
Hydropower generated	—	—	—	1,542

Leading-edge CO₂ saving project

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (new construction)

Project	Date completed	Application	Total area	Number of stories	Environmental performance
Daiwa House Industry Kita-Kyushu Branch	October 2017	Offices	4,400 m ²	Three floors above ground	CASBEE S BEI Ratio: 0.69 10.8 kW solar power generation systems with lithium ion batteries, BEMS, rainwater tanks, sun lighting blinds and wall greening
Daiwa House Industry Saga Branch	March 2018	Offices	2,445 m ²	Two floors above ground	BELS★★★★★ BEI Ratio: 0.19 83.2 kW solar power generation systems with lithium ion batteries, well water-air conditioning that uses solar heat and light ducts
Sports Club NAS Mizo-nokuchi	November 2017	Sports facilities	4,679 m ²	One floor below ground, five floors above ground	0.52 kW solar power generation systems with inverters Cogeneration
Royal Home Center Nishinomiya Central Branch	November 2017	Commercial buildings	15,005 m ²	Three floors above ground	BEI Ratio: 0.39 Rooftop greening Lighting brightness sensors Time schedule

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (existing)

Buildings	Uses	Standard year	CO ₂ reduction ratio (Base year ratio)		
			FY 2015 results	FY 2016 results	FY 2017 results
Daiwa House Osaka Building	Offices	2005	39.0%	37.9%	38.1%
Daiwa House Tokyo Building		2005	29.7%	29.7%	34.6%
Iias Tsukuba	Commercial buildings	2010	14.2%	-4.7%	8.5%
Combox Komyoike		2009	44.3%	42.8%	36.5%
Shonan Mall FILL		2007	41.8%	42.4%	46.7%
Royal Home Center Nishinomiya Branch	Resort hotels	2005	43.2%	46.8%	53.2%
Hamanako Royal Hotel		2007	36.3%	33.8%	33.8%
Ise-Shima Royal Hotel		2007	37.8%	36.9%	33.3%
Amanohashidate Miyazu Royal Hotel	Plants	2009	38.5%	34.7%	33.0%
Kyushu Plant, Daiwa House Industry		2005	62.1%	65.3%	65.9%

〈Calculation method and scope of coverage of environmental data〉

■ Installed generation capacity of renewable energy (consumed in-house)

◇ Overview

The capacity of renewable power generation facilities (such as wind power and photovoltaic power generating facilities) owned and operated by our Group indicates the amount of power being consumed in-house as of the end of the fiscal year.

◇ Scope and calculation criteria

Same as those for CO₂ emissions; however, segments of vehicles, transportation, and construction are excluded.

■ Installed generation capacity of renewable energy (total power sales)

◇ Overview

The capacity of power generation facilities indicates the capacity of renewable power generation facilities (wind power generation, photovoltaic power generation, hydroelectric power generation, etc.) that our Group manages (and operates) as a power producer as of the end of the fiscal year. In calculating the capacity of these power generation facilities, only the total amount of electricity sales is used, as in-house consumption is excluded. Moreover, the power generation facilities operated by Eneserve Corporation, which sells electricity as a specific Power Producer and Supplier (PPS), are excluded.

■ Ratio of renewable energy generated (total power sales) to electric power purchased

◇ Overview

The ratio of renewable energy generated (total power sales) to electric power purchased indicates the ratio of sales to the electric power system of electricity from renewable energy power generation facilities operated by our Group to purchases of electricity of our Group. A ratio of 100% or larger can indicate that indirect CO₂ emissions from purchased electric power are net zero.

◇ Calculation formula

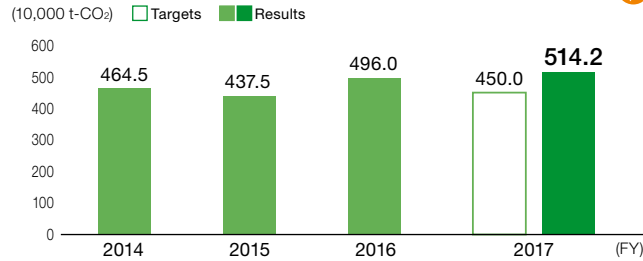
Ratio of renewable energy generated (total power sales) to electric power purchased (%)

$$= \frac{\sum (\text{Sales of renewable energy (total power sales) from power generation facilities (MWh)})}{\sum (\text{Purchased power (MWh)})}$$

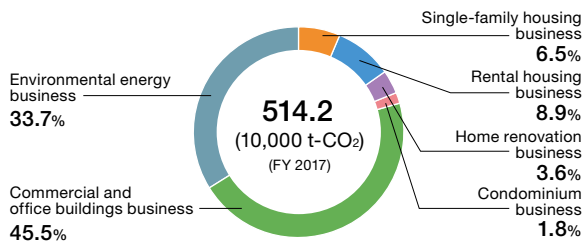
ECO products

Contribution to CO₂ reduction

Contribution to CO₂ reduction



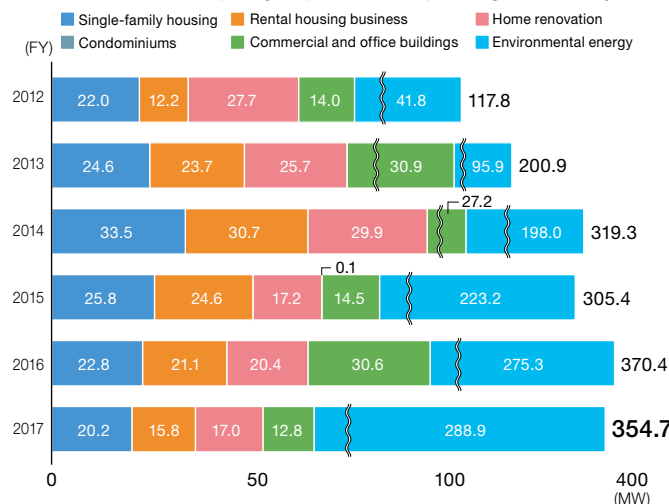
Breakdown of contribution to CO₂ reduction



Contribution to CO₂ reduction (by segment)

Segment	2014	2015	2016	2017
Single-family housing business	42.1	38.1	34.7	33.5
Rental housing business	48.2	42.7	46.7	45.9
Home renovation business	28.1	17.7	21.1	18.4
Condominium business	15.7	12.7	18.0	9.2
Commercial and office buildings business	164.2	143.4	208.4	234.1
Environmental energy business	166.1	182.9	167.0	173.2

Trend in installed capacity of photovoltaic power generation systems



Trend in installed capacity of photovoltaic power generation systems (by segment)

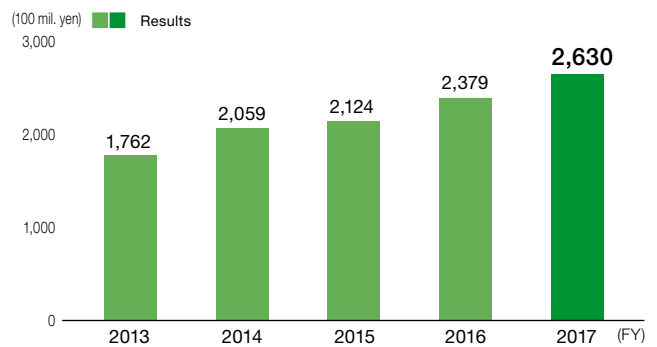
Segment	2012	2013	2014	2015	2016	2017
Single-family housing business	21,997	24,627	33,539	25,817	22,808	20,188
Rental housing business	12,175	23,745	30,719	24,631	21,123	15,782
Home renovation business	27,715	25,715	29,855	17,220	20,442	16,991
Condominium business	45	26	22	69	45	5
Commercial and office buildings business	14,045	30,940	27,207	14,469	30,629	12,781
Environmental energy business	41,804	95,868	198,002	223,235	275,338	288,906

Status of certification and acquisition of Green Building Certifications

Name of certification	Segment	Unit	2015	2016	2017
Long-life quality housing	Single-family housing business	Units	7,640	7,530	7,486
Low-carbon building certification	—	Units	—	1,877	205
BELS certification	—	Units	—	2,045	1,567

Environmental businesses

Sales of environmental businesses



Sales of environmental businesses (by segment)

Segment	2012	2013	2014	2015	2016	2017
Environmental energy business	317	517	720	807	921	1,218
Existing home business	764	751	798	813	875	864
Leasing business	485	482	523	474	523	492
Environmental greening business	10	10	15	25	45	49
Environmental engineering business	2	3	3	5	15	7

<Calculation method and scope of coverage of environmental data>

Sales of environmental businesses

Overview

Apart from the environmental considerations of construction contracting, which is the core business of the Daiwa House Group, projects that are undertaken as diversified businesses themselves contribute to the emergence of a low-carbon society, a society committed to recycling, and a society in harmony with nature are termed "environmental businesses" and their progress is evaluated in terms of sales.

Scope of coverage

The table below shows the calculation range of the five relevant businesses operated by Daiwa House Industry and its Group companies.

Segment	Scope	Scope of calculation
Environmental energy business	Daiwa House Industry	Total sales of environmental energy business
	Daiwa Energy	Total sales
	Eneserve	Total sales
Existing home business	Daiwa House Industry	Total sales of existing home business
	Daiwa House Reform	Total sales
	Nihon Jyutaku Ryutu	Total sales of existing home business
Leasing business	Daiwa Lease	Total sales of distribution and construction leasing business (excluding distribution and construction)
Environmental greening business	Daiwa Lease	Total sales of environmental greening business
Environmental engineering business	Fujita	Total sales of environmental engineering business

Calculation method and scope of coverage of environmental data

Contribution to CO₂ reduction

Overview

"Contribution to CO₂ reduction" is a numerical value representing how much we contributed to reduction of CO₂ emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions. Using flow-based calculations, our Group calculates CO₂ emissions at the use and operation stages for products (housing, buildings, photovoltaic power generation, etc.) in use up to the end of their service life for the relevant fiscal year. We then calculate the contributed reduction in CO₂ emissions by subtracting the result from the CO₂ emissions generated by a comparable equivalent product. As for the contributed reduction of an ESCO*, the value is calculated by the existing home base method, and the annual CO₂ emissions of all facilities subject to ESCO services during the fiscal year (cumulative amount for an existing house) are calculated. We calculate the contributed reduction by deducting it from the CO₂ emissions of a comparable facility.

* Initialism for "energy service company," a business that reduces the costs of its customers' utilities and water and is compensated for any reduction achieved.

Calculation formula

[Example of flow base method]

- Method ① (New houses): contribution to CO₂ reduction (t) = { (Annual CO₂ emissions per house (t/house · year) in the usage or operation stages of the products being compared) - (Annual average CO₂ emissions per house (t/unit · year) in the usage or operation stage of products offered during the fiscal year) } × Number of houses sold in current fiscal year × Number of assumed years of use
- Method ② (New buildings): contribution to CO₂ reduction (t) = ∑ [Total floor area (m²) × Annual energy consumption per unit of floor area by application or scale (MJ/m² · year) × Energy reduction rate (%) × CO₂ emission factor (t/MJ) × Estimated number of years of use]
Note: Energy reduction rate (%) = 1 - BEI* * Design energy consumption (MJ/year) ÷ Reference energy consumption (MJ/year)
- Method ③ (energy generation facility): contribution to CO₂ reduction (t) = ∑ [Annual renewable energy generated (kWh/year) × CO₂ emission factor (t/kWh) × Estimated number of years of use]
Note: Includes power sales.
- Method ④ (Energy efficiency improvement): contribution to CO₂ reduction (t) = ∑ [(Annual CO₂ emissions (t/year) before energy-efficiency retrofits - Annual CO₂ emissions (t/year) after energy-efficiency retrofits) × Estimated number of years of use]
- Method ⑤ (Electricity retailing): contribution to CO₂ reduction (t) = ∑ [(Adjusted emission factor of general electric power supplier (t-CO₂/kWh) - Adjusted CO₂ emission factor in current fiscal year (t-CO₂/kWh)) × Supplied electric energy (kWh)]

[Example of base method for existing home]

$$\text{Contribution to CO}_2 \text{ reduction (t/year)} = \sum \{ (\text{Annual CO}_2 \text{ emissions (t/year) of comparable facilities}) - (\text{Annual CO}_2 \text{ emissions (t/year) of equipment subject to ESCO services provided during year}) \}$$

Scope and calculation criteria

Segment	Scope	Calculation criteria			
		Calculation methods and calculation tools	Comparison	Estimated number of years of use*	
Daiwa House Industry	Single-family housing business	[Calculation method] Flow base method ① [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.)	[Single-family house] Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 m ²	Frame: 30 years Equipment: 15 years Photovoltaic power generation: 20 years	
	Rental housing business	[Calculation of energy consumption] Assuming that all dwellings supplied during the fiscal year share the same construction site and plan as the comparable dwelling unit, the average annual energy consumption per house is calculated with the program methodology with consideration for the rate of introduction of each energy-efficiency measure in the relevant year.	[Lease (low-rise)] Construction site: Osaka City, Family composition: 3-person family. Plan: Our standard plan. Low-rise dwelling unit area: 50.49 m ² [Common specifications] 2016 Energy efficiency standard (reference specification)	Frame: 30 years Equipment: 15 years Photovoltaic power generation: 20 years	
	All newly built houses of the rental housing business (medium- and high-rise)	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	60 years	
	Commercial and office buildings business	All construction starts of projects of at least 300 m ² of the commercial and office buildings business, and installation of photovoltaic power generation systems	[Calculation method] Flow base methods ② · ③ [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	Store, warehouse, factory: 30 years Other applications: 60 years Photovoltaic power generation: 20 years
	Environmental energy business	All energy-efficiency and energy-generation solution projects of the environmental energy business	[Calculation method] Flow base methods ③ · ④ [Calculation of power generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility	Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Photovoltaic power generation: 20 years
Daiwa Lease	Commercial and office buildings business	All construction starts of the commercial and office buildings business (excluding lease items)	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	Store, warehouse, factory: 30 years Other applications: 60 years Photovoltaic power generation: 20 years
Fujita	Office buildings business	All construction starts of projects of at least 300 m ² of the office buildings business and installation of photovoltaic power generation systems	[Calculation method] Flow base methods ② · ③ [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	Store, warehouse, factory: 30 years Other applications: 60 years Photovoltaic power generation: 20 years
Daiwa House Reform	Home renovation business	All energy-efficiency retrofits and energy-generation installation projects of the home renovation business	[Calculation method] Flow base methods ③ · ④ [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.) [Calculation of power generated/energy-saving effect] Assuming that all the energy-efficiency retrofits and energy-generation installations for the fiscal year share the same construction site and plan as the comparable dwelling unit, the effect of each energy-efficiency measure is calculated with the program methodology, and the reduction effect is multiplied by the number of units constructed during the year.	Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 m ² Exterior insulation: 1980 Energy efficiency standard, Hot-water supply: General gas water heater. Cooker: Gas stove. Power generation facilities: None	Insulation upgrade: 15 years Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Photovoltaic power generation: 20 years
Cosmos Initia	Condominium business	All housing starts of condominium business	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	60 years
Daiwa Energy	Environmental energy business	All ESCO businesses, energy-efficiency and energy-generation solution projects	[Calculation method] Flow base methods ③ · ④, existing home base method (ESCO projects only) [Calculation of power generated/energy-saving effect] Calculated with our unique simulation (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility	Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Photovoltaic power generation: 20 years
Eneserve	Environmental energy business	(Until FY 2016) All Power Producer and Supplier (PPS) business	[Calculation method] Flow base method ⑤ [Calculation of power sales] The amount of electricity supplied by each supply area of the general electric power supplier is calculated, and any differences between adjusted emission factors are accounted for.	Adjusted emission factors are published by Hokkaido Electric Power, Tohoku Electric Power, Tokyo Electric Power, Chubu Electric Power, Hokuriku Electric Power, Kansai Electric Power, Chugoku Electric Power, Shikoku Electric Power, Kyushu Electric Power, and Okinawa Electric Power.	—
		(From FY 2017) All energy-efficiency and energy-generation solution projects of the environmental energy business	[Calculation method] Flow base methods ③ · ④ [Calculation of power generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility	Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Transformers: 15 years Photovoltaic power generation: 20 years

* In fiscal 2016, the estimated number of years of use was changed to the durable life indicated in CASBEE - Buildings (new construction) 2016 edition. Data for previous fiscal years is calculated the same way.

Green Building Certifications

Overview

In order to promote the emergence of zero energy houses and buildings, our Group is obtaining certification with accreditation systems that require a certain level of energy efficiency.

Long-life quality housing certification

See p. 208: Conservation of natural resources, Long-life quality housing certification rate

Low-carbon building certification

Buildings and housing that contribute to reduced CO₂ emissions and are certified by competent administrative agencies.

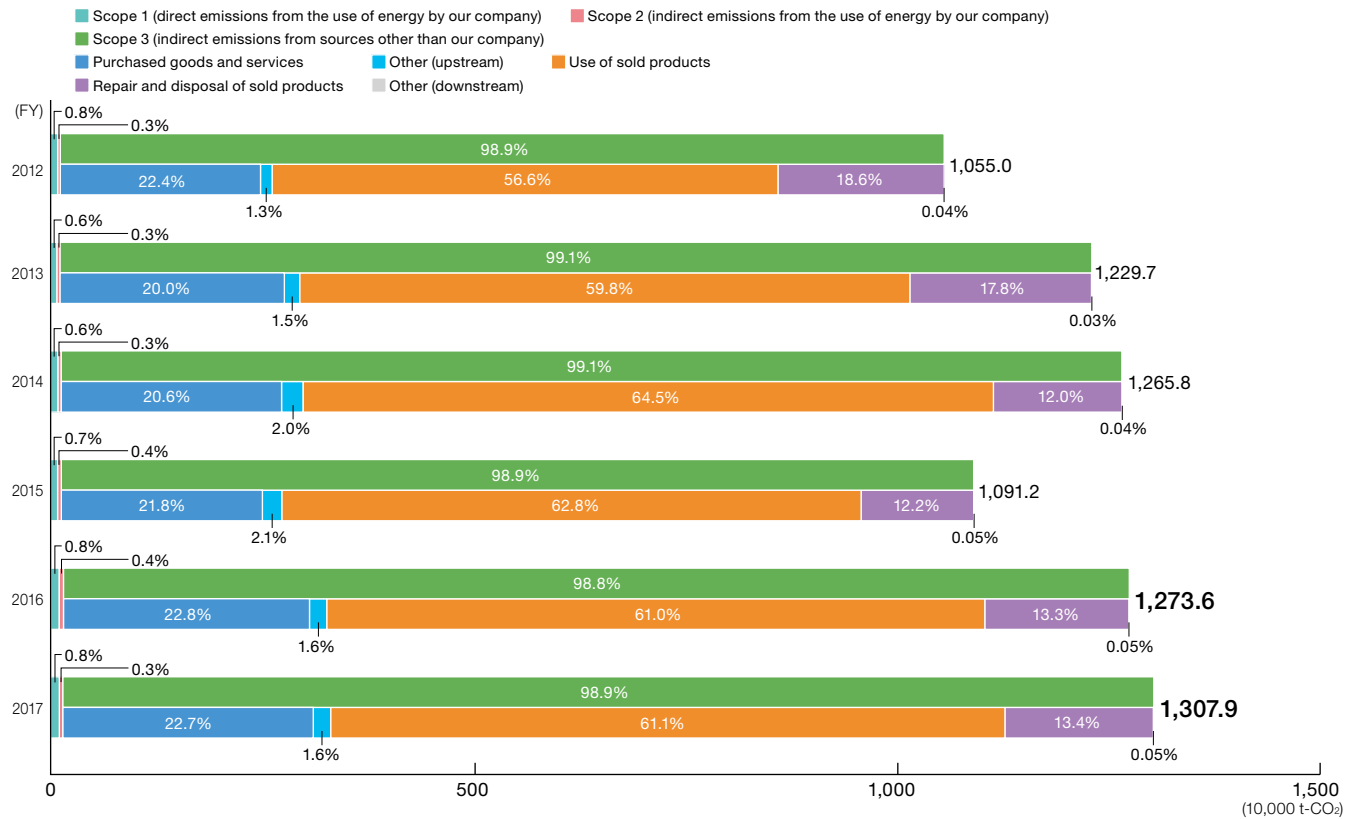
BELS certification

This is the abbreviation for Building-Housing Energy-efficiency Labeling System, a system whereby third-party evaluation agencies evaluate and certify the energy efficiency of newly built and existing buildings. Ratings are given according to the performance level: one to five stars (★).

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

Reducing CO₂ emissions in the value chain

Reducing CO₂ emissions in the value chain



Scope 1, 2 & 3 CO₂ emissions

Unit: 10,000 t-CO₂

Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Percentage of total	
Scope 1	8.0	7.7	7.2	7.4	10.6	9.9	0.8%	
Scope 2	3.5	3.7	4.3	4.4	4.7	4.6	0.3%	
Scope 3	1,043.5	1,218.3	1,254.2	1,079.4	1,258.2	1,293.5	98.9%	
Upstream	Purchased goods and services	236.3	245.6	260.2	237.7	290.7	296.8	22.7%
	Capital goods	4.8	8.4	14.4	10.7	5.4	6.9	0.5%
	Fuel- and energy-related activities (not included in scope 1 or scope 2)	1.4	1.2	1.2	1.2	1.4	1.4	0.1%
	Upstream transportation and distribution	3.7	4.3	4.2	4.6	4.5	4.3	0.3%
	Waste generated in operations	2.9	3.4	4.4	5.2	8.4	7.9	0.6%
	Business travel	0.4	0.5	0.4	0.5	0.5	0.5	0.037%
	Employee commuting	0.3	0.5	0.6	0.5	0.5	0.6	0.043%
	Upstream leased assets	0.01	0.02	0.02	0.02	0.02	0.02	0.001%
Downstream	Downstream transportation and distribution	—	—	—	—	—	—	(Not applicable)
	Processing of sold products	—	—	—	—	—	—	(Not applicable)
	Use of sold products	596.7	735.5	816.6	684.8	776.7	799.1	61.1%
	End-of-life treatment of sold products	196.7	218.5	151.7	133.5	169.3	175.4	13.4%
	Downstream leased assets	0.4	0.4	0.5	0.5	0.6	0.6	0.048%
	Franchises	—	—	—	—	—	—	(Not applicable)
	Investments	—	—	—	—	—	—	(Not applicable)
Total	1,055.0	1,229.7	1,265.8	1,091.2	1,273.6	1,307.9	100.0%	

Calculation method and scope of coverage of environmental data

Reducing CO₂ emissions in the value chain

◇ Target

Daiwa House Industry (Non-consolidated)

◇ Overview

For Scope 1 and 2, see p. 193 (Some calculation methods have been changed, but we have not made retroactive adjustments.)
 Scope 3 is calculated with the calculation formula shown at right; primary data based on our actual results is used, and secondary data of high reliability is used for CO₂ emissions per amount of activity. For secondary data, we use the latest version available every year; we have not made any retroactive adjustments.

◇ Calculation formula

$$\text{CO}_2 \text{ emissions (t)} = \sum \{(\text{Amount of activity}) \times (\text{CO}_2 \text{ emissions per amount of activity})\}$$

◇ Source (Secondary data used)

- ① Emission basic unit database (ver. 2.5, Ministry of Economy, Trade and Industry, Ministry of the Environment) for calculation of greenhouse gas emissions of the organization throughout its supply chain
- ② "Basic database ver. 1.01 (domestic data)" of the Carbon Footprint Communication Program (Japan Environmental Management Association for Industry)
- ③ The Comprehensive Assessment System for Built Environment Efficiency System (CASBEE) Single-family Houses (Newly Built) and Buildings (Newly Built), LCCO₂ Calculation Tool, 2016 edition (Japan Sustainable Building Consortium)

◇ Scope and calculation criteria

Category	Scope 3 target categories	Scope [Explanation of non-applicable categories (◆)]	Calculation criteria [Emissions = Activity × CO ₂ emissions per activity (basic unit)]	
			Activity	Basic unit (source)
Upstream	1 Purchased goods and services	Collection, manufacture, and transportation of materials required for construction of single-family houses, rental houses, condominiums, and non-residential buildings; as well as purchased water and paper (during condominium construction and use)	Supply area by application	Basic unit per area (Source ③)
			Amount of water/paper purchased	Basic unit per amount of money (Source ①)
	2 Capital goods	Collection, manufacture, and transportation of purchased or acquired capital goods	Capital investment	Basic unit per amount of capital investment (Source ①)
	3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	Collection, production, and transportation of purchased or acquired fuels and energy (those not included in scope 1 or 2)	Purchased fuel and energy consumption	Basic unit per unit of fuel and energy used in collection, production, and transportation stages (Source ①, ②)
	4 Upstream transportation and distribution	Procurement and transfer of cargo owned by our company; transportation of waste responsible for emissions	Heat output of fuel related to shipper's transport	Basic unit per unit of heat generated (according to Energy Efficiency Act)
	5 Waste generated in operations	Disposal and treatment of industrial waste generated at production sites and construction/demolition sites	Waste emissions per item	Basic unit of the disposal/treatment stage by item (Source ①)
	6 Business travel	Employee travel & accommodations for business reasons (inside or outside Japan)	Business trip expenses by means of travel	Basic unit per transportation expense by means of travel (Source ①)
	7 Employee commuting	Employee travel between home and work locations	Commuting expenses by means of travel	Basic unit per transportation expense by means of travel (Source ①)
8 Upstream leased assets	Operation of data center and document management warehouse on leased property	Occupation area (warehouse/data center)	Basic unit per area (Source ③)	
Downstream	9 Downstream transportation and distribution	◆ Because there is no process of transportation/distribution of products (houses, buildings) sold, there is no CO ₂ emission corresponding to this category.	Not applicable	Not applicable
	10 Processing of sold products	◆ Because there is no processing of products (houses and buildings) sold, no CO ₂ emissions apply to this category.	Not applicable	Not applicable
	11 Use of sold products	Lifetime use of single-family houses, rental houses, condominiums, and non-residential buildings (Single-family houses/Rental housing/Sale of goods/Food stores/Plants/Warehouses: 30 years, Other: 60 years) We include the use of products provided together with the lease. CO ₂ emissions associated with repair and renovation are included in Category 12.	Supply area by application	Annual CO ₂ emissions per supply area by application (in-house calculation) × expected number of years of use
	12 End-of-life treatment of sold products	Repair, renovation, demolition, disposal of single-family houses, rental houses, condominiums, and non-residential buildings in their service life	Supply area by application	Basic unit per area (Source ③)
	13 Downstream leased assets	Operation of rental buildings owned by our Company	Lease area (office)	Basic unit per area (Source ③)
	14 Franchises	◆ Since we operate no franchising system, no CO ₂ emissions correspond to this category.	Not applicable	Not applicable
	15 Investments	◆ In terms of scope 1 and 2 emissions at the investment destination, as a result of estimates based on partial actual data, emissions total a maximum of 2% of total Scope 3 emissions. In light of the difficulty of collecting data, it is determined that the emissions are low enough to disregard.	Not applicable	Not applicable

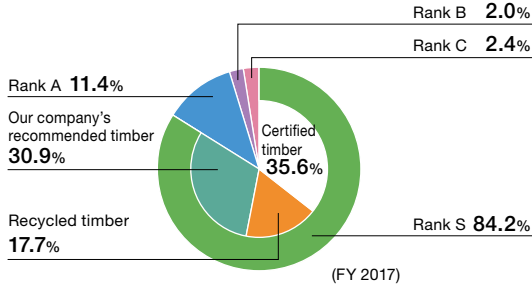
Materials and Data Section (Environment)

Harmony with the Natural Environment

ECO process

Eco-friendly wood procurement

Assessment result of procured wood



Assessment result of procured wood

[Overall]

	2014	2015	2016	2017
Rank S	81.5%	87.6%	86.5%	84.2%
Rank A	7.4%	5.6%	7.9%	11.4%
Rank B	3.8%	2.2%	3.1%	2.0%
Rank C	7.3%	4.7%	2.5%	2.4%

[Within Rank S]

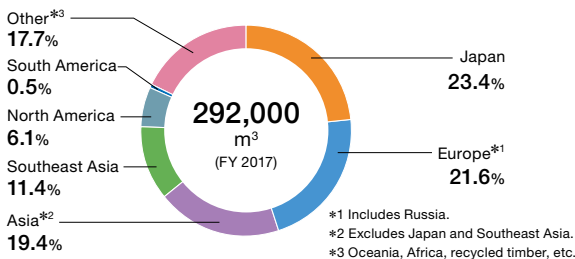
	2014	2015	2016	2017
Certified timber	66.7%	43.9%	40.3%	35.6%
Recycled timber	7.9%	23.0%	21.6%	17.7%
Our company's recommended timber	6.9%	20.7%	24.6%	30.9%

Volume of wood procured in segments to be evaluated

Unit: m³

	2013	2014	2015	2016	2017
Daiwa House Industry	206,810	207,836	254,132	246,277	342,291
Royal Home Center	—	30,263	25,723	27,509	37,237
DesignArc	—	1,037	1,726	2,854	3,510
Daiwa Lease	—	—	6,073	5,963	3,733
Fujita	—	—	5,185	9,443	1,919
Cosmos Initia	—	—	140	91	147
Total	206,810	239,136	292,979	292,137	388,837

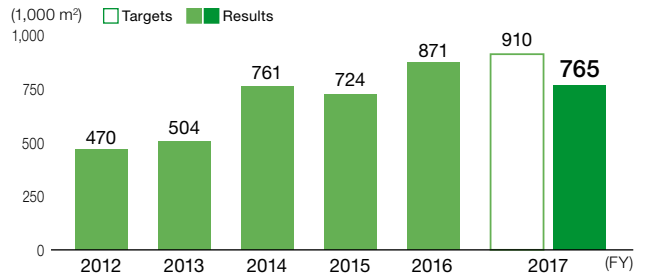
Ratio of procured wood by logging area



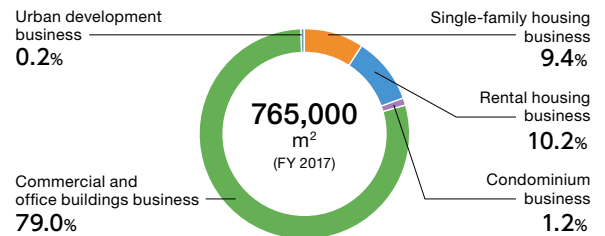
ECO products

Preserving biodiversity in relation to development and town planning

Surface area of green space

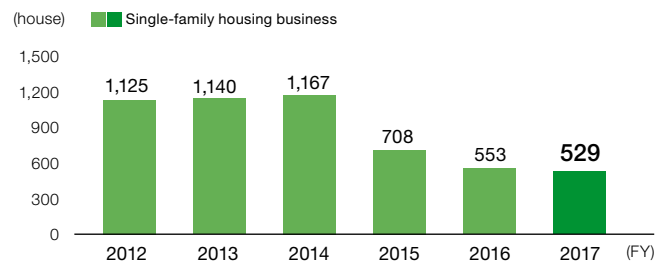


Breakdown of green covered areas

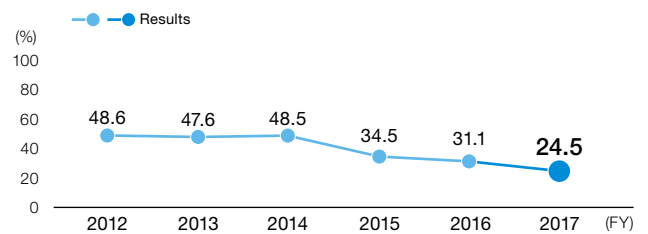


Environmentally symbiotic housing

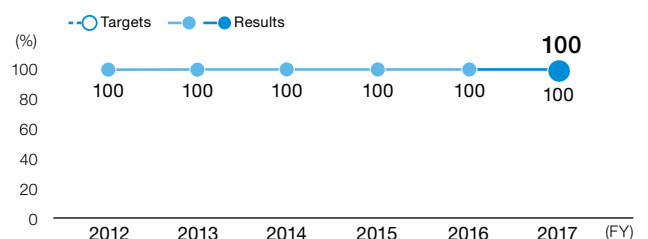
Number of certified environmentally symbiotic housing



Certification rate of environmentally symbiotic housing (only built-for-sale houses)



Compliance rate with voluntary standards for biodiversity conservation (Development)



〈Calculation method and scope of coverage of environmental data〉

■ [Community creation] Surface area of green space

◇ Overview

“Surface area of green space” refers to the total green area created by the Daiwa House Group and construction contractors as part of external construction work undertaken in relation to the sale of built-for-sale houses.

Note: The building area is the horizontal projected area of the building. However, for single-family houses, we use the assumed building area (site area × legal building-to-land ratio).

◇ Calculation formula

$$\begin{aligned} \text{Surface area of green space (m}^2\text{)} \\ &= \sum (\text{Surface area of green space (m}^2\text{) of target units in each project}) \end{aligned}$$

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All unit sales of built-for-sale houses
Rental housing business	Daiwa House Industry	[With greening regulations] All new buildings [Without greening regulations] Site area of at least 1,000 m ²
Condominium business	Daiwa House Industry	All construction starts (excluding JV non-managed units)
Commercial and office buildings business	Daiwa House Industry	[With greening regulations] All construction starts [Without greening regulations] Site area of at least 3,000 m ²
	Daiwa Lease	[With greening regulations] All construction starts
	Fujita	[With greening regulations] All construction starts
Urban development business	Daiwa House Industry	All construction starts

■ Environmentally symbiotic housing certification

◇ Overview

In promoting town development in harmony with nature, we utilize the environmentally symbiotic housing certification system implemented by the Institute for Building Environment & Energy Conservation as an indicator to measure progress.

Certification is based on system supply type accreditation (Certificate Nos. CS2011-3, CS2011-4) for single-family houses. In developing large-scale housing complexes and the like, we use mainly the parallel complex supply type; for condominiums, we mainly use the individual supply type.

◇ Calculation formula

$$\begin{aligned} \text{Certification rate of environmentally symbiotic housing (\%)} \\ &= \frac{\sum (\text{Number of certified dwellings as built-for-sale houses})}{\sum (\text{Number of dwellings sold as built-for-sale houses})} \end{aligned}$$

◇ Scope

Segment	Target	Scope	
		Number of certified houses	Certification rate
Single-family housing business	Daiwa House Industry	All housing sales	All sales of built-for-sale houses
Condominium business	Daiwa House Industry	All housing sales	

■ [Development] Compliance rate with voluntary standards for biodiversity conservation

◇ Overview

Our voluntary standards for biodiversity preservation [Development] are based on our Biodiversity Guidelines [Development & Community Creation]. In the evaluation tool comprising 30 items uniquely determined by Daiwa House Industry for large-scale development projects, the evaluation rank must be Rank B or better. The evaluation is conducted by the persons in charge of each unit, and the status of compliance with the standards is confirmed by our head office.

◇ Calculation formula

$$\begin{aligned} \text{Compliance rate with voluntary standards for biodiversity conservation (\%)} \\ &= \frac{\sum (\text{Site area of units in compliance with voluntary standards (m}^2\text{)})}{\sum (\text{Site area of units under evaluation (m}^2\text{)})} \end{aligned}$$

◇ Scope

Segment	Target	Scope
Development	Daiwa House Industry	Our company-developed projects with a development area exceeding 3,000 m ²

■ Legality & sustainability evaluation of procured wood and amount of wood procured

◇ Overview

In line with our Biodiversity Guidelines [Wood Procurement], we have established certification criteria for three types of wood: certified wood, recycled wood, and our company's recommended wood.

Once a year, we conduct a wood delivery survey with wood suppliers and confirm compliance with the certification criteria.

[Wood not classified as certified or recycled is categorized according to one of the following four classes: Rank S (recommended), Rank A (standard), Rank B, (purchase is acceptable), and Rank C (requires improvement).]

Note: Evaluation criteria were partially revised in fiscal 2015.

◇ Calculation formula

$$\begin{aligned} \text{Composition of C-ranked wood (\%)} &= \frac{\sum (\text{amount of C-ranked wood procured (m}^3\text{)})}{\sum (\text{Total amount of wood procured})} \end{aligned}$$

Note: Statistics for S, A, and B-ranked wood are also calculated in the same way.

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	Single-family houses constructed (steel frame/wooden construction)
Rental housing business	Daiwa House Industry	Industrialized rental housing constructed (steel frame)
Condominium business	Daiwa House Industry, Cosmos Initia	Condominiums sold (Sample units)
Commercial and office buildings business	Daiwa House Industry, Daiwa Lease, Fujita	Wooden buildings, medical/nursing care & residential buildings constructed
Other	Royal Home Center	Wood products sold
	DesignArc	Wooden building materials manufactured

* Target materials: Includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

Biodiversity Declaration

Biodiversity Declaration (Adopted October 2010)

Philosophy of Biodiversity

As a global corporate citizen cognizant of the natural blessings granted by biodiversity while remaining committed to eco-friendly business operations, we shall contribute to the sustainable development of society in order to co-create a brighter future for humanity and the natural world.

Biodiversity Action Guidelines

- We shall promote business operations that enable people to live in harmony with nature.**
Recognizing the importance of nature's blessings, we aim to ensure our business operations are in harmony with the air, water, earth, living creatures, and other aspects of nature's circulation functions.
- We shall introduce communities co-created by humanity and the natural world.**
We shall recognize how biodiversity is affected by construction and shall strive to avoid and reduce any damage while proposing eco-friendly city planning.
- We shall use natural resources with care, mindful of any impact on the ecosystem.**
To maintain high ethical standards, we shall collaborate with suppliers to ensure we utilize only sustainable resources and shall not merely comply with laws and regulations concerning biodiversity.
- We shall contribute to biodiversity through research and development.**
We shall promote R&D related to biodiversity preservation from a global perspective and share the results with society.
- We shall maintain open communication and collaborate with our stakeholders.**
We shall broaden the range of initiatives related to biodiversity preservation in terms of both our business operations and social contribution initiatives through communication and collaboration with local government, NGOs, and other stakeholders.

③ Biodiversity Guidelines [Development & Community Creation]

- Ascertain the potential of the natural environment**
We will identify the local characteristics related to the biological environment, including the site and its surroundings, and will adopt a policy concerning preservation and creation of the biological environment on which it is based.
- Preserve and plant greenery**
We will actively incorporate regional adaptive seeds and make efforts to ensure the quantity and quality of greenery, and we will propose the development of green spaces with consideration for the habitat of small wild animals and planting conditions.
- Be careful to preserve a sufficient natural environment as a habitat for small animals**
We will make efforts to consider preserving the habitat and natural environment by improving green spaces and water areas that promote the habitat behavior of small wild animals and other creatures.
- Take care to create a connected network of habitable environments for the ecosystem**
In emphasizing the interconnection of ecosystems, we strive to ensure the continuity of green space arrangements and land use by considering the scope of travel of living creatures.
- Take steps to minimize the environmental impact of construction work**
We will consider the plants and animals inhabiting the surroundings as we strive to reduce the impact of noise, vibration, exhaust, and other such factors.
- Pay adequate consideration to ecological maintenance and management**
In order to maintain a good biological environment, we will plan and propose facilities and management policies necessary for maintaining and managing green spaces.

CSR Procurement Guidelines (Adopted July 2015)

(1) Business Partner Code of Conduct

(2) Corporate Activity Guidelines

(3) Guidelines for Products

Chemical Substance Management Guidelines

① Biodiversity Guidelines [Wood Procurement]

② Items to be Evaluated for Legality and Sustainability

③ Biodiversity Guidelines [Development & Community Creation]

① Biodiversity Guidelines [Wood Procurement]

- Certified wood**
Procure timber certified by the FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forestry Certification) and SGEC (Sustainable Green Ecosystem Council).
- Recycled wood**
Procure wood recycled from construction scrap (particleboard*, etc).
- Our company's recommended wood**
When procuring wood that is not classified as certified or recycled, verify if it meets or exceeds certain standards in terms of legality and sustainability and procure only wood that is judged to meet a certain minimum level.
* Sheet goods made of wood chips bonded with adhesive that are heated and molded to specific thickness and dimensions

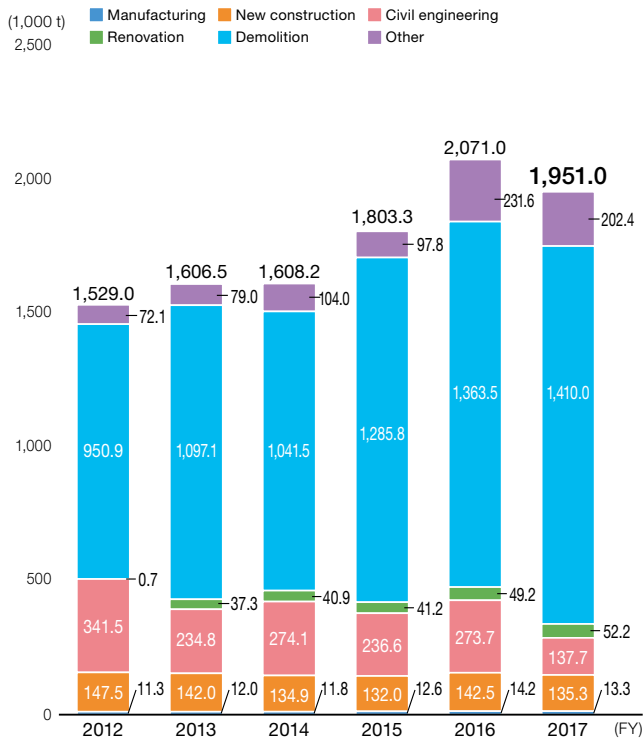
② Items to be Evaluated for Legality and Sustainability

- Confirmation of legality**
 - Ensure the source of supply has been clearly identified (traceable to the logging site).
 - Confirm that the cutting rights have been secured.
 - Confirm compliance with forestry laws and other relevant rules.
- Confirmation of sustainability**
Comprehensively determine sustainability with the following eight items.
 - The logged timber is not an endangered species.
 - The logging method avoids large-scale logging of natural forests.
 - Endangered species in the logging areas and surrounding areas have been considered for conservation.
 - The timber is not produced in a disputed region.
 - Working conditions are in compliance with the local government.
 - The forest reserves can be maintained (forests within the area can be renewed after logging).
 - The timber is Japanese domestic timber.
 - The timber is a fast-growing species that quickly becomes available for logging again.
(No extensive cutting of wild trees occurs in the cultivation of this fast-growing timber.)

ECO process

Waste emissions

■ [Overall] Construction/demolition waste emissions



■ [Overall] Breakdown of construction/demolition waste emissions (by treatment)

Unit: %

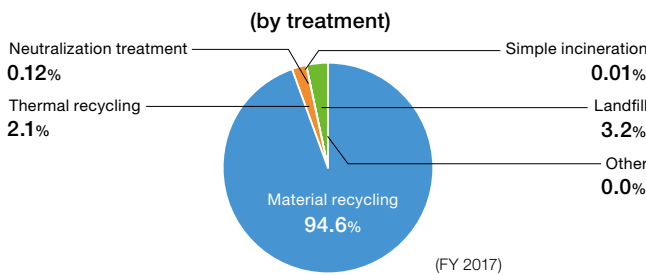
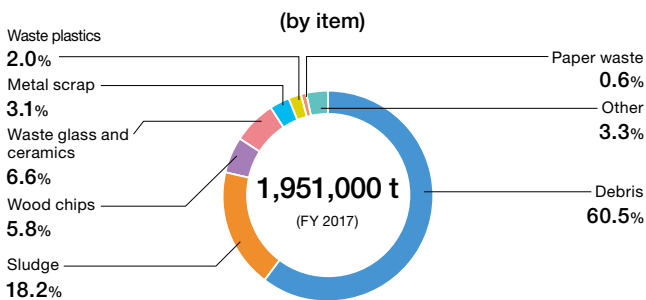
	2012	2013	2014	2015	2016	2017	
Recycling	Material recycling	95.4	93.8	93.2	93.7	94.5	94.6
	Thermal recycling	2.0	2.2	2.8	2.3	2.0	2.1
	Neutralization treatment	—	—	0.01	0.03	0.05	0.1
Final disposal	Simple incineration	0.07	0.04	0.03	0.03	0.05	0.0
	Landfill	2.6	3.8	3.9	3.7	3.4	3.2
	Other	0.05	0.13	0.12	0.17	0.05	0.0

■ [Overall] Trend in recycling rates (by segment)

Unit: %

	2012	2013	2014	2015	2016	2017
Manufacturing	97.6	98.6	98.8	98.7	98.6	97.6
New construction	93.4	96.3	96.5	93.5	97.7	98.1
Civil engineering	99.8	99.8	98.8	99.3	99.8	98.5
Renovation	77.4	75.9	77.4	78.7	80.0	81.8
Demolition	96.9	95.4	95.8	96.5	96.0	96.6

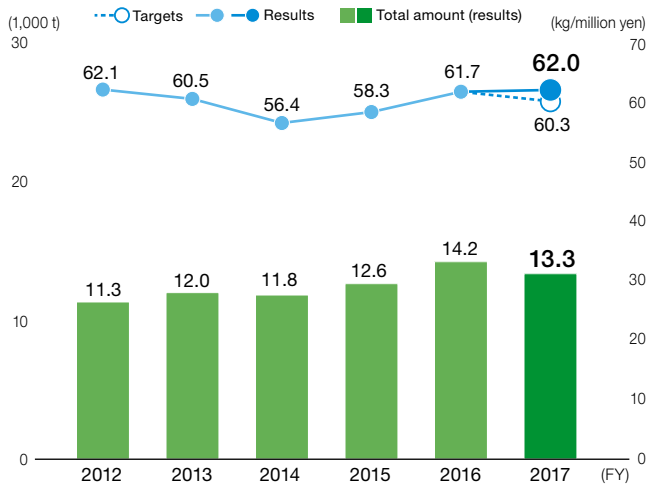
■ [Overall] Breakdown of construction/demolition waste emissions (by item)



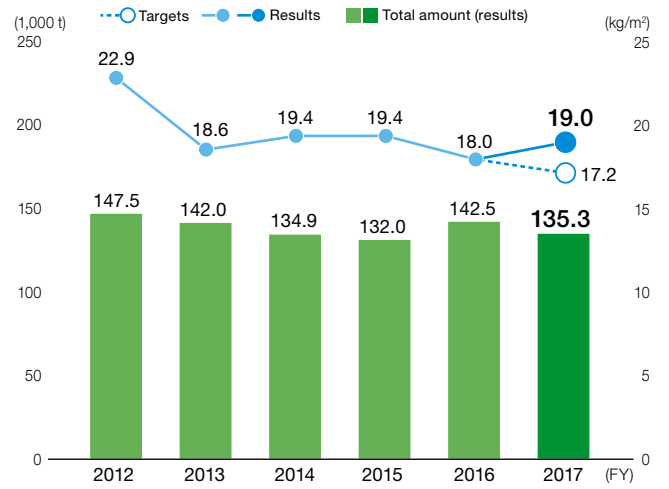
Conservation of Natural Resources

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

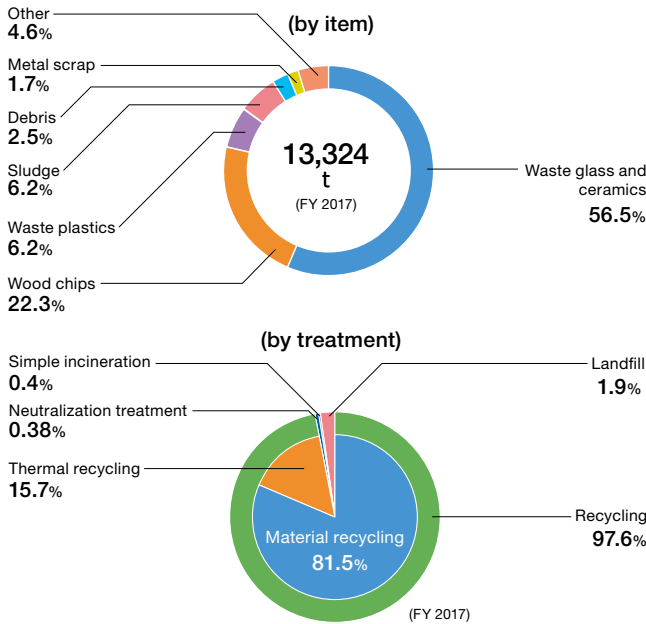
■ [Manufacturing] Waste emissions and basic unit



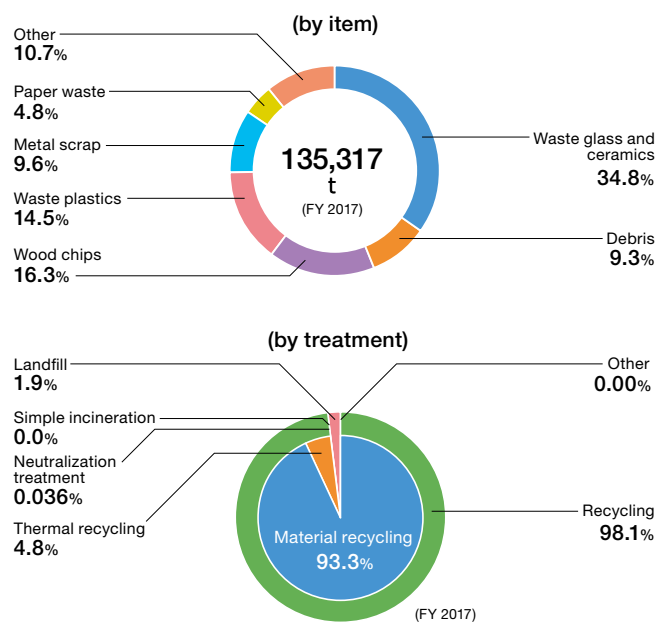
■ [New construction] Waste emissions and basic unit



■ [Manufacturing] Breakdown of waste emissions



■ [New construction] Breakdown of waste emissions



■ [Manufacturing] Waste emissions (by company/segment)

	2012	2013	2014	2015	2016	2017
Daiwa House Industry	10,495	11,184	11,047	11,712	13,333	12,798
Daiwa Lease	216	205	188	246	218	125
DesignArc	593	582	546	593	601	401

Unit: t

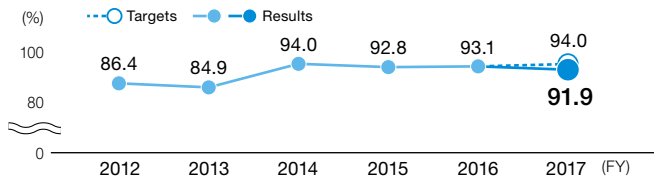
■ [New construction] Waste emissions (by company/segment)

	2012	2013	2014	2015	2016	2017
Daiwa House Industry (housing)	18,441	21,243	19,105	18,995	17,920	17,534
Daiwa House Industry (architecture)	59,106	61,662	70,914	64,798	70,759	72,861
Daiwa Lease	16,745	19,265	18,350	25,124	26,471	23,052
Fujita	53,219	39,807	26,553	23,059	22,403	21,870

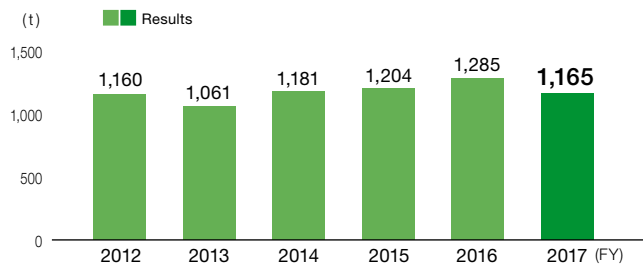
Unit: t

Paper consumption, green purchasing ratio, and steel consumption

Green purchasing ratio



Paper consumption



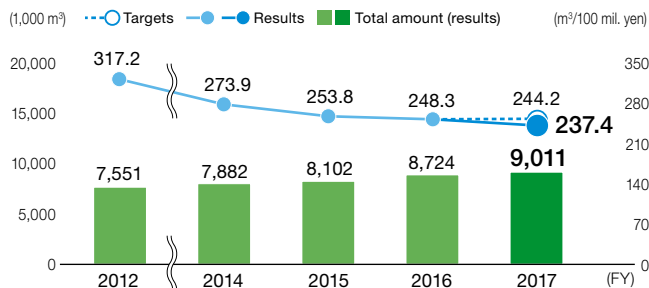
Steel consumption

	2012	2013	2014	2015	2016	2017
Daiwa House Industry (housing)	182,421	209,283	210,171	204,826	209,793	224,863

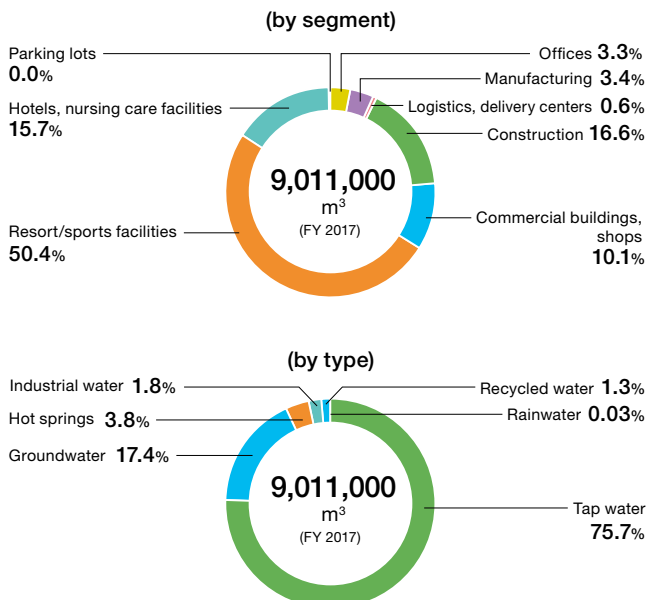
Unit: t

Water consumption

Trend in water consumption (water intake) and basic unit



Breakdown of water consumption (water intake)



Water consumption (water intake) (by segment)

	2014	2015	2016	2017
Offices	285	271	282	294
Manufacturing	372	346	307	305
Logistics, delivery centers	53	54	55	53
Construction	1,423	1,473	1,626	1,496
Commercial buildings, shops	642	637	680	908
Resort/sports facilities	4,087	4,261	4,606	4,537
Hotels, nursing care facilities	1,020	1,061	1,167	1,416
Parking lots	0.1	0.3	0.3	0.3

Unit: 1,000 m³

Water consumption (water intake) (by type)

	2014	2015	2016	2017
Tap water	6,380	6,371	6,948	6,825
Groundwater	1,185	1,405	1,280	1,566
Hot springs	307	316	327	341
Industrial water	0	0	158	163
Recycled water	9	10	11	114
Rainwater				3

Unit: 1,000 m³

Drainage discharge (by point of discharge)

	2016	2017
Rivers and lakes	1,242	1,088
Brackish water intake source/sea	621	602
Groundwater	0	
Sewer system	5,172	5,228
Discharge to other areas	0	
Total	7,036	6,917

Unit: 1,000 m³

Water consumption (water intake) at worksites outside Japan (by territory)

	2016	2017
Asia	121	96
Middle East	56.8	0.003
North America	0.1	0.1
Central and South America	0	0.1
Oceania	135	120
Total	313	216

Unit: 1,000 m³

Water consumption (water intake) at worksites outside Japan (by segment)

	2016	2017
Offices	178	96
Resort facilities	135	120
Total	313	216

Unit: 1,000 m³

Water consumption (water intake) at worksites outside Japan (by type)

	2016	2017
Tap water	178	95
Groundwater	135	120
Total	313	216

Unit: 1,000 m³

Water drainage discharge at worksites outside Japan (by point of discharge)

	2016	2017
Brackish water intake source/sea	60	57
Sewer system	178	96
Discharge to other areas	12	13
Total	250	166

Unit: 1,000 m³

〈Calculation method and scope of coverage of environmental data〉

■ Waste generation & recycling rate related to construction and demolition

◇ Overview

Construction byproducts generated in plants and at construction sites, excluding those that have been sold as valuable resources, are defined as "construction waste." Moreover, even at the same construction site, waste associated with demolition is distinguished as "demolition waste." Furthermore, "construction-generated soil" and "construction sludge" accompanying ground preparation are excluded from calculations of "construction waste." In addition, the total "sales" of each plant are used as the basic unit denominator of the production department, and the total "sales area" of each site is used as the basic denominator of the construction segment.

◇ Calculation formula

[Manufacturing] Construction waste emissions (t)
 = \sum (Construction byproducts generated (t))
 - \sum (Sales of valuable resources (t))

[New construction] Construction waste emissions (t)
 = \sum (Construction byproducts generated (t))
 - \sum (Sales of valuable resources (t))
 - \sum (Construction sludge generated (t))

[Common] Recycling rates of construction waste (%)
 = $\frac{\sum \{(\text{Amount of material recycled (t)}) + (\text{Amount thermally recycled (t)})\}}{\sum (\text{Construction waste emissions (t)})}$

Note: Construction sludge is included in the calculation of the recycling rate.

◇ Scope of coverage

Segment	Target	Scope
Manufacturing	Daiwa House Group	All production sites
New construction	Daiwa House Group	All new construction sites
Civil engineering	Fujita	All civil engineering sites
Renovation	Daiwa House Group	All renovation sites (except for some small-scale sites)
Demolition	Daiwa House Group	All demolition sites

■ Paper consumption & green purchasing ratio

◇ Overview

Regarding our paper consumption, we calculate the actual value of the paper purchased (m²) using the weight conversion method. We have adopted our own Green Purchasing Standards for the main items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in our offices. In calculating our green purchasing ratio, we use the following formula on a monetary basis.

◇ Calculation formula

Paper consumption (t)
 = \sum (Purchased paper (m²) × weight per unit area (t/m²))

Green purchasing ratio (%)
 = $\frac{\sum (\text{Amount of Green Purchasing Standards-compliant goods purchased (yen)})}{\sum (\text{Total purchase price of target items (yen)})}$

◇ Scope of coverage

Segment	Target	Scope (Number of locations as of March 31, 2016)	
Office work	Daiwa House Industry	All offices (head office, affiliates, branch offices, sales offices) and research labs	210 locations in total

■ Green purchasing standards

Classification	Main Items	Standards
Paper	Catalogs, etc.	It must be made with Forest Certified Paper.
	Copy paper, forms	It must satisfy one or more of the following conditions i-iii: i) It must be an Eco Mark*1 certified product. ii) It must comply with the Green Purchasing Law. iii) It must be listed in the GPN database*2.
Stationery	Office supplies	
Office furniture	Chairs, desks, shelves, storage fixtures (other than shelves), low partitions, etc.	It must be a product recommended by the Japan Office Institutional Furniture Association (JOIFA) as an environmental product (compliant with the Green Purchasing Law).
Office equipment	Copiers, multifunction machine, fax machines, etc.	It must meet one or more of the following conditions i-ii. i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo*3.
	Personal computers, printers, etc.	It must meet one or more of the following conditions i-iii. i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo*3. iii) It is certified under the PC Green Label System*4.

*1 An environmental label attached to products recognized as contributing to environmental preservation following a review by the Japan Environmental Association

*2 A database of environmental products managed by the Green Purchasing Network (GPN)

*3 A logo mark displayed on office equipment that meets energy efficiency standards set by the International Energy Star Program

*4 A labeling system for eco-friendly personal computer products operated by the PC 3R Promotion Center

■ Water consumption

◇ Overview

This represents the total annual water consumption from the water supply, groundwater, and hot springs and is calculated from purchasing data at each location. For the construction segment, we estimate the total consumption by multiplying the water usage for the sales floor area as determined by a sample survey of the sales floor area during the counting period.

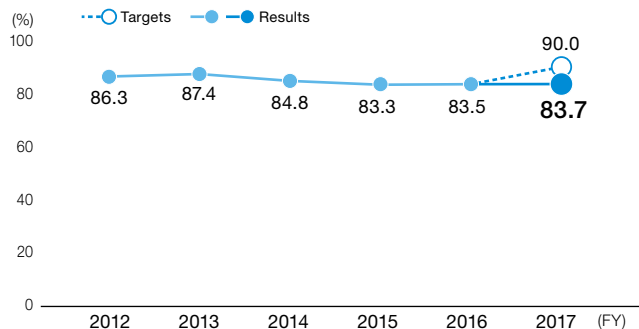
◇ Scope

Segment	Target	Scope (Number of locations as of March 31, 2016)	
Offices	Daiwa House Group	All offices (head office, affiliates, branch offices and sales offices), research labs, training centers, exhibition halls and model houses	Total 898 locations
Manufacturing	Daiwa House Group	All production sites	Total 30 locations
Logistics, delivery centers	Daiwa House Group	All delivery centers required for transporting materials (our company operations only)	Total 59 locations
Construction	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total 8,945,000 m ²
			Civil engineering: Total 213 projects
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company (In principle, tenants are excluded)	Total 406 locations
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total 116 locations
Hotels, nursing care facilities	Daiwa House Group	Urban hotels and nursing care facilities operated by our company	Total 52 locations
Offices outside Japan (Reference)	Offices	Daiwa House Group	Offices
	Resort facilities	Daiwa House Group	Resort hotels managed by our Group
			Total 2 locations

ECO products

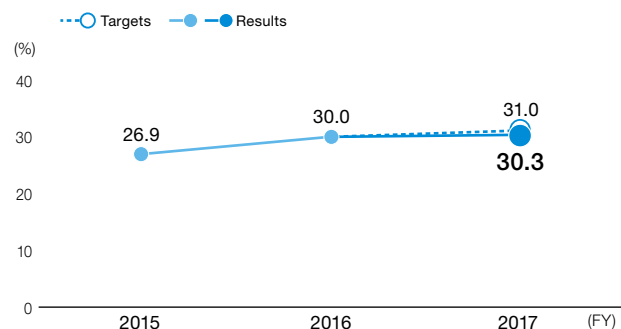
Ratio of houses certified under the Long-Life Quality Housing Certification System

Ratio of houses certified under the Long-Life Quality Housing Certification System



Building products utilizing recycled resources

Adoption rate of building products utilizing recycled resources (pre-engineered buildings)



30 green procurement items

Classification	No.	Item	Classification	No.	Item
Soil	1	Soil conditioner	Preparation	16	Lumber
Temporary installation	2	Mesh sheeting		17	Plywood
Formwork	3	Alternative formwork		18	Free access floors
Concrete	4	Mixed cement	Finishing	19	Glass
	5	Eco-cement & concrete products		20	Tile
	6	Recycled asphalt concrete		21	Aqueous paint
	7	Recycled stone		22	Tile carpet
8	Blocks	23		Flooring	
9	Permeable pavement	24		Vinyl floor coverings	
Paving, etc.	10	Rooftop greenery	25	Eco wall coverings	
Steel	11	Recycled steel	26	Fabric blinds	
	12	Recycled wood panels	27	Air conditioners	
Preparation	13	Gypsum board	Facilities	28	Gas heat pump air conditioners
	14	Rockwool acoustic insulation panels		29	Transformers
	15	Thermal and acoustic insulation materials		30	Fluorescent lighting fixtures, lamps

Calculation method and scope of coverage of environmental data

Ratio of houses certified under the Long-Life Quality Housing Certification System

Overview

In promoting the effective use of resources, we utilize the Long-Life Quality Housing Certification System under the terms of the "Act on the Promotion of Popularization of Long-Life Quality Housing" as an index to measure progress. In the certification system, requirements are also stipulated including resistance to deterioration involving structural frameworks, seismic resistance, versatility, ease of maintenance and renewal, features to accommodate the elderly, energy-efficiency measures, housing sizes exceeding a certain level, and ensuring good landscaping.

Calculation formula

Ratio of houses certified under the Long-Life Quality Housing Certification System (%) = $\frac{\sum (\text{Number of long-life quality housing certified buildings})}{\sum (\text{Number of buildings sold})}$

Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All buildings sold

Building products utilizing recycled resources

Overview

Pre-engineered buildings feature standardized structural frameworks and outer walls and are manufactured in plants. These building products are designed to minimize the generation of waste at the construction site while allowing for easier separation and disassembly. Pre-engineered building products are defined as "building products utilizing recycled resources." Currently, six kinds of pre-engineered building products are available — Daiwa FLEST, Daiwa KOMFORT, D's OPT, D's REAID, D's WOOD, and D's Saju — with a focus on convenience stores, drugstores, and nursing care facilities.

Calculation formula

Adoption rate of pre-engineered buildings for priority applications (%) = $\frac{\sum (\text{surface area of priority properties using pre-engineered buildings})}{\sum (\text{surface area of priority properties})}$

Scope

Segment	Target	Scope
Commercial and office buildings business	Daiwa House Industry	[Number of buildings] All construction (steel frame) [Priority applications] Convenience stores, drugstores, nursing care facilities

30 green procurement items

Overview

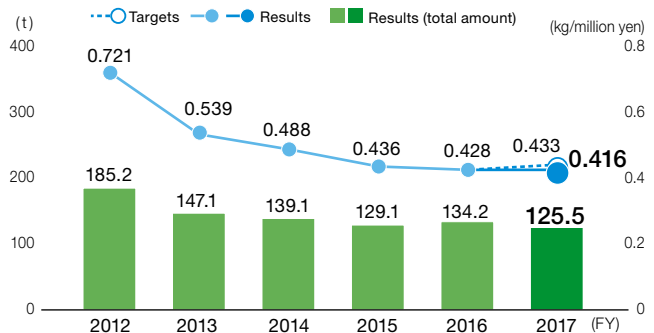
Established in 2008 to promote utilization of recycled building materials in our commercial facility business. Properties* that incorporate more than 10 of the 30 items are referred to as "green procurement sites."

* Apply to new construction sites with a floor area of at least 2,000 m².

ECO process

Release and transfer of PRTR-listed substances

Release and transfer of PRTR-listed substances and basic unit



Change in release and transfer of PRTR-listed substances (by company/segment)

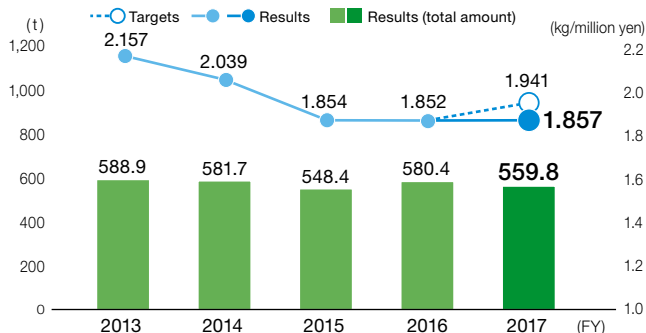
Breakdown by segment	2012	2013	2014	2015	2016	2017
Daiwa House Industry (housing)	46.3	44.3	43.9	40.3	42.2	40.5
Daiwa House Industry (architecture)	20.3	19.2	26.6	30.8	22.9	22.5
Daiwa Lease	114.4	78.7	63.6	52.9	64.9	58.8
DesignArc	4.3	4.9	5.0	5.1	4.2	3.8

Measures to address soil contamination at our holdings

Target area	Detected substance	Unit	Reference value	Maximum concentration	Response status
Nara Plant (Factory No. 4)	Fluorine (elution amount)	mg/L	0.8	2.3	Although the site was designated as an area that requires notification to prefectural government when the soil is to be moved or modified, the designation was removed on June 25, 2018 after we implemented the contaminated soil removal projects.
	Arsenic (elution amount)	mg/L	0.01	0.025	
	Hexavalent chromium (elution amount)	mg/L	0.05	0.13	
	Lead (content)	mg/kg	150	480	

VOC emissions

VOC emissions and basic unit



Change in VOC emissions (by segment)

Breakdown by segment	2013	2014	2015	2016	2017
Daiwa House Industry (housing)	229.4	245.6	224.4	250.7	235.0
Daiwa House Industry (architecture)	134.9	134.4	127.9	112.3	106.6
Daiwa Lease	219.4	196.6	190.9	213.1	214.1
DesignArc	5.1	5.1	5.2	4.4	4.1

Note: For VOC emission data between FY 2013 and FY 2016 for Daiwa House Industry (housing) and VOC emission data from 2016 for Daiwa House Industry (architecture), we will modify the number we published in the 2016 Environmental Report in accordance with the corrected emission factor.

<Calculation method and scope of coverage of environmental data>

Release and transfer of PRTR-listed substances

Overview

Purchasing data at each site is used to calculate the amount released/transferred of 462 Class-I Designated Chemical Substances prescribed by the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Law).

Scope

Segment	Target	Scope	
Manufacturing	Daiwa House Group	All production sites	Total 30 locations

VOC emissions

Overview

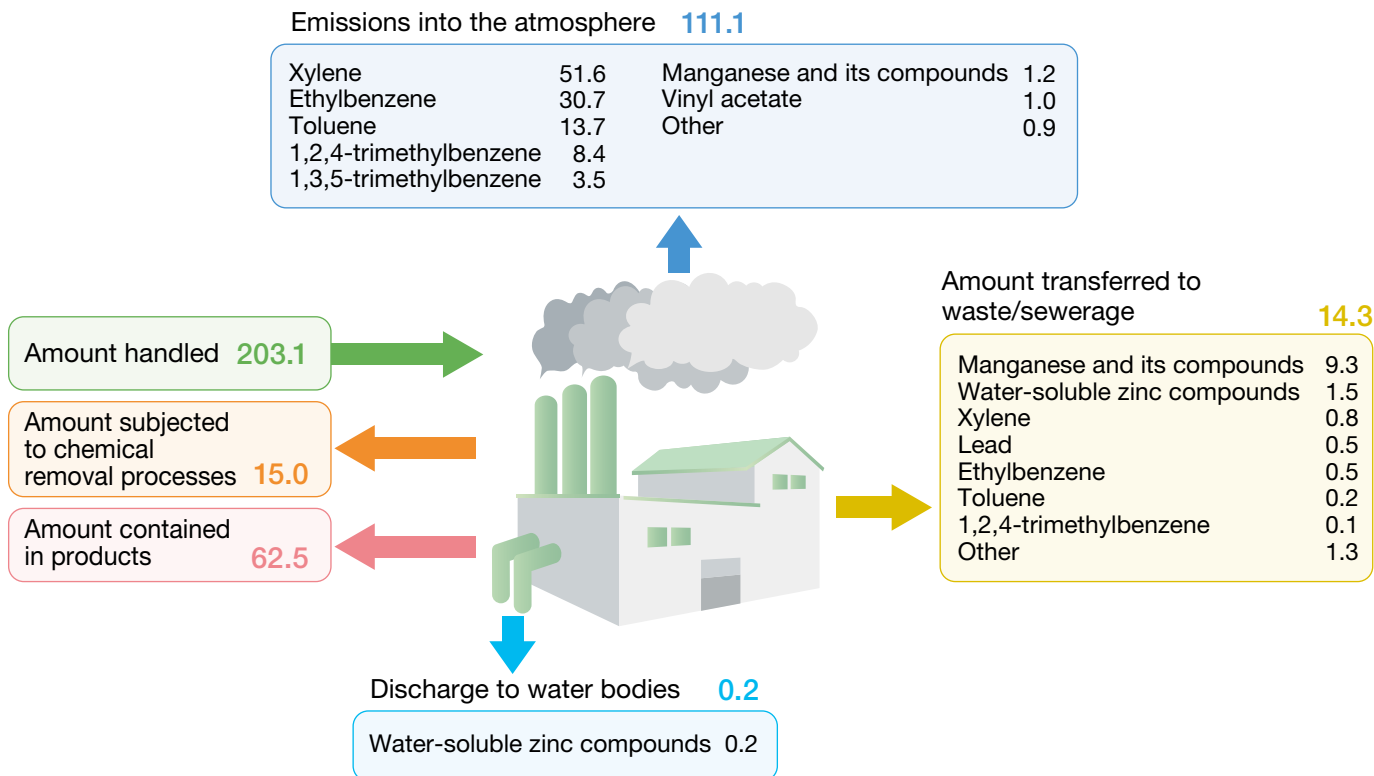
Purchasing data at each site is used to calculate the emissions of 326 volatile organic compounds identified by the Osaka Prefectural Ordinance and Japan Paint Manufacturers Association as of fiscal 2010.

Scope

Segment	Target	Scope	
Manufacturing	Daiwa House Group	All production sites	Total 30 locations

Material balance of chemical substances subject to PRTR

Unit: t



PRTR survey results

Unit: kg

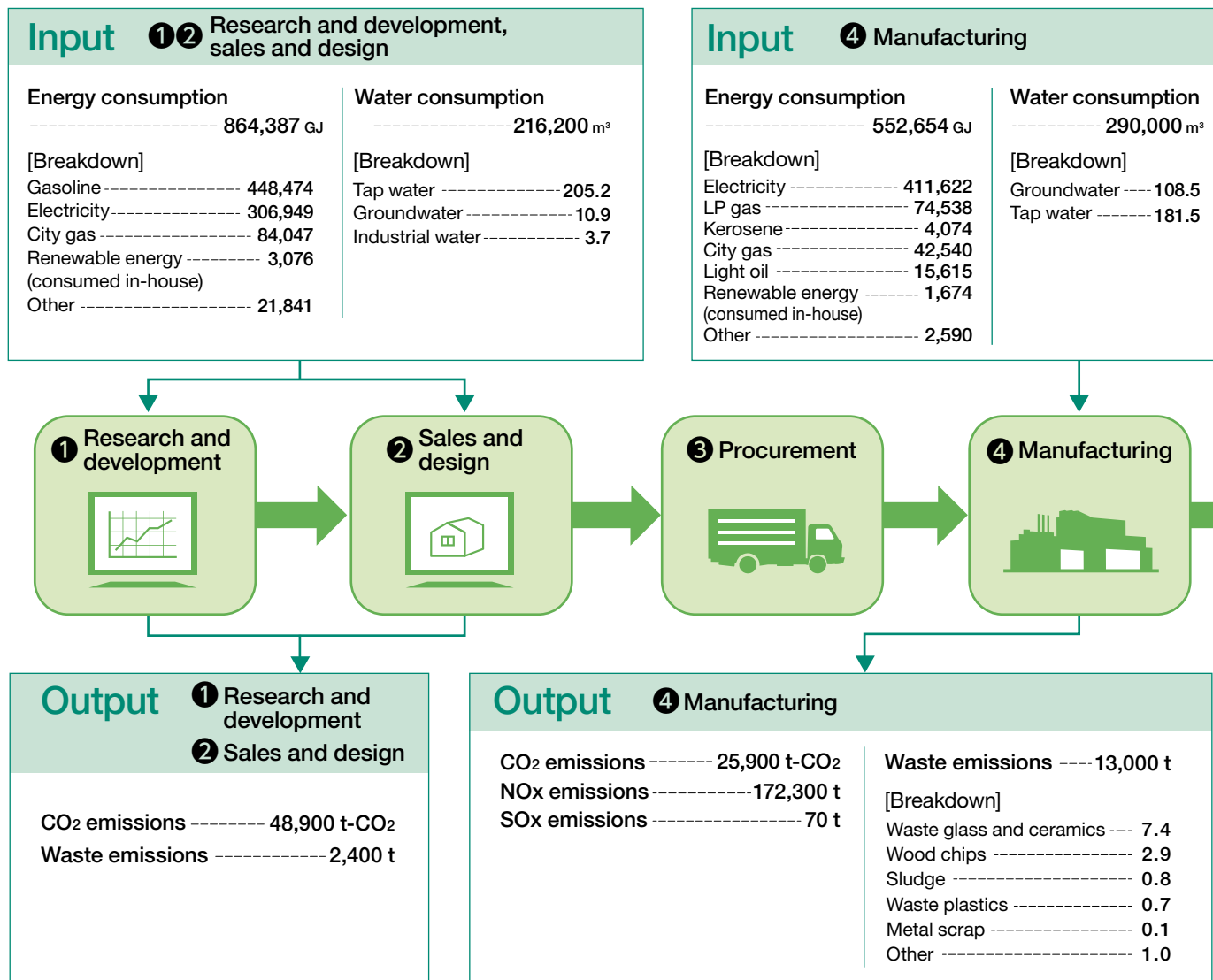
Substance number	Name of target chemical substance	Amount handled	Amount consumed	Amount transferred			Emissions			Amount subjected to chemical removal processes
				Total transferred to sewer	Amount of (waste) transferred out of our worksites	Total amount transferred	Emissions into the atmosphere	Discharged to public water bodies	Total emissions	
80	Xylene	53,427	0	0	769	769	51,616	0	51,616	1,042
412	Manganese and its compounds	36,031	25,497	0	9,308	9,308	1,225	0	1,225	0
53	Ethylbenzene	31,180	0	0	458	458	30,714	0	30,714	8
448	Methylenebis (4,1-phenylene) = diisocyanate	28,214	28,120	0	94	94	0	0	0	0
300	Toluene	13,962	0	0	187	187	13,698	0	13,698	77
71	Ferric chloride	11,757	0	0	0	0	0	0	0	11,757
296	1,2,4-trimethylbenzene	9,918	0	0	128	128	8,395	0	8,395	1,395
1	Water-soluble zinc compounds	7,922	6,210	20	1,523	1,543	0	169	169	0
297	1,3,5-trimethylbenzene	3,587	0	0	54	54	3,533	0	3,533	1
304	Lead	1,328	785	0	543	543	0	0	0	0
134	Vinyl acetate	1,048	0	0	16	16	1,032	0	1,032	0
	37 other substances	4,715	1,890	0	1,163	1,163	896	0	896	766
	Grand total	203,089	62,501	21	14,243	14,264	111,110	169	111,279	15,045

Related page P186-188 CSR Procurement Guidelines

Materials and Data Section (Environment)

Flow of Materials Imparting Environmental Load and Environmental Accounting

Flow of materials imparting environmental load



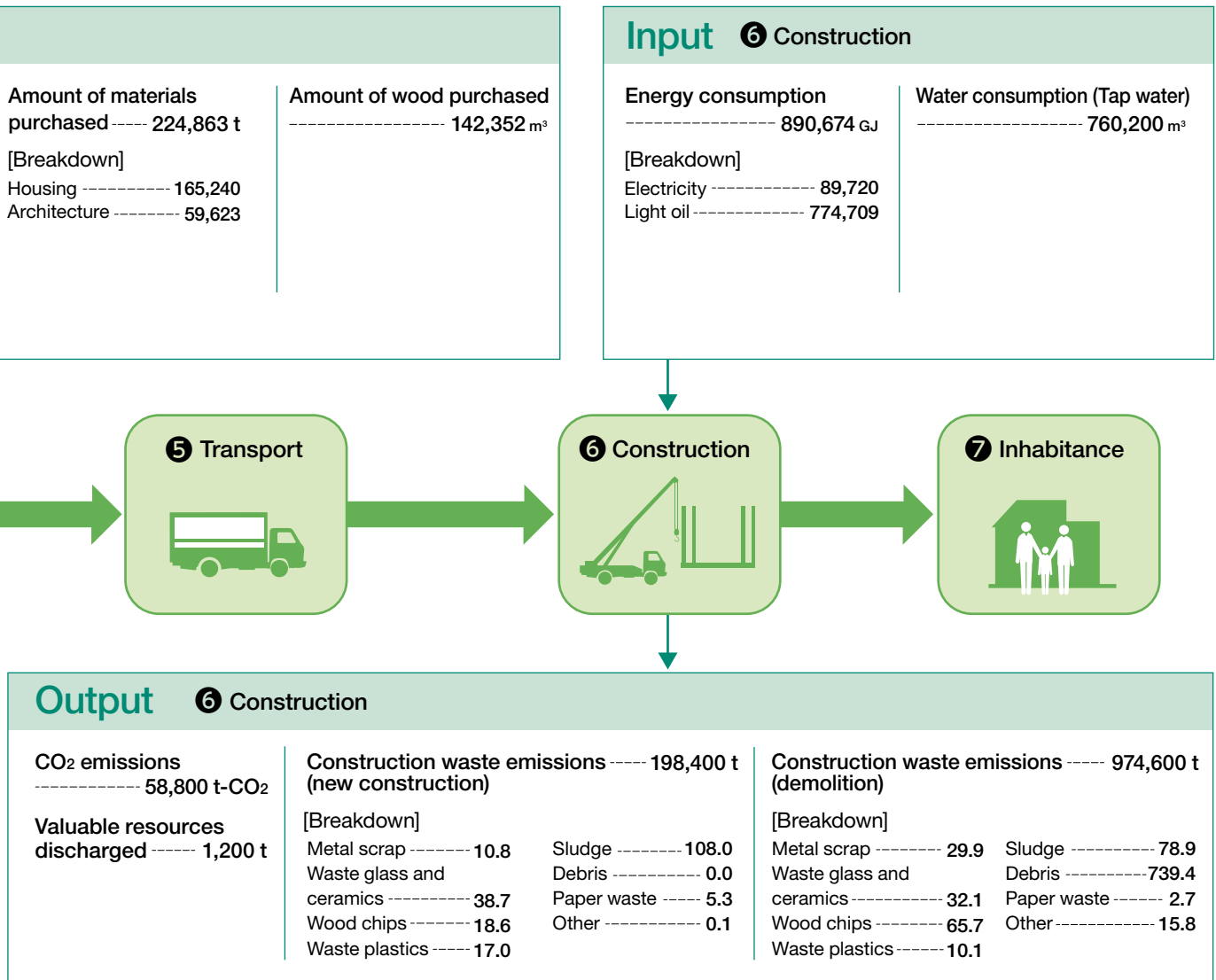
Environmental accounting

① Environmental preservation costs

Item	Major content	FY 2014	FY 2015	FY 2016	FY 2017
		Amount invested (thousands of yen)	Amount invested (thousands of yen)	Amount invested (thousands of yen)	Amount invested (thousands of yen)
Cost within business area	Cost of measures to control pollution related to air, water, and noise	3,089	18,895	5,637	7,623
	Cost of prevention of global warming (energy efficiency)	75,754	50,478	65,548	237,228
	Cost of waste reduction measures	654	2,088	0	0
	Cost of reducing water consumption	508	2,029	5,124	2,450
Upstream/downstream costs	Green purchasing fees, cost of purchasing returnable boxes	6,644	2,019	5,397	7,212
Administrative costs	Environmental education costs, EMS maintenance expenses, etc.	502	455	624	653
	Total	87,151	75,964	82,330	255,165

② Environmental preservation effect

Effect		Item	Unit	FY 2014	FY 2015	FY 2016	FY 2017
Business area	Effect on input resources	Energy consumption, crude oil equivalent (production system)	GJ	521,614	552,770	563,228	552,654
		Energy consumption, crude oil equivalent (distribution system)	GJ	619,095	628,155	656,001	620,421
Business area	Effect on environmental load and waste	Waste generated	t	11,047	11,712	13,333	13,008
		CO ₂ emissions (production systems)	t-CO ₂	25,016	26,180	26,418	25,888
		CO ₂ emissions (distribution system)	t-CO ₂	42,453	43,074	44,983	42,544
		Water resource consumption	m ³	356,730	330,447	292,074	289,956



3 Economic effects of environmental preservation

Unit: 1,000 yen

Item		FY 2014	FY 2015	FY 2016	FY 2017
Revenue	Sales of valuable resources*	42,715	1,106	1,696	39,552
	Cost savings from energy-efficiency efforts	16,957	16,774	11,025	83,606
Cost savings	Cost savings from waste-reduction efforts	50,739	27,830	22,715	6,907
	Cost savings from water resource reduction efforts	—	—	—	16,066
Total		110,411	45,710	35,436	106,579

* Revenue obtained from effects of environmental conservation implemented during the fiscal year

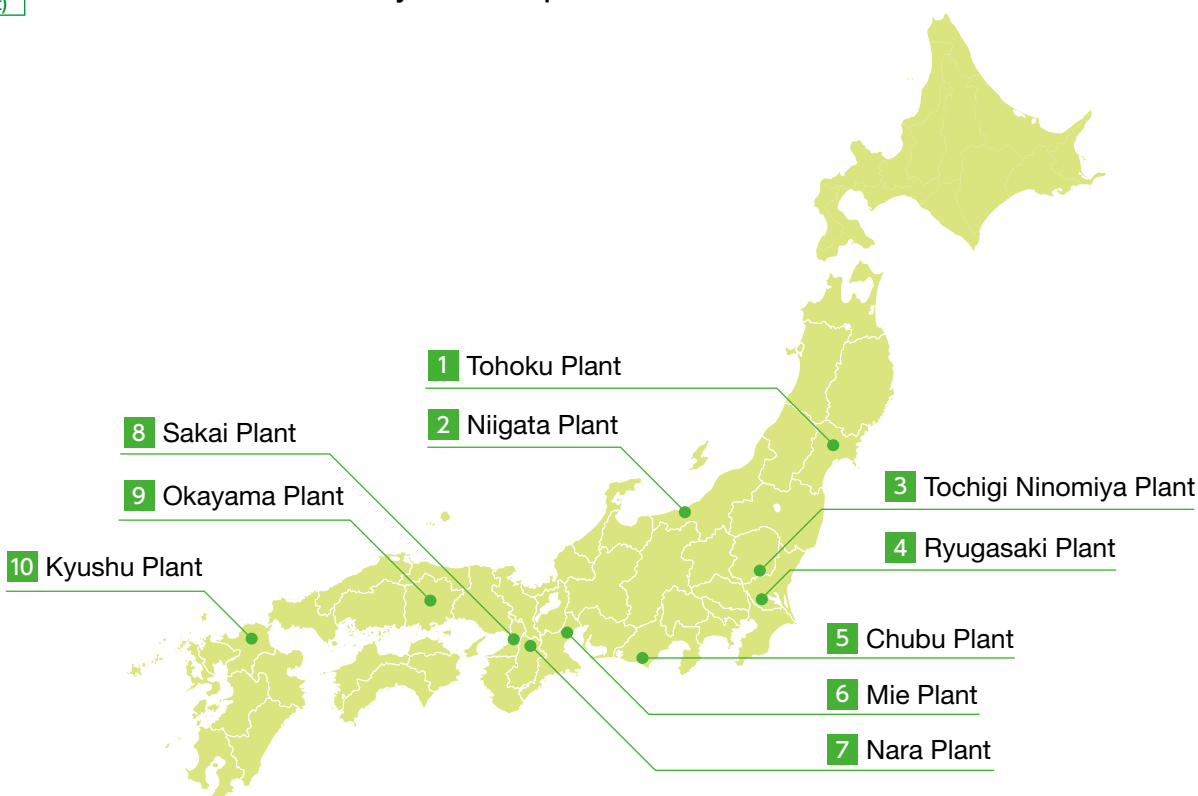
Calculation method and scope of coverage of environmental data

Flow of materials imparting environmental load

- ◇ **Report period:** April 1, 2017 to March 31, 2018
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:**
 - ① Research and development: All offices (head office, affiliates, branch offices and sales offices), research labs, training centers and exhibition halls
 - ② Sales and design: All company vehicles and privately owned permitted vehicles
 - ④ Manufacturing: All production sites
 - ⑥ Construction (energy & water): Construction sites of housing/buildings (new construction)
 - Construction (construction waste): Construction sites of housing/buildings (new construction/demolition)
- ◇ **Calculation criteria:** Regarding "Calculation and Reporting of Environmental Data" on p. 190, and up to "Calculation method of environmental data" in the previous section, the target management value excluded from the Endless Green Program 2018 is included.

Environmental accounting

- ◇ **Report period:** April 1, 2017 to March 31, 2018
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:** 10 plants in total
- ◇ **Referential guidelines:** "Environmental Accounting Guidelines 2005 Edition" by the Ministry of the Environment



1 Tohoku Plant

About the plant

Address..... 133 Ebisawa, Furukawa-Kono, Miyagi Prefecture
 Employees..... Daiwa House Industry: 35
 Business partners: 304
 Business content Production of housing and construction materials, and transport of component materials to building sites.
 Main products Steel frame materials, exterior wall panels, and wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions*1	t-CO ₂	2,731	0.17	2,918	0.16	2,516	0.17
Water consumption*1	m ³	26,721	1.71	19,955	1.12	17,582	1.21
Waste emissions*1	t	656	0.04	795	0.045	615	0.04
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	1,825	0.13	2,662	0.16	2,246	0.17
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	2,766	0.33	1,204	0.17	1,981	0.25
VOC emissions (residential)*1	kg	15,577	1.11	17,295	1.07	15,577	1.18
VOC emissions (buildings)*2	kg	12,338	1.49	7,524	1.09	9,557	1.23

*1 Basic unit (million yen) *2 Basic unit (/t)

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	—	20	0.8	1.5	4
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	100	—	20	5.5	9.5	4
Floating substance	mg/L	Final discharge port	200	—	100	7.0	22.0	4
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	1.0	1.0	4
Zinc content	mg/L	Final discharge port	2	—	2	0.2	0.2	4
Phosphorous content	mg/L	Final discharge port	16	—	—	0.5	1.6	4
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.0	1.5	4

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
SO _x (Sulphur oxide)	m ³ (N)/h	Boiler No. 1	1.12	—	—	0.030	0.030	1
NO _x (Nitrogen oxide)	ppm	Boiler No. 1	260	—	—	60.000	60	1
Particulate matter	g/m ³ (N)	Boiler No. 1	0.3	—	—	0.008	0.008	1
SO _x (Sulphur oxide)	m ³ (N)/h	Boiler No. 2	1.12	—	—	0.032	0.032	1
NO _x (Nitrogen oxide)	ppm	Boiler No. 2	260	—	—	56.000	56	1
Particulate matter	g/m ³ (N)	Boiler No. 2	0.3	—	—	0.006	0.006	1
NO _x (Nitrogen oxide)	ppm	Drying oven	230	—	—	22.000	22	1
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.004	0.004	1

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	55	—	—	51	51	1
		Evening	South side	50	—	—	47	47	1
		Nighttime	South side	45	—	—	42	42	1
Vibration	dB	Daytime	South side	60	—	—	23	23	1
		Nighttime	South side	55	—	—	13	13	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

2 Niigata Plant

About the plant

Address.....230 Nomihama, Kakizaki-ku, Joetsu City,
Niigata Prefecture
Employees.....Daiwa House Industry: 27
Business partners: 243
Business content....Production of housing materials and transport
of component material to building sites
Main products.....Steel frame materials, exterior wall panels, and
wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	1,910	0.12	1,942	0.12	1,630	0.12
Water consumption	m ³	19,654	1.26	18,507	1.15	15,613	1.13
Waste emissions	t	671	0.04	711	0.044	603	0.04
Release and transfer of PRTR-listed hazardous substances	kg	5,960	0.38	5,799	0.36	5,330	0.38
VOC emissions	kg	18,687	1.20	27,329	1.70	22,588	1.63

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	12.6	20	2.3	3.9	12
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	—	14.9	20	7.1	9.5	12
Floating substance	mg/L	Final discharge port	150	58	100	4.3	16.0	12
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	2.0	2.0	2
Zinc content	mg/L	Final discharge port	2	1.1	5	0.2	0.3	12
Phosphorous content	mg/L	Final discharge port	8	—	—	1.6	2.5	2
Fluorine and its compounds	mg/L	Final discharge port	8	6.6	—	2.6	4.3	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	9.000	9	2
Particulate matter	g/Nm ³	Drying oven	0.01	—	—	0.010	0.0	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	70	—	—	54	54	1
		Evening	South side	65	—	—	48	48	1
Vibration	dB	Daytime	South side	65	—	—	40	40	1
		Nighttime	South side	60	—	—	30	30	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

3 Tochigi Ninomiya Plant

About the plant

Address.....2310 Naganuma, Mooka City,
Tochigi Prefecture
Employees.....Daiwa House Industry: 78
Business partners: 662
Business content....Production of housing and construction
materials, and transport of component
materials to building sites.
Main products.....Steel frame materials, exterior wall panels,
and wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions* ¹	t-CO ₂	4,709	0.122	4,897	0.12	4,999	0.13
Water consumption* ¹	m ³	76,713	1.995	77,485	1.98	78,591	2.09
Waste emissions* ¹	t	2,459	0.064	2,896	0.074	2,615	0.07
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	3,203	0.11	4,498	0.14	5,567	0.19
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	10,875	0.30	10,176	0.35	8,118	0.25
VOC emissions (residential)* ¹	kg	18,298	0.62	24,266	0.76	30,220	1.01
VOC emissions (buildings)* ²	kg	34,501	0.95	35,595	1.23	29,478	0.92

*¹ Basic unit (/million yen) *² Basic unit (/t)

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	25	—	2.6	2.6	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	160	25	—	5.6	7.4	2
Floating substance	mg/L	Final discharge port	200	50	—	2.6	3.6	2
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	0.0	0.0	2
Zinc content	mg/L	Final discharge port	2	—	—	0.2	0.3	2
Phosphorous content	mg/L	Final discharge port	16	2	—	0.4	0.5	2
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	0.0	0.0	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	65	—	—	49	49	1
		Evening	East side	60	—	—	56	56	1
		Nighttime	East side	50	—	—	46	46	1
Vibration	dB	Daytime	East side	65	—	—	30	30	1
		Nighttime	East side	60	—	—	30	30	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

4 Ryugasaki Plant

About the plant

Address 393-1 Itabashimachi, Ryugasaki City
 Employees Daiwa House Industry: 62
 Business partners: 588
 Business content Production of housing materials and transport of component material to building sites
 Main products Steel frame materials, exterior wall panels, and wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	4,377	0.14	4,229	0.12	4,050	0.13
Water consumption	m ³	51,495	1.63	29,299	0.82	26,485	0.84
Waste emissions	t	2,525	0.08	3,266	0.092	3,002	0.10
Release and transfer of PRTR-listed hazardous substances	kg	9,033	0.29	8,005	0.23	6,630	0.21
VOC emissions	kg	33,522	1.06	37,465	1.05	30,369	0.96

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Hydrogen ion indicator	pH	Final sewage discharge port	Between 5.8 and 8.6			7.7	7.8	2
Biochemical Oxygen Demand (BOD)	mg/L	Final sewage discharge port	600	600	—	127.0	210.0	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final sewage discharge port	—	—	—	115.0	180.0	2
Floating substance	mg/L	Final sewage discharge port	600	600	—	205.5	330.0	2
Normal-hexane extraction (mineral oil)	mg/L	Final sewage discharge port	5	5	—	2.4	3.8	3
Normal-hexane extraction amount (animal and plant oil)	mg/L	Final sewage discharge port	30	30	—	13.5	26.0	3
Phenol content	mg/L	Final sewage discharge port	5	5	—	0.0	0.0	4
Zinc content	mg/L	Final sewage discharge port	2	2	—	0.4	0.5	2
Soluble iron content	mg/L	Final sewage discharge port	10	10	—	0.1	0.1	2
Soluble manganese content	mg/L	Final sewage discharge port	10	10	—	0.0	0.0	2
Total nitrogen content	mg/L	Final sewage discharge port	—	240	—	35.0	42.0	2
Phosphorous content	mg/L	Final sewage discharge port	—	32	—	4.2	5.6	2
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final sewage discharge port	380	380	—	13.3	16.1	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Boiler No. 1	150	—	—	22,500	23	2
NOx (Nitrogen oxide)	ppm	Boiler No. 2	150	—	—	25,000	27	2
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	17,500	18	2
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.005	0.0	4

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	West side	65	—	—	46	46	1
		Evening	West side	60	—	—	47	47	1
		Nighttime	West side	50	—	—	36	36	1
Vibration	dB	Daytime	West side	70	—	—	25	25	2
		Nighttime	West side	60	—	—	25	25	2

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

5 Chubu Plant

About the plant

Address 841 Kunimoto, Fukuroi City, Shizuoka Prefecture
 Employees Daiwa House Industry: 40
 Business partners: 161
 Business content Production and supply of steel frames for general buildings and pre-engineered building materials
 Main products Construction: steel frames for general buildings
 Pre-engineered buildings: steel frames, and external panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	644	0.19	663	0.19	672	0.15
Water consumption	m ³	3,671	1.06	3,620	1.05	3,284	0.75
Waste emissions	t	93	0.03	89	0.026	94	0.02
Release and transfer of PRTR-listed hazardous substances	kg	5,638	0.44	6,832	0.51	6,885	0.48
VOC emissions	kg	20,306	1.59	32,773	2.44	34,056	2.36

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Septic tanks	0	20	0	0.5	0.5	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.								

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	55	—	—	54	54	1
		Daytime	South side	55	—	—	54	54	1
Vibration	There are no applicable facilities.								

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

6 Mie Plant

Environmental performance data

About the plant

Address 3997-1 Takenari, Komono-cho, Mie-gun, Mie Prefecture
 Employees Daiwa House Industry: 50
 Business partners: 531
 Business content Production of housing materials
 Main products Single-family and rental housing materials

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	3,126	0.10	3,227	0.10	3,299	0.12
Water consumption	m ³	28,259	0.94	32,682	1.06	30,985	1.10
Waste emissions	t	1,469	0.05	1,605	0.052	1,641	0.06
Release and transfer of PRTR-listed hazardous substances	kg	4,024	0.13	4,059	0.13	4,263	0.15
VOC emissions	kg	25,726	0.86	28,755	0.93	29,323	1.04

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	—	—	1.7	3.0	6
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	—	—	2.5	3.0	6
Floating substance	mg/L	Final discharge port	150	—	—	2.3	5.0	7
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	1.0	1.0	12
Zinc content	mg/L	Final discharge port	2	—	—	0.0	0.1	6
Phosphorous content	mg/L	Final discharge port	8	—	—	0.6	1.1	6
Boron and its compounds	mg/L	Final discharge port	10	—	—	0.0	0.0	8
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	2.7	3.8	6

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.								

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.									

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

7 Nara Plant

Environmental performance data

About the plant

Address 4-2-2 Saikujicho, Nara City, Nara Prefecture
 Employees Daiwa House Industry: 63
 Business partners: 450
 Business content Production of housing materials and transport of component materials to building sites
 (From October 2017, production of housing materials and transport of component materials to building sites in place of the Sakai Plant)
 Main products Steel frame materials, exterior wall panels, and wooden panels

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions*1	t-CO ₂	3,091	0.12	2,931	0.10	3,327	0.11
Water consumption*1	m ³	49,717	1.92	25,986	0.93	30,732	1.06
Waste emissions*1	t	1,222	0.05	1,154	0.041	1,447	0.05
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	9,139	0.35	9,369	0.33	9,072	0.33
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	—	—	—	—	978	0.11
VOC emissions (residential)*1	kg	61,662	2.38	65,535	2.34	59,999	2.26
VOC emissions (buildings)*2	kg	—	—	—	—	6,602	0.75

*1 Basic unit (/million yen) *2 Basic unit (/t)

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final sewage discharge port	600	600	—	85.5	160.0	2
Floating substance	mg/L	Final sewage discharge port	600	600	—	24.3	44.0	2
Total nitrogen content	mg/L	Final sewage discharge port	240	240	—	75.5	120.0	2
Phosphorous content	mg/L	Final sewage discharge port	32	32	—	3.2	5.6	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	12.0	13	2
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.001	0.001	2
SOx (Sulphur oxide)	m ³ (N)/h	Generator	17.5	—	—	5.0	5	2
NOx (Nitrogen oxide)	ppm	Generator	950	—	—	205.0	240	2
Particulate matter	g/m ³ (N)	Generator	0.1	—	—	0.011	0.011	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	70	—	—	64	64	1
			South side	65	—	—	59	59	1
	dB	Evening	South side	70	—	—	67	67	1
			North side	65	—	—	52	52	1
	dB	Daytime	North side	70	—	—	52	52	1
			North side	65	—	—	44	44	1
Vibration	dB	Daytime	East side	65	—	—	37	37	1
			East side	60	—	—	30	30	1
	dB	Daytime	South side	65	—	—	34	34	1
			South side	60	—	—	30	30	1
	dB	Nighttime	South side	60	—	—	30	30	1
			North side	65	—	—	30	30	1
dB	Nighttime	North side	60	—	—	30	30	1	

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

8 Sakai Plant (moved to the Nara Plant in October 2017)

About the plant

Address..... 7 Ohama Nishimachi, Sakai-ku, Sakai City, Osaka Prefecture
 Employees..... Daiwa House Industry: 27
 Business partners: 132
 Business content.... Production and transport of steel frame materials for general buildings
 Main products Steel frame materials

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	619	0.16	638	0.17	294	0.23
Water consumption	m ³	4,146	1.06	4,215	1.13	2,179	1.72
Waste emissions	t	46	0.01	43	0.012	29	0.02
Release and transfer of PRTR-listed hazardous substances	kg	1,549	1.10	1,470	0.09	969	0.13
VOC emissions	kg	24,393	1.57	19,559	1.24	10,285	1.42

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Septic tanks	30	0	30	2.0	2.0	1

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.								

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Noise	dB	Daytime	West side	70	—	—	61	61	1
		Evening	West side	65	—	—	57	57	1
Vibration	There are no applicable facilities.								

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

9 Okayama Plant

About the plant

Address..... 2056 Taga, Akaiwa City, Okayama Prefecture
 Employees..... Daiwa House Industry: 4
 Business partners: 278
 Business content.... Production of housing materials and transport of component materials to building sites
 Main products Steel frame materials, exterior wall panels, and wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	2,450	0.16	2,455	0.15	2,621	0.16
Water consumption	m ³	24,443	1.62	30,900	1.87	39,370	2.47
Waste emissions	t	1,373	0.09	1,399	0.085	1,322	0.08
Release and transfer of PRTR-listed hazardous substances	kg	3,640	0.24	3,779	0.23	3,570	0.22
VOC emissions	kg	45,877	1.44	47,702	1.36	21,545	1.35

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.7	7.8	12
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	20	—	1.3	1.3	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	20	16	2.4	5.8	12
Floating substance	mg/L	Final discharge port	150	40	20	1.7	4.0	12
Zinc content	mg/L	Final discharge port	2	—	—	0.1	0.1	2
Soluble iron content	mg/L	Final discharge port	10	—	—	0.01	0.01	2
Soluble manganese content	mg/L	Final discharge port	10	—	—	0.02	0.02	2
Number of coliform bacilli	counts/cm ³	Final discharge port	3000	—	—	0.0	0.0	2
Total nitrogen content	mg/L	Final discharge port	60	60	30	2.2	6.9	12
Phosphorous content	mg/L	Final discharge port	8	8	2	0.3	0.7	12
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	3.5	4.2	2
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	1.8	3.1	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.								

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)
There are no applicable facilities.									

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

10 Kyushu Plant

About the plant

Address 448-8 Ninobu, Kurate-machi, Kurate-gun,
Fukuoka Prefecture
Employees Daiwa House Industry: 59
Business partners: 301
Business content Production of housing and construction
materials, and transport of component
materials to building sites.
Main products Steel frame materials, exterior wall panels,
and wooden panels

Environmental performance data

	Unit	FY 2015		FY 2016		FY 2017	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions* ¹	t-CO ₂	2,521	0.11	2,519	0.10	2,479	0.10
Water consumption* ¹	m ³	45,628	2.03	49,425	2.02	45,135	1.84
Waste emissions* ¹	t	1,175	0.05	1,373	0.06	1,430	0.06
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	3,512	0.17	4,032	0.18	3,775	0.18
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	9,935	1.32	3,211	0.41	3,582	0.42
VOC emissions (residential)* ¹	kg	25,614	1.22	30,801	1.37	25,380	1.20
VOC emissions (buildings)* ²	kg	36,348	4.82	16,800	2.17	16,671	1.97

*1 Basic unit (/million yen) *2 Basic unit (/t)

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements			
			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)	
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.6	7.8	6	
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	90	—	1.2	3.4	6	
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	90	—	4.4	5.5	6	
Floating substance	mg/L	Final discharge port	150	120	—	4.5	6.0	6	
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	1.0	1.0	6	
Zinc content	mg/L	Final discharge port	2	—	—	0.1	0.1	6	
Soluble iron content	mg/L	Final discharge port	10	—	—	0.5	0.5	6	
Soluble manganese content	mg/L	Final discharge port	10	—	—	0.5	0.5	6	
Number of coliform bacilli	counts/cm ²	Final discharge port	3000	—	—	14.9	70.0	6	
Total nitrogen content	mg/L	Final discharge port	60	—	—	14.9	22.3	6	
Phosphorous content	mg/L	Final discharge port	8	—	—	0.6	0.9	6	
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	2.0	2.0	6	
Ammonia, ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	12.2	15.0	6	
<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements			
There are no applicable facilities.			Laws/ordinances	Bylaws	Accords/agreements	FY 2017 average value	FY 2017 max. value	Frequency (times/year)	
<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
Noise	dB	Daytime	South side	60	—	—	44	44	1
		Evening	South side	50	—	—	47	47	1
Vibration	dB	Daytime	South side	60	—	—	25	25	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2017, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2017, we received no orders for disposal or improvements from administrative organs.

Third-Party Assurance Report

Managerial Philosophy
and Overall Picture

Customers

Employees

Business Partners


Local Communities

Shareholders

Environment

Foundation of
CSR Management

Data Section

This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2018. The accuracy of the data regarding carbon dioxide (CO₂) contained in that report was certified by third parties and an accompanying check mark  indicates all data subject to such certification. (See page 219 of the Japanese-language edition of the Sustainability Report 2018 for a third-party assurance report.)

Third-Party Opinions (About the content of this report and ESG policies)



Hidemi Tomita

Executive Director
Lloyd's Register Japan KK

Served as the CSR Administrator at Sony Corp. for about 10 years from the CSR Department's inception. Went to work for Lloyd's Register in quality assurance where becoming an Executive Director at Lloyd's Register Japan in 2016. Has been a part of establishing many standards in Japan and abroad, including ISO 26000, GRI Standards and the Sustainable Sourcing Code for the Tokyo 2020 Olympic and Paralympic Games.

I have laid out here my opinions on a few things I think are particularly important. I hope that these views of mine will serve as reference for future policies and information disclosures, and lead to activities implemented on a higher level.

■ Integrating sustainability into the management process

As was echoed by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), governance-level business decisions are strongly needed for medium- to long-term sustainability issues. On that point, it makes perfectly good sense that Daiwa House Industry has begun discussing control strategies for ESG and SDGs within its Corporate Governance Committee and has committed itself to advanced initiatives like EP100 and RE100. I would like to see that urgent sustainability issues, including the diverse risks associated with climate change that the TCFD has suggested, advancing legislation in the West and the "human rights risks to business" that are being increasingly incorporated into action plans everywhere but in Japan as well, would be periodically discussed on the Board-of-Directors level and information on that proactively disclosed.

■ Correlations between sustainability and business

Daiwa House Industry can and should be highly applauded for how they use target management based on their Medium-Term CSR Plan and CSR Self-Assessment Index to systematically manage progress across the Group under their long-term visions and go to great lengths to disclose their state of progress in detail. Nevertheless, with the scale of their business having rapidly grown in recent years and their sales target set at 10 trillion yen, each of the Daiwa House Group's three business domains – Housing, Business and Life – can already be considered the size of a big corporation in its own right. Therefore, in addition to the direction of the entire group, in their next Medium-Term CSR Plan, I would like to see them further highlight the independence of their business segments by

analyzing materiality and setting targets based on the nature of business in each segment and linking that to performance assessments, and then position that data in terms of the source of their competitive strength in each segment.

Moreover, Daiwa House Industry has to a very successful degree disclosed their contributions to society and the environment (outcomes), but, within the value creation process, I believe that they could send an even more convincing message if they would clarify the correlations between these outcomes and their contributions to SDGs.

■ CSR procurement

The Daiwa House Group is already practicing CSR procurement based on established CSR Procurement Guidelines and wood procurement assessment standards. Still, it is not clear just from the disclosed information whether they did their due diligence with regards to verifying actual conditions on the ground and procuring wood from high-risk areas. With the Tokyo 2020 Olympic and Paralympic Games in the offing, things like labor conditions and procured wood used at construction sites of related venues are being watched with a careful eye both within Japan and from abroad. Being a partner to the games, more is expected of Daiwa House Industry in terms of efforts and information disclosure.

■ Community measures

From the many examples of community engagement introduced, one gets the impression that CSR principles continue to be steadfastly practiced even at the frontline of business. However, they are presented as individual examples taken by different sites and do not indicate the direction taken by the Daiwa House Group. I would like to see the Daiwa House Group establish principles and policies on implementing community engagement on at least the business segment level if not the group level, coordinate their bearings with regards thereto and share throughout the Group their successes and failures they have with that.

■ This report

In various ways including how each of the sections opens with a message from the executive officer in charge, this report gives the impression that CSR is a Groupwide commitment. Moreover, the value-creation stories and purposes of publication that were newly added this year provide vital information for understanding the content and positioning of the report. Moreover, they successfully organized, in my eyes, the massive amount of information by a three-section format to explain issues and policies plus a separate section of just data. Sadly, however, because there is so much information, it is by no means easy for readers who have only a limited amount of time to get an idea of what Daiwa House Industry is doing with CSR. I think the report would be more user-friendly if they – for example – presented the important issues and KPIs of each topic more symbolically.

Our Response to Third-Party Opinion

We greatly value and appreciate the opinions that Mr. Hidemi Tomita expressed about this report and the ESG policies and practices of our Group.

We have embarked on the third year of our Medium-Term CSR Plan that started in FY 2016. Though the environment, human rights and other ESG issues are being increasingly discussed by our Board of Directors, we will promote those discussions more periodically through the concerned committees going forward. Moreover, we recognize that CSR procurement and community engagement are themes of particularly high interest amongst the general public. We already have guidelines in place for both themes, but we will continue to develop these efforts across the Group and business segments, and strive to make related information disclosures easier to understand.

We also recognize that clarifying the correlations between sustainability and business, and reflecting that in business policies and plans are matters that concern the entire Group. Therefore, we will define the important ESG issues in terms of social expectations and sources of competitive strengths and incorporate them into medium-term plans. Moreover, with SDGs, something understood the world-over, we will heighten our awareness of the underlying social issues and improve how we explain our practices and businesses in order to better communicate with stakeholders.



Tamio Ishibashi

Executive Vice President
Head of CSR

GRI Standards Cross-Reference Table

GRI 102: General Disclosures 2016

1. Organizational profile

Click on the page number in the page column to jump to the page containing the respective content.

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-1 Name of the organization	a. Name of the organization.	Sustainability Report 2018 / Summary of the Daiwa House Group (P175)
102-2 Activities, brands, products, and services	a. A description of the organization's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	Sustainability Report 2018 / The Group's Origins and Vision of Sustainable Growth (P13-20) Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Business operations (URL) (Japanese text only) https://www.daiwahouse.com/ir/shouken/pdf/79yuuhou.pdf
102-3 Location of headquarters	a. Location of the organization's headquarters.	Sustainability Report 2018 / Summary of the Daiwa House Group (P175)
102-4 Location of operations	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Sustainability Report 2018 / Major Group Companies (P177)
102-5 Ownership and legal form	a. Nature of ownership and legal form.	Sustainability Report 2018 / Major Group Companies (P177)
102-6 Markets served	a. Markets served, including: i. geographic locations where products and services are offered; ii. sectors served; iii. types of customers and beneficiaries.	Sustainability Report 2018 / Major Group Companies (P177) Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Business operations
102-7 Scale of the organization	a. Scale of the organization, including: i. total number of employees; ii. total number of operations; iii. net sales (for private sector organizations) or net revenues (for public sector organizations); iv. total capitalization (for private sector organizations) broken down in terms of debt and equity; v. quantity of products or services provided.	Sustainability Report 2018 / Summary of the Daiwa House Group (P175) Sustainability Report 2018 / Highlight of Financial Results and Consolidated Financial Indicators (P178) Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Consolidated financial statements
102-8 Information on employees and other workers	a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59)
102-9 Supply chain	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Commitment from the Executive Officer in Charge (P61-64) Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P67) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Supply Chain Management in Our Entire Business (Environment) (P115-116)
102-10 Significant changes to the organization and its supply chain	a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	<Reasons / explanations for omission> Not applicable: No significant changes.
102-11 Precautionary Principle or approach	a. Whether and how the organization applies the Precautionary Principle or approach.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P35-37) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P137, 140) Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P158-159,163)
102-12 External initiatives	a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Sustainability Report 2018 / Editorial Policy (P3) Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P55) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P120, 123) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P151, 156) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Society) / Cooperation with Industry Organizations (P171) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Environment) / Cooperation with Government Agencies, External Organizations, etc. (P173)
102-13 Membership of associations	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P120, 123) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P156-157) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Society) / Cooperation with Industry Organizations (P171) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Environment) / Cooperation with Government Agencies, External Organizations, etc. (P173)

2. Strategy

Click on the page number in the page column to jump to the page containing the respective content.

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-14 Statement from senior decision-maker	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Sustainability Report 2018 / Message from the Chairman (CEO) (P5-8) Sustainability Report 2018 / Message from the President (COO) (P9-12) Integrated Report 2017 / Message from the CEO (P7-8)
102-15 Key impacts, risks, and opportunities	a. A description of key impacts, risks, and opportunities.	Integrated Report 2017 / Risks and opportunities due to changes in the operating environment (P29-30) Sustainability Report 2018 / The Group's Origins and Vision of Sustainable Growth (P19-24) Sustainability Report 2018 / Framework for Management Implementation (P25-29) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Explanation about focal themes (P117-118, 125-126, 131-132, 137-138) * For impacts, risks and opportunities to stakeholders, see commitment from individual executive officers in charge in Sustainability Report 2018 (P33, 47, 63, 75, 95, 105-107, 145)

3. Ethics and integrity

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-16 Values, principles, standards, and norms of behavior	a. A description of the organization's values, principles, standards, and norms of behavior.	Sustainability Report 2018 / Sustainable Growth Based on Our Founder's Spirit / Origins of the Daiwa House Group (P1-2) Sustainability Report 2018 / Sustainable Growth Based on Our Founder's Spirit / Message from the Chairman (CEO) (P5-8) Sustainability Report 2018 / Foundation of CSR Management / Corporate Ethics / Compliance (P163-165) Sustainability Report 2018 / Foundation of CSR Management / Anti-corruption / Fair Trade (P165-167) Principles of Corporate Ethics / Conducts (URL) https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html
102-17 Mechanisms for advice and concerns about ethics	a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behavior, and organizational integrity; ii. reporting concerns about unethical or unlawful behavior, and organizational integrity.	Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P158-161) Sustainability Report 2018 / Foundation of CSR Management / Corporate Ethics / Compliance (P163-165)

4. Governance

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-18 Governance structure	a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Basic Policy and Guidelines regarding Corporate Governance / Guidelines (URL) https://www.daiwahouse.com/English/ir/governance/
102-19 Delegating authority	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Environmental Management (P113) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170)
102-20 Executive-level responsibility for economic, environmental, and social topics	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics. b. Whether post holders report directly to the highest governance body.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P113) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170)
102-21 Consulting stakeholders on economic, environmental, and social topics	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P113) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170)
102-22 Composition of the highest governance body and its committees	a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental, and social topics; viii. stakeholder representation.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Integrated Report 2017 / Corporate governance system (P69-72) Corporate governance report / Organizational structure and matters concerning organizational management Corporate governance report / Status of efforts related to respect for stakeholders' positions * Corporate governance report (URL) (Japanese text only) https://www.daiwahouse.com/ir/governance/pdf/governance_report.pdf
102-23 Chair of the highest governance body	a. Whether the chair of the highest governance body is also an executive officer in the organization. b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147) Integrated Report 2017 / Corporate governance system (P69-72)
102-24 Nominating and selecting the highest governance body	a. Nomination and selection processes for the highest governance body and its committees. b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. expertise and experience relating to economic, environmental, and social topics are considered.	Information Disclosure in accordance to the Corporate Governance Code, Corporate governance report / Nomination policy and procedures Information Disclosure in accordance to the Corporate Governance Code, Corporate Governance report / Approach to Board of Directors' overall balance, diversity and scale * Information Disclosure in accordance to the Corporate Governance Code (URL) (Japanese text only) https://www.daiwahouse.com/ir/governance/pdf/governance_kajiji.pdf

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-25 Conflicts of interest	a. Processes for the highest governance body to ensure conflicts of interest are avoided b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.	Corporate governance report / Items related to organizational structure and organizational management Information Disclosure in accordance to the Corporate Governance Code / Status of concurrently held director and auditor positions Information Disclosure in accordance to the Corporate Governance Code, Corporate governance report / So-called strategically held shares Corporate governance report / Major stockholders
102-26 Role of highest governance body in setting purpose, values, and strategy	a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170) Corporate governance report / Matters related to functions such as business execution, auditing and supervision, nominations, remuneration decisions, etc. Corporate governance report / Reasons for selecting the current corporate governance system
102-27 Collective knowledge of highest governance body	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	Corporate governance report / Matters related to business execution, auditing and supervision, nominations, remuneration decisions, etc. (summary of current corporate governance system) Corporate governance report / Policy on training directors and auditors
102-28 Evaluating the highest governance body's performance	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	Corporate governance report / Summary of Board of Directors' evaluation results
102-29 Identifying and managing economic, environmental, and social impacts	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P113) Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P158-163) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170) Corporate governance report / Basic approach regarding internal control system and status of system
102-30 Effectiveness of risk management processes	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P158-163) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170) Corporate governance report / Basic approach regarding internal control system and status of system Corporate governance report / Summary of Board of Directors' evaluation results
102-31 Review of economic, environmental, and social topics	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	Sustainability Report 2018 / Foundation of CSR Management / Corporate Governance (P147-150) Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P158-163)
102-32 Highest governance body's role in sustainability reporting	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	Reported to the CEO and all representative directors.
102-33 Communicating critical concerns	a. Process for communicating critical concerns to the highest governance body.	Corporate governance report / Matters related to functions such as business execution, auditing and supervision, nominations, remuneration decisions, etc. Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P159-161)
102-34 Nature and total number of critical concerns	a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.	Sustainability Report 2018 / Foundation of CSR Management / Risk Management (P160)
102-35 Remuneration policies	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.	Corporate governance report / Board of Directors' policy and procedures that apply to decisions on remuneration for executives and directors Corporate governance report / Incentives Corporate governance report / Director remunerations
102-36 Process for determining remuneration	a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization.	Corporate governance report / Board of Directors' policy and procedures that apply to decisions on remuneration for executives and directors * No remuneration consultant participated
102-37 Stakeholders' involvement in remuneration	a. How stakeholders' views are sought and taken into account regarding remuneration. b. If applicable, the results of votes on remuneration policies and proposals.	Corporate governance report / Incentives Corporate governance report / Director remunerations Notice of the 79th Ordinary General Meeting of Shareholders / Proposal 4: Payment of Bonuses for Directors and Audit & Supervisory Board Members (URL) https://www.daiwahouse.com/English/ir/stockholder/pdf/Notice_of_the_79th_Ordinary_General_Meeting_of_Shareholders.pdf

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-38 Annual total compensation ratio	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment. Employee salary and director compensation are disclosed below. Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Employee salary and director compensation
102-39 Percentage increase in annual total compensation ratio	a. Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment. Employee salary and director compensation are disclosed below. Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Employee salary and director compensation

5. Stakeholder engagement

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-40 List of stakeholder groups	a. A list of stakeholder groups engaged by the organization.	Co-creating a brighter future with our stakeholders: Communicating with our stakeholders (URL) (Japanese text only) https://www.daiwahouse.com/sustainable/csr/vision/stakeholders/index.html Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P155) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Society) / Cooperation with Industry Organizations (P171) Sustainability Report 2018 / Cooperating with External Organizations and Their Assessment (Environment) / Cooperation with Government Agencies, External Organizations, etc. (P173)
102-41 Collective bargaining agreements	a. Percentage of total employees covered by collective bargaining agreements.	<Reasons / explanations for omission> Not applicable: The company permits "freedom of association" as stipulated by law but there is no union.
102-42 Identifying and selecting stakeholders	a. The basis for identifying and selecting stakeholders with whom to engage	Co-creating a brighter future with our stakeholders: Communicating with our stakeholders (URL) (Japanese text only) https://www.daiwahouse.com/sustainable/csr/vision/stakeholders/index.html Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P81-82) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P153) Sustainability Report 2018 / Foundation of CSR Management / Cooperating with External Organizations and Their Assessment (P171, 173)
102-43 Approach to stakeholder engagement	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Co-creating a brighter future with our stakeholders: Communicating with our stakeholders (URL) (Japanese text only) https://www.daiwahouse.com/sustainable/csr/vision/stakeholders/index.html Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P77-79, 81-82) Sustainability Report 2018 / Co-creating a Brighter Future with Our Shareholders / Returning Benefits to Our Shareholders and Investor Relations (P97-100) Integrated Report 2017 / Management structure / Dialogue with shareholders and investors (P84) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P153-156) Sustainability Report 2018 / Foundation of CSR Management / Cooperating with External Organizations and Their Assessment (P171, 173)
102-44 Key topics and concerns raised	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	Stakeholders' meeting (URL) (Japanese text only) https://www.daiwahouse.com/sustainable/csr/stakeholder/ Sustainability Report 2018 / Co-creating a Brighter Future with Our Shareholders (P93-100) Sustainability Report 2018 / Commitment from the Executive Officer in Charge (P93-96) Sustainability Report 2018 /Co-creating a Brighter Future with Our Shareholders (P99-100) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P155-156) Integrated Report 2017 / Management structure / Dialogue with shareholders and investors (P84)

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6. Reporting practice

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)	
102-45	Entities included in the consolidated financial statements	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Sustainability Report 2018 / Editorial Policy (P3) Sustainability Report 2018 / Summary of the Daiwa House Group (P175) Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Status of associated companies
102-46	Defining report content and topic Boundaries	a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	Sustainability Report 2018 / Framework for Management Implementation (P25-29)
102-47	List of material topics	a. A list of the material topics identified in the process for defining report content.	Sustainability Report 2018 / Framework for Management Implementation (P25-29)
102-48	Restatements of information	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	<Reasons / explanations for omission> Not applicable: No revised information.
102-49	Changes in reporting	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	<Reasons / explanations for omission> Not applicable: No significant changes in Boundaries.
102-50	Reporting period	a. Reporting period for the information provided.	Sustainability Report 2018 / Editorial Policy (P3)
102-51	Date of most recent report	a. If applicable, the date of the most recent previous report.	Sustainability Report 2018 / Editorial Policy (P3)
102-52	Reporting cycle	a. Reporting cycle.	Sustainability Report 2018 / Editorial Policy (P3)
102-53	Contact point for questions regarding the report	a. The contact point for questions regarding the report or its contents.	Sustainability Report 2018 / Back cover
102-54	Claims of reporting in accordance with the GRI Standards	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option'; ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.	GRI Standards Cross-Reference Table [this table]
102-55	GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.	GRI Standards Cross-Reference Table [this table] This report has been prepared in accordance with the GRI Standards: Core option
102-56	External assurance	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report.	Sustainability Report 2018 / Third-Party Assurance Report (P219)

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GRI 103: Management Approach

Our group recognizes the following ten material issues in regard to GRI 103.

- ① Co-creating a Brighter Future with Our Customers
- ② Co-creating a Brighter Future with Our Employees
- ③ Co-creating a Brighter Future with Our Business Partners
- ④ Co-creating a Brighter Future with Local Communities
- ⑤ Co-creating a Brighter Future with Our Shareholders
- ⑥ Prevention of Global Warming (Energy / Climate Change)
- ⑦ Harmony with the Natural Environment (Preservation of Biodiversity)
- ⑧ Conservation of Natural Resources (Longer Durability / Waste Reduction / Water Resource Conservation)
- ⑨ Prevention of Chemical Pollution
- ⑩ Foundation of CSR Management

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
103-1 Explanation of the material topic and its Boundary	a. An explanation of why the topic is material. b. The Boundary for the material topic, which includes a description of: <ul style="list-style-type: none"> i. where the impacts occur; ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships. c. Any specific limitation regarding the topic Boundary.	Sustainability Report 2018 / Message from the Chairman (CEO) (P5-8) Sustainability Report 2018 / Message from the President (COO) (P9-12) Sustainability Report 2018 / The Story of Value Creation ④⑤⑥ (P19-24) Sustainability Report 2018 / Framework for Management Implementation (P25-29) Sustainability Report 2018 / Commitment from the Executive Officer in Charge: Customers (P31-34), Employees (P45-48), Business Partners (P61-64), Local Communities (P73-76), Shareholders (P93-96), The Environment (P105-107), Foundation of CSR Management (P143-146) Sustainability Report 2018 / The Environment: Long-Term Environmental Vision (P108-110), Prevention of Global Warming (P117), Harmony with the Natural Environment (P125), Conservation of Natural Resources (P131), Prevention of Chemical Pollution (P137)
103-2 The management approach and its components	a. An explanation of how the organization manages the topic. b. A statement of the purpose of the management approach. c. A description of the following, if the management approach includes that component: <ul style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives 	Sustainability Report 2018 / Framework for Management Implementation (P25-29) Sustainability Report 2018 / Commitment from the Executive Officer in Charge: Customers (P34), Employees (P48), Business Partners (P63-64), Local Communities (P75-76), Shareholders (P95-96), Foundation of CSR Management (P146) Sustainability Report 2018 / The Environment: Environmental Management (P113-114), Supply Chain Management in Our Entire Business (Environment) (P115-116), Action Plan for the Environment (Endless Green Program 2018) (P111-112), Long-Term Environmental Vision (P108-110), Prevention of Global Warming (P117-118,119,121), Harmony with the Natural Environment (P125-126,127,129), Conservation of Natural Resources (P131-135), Prevention of Chemical Pollution (P137-140) Sustainability Report 2018 / Foundation of CSR Management / CSR Management (P168-170) Sustainability Report 2018 / Data Section / Organization (P176) * vi. Details of the grievance mechanism is provided below. Sustainability Report 2018 / Foundation of CSR Management / Risk Management: Whistleblowing systems (grievance mechanisms) (P159-161)
103-3 Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including: <ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach. 	Sustainability Report 2018 / Commitment from the Executive Officer in Charge: Customers (P34), Employees (P48), Business Partners (P63-64), Local Communities (P75-76), Foundation of CSR Management (P146) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Action Plan for the Environment (P111-112) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P113-114) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Self-assessment of the Main Goals and Results of "Endless Green Program 2018" (P118, 126, 132, 138) Sustainability Report 2018 / Foundation of CSR Management / Assessment by External Organizations (Environment) (P174) Sustainability Report 2018 / Data Section / CSR Self-Assessment Indices: Fiscal 2017 results (P179-184) Sustainability Report 2018 / Data Section / Environmental Action Plan (Endless Green Program 2018) (P191-192) Sustainability Report 2018 / Data Section / Third-Party Opinions (P220)

GRI 201: Economic Performance 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
201-1 Direct economic value generated and distributed	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: <ul style="list-style-type: none"> i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Consolidated financial statements
201-2 Financial implications and other risks and opportunities due to climate change	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: <ul style="list-style-type: none"> i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Commitment from the Executive Officer in Charge (P105-107) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Long-Term Environmental Vision, Action Plan for the Environment (Endless Green Program 2018) (P109-112) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117) Sustainability Report 2018 / Flow of Materials Impairing Environmental Load and Environmental Accounting / Environmental accounting (P211-212)
201-3 Defined benefit plan obligations and other retirement plans	a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities. b. If a separate fund exists to pay the plan's pension liabilities: <ul style="list-style-type: none"> i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. the basis on which that estimate has been arrived at; iii. when that estimate was made. c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Percentage of salary contributed by employee or employer. e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.	Summary of Financial Results for the Fiscal Year Ended March 31, 2018 / Consolidated financial statements
201-4 Financial assistance received from government	a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including: <ul style="list-style-type: none"> i. tax relief and tax credits; ii. subsidies; iii. investment grants, research and development grants, and other relevant types of grant; iv. awards; v. royalty holidays; vi. financial assistance from Export Credit Agencies (ECAs); vii. financial incentives; viii. other financial benefits received or receivable from any government for any operation. b. The information in 201-4-a by country. c. Whether, and the extent to which, any government is present in the shareholding structure.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment.

GRI 202: Market Presence 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage. c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used. d. The definition used for 'significant locations of operation'.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P55, 57) Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Hiring locally in Japan and overseas (P83)
202-2 Proportion of senior management hired from the local community	a. Percentage of senior management at significant locations of operation that are hired from the local community. b. The definition used for 'senior management'. c. The organization's geographical definition of 'local'. d. The definition used for 'significant locations of operation'.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59) Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Hiring locally in Japan and overseas (P83)

GRI 203: Indirect Economic Impacts 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
203-1 Infrastructure investments and services supported	a. Extent of development of significant infrastructure investments and services supported. b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. c. Whether these investments and services are commercial, in-kind, or pro bono engagements.	Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P77-82)
203-2 Significant indirect economic impacts	a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Community Co-creation Activities (P85)

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GRI 204: Procurement Practices 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
204-1 Proportion of spending on local suppliers	a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally). b. The organization's geographical definition of 'local'. c. The definition used for 'significant locations of operation'.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P66-69) Sustainability Report 2018 / Data Section / CSR Procurement Guidelines (P186-188)

GRI 205: Anti-corruption 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
205-1 Operations assessed for risks related to corruption	a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment.	Sustainability Report 2018 / Foundation of CSR Management / Anti-corruption / Fair Trade (P166-167)
205-2 Communication and training about anti-corruption policies and procedures	a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	Sustainability Report 2018 / Foundation of CSR Management / Anti-corruption / Fair Trade (P166-167)
205-3 Confirmed incidents of corruption and actions taken	a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	Sustainability Report 2018 / Foundation of CSR Management / Anti-corruption / Fair Trade (P167)

GRI 206: Anti-competitive Behavior 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments.	Sustainability Report 2018 / Foundation of CSR Management / Anti-corruption / Fair Trade (P167)

GRI 301: Materials 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
301-1 Materials used by weight or volume	a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: <ul style="list-style-type: none"> i. non-renewable materials used; ii. renewable materials used. 	Sustainability Report 2018 / Data Section / Harmony with the Natural Environment (P201) Sustainability Report 2018 / Data Section / Conservation of Natural Resources (P206) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
301-2 Recycled input materials used	a. Percentage of recycled input materials used to manufacture the organization's primary products and services.	Sustainability Report 2018 / Data Section / Harmony with the Natural Environment (P201)
301-3 Reclaimed products and their packaging materials	a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources (P132-133) Sustainability Report 2018 / Data Section / Conservation of Natural Resources (P204-205)

GRI 302: Energy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
302-1 Energy consumption within the organization	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: <ul style="list-style-type: none"> i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: <ul style="list-style-type: none"> i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P118) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P190, 193-196) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
302-2 Energy consumption outside of the organization	a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	<Reasons / explanations for omission> Energy consumption is converted into and disclosed as CO ₂ emission.

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
302-3 Energy intensity	a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	<Reasons / explanations for omission> Energy consumption is converted into and disclosed as CO ₂ emission.
302-4 Reduction of energy consumption	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	Sustainability Report 2018 / Data Section / Prevention of Global Warming (P193-194)
302-5 Reductions in energy requirements of products and services	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	<Reasons / explanations for omission> Energy consumption is converted into and disclosed as CO ₂ emission.

GRI 303: Water 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
303-1 Water withdrawal by source	a. Total volume of water withdrawn, with a breakdown by the following sources: <ol style="list-style-type: none"> Surface water, including water from wetlands, rivers, lakes, and oceans; Ground water; Rainwater collected directly and stored by the organization; Waste water from another organization; Municipal water supplies or other public or private water utilities. b. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Data Section / Conservation of Natural Resources (P206-207) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
303-2 Water sources significantly affected by withdrawal of water	a. Total number of water sources significantly affected by withdrawal by type: <ol style="list-style-type: none"> Size of the water source; Whether the source is designated as a nationally or internationally protected area; Biodiversity value (such as species diversity and endemism, and total number of protected species); Value or importance of the water source to local communities and indigenous peoples. b. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources / Water resource conservation (P135-136)
303-3 Water recycled and reused	a. Total volume of water recycled and reused by the organization. b. Total volume of water recycled and reused as a percentage of the total water withdrawal as specified in Disclosure 303-1. c. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources / Water resource conservation (P136)

GRI 304: Biodiversity 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information: <ol style="list-style-type: none"> Geographic location; Subsurface and underground land that may be owned, leased, or managed by the organization; Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas; Type of operation (office, manufacturing or production, or extractive); Size of operational site in km² (or another unit, if appropriate); Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem); Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation). 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P130)
304-2 Significant impacts of activities, products, and services on biodiversity	a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following: <ol style="list-style-type: none"> Construction or use of manufacturing plants, mines, and transport infrastructure; Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); Introduction of invasive species, pests, and pathogens; Reduction of species; Habitat conversion; Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level). b. Significant direct and indirect positive and negative impacts with reference to the following: <ol style="list-style-type: none"> Species affected; Extent of areas impacted; Duration of impacts; Reversibility or irreversibility of the impacts. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P125-126, 129-130)
304-3 Habitats protected or restored	a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals. b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures. c. Status of each area based on its condition at the close of the reporting period. d. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P128, 130)

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304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk: <ul style="list-style-type: none"> i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P128)

GRI 305: Emissions 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
305-1 Direct (Scope 1) GHG emissions	a. Gross direct (Scope 1) GHG emissions in metric tons of CO ₂ equivalent. <ul style="list-style-type: none"> b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent. d. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117-118) Sustainability Report 2018 / Data Section / Calculation and Reporting of Environmental Data (P190) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P193-194, 199-200) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
305-2 Energy indirect (Scope 2) GHG emissions	a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent. <ul style="list-style-type: none"> b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent. c. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. d. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117-118) Sustainability Report 2018 / Data Section / Calculation and Reporting of Environmental Data (P190) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P193-194, 199-200) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
305-3 Other indirect (Scope 3) GHG emissions	a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO ₂ equivalent. <ul style="list-style-type: none"> b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. e. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117-118) Sustainability Report 2018 / Data Section / Calculation and Reporting of Environmental Data (P190) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P199-200)
305-4 GHG emissions intensity	a. GHG emissions intensity ratio for the organization. <ul style="list-style-type: none"> b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117-118) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P193-194)
305-5 Reduction of GHG emissions	a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO ₂ equivalent. <ul style="list-style-type: none"> b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P117-118) Sustainability Report 2018 / Data Section / Calculation and Reporting of Environmental Data (P190) Sustainability Report 2018 / Data Section / Prevention of Global Warming (P193-194, 199-200)
305-6 Emissions of ozone-depleting substances (ODS)	a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. <ul style="list-style-type: none"> b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used. 	<Reasons / explanations for omission> Goal setting and performance management of fluorocarbon is excluded as our group does not produce, import, or export these substances.
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	a. Significant air emissions, in kilograms or multiples, for each of the following: <ul style="list-style-type: none"> i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used. <ul style="list-style-type: none"> c. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P138) Sustainability Report 2018 / Data Section / Prevention of Chemical Pollution (P209-210) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212) Sustainability Report 2018 / Data Section / Site Report (P213-218)

GRI 306: Effluents and Waste 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
306-1 Water discharge by quality and destination	a. Total volume of planned and unplanned water discharges by: <ol style="list-style-type: none"> destination; quality of the water, including treatment method; whether the water was reused by another organization. b. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Data Section / Conservation of Natural Resources (P206) Sustainability Report 2018 / Data Section / Site Report (P213-218)
306-2 Waste by type and disposal method	a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable: <ol style="list-style-type: none"> Reuse Recycling Composting Recovery, including energy recovery Incineration (mass burn) Deep well injection Landfill On-site storage Other (to be specified by the organization) b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable: <ol style="list-style-type: none"> Reuse Recycling Composting Recovery, including energy recovery Incineration (mass burn) Deep well injection Landfill On-site storage Other (to be specified by the organization) c. How the waste disposal method has been determined: <ol style="list-style-type: none"> Disposed of directly by the organization, or otherwise directly confirmed Information provided by the waste disposal contractor Organizational defaults of the waste disposal contractor 	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources (P132) Sustainability Report 2018 / Data Section / Conservation of Natural Resources (P204-205, 207) Sustainability Report 2018 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P211-212)
306-3 Significant spills	a. Total number and total volume of recorded significant spills. b. The following additional information for each spill that was reported in the organization's financial statements: <ol style="list-style-type: none"> Location of spill; Volume of spill; Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization). c. Impacts of significant spills.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P114) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P138) Sustainability Report 2018 / Data Section / Site Report (P213-218)
306-4 Transport of hazardous waste	a. Total weight for each of the following: <ol style="list-style-type: none"> Hazardous waste transported Hazardous waste imported Hazardous waste exported Hazardous waste treated b. Percentage of hazardous waste shipped internationally. c. Standards, methodologies, and assumptions used.	Sustainability Report 2018 / Data Section / Material balance of chemical substances subject to PRTR (P210)
306-5 Water bodies affected by water discharges and/or runoff	a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on: <ol style="list-style-type: none"> the size of the water body and related habitat; whether the water body and related habitat is designated as a nationally or internationally protected area; the biodiversity value, such as total number of protected species. 	<Reasons / explanations for omission> Information unavailable: Due to the extensive number of offices.

GRI 307: Environmental Compliance 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
307-1 Non-compliance with environmental laws and regulations	a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of: <ol style="list-style-type: none"> total monetary value of significant fines; total number of non-monetary sanctions; cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.	Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Environmental Management (P114) Sustainability Report 2018 / Data Section / Site Report (P213-218)

GRI 308: Supplier Environmental Assessment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
308-1 New suppliers that were screened using environmental criteria	a. Percentage of new suppliers that were screened using environmental criteria.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Supply Chain Management in Our Entire Business (Environment) (P115-116)
308-2 Negative environmental impacts in the supply chain and actions taken	a. Number of suppliers assessed for environmental impacts. b. Number of suppliers identified as having significant actual and potential negative environmental impacts. c. Significant actual and potential negative environmental impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68-69) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Supply Chain Management in Our Entire Business (Environment) (P115-116) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P127-128)

GRI 401: Employment 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
401-1 New employee hires and employee turnover	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59)
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: <ol style="list-style-type: none"> i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for 'significant locations of operation'.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P57)
401-3 Parental leave	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P57)

GRI 402: Labor/Management Relations 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
402-1 Minimum notice periods regarding operational changes	a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59)

GRI 403: Occupational Health and Safety 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
403-1 Workers representation in formal joint management-worker health and safety committees	a. The level at which each formal joint management-worker health and safety committee typically operates within the organization. b. Percentage of workers whose work, or workplace, is controlled by the organization, that are represented by formal joint management-worker health and safety committees.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P50) The company permits "freedom of association" as stipulated by law but there is no union. The company establishes and operates a Safety and Health Committee and Safety and Health Council, which the larger majority is comprised of general staff.
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: <ol style="list-style-type: none"> i. region; ii. gender. b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: <ol style="list-style-type: none"> i. region; ii. gender. c. The system of rules applied in recording and reporting accident statistics.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P52)
403-3 Workers with high incidence or high risk of diseases related to their occupation	a. Whether there are workers whose work, or workplace, is controlled by the organization, involved in occupational activities who have a high incidence or high risk of specific diseases.	Sustainability Report 2018 /Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P52)
403-4 Health and safety topics covered in formal agreements with trade unions	a. Whether formal agreements (either local or global) with trade unions cover health and safety. b. If so, the extent, as a percentage, to which various health and safety topics are covered by these agreements.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P58) The company permits "freedom of association" as stipulated by law but there is no union. Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P50) A "Safety and Health Management Plan" is formulated upon consultation between the director of each office and its employees. Contents of the plan are communicated to employees and partner companies through the Safety and Health Committee and Safety and Health Council, comprised largely by general staff, for the purpose of reinforcing the safety management system.

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GRI 404: Training and Education 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
404-1 Average hours of training per year per employee	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Developing Human Resources (P54)
404-2 Programs for upgrading employee skills and transition assistance programs	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59)
404-3 Percentage of employees receiving regular performance and career development reviews	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Developing Human Resources (P52-55)

GRI 405: Diversity and Equal Opportunity 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
405-1 Diversity of governance bodies and employees	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	Integrated Report 2017 / Corporate governance system (P69-72) Notice of the 79th Ordinary General Meeting of Shareholders / Election of Nineteen (19) Directors
405-2 Ratio of basic salary and remuneration of women to men	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for 'significant locations of operation'.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P57)

GRI 406: Non-discrimination 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
406-1 Incidents of discrimination and corrective actions taken	a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.	Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P154)

GRI 407: Freedom of Association and Collective Bargaining 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P59)

GRI 408: Child Labor 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
408-1 Operations and suppliers at significant risk for incidents of child labor	a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P154-155)

GRI 409: Forced or Compulsory Labor 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68) Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P154-155)

GRI 410: Security Practices 2016

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Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
410-1 Security personnel trained in human rights policies or procedures	a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security. b. Whether training requirements also apply to third-party organizations providing security personnel.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at the moment as security personnel are outsourced. At processing facilities in Japan and overseas, security personnel are notified and provided guidance mainly by the supervisor so as to ensure that adequate response is provided to nearby residents and other stakeholders. Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68)

GRI 411: Rights of Indigenous Peoples 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
411-1 Incidents of violations involving rights of indigenous peoples	a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period. b. Status of the incidents and actions taken with reference to the following: <ol style="list-style-type: none"> i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action. 	Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P158)

GRI 412: Human Rights Assessment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
412-1 Operations that have been subject to human rights reviews or impact assessments	a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.	Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P153-156)
412-2 Employee training on human rights policies or procedures	a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations. b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	Sustainability Report 2018 / Foundation of CSR Management / Human Rights Management (P157)
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. b. The definition used for 'significant investment agreements'.	<Reasons / explanations for omission> Not applicable: No items apply.

GRI 413: Local Communities 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
413-1 Operations with local community engagement, impact assessments, and development programs	a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of: <ol style="list-style-type: none"> i. social impact assessments, including gender impact assessments, based on participatory processes; ii. environmental impact assessments and ongoing monitoring; iii. public disclosure of results of environmental and social impact assessments; iv. local community development programs based on local communities' needs; v. stakeholder engagement plans based on stakeholder mapping; vi. broad based local community consultation committees and processes that include vulnerable groups; vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts; viii. formal local community grievance processes. 	Sustainability Report 2018 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P81-82)
413-2 Operations with significant actual and potential negative impacts on local communities	a. Operations with significant actual and potential negative impacts on local communities, including: <ol style="list-style-type: none"> i. the location of the operations; ii. the significant actual and potential negative impacts of operations. 	<Reasons / explanations for omission> Not applicable: No items apply.

GRI 414: Supplier Social Assessment 2016

Click on the page number in the page column to jump to the page containing the respective content.

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
414-1 New suppliers that were screened using social criteria	a. Percentage of new suppliers that were screened using social criteria.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P67-68)
414-2 Negative social impacts in the supply chain and actions taken	a. Number of suppliers assessed for social impacts. b. Number of suppliers identified as having significant actual and potential negative social impacts. c. Significant actual and potential negative social impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P68-69) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P127-128) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Supply Chain Management in Our Entire Business (Environment) (P115-116)

GRI 415: Public Policy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
415-1 Political contributions	a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary. b. If applicable, how the monetary value of in-kind contributions was estimated.	<Reasons / explanations for omission> Confidentiality constraints: This information is considered to have the risk of containing confidential material.

GRI 416: Customer Health and Safety 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
416-1 Assessment of the health and safety impacts of product and service categories	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P36)
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P37)

GRI 417: Marketing and Labeling 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
417-1 Requirements for product and service information and labeling	a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling: i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain). b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P36) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P121-122) Sustainability Report 2018 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P130)
417-2 Incidents of non-compliance concerning product and service information and labeling	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P37)
417-3 Incidents of non-compliance concerning marketing communications	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Proper Communication with Customers (P39)

GRI 418: Customer Privacy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by: i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. b. Total number of identified leaks, thefts, or losses of customer data. c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.	<Reasons / explanations for omission> Not applicable: There have been no appeals made to our company in regards to customer privacy.

Managerial Philosophy and Overall Picture
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Foundation of CSR Management
Data Section

GRI 419: Socioeconomic Compliance 2016

Click on the page number in the page column to jump to the page containing the respective content.

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
419-1 Non-compliance with laws and regulations in the social and economic area	a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of: <ul style="list-style-type: none"> i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient. c. The context against which significant fines and non-monetary sanctions were incurred.	Sustainability Report 2018 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P37)

Our Communications at a Glance



Daiwa House Industry supports “Fun to Share,” the climate change campaign for building a low-carbon society through “zero-energy” homes, buildings and communities.

Daiwa House Industry Co.,Ltd.

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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.