



Daiwa House
Group

Daiwa House Group

Sustainability Report 2020

Creating Dreams, Building Hearts





Our founder, Nobuo Ishibashi (1921–2003)

1955

Everything started with this

Our Founder's Spirit

**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

2005

— 50th Anniversary —

Guided by our founder's spirit

Group's symbol message

Creating Dreams, Building Hearts

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.

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 of Publication

To realize management sustainability, the Daiwa House Group has divided the Sustainability Report 2020 (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 assessment items 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 “third-party checks” that we use in the PDCA cycle of management, we make improvements by implementing the points cited in third-party ESG evaluations and dialogues reported herein. We feed back the results of ESG evaluations through important meetings to persons in the company like the sustainability representatives from each department who were involved in the preparation of this report, in addition to the key officers who have close relationships with stakeholders, department managers and others who were interviewed for this report.

Page Layout, Included Content

- This report is broadly comprised of three parts, namely “Managerial Philosophy and Overall Picture,” “Implementation Report,” and “Third-Party Assessment / Data Section.”
- The “Implementation Report” brings into focus the individual efforts taken for each element of ESG (Environment, Society and Governance). It also reports on “Commitment from the Executive Officer in Charge” for each category, as well as the progress of initiatives for respective priority issues of the Action Plan for the Environment (P027) and the Social Medium-Term Plan (P079) that we started in fiscal 2019.
- The description of “Corporate Governance,” as is listed in the Contents, is limited to corporate governance (P158–166) as pertains to supervision and decision making, while measures taken to enhance governance with a focus on internal control are in this report positioned in the social domain, and are reported in the chapter on “Risk countermeasures base” (P137–156).

[Managerial Philosophy and Overall Picture P001–018]

Through our founder's spirit, 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 P020–166]

- Each category of ESG (Environment, Society and Governance), together with being outlined in “Commitment from the Executive Officer in Charge,” is also organized and systematically reported on by their respective key issues in “Basic Policy and Concept,” “Management” and “Main Approach.”
- Reports are offered on corporate governance and the structure that underpins the building of good relationships with stakeholders (customers, employees, business partners, local communities and shareholders) through business and contributions to the global environment.

[Third-Party Assessment / Data Section P168–214]

Along with a self-assessment of results achieved with the Action Plan for the Environment and the Social Medium-Term Plan, we list third-party assessments and detailed data related to society and the environment.

| Reporting Media

The Sustainability Report is published in both Japanese and English.

| Target Readers

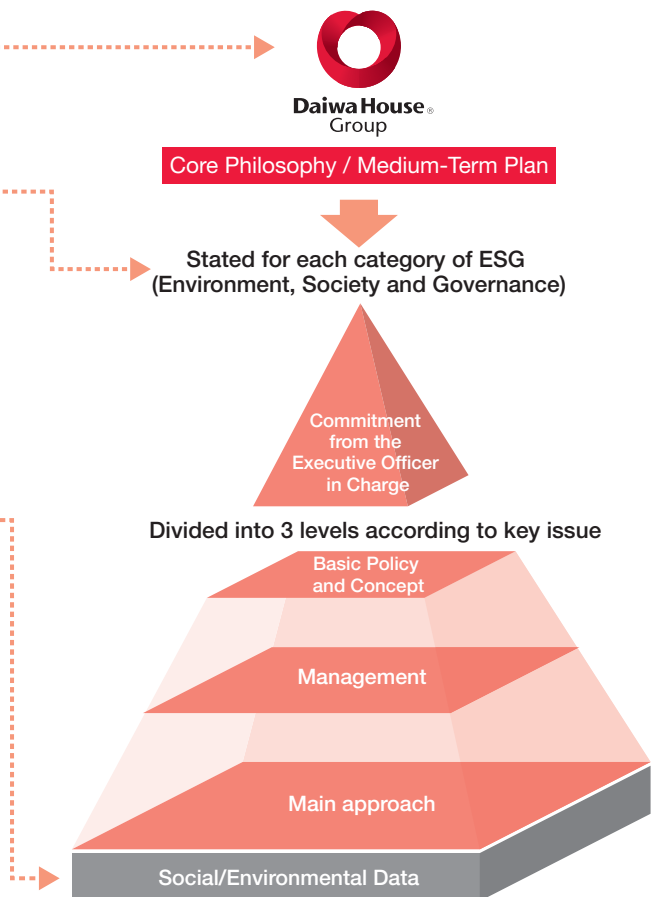
The target readers include a wide range of stakeholders such as corporate assessment agencies, long-term investors, NGOs and experts as well as customers, business partners, employees, local communities (including NPOs) and the government.

| Reporting Organizations

The report is centered on Daiwa House Industry and Daiwa House Group companies (317 consolidated subsidiaries, 40 equity-method affiliates and 2 non-equity-method affiliates as of March 31, 2020).

| Report Period

The report mainly focuses on the 2019 fiscal year (April 1, 2019 to March 31, 2020) 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 (2018 edition)” from the Japanese Ministry of the Environment, IIRC “International Integrated Reporting Framework,” “Guidance for Collaborative Value Creation” from the Japanese Ministry of Economy, Trade and Industry.

| Issued

July 2020 (Issued once a year, next issue scheduled for July 2021)

Contents

Chapter 00 Managerial Philosophy and Overall Picture

■ Business Philosophy Guided by Our Founder's Spirit

Origins of the Daiwa House Group	001
Editorial Policy / Contents	003
Company Summary	005
Message from the President	007
Realizing Management Vision that Embodies Our Founder's Spirit	011

■ Framework for Management Implementation

The Daiwa House Group's value-creation process	013
Medium-Term Plan for Achieving Our Management Vision	015
Governance definition / Enhancing governance	017

Chapter 01 Implementation Report Environment

Management

Commitment from the Executive Officer in Charge	021
Long-Term Environmental Vision	024
Action Plan for the Environment (Endless Green Program)	027
General (Expand environmental contribution business)	029
Reinforcing the foundation of environmental management	030
Environmental Management	
Supply Chain Management (Environment)	
Eco Communication	

Focal theme

1 Slowing and adapting to climate change (Energy)	037
2 Harmony with the Natural Environment (Preservation of Biodiversity)	047
3 Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction)	053
4 Prevention of Chemical Pollution	059

Chapter 02 Implementation Report Society

Management

Commitment from the Executive Officer in Charge	065
CSR Management	068
Human Rights Management	071
Social Medium-Term Plan (Endless Social Program)	077

Focal theme

1 Innovation base	083
Issue 1: Build platforms for innovating solutions to social issues	
Issue 2: Promote social inclusion in real-estate development	
Intellectual property strategy	
Developing disaster-resilient products	
Developing products to solve challenges facing society	
2 Human resources base	095
Issue 3: Work style reform for employees	
Issue 4: Upgrade human resource development and recruitment	
Issue 5: Promote diversity and inclusion	

3 Technology and manufacturing base

Issue 6: Enforce safety/security at construction sites	
Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners	
Issue 8: Promote and improve the efficiency of CSR procurement across the Group	

4 Customer base

Issue 9: Upgrade corporate communications	
Issue 10: Promote customer support to maintain long-term relationships	

5 Communication base

Issue 11: Integrate and upgrade financial and nonfinancial communications	
Issue 12: Keep pace with rapidly evolving communication environments	

Community Service and Co-creation Activities: Contribution to Local Communities

6 Risk countermeasures base

Governance Enhancement Measures	
Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather	
Issue 14: Establish human rights due diligence at plants	
Issue 15: Establish corporate ethics and compliance rules	
Issue 16: Build management base for global business development from a long-term perspective	
Internal Control	
Risk Management	
Anti-corruption	

Chapter 03 Implementation Report Corporate Governance

Management

Commitment from the Executive Officer in Charge	159
Corporate Governance	162

Chapter 04 Third-Party Assessment / Data Section

■ Cooperating with Third Parties and Their Assessment

Cooperating with Third Parties	169
Main certifications and awards	171
Inclusion in ESG indices	173

■ Data Section

Corporate Data / Financial Information	175
Medium-Term Plan Self-Assessment Indices	179
Environmental Data	183
Glossary	215

■ Third-Party Assurance Report

Third-Party Assurance Report	217
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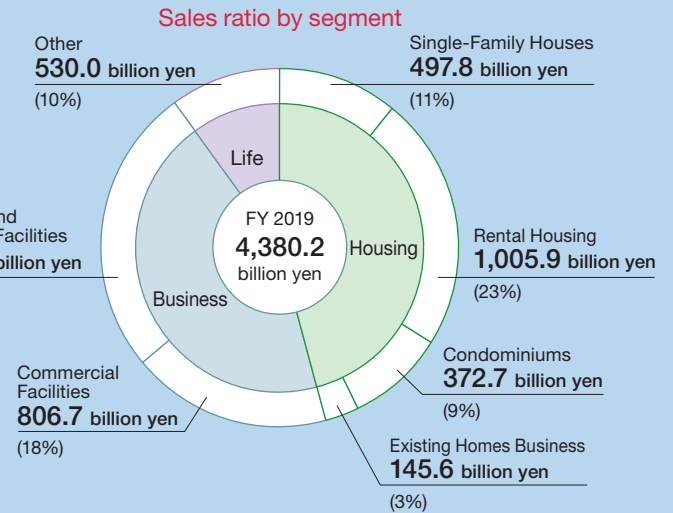
■ Editorial Postscript

Editorial Postscript	218
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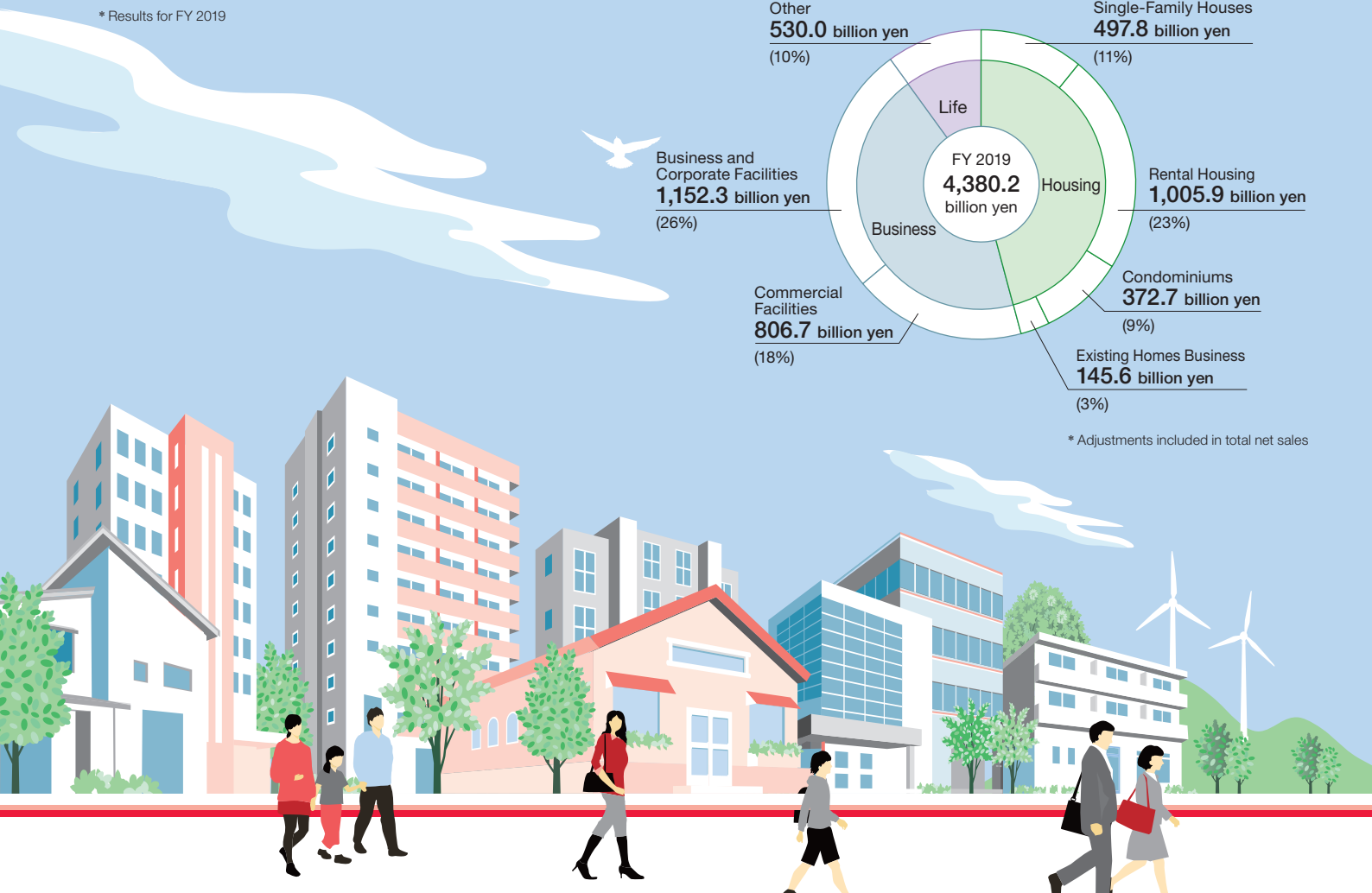
Information on GHG in this report has received third-party certification, and an accompanying  mark indicates all data subject to such certification. (See Third-Party Assurance Report on P217.)

Company Summary

* Results for FY 2019



* Adjustments included in total net sales



Business Segments

Housing



Single-Family Houses

We build made-to-order single-family houses that meet the specific needs of individual customers and operate a subdivision business for built-for-sale houses, including development of entire communities.

Number of houses supplied
7,983



Rental Housing

We provide multifaceted support services, ensuring comfortable residences for tenants and a stable and reliable income for landowners.

Number of houses supplied
33,502

Number of managed units
595,182

Occupancy
97.6%



Condominiums

We develop and sell condominium units as well as offer building management services, while also preserving owners' asset values with our proprietary comprehensive support system.

Number of houses supplied
2,543



Existing Homes Business

We help pass housing stock, an important element of social capital, on to the future generations through our home renovation services and our real estate agency services, in which we help people find good-quality previously owned homes.

Number of managed condominium units

371,524

Number of units outsourced by management associations

6,625

The number of customers we have had the pleasure of meeting

33,389,600



* Cumulative total number of customers living in single-family houses, rental houses, and condominiums built by Daiwa House Industry, as of March 31, 2020. All figures approximate.



Business

Life

Global



Commercial Facilities

We develop and construct shopping centers and a wide range of specialty stores, which we also manage and operate.



Business and Corporate Facilities

We develop and construct logistics facilities, medical and nursing care facilities and general business facilities.



Other

We offer a wide range of businesses related to individuals, communities and lifestyles such as home improvement centers, construction support, urban hotels, and health and leisure facilities.



Overseas Business

We started doing business outside of Japan in 1960s, and have accelerated the pace of our overseas development in recent years by maximizing the synergistic effect of the addition of Fujita Corp. to the Group.

Rentable area of sublet properties

6,346,893 m²

Occupancy

99.0%

Site area developed for logistics facilities (cumulative figures)

approx. **8,138,000** m²

Number of logistics facilities (cumulative figures)

251

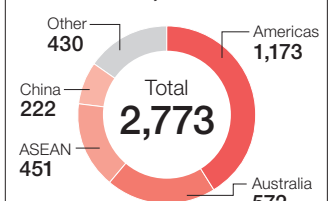
Number of customers of home improvement centers

approx. **28,192,000**

Number of overnight guests at Daiwa Royal Hotels

3,124,814

Sales by area
Unit: 100 million yen



* Internal business between segments included
* Adjustments included in total net sales

Message from the President

Expanding business opportunities deriving from social issues



On behalf of the management of the Daiwa House Group, I would first like to express our appreciation for the understanding and support shown by our stakeholders.

Amid the current situation, in which the global economy is being heavily impacted by the COVID-19 pandemic, it is increasingly important for the managements of business corporations to make continuous efforts to raise corporate value from a long-term perspective. During the sixty-five years that have elapsed since the founding of Daiwa House Industry Co., Ltd., we have positioned social issues at the core of our business operations. Now, more than ever, I believe that we must—in every way possible—display the spirit that motivated our establishment, enabling us to tackle social issues head on.

Keiichi Yoshii
President,
CEO and COO

KEIICHI YOSHII

I Maintaining a good balance between vigorous growth and stability

I sincerely apologize for the anxiety caused to our stakeholders by the series of improprieties that came to light during the fiscal 2019 business year. These included the use of off-specification components in some of our single-family houses and rental housing properties, which was announced in April 2019. This was followed by violations of our compliance rules, specifically, the revelation that certain employees took the nationally administered operation and management engineer qualifications tests without adequate work experience, and the discovery that a Group employee had entered nonexistent orders for construction materials onto our books.

We have taken the occurrence of this series of improprieties very seriously. In addition to redesigning our compliance system, in November last year we announced a number of measures to enhance governance, which we

regard as a key component of our growth strategy.

As the Group's consolidated net annual sales now exceed ¥4 trillion, we must have the humility to admit that our governance is not keeping pace with our rapid operational growth. Back when the Group's consolidated net sales passed the ¥1 trillion mark, the management at that time announced their goal as "maintaining a good balance between vigorous growth and stability." This management stance has served as the basis on which we have achieved our growth to date. Now, we are once again implementing that policy so as to achieve further growth.

I Four basic policies aimed at enhancing governance

Amid our various measures to enhance our governance, we have, in particular, set forth the following four basic policies:

1. Review management structure and state of management

and supervision, 2. Enhance agile business execution and risk response structure, 3. Strengthen risk information gathering and sharing, and 4. Strengthen environment for supporting sustainability and implementation.

Under Basic Policy No.1—Review management structure and state of management and supervision— to raise the effectiveness of our Board of Directors and enhance the diversity of outside directors sitting on the board, we decided to appoint a director to the Board who has extensive experience of doing business globally. The purpose of this was twofold: to ensure that the members of the Board possess diverse values, to facilitate the monitoring of business execution from multiple perspectives, and to enable the Board to make use of expert knowledge acquired outside the Group.

Under Basic Policy No.2—Enhance agile business execution and risk response structure—in fiscal 2021 we started full-scale operation of a business division system. This system clearly assigns responsibility for the entire business performance of each division, and for all risk management relating to that division, to the director in charge.

We also established the Compliance Promotion Department in November 2019 to promote effective risk management as well as legal and ethical compliance at worksites operated by the Group. This department not only oversees risk management and compliance across all our operations, but also provides support in these areas to all business operation divisions.

Regarding Basic Policy No. 3—Strengthen risk information gathering and sharing—by setting up a whistle-blowing contact point within an external law firm, we have created expanded opportunities for the gathering of risk-related information. This create a structure that employees can unhesitatingly use for reporting in the event of an emergency.

Finally, we have set forth Basic Policy No. 4—Strengthen environment for supporting sustainability and implementation. Under this policy, we plan to strengthen our operational systems through a digital transformation (DX) process that makes full use of such technologies as Building Information Modeling (BIM).

Going forward, to enhance governance, we will extend the reach of these four basic policies throughout the entire Daiwa House Group.

I Demonstrating our core strengths through win-win-win (everyone benefits) relationship

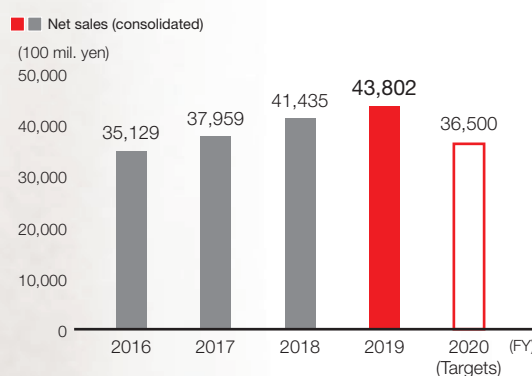
Looking back on fiscal 2019, the consumption tax rate was raised in October and this was followed by a number of natural disasters. As a result, the Japanese internal economy suffered adverse impacts. Meanwhile, the global economy was beset by a number of negative factors, principally uncertainty stemming from US-China trade friction, among other issues. Finally, in the fourth quarter business activity was overshadowed by the COVID-19 pandemic. In my start-of-the-year address to our employees, I stated that we had now entered a period in which reform, transformation and innovation would be crucial. Now, as the world reels from the

shock of the COVID-19 pandemic, it is all the more important that we squarely face the necessity of change.

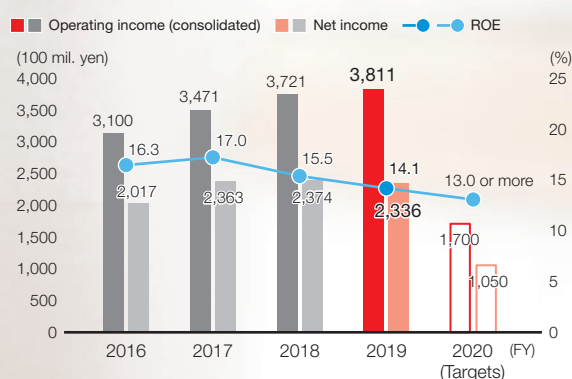
Amid this very difficult business environment, despite differences in business performance among the Group's various sectors, we have succeeded in posting business results roughly in line with our projections, particularly in two businesses—Commercial Facilities; and Logistics, Business and Corporate Facilities. Consequently, both sales and profits for fiscal 2019 reached record highs.

A major factor behind this excellent performance is that, since we started up our Retail & Wholesale Facilities Business, we have built up a business relationship that benefits all three parties involved—the landowners, the tenants, and the Daiwa House Group. During the current business year, too, we look forward to demonstrating our core strengths through this ideal triangular relationship.

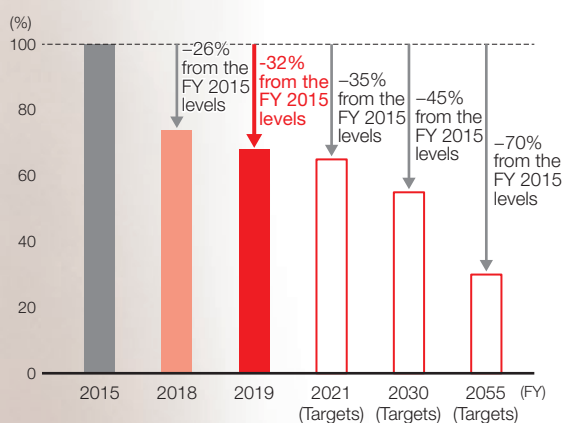
I Net sales (consolidated)



I Operating income/Net income/ROE (consolidated)



I Reduction rate of greenhouse gas emissions per sales unit



I Succession planning for future growth

To make future growth possible, the most vital factor is the nurturing of human resources. As part of our Basic Policy No. 1—Review management structure and state of management and supervision—which is aimed at enhancing governance, we have decided to diversify our hiring of outside directors and also to introduce a mandatory retirement age for in-house directors. In principle, the maximum age for serving as representative directors of the Company shall be sixty-nine, while the maximum for directors shall be sixty-seven. We believe that, to facilitate the nurturing of the next generation of top management staff, they would be more highly motivated if the dates of retirement of their predecessors in the top posts were previously determined and known, and it is for this reason that we have decided to adopt a mandatory retirement age.

In parallel with the introduction of this system, we will also be changing our methods of nurturing human resources. Since the early days of Daiwa House, we have followed a policy of training staff both within the Company and at external institutions and so on, while giving them the opportunity to learn the job and simultaneously develop a sense of responsibility through the process of trial-and-error. Going forward, we will entrust the managements of the nearly 400 companies in the Daiwa House Group to nurture—through a process of friendly competition—the sort of human resources who can be entrusted with the management of the Group.

I Our mission is to make dreams come true

Of our three core businesses—1. Single-Family Houses; 2. Rental Housing; and 3. Commercial Facilities and Logistics, Business and Corporate Facilities—the third business (which accounts for approximately forty percent of the Group's net sales) is posting good business results. In the field of suburban housing development, we are currently pursuing projects that combine construction with measures that take the natural environment into account. Up to now, the Daiwa House Group's main strength has been its ability to offer comprehensive, start-to-finish services by leveraging its wide-ranging business portfolio. Going forward, however, we will also leverage the value-added made possible by our Environmental Energy business, and pursue the suburban housing development business under the banner of our "3 Rs" catchphrase. The 3 Rs in question are "Reality," "Renewables," and "Resilience." One such project being planned is our *Ko "Re" kara City*.

A representative example is the Funabashi Grandoasis, a large-scale multi-purpose development started up in July 2019 in the city of Funabashi in Chiba Prefecture. This is the first urban development project in Japan to use electric power generated entirely from renewable sources, right from the start of construction up to post-completion residence. The Daiwa House Group is mobilizing all its resources to provide everything from the construction of buildings to the supply to the entire development of electric power generated from renewable sources.

Going forward, we will be opening up new possibilities by pushing ahead with suburban redevelopment projects by developing a new type of project in which housing is combined not only with commercial facilities but also with logistics facilities.

What we are aiming for is to imagine a better future and to make that dream come true here and now. At the Daiwa House Group, we are determined to make this project a success, and then to go on to further refine that "dream come true" by engaging in more of the same type of project in fiscal 2020 and beyond, which will be engaged in by our branch offices all across Japan.

In global markets, our business is generally holding firm, and operations focused on environmental needs in Southeast Asia are doing particularly well. Additionally, we have entered the field of the construction and operation of logistics facilities that meet local needs, such as constructing a "cold chain" that allows both fresh food and frozen food to be transported at pre-determined temperatures from producing areas to the areas where consumers live, thereby helping to address social issues. From both a medium-term and a long-term perspective, we plan to continue helping each region address its social issues.

I Seriously addressing social issues, come what may

It goes without saying that the business environment in the current 2020 fiscal year will be extremely difficult. Nevertheless, we cannot excuse a slump in business performance by laying the responsibility entirely at the door of an external factor—in this case the COVID-19 pandemic. We are firmly resolved to secure adequate business results based on the resources we have built up, and will work steadily toward that goal during the current business year, too.

As the Group's business portfolio is diverse, we anticipate being able to demonstrate our strengths no matter what changes occur in the overall economic environment. However, we recognize that the Group possesses certain weaknesses that have been exposed by the unprecedented challenge presented by the COVID-19 pandemic. Based on this recognition, we must we further strengthen our business portfolio so as to be able to fulfill our corporate mission of addressing social issues.

We fear that while the COVID-19 pandemic lasts, it will be a very trying time for the Group, but we also view it as an opportunity for us to make some of the changes needed to face the future. For example, we have become convinced that as the COVID-19 pandemic causes severe damage on a global scale, this is the time to invest in major growth in our Environmental Energy business, where the impact of the pandemic will be minimal. Moreover, precisely because the business environment is very difficult, we have a renewed appreciation of the importance of our Livness brand, which is part of our Existing Homes Business.

While working to expand our business operations under the Livness brand name, we believe that these operations will play an important role in addressing the various social issues that will arise due to the major negative demographic

trends in Japan—a decreasing population, a falling birthrate, and a rising average age.

Specific examples include the Livness Town Project, in which we tackle the redevelopment of suburban housing developments that were initially constructed by Daiwa House many years ago. Currently, the locations of such housing developments—which are of an experimental nature and range widely in type—include the municipality of Miki in Hyogo Prefecture, as well as the major city of Yokohama in Kanagawa Prefecture. Going forward, we expect the demands of the home-buying public to change with respect to the features they require, amid the growth of teleworking and other changes in work styles. In particular, whereas up to now couples with young children have put emphasis on easy commuting factors—such as homes in the inner regions of major cities or close to the railway stations of smaller municipalities in the outer suburbs—the focus of demand is expected to shift to more spacious single-family houses, and especially to homes in new housing developments in the outer suburbs. As we move into such a new era, in which we will be required to adapt to the emergence of new residential demands, and in which the advantages of suburban living are being reassessed, we at Daiwa House will continue to propose and implement the development of new residential communities that meet these needs.

Hitherto, the Group has always attempted to look farther into the future before taking action. No matter how severe the operating environment may have been in any particular generation, we have sought out new routes to success and given birth to new opportunities for growth. This time will be no different. No matter what happens, as the Company's top management official, I will not be swayed from my determination to focus on addressing social issues.

I Confronting the risk of serious climate change, nurturing environment-friendly businesses

Many institutional investors have expressed serious concern about the issue of climate change as it relates to long-term and continuous measures to enhance enterprise value. The Daiwa House Group has identified seven materiality* of particular importance, the first of which is maintaining a good balance between reducing the environmental impact of our business activities on the one hand, and securing adequate corporate profits on the other.

The basic idea underlying this is to leverage our know-how in the fields of energy conservation and the generation of energy from renewable sources—acquired in our business operations—to create new business opportunities. The Group is participating in international initiatives such as the EP100, RE100, and SBT (Science-Based Targets), under

* For further details, please refer to our Integrated Report 2020 Page 4.

which we are improving energy conservation measures at existing facilities and building new “net zero energy” facilities. Additionally, we have taken the decision to generate in-house from renewable sources all the electric power we consume by the target year of 2040. While this is a high bar to clear, we are steadily working toward a target that has been calculated by working backward from the company we want to become in the future. I am determined to bring the realization of this plan forward as much as possible. At the same time, with respect to our products, we are speeding up the process of application of energy conservation targets to our products. For example, from April of this year all single-family houses conform to ZEH (net zero energy house) specifications. Going forward, we will promote ZEH and ZEB (net zero energy buildings), will expand the scope of our Environmental Energy business, and will develop the *Ko “Re” kara City* and Livness Town projects. By facilitating collaboration among these various efforts, we will focus on expanding our environment-friendly business operations.

The Group places the concept of materiality at the top of the list of areas in which we plan to expand business opportunities deriving from social issues. This is at the root of all the operations we have single-mindedly pursued for the sixty-five years of our corporate existence. Now, as the global economy reels under the impact of the COVID-19 pandemic and other developments, we must tackle the problems of society head-on. On the basis of this, we are resolved to achieve growth over the medium and long term.

At the Daiwa House Group, we will not allow the global impact of the current pandemic to divert us from our course. We will continue to look further ahead into the future, and will work to enhance our corporate value through business operations that help solve social issues. As we do so, I hope that we will continue to receive your unwavering support.



Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Realizing Management Vision that Embodies Our Founder's Spirit

Nobuo Ishibashi pursued business in a way that was useful to the world around us while upholding our Company Philosophy (Corporate Creed) from the time he founded the company in 1955. We grew over the ensuing half century by doing business that way — by contributing to society.

Then, on our 50th anniversary, we adopted the “Endless

Heart” symbol, Employees’ Charter and CSR Guidelines in line with the times, and set the bold goal of “10 trillion yen in sales by our 100th anniversary.”


In the Daiwa House Group, we are committed to enhancing sustainable corporate values by establishing and steadily achieving the goals of our Corporate Governance Guidelines

Universal Approach and Management Philosophy

Since 1955 →

Our Founder's Spirit

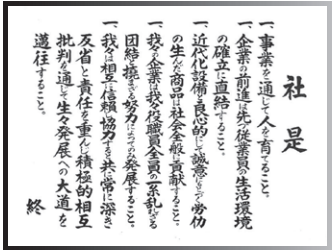
Pursuing business useful to the world around us



Related page ▶ Our Group official website
The Spirit of Nobuo Ishibashi
<https://www.daiwahouse.com/English/innovation/spirit/>

Management Philosophy (Corporate Creed)


The philosophy at the heart of the Group that we intend to collectively abide by into the future



Developing human resources
Valuing stakeholders
Contributing to the community
Bottom-up approach, Positive attitude

Since 2005 →

Endless Heart



Daiwa House Group

Related page ▶ Our Group official website
Endless Heart
<https://www.daiwahouse.com/English/about/heart.html>

Employees' Charter

As employees of a group that co-creates value for individuals, communities, and people's lifestyles, we pledge the following:

- Strive to improve quality, skill and communications to provide safe, reliable products that are in harmony with the environment, and help create comfortable, relaxing living spaces for our customers.
- Serve our customers in good faith, and share their excitement and joy.
- Work to improve society's evaluation of our company and increase its corporate value by conducting ourselves fairly according to society's expectations and rules.
- Aim to grow and develop with our business partners by never forgetting our gratitude to them and dealing with them fairly.
- Pursue our own growth and happiness through our work.
- Help people gain fulfillment in their lives and build a better society, with co-creation of a brighter future as our basic aim.

CSR Guidelines

Strategies for enhancing the value of “Endless Heart”

- Contributing to society through business
- Co-creating a brighter future with our stakeholders
- Conduct of every single Group employee

Related page ▶ Our Group official website
CSR Guidelines
<https://www.daiwahouse.com/English/sustainable/csr/vision/>

Matters Affecting Corporate Value in the Medium and Long Term

Corporate Governance Guidelines

Securing stable level of profits and maintaining or improving growth rates

Contributing to society through business

Maintaining and improving profitability (ROE) based on an optimal capital structure

Shareholder Value Creation

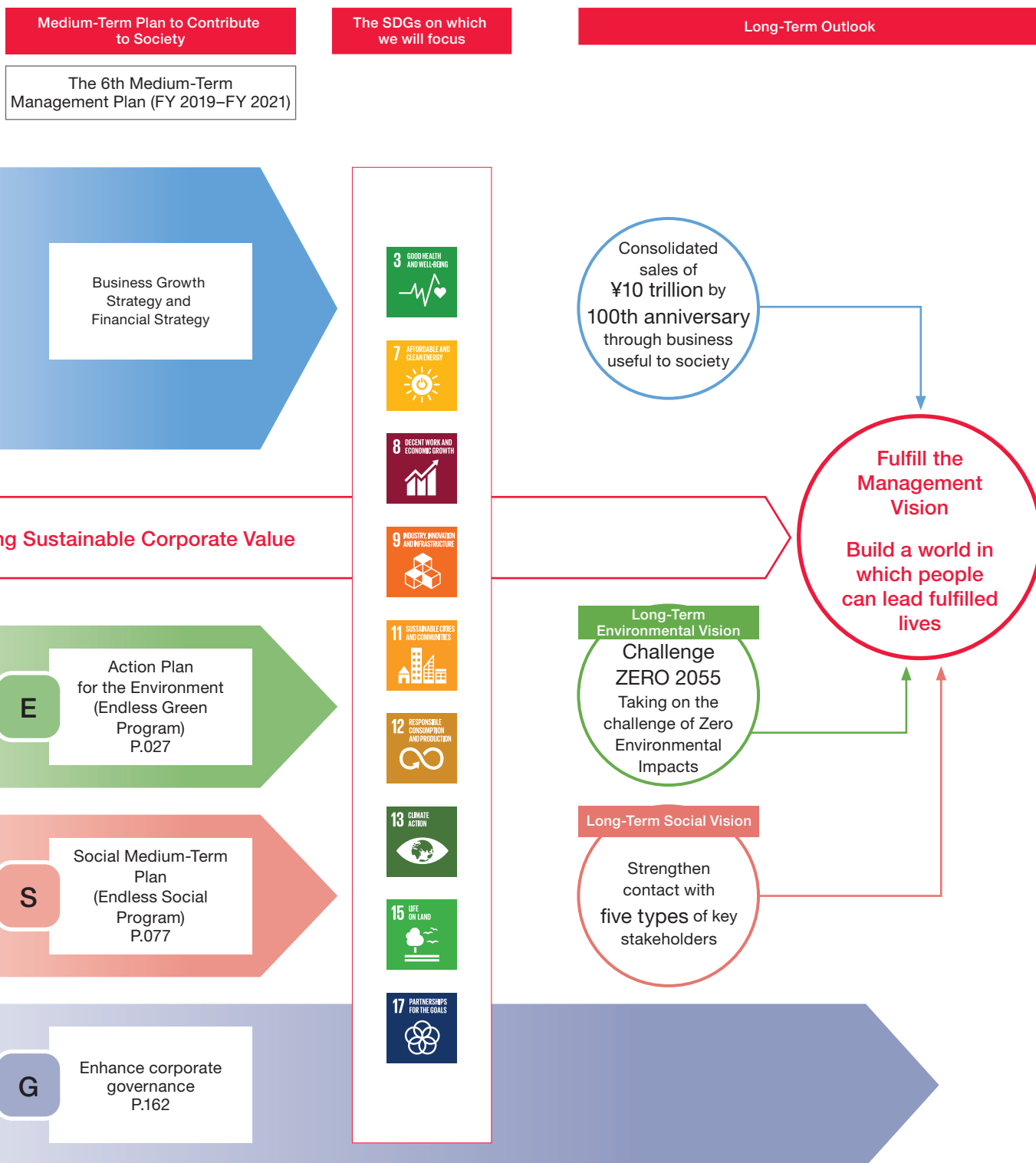
Strengthening the management base required to realize sustained growth

Enhancing the Value of the Endless Heart

Lowering capital cost by enhancing the Group's trustworthiness and management transparency

Management Structure

and Medium-Term Plans without losing sight of the universal approach embodied in the founder's spirit, all of this with the long-term perspective of building a world in which people can lead fulfilling lives.



Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

The Daiwa House Group's value-creation process

We solve social problems by operating a cyclic relationship between “developing our businesses,” which are of service to the public, and “strengthening our bases.”

By reinforcing this virtuous cycle, we aim to realize both a sustainable society and continuous growth for the Daiwa House Group.

Business resources that help us generate value (Inputs)

Social and Relationship Capital
 [Base]
 Long-term relationships of trust with our stakeholders
 Customers* approx. 360 thousand
 Corporate tenants approx. 4,200
 Business partners approx. 5,000
 Community residents, cooperative business partners
 Corporate brand
 * Total number of Daiwa Family Club members, rental housing owners and members of clubs for landowners in our commercial facilities business

Human Capital
 [Base]
 The human resources that support our continued evolution along the lines laid down by our founder
 Number of employees (consolidated) approx. 47,000

Financial Capital
 [Business]
 Firm financial base
 Debt-equity ratio approx. 0.5 times

Intellectual Capital
 [Base]
 Operational know-how built up over many years
 Knowledge management/ Proposal-based marketing/ LOC System/ Patents/ Intellectual property rights

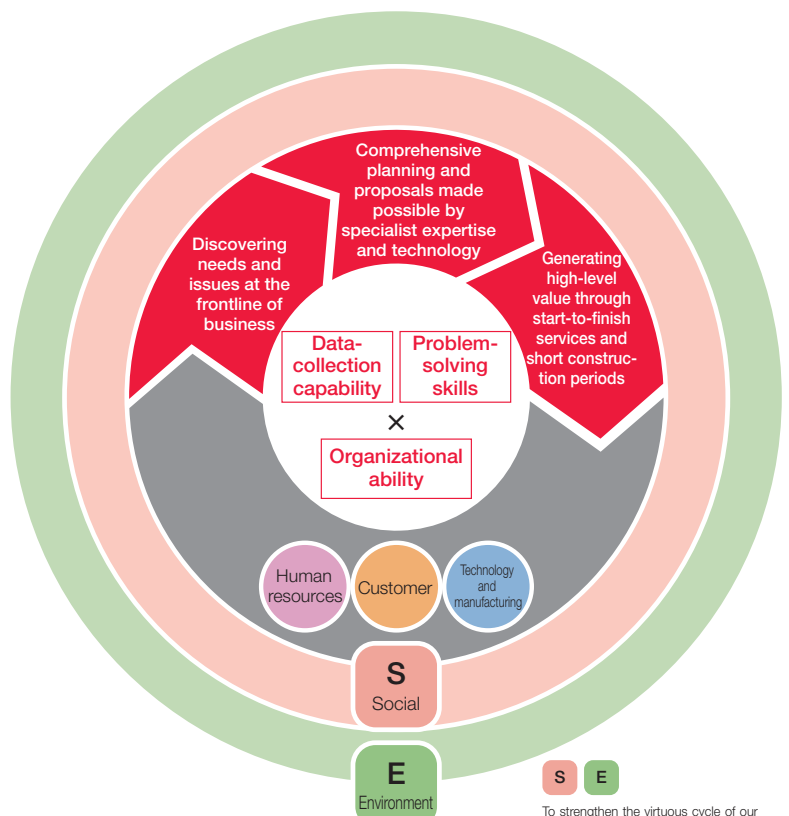
Manufactured Capital
 [Base]
 A wide variety of construction methods and styles, born of the “industrialization of construction”
 Factories 9
 R&D centers 2

Natural Capital (FY2019 results)
 [Business/Base]
 Zero environmental impact products, manufacturing, and procurement systems
 Energy consumption 8,866,000 GJ
 Water consumption 9,841,000 m³

(as of March 31, 2020)

The Starting Point
 Pursue businesses that are of service to people

Developing our businesses



Strengthening our bases

G Governance
 Corporate governance
 Trustworthy and transparent management structure

To strengthen the virtuous cycle of our value-creation process as we move into the future, we have closely examined medium- to long-term risks and opportunities in relation to our “base” (i.e., our future business operations) from the perspectives of both society (S) and the environment (E), and have incorporated them into our medium-term management plan.

By “developing our businesses,” we mean employing the technologies and know-how that we have developed to address needs and problems at the frontline of our business, as well as new concepts, to draw up complex plans and make proposals, and to generate valuable, high-quality products with short construction periods. By developing our businesses in this way, we will strengthen our three core bases—our long-term relationships with our customers; our manufacturing expertise (monozukuri), through which we pursue safe, high-quality products; and the nurturing of qualified human resources. By creating a virtuous cycle in which we leverage our strong

bases to continually generate value by seizing new business opportunities, we will build a unique business portfolio of a kind not possessed by other home builders or developers.

To strengthen this virtuous cycle still more, we will carefully study the changes in our operating environment to identify both risks and opportunities, and will effectively employ corporate governance to allow us to minimize risk while maximizing opportunities. Through the continued operation of these systems, we aim to simultaneously help realize a sustainable society and bring about continuous growth for the Daiwa House Group.

Contributing to society through business (Outputs)

Developing our businesses

<Creating economic value/Generating cash flows> (FY2019 Results)

Net sales ¥4,380.2 billion
 Operating income ... ¥381.1 billion
 ROE..... 14.1%

Flow business

Number of housing units sold (domestic) 44,098
 Retail and wholesale facilities constructed 1,075
 Development site area of logistics facilities (cumulative figures) approx. 8,140,000 m²

Stock business

Housing units under management 966,706
 Number of renovations approx. 53,000
 Leasing floorspace of sublease areas within commercial facilities 6,770,000 m²

Strengthening our bases

<Enhancing enterprise value/ Strengthening our bases> (FY2019 Results)

E Providing businesses that help the environment
 ZEH sales rate *1 41.0%
 ZEB sales rate *2 33.4%
 Strengthening our environmental management foundation
 Number of those who acquired the Eco Test certification .. 8,218
 *1 Single-family houses (units) *2 offices, factories, warehouses (floor space)

Human resources base

Steps to improve job satisfaction
 Training female managers
 Reducing overtime hours Overtime hours 30.2 hours (5.0 fewer hours per month on average compared to FY2014)
 Improving rate of attainment of paid holidays 68.2%

S Customer base

Steps to enhance branding
 Strengthening customer satisfaction system

Technology and manufacturing base

Using IT and BIM at building sites for higher productivity
 Strengthening safety management system

Positive effects on society, and sustained enhancement of our enterprise value (Outcomes)

Social and Relationship Capital

[Business]

- Communities where people can reside for a long period
- Safe & secure daily life
 Long-lasting quality housing ratio 82.5%
- Diverse lifestyles to suit different stages of life
- Better health and leisure
- Establishment of urban infrastructure for changing industrial structures
- Greater convenience in daily life

[Base]

- Solid relationships of trust with our customers
 Repeat order rate (rental housing) 47.2%
 Ratio of housing sales by referral 37.4%
- Solid relationships of trust with our business partners
 Survey of business partners (overall satisfaction rate) .. 79.1%
- Solid corporate brand
 Corporate brand value \$700 million

Human Capital [Base]

- Motivating our employees
 Self-reported motivation rate 65%
- System for training and retaining young staff
 Retention rate of employees (all age groups) 96.7%
- System for translating diversity into results
 Number/percentage of female staff promoted to managerial grade (percentage of all employees in same grade) 160 (4.1%)

Financial Capital [Base]

Generating shareholder value
 Earnings per share (EPS) 351.84 yen
 Net assets ratio 37.3%
 Market capitalization ¥1,783.8 billion

Intellectual Capital [Base]

- Real estate development system for realizing social inclusion
- Solid system for generating innovation
- Technology revolution through new products and new technology development
 Number of patents 1,103

Manufactured Capital [Base]

- High-productivity factories and building sites
 Number of days off per annum for factory workers 111
- Ensuring effective safety management system
 Frequency of accidents at building sites 0.19

Natural Capital

[Business]

Slowing and adapting to climate change
 Contribution to GHG reduction 4.968 million t
 Power generation using renewable energy sources 457 GWh
 Harmony with the natural environment
 Urban greening 706,000 m²

[Base]

Minimizing environmental impact from business operations
 GHG emissions 504,000 t
 Waste emissions (Final disposal) 51,000 t
 Release and transfer of PRTR-listed substances 92.0 t
 VOC emissions 557.3 t

(FY2019 results)

Medium-Term Plan for Achieving Our Management Vision

Long-Term Vision

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 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 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 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 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> |

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.

6th Medium-Term Management Plan (FY 2019–FY 2021)

E Action Plan for the Environment

Endless Green Program 2021

Promote energy conservation/creation and CO₂ reduction to attain SBT, EP100 and RE100

Slowing and adapting to climate change	<ul style="list-style-type: none"> Providing important suppliers with support in setting targets and promoting efforts Making ZEB efforts for new constructions, and energy-efficiency improvements and replacement of existing facilities with energy-efficient ones Promoting ZEH, ZEB and Green Building Certifications Expanding the power generation business by adopting renewable energy (wind, sun, water and biomass)
Harmony with the natural environment	<ul style="list-style-type: none"> Promoting sustainable timber 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 Identifying and mitigating water risks
Prevention of chemical pollution	<ul style="list-style-type: none"> Reducing the use of chemicals during the production stage Further improving indoor air quality in residential facilities

Major KGI for FY2021

Greenhouse gas emissions (per sales unit)
35% reduction
(Compared to FY 2015)

Energy efficiency
1.4 times
(Compared to FY 2015)

Renewable energy rate (Usage rate)
100% (10%)

Percentage improvement in “motivation” of entire workforce
80%

Annual holidays on a worksite
112
(Attainment of taking 8 days-off for every 4 weeks)

Orders received from our customer base
70%

Internal control system attainment score
15% improvement
(Compared to FY 2017)

S Social Medium-Term Plan

Endless Social Program 2021

Build management base that anticipates social changes / Strengthen relations with stakeholders

Innovation base	Strengthen systems to promote business and real-estate development that helps solve social issues.
Human resources base	Build an organization with a diversified motivated workforce that retains the young people it develops.
Technology and manufacturing base	Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality.
Customer base	Build long-term relations with customers and establish corporate brands that bring in new customers.
Communication base	Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age.
Risk countermeasures base (Being complete in small things)	Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases.

Governance definition / Enhancing governance

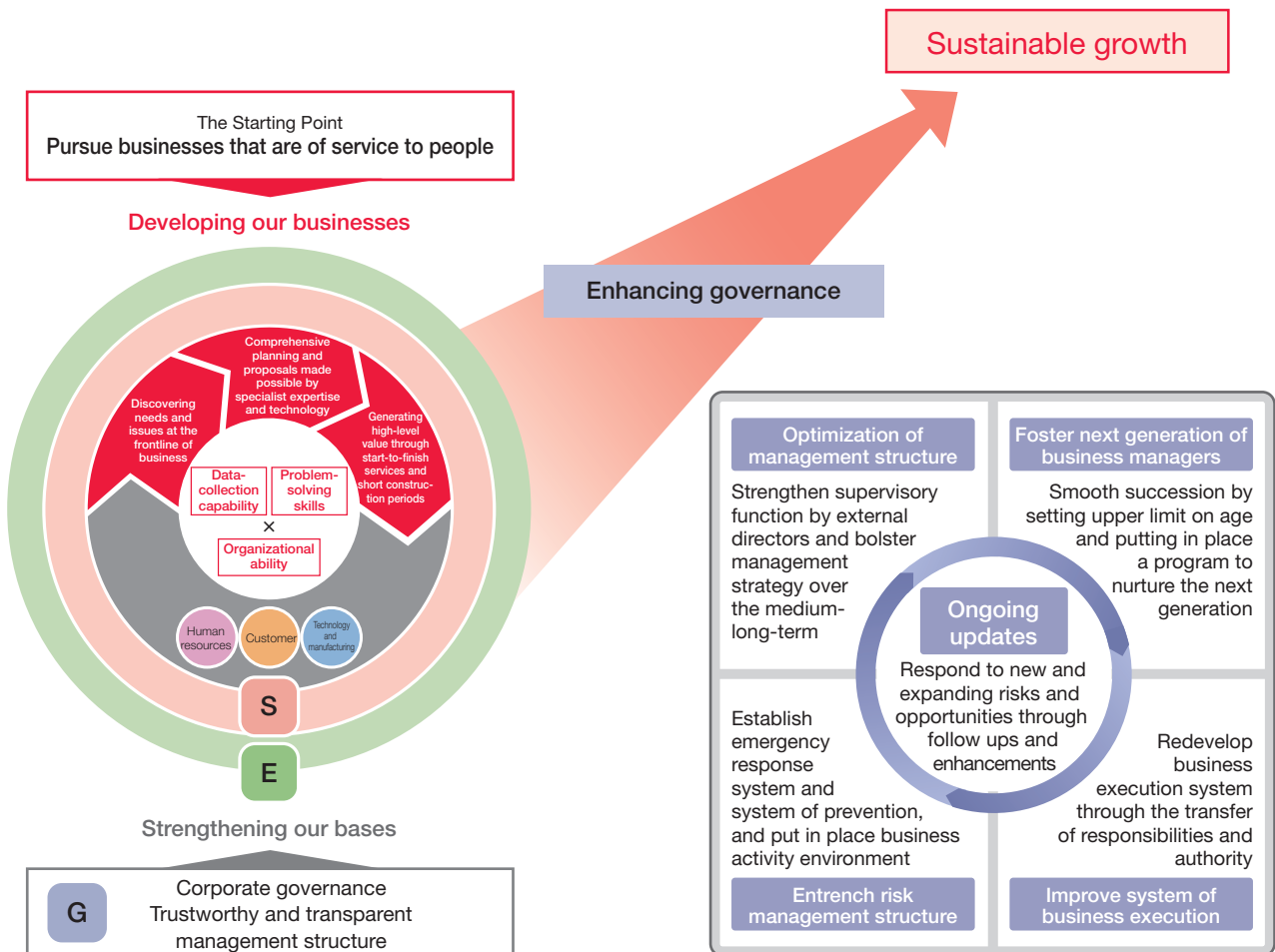
Governance definition

<p>Governance in the broad sense</p> <p>[Strengthening management administration system and being complete in small things]</p> <ul style="list-style-type: none"> · Internal control · Risk management (including human rights, the environment, labor and prevention of corruption) · Compliance · Business continuity management (BCM) and other matters related to execution function <p><small>Related page</small> P030 Environmental Management P077 Social Medium-Term Plan</p>	<p>Governance in the narrow sense</p> <p>[Corporate governance]</p> <ul style="list-style-type: none"> · Evaluation of the Board of Directors · Diversity amongst directors · Evaluation of auditors and accounting auditors · Management strategy (including ESG) decision making and supervisory systems · Nomination and remuneration advisory committees and other matters related to supervision and decision making <p><small>Related page</small> P162 Corporate Governance</p>
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Positioning to enhance governance

The Daiwa House Group has traditionally realized growth through governance that focused on the concentrated efforts of the Company's top management and the human resource capabilities of individual employees. However, given the rapid expansion of today's scope of business and business areas, we have determined that we will substantially revise the Group's governance structure.

In this enhancing of governance, we have set forth four basic policies with regard to governance, including for Group companies in and outside of Japan. We will strengthen the structure of governance to guide a course toward further growth for the Group as it heads into the future, and sustain this growth. Action to be taken for each of these measures is as stated in the next page.



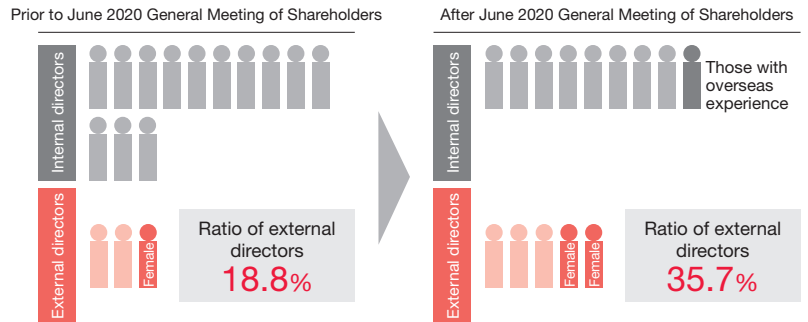
Enhancing governance

Cognizant of today's rapid expansion of business scale and area, on November 8, 2019, the Company announced that it would take measures to enhance governance in the Group, and that it would put in place a foundation that would enable sustainable growth. Measures completed at this time are as follows.

Having set up until fiscal 2021, the final year of the 6th Medium-Term Management Plan, as a certain period to rebuild Group governance, the Company will steadily move forward to undertake each of the strengthening measures.

Strengthening management structure

- Ratio of external directors changed to over one-third
- Appoint female directors and directors with overseas experience, heightening diversity (as of June 26, 2020)



Fostering next-generation of management

- Set the upper age limit of directors from within the Company to smooth transition to the next generation
- In addition, set the upper age limit of 67 years old for both internal auditors and executive officers

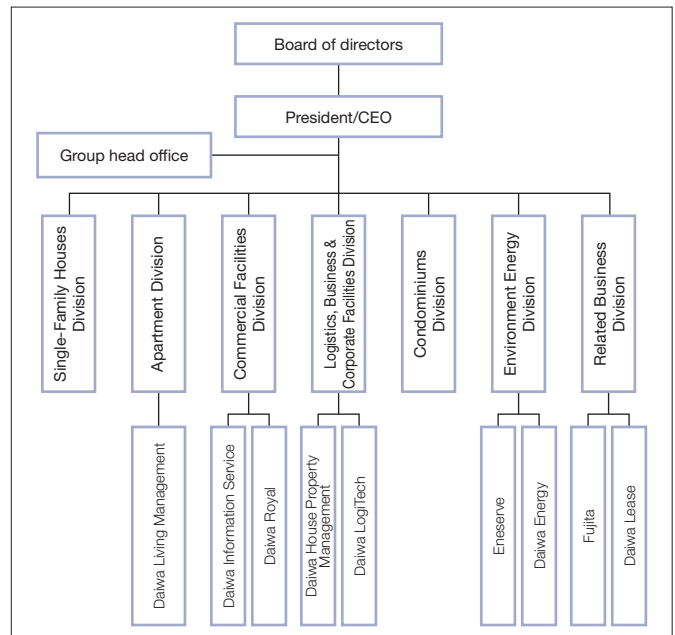
Upper age limits	Representative directors:	69 years old
	Directors:	67 years old

Affirm risk management structure

- Clarify risk reporting criteria
- Establish Compliance Promotion Department
- Newly establish external contact point for whistleblowers

Improve structure of business execution

- Introduce a business division-centered organization to the domestic business execution structure
- Reorganize business execution structure of businesses in Japan to create seven business divisions, and position relevant Group companies within their purview
- Commence consideration of organizational structure and management approach toward a full-fledged fiscal 2021 start of operations



Chapter

01

Implementation Report

Environment

Slowing and adapting to climate change

GHG emissions (per unit of sales)

31.9% reduction

Ratio of S-ranked timber in procured timber

94.3%

Conservation of Natural Resources

Construction waste recycling rate

97%

Prevention of Chemical Pollution

Release and transfer of PRTR-listed substances

56.8% reduction

Environmental Management

Number of those who acquired the Eco Test certification

8,218

Eco Communication

Number of participants in environmental education (Hagu Eco) for children (cumulative total)

7,332

Management

Commitment from the Executive Officer in Charge 021

Long-Term Environmental Vision 024

Action Plan for the Environment (Endless Green Program) 027

General (Expand environmental contribution business) 029

Reinforcing the foundation of environmental management 030

Environmental Management

Supply Chain Management (Environment)

Eco Communication

Focal theme

1 Slowing and adapting to climate change (Energy) ... 037

2 Harmony with the Natural Environment (Preservation of Biodiversity) 047

3 Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction) ... 053

4 Prevention of Chemical Pollution 059

Promoting “Zero Carbon”
both in terms of products and
monozukuri and continuing
pursuit of corporate profitability
co-existing with environmental
sustainability

Yoshiaki Tanabe

Managing Executive Officer
Head of Research and
Development
Head of Environment



Commitment from the Executive Officer in Charge

Accelerating Groupwide efforts to counter climate change as a strategic management issue

In recent years, frequent extreme weather such as typhoons, torrential rainfall, and large-scale forest fires has spread awareness about climate change as a matter of urgency across the world, and each country has accelerated its efforts to address climate change according to the Paris Agreement. As SDGs, the global goals to create a sustainable, better world, includes climate change as a matter to be addressed, it is a matter of importance closely related to other matters. This trend

is urging various actions in the country as well, and particularly, the awareness of environmental aspects in corporate management and finance has been heightened, such as ESG management and the Task Force on Climate-related Financial Disclosures (TCFD).

The Daiwa House Group recognizes how important these issues are, and is working on them actively and systematically by positioning them as strategic management issues that may offer business opportunities.

We formulated in 2016 “Challenge ZERO 2055,” a long-term environmental vision that focuses on “harmony with the natural environment,” “conservation of natural and water resources,” “prevention of chemical pollution” as well as the top priority issue

Contribution to
SDGs



“slowing and adapting to climate change.” In the course of the vision, concrete targets and plans are set nearly every three years as the EGP (endless green program), which is promoted at the Groupwide level.

Decarbonizing our operations and applying the know-how to promote carbon-free houses, buildings and towns

Recent principal accomplishments of our business activities include Royal Home Center Tsushima Branch (Aichi), the first-ever large-scale ZEB store, which has been in operation since 2016, and Daiwa House Saga Building (Saga), a power self-sufficient building by renewable energy which was completed in 2018 and is running on a trial basis. As a result of promoting energy conservation and increasing the use of renewable energy including these efforts, we achieved a 32% greenhouse gas emissions reduction per unit of sales in fiscal 2019 from fiscal 2015, at a faster pace than the Paris Agreement’s 2°C temperature target. In March 2020, DREAM Wind Ehime Seiyo, the Daiwa House Group’s second large-scale wind-power plant, went into operation. Consequently, the ratio of power generation by the Group using renewable energy sources to electricity consumption reached 96%.

In parallel with these efforts, we are working to incorporate into our products the know-how in energy conservation, creation, and storage that we obtained in operations, and have them applied to

society. The pillar of this effort is the development and dissemination of ZEH and ZEB. As housing products, we released the “Anti-Disaster House” equipped with an All-Weather Three Battery Linking System to secure power, heating, and hot-water supply for some 10 days even when it is raining, and as construction-related products, launched the D’s SMART Series, including the environmentally-friendly office “D’s SMART OFFICE” and environmentally-friendly factory “D’s SMART FACTORY,” all of which are winning many customers’ favor. We are also stepping up our efforts by developing communities nationwide that incorporate advanced technologies such as energy self-sufficient housing, electricity interchanging, and ZET (Net Zero Energy Towns). These communities include SECUREA Toyota Kakimoto (Aichi), Takao SAKULa City (Tokyo), Toyama City Safe and Smart Model City Block (Toyama), and Funabashi Grand Oasis (Chiba).

These proactive environmental activities have been highly commended in fiscal 2019. We were certified as a “Climate Change A-list” company for the second year in a row, the highest evaluation of CDP Climate Change, and were also certified as a “Supplier Engagement leader board” under the CDP’s Supplier Engagement Rating. In Japan, we also received many environment-related awards, such as the “Fiscal 2019 Environment Minister’s Award for Global Warming Prevention Activity” and was inducted into a hall of fame of the “Environmental Communication Award.”



Load-bearing wall KyureK



DREAM Wind Ehime Seiyo wind-power plant (Ehime)



Anti-Disaster House with All-Weather Three Battery Linking System



Funabashi Grand Oasis large-scale community development with 100% renewable energy

Promoting the Action Plan for the Environment with five focal policies

In the EGP2021 (fiscal 2019 to 2021) started in fiscal 2019, which expanded the scope of application to all the Group companies including overseas ones, we are going to accelerate integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability with emphasis on efforts for “carbon-free.”

① Promoting “carbon-free” in the fields of products and *monozukuri* for achieving SBT, EP100, and RE100

To achieve Zero Carbon for our products, we are expanding ZEH as housing products and ZEB as construction products (with sales ratio targets of 60% for ZEH and 35% for ZEB by fiscal 2021), while hosting public-private partnership ZEB seminars, and acquiring Green Building certification.

To achieve Zero Carbon *monozukuri*, we acquired SBT certification, an international initiative for greenhouse gas emissions reduction, to be consistent with the Paris Agreement’s 2°C temperature target. In addition, we joined EP100 and RE100, international initiatives for promoting energy efficiency and renewable energy use, respectively, as the first-ever company in the world from the construction industry, accelerating activities in terms of a medium- to long-term vision.

While promoting continuous and thorough energy efficiency in the Group worksites, factories, and other facilities, we will actively use energy-related advanced technology to pursue ZEB for newly constructed facilities, with feedback on such attempts for the development of new products.

② Promoting win-win cooperation for reducing environmental risks in supply chains

In order to incorporate “carbon-free” and other environmental risk reduction activities into supply chains, we will cooperate with our business partners for our mutual benefits by setting greenhouse gas emissions reduction targets and promoting sustainable procurement of timber.

③ Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness

In addition to promoting ZEH and ZEB, we are going to make a Groupwide effort to promote an environmental contribution business that consists of the electricity sales business, the greening business, and the reform and renovation business under the new “Livness” brand, trying to contribute to the environment, reinforce business competitiveness, and increase sales (sales target of environmental contribution business is 1,500 billion yen in fiscal 2021). Capitalizing on our strength of having a wide range of business domains, we are going to engage in development of new types of communities that are not only environmentally-friendly but also resilient (recuperative and restorative) in the face of disasters.

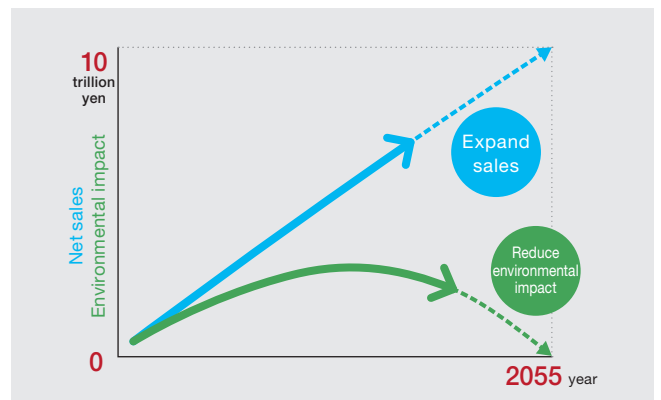
④ Advancing strategic eco communication for improving environmental brand and ESG assessment

We 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. We actively disclose information through sustainability reports, integrated reports, our websites and so forth. We engage in dialogues with institutional investors and ESG assessment agencies to grasp the recent rising demand from the financial industry. Having announced our support for TCFD in September 2018, we also intend to ensure full climate-related financial disclosures.

⑤ Enhancing integrated environmental management within the Group and globally for advancing environmental management

We are promoting environmental management in cooperation with the Group companies both in Japan and abroad. We will reinforce the environmental management system within our Group and globally as illustrated in the promotion of environmental information disclosure, the development of environmental education, and the introduction of an IT-based environmental law management system.

To attain our long-term environmental vision, we pursue corporate profitability coexisting with environmental sustainability and contribute to our management vision “Build a world in which people can lead fulfilled lives” by steadily making improvements based on the EGP.

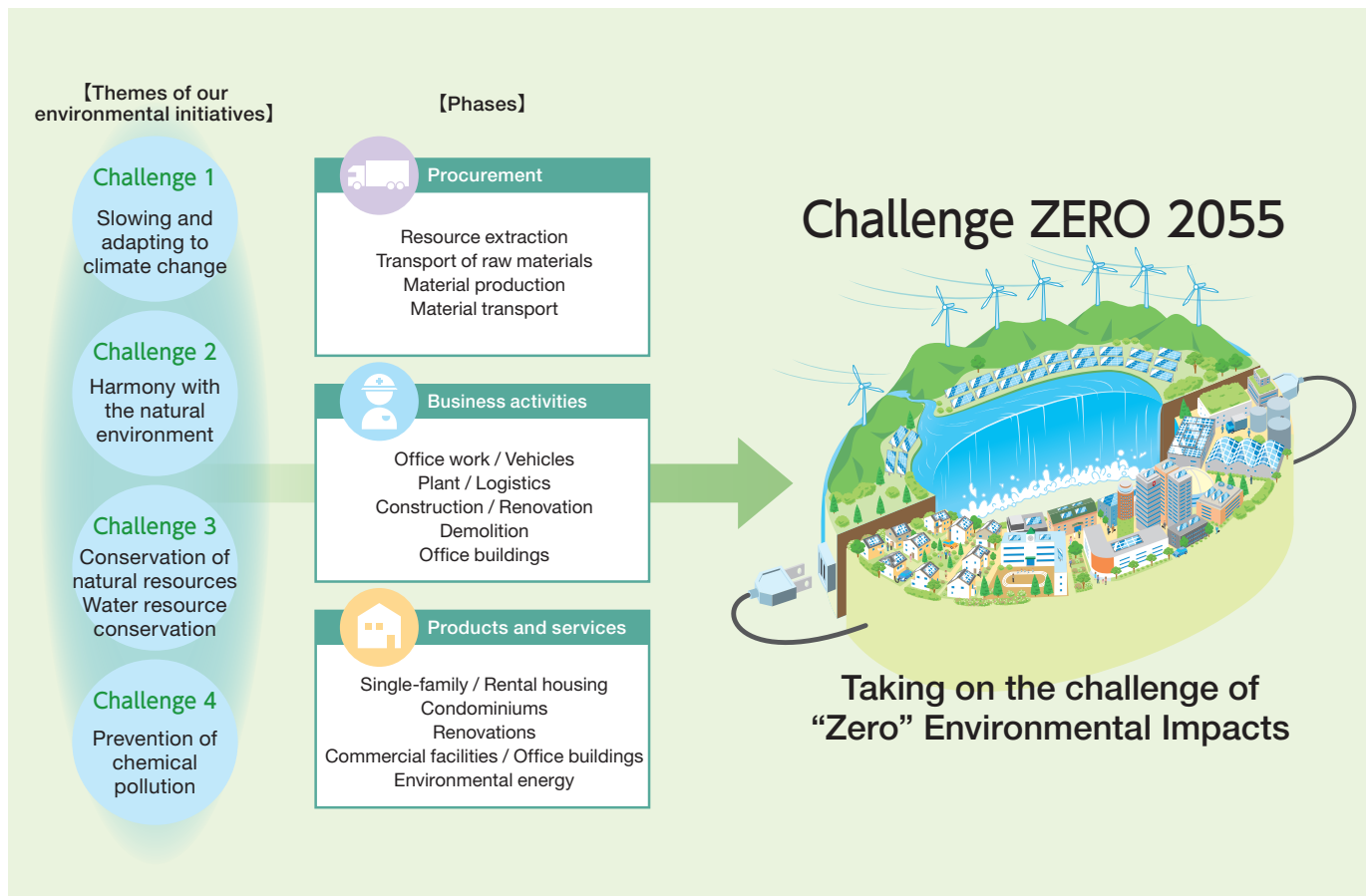


Aim to achieve sales of 10 trillion yen and zero environmental impacts by 2055, our 100th anniversary

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).



Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Long-Term Environmental Vision

Slowing and adapting to climate change (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.**

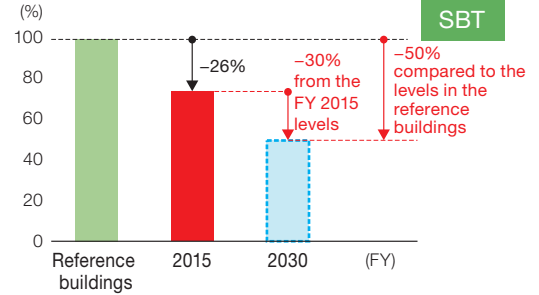
Action 1



By achieving average ZEH and ZEB for 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. [SBT]

(SBT: Science Based Targets)

Greenhouse gas emissions from houses and buildings in use (per m²)



Action 2

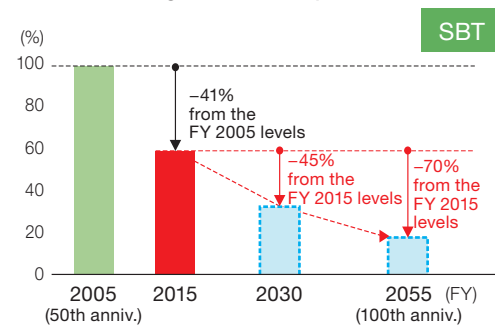


We aim to reduce greenhouse gas emissions in all facilities and all business processes (per sales unit) by 45% by 2030 and by 70% by 2055 from the fiscal 2015 levels. [SBT]

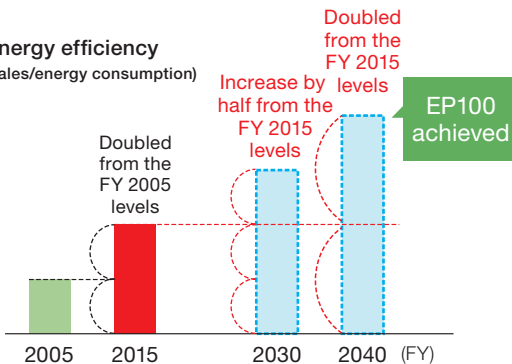
- By further promoting energy saving for existing facilities and achieving ZEB for facilities to be newly constructed, we aim to increase the Groupwide energy efficiency (sales unit per consumed energy) by half by 2030 and double it by 2040 from the fiscal 2015 levels. [EP100]
- We aim to expand renewable 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]

(EP100 : Energy Productivity, RE100 : Renewable Energy)

Greenhouse gas emissions per sales unit

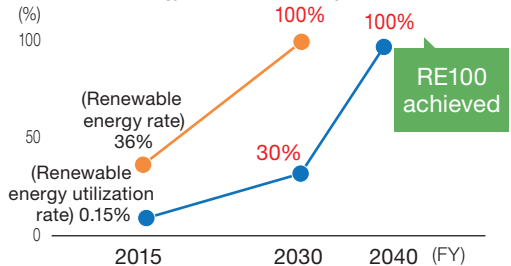


Energy efficiency (sales/energy consumption)



Renewable energy power generation rate (Renewable energy power generation/electricity use)

Renewable energy utilization rate (Renewable energy utilization/electricity use)

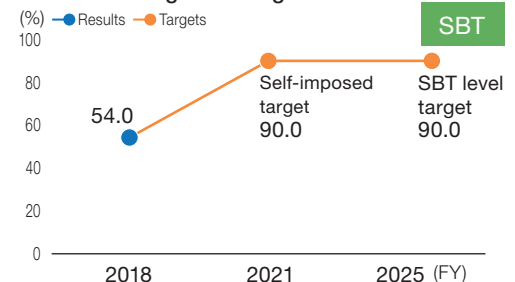


Action 3



We aim to decarbonize our supply chain, in the process of the initiatives we are taking jointly with 90% of our main suppliers, by sharing the Paris Agreement-based greenhouse gas emissions reduction target by 2025. [SBT]

Status of principal suppliers' GHG emissions reduction targets setting





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 timber procurement by 2030 and zero deforestation associated with material procurement across all our business by 2055.

Conservation of natural resources / Water resource conservation (Longer durability / Waste reduction)

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.

Managerial Philosophy and Overall Picture
 Environment
 Society
 Innovation Base
 Human resources Base
 Technology and Manufacturing Base
 Customer Base
 Communication Base
 Risk Countermeasures Base
 Governance
 Third-Party Assessment / Data Section

Action Plan for the Environment (Endless Green Program)

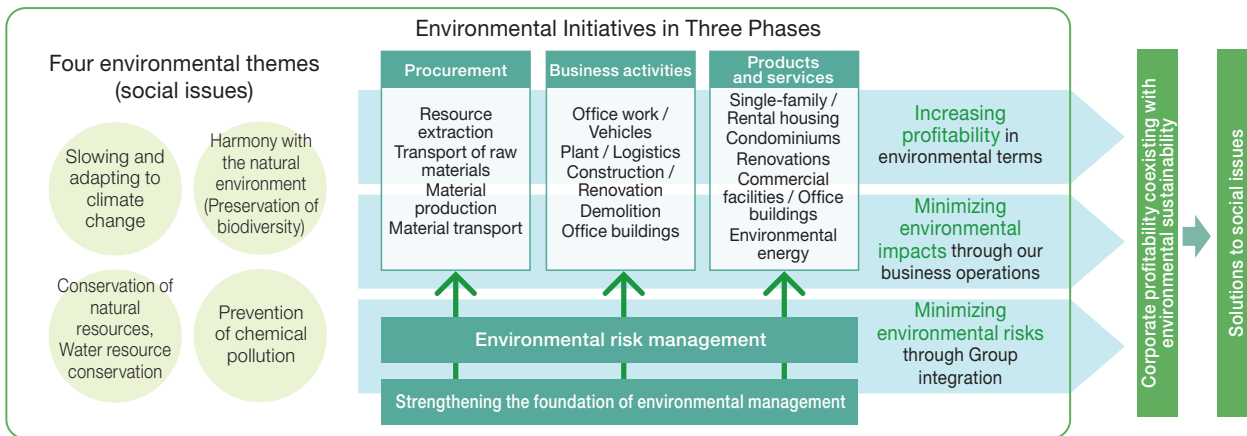
Calculating backward from the long-term environmental vision, we have set 2030 as a milestone for achieving the vision. We formulate concrete targets and plans as the Endless Green Program (EGP) nearly every three years in accord with the period of a medium-term management plan to promote it.

In the EGP, we identify "four environmental themes (social issues)," which are of much interest to stakeholders and closely related to our business, and we work on them at three phases: procurement; business activities; and products and services.

History of the Action Plan for the Environment



Overall Action Plan for the Environment



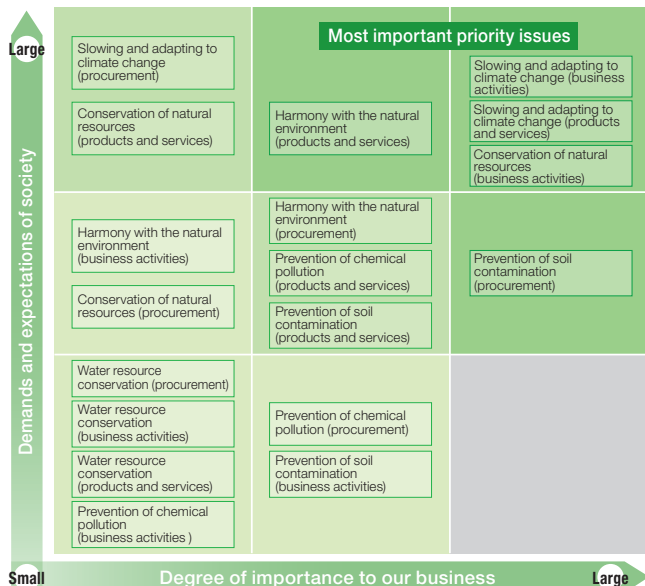
Identification of materiality (priority issues)

We have extracted priority issues for our Group's environmental initiatives in terms of degree of importance to our business and the demands and expectations of society. Materiality has been identified through experts' validation.

Checked from our effort level, identified priority issues and others are reflected in the target level and basic policies in the Action Plan for the Environment.

Related page Our Group official website
 Identification of materiality (priority issues)
<https://www.daiwahouse.com/English/sustainable/eco/vision/materiality/>

Materiality map



Action Plan for the Environment (Endless Green Program 2021)

In the Endless Green Program 2021 (fiscal 2019 to 2021), which expands the scope of application to all the Group companies including overseas ones, we are going to accelerate integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability. In particular, we place emphasis on the carbon-free initiative, which is raised as one of the policies in our 6th Medium-Term Management Plan (fiscal 2019 to 2021).

Key policies of Endless Green Program 2021

- ① Promoting “carbon-free” in the fields of products and *monozukuri* for achieving SBT, EP100, and RE100
- ② Promoting win-win cooperation for reducing environmental risks in supply chains
- ③ Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness
- ④ Advancing strategic eco communication for improving environmental brand and ESG assessment
- ⑤ Enhancing integrated environmental management within the Group and globally for advancing environmental management

Basic policies of Endless Green Program 2021

Based on focal policies of Endless Green Program 2021, basic policies are set by theme and phase

Focal themes	Phase	Basic policies	
General (Expand environmental contribution business)	Products and services	<ul style="list-style-type: none"> Pursue both environmental stewardship and corporate earnings by developing and selling products/services that are tied to the environment. 	
Slowing and adapting to climate change	Procurement	<ul style="list-style-type: none"> Provide important suppliers with support in setting targets and promoting efforts. 	P037
	Business activities	<ul style="list-style-type: none"> Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities. Expand power generation projects driven by renewable energy (wind, solar, hydro and biomass). 	
Harmony with the natural environment Preservation of biodiversity	Products and services	<ul style="list-style-type: none"> Promote ZEH, ZEB and Green Building certification. 	P047
	Procurement	<ul style="list-style-type: none"> Promote sustainable timber procurement. 	
	Business activities	<ul style="list-style-type: none"> Promote greening at our and Group company facilities. 	
Conservation of natural resources	Products and services	<ul style="list-style-type: none"> Promote the preservation and creation of green spaces in projects and community development. 	P053
	Procurement	<ul style="list-style-type: none"> Reduce resource consumption. 	
	Business activities	<ul style="list-style-type: none"> Promote 3R activities with construction waste and plastics at service centers. 	
Water resource conservation	Products and services	<ul style="list-style-type: none"> Develop and diffuse recyclable products (high durability, long lasting, less use of resources). 	P059
	Procurement, business activities, products and services	<ul style="list-style-type: none"> Identify and mitigate water risks. 	
Prevention of chemical pollution	Procurement	<ul style="list-style-type: none"> Increase controls of chemicals used in procured construction materials. 	P059
	Business activities	<ul style="list-style-type: none"> Reduce the use of toxic chemicals in production stages. 	
	Products and services	<ul style="list-style-type: none"> Further improve indoor air quality of residential houses and facilities. 	
Strengthening the foundation of environmental management	Environmental risk management	<ul style="list-style-type: none"> Put into practice autonomous Group compliance against environmental laws and regulations. 	
	Environmental education	<ul style="list-style-type: none"> Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce. 	
	Management	<ul style="list-style-type: none"> Integrate environmental management across the Group and globally. 	
	Communication	<ul style="list-style-type: none"> Promote environmental communication including strategic and effective information disclosures. 	

Main outcomes in fiscal 2019



DREAM Wind Ehime Seiyo (Ehime)

- The Group's second large-scale wind-power plant, DREAM Wind Ehime Seiyo, went into operation
- The Group has expanded its renewable power plants to 278, generating 379 MW*

* Inhouse consumption is excluded



Ricoh Japan Wakayama Branch

- Hosted external ZEB seminars
- Utilized public subsidies
- Conducted in-house ZEB training
- Shared examples of ZEB

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

General

Expand environmental contribution business

Policy and Concept

The Daiwa House Group pursues both environmental stewardship and corporate earnings by developing and disseminating products and services that are environmentally conscious.

Many of our environmental management indicators were to quantify environmental impacts themselves, such as greenhouse gas emissions and waste emissions, which made it difficult to understand whether the targets were adequate or the significance of achieving them. Viewing environment as a business opportunity, we designated sales of environmental contribution business as a key management indicator, to clearly and quantitatively publish our stance that we contribute to the environment through our business and make environmental stewardship an added value to our businesses. Our target is to expand growth in sales of environmental contribution business at a pace greater than that of the entire business.

To achieve this target, we set sales targets by fiscal 2021 for each of our companies and divisions, formulating policies and actions and proactively working on them.

■ Definition of environmental contribution business

Business	Definition	
Environment-friendly buildings	Single-family housing	ZEH-compatible products
	Rental housing	Buildings with a BEI of 0.85 or less
	Condominium	D's SMART Condominiums
	Commercial and office buildings	Buildings with a BEI of 0.8 or less
Environmental energy business	Renewable energy, energy saving, electricity retailing business	
Existing homes business	Home renovation	Photovoltaic systems, storage batteries, energy-efficiency renovation
	Sale of existing houses	Resale of existing houses with renovation
Leasing business	Leasing of energy-efficient equipment, leasing of electric vehicles	
Environmental greening business	Overall environmental greening business	
Other business	Sales of environmentally conscious products	

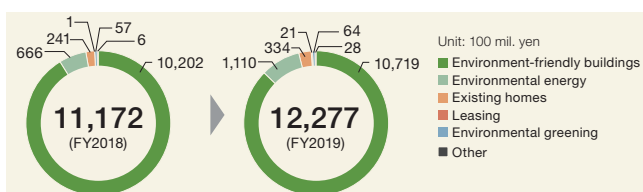
Related page P185 Data Section Sales of environmental contribution businesses

Main approach

In fiscal 2019 the environmental energy business and other initiatives progressed at each of our companies and businesses, resulting in sales of environmental contribution business of 1,227.7 billion yen, a 10% increase compared to fiscal 2018 (approximately 28% of the Group's total sales). However, we failed to achieve our target of 1,250 billion.

We aim to expand the environmental contribution business by accumulating and sharing the knowhow gained through environmental activities in our operations and developing them as environmentally conscious products and services.

■ Sales of environmental contribution business (by business)



Single-family housing: Increasing the number of ZEHs

In fiscal 2019 we added the Lifegenic model to our flagship products xevo Σ (pronounced "zevo Sigma") and xevo GranWood to expand our lineup of houses meeting the Zero Energy House (ZEH) standards, thus increasing ZEH sales. We also developed tools to easily determine and propose the necessary solar power generation system capacity and optimal energy-efficient equipment for ZEH in line with the lifestyles of our customers.



xevo Σ PREMIUM

Commercial and office buildings business: Increasing the number of ZEBs

We are marketing and developing the D's SMART series, a package of environmentally conscious technologies for multipurpose buildings, to promote Zero Energy Buildings (ZEBs).

To convey the advantages of ZEBs, we regularly hold ZEB seminars for customers in cooperation with the Energy Conservation Center, Japan and local governments. We held two seminars in fiscal 2019 (in Osaka Prefecture and Kanagawa Prefecture).



Ricoh Japan Gifu Branch

Related page P042 Commercial and office buildings: Promoting ZEBs through ZEB seminars

Environmental energy: Promoting renewable energy

The Daiwa House Group operates 278 renewable power plants generating 379 MW*1 across our Group (as of March 2020). In fiscal 2019 a large-scale 16 MW wind-power plant began operation in Ehime Prefecture. Our next step will be to concentrate on sales of CO₂-free electricity using the Power Purchase Agreement (PPA) model*2 and non-fossil fuel energy certificates.



DREAM Wind Ehime Seiyo (Ehime Prefecture)

*1 Inhouse consumption is excluded

*2 A direct sale agreement of electricity between the seller and the buyer. The agreement allows the buyer to specify the type of facilities that generate renewable energy to buy.

Other: Promoting greening products

We are promoting sales of D's Green Pallet, a thin planter that can be used for wall greening, and VERDENIA for indoor greening suited to office spaces.



BIVI Senriyama commercial facility (Osaka Prefecture)

Implementation report on the Endless Green Program 2021

Reinforcing the foundation of environmental management

Environmental Management

Policy and Concept

The Daiwa House Group has its “Long-Term Environmental Vision” shared by our 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. One of the basic policies of Principles of Corporate Ethics is “with the environment.” Based on a detailed action plan, worksites and principal Group companies make environmental activities subject to the business performance assessment to work on the PDCA cycle.

Related page P068 Whole picture of CSR management system
 P162 Corporate governance system
 P164 Committees to increase effectiveness of supervisory function

Promoting Environmental Management

Environmental management organization

Our Group has established the Group Environmental Promotion Committee with the Daiwa House Industry President, CEO and COO and the Executive Officer in charge of the Environment appointed to Environment Director and Chairman, respectively. Meeting biannually, the committee supervises our Group’s environmental initiatives, discusses and makes decisions on basic policies for environmental initiatives our Group should undertake and environmental risks and opportunities. As the subsidiary organization of the committee, 10 specialized subcommittees chaired by each executive officer in charge are installed. As illustrated in quarterly reviews, each subcommittee functions as a cross-segment and small unit working group, promoting thorough improvement activities. In addition, 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.

In fiscal 2019, the Group Environmental Promotion Committee deliberated on and determined specific measures to quickly achieve RE100, one of the key goals of the Endless Green Program 2021, and an action policy for the new social issue of marine plastics.

Reflect achievements in environmental activities in business performance assessment

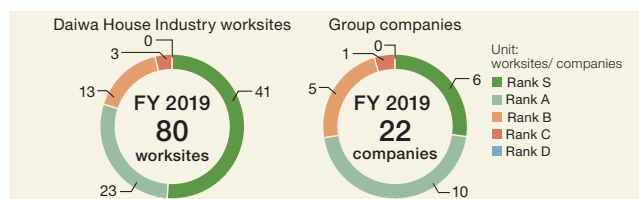
The Company evaluates the results of environmental activities at all of its worksites nationwide and 22 main Group companies with a large environmental impact, to reflect the results in the worksite performance assessments and assessments for officers’ bonuses.

Our worksites formulate an environmental improvement plan “My Worksite ECO Plan” at the beginning of a fiscal term. Their progress is evaluated according to the five ranks of A through D and S in the form of “Your Worksite ECO Diagnosis.” The diagnosis results are reflected in the worksites’ business performance assessments with an aim to increase the motivation for environmental activities. The worksite which was highly evaluated 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 devise and carry out concrete policies for it.

For Group companies we evaluate environmental management based on the environmental management system and the achievement of goals under the Action Plan for the Environment. This is incorporated into the Group performance assessments and reflected in assessments for the officers’ bonuses.

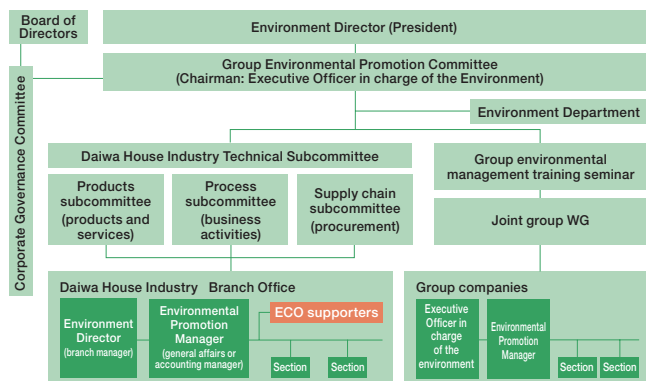
We will enhance the performance assessment systems and bonus systems in relation to the environment, increase employee motivation and further encourage participation by the management, to raise the level of our environmental activities.

Results of performance assessment for environmental activities



Related page P069 Management soundness assessment

Environmental management system



Training seminars for executive officers

Daiwa House Industry holds a workshop for its management, coinciding with the Joint Management Council, to focus on various issues with a high degree of social importance. In fiscal 2019, we held an environmental management training seminar where we invited investors to lecture on how environmental strategies should be, in light of the climate change issue that is getting more serious and expansion in ESG investment. Participants learned the importance of top-down environmental management



Training seminar for executive officers

and the need to formulate business strategies reflecting the risks and opportunities of environmental issues for the sake of the Company's continuous growth in the long term.

The training seminar was attended by 69 persons including directors, executive officers, and auditors. We intend to hold a training seminar on environmental issues annually.

Training seminar for Executive Officers in charge of the Environment from Group companies

The Daiwa House Group has hosted a "group environmental management training seminar" for Executive Officers in charge of the environment from Group companies since fiscal 2017. This offers an opportunity for them to raise awareness of global trends in the environment, society, and governance, as well as the association between environmental activities and company management, through lectures by experts for better environmental management under management leadership.

In fiscal 2019, the environmental management training seminar, which had focused on study and information sharing, shifted to an environmental management conference to be developed into an opportunity for the Group companies' Executive Officers in charge of the environment and the Manager of the Environment Department of the Company on the results, identified issues and measures, as well as their internal instructions regarding the Action Plan for the Environment.

From fiscal 2020, the environmental management conference, currently meeting annually, will meet twice a year to provide more timely management reviews, give feedback on performance assessment results, and hold an award ceremony for the Group ECO Contest, thereby seeking to raise the level of environmental management in the Group companies.



Group ECO Contest award ceremony



Group environmental management conference

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. The introduction has encouraged us to consolidate data, improve tally precision, and make the tallying process more efficient.

In fiscal 2019, in addition to making the aggregation and analysis of overseas sites data more efficient, we identified worksites with significant environmental impacts or those remained to be improved as particularly focused worksites for improvement with a view to promoting more workable environmental activities.

[System to comply with environmental laws and regulations]

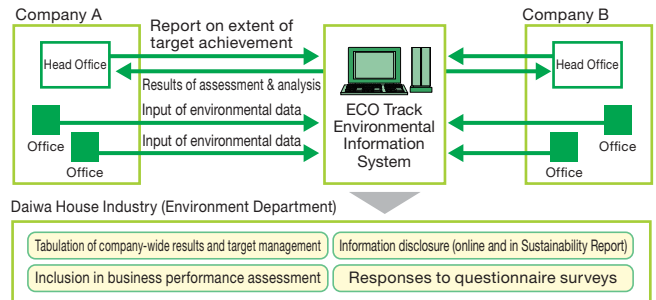
Our Group introduced the environmental regulation management system "Compliance Manager"* in fiscal 2016 and has had in place the integrated environmental law management system within our Group ever since. By standardizing environmental regulation management duties among our Group companies and enabling our Group to timely share information about enactment of new laws and law amendments, the system has worked on operational efficiency and contributed to significantly deepening understanding

of laws and regulations. In addition, through grasping with the system the extent to which each company complies with laws and regulations, the Group's risks are centrally managed.

We are going to promote collaboration between each Group company and the Environment Department to minimize environmental risks.

* A website service that makes it possible to clarify environmental laws and regulations to comply with and check and report compliance degree.

■ Environmental performance data management system



Acquisition of ISO 14001 and implementation of environmental audits

Daiwa House Industry conducts Internal audits on the environment at all worksites, and have acquired ISO 14001 certification, an international standard for environmental management systems, at nine plants that are considered particularly important. Our Group companies also have acquired ISO 14001, and continue to update and maintain the certification status. Moreover, the division in charge uses a manual prepared by each company and periodically implements environmental audits to verify and give instructions on the operation status of the environmental management system in addition to details of environmental performance, regulatory compliance, and risk avoidance. In addition, the results of the audits are reported to the management as material for management reviews and are utilized to promote continuous improvement.

Related page P185 Environmental Data ISO 14001 certification
 Environmental Data Sites that have the ISO 14001 certification

Environmental accidents and complaints (fiscal 2019)

In fiscal 2019 there were no serious accidents or complaints regarding the environment, and no penalties or damages for breach of contract were incurred.

Related page P153 Sanction measures due to a violation of law and litigation (including ESG-related issues)

Environmental Education and Awareness-Raising

In order to promote environmental initiatives 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.

Development of environmental human resources through promotion of acquisition of Eco Test certification

Today, as ESG (Environment, Society, and Governance) elements

are becoming more important in investment decisions, corporations must manage their businesses from a medium- and long-term perspective. In particular, frequent abnormal weather events due to the global climate change are threatening people's safe and secure lives, the primary value the Daiwa House Group provides. Responding to environmental issues is therefore a responsibility we must fulfill.

In order for us to directly confront these issues and find solutions to them through business, we must first correctly understand the issues faced by the environment and society. The Eco Test, a certification test for environmental specialists, is an effective means of obtaining primary knowledge of diverse and complex environmental challenges.

The Company began promoting the Eco Test from 2015 as a way to increase awareness for the environment and to develop our human resources. One of the goals of the Endless Green Program 2021 is to have 12,000 holders of Eco Test certification by fiscal 2021. We work to increase the number of holders by using our internally prepared tools, such as terminology lists and prep tests. Thanks to these efforts, the number of the certification holders reached 8,218 as of the end of March 2020.

A Group company Daiwa Lease has in particular set a goal of maintaining 90% or more of its employees holding Eco Test certification by fiscal 2021, and is providing an e-learning course via its intranet. The efforts were rewarded with the grand prize under the Eco Unit category of the Eco Test Awards 2019 held by The Tokyo Chamber of Commerce and Industry, the promoter of the Eco Test.

The Daiwa House Group will continue its efforts to foster people who actively address environmental issues through promoting the acquisition of Eco Test certification.

Related page P186 Environmental Data Environmental education provided Environmental Data Employees with main environmental qualifications

Promoting environmental education 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 providing general education focusing on social trends of the environment, our policies, and outstanding environmental activities.

In order to disseminate the policy internally, the Environment Department conducts ECO supporter training on social trends, our environmental policies, and how to advance environmental activities in each branch for ECO supporters stationed in each worksite. Under the leadership of the trained ECO supporters, Worksite ECO training seminars are held at 80 worksites nationwide biannually so that members can share their own challenges and measures with all their fellow worksite members to boost environmental activities.

Since fiscal 2008, we have hosted the Challenge! We Build ECO Contest, which commends environmental activities that each branch undertakes. With 241 applications accepted in fiscal 2019, outstanding activities were commended in each of the categories of ECO Products, ECO Process, and ECO Communication. The most outstanding activities were honored with the President's Award and the Executive Officer in charge of the Environment's Award. In addition, these outstanding activities are disclosed on the intranet and in the corporate newsletter, and disseminated to the worksites across Japan.

From fiscal 2019, 22 Group companies became eligible to join the ECO Contest. Through holding the Challenge! Group ECO Contest as with the Company, the willingness and motivation were raised throughout the Group to join the initiative for better environment.



ECO Supporter Manual



ECO Contest

Environmental management for our real estate portfolio

A Group company Daiwa House Asset Management operates the assets of Daiwa House REIT Investment Corporation (REIT). In 2017 it formulated a Sustainability Policy with the aim of securing stable profits and steady asset growth over the medium- to long-term.

The policy describes criteria for procurement and selection or assessment of suppliers, including items such as energy, biodiversity, ecosystem conservation, and use of designated procurement items according to the Green Purchasing Law, to ensure more effective and environmentally conscious management of the real estate portfolio owned by REIT.

Working together with its tenants to promote the efforts for the environment, REIT does not only conclude green leasing agreements but also holds periodic Community Councils with the tenants of some properties to share environmental information and reduction targets for energy and water to further promote these efforts.

In fiscal 2019, properties with Green Building certification accounted for 53.9% of the real estate properties in the portfolio owned by REIT, up 15.1 percentage points compared to fiscal 2018, and those under the green leasing agreements came to 55.9%, up 30.9 percentage points. DPL Misato, a logistics center in Saitama Prefecture is one example of the property that acquired Green Building certification and concluded a green leasing agreement in fiscal 2019. The center acquired a five-star rating, the highest rank, for three types of Green Building certification: DBJ Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency (CASBEE), and Building-Housing Energy-efficiency Labeling System (BELS) evaluation.

As a result of these efforts, we obtained three stars out of five for fiscal 2019 Global Real Estate Sustainability Benchmark (GRESB), which measures environmental, social, and governance (ESG) factors for real estate companies to be used as benchmarks for investees selection and dialog with institutional investors. The GRESB disclosure assessment acclaimed our efforts for information disclosure relating to ESG efforts, with both the Company and REIT receiving the highest ranking of A on a five-level scale in fiscal 2019.



DPL Misato (Saitama Prefecture)

Related page P088 ESG Management Policy for Real Estate Properties in our portfolio
P089 Communication with tenants of facilities
P173 Inclusion in ESG indices
Daiwa House Asset Management Policy and System for Promoting Sustainability (<https://www.daiwahouse-reit.co.jp/en/sustainability/index.html>)

Implementation report on the Endless Green Program 2021

Reinforcing the foundation of environmental management

Supply Chain Management (Environment)

Policy and Concept

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.

In particular, we have set specific goals regarding climate change, and established detailed guidelines and assessment criteria for chemical substance management and timber procurement, and implement 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.	
(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 timber 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 [Basics]		
② Biodiversity Guidelines [Timber Procurement]		

Related page ▶ Our Group official website
 CSR Procurement Guidelines (Japanese Text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

Management

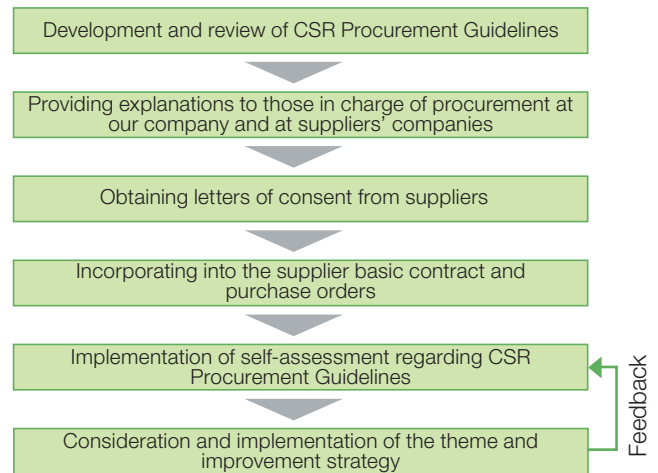
Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the “Business Partner Code of Conduct” of our CSR Procurement Guidelines. We collaborate on environmental work through our three supply chain organizations: The Trillion Club supplies our materials; the Confederation of Partner Companies comprises manufacturing and partner subcontractors; and the Setsuwa Club supplies our facility equipment.

Related page ▶ P115 Member organizations in our supply chains

Increasing suppliers' awareness of our environmental policy

By holding a briefing on CSR Procurement Guidelines for suppliers in fiscal 2015, we sought to increase their awareness of the guidelines. From fiscal 2016 we have held the same briefing for six Group companies (Royal Home Center Co., Ltd., DesignArc Co., Ltd., Daiwa Lease Co., Ltd., Fujita Corporation, Cosmos Initia Co., Ltd., and Daiwa House Reform Co., Ltd.). After sharing the importance of reduction of environmental impacts and risks at the procurement phase with them, we asked the suppliers to submit the letter of consent on CSR Procurement Guidelines to us. The guidelines were partially revised in fiscal 2019 and letters of consent were once again collected in order for the suppliers to further increase their awareness of our environmental policy. The collection rate was 52.2% (2,910 suppliers) as of the end of April 2020.

In order for the suppliers to assess their engagement in CSR Procurement Guidelines and resulting progress, they can conduct self-assessment on the website. This system also allows them to assess the extent to which they comply with environmental laws and regulations and respond to climate change, and report the result to us. In fiscal 2019 we revised the questions and called for them to participate in it. The implementation rate of the self-assessment was 19.7% (1,096 companies) as of the end of April 2020.



Related page ▶ P111 Issue 8: Promote and improve the efficiency of CSR procurement across the Group
 P119 Encouraging business partners in CSR procurement

Monitoring of supply chain

In order to promote environmental efforts and discover risks in supply chains at an early stage, we reach out to suppliers through each supply chain organization.

We keep track of the progress in environmental efforts and conduct monitoring based on a waste disposal checklist for business partners in construction sites and factories (all primary subcontractors). When problems arise, in addition to rectifying them immediately, we enhance structural management through improvement activities for preventing similar incidents and offer education to employees from our suppliers.

In order to prepare for future water risks, we send water risk-related questions to our suppliers on topics such as their water intake and emissions and watershed areas where overseas factories are built, in order to keep track of actual conditions. As for chemicals, we ask suppliers to submit a chemical substances usage report for principal building materials to check if they are used according to the guidelines. We also ask them to switch to lower-risk products if necessary.

We are going to bring things to be particularly improved to light based on the self-assessment reports and results of each survey, and raise environmental activities through reciprocal audits and information sharing based on the cooperation between our Group and suppliers.

[Related page](#) P119 Checking our supply chains for ESG issues

Supplier reports and status monitoring

From fiscal 2018, we have conducted an annual survey of principal suppliers to check and have them report on greenhouse gas emissions reduction targets, implementation results, and achieved numerical figures, all of which could not be grasped with self-assessments. This survey covers primary and some secondary suppliers. In fiscal 2019, a survey of 204 principal suppliers (all were suppliers of Daiwa House Industry, Daiwa Lease Co., Ltd., and Fujita Corporation) showed that 71% (54% in fiscal 2018) of them had set the greenhouse gas emission reduction targets. We aim to get more than 90% of principal suppliers to set respective targets by fiscal 2021.

Of the products we procure, timber is particularly involved in environmental and human rights-related risks and we annually conduct a procurement of timber survey for suppliers we and six Group companies deal with. Through this survey, suppliers provide reports on timber legality and sustainability. Those that supply substandard timber are requested to switch to sustainable timber, and face-to-face interviews are held with some of them to take corrective actions together.

■ Setting rate of suppliers' greenhouse gas emissions reduction targets (fiscal 2019)

	Number of principal suppliers	Setting rate of greenhouse gas emissions reduction targets	
		FY 2019 results	FY 2021 targets
Daiwa House Industry	168 companies	71%	90% or more
Daiwa Lease	20 companies		
Fujita	16 companies		

(as of March 31, 2020)

[Related page](#) P049 Conducting procurement of timber survey at our suppliers
P062 Expanding Implementation of the Chemical Substance Management Guidelines
P197 Environmental Data Progress in the long-term goal

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.

The Trillion Club has hosted a training and education activity undertaken by member companies since fiscal 2017. The club supports the dissemination of our Group's environmental policies and engagement in the environment through lecture meetings on the environment and study tours of each member company's office or production plant. 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.

In fiscal 2019 we launched a working group for a carbon-free society in the Trillion Club and Setsuwa Club, which held a total of five meetings. Attended by over 300 people from 180 suppliers, the working group discussed and facilitated understanding of the Daiwa House Group's greenhouse gas reduction targets and its further efforts. The working group also encouraged participation in RE Action* to promote renewable energy and shared carbon-free targets. The working group will be held primarily for the suppliers that have yet to set such targets in order to help them formulate the targets.

* Renewable Energy 100 Declaration RE Action: A new framework to switch to 100% renewable electricity the energy used by corporations, local governments, educational institutions, medical institutions and other entities.



A carbon-free working group



Daiwa House Industry chosen for CDP's Supplier Engagement Leaderboard

Daiwa House Industry has been selected for the first time for inclusion in the Supplier Engagement Leaderboard operated by the CDP (formerly the Carbon Disclosure Project), thanks to its high Supplier Engagement Rating. The supplier engagement rating is based on a company's ratings with respect to actions to mitigate climate change in four areas—governance, targets, value chain emissions (scope 3), and supplier engagement strategies. The companies included in the Supplier Engagement Leaderboard are selected from over 4,800 corporations located all around the globe which are judged to have taken particularly effective measures in the field of supply chain engagement. The Leaderboard for fiscal 2019 included 160 companies (28 from Japan), and Daiwa House was the only entrant from the Japanese construction industry.



The Supplier Engagement Leaderboard logo

[Related page](#) P171 Cooperating with Third Parties and Their Assessment

Implementation report on the Endless Green Program 2021

Reinforcing the foundation of environmental management

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.

Communication with stakeholders

Dialogue with experts and institutional investors

At Daiwa House Industry, we hold talks on the Group's environmental activities with experts, NGO members and other external stakeholders as appropriate, to help us make better decisions about our activities, new policies or targets.

Recently, we have been receiving more questions and feedback on our ideas about and efforts for the environment from institutional investors and ESG (environmental social, and governance) evaluation organizations. In response to this situation, in fiscal 2019, we further improved the quality and increased the amount of information we disclose in our sustainability report and comprehensive report, among other disclosure channels. We held ESG small meetings with institutional investors in December as in the previous year as an opportunity for them to gain a deeper understanding of the efforts made by our Group, and we also participated in the Environmental Reporting Platform Development Pilot Project conducted by the Ministry of the Environment, as in previous years. In addition, we held individual interviews with eight institutional investors who have a high level of interest in ESG issues. These talks are aimed not only at deepening mutual understanding across the whole range of ESG factors, but also to exchange opinions with a large number of institutional investors on the Group's TFCD-related proposals, which we disclosed for the first time in fiscal 2019, as well as other issues, and enhance their understanding of our efforts.

Going forward, we will continue to disseminate environment-related information and hold an ongoing dialogue with our stakeholders, to enhance their understanding of the Group stance and activities, and we will continue to incorporate external opinions into activities to improve their effectiveness.



Related page P169 Cooperating with Third Parties and Their Assessment Our Group official website ESG small meetings <https://www.daiwahouse.com/English/ir/events/>

Strengthening information dissemination through our environmental website

We release information about the Group's involvement with

environmental issues through our websites, sustainability reports, exhibitions, children's environmental education programs, and so on. Among other things, we consider Group websites to be an important means of communicating with various stakeholders, and we constantly endeavor to enrich their contents.

Our environmental website "Efforts for the Environment" displays such contents as short movies describing our long-term environmental vision "Challenge ZERO 2055," an introduction to environmentally conscious products, with examples, and "Environmentally Symbiotic Residential Houses in the World," showing houses in the world that conform to local characteristics. In addition, we regularly upload to our website the digital magazine SUSTAINABLE JOURNEY, aimed at the general public. We inform as many people as possible about smart cities and sustainable ways of living, providing people with models for an environment-conscious lifestyle. Moreover, we continue to enlarge and improve the websites in English for overseas stakeholders, and to further enrich their contents.

In fiscal 2019, we issued a revised edition of our video explaining our long-term environmental vision "Challenge ZERO 2055" to make it easier for members of the general public to comprehend. By means of interviews with Daiwa House employees, we explain our approach to improving the environment through our business operations.



Environmental website



Environmental vision short movie

Implementation of environmental education for children (Hagu Eco)

We have two environmental education programs aimed at different age groups. For preschoolers we have The King and His House, a picture-card show on the theme of building homes in tune with the natural environment, and a cooperative activity to build a big model house out of cardboard blocks, as a way to realize the power of nature. For elementary school students we hold the Eco Workshop for Children, where employees act as professors to offer tips on building eco houses cool in summer and warm in winter without using electricity and help children build that models.

In fiscal 2019, 13 classes were held for 313 children (cumulative total of 107 classes and 7,332 children), and the participants expressed their desire to join them again. Through these programs we will continue providing environmental education to the children who will bear the next generation.



Children building a large model house



A model house made by participants

Efforts by Group companies

Group companies also provide unique programs according to the nature of their businesses, as part of communication with stakeholders.

Workshops using offcuts of cloth (DesignArc)

DesignArc, which handles interior goods and fabric tools, holds fun eco workshops using curtain offcuts from its factory.

In October 2019, a workshop was held for children who participated in a factory tour conducted by Single Family Housing Division of Daiwa House Industry. The children put colorful offcuts onto milk cartons cut in the shape of a house, adding straps and putting snacks inside to make their own unique home-shaped bags. The children were completely absorbed in making their own bags for over an hour, many of whom made two bags.

The company is now developing a similar kit for elderly people, with a workshop at elderly care facilities in mind. The activity will provide an opportunity to regularly visit client facilities and build relationships with the people there to receive inquiries about renovation in a friendly manner.



A completed home-shaped bag A workshop

Eco communication with university students (Daiwa Lease)

A Group company Daiwa Lease sponsors the Green Blue Education Forum. The final judging round and award ceremony for the Green Blue Education Forum Contest was held on November 30, 2019.

The Daiwa Lease Special Sponsor Award went to the work by the Sand-Itch Team of Soka University, which focused on the collection of beach sand. As a supplementary prize the team was invited to an environmental event at Branch Okayama Kitanagase, a commercial facility of Daiwa Lease, to give an opportunity for presentation on Crisis of the Sands, their award-winning work. The members of the Sand-Itch Team expressed how much it meant to them to have a chance to talk about their ideas outside the university.

Daiwa Lease is doing its part to achieve a sustainable society by providing opportunities for young people to express, share, and spread their ideas of protecting and preserving nature and the environment and their concept of the future.

* A forum organized by the Executive Committee of the Green Blue Education Forum, with the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of the Environment as cosponsors, aiming to expand and raise awareness of opportunities for experiences.



The presentation



Poster calling for entries

Issuing an internal environmental bulletin (Daiwa Royal)

Daiwa Royal, a Group company operating commercial facilities and hotels, has issued its internal environmental bulletin Eco News every quarter from fiscal 2018, to promote environmental awareness among its employees.

In fiscal 2019 Eco News carried articles on social trends relating to the environment, the Paris Agreement, essential details on the SDGs, and the relation between the company's own activities and the SDGs, as well as a special feature on Ecofirst.

One typical response from an employee reading it was that "I know much more now about environmental efforts by Daiwa Royal and by the Daiwa House Group."

Eco News will continue to carry information on social trends relating to the environment and particularly outstanding in-company efforts for the environment, bringing them into wider application while raising environmental awareness.



Participating in exhibitions (Daiwa Energy)

A Group company Daiwa Energy develops and manages wind and solar power plants while offering solutions based on energy conservation or renewable energy. It has participated in exhibitions and shows as an exhibitor in order to introduce the knowhow it has built so far and expand use of its products. At the Building Renovation Expo held in Tokyo in December 2019, the company's booth attracted 800 visitors over the three days of the event. Much interest was shown by the visitors in the displays and presentations on the topic of Total Energy Solutions, which introduced solutions combining energy conservation and renewable energy to reduce both CO₂ and costs.

Daiwa Energy will continue to take diverse opportunities to present what it is doing to the public, while also supporting environmental efforts by other corporations, local governments and so forth as a "Best Energy Partner."



A presentation at the expo

Focal theme

1

Slowing and adapting to climate change (Energy)

Challenge ZERO 2055

We aim for zero CO₂ emissions of renewable energy in order to

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"*

2055 (ultimate goal)	2030 (milestone)
-	Getting 90% of the principal suppliers to set a standard SBT target (2025)
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 Energy efficiency targets for 2030 (1.5 times) and 2040 (2 times)
Renewable energy utilization rate 100% (2040) (Renewable energy utilization amount/ electricity use)	Renewable energy generation rate 100%, renewable energy utilization rate 30% (renewable energy generation / electricity consumption)
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

* For progress status of the long-term environmental vision, see pages 197-198.

Endless Green Program 2021

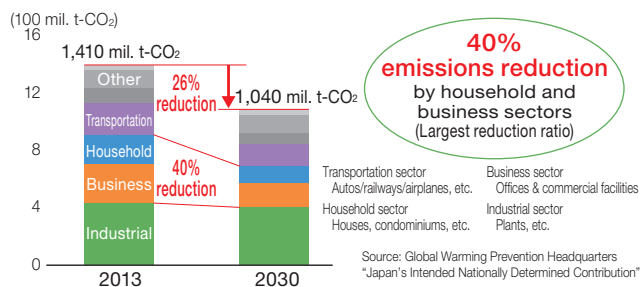
Management indicator	FY 2021 targets
Setting rate of suppliers' greenhouse gas emissions reduction targets	90%
Greenhouse gas emissions due to company operations (per sales unit) compared with the fiscal 2015 level	-35%
Energy efficiency (sales per energy consumption) compared with the fiscal 2015 level	1.4 times
Renewable energy utilization rate, renewable energy generation rate	10%, 100%
Greenhouse gas emissions from use of products (per floor area unit) compared with the fiscal 2015 level	-6%
Green building certification rate in development projects	70%

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 target") 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%.

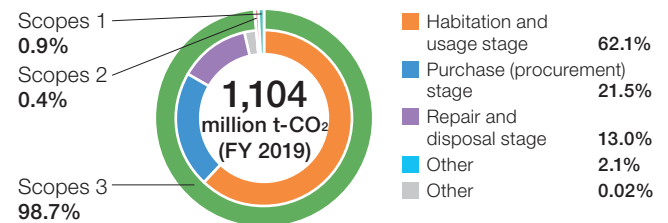
Japan's greenhouse gas reduction targets (2030)



generating and energy-storing products, we are helping to reduce 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 emissions in our value chain



Related page P195 Environmental Data Reducing GHG 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 and ZEB. 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 community 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.

Related page P044-046 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

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 1.3% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions from sources other than our company) account for the majority of 98.7%.

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-

throughout the product life cycle through uncompromising pursuit of energy saving and utilization achieve a carbon-free society.

Self-assessment of the Main Targets and Results of "Endless Green Program 2021"

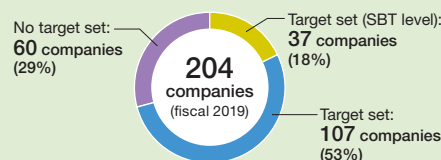
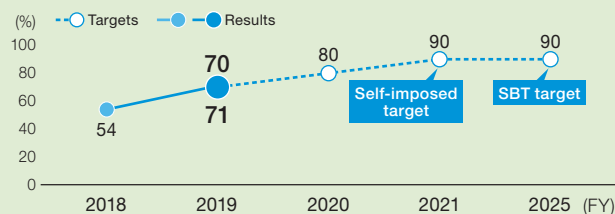
🟢 : Target for fiscal 2019 achieved 🟡 : Target for fiscal 2019 not achieved (achieved 90% or more) 🔴 : Target for fiscal 2019 not achieved (achieved less than 90%)

Over 70% of principal suppliers set and achieved greenhouse gas reduction targets

Given that approximately 20% of the greenhouse gas emissions attributed to our value chain come from the procurement stage, we believe that it is essential to reduce these emissions at the manufacturing stage at our suppliers. In fiscal 2019 we launched carbon-free working groups with participation from our principal suppliers to step up calls for them to set greenhouse gas reduction targets. This resulted in the number of suppliers with such targets rising from 54% (fiscal 2018) to 71%, enabling us to achieve our target.

The working group will be held primarily for the suppliers that have yet to set such targets in order to help them formulate the targets, thereby promoting efforts to reduce greenhouse gas emissions in our supply chain.

Setting rate of suppliers' greenhouse gas emissions reduction targets



Reduction targets achieved through Groupwide energy-efficiency initiatives

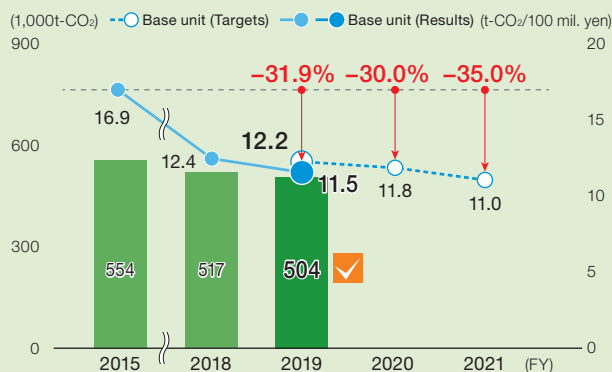
In fiscal 2019, we achieved the targets by promoting energy conservation in each company and department in the Group and by increasing the use of renewable energy.

In addition to introducing renewable energy such as solar power generation systems in the company facilities, we are going to pay attention to new energy-saving technologies and examine their effectiveness for their horizontal development.

We will promote sharing of knowledge on energy-saving and effective environmental measures through our Group Energy Saving Joint Working Group and continue to work on operational improvements using our unique Energy Conservation Check Sheet.

Moreover, when the company facilities are newly constructed, we are going to stick with ZEB as a target to commit ourselves to greenhouse gas emissions reduction in business activities.

Greenhouse gas emissions due to company operations

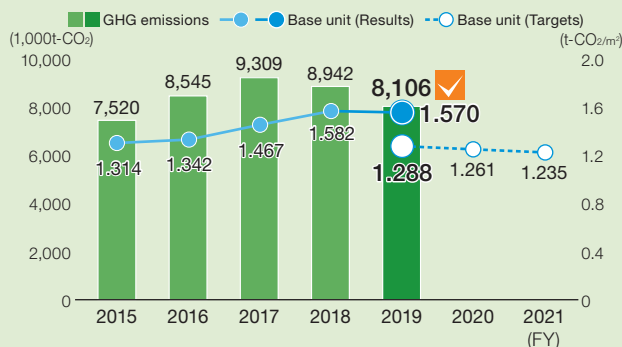


Although we promoted ZEHs and ZEBs, we failed to achieve our target for greenhouse gas emissions from use of products

To reduce greenhouse gas emissions from use of products, we are promoting proposals and sales of ZEH for single-family housing, rental housing, and condominiums, and ZEB for commercial and office buildings. In fiscal 2019 we developed tools to support marketing and design and provided training sessions, lifting the ZEH sales rate to 41% and the ZEB sales rate to 33%, both improved from fiscal 2018. However, as the ratio of buildings with high energy use applications increased, we were unable to achieve our target for greenhouse gas emissions (per floor area unit).

Through expanding the lineup of ZEH-compatible products and holding ZEB seminars for customers, we will significantly improve the sales rates of ZEH and ZEB, striving to provide houses and facilities that are both comfortable and energy efficient.

Greenhouse gas emissions from use of products*



* Refers to Group GHG emissions in the Scope 3/Category 11 (use of products sold)

Implementation report on the Endless Green Program 2021

Focal theme

1

Slowing and adapting to climate change (Energy)

Greenhouse gas emissions reduction in our procurement and business activities

Basic Policy

Support for principal suppliers to set targets and promote initiatives

To reduce greenhouse gas emissions in the procurement stage, the Daiwa House Group launched a carbon-free working group in cooperation with suppliers, giving support for principal suppliers to set greenhouse gas emission reduction targets and implement measures to achieve them.

· 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 Our Group official website
CSR Procurement Guidelines (Japanese Text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

Making our newly constructed facilities into ZEBs, increasing the energy efficiency of existing facilities, and continuing with systematic equipment upgrades

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, 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.

· Policy for our newly-constructed facilities (commercial facilities and offices)

Our Group aims to build our new company facilities as ZEBs.

· Energy-Efficient Facilities Investment Guidelines for existing facilities

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.

· EMS Introduction and Application Guidelines for existing facilities

Our Group has formulated the Energy Management System (EMS) Introduction and Application Guidelines to advance energy efficiency in business activities. In addition to detecting and reducing wasteful energy through EMS, we are going to curb power cost increases derived from excess demand.

Expanding the renewable energy generation business

The Daiwa House Group has set itself the target of generating electricity from renewable energy equivalent to the amount used in its own operations by 2030. To achieve this, it is promoting the adoption of wind and solar power generation systems in its facilities and company-owned idle land. Obtaining certificates for the renewable energy value of the electricity generated will allow us to handle renewable energy generation, supply, and utilization all inside the Group, so that we can realize self-sufficiency in electricity from renewable energy by 2040.

Management

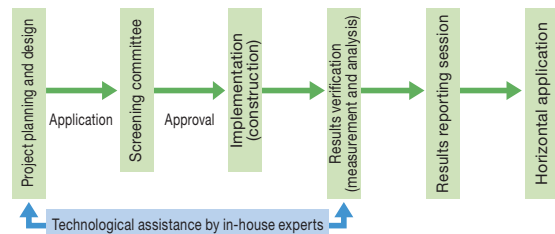
Energy Management Organization

In addition to appointing the Executive Officer in charge of the Environment as Energy Director of the company, Daiwa House Industry stations Energy Directors and Project Promoters by sector such as plant, commercial facility, and office to implement thorough energy management and enhance effectiveness of energy policies. A regular energy project promoters' meeting provides an occasion in which environmental issues and measures and future plans are discussed and shared.

Employing Our Environmental Management Budget System to develop examples of leading-edge technologies

Our Group is promoting a Smart-Eco project, in which the company facilities introduce leading-edge energy-saving technologies as a validation project leading to their commercialization and horizontal development. To help advance the project, we have an Environmental Management Budget System in place. In addition to using public funds, it provides in-house budget subsidies to initiative projects that meet such in-house criteria as introducing environmentally-conscious leading-edge technologies to help implement them. With planning, designing, screening, implementation, results verification, reporting, and horizontal development making up one cycle, the system is trying to maximize results through in-house experts' technological assistance.

Operational flow of the Environmental Management Budget System



Installation of solar power systems on our own facilities

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. 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.

Main approach

Greenhouse gas emissions reduction at the procurement stage

We have determined that 98.7% 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, 21.5% 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 their own efforts. In fiscal 2018 we expanded this initiative to three Group companies and conducted more detailed questionnaire surveys to principal suppliers on targets and results of the reduction of greenhouse gas emissions, asking for reports on their efforts.

In fiscal 2019 we launched a carbon-free working group with the aim of having principal suppliers set or enhance greenhouse gas reduction targets, sharing the Group's approaches and goals while supporting efforts by the suppliers. The carbon-free working group will continue in the future to actively exert influence on the supply chain.

Related page P033 Increasing suppliers' awareness of our environmental policy
P195 Environmental Data Reducing GHG emissions in the value chain

Promoting ZEB in newly-constructed facilities

Our Group is enhancing our energy management organization for decarbonization, and is committed to reduction in energy used in business. Since fiscal 2017, we have promoted ZEB for newly constructed facilities of the company. In February 2019, Daiwa House Saga Building obtained the Nearly ZEB BELS certification for the first time in Daiwa House Industry.

The Daiwa House Group New Training Center (provisional name) currently being constructed to open in 2021, which will be one of the biggest of its kind in Japan to foster global human resources, will obtain in addition to ZEB certification the international certificates Leadership in Energy and Environmental Design (LEED; for green buildings), WELL certification (for health), and SITES certification (for landscape).

Energy efficiency activities for existing facilities to attain EP100

The Daiwa House Group is implementing Group Energy Efficiency Joint Working sessions for 13 main Group companies operating hotels and other commercial facilities that use large amounts of energy. The working sessions share the status of energy efficiency investment and improvements by the Group companies as well as the latest technology trends, to accelerate these activities. Worksites of Daiwa Lease have achieved even greater energy efficiency by replacing the LEDs introduced after the Great East Japan Earthquake with the latest ones. Hotels of Daiwa Resort have installed devices to control the energy efficiency of compressors in air conditioner outdoor units without affecting

the comfort of guests, lowering the environmental impact while attaining corporate earnings. These efforts will be applied to other facilities in the future.

Related page P188 Environmental Data Leading-edge project to reduce GHG emissions at our Company and Group facilities (new construction)

Official start of adoption of renewable energy-derived electricity at worksites and construction sites to attain RE100

In March 2018, the Daiwa House Group joined RE100, an international initiative on renewable energy operated by the Climate Group, an international NPO. Our goal is to attain 100% renewable energy for all the electricity used in our Group by 2040.

In fiscal 2019 we began use of renewable energy on construction sites to further heighten our level of its use. We decided to begin full-scale adoption of renewable energy-derived electricity at our worksites, housing showrooms, and construction sites nationwide, including the Daiwa House Osaka Building and Tokyo Building from fiscal 2020.

The power supplied to these locations are generated at the 328 power plants with a capacity of approximately 380 MW*1 that the Group manages and operates nationwide. Obtaining non-fossil fuel energy certificates with tracking information*2 for the renewable energy value of the electricity generated will allow us to handle renewable energy generation, supply, and utilization all inside the Group, so that we can realize self-sufficiency in renewable energy.

We expect renewable energy usage rate to reach approximately 7% in fiscal 2020. The rate will be raised in phases to 10% in fiscal 2021 and 30% in fiscal 2030, finally reaching 100% in fiscal 2040.



Sign on a construction site indicating 100% renewable energy

*1 As of March 31, 2020. The amount generated is equivalent to 96% of the total energy used by the Daiwa House Group.

*2 Non-fossil fuel energy certificates certify the renewable energy value of renewable electricity under the feed-in tariff system (FIT). Those with tracking information specify the renewable energy source that the renewable energy value is derived from.

Related page P197 Environmental Data Progress in the long-term goal

Active development of renewable energy

In order to accelerate the introduction of renewable energy across the Group, the Daiwa House Group launched the DREAM*1 Project. Under the concept of Wind, Sun and Water, we are launching wind power, solar power and hydroelectric power generation systems.

In fiscal 2019 the Daiwa House Group started operation of DREAM Wind Ehime Seiyō (Ehime Prefecture; 16 MW), its second large wind-power plant following DREAM Wind Sadamisaki. We also newly developed 56 solar power plants, for a total of 328*2 renewable energy power plants in operation. As of the end of fiscal 2019, the total output of the renewable power plants operated by the Daiwa House Group was 380 MW*2 for an annual power capacity of 457 GWh, making up 96% of the Group's 475 GWh of power used.

In fiscal 2020 we also plan to begin developing power plants to sell renewable energy-derived electricity directly to our customers.



DREAM Wind Ehime Seiyō (Ehime Prefecture)

*1 D: Daiwa House Group, R: Renewable, E: Energy, A: Asset, M: Management
*2 Inhouse consumption is excluded

Implementation report on the Endless Green Program 2021

Focal theme

1

Slowing and adapting to climate change (Energy)

Helping to reduce greenhouse gas emissions through our products and services

Basic Policy

Promoting ZEH, ZEB and Green Building Certifications

To reduce greenhouse gas emissions from houses and buildings used by customers over long time periods, we are actively promoting proposals and sales of advanced, environmentally conscious ZEH (net Zero Energy House) and ZEB (net Zero Energy Building). ZEH applies to single-family housing, rental housing, and condominiums, and ZEB to commercial and office buildings.

We are also working to obtain the Green Building certification recognized by third party institutions as a performance index of our efforts to develop environmentally conscious buildings. We are further stepping up our comprehensive environmentally conscious initiatives inclusive of energy efficiency.

Management

Single-family housing: Expanding the environmental brand For Nature to expand ZEH sales

For single-family housing we offer our For Nature environmental brand and ZEH-compatible For Nature PLUS to promote ZEH in made-to-order single-family houses. By developing and conducting training for simple ZEH judgment tools so that our worksite design staff can smoothly propose ZEH, we have enhanced our system to propose the energy-saving equipment and solar power generation required for ZEH. We also tally the ZEH ratio each quarter to track its progress. The level of target attainment is reflected in business performance assessments.

These ongoing efforts to popularize ZEH will contribute to the further reduction of greenhouse gas emissions.



Logo of the For Nature environmental brand

Rental housing and condominiums: Forming a ZEH-M promotion system

The Company has begun efforts for ZEH-M, the condominium version of ZEH being promoted by the Japanese government, at relevant divisions (the single-family housing division, rental housing division, and condominium division). We are a registered ZEH developer and disclose our plans and level of progress in popularizing these houses on our website, utilizing all our corporate resources in these efforts.

Profiles of grant-aided projects relating to ZEH-M and construction examples are shared inside the company, to further enhance our ability to provide these products.

Commercial and office buildings: Operation of Guidelines for Design for the Environment

In our commercial and office building segment, we regularly upgrade and utilize our Guidelines for Design for the Environment that we first adopted in 2009. We can confirm energy efficiency during design reviews based on these guidelines. Key indicators such as BEI and the number of ZEB are totaled for each worksite quarterly to track progress, and the level of target attainment is reflected in business performance assessments. These mechanisms are lifting the level of our environmental efforts on a broad basis, allowing us to offer customers buildings with superior environmental performance.

Community development: Enhanced initiatives of the Sustainable Community Development Promotion Committee

The Daiwa House Group enacted the Designing for Community Development into the Future community development guidelines under the supervision of a Sustainable Community Development Promotion Committee. In fiscal 2018 we revised the Designing for Community Development into the Future Handbook to include our concepts and specific ideas for community development.

In fiscal 2019 the Future Community Developers Committee was planned and held monthly at our Head Office and Tokyo Head Office to enhance initiatives for community development.

Related page P087 Promote social inclusion in real-estate development

Main approach

Single-family housing: Further increasing the number of ZEHs

The Company is engaging in initiatives toward its aim of achieving a ZEH sales rate of 55% or higher for made-to-order single-family houses in fiscal 2020.

We expanded our lineup of ZEH-standard (high external insulation, solar power systems, D-HEMS, high-efficiency hot water heaters, etc.) single-family housing products from the steel-frame xevo Σ (sigma) and wood-frame xevo GranWood, to include Lifegenic, a steel-frame semi-made-to-order product in November 2019. We have also developed simple ZEH judgment tools enabling stronger proposals of energy-saving equipment and solar power generation. The ZEH sales ratio was 41% in fiscal 2019. To reach our fiscal 2020 target, we are expanding our lineup of ZEH-compatible products and enhancing our in-company system to promote ZEH proposals.



Appearance of xevo Σ

Rental housing and condominiums: Promoting ZEH-M

Our rental housing and condominium businesses are promoting initiatives for ZEH-M, the condominium version of ZEH promoted by the Japanese government. A building that is compatible to the ZEH-M standard helps improve its energy efficiency. A ZEH-M building installed with a solar power generation system can supply power in cases of blackouts. Up to fiscal 2019 we implemented ZEH-M in a total of 118 units in 12 buildings (11 rental, 1 condominium).

In fiscal 2019, in addition to the current ZEH-M grant-aided projects, we were chosen to be granted subsidies for super high-rise ZEH-M verification projects for buildings of 21 floors or more.

Through the active promotion of ZEH-M proposals conducted by our various divisions, we intend to continue to reduce environmental impacts.



Super high-rise ZEH-M (Sapporo City, Hokkaido)

Commercial and office buildings: Developing environmentally-friendly technologies for various types of buildings and promoting ZEBs

Based on the validation experiment with the Smart-Eco project for environment-friendly buildings, we are marketing and developing the D's SMART Series, a package of environmentally conscious technologies for multipurpose buildings for promoting ZEBs.

In recent years more companies are beginning to get involved with ZEBs. Ricoh Japan Corporation, for example, has formulated a policy to "Turn into ZEBs all new buildings we own or rent nationwide." Cooperating with this initiative, we completed its Wakayama Branch in February 2020 and Kakegawa Worksite in June 2020 following its Gifu Branch built in ZEB design in February 2019 as an energy-efficient worksite that also leads to work-style reforms. As a result of these efforts and proposals utilizing subsidies, 58 ZEB-oriented buildings (including ZEB Ready, Nearly ZEB) were built in fiscal 2019.

As more such companies promoting ZEBs can be expected in the future, we intend to contribute to popularizing ZEBs by supporting and cooperating with others as a ZEB leading company with an extensive track record of these buildings for various applications.



Ricoh Japan Wakayama Branch

Commercial and office buildings: Promoting ZEBs through ZEB seminars

The Company is aiming to achieve a ZEB sales rate of 35% or higher in fiscal 2020.

As the low level of awareness regarding ZEBs is a negative factor working against our efforts, we are holding ZEB seminars outside the company. The seminars present national policies and goals together with an overview of ZEBs, as well as talks from clients who we built ZEB for on the advantages of this type of building. They help familiarize the concept of ZEBs to increase their awareness and examples. In fiscal 2019 we held one seminar at our Osaka Head Office in November and another seminar co-hosted by Kanagawa Prefecture at Kanagawa Citizens Center in January. More such seminars will be held to help popularize the concept of ZEBs.

Related page P192 Environmental Data Number of units designed to ZEB specifications or guidance standards

Community development: Funabashi Grand Oasis, Japan's first large-scale mixed purpose development with 100% renewable energy

Funabashi Grand Oasis, a large-scale complex in Funabashi City, Chiba Prefecture, consists of single-family housing (26 lots), rental housing (262 units), condominium housing (571 units), and commercial facilities, with a project area of 57,000 square meters.

The electricity used during construction in this project and in the community subsequent to its completion is primarily provided by the Saganuma Hydroelectric Power Plant (approximately 2 MW output) located in Hida City, Gifu Prefecture, which the Group put into full operation in October 2018. By obtaining non-fossil fuel energy certificates (with tracking information),*1 we have achieved community development with 100% renewable energy.

All the single-family houses and condominiums are equipped with energy management systems*2 (D-HEMS/MEMS), which allow power interchange between individual single-family homes, to maximize consumption of locally generated solar power. Furthermore, optimized control of the storage batteries of ELIYY Power and solar power generation systems in the condominium buildings reduces the amount of power used by instituting automatic limiting of peak power*3 when there is an increase in power usage in the joint ownership areas of the condominiums.

*1 Non-fossil fuel energy certificates separate the environmental value (e.g. no emissions of greenhouse gases) of electricity derived from renewable sources, making it tradable. Tracking information can help identify the power plant where the environmental value was generated.

*2 These systems support energy management through the use of ICT.

*3 Reducing peak demand at times with the highest energy consumption.

Related page P007 Message from the President
P091 Advanced examples of social inclusion

Promoting acquisition of Green Building Certifications

In fiscal 2020 we are engaging in efforts to achieve 50% or higher acquisition of Green Building certification for buildings we have developed ourselves. Progress in our acquisition of Green Building certification is checked each quarter to further improve our efforts. In particular, we are strengthening our environmental initiatives for large properties, by acquiring the BELS certification primarily for logistics centers and other D Project buildings, which account for a large percentage of the buildings we develop.

■ Status of acquisition of Green Building Certifications (fiscal 2019)

Long-life quality housing	6,430 buildings (single-family houses)
BELS certification	1,288 units (single-family houses, rental houses, commercial and business facilities)

Related page P192 Environmental Data Rate of Green Building Certification obtained

Daiwa House Denki and post-FIT purchasing

We started an electricity purchasing service called Daiwa House Denki on November 1, 2019, to buy excess power from owners of solar power systems that are older than the feed-in tariff (FIT) purchasing period (post-FIT). The non-fossil fuel value of the excess power we buy will be sold to corporations belonging to the RE100 or to single-family house owners with high environmental awareness, or put to effective utilization in Group factories and worksites.

By handling the generation, purchasing, and sale of renewable energy, we have enhanced the comprehensiveness of our services to further contribute to the creation of a carbon-free society.



Solar power generation system

Slowing and adapting to climate change (Energy)

Topics

Case study **100% renewable energy at Kamigo Neopolis, a community center in an existing housing complex**

Daiwa House Industry, in collaboration and cooperation with the Kamigo Neopolis Community Development Council (chairperson: Nobuyuki Yoshii) and Sakae Ward (Yokohama City), is working on a Livness Town Project to re-till (redevelop) existing suburban housing complexes.

This Livness Town Project in Kamigo Neopolis was officially started in October 2019, with the aim of redefining the appeal of the town while ensuring safe and comfortable lives for both old and new residents. The three focus approaches of this project are to create a multi-generational community, build new services and life satisfaction from resident-centered facility management, and provide employment opportunities to the elderly and families raising children. The project also places an emphasis on the use of renewable energy. As the first step toward this, the electricity used by Noshichiri Terrace, a convenience store also doubling as a community center to serve as the center of the community, transitioned to 100% renewable energy provided by our Company in May 2020.

Further ideas under consideration are providing power services original to Kamigo Neopolis and introducing renewable energy power generation facilities into the town.



Noshichiri Terrace

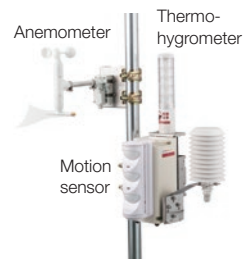
Case study **Adapting to climate change – How to prevent heatstroke on construction sites**

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 email 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. In fiscal 2019, we installed up to 1,073 units in August. We are going to promote the product.



Scene of installation



WEATHERY Environmental Sensor

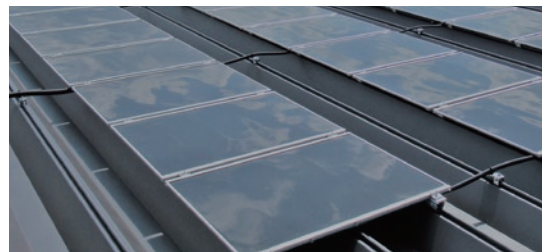
[Related page](#) P113 Risk assessments of construction site health and safety

Case study **Measure to slow climate change: lightweight solar power generation system**

Solar power systems cannot be installed on many existing buildings due to structural issues, as they were not designed to take such systems on their roofs when they were built. As one possible solution to this, we have begun trials to verify the installation and power generation capabilities of solar power systems utilizing lightweight CIS (Copper, Indium, Selenium) solar cells that have a third of the weight of existing products. These are currently in development by a manufacturer and seller of solar power panels.

The trial is taking place on the roof of our Nara Plant, with equipment supplied by Idemitsu Kosan. The Group company Daiwa Energy performed the installation. All three companies cooperated on the verification.

After performing the verification trials, we are considering placing these systems on our own facilities that could previously not handle their installation due to structural issues, with preparations underway to offer them to customers who we previously handled construction work for.



Lightweight CIS solar cells



They are placed next to silicon solar cells of another company in order to compare power output.

Response to the Task Force on Climate-related Financial Disclosures (TCFD)



Supporting the TCFD Recommendations and Enhancing Disclosure

The impact of climate change is becoming more severe every year, and the frequent occurrence of extreme weather, natural disasters, and other events, for which climate change is thought to be a cause, threatens the safety and security of homes and living, which form the foundation for the value that the Daiwa House Group offers. Meanwhile, since the adoption of the Paris Agreement, nations and governments around the world have taken a sharp turn toward “decarbonization,” and expectations of the role that the private sector should play are changing significantly.

Nevertheless, because the changes in the external environment accompanying climate change are highly uncertain, it is important to hypothesize multiple scenarios and respond to the risks appropriately while recognizing the business opportunities at the same time.

Therefore, in addition to utilizing the “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets” framework recommended for disclosures by TCFD as a tool for verifying the rationality of our initiatives on climate change, the Daiwa House Group intends to actively disclose information in line with the TCFD recommendations, paving the way to constructive dialogue with investors and others.

In keeping with this idea, the Daiwa House Group announced its support for the TCFD recommendations in September 2018 and joined the TCFD Consortium which was founded in May 2019.

In December of fiscal 2019, we held our ESG Small Meeting for institutional investors, which we have been holding since fiscal 2018. We also engaged in individual dialogue with eight institutional investors. From the large volume of feedback we received through this dialogue, we are reflecting the points related to disclosure in this report, and we will conduct internal review of points related to governance and other themes.

Related page P035 Eco Communication

Governance

The Daiwa House Group has positioned slowing and adapting to climate change as one of its key management issues and has appointed an Executive Officer in charge of the Environment with responsibility for implementing climate change strategy. We have established the Group Environmental Promotion Committee, which is chaired by the Executive Officer in charge of the Environment. The Committee, which meets biannually, deliberates and make decisions on fundamental matters related to the Group’s environmental activities, including climate change, as well as risks and opportunities related to the environment, and supervises Group-wide environmental activities.

In addition, the Endless Green Program, the environmental action plan formulated every three years alongside the Medium-Term Management Plan, contains the Group-wide strategy, performance targets, plans, and risk management policy on climate change issues, and important matters are reported to the Board of Directors following discussion by the Corporate Governance Committee. During the term of the program, the Executive Officer in charge of the Environment reports on progress to the Board of Directors once a year in time with the compilation of results for each of the management metrics and conducts a timely review of strategy, targets, and plans.

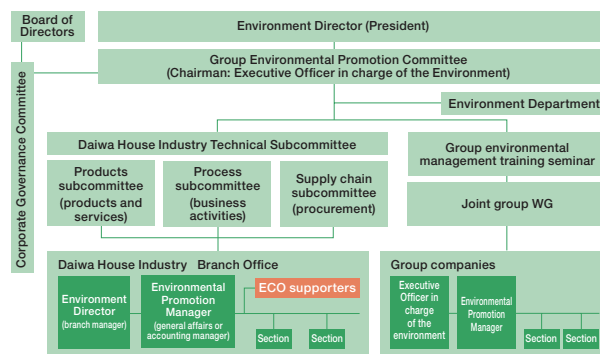
Related page P030 Environmental Management

TCFD Recommended Disclosures

Governance	The organization’s governance around climate-related risks and opportunities The Board of Directors’ oversight of risks and opportunities and management’s role in assessing and managing climate-related risks and opportunities
Strategy	The impacts on the organization’s businesses, strategy, and financial planning Risks and opportunities over the short, medium, and long term, their impact on business, strategy, and financial planning, and resilience of strategy taking into consideration climate-related scenarios
Risk Management	The processes used to identify, assess, and manage climate-related risks Processes for identifying and assessing risks, processes for managing risks, and their integration into the organization’s overall risk management
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities Metrics used by the organization in line with its strategy and risk management process, targets used to manage risks and opportunities and performance against targets

ESG Dialogue with Institutional Investors (Fiscal 2019)

- [ESG Small Meeting]
Held in December 2019, number of participants: 28 persons from 24 companies
- [ESG dialogue with institutional investors]
Held individual interviews with eight companies
- [Main feedback received from institutional investors]
 - The reasons for scenario selection and how the analysis results are reflected in policy and strategy were described in “Strategy” and are easy to understand.
 - The level of financial impact is presented qualitatively and the rationality of the strategy is explained, and this can be given a positive evaluation as a first step.
 - In “Strategy,” it is desirable to increase the comprehensiveness of the risks as well as describe the assumptions to deepen understanding of the period and content that will be impacted.
 - It is desirable to disclose the relationship between the Board of Directors and the Group Environmental Promotion Committee and the reporting processes.



Conference body	Principal members	Principal roles in handling climate change	Conference frequencies
Board of Directors	Director, External Director	Supervision of climate change strategy	Monthly
Corporate Governance Committee	Representative Director, External Director, Auditor, External Auditor	Discussing and reporting important items about climate change strategy to the board of directors	Biannually
Group Environmental Promotion Committee	Executive Officer in charge of the Environment, Division Manager of the Head Office, Group Environmental Promotion Manager	Drafting and examining climate change strategy and adopting the final text, managing the progress of the Group management metrics	Biannually
Daiva House Industry Technical Subcommittee	Relevant Division Manager, Promotion Manager	Implementing climate change strategy, managing the progress of individual management metrics	Quarterly
Group environmental management training seminar	Group Executive Officer in charge of the Environment	Promoting climate change strategy across the Group	Biannually

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Strategy

The risks and opportunities associated with climate change can be considered as those caused by “transitions,” such as the strengthening of regulations, advances in technology, and changes in the market that will occur with the move toward a decarbonized economy, and those caused by “physical change,” such as acute extreme weather and chronic temperature increases that will result from global warming. In addition, the impact could manifest not only in the short term, but also over the medium-to-long term. Therefore, we have classified the factors involved in the various changes in the external environment associated with climate change into “transitions” and “physical changes,” estimated the period that will be impacted, and assessed the financial impact at three levels—large, medium, and small—to identify the significant risks and opportunities.

Moreover, in order to formulate a business strategy that can adapt flexibly to future changes in the external environment based on these risks and opportunities, we evaluated the impact on business using several scenarios. In conducting the scenario analysis, we referred to the Nationally Determined Contribution (NDC) as the scenario for “transitions” and Representative Concentration Pathways (RCP) 8.5 (high-emissions scenario) as the scenario for extreme “physical change” to verify the rationality of our business strategies.

In the recently conducted simplified scenario analysis, demand for the net-zero energy houses and buildings provided by Daiwa House Industry as well as its environmental energy business are expected to expand under any scenario, and we confirmed that the revenue growth is likely to exceed any negative financial impact, reaffirming the rationality of our response to risk and the importance of recognizing business opportunities more proactively. The scope of the simple analysis was limited to the significant risks and opportunities for the housing, commercial and office building businesses, and the environmental energy business, which are the Group’s core businesses.

Going forward, we will strive to further expand the businesses included in the scope of analysis as well as to increase the comprehensiveness of the risks and opportunities and refine the scenario analysis.

■ Main Risks and Opportunities Related to Climate Change

Type			Details	Period of impact	Level of financial impact
Risks	Transitions	Policy, laws and regulations	<ul style="list-style-type: none"> • Strengthening of Japan’s Building Energy Efficiency Act Reducing greenhouse gas emissions in the household and business sectors is considered a pressing issue in Japan. In light of this, the Building Energy Efficiency Act came into force in April 2016, making it mandatory for large-scale buildings to comply with energy conservation standards starting in April 2017. At present, only large-scale buildings with a floor area of 2,000 m² and more are subject to the regulations, so the impact on the Group’s business is minimal. However, should the scope for mandatory compliance with the Building Energy Efficiency Act be broadened or the energy conservation standards be raised, more businesses and properties will be subject to the regulation, increasing the burden on business, which could also lead to an increase in the cost of the houses and buildings we provide. 	Short term	Medium
			<ul style="list-style-type: none"> • Expansion of carbon tax or emissions trading system With commentators predicting that, on the current trajectory, it will be difficult for Japan to achieve its NDC under the Paris Agreement, which is a reduction of 26% in GHG by 2030 compared with the 2013 level, it is possible that new regulations and mechanisms, such as a carbon tax or emissions trading system, will be introduced in Japan. Although a green tax has already been introduced in Japan, observers say that the rate is low by international standards, and so there is a high possibility that the rate of tax will be increased as a carbon tax in the future. Therefore, should there be a large increase in the rate of a carbon tax or an expansion in the emissions trading system, operational costs will increase and additional business measures associated with regulations will be necessary, which could lead to a decrease in operational efficiency. 	Medium term	Small
	Physical changes	Chronic	<ul style="list-style-type: none"> • Rise in summer maximum temperatures In Japan, it has been pointed out that the number of heat stroke patients increases significantly when the wet bulb globe temperature (WBGT) is over 28°C (extreme caution), and it is possible that the risk of heat stroke for workers at the construction sites of the Group, which focuses on the Japan market, will increase further in the future. Therefore, should summer maximum temperatures rise, it is possible that the risk of heat stroke will increase for workers at construction sites where outdoor work is unavoidable, which could lead to longer construction periods and lower productivity for onsite work. 	Short term	Small
			<ul style="list-style-type: none"> • Damage to our facilities due to natural disasters and increase in insurance premiums When natural disasters like storms and floods occur as climate change becomes increasingly severe, there is a high possibility that various company facilities, including offices, plants, and distribution facilities owned by the Group, will be damaged. Much of this damage can be covered by non-life insurance, however, going forward, if the frequency and intensity of natural disasters increase, it could lead to an increase in indirect costs associated with higher insurance premiums or decreased sales due to suspension of service businesses. 	Medium term	Small
		Acute	<ul style="list-style-type: none"> • Impact on supply chain due to natural disasters Should the manufacturing sites of suppliers be damaged by natural disasters such as localized heavy rain, heavy snow, and typhoons due to extreme weather, and their operations suspended and transportation routes impacted by events such as road closures, it could result in hindrances in construction periods. 	Short term	Medium
			<ul style="list-style-type: none"> • Increase in demand for houses and building with low greenhouse gas emissions The core businesses of the Group are contracting and subdivision of houses and buildings, which account for two-thirds of its consolidated net sales. Further, over 95% of these sales are in Japan. The Japanese government has indicated a policy target to achieve net-zero energy for new houses (ZEHs) and buildings (ZEBs) by 2030, and should incentives to support achievement of this target be continued and expanded, it is possible that demand for ZEHs and ZEBs, which have high unit prices per building, will increase. 	Present time	Large
Opportunities	Transitions	Products and services	<ul style="list-style-type: none"> • Generation of carbon credits through provision of low-carbon houses and buildings With commentators predicting that, on the current trajectory, it will be difficult for Japan to achieve its NDC under the Paris Agreement, which is a reduction of 26% in GHG by 2030 compared with the 2013 level, it is possible that new regulations and mechanisms, such as a carbon tax or emissions trading system, will be introduced in Japan. Although the J-credit system has already been introduced in Japan, the emission trading system has not been applied nationwide, and demand for credits is limited. Going forward, should a nationwide emissions trading system be introduced nationwide, demand for carbon credits will rise, and the ability to generate credits through provision of low-carbon houses and buildings could lead to business opportunities as a new form of added value. 	Long term	Medium
			<ul style="list-style-type: none"> • Expansion of environmental energy business due to rising demand for renewable energy Japan’s Fifth Strategic Energy Plan, announced in July 2018 is aimed at achieving the targets under the Paris Agreement. Although the plan stated renewable energy will account for 22 – 24% of power sources in the target energy mix for 2030, Japan’s renewable energy percentage was 16% as of 2017, which is low relative to other major countries. However, over the past few years, the number of organizations participating in RE100 both in and outside Japan has increased, and it is possible that demand for renewable energy will rise and the environmental energy business will expand going forward. 	Medium term	Large
	Physical changes	Products and services	<ul style="list-style-type: none"> • Rising demand for houses and buildings equipped for natural disasters The IPCC’s Fifth Assessment Report pointed out the possibility of an increase in the intensity of tropical cyclones, such as typhoons, as global warming progresses. Storms and heavy rain also cause significant damage in Japan, and it takes a long time for life to return to normal afterwards. Therefore, it is possible that demand will rise for comfortable housing free of power outage and other interruptions to daily life even in case of a natural disaster, for buildings with energy self-sufficiency that ensures business continuity, and for communities that are resilient. 	Medium term	Medium

Summary of Scenario Analysis Results

External scenario	Reason for selection	Result of analysis	Reflection in policies and strategies
Nationally Determined Contribution (NDC)	This scenario is the most viable as the future vision for Japan, which accounts for the majority of our business, and it is a highly precise scenario.	An increase in operational costs due to strengthening of regulations is expected, which can be covered by revenue growth due to increased sales of ZEHs and ZEBs.	We have decided on a policy of “maximizing sales growth and minimizing profit decline with early development of ZEHs and ZEBs, and cost reductions pushed forward.” We monitor progress using the sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies. Related page P179 Results and self-assessment of the Action Plan for the Environment
Representative Concentration Pathway (RCP 8.5)	The scenario with the biggest physical impact was selected to hypothesize the most extreme situation.	Additional costs could arise due to suppliers transport being cut off and asset impairment due to damage to our facilities caused by heavy rain and heavy snow, and construction delay damages as extremely hot days will increase, which can be covered by sales growth of products to mitigate and adapt to climate change.	We have decided on policies of “Thoroughgoing measures against heatstroke at construction sites” and “Development and popularization of products with low GHG emissions and products adapted to physical changes.” We monitor progress using the number of heatstroke cases, GHG emissions per unit of floor space through provision of products, and sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies. Related page P043 Slowing and adapting to climate change Topics P179 Results and self-assessment of the Action Plan for the Environment

Risk Management

We recognize that climate change risk is one of the risks with a significant impact in the medium- and long-term, and we have integrated this risk into the Group-wide risk management process. We identify and assess risks and opportunities in order to conduct a careful analysis roughly every three years, which we apply to the identification of priority issues for the Medium-Term Management Plan and Action Plan for the Environment which are formulated every three years, with these issues reflected in the major policies and targets of these plans.

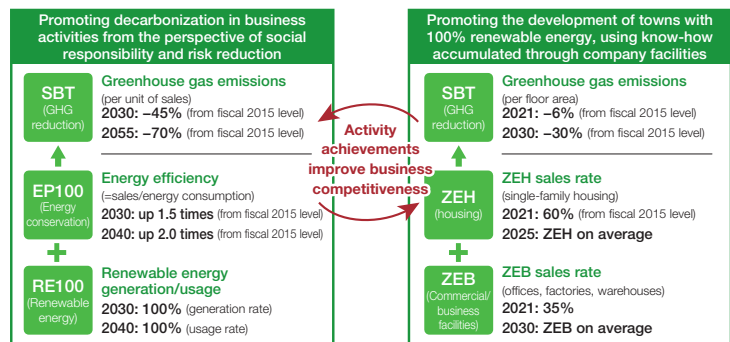
The Environment Department has identified “changes in the external environment” accompanying the transition to a decarbonized economy and “physical changes” associated with the progression of global warming. We assess important risks and opportunities based on the likelihood of such risks and opportunities arising and the financial impact should they manifest. Each department considers concrete measures to address the important risks and opportunities identified in this way, and we establish key management metrics and targets for the Group, each department, and each worksite in the Action Plan for the Environment for the promotion of initiatives. We also manage progress through the biannual Group Environmental Promotion Committee on the Group-wide level, the quarterly subcommittee review for each department and a biannual worksite ECO diagnosis/training for each worksite.

[Related page](#) P030 Environmental Management
P141 Prepare business continuity plans on the premise of natural disasters/extreme weather

Metrics and Targets

Aiming to minimize the risks and maximize the opportunities associated with climate change, we have established short-, medium-, and long-term targets for the promotion of initiatives.

We have established these targets as one of the metrics for the 6th Medium-Term Management Plan. We have also established even more detailed targets in our Endless Green Program, the action plan for the environment formulated to align with the period covered by the Medium-Term Management Plan, in order to accelerate our initiatives with the aim of ensuring that corporate profitability can coexist with environmental sustainability.



Highlight Creating Business Opportunities in Anticipation of Physical Changes: The Anti-Disaster House

Over the past few years, there has been frequent storm and flood damage due to earthquakes, heavy rain, and typhoons causing serious damage. In April 2019, we released the “Anti-Disaster House,” a disaster-resistant housing which is resistant to primary damage that occurs due to earthquakes and typhoons (direct damage such as collapse by earthquakes, breakage and inundation by windstorms and floods) and secondary damage which occurs due to the primary damage (damage that disturbs daily life after disasters such as power outage).

This product features the All-Weather Three Battery Linking System which can secure power supply, heating, and hot-water supply for some ten days even when it is raining, “xevo Σ+ (xevo sigma s plus)” which can reduce the shaking of a building in the case of a giant earthquake using the newly-developed load bearing wall “KyureK,” and “anti-disaster tiles,” and “anti-disaster and anti-crime glass,” which can absorb the impact of flying objects due to strong winds such as typhoons. Going forward, we will continue pursuing safe and secure housing for customers in order to eliminate anxiety about disasters as well as focusing efforts on strategies to adapt to climate change.

*1 Available only when gas and water supply are secured. Not applicable to some city gas and LP gas areas.
*2 Reduces degree of building shaking by up to half compared with another product of ours “xevo Σ.”

[Related page](#) P092 Developing disaster-resilient products



Newly developed load bearing wall “KyureK”



Photovoltaic (PV) system Storage batteries Ene-Farm All-weather three-battery linking system

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Challenge ZERO 2055

In order to preserve and improve through material procurement and

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 timber 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

Endless Green Program 2021	
Management indicator	FY 2021 targets
Ratio of S-ranked timber in procured timber	97%
Ratio of C-ranked timber in procured timber	0%
Development of the company's facilities filled with greenery (cumulative)	9 facilities
Compliance rate with voluntary standards for biodiversity conservation	100%

Policy and Concept

Social issues

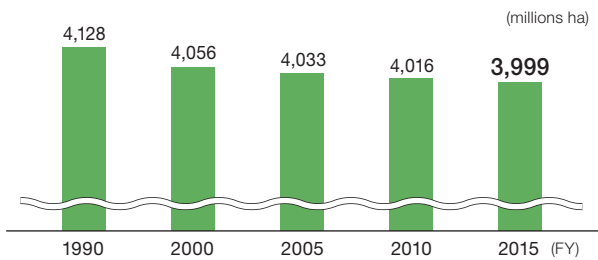
The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 tells us that it was realized again that our daily lives are supported by various natural blessings (known collectively as "ecosystem services") and that, to ensure we will receive these benefits sustainably well 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 Daiwa House Group is engaged in various development projects across the country. Therefore, in order to reduce the impact these projects have on the natural environment, we ensure that we understand the potential of the natural environment on the project site before undertaking any project, and then commercialize the project while trying to minimize the loss of its potential. In addition, the Company is committed to activities that create green spaces at its facilities. Our goal is to create ever-higher quality green

spaces, and in acquiring certifications concerning green spaces at our facilities, we can then convey that expertise, and the results brought about thanks to green spaces, in the proposals we provide to customers.

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 288,000 m³ of timber sourced from countries of origin located around the world. In an effort to minimize global deforestation, we are encouraging the use of timber that is obtained legally and sustainably through our supply chain.

Risks and opportunities for the Daiwa House Group and its responses

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 timber over the long term, demand for legally and sustainably harvested timber will surely increase, as this is one of the main materials our Group uses. Concerns have arisen that procuring such timber 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 timber procurement, we have formulated our Biodiversity Guidelines [Timber Procurement]. We are taking steps to minimize risk by extending its scope across our Group and revising our timber assessment 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 community 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 community, protect asset values, and contribute to the formation of a positive community.

our natural capital, our Group shall achieve no net loss of green space by ensuring zero deforestation by developing communities filled with greenery.

Self-assessment of the Main Targets and Results of “Endless Green Program 2021”

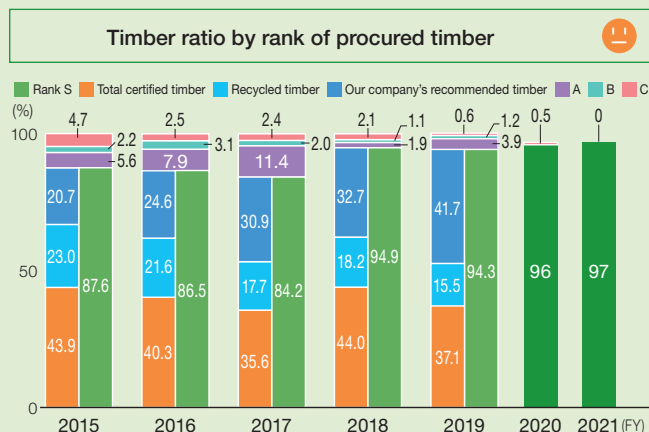
🟢 : Target for fiscal 2019 achieved 🟡 : Target for fiscal 2019 not achieved (achieved 90% or more) 🟠 : Target for fiscal 2019 not achieved (achieved less than 90%)

C-ranked timber with sustainability issues was reduced to 0.6%

Continuing on from fiscal 2019, we shared the Company's procurement standards with our suppliers through the CSR Procurement Guidelines, and moved forward on raising the percentage of S-ranked timber used while improving the situation regarding C-ranked timber.

As a result of this initiative, in fiscal 2019, our use of S-ranked timber dipped slightly from fiscal 2018, by 0.6 of a percentage point, to 94.3%. This missed our target of 95%. However, we met our target for C-ranked timber, having improved 1.5 percentage points from fiscal 2018, to 0.6%. Use of C-ranked timber has for the most part been eliminated. We will continue to work with our suppliers to take action on making improvements such as by shifting sources of timber to low-risk areas, having traceability to timber sources and thoroughly checking for timber-legality certifications so as to

meet our goal of raising the ratio of S-ranked timber used.



Target achieved with the number of greenery development projects amounted to seven cases

In fiscal 2019, the Company newly acquired JHEP*1 and ABINC*2 certification with regard to its forest-side housing (Royal City Aso Ichinomiya Resort). In addition, we have also acquired SEGES (Social and Environmental Green Evaluation System)*3 certification in the “Urban Oasis” category for three commercial facility locations (Branch Sendai, Branch Matsuyamate, and Branch Okayama Kitanagase) held by the Group's Daiwa Lease Co., Ltd. We will be sure to continue to secure sufficient green spaces at the Company's newly constructed facilities, while contributing to the preservation of regional ecosystems.

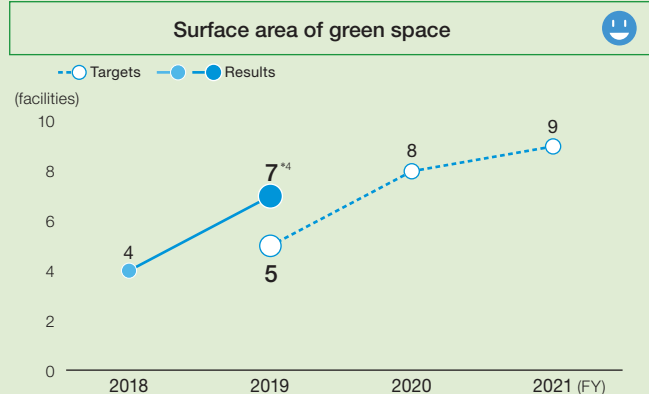
*1 JHEP (Japan Habitat Evaluation and Certification Program): A certification program operated by the Ecosystem Conservation Society-Japan that quantitatively assesses efforts to contribute to the preservation and restoration of biodiversity.

*2 ABINC (Association for Business Innovation in harmony with Nature and Community): A certification program to verify that business sites adhere to recommended guidelines.

*3 SEGES (Social and Environmental Green Evaluation System series): A green

certification program operated by the Organization for Landscape and Urban Green Infrastructure to assess the positive impact of green spaces on society and the environment.

*4 In fiscal 2019, the certification of one facility was not renewed, and as such, the existing three facilities plus four new ones makes for a total of seven facilities.

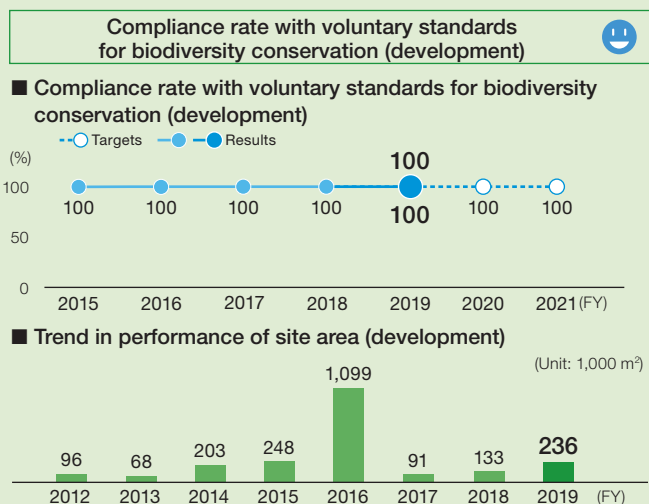


The target reached by maintaining and continuing compliance with voluntary standards for biodiversity conservation on large development projects

In fiscal 2019, the total area of sites developed by our development segment expanded by 103,000 m² from the previous year and reached 236,000 m². The percentage of compliance with our own voluntary standards* according to our Biodiversity Guidelines [Development & Community Creation] has been stable at 100% since 2012, meeting the target.

We have from fiscal 2019 revised our biodiversity checklist, referencing the official assessment criteria of ABINC certification. Going forward, we will use this checklist to promote biodiversity-friendly development and to maintain and continue to be in compliance with 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.



Implementation report on the Endless Green Program 2021

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Preserving biodiversity in our procurement and business activities

Basic Policy

Promoting sustainable timber 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 timber. So, in light of the status of logging areas, we are working to promote the adoption of certified timber and recycled timber as part of our timber procurement in consideration of the legality and sustainability of logging areas with the goal of meeting our Biodiversity Guidelines [Timber Procurement] in terms of reducing deforestation to zero.

Excerpt from our Biodiversity Guidelines [Timber Procurement]

1. Certified timber
Procure timber that has been certified by various organizations.
2. Recycled timber
Procure timber recycled from construction scrap.
3. Our company's recommended timber
When procuring timber 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 timber that is judged to meet a certain minimum level.

Related page P201 Biodiversity Guidelines [Timber Procurement] Our Group official website
CSR Procurement Guidelines (Japanese Text only) https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

Promoting the creation of green spaces at Group facilities

Daiwa House endeavors to protect biodiversity through efforts that include certification of Company facilities by external certification systems, conducting biodiversity surveys within Company facilities (regulating reservoirs, other sites), and activities to protect indigenous species at construction sites.

Management

Management of a CSR Procurement Subcommittee spanning several business segments

In 2010, with the introduction of our Biodiversity Guidelines [Timber Procurement], we struck a CSR Procurement Subcommittee that spans the purchasing, development, construction, sustainability, 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.

Related page P118 Application of the CSR Procurement Guidelines

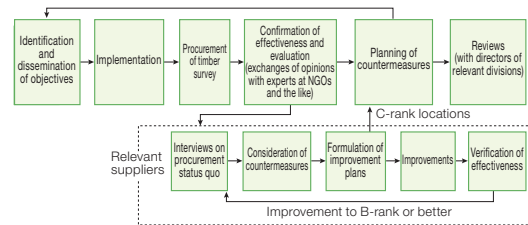
Conducting procurement of timber survey at our suppliers

In line with our Biodiversity Guidelines [Timber Procurement], we have from 2011 conducted an annual procurement of timber survey*. In this survey, we request our suppliers to check the legality and sustainability

of the timber that we have procured from them during fiscal 2019, and we evaluate and place them into S, A, B or C categories based on the survey results. We call on suppliers providing C-ranked timber, which is unacceptable in terms of legality or sustainability, or timber that is insufficient with regard to traceability, to make improvements. We disclose the results of the survey 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.

* Timber covered by the survey includes construction materials, framing/crosspieces, timber used below grade, plytimmer, and flooring.

Flow of Procurement of Timber Survey



Survey results evaluated according to timber procurement assessment criteria

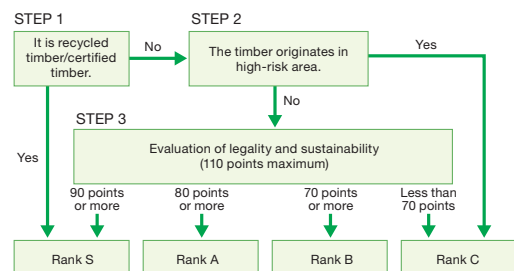
Using the results of the procurement of timber survey, our Group evaluates and categorizes procured timber according to the timber procurement assessment criteria into four ranks: S, A, B, and C. First, recycled timber and timber certified by one of the three forest management certification bodies (FSC, PEFC or SGEC)*1 is categorized as rank S. Next, if the timber is sourced from a high-risk area*2, it is categorized as rank C. For timber 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 grasp the situations regarding risks (compliance, biodiversity, human rights, etc.) of the countries of our suppliers by using a risk assessment tool, the Global Forest Registry operated by Forest Stewardship Council (FSC) that certifies timber and timber products.

We exchange opinions on the above evaluation criteria with environmental NGOs and other experts and revise them as necessary. We will make efforts toward more biodiversity-friendly timber procurement through the adoption of external assessment criteria and other strategies.

*1 FSC, PEFC and SGES are the abbreviations for the Forest Stewardship Council®, the Programme for the Endorsement of Forest Certification Schemes and the Sustainable Green Ecosystem Council respectively.

*2 An area that has one or more timber-legality and sustainability issues based on the clear grounds and in which stakeholders have a strong interest.

Evaluation flow of survey results



Related page P120 CSR procurement of timber survey

Main approach

The percentage of C-ranked timber reduced by changing suppliers

The fiscal 2019 survey, similar to that of the preceding fiscal year, covered the timber used for the major parts (construction materials, framing/crosspieces, timber used below-grade and finishing materials) in housing and rental housing products (obtained through centralized purchasing) and general buildings (obtained through decentralized purchasing) of our Group.

The results for fiscal 2019 indicate that 94.3% (94.9% in FY2019) of the timber used, including certified and recycled timber, was S-ranked, showing a slight decrease of 0.6% from FY2018 and falling short of our target of 95%. Meanwhile, our use of C-ranked timber decreased to 0.6% (2.1% in FY2018), thus coming close to zero. This was achieved because we requested the suppliers of the pieces of timber categorized as C to make improvements by procuring more pieces of timber from the low-risk areas so that we could switch the sources, in addition to asking the suppliers of pieces of timber of which legality we did not confirm through the survey conducted in FY2018, to check the official documents thoroughly for legal compliance.

In terms of switching the sources, we had an issue that we could not secure a sufficient quantity of timber from the low-risk areas, but we have been able to procure more pieces of timber from the low-risk areas by having the suppliers understand our Group's idea of sustainable timber procurement.

We will continue working to make further improvements through interviews with the C-ranked timber suppliers, etc. and will make efforts in using more S-ranked timber by promoting the use of recycled and certified timber and thoroughly checking timber-legality certifications.

Launch of working group toward achieving zero deforestation

Under the Daiwa House Group's long-term environmental vision "Challenge ZERO 2055," we aim to achieve zero deforestation due to timber procurement for the building materials used for housing and buildings by 2030. However, given current timber procurement assessment criteria, even S-ranked timber could conceivably contribute to deforestation, which is the reason we renewed our efforts by launching the working group that has the goal of totally eliminating deforestation. This working group is comprised of members from the Company's purchasing, sustainability and environmental departments and from Group companies, as well as environmental NGOs and suppliers who are the source of timber. The working group holds deliberations on reducing deforestation to zero based on the cooperation of multiple stakeholders who hold varying positions.

In fiscal 2020, we plan to develop our stance and assessment criteria based on working group deliberations, and then convey that within and outside of the Company.

Introduction of the Forest Cultivation Paper

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

Related page ▶ P186 Green purchasing ratio
P202 Paper consumption

Rare species protection and "Ikimono Kansatsu-Kai" at Company facilities

At the Company's Mie Plant, the presence of a near-threatened freshwater mussel in a regulating reservoir of approximately 6,000 m² on the plant premises has since 2012 led to ongoing efforts to protect the species. Such initiatives have included reservoir draining for cleaning, the installation of fishways, and publication of the Biodiversity Research Report. Additionally, in 2017, Mie Prefecture, the Company, Azuma Industry and an NPO, "Chotto Shizen," entered into the four-way "Mie Biodiversity Partnership Agreement," which is one of the biodiversity conservation activities promoted by the prefecture.

In addition, every year we hold our "Ikimono Kansatsu-Kai" (aquatic animal observation), in cooperation with Mie Prefecture and a local NPO, where community residents including elementary school students can come together to have contact with living creatures and learn. Cumulatively, approx. 300 people have taken part in this event. Participants classify the aquatic animals they collect into indigenous and invasive species, and for each living creature, explanations, quizzes and other activities are conducted. The children listen to the instructor attentively, and have an enjoyable time while learning. We include the results of these biological surveys in pamphlets or in homepage posts in cooperation with efforts to conserve regional ecosystems. We will continue to work with authorities and external environmental organizations, and with the people of the local community in ongoing efforts to preserve the living things that we hold so dear.



Native species: Dragonfly larva



Children receive an explanation on living creatures

Related page ▶ P135 Environmental preservation

Protecting endangered species by using "Ikimono Journal"

Fujita Corporation, a Group company, has developed its "Ikimono Journal" (living creature journal). This is used as a way to conserve animals and plants through the utilization of online GIS that can share information, via a portable terminal, on rare species discovered on construction sites. This system is used in our efforts to protect regional ecosystems, such as the protection of rare species like the Siberian lupin (endangered class I in Miyagi Prefecture) found in levee restoration work for the Minami-Teizan Canal in Sendai, Miyagi Prefecture, an area that was hit by the tsunami following the Great East Japan Earthquake, as well as slope greening with native species and other measures. In addition, from fiscal 2020, we have set voluntary standards concerning the protection of biodiversity, and from engaging in measures indispensable to "ECOPLUS activities" that are highly effective in protecting biodiversity, we are pressing forward on initiatives tailored to each of our construction site locations.



The protected Siberian lupin



Slope greening with native species

Implementation report on the Endless Green Program 2021

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Preserving biodiversity through our products and services

Basic Policy

Promoting the preservation of existing greenery and the planting of new greenery in our community development projects

In addition to our initiatives to promote green community development 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. Not only do we work to increase the amount of green space, we also aim to enhance the quality of green spaces by treating such spaces created by the Group as a connected network of ecosystems where living creatures can thrive. In this way, we are seeking to realize harmony with nature through 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 P201 Environmental Data Biodiversity Guidelines

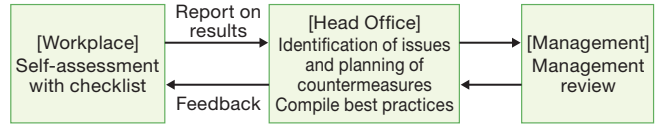
Management

Implementation of Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry has developed its own checklist containing specific things to be addressed regarding the six 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.

Main approach

Promoting greening with standardized planting

In our rental housing business, we made some improvements to the planting proposal tools in order to present higher quality planting proposals to our customers. We are using the tools originally made for the single-family housing business in the rental housing business as well. We developed a Garden Tree List that summarizes the characteristics and properties of typical garden trees and a Garden Coordination guide to coordinating tree planting for rental houses and have started using these in the companies. In the housing and rental housing businesses going forward, we will present high quality greenery proposals to our customers using a variety of tools. Moreover, we will promote such initiatives in the other sectors such as our commercial and office buildings businesses and Group companies and continue to promote business development with consideration for the ecosystem.

In our hope to nurture a long-lasting attachment to garden landscapes, we are also using tree nameplates so that customers in built-for-sale houses can feel closer to nature. Such nameplates are made from Japanese cypress tree wood, obtained through forest thinning, which is a method of forest preservation. The writing is performed by laser printing, rather than the use of paints, and its surface is coated with natural beeswax so when their useful life has come to an end they can be safely returned to the soil to decay in an environmentally considerate manner, without worry.

We will enhance our greenery proposals for development and made-to-order projects and work to increase the green coverage and create green communities.



Tree name plates (Large size)

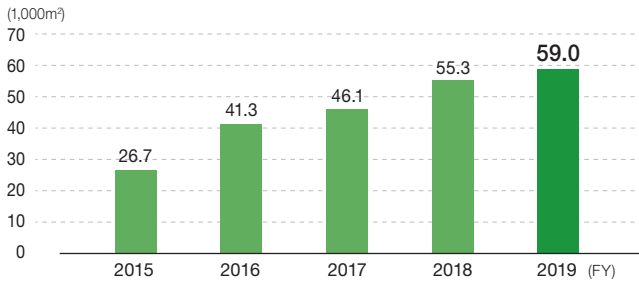


An affixed tree nameplate

Promotion of the environmental greening business

Daiwa Lease Co., Ltd., a Group company, makes proposals for comprehensive greening through services such as “VERDENIA” that gently stimulates all five senses in special greenery or exterior landscaping, such as on rooftops and walls, under the theme of “Greening will change communities.” In fiscal 2019, the rooftop and wall surface area covered by greenery achieved by Daiwa Lease totaled to 59,000 m² (55,300 m² in fiscal 2018).

Roof top and wall surface area covered by greenery



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/area	Start of project (FY)/ business type	Location	Surrounding environment	Activities / Status report
Tama New Town (322,102 m ²)	2009 Development	Hachioji, Tokyo	Residential area with artificial hill	Monitoring to continue after development. Survey results compiled into a list (not disclosed).
Hokusetsu Sanda Second Techno Park District (971,289 m ²)	2010 Development	Sanda, Hyogo prefecture	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 (4,003 m ²)	2016 Contract	Fujisawa, Kanagawa prefecture	Industrial area	Report on survey result issued by City of Fujisawa (not disclosed).

Topics

Case study

PREMIST Shonan Tsujido (Kanagawa Prefecture) honored with “special award” from ABINC

For our condominium PREMIST Shonan Tsujido, we conducted ecosystem investigations (biodiversity risk assessments) on the birds and insects living in and around the planned construction site in March and June 2016, and based on the results and also by reference to the investigations into the actual natural environment conducted by Fujisawa City and the city’s Biotope Network General Plan, we selected some species that are often found around the forests in the city as indicator organisms and developed a planting plan that is favorable for those organisms. We developed a planting and habitat plan, determining the small creatures that would be invited into respective zones. In addition, in order to maintain and preserve this 38.65% of the area covered by lush greenery and habitat, we created a plan for an environmental learning program so that local residents could participate in nature observation events and monitoring. These initiatives have been devised to increase opportunities for the residents to have an enjoyable, first-hand experience with nature.

As a result of these efforts, in February 2020, we were recognized for a second time with a special award from ABINC.



PREMIST Shonan Tsujido



Certification by the Association for Business Innovation in harmony with Nature and the Community (ABINC)

Case study

Royal City Aso Ichinomiya Resort (Kumamoto Prefecture) acquires ABINC certification and JHEP certification (AAA-rating)

The forest-side housing “ASONOHARA” within Royal City Aso Ichinomiya Resort, which the Company is newly developing, is inside the Aso-Kuju National Park. For that reason, we are moving forward on the development while also protecting and creating the grassland landscape that characterizes this area spread around the base of Mt. Aso. This grassland, a cultural landscape protected and passed down by people for over a thousand years, is also an ecosystem unique to Aso and home to a treasure trove of grassland-nurtured biodiversity. The on-site survey conducted during planning confirmed the presence of an insect species on the Ministry of the Environment’s Red List, namely the spotless grass yellow butterfly, as well as the “cassia” plant it feeds upon, among others. For that reason, the planning for this location entailed housing within the residential area with generous spacing arrangements, while establishing a grassland growth area peripheral to the housing. The efforts we are making include ensuring sufficient green areas and conserving and creating a natural environment with a diverse configuration, from grassland to forests, such as by making a semi-natural grassland area through the cutting of grass in the protected area and maintaining existing forests.

As a result of these efforts, we acquired certification granted by ABINC and JHEP (AAA). Going forward, while continuing conservation activities, we will be monitoring indicator organisms and will hold events and other activities for community residents to come into contact with nature, and will endeavor to preserve and create grassland landscapes, while passing down our cultural heritage.



Valuable species: Spotless grass yellow butterfly



JHEP CERTIFIED
A A A

JHEP habitat certification, AAA (highest rating)

Focal theme

3

Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction)

Challenge ZERO 2055

With the aim of contributing to resources by extending the service

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
Globally managing water risks throughout the supply chain	
Extending the service life of houses and buildings	

Endless Green Program 2021

Management indicator

FY 2021 targets

Production	Construction waste emissions (manufacturing; compared with fiscal 2012 level)	62kg/million yen
New construction	Construction waste emissions (new construction; compared with fiscal 2012 level)	19kg/m ²
Construction waste recycling rate		97%
Waste plastics recycling rate		90%
Water consumption (per unit of sales) compared to fiscal 2012		-34%
Adoption rate of water saving devices		97%

Policy and Concept

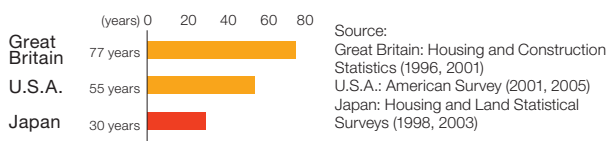
Social issues

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.

Recently, marine pollution caused by poor management of plastic waste has been gaining a lot of attention. It is estimated that millions of tons of plastic waste the world produces each year end up in the oceans.

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



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 toward a Stock-type Society that aims to use high-quality houses for a long time, we are making significant contributions to minimizing our use of resources. We reuse and recycle waste generated during the construction and dismantling processes such as waste glass and plastic waste and thus help control the use of new resources not only within our company but also in various industries.

Risks and opportunities for the Daiwa House Group and its responses

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. We are developing houses that can continually be inhabited over the long term, and together with this, have developed a long-term warranty system. We provide proposals for repair and maintenance through inspection opportunities, which is leading to increased orders for home renovation. Moreover, seven Group companies have established a system for properly evaluating and marketing the Company's existing houses, and we are focused on improving our acquisition rate of brokerage contracts when people make plans to move.

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

the emergence of a society committed to recycling, our Group is pursuing the sustainable use of life of houses and buildings and working toward zero emissions of waste.

Self-assessment of the Main Targets and Results of “Endless Green Program 2021”

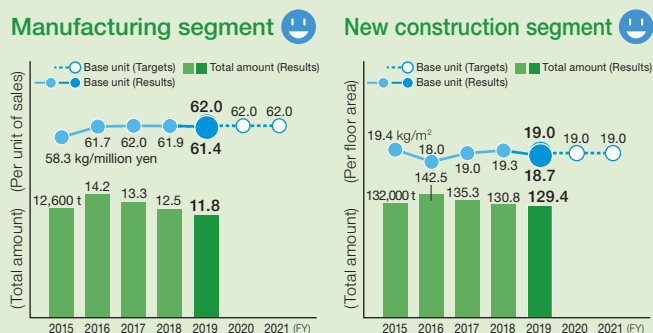
🟢 : Target for fiscal 2019 achieved 🟡 : Target for fiscal 2019 not achieved (achieved 90% or more) 🔴 : Target for fiscal 2019 not achieved (achieved less than 90%)

Target achieved through ongoing efforts to reduce

In the production division, we were able to achieve targets with fiscal 2019 waste generated from plants, per sales unit, amounting to 61.4kg/million yen. On the housing production line, we have been working to minimize waste generation by making timber members that had varied by section to be as uniform as possible, as well as by enabling the effective use of end materials.

We have also attained our targets at new construction sites, as fiscal 2019 construction waste emissions per construction site surface area amounted to 18.7kg/m². In the single-family and rental house divisions, as a general rule, we made allocation diagrams for gypsum boards for all properties, and based on that, delivered pre-cut gypsum boards to on-site locations so as to minimize waste generated on construction sites.

Construction waste emissions

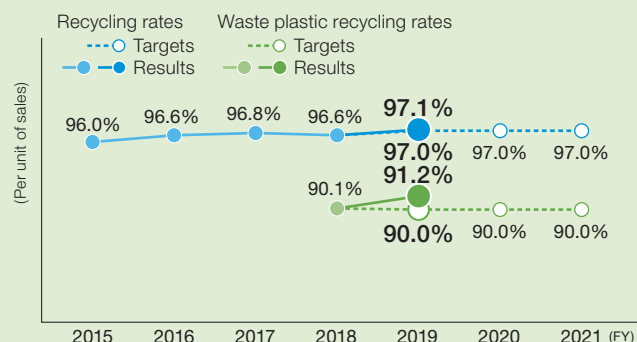


Target achieved by maintaining a high level of recycling rates

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 2019, we were able to achieve our target, having had a recycling rate for construction waste of 97.1%. In addition, within construction waste, we also achieved our goal for the recycling rate of waste plastics, which amounted to 91.2%. With regard to the problem of marine plastic, there is concern about outflow from landfill sites, and in order to cut the volume of waste plastics that end up in landfills, we will continue to move forward on recycling processes.

Recycling rates



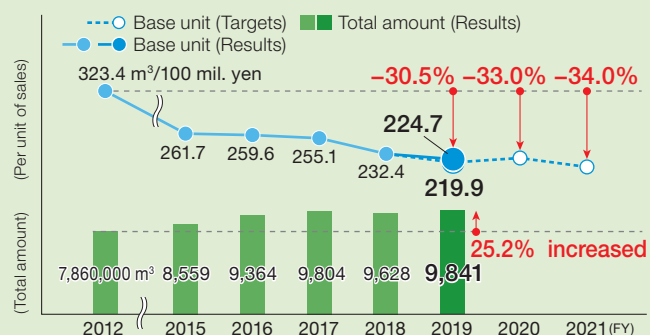
Target not achieved for water consumption per unit of sales

Our Group promotes water consumption reduction activities with a Groupwide target set for the reduction.

We were unable to achieve our target for water consumption per unit of sales in fiscal 2019, despite a 30.5% reduction compared to the fiscal 2012 level. Since fiscal 2019, in addition to our current efforts at resorts, sports facilities and hotels, we have also set reduction targets for offices, plants, warehouses, commercial facilities, stores, warm bathing and nursing care facilities that exceed a certain amount of water usage, and we have been making aggressive water-conservation efforts.

We will continue to promote the installation of water-saving devices to reduce water consumption on a Groupwide scale.

Total water consumption and unit consumption



Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Implementation report on the Endless Green Program 2021

Focal theme

3

Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction)

Waste reduction and zero emissions at production and construction sites

Basic Policy

Promote 3R activities (reduce, reuse, and recycle) with construction waste and plastics at service centers

The Daiwa House Group produces all housing and system construction products at its own plants in keeping with the corporate mission, Industrialization of Construction. In order to minimize waste, in the development and design phases, we seek to allocate materials in ways that can help reduce waste and in the construction stage, we process materials to the exact dimensions at our plants, then assemble them on the site to reduce on-site processing work. Moreover, we are promoting waste recycling by having our employees thoroughly sort waste in all the phases of production, construction, dismantling and renovation. In addition, we have formulated guidelines on the use of plastics, and promote the reduction of plastic disposal.

We will perform more detailed analyses of quantities of resources used for the construction of new houses and buildings and make further efforts in understanding and reducing the impacts that we have on the environment.

Management

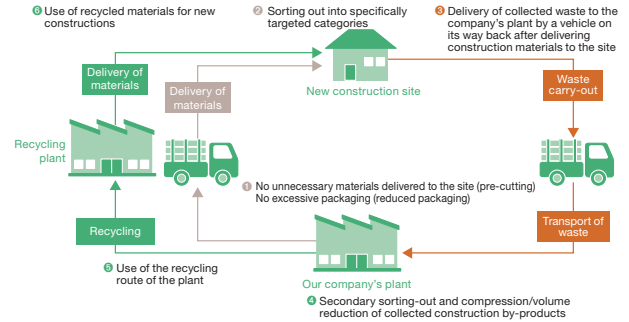
Adopting product development, design and construction processes conducive to resource conservation and recycling

When new materials and parts are adopted in residential (single-family housing, rental housing) and system construction 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 timber waste from the materials processed at construction sites. In addition, we are promoting reuse and recycling of the waste materials generated at single-family housing, rental housing 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. We periodically make visits and conduct evaluations, based on our proprietary checklists, to business operators tasked to collect, transport and dispose of waste, and confirm that they perform proper management.

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 our new construction sites 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



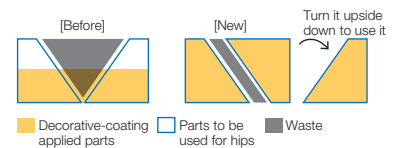
Main approach

The amount of used resources reduced by using all-over coated roofing materials

We often use slate roofing tiles for our houses, and place these tiles so that only the higher halves are overlapped. Therefore, we apply decorative coatings only on the surfaces of lower halves that will be exposed when being placed on roofs. However, this system wastes large parts of tiles after cutting them to be used for roof hips. To solve this issue, we applied decorative coatings on the entire surfaces of slate roofing tiles and used them for our houses on a trial basis, and confirmed that approx. 30% of the amount of slate that we use for roof hips can be reduced in terms of the number of tiles, and the weight of waste that we produce can be reduced by approx. 80%. In light of this, in fiscal 2019 we standardized the use of slate roofing tiles that have coating on their entire surface for the roof hips on single-family and rental house divisions nationwide. This initiative also contributes to reducing the amount of labor performed by on-site workers tasked to dispose of waste.



Roof hips



Dissemination of system construction for business use such as shops and offices

Daiwa House Industry has developed system construction 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 system construction products can be plant-manufactured and processed to the specified design dimensions for principle members; moreover, they help minimize the generation of waste at the construction site.

Fiscal 2019 one-story properties were 42.1%*, two-story properties amounted to 7.5%*, and for these adopted system construction products.



Daiwa KOMFORT (our Ryugasaki Plant Office Building)

* Based on number of units

Focal theme

3

Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction)

Efforts at conserving resource in the construction of houses and buildings

Basic Policy

Promoting the development and 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.

Main approach

Initiatives for the real estate stock business brand “Livness”

With the aims to promote the most appropriate renovations of existing buildings and to create a market where renovated buildings are properly evaluated and distributed, we established Daiwa House Renew, a home renovation company, in 2003 (current Daiwa House Reform Co., Ltd.) and also made Nihon Jyutaku Ryutu Co., Ltd., a real estate brokerage company, a wholly owned subsidiary in 2007, and we have been helping stimulate the housing stock market.

Subsequently, in fiscal 2017, to further expand the real estate stock business, seven companies in the Daiwa House Group jointly started up Livness to serve as a general contact point for the business. Livness offers one-stop service related to single-family houses and condominiums such as brokerage, purchase, resale, renovation and searching for existing house and condo units. In fiscal 2019, nationwide it bought and re-sold 715 properties (last year: 603 properties; including 513 single-family houses and condominiums (last year: 371 properties)), and engaged in 100,930 renovations (last year: 82,361 renovations).

We will continue to work toward a market where existing houses are properly evaluated and distributed.

Management

Promoting the extension of house service life and utilization of housing stock

By developing houses that can be continually inhabited over the long term, we are reducing the frequency of rebuilding, and this contributes to cutting the volume of resources used.

In addition, we 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, and this has brought about a market that creates new value. In January 2018, the Daiwa House Group also launched “Livness,” a brand under which seven Group companies coordinate to establish general contact points for the housing stock business. We offer one-stop service to make proposals on renovation and purchase/resale that are suitable to customer circumstances.



Roof shingle replacement work

Post-renovation condominium



Topics

Case study

Start of “Daiwa Plastics Smart Project,” an initiative to deal with the problem of overseas plastics decay

The Daiwa House Group has endorsed the “Plastics Smart” campaign conducted by the Ministry of the Environment, and has set as its goal bringing to zero the impact associated with marine plastic waste problems by 2030, the year that the SDGs are set to be achieved. We are therefore taking action to reduce plastics. In March 2020, the Daiwa House Group formulated its “Plastics Usage Guidelines,” a policy for the proper use of plastics, which includes the reduction of discarded plastics. Based on these guidelines, first there is “reduction” which entails efforts to find replacements to plastics that would be disposed of, such as office items used internally within the Company, promotional items, and the plastic straws provided when meeting with guests. Specifically, we are replacing the plastic bags, handed over to visitors that contain corporate catalogs and other items, with paper handbags. Next there is “spreading awareness” where we conduct regional cooperation activities associated with the marine plastics problem, including cleaning up around rivers and seashores, or provide employees with their own reusable bags.

We will continue to conduct these activities while striving to reduce the volume of plastics used.



The logo mark for the Ministry of the Environment’s “Plastics Smart” campaign

Implementation report on the Endless Green Program 2021

Focal theme

3

Conservation of Natural Resources / Water Resource Conservation (Longer Durability / Waste Reduction)

Water resource conservation

Basic Policy

Identifying and minimizing risks to water resources, and reducing water consumption in our corporate facilities as well as houses and buildings

The supply of water is expected to become precarious in the future due to climate change, and concern about protecting our water resources is increasing worldwide.

Risks concerning water resources vary greatly depending on regional characteristics, so the Daiwa House Group assesses water risks at each facility for water management appropriate for the local risk level. We also identify water-related risks at the plants of our suppliers, which enables us to manage identified risks throughout our supply chain. In addition, for continuous use of water resources, we work to reduce consumption of water in business activities across the Group, thoroughly manage wastewater at plants, and reduce water consumed in houses designed and built by us and in the process of construction of buildings.

Management

Efforts in managing water risks throughout the supply chain

Our Group procures materials produced in Japan and overseas via our suppliers. Therefore, we believe that it is important to identify risks concerning water resources and take any necessary measures throughout the supply chain, and we deal with this matter according to plans.

Since fiscal 2018, the major suppliers of Daiwa House, Daiwa Lease Co., Ltd. and Fujita Corporation have been the subject of ongoing surveys with regard to their status of water usage reductions, as well as of their plant locations, in our diligent efforts to ascertain water risks. Using LCA tools, we will make further efforts to manage water risks throughout the supply chain by identifying water consumption for each raw material type in the upstream supply chain.

Related page P203 Environmental Data Water risk assessment results in timber-producing countries

Meticulous PDCA management to reduce water usage

At the Daiwa House Group, not only do we have Groupwide reduction targets, but each Group company and each department sets their own water usage reduction targets, and together with ascertaining results on a quarterly basis, we promote efforts to make improvements.

In addition, we set targets for the adoption of water-saving devices in the single-family houses, rental houses and condominiums, as well as renovations provided by the Daiwa House Group. In the departments that operate sports facilities, hotels, nursing care facilities, commercial facilities and other sites, and keep track of the results. By continuing to actively deploy water-saving devices, we are advancing the reduction of water usage when these buildings are used by customers.

Main approach

Water risk assessment at suppliers' plants

In fiscal 2019, we conducted surveys to ask 204 major suppliers to three companies of the Daiwa Group (the Company, Daiwa Lease Co., Ltd. and Fujita Corporation) about their water intakes, volumes of discharged wastewater, water-related issues, capital investment, compliance and existence of any water-related targets, as well as to thoroughly investigate water risks at suppliers' plants. The results shed light on risks at 77% of these major suppliers, and also confirmed countermeasures to avoid risks, such as through the diversification of procurement sources.

We are planning to encourage our suppliers to more properly manage their water use and discharge through a recognition program that rewards excellent water resource conservation initiatives.

Water risk assessment at our Group facilities

From the facilities operated by our Group companies, we chose those with high water consumption such as plants, resort/sports facilities and hotels, and quantified their water resources risks including items such as the regional characteristics and how each facility is managing risks*1, using WRI Aqueduct*2 and WWFDEG Water Risk Filter*3. The results confirmed that there are no high-risk facilities.

*1 The assessment was conducted based on the situation in fiscal 2016 and the assessment results for the facilities owned as of March 3, 2018 are mentioned.

*2 A tool for analyzing water risk in the world published by the World Resources Institute (WRI)

*3 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)

Water risk assessment results

(locations)

Segment	Nationality	Risk level*4			
		(Low) 1	2	3	(High) 4
Plants	Japan		28		
Resort facilities	Japan		29		
Sports facilities	Japan		69		
Hotels	Japan		46		
Total water consumption for each risk level			6,269,500 m ³ *5		

*4 Risk levels. 1: Very limited risk, 2: Limited risk, 3: Some risk, 4: High risk, 5: Very high risk

*5 As of March 31, 2019

Water conservation efforts across the Group

We are continuously taking measures, such as to make replacements with water-saving devices, at resorts, sports facilities, hotels, nursing care facilities and commercial facilities where water usage is high, and in tandem with this, we share case studies amongst Daiwa House Group companies and develop them horizontally. In addition, for sports facilities and hotels to be newly constructed, we adopt water-saving devices such as water-saving showers and toilets, as well as water volume regulating faucets in the design phase.

From fiscal 2019 onward, we will set targets for offices, plants, warehouses, commercial facilities and stores, and warm bathing and nursing care facilities that use a certain amount of water and make water-conservation efforts.

Water-saving measures at individual facilities (FY2019)

Segment	Company name	Scale	Water-saving measures
Resort facilities	Daiwa Resort	2 hotels	Installing water-saving showers
		4 hotels	Replace water-saving toilets
	Nishiwaki Royal Hotel	24 rooms	Replace faucets in guest rooms with single lever types
Sports facilities	Sports Club NAS	2 facilities	Installing water-saving showers/water-saving packing
	Daiwa Royal Golf	2 golf courses	Replace regular faucets with water-saving ones
Hotels	Daiwa Royal	7 hotels	Install water volume regulating faucets in bathrooms
		3 hotels	Replace regular shower heads with water-saving ones
	Osaka Marubiru	13 floors	Replace regular shower heads with water-saving ones

Related page ▶ P205 Water-saving device adoption rate, Adoption rate by department

Recycling of water in the Osaka Head Office Building and Tokyo Head Office Building of Daiwa House Industry and resort hotels

In our Osaka Head Office Building and Tokyo Head Office Building, rain water and water from air conditioning systems are treated and reused for toilet flushing. We were awarded the highest Platinum certification by LEED for Existing Buildings Operations and Maintenance (LEED-EBOM)* in March 2017 for our water-saving functions and other initiatives.

In addition, at one resort held by a Daiwa House Group company, wastewater and rain runoff water is reused to clean toilets or for watering.

* The LEED certification is an 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 assessment items (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 for Existing Buildings assesses and certifies the operation and control of existing buildings.

Promotion of employment of water-saving equipment for single-family houses and rental houses

In order to reduce water consumption in the residential stage, we are promoting the installation of more water-saving fixtures and devices in our single-family and rental houses. We have continuously endeavored to achieve 100% installation of water-saving devices in bathrooms such as water-saving shower heads and manual faucets, and installs water-saving toilets and kitchen faucets as standards in all of the single-family and low-rise rental houses. From fiscal 2019 onwards, we will set targets for medium-to high-rise rental houses, condominiums, renovation, and hotels to install water-saving fixtures and devices across the Group.

Adoption rate of water-saving devices (fiscal 2019)

Segments	Adoption rate
Single-family houses	100%
Low-rise rental houses	90%
Medium-to high-rise rental houses	76%
Condominiums	94%
Renovation	98%
hotels	54%

Topics

Case study Protection of water resources that use water storage tanks in Rawson Group homes

For houses located in Australia, known as the world's driest continent, it is absolutely vital to protect water resources. In the country's New South Wales region, a condition for constructing a house is to satisfy the assessment criteria requirements of the Building Sustainability Index (BASIX)*1. This is an assessment tool that covers environmental performance in the areas of energy and water consumption, and thermal comfort. Among these, the benchmark with regard to water consumption for daily living is 90,340 liters of water per person per year, and the water reduction target is 40% (water reduction rates differ according to area).

To satisfy the BASIX assessment criteria, the Group's Rawson Group provides housing installed with rainwater storage tanks and highly efficient water-saving devices (water-saving-type shower heads, faucets and toilets). The houses are designed to funnel 80% of rainwater from the rooftop to a water storage tank that has a 4,000-liter capacity. The installed water-saving devices have at least four stars under the Water Efficiency Labeling and Standards (WELS)*2 criteria.

*1 New South Wales authorities have implemented this assessment scheme in order to codify environmental performance in houses.

*2 There are up to six stars, and the more stars, the greater water-saving performance.



A 4,000-liter rainwater storage tank



Water-saving devices

WELS certification mark

Focal theme

4

Prevention of Chemical Pollution

Challenge ZERO 2055

We shall institute appropriate to minimizing the risk (ultimately to

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 2021

Management indicator

FY 2021 targets

Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)	-57%
Reduction of VOC emissions per unit of sales (compared with fiscal 2013 levels)	-12%
Compliance rate with voluntary standards for indoor air quality	100%

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 aims by 2020 to use and produce chemicals in ways that do not harm human health and the environment, the relevant regulations have been tightened mainly in the U.S. and Europe through TSCA*1, the EU/ REACH regulation*2, and the RoHS Directive*3. Domestically, restrictions on the management of various chemical substances such as amendments to the PRTR Law*4 and the Chemical Substances Control Law*5 have been strengthened. In 2016, it became mandatory to conduct chemical risk assessments in the interests of occupational health and safety. In terms of buildings including houses, the sick building issue has been pointed out. Some achievements were seen thanks to the new regulations, but the Ministry of Health, Labour and Welfare lowered some of the Indoor Threshold Limit Values of Chemical Substances in fiscal 2018. In this situation, further multidisciplinary approaches by the construction and medical industries are expected.

Regarding issues of soil contamination, more stringent management is required to prevent adverse health effects and pollution dispersion.

- *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 the Daiwa House Group utilize various chemical substances that can affect the surrounding environment when discharged into the air and water. Under the Occupational Safety and Health Act, the use of ethylbenzene, one of the PRTR-listed chemicals included in paint used by the Daiwa House Group, obligates that special medical examinations be given to workers who perform indoor painting tasks, the installation of local exhaust equipment, and the maintenance of work records. In terms of maintaining worker health, it is necessary to emphasize reduction of this chemical. For this reason, we undertake thorough

and appropriate management of 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.

Moreover, almost all of our construction projects—some several thousand annually—involve drilling, and we are therefore always faced with the risk of spreading soil contamination. For this reason, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately.

Risks and opportunities for the Daiwa House Group and its responses

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 provided by the Company, we would be exposed to the risks of lost trust from customers and onerous costs associated with remediating the problems, and this will tarnish our brand image. In response, we have established our Chemical Substance Management Guidelines and have shared them with 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 over a set number of properties after measuring and assessing the measured values. Furthermore, by responding to requirements related to health considerations for houses and buildings, it can be expected that we improve our competitiveness and increase our market share. To that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials, and advance 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 risk that soil contamination could be discovered after a land purchase, making it difficult to commercialize. In response, before purchasing a site for a project, as a matter of principle we conduct surveys of the land history. Should soil contamination be detected, we take appropriate contamination countermeasures.

management of chemical substances throughout the life cycle of houses and buildings in addition zero) of adverse impacts on the health of people and ecosystems.

Self-assessment of the Main Targets and Results of “Endless Green Program 2021”

😊 : Target for fiscal 2019 achieved 🙄 : Target for fiscal 2019 not achieved (achieved 90% or more) 😞 : Target for fiscal 2019 not achieved (achieved less than 90%)

Switching paints enabled us to achieve our target for release and transfer of PRTR-listed chemicals, although we fell short of our VOC emissions target.

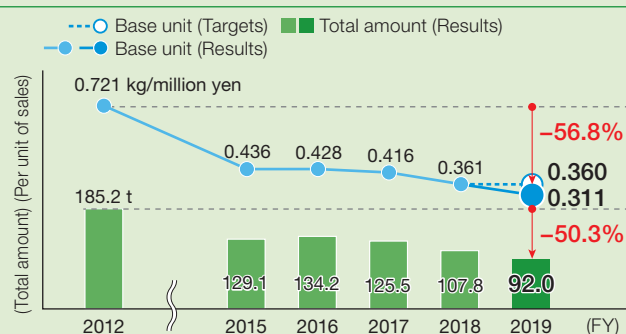
The Daiwa House Group has set targets to reduce the release and transfer of PRTR-listed chemicals as well as VOC emissions, and is endeavoring to make improvements to the painting process.

In fiscal 2019, the release and transfer of PRTR-listed substances per unit of sales in the Daiwa House Group declined 56.8% from fiscal 2012, and we achieved our target. On the other hand, VOC emissions per unit of sales fell 12.5% off of fiscal 2013 levels, and we fell short of our target.

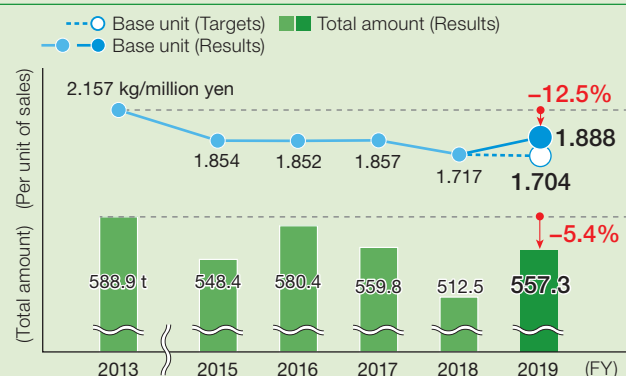
In fiscal 2019, the Group's Daiwa Lease Co., Ltd. undertook a complete switchover to paints that do not include ethylbenzene. This led to a reduction in release and transfer of PRTR-listed chemicals per unit of sales, although as a great many VOCs were contained in these paints, VOC emissions per unit of sales rose.

Going forward, we will work to reduce VOCs by revising painting methods to cut solvents in anticorrosive paints for steel frames and solvents in thinners for cleaning painting machines, and will promote the prevention of pollution due to chemical substances.

Release and transfer of PRTR-listed chemicals 😊



VOC emissions 😞



Residential housing-related sectors achieved their targets, while sectors other than those in residential housing missed their goals.

The Daiwa House Group has established stricter targets for the five Specific Measurement-required Substances*2 stated under the Housing Quality Assurance Act*1 than the guideline values specified by the national government*2 for residential facilities, hotels, nurseries and other buildings. Every year, we measure the indoor air quality a fixed number of times.

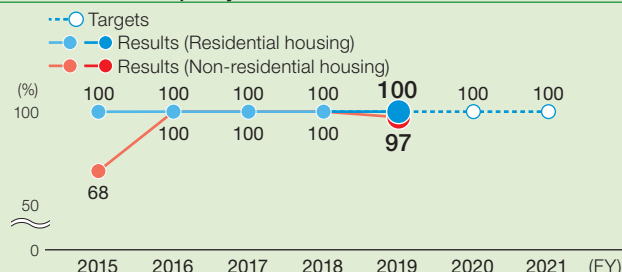
The compliance rate with voluntary standards was 97% in fiscal 2019, and we were therefore unable to meet our targets in sectors other than residential-type housing. In the future, we will advance the switch to low-formaldehyde-emitting building materials in residential housing-related sectors, and in non-residential housing, will strengthen our efforts, such as by reapplying ourselves to have thorough ventilation at the time of building.

*1 Act regarding the promotion of quality assurance of houses

*2 Specific Measurement-required Substances and national guideline values:

Formaldehyde (100 µg/m³), toluene (260 µg/m³), xylene (200 µg/m³), ethylbenzene (3,800 µg/m³), and styrene (220 µg/m³)

Compliance rate with voluntary standards for indoor air quality of residential facilities 😊



Implementation report on the Endless Green Program 2021

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.

Management

Promotion system implemented through a cross-segment working group

Looking to further reduce the amount of chemical substances handled in our plants, the Company holds periodic meetings of a cross-segment working group consisting of the development, purchasing and production segments. The 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, and selects new materials with less toxicity when setting materials. In addition, we properly handle asbestos, fluorocarbons, PCBs and other toxic waste in accordance with the law.

Moreover, Group companies also conduct joint working sessions, share information and advance activities to make improvements.

Preventing air pollution and water pollution

In addition to having taken preventive steps by performing 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.

As part of our community-based initiatives to maintain water quality, our Tohoku, Niigata and Okayama Plants have concluded an agreement which stipulates stricter wastewater discharge requirements than the national ones with each city and local irrigation associations, etc. These plants communicate with local communities through regular reports of their water quality monitoring results and other activities.

* Our unique plant energy management system

Main approach

Building beam automated coating robot
Reduction of paint with the deployment of D'sBAP

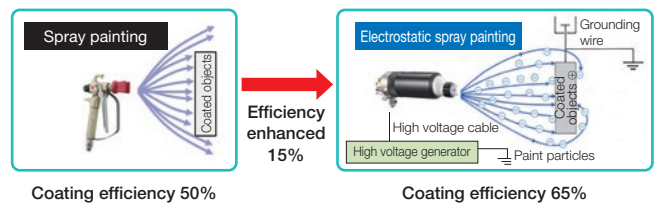
In October 2019, we deployed to our plant in Nara "D'sBAP," Japan's first automated robot in the construction industry that will coat architectural building beams. Automation makes for uniform application and enhanced coating efficiency*, while using an electrostatic spray enables a 30% reduction in coating volume compared to conventional methods. This decrease in coating volume used leads to a reduction in the amount of PRTR substances handled. In addition, in the conventional painting process, workers don protective clothing and a gas mask, and given that work was performed in an environment of heat in the summer and cold in the winter, securing personnel was difficult. However, with the introduction of the robot, operations take place in a paint booth away from workers, and this has led to an improved working environment.

Going forward, we will continue to verify results and consider expanding to other plants.

* Coating efficiency = amount of paint applied ÷ amount of paint sprayed



D'sBAP



Amount of paint used reduced through painting method change

Our Group company, DesignArc changed their method for painting some of the large materials from air blow painting to electrostatic painting, and thus improved the coating efficiency and reduced the amount of paint they used by approx. 16%. By reducing the amount of paint they use, they successively reduced the amount of PRTR substances they handle, which resulted in improved quality due to the stability of coating films, reduced costs, and better working environments due to reduced amount of paint splashing in paint booths.



Electrostatic device



Electrostatic spray gun

Reducing solvent concentration in paints and thinners

The Company is undertaking ongoing efforts to transition its anticorrosive paints for steel frames, maintenance paints for welds, and thinners for cleaning painting machines into those that use weak-type solvents. In addition, at the Group's Daiwa Lease Co., Ltd., together with reducing the concentrations of solvents in anticorrosive paints for steel frames, it is also moving forward on the verification and use of aqueous paint.

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 with the objective of offering products with a low impact on the health of our customers and partners, as well as on the natural environment. Information on chemical substances used in products is shared with our partners and the use of high-risk substances is minimized. These Guidelines are being applied mainly to our housing products (single-family, low-rise rental housing). Since fiscal 2016, we have positioned these Guidelines as part of our CSR Procurement Guidelines. Regarding the use of prohibited and restricted substances, we have adopted the goal of extending the scope to encompass all products we procure. In these new guidelines, we have designated approx. 480 types of managed substances, and for 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.	

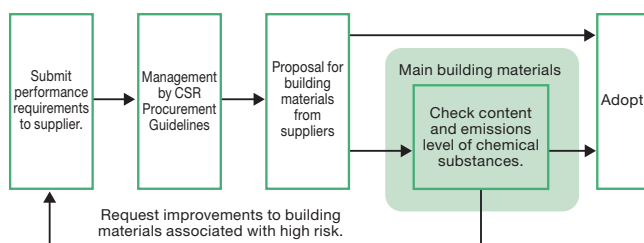
Related page P033 Supply Chain Management
Our Group official website
CSR Procurement Guidelines (Japanese Text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

Management

Expanding 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, DesignArc, and Cosmos Initia in addition to Daiwa House Industry; and in fiscal 2018 Daiwa House Reform was included.

Operation flow of Chemical Substance Management Guidelines



Establishing the voluntary standards for the Specific Measurement-required Substances under the Housing Quality Assurance Act

In order to provide better indoor air environments, our Group established stricter voluntary standards (targets) for the five Specific Measurement-required Substances*2 under the Housing Quality Assurance Act*1 than the guideline values specified by the national government. In fiscal 2018, we established the Indoor Air Quality Measurement Guidelines, after the Ministry of Health, Labour and Welfare changed the guideline values. We follow the Guidelines to measure indoor air quality to achieve better indoor air environments.

*1 Act regarding the promotion of quality assurance of houses
*2 Formaldehyde, toluene, xylene, ethylbenzene, and styrene

Main approach

Proactively adopt low-VOC building materials and improve indoor air quality concentrations

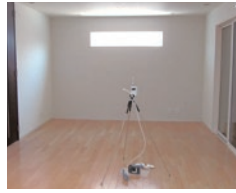
Daiwa House Industry as well as our Group companies Daiwa Lease, Fujita, and Cosmos Initia provide many residential facilities and school buildings. To contribute to better indoor air environments, all the interior finishing materials we use are rated as Japanese formaldehyde emission class F☆☆☆☆.* Even for interior finishing materials applied to foundations, we are proactively adopting formaldehyde-free glass wool and rock wool and the like.

In addition, we measure indoor air quality at the time of construction completion according to the Indoor Air Quality Measurement Guidelines to assess and improve indoor air quality. Measurements are conducted at built-for-sale houses and rental condominiums as well as residential buildings such as nursing

facilities at which users stay for a longer period of time. We started measurement at hotels, hospitals, nurseries and other buildings.

We intend to conduct investigations for each building application, taking into consideration changes caused by regional, seasonal and other characteristics, as well as factor analysis, for improved indoor air environments.

* The rank with the least release, with no restrictions on use for indoor finishes



Measuring indoor air quality concentrations

Developing and publicizing health-oriented specifications

Since fiscal 2015, we have been testing and evaluating our main timber 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. Regarding single-family housing, we are developing 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

Prevention of soil contamination

Basic Policy

Reinforcement of risk management of soil contamination at time of purchase of lands

In terms of soil contamination countermeasures, we conduct comprehensive soil inspections and are implementing countermeasures at our plants and construction sites while ensuring appropriate management.

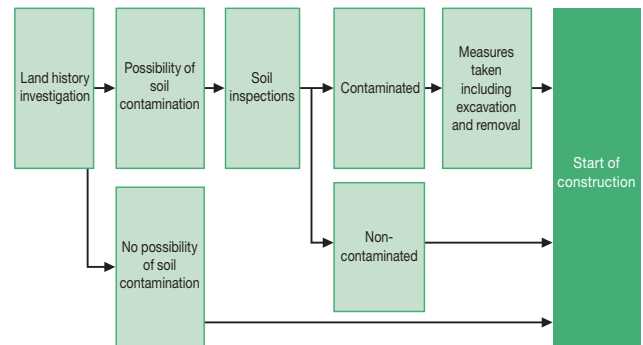
Management

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 soil inspections. 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 inspections 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



Related page P087 Real Estate Investment Committee

Chapter

02

Implementation Report

Society

Improvement in “motivation” of entire workforce

65%

Percentage of line leaders amongst women managers

25.0%

Percentage of important suppliers that comply with our CSR Procurement

42.4%

Order rate using our customer base (Housing sales by referral)

37.4%

Business continuity plan score (points)

44 points

Management

Commitment from the Executive Officer in Charge	065
CSR Management	068
Human Rights Management	071
Social Medium-Term Plan (Endless Social Program)	077

Focal theme

1 Innovation base	083
2 Human resources base	095
3 Technology and manufacturing base	109
4 Customer base	121
5 Communication base	127
6 Risk countermeasures base	137



We are speeding up the pace of measures to reinforce our management base, enabling us to achieve continuous operational growth over the medium-to-long term.

Moritaka Nohmura

Senior Executive Officer
General Manager of Human Resources Department,
Management Administration Headquarters
Head of Human Resources and Interpersonal
Relationships Department,
Management Administration Headquarters
Deputy Head of Sustainability

Commitment from the Executive Officer in Charge

Putting priority on saving lives amid the COVID-19 pandemic

Firstly, I must admit that the ongoing the COVID-19 pandemic has brought home to us—more acutely than ever before—the importance of social measures.

The Daiwa House Group places a high priority on protecting the lives of all its stakeholders, including customers, employees, business partners, community residents, and shareholders. In line with this, from an early stage we initiated teleworking, temporarily closed all 76 of our branch offices in Japan, including our head office, put work on hold at our roughly 3,500 construction sites throughout Japan, and took

various other measures to slow down the spread of the epidemic. We also took appropriate actions upon discovery of the COVID-19 infection among our employees. In addition, the COVID-19 pandemic may be long-lasting, and in such an event, we see it as an important duty to protect the jobs of our employees.

Since the establishment of Daiwa House Industry, in line with our motto of “Co-creating a brighter future with our stakeholders,” we have cultivated a certain spirit that now lies at the root of the Group’s ESG (environmental, social, and corporate governance) management. Faced with the current challenge of the COVID-19 pandemic, no matter what happens we will not be swayed from the path laid down by our founder Nobuo Ishibashi. We will confront our difficulties head on, and will continue to focus all our strengths on solving social issues through our business activities.

Contribution to
SDGs



Social Medium-Term Plan for the Future of Society

The Group's Endless Social Program 2021 (ESP 2021) is a three-year plan for restructuring the Group's management from a long-term perspective in preparation for social change. Over the near future, Japan faces a decrease in the working population as a result of an aging population combined with a decline in the birthrate. Overseas, meanwhile, populations in India, Africa, Southeast Asia, and elsewhere are on course to continue growing up to the mid-century, and on a shorter timescale, the United Nations estimates that the global population will reach 8.5 billion by 2030. Other possibilities for which we must prepare ourselves include severely hot summers on a global scale, as well as an increased likelihood of disastrous flooding from heavy rains, both caused by global climate change. And although COVID-19 was, of course, not envisaged when our ESP2021 was drawn up, now that we are amid the uncharted territory of a major pandemic, the need to make maximum use of information technology is being keenly felt.

Amid these circumstances, there will undoubtedly be calls for the use of ICT (information and communications technology) and robotics, and for the further strengthening of safety management at construction sites and business continuity planning in preparation for possible natural disasters. Other essential developments include reinforcing our long-term customer relationships to meet the needs of a shrinking Japanese market as the population continues to age and the birthrate continues to decline, as well as reforms to work styles and improved inclusion amid increasingly stiff competition for human resources, amid increasingly stiff competition for human resources. Moreover, as population growth and market expansion in certain parts of the world will provide business opportunities for the Daiwa House Group, it is a matter of urgency for us to restructure our management base from a long-term perspective to enable us to develop globally.

In today's world, it is becoming increasingly important for companies to exercise overall control that integrates the management of ESG factors with management of business operations. Through its Endless Social Program 2021, the Daiwa House Group aims to further strengthen its management base relating to social issues. Together with our Sixth Medium-Term Management Plan (which governs our business operations) and our Endless Green Program 2021, which governs our interaction with the natural environment, the ESP 2021 will help us achieve continuous growth and thereby enable us to help realize a society capable of sustainable development.

Strengthening the Group's management bases, enabling us to continue leveraging our strengths in preparation for social change

Under our ESP 2021, we have identified six management bases that we must focus on strengthening to enable the Group to continue displaying its strengths as future social changes unfold.

Firstly, in response to future social developments, we will strengthen the three bases that supply the motive power for the Group to solve social issues through its business operations, and which constitute the source of our data-collection capability, problem-solving skills, and organizational ability. These bases are our human resources base, our customer base, and our technology and manufacturing base. In parallel with social change, we will reform employment practices and

work styles, upgrade recruitment, and make more use of information technology.

In addition, in preparation for risks to the Group's operating environment that may materialize in the future owing to an increased frequency of natural disasters caused by climate change, the expansion of investment in ESG goals, and technological innovation, among others, we will also reinforce our innovation base, our communication base, and our risk countermeasures base.

To sum up: the Daiwa House Group will create a corporate structure enabling it to continue displaying its strengths, and will aim to translate potential risks into business opportunities and realize continuous growth.

Continuing along the path laid down by our founder, we focus our efforts on hiring and training human resources

The Group has also identified 16 priority issues to be addressed in the course of strengthening our six management bases. The determination of these issues was achieved through repeated discussions with business divisions involved, on the basis of information gleaned over two years, starting in 2017, from interviews with top management staff and the heads of business divisions, as well as information provided by external experts.

Of these issues, particularly important are "strengthening human resources development and recruiting," "building a management base for global business development from a long-term perspective," and "effecting work-style reforms."

I hardly need to say that the most vital driving force in the Group's growth going forward will be human resources. We must boost our hiring by convincing a growing number of people that the Daiwa House Group is an attractive place to work. For this purpose, we must ensure that the Group becomes an enterprise whose employees do not merely experience job satisfaction, but find happiness and a purpose in life. Going forward, we will continue along the path laid down by our founder, aiming to be trusted by our employees. We will address serious efforts to securing the qualified human resources we need, and to realizing work-style reforms.

Needless to say, the training of new hires is also very important. In the Daiwa House Corporate Creed, pride of place is given to the motto: "Develop people through business activities." Because of this, the Group has traditionally positioned the nurturing of subordinates' work skills as one of the prime responsibilities of every management-level employee. Recently, dialogue-style study sessions on themes drawn from the experiences of President Keiichi Yoshii back when he was a branch office manager himself, based on situations likely to occur at the branch-office level, have been extended to our branches all over Japan, and have proved very valuable in employee training. By leveraging these Daiwa House corporate traditions and playing to our strengths, we will continue striving to nurture employees capable of solving social issues.

Building a management base to facilitate global development

The second most important of our 16 priority issues for strengthening our management bases is "building a management base to facilitate

global business development from a long-term perspective.” Regarding this, in parallel with the expansion of our operational scale and the geographical extent of our operations, we must tackle the tasks of reinforcing internal control and enhancing our employee nurturing efforts.

Firstly, regarding internal control, in addition to strengthening our risk countermeasures base as part of our Endless Social Program 2021, we are pressing ahead with the reinforcement of a system based on the fundamental policies underlying the measures to enhance governance that were announced in November 2019.

Secondly, regarding the nurturing of our human resources, the Human Resources and Interpersonal Relationships Department which is in charge of education and training, is working to nurture human resources in line with our principles of: (1) ensuring that all Group employees appreciate the spirit of our founder and understand our corporate philosophy; (2) developing staff with professional skill levels who are able to think for themselves and provide high-quality products and services; (3) creating an environment and culture where employees can develop themselves through their day-to-day work; and (4) training leaders capable of contributing to our business success, both in Japan and globally.

Of particular importance to the creation of our human resources base is ensuring that all Group employees appreciate the spirit of our founder and understand our corporate philosophy. Centered on the activities of the Human Resources and Interpersonal Relationships Department, we aim to make sure that all our staff are imbued with the same spirit that motivated our founder.

When we refer to “staff capable of contributing to our business globally,” we are not thinking solely of those with high-level ability in foreign languages and familiarity with the customs of other countries: human resources capable of effectively addressing social issues are not limited to such persons. At the Daiwa House Group, in line with the spirit displayed by our founder, our interest is focused on the type of employees who can help solve issues in every corner of the world. And in the future, we believe it will be important to nurture staff who feel a vocation—who are compelled to ask themselves: “What kind of contribution can I personally make?”

Work-style reforms to motivate our employees

Regarding the third most important of our priority issues— “effecting work-style reforms”—as we have said many times before, such reforms must not be imposed on the employees. It is vital that the reforms be devised from the employees’ own perspective.

Looking at corporate management from a medium-term or long-term viewpoint, the basic elements of a company’s resources—staff, financing, and materials—are unlikely to change much. On the other hand, with faster global development, human resources are likely to diversify. In this process, we must create a working environment that allows such diverse personnel to maximally demonstrate their individual potential and experience job satisfaction while coping with the various challenges of their personal lives, such as bringing up children and caring for elderly relatives. We must also ensure that our employee benefit programs, which support working styles adapted to changed circumstances, are adequate.

In 2005 Daiwa House introduced expanded childcare support programs for its employees; this was part of our measures to deal with the serious social problems affecting Japan of a declining birthrate and an increasingly aged population. One of the measures introduced was a one-time childbirth allowance, under which an employee would receive a one-time payment of ¥1 million for each child born.

This Daiwa House system was introduced in line with recently passed national legislation—against the backdrop of a constantly declining birthrate—to meet the need to raise a healthy generation of children amid a safe and secure environment: specifically, the Law to Enact Measures for the Support of Child-Raising. In the roughly fifteen years that have passed since then, we have maintained this system, and we celebrated the birth of the 10,000th child covered by this system in April of this year. The cumulative amount of support funds disbursed under the system has reached ¥10 billion. The Daiwa House Group will continue providing a working environment where employees can feel job satisfaction, and implementing work-style reforms. Furthermore, we believe that such an environment will allow a diverse workforce to display its potential and will lead to the full realization of diversity and inclusion.

Adapting to changes while pursuing universal values

The COVID-19 pandemic that suddenly burst onto the scene early this year is expected to bring about major changes in the ways that people work. The pandemic itself should eventually die out following the development of a vaccine, among other causes, but measures such as teleworking and the use of satellite offices are likely to rapidly become more popular in the post-pandemic world.

In the face of such dramatic changes, at the Daiwa House Group, we intend to implement a reform of work styles on the basis of a redefinition of the meaning of “working”. In other words, the act of working for a company and producing results should be a rewarding experience for the employee, and should make him or her happy. In our vision, the time that an employee spends at the company should be at the core of his or her life. The work-style reforms that we envisage do not simply consist of reducing working hours. We believe that this time should be made more significant, in a way that the employee can fully appreciate. Based on this belief, and taking into account the post-pandemic social environment, we will forge ahead with our work-style reforms.

And what is most important of all is that—while responding promptly to social and economic change—we must maintain our pursuit of universal values. A prime example of values that remain unchanged from one generation to the next is our corporate mission—to always ask ourselves what we can do for the world—which we also regard as the business stance passed on to us by our founder. However much the world changes, this unwavering commitment remains at the core of ESG management, and we will constantly ask ourselves what kind of product or business will be of use to the world and make people happy.

CSR Management

Policy and Concept

The Daiwa House Group established the Daiwa House Group CSR Guidelines in 2004 with the aim of realizing a sustainable society and the sustainable growth of the Group. The guidelines consist of three viewpoints, namely “Contributing to society through business,” “Co-creating a brighter future with our stakeholders,” and the “Conduct of every single Group employee.”

From fiscal 2019 the Daiwa House Group began our Social Medium-Term Plan ESP 2021 based on these guidelines. We will continue to fully engage in CSR management to meet the expectations and requests of society.

Related page Our Group official website CSR Guidelines https://www.daiwahouse.com/English/sustainable/csr/vision/social_contributions/index.html

Management

Whole picture of CSR management system

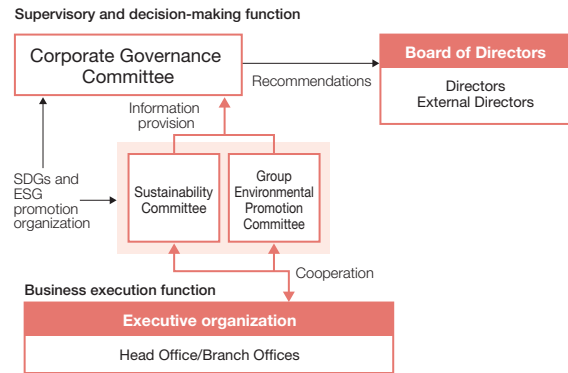
Daiwa House Industry holds the Corporate Governance Committee (Chairman: Chief Executive Officer [CEO]) meetings for the principal purpose of achieving sustainable management and contributing to enhancing corporate value over the medium- to long-term. As for the efforts toward achieving SDGs and ESG, 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: 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.

The Sustainability Committee is in charge of the “society” field, and the Group Environmental Promotion Committee is in charge of the “environment” field. In the Social Medium-Term Plan (ESP 2021), the Sustainability Committee takes the central role in promoting and managing the progress of the important issues and strategies.

With the understanding of the actual state of the important issues in their respective fields, 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 P162 Corporate Governance

■ Positioning of each committee under the corporate governance system



CSR management system of branch offices

We have clarified the fact that the branch managers are the “representatives of the President” in the organization and transferred the powers to manage the worksites to their managers in the whole country. Such managers implement 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. The overall picture of ESP 2021 is also disseminated through in-house notices and corporate newsletters, while the Head Office departments request worksites to implement measures that need to be developed individually. Under such CSR Management systems for the worksites, we endeavor to improve CSR Management by implementing the PDCA Cycle.

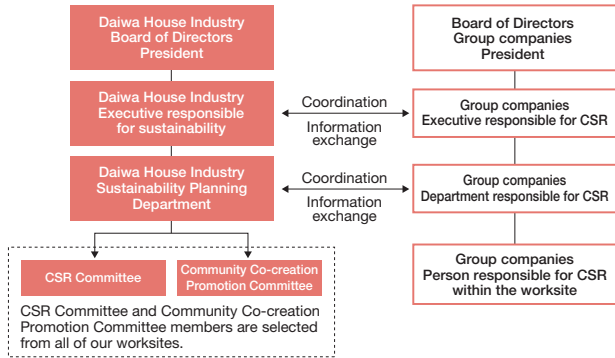
Group CSR promotion system

Sustainability Planning 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, and the Board of Directors decide important matters.

Since 2005, each worksite of our company selects one CSR Committee member to familiarize everyone with corporate ethics and compliance. In addition to such CSR Committee member, one Community Co-Creation Promotion Committee member is also selected. This member promotes planning and implementation of matters related with community co-creation activities, as well as activities to raise our employees’ awareness on the need to contribute to society. 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.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

■ CSR promotion organization structure of the Daiwa House Group



Main approach

Plan (Policy and Plan)

I 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. At each branch, Branch Manager's Policy is formulated in light of the above-stated policies, plans and issues, etc., that each branch has.

Do (Implementation)

I Thorough enforcement of the Principles of Corporate Ethics and Code of Conduct

Each branch 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 Group prepared the "CASEBOOK" as an educational pamphlet and distributed copies thereof to all employees at each workplace of the worksites 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. In addition, it implements training programs on corporate ethics and human rights awareness-raising regularly.

Related page P145 Distribution and utilization of educational booklet "CASEBOOK"

Check (Confirmation and Evaluation)

I Revising items for branch office business performance assessment

In October 2019 the company added the new items of "quality and technological skill assessment" and "legal compliance assessment" to the business performance assessments of each worksite, which had primarily focused on profit plan-oriented evaluations. This addition will have these items take root at our sites toward achieving sustainable growth.

I Management soundness assessment

The management soundness assessment is a system of evaluation widely covering ESG issues, in order to firmly establish the "improvement in management efficiency" and "reinforcement of the management foundation" in the worksites. As with the business performance assessment, the results of the assessment are calculated for each of the worksites, and are reflected to the amounts of bonuses paid to branch managers and employees.

■ List of assessment items in management soundness assessment of worksites (as of April, 2020)

- Efforts at CS
- Efforts at Safety
- Efforts at Environment
- Suitable Order Placements with Plants
- Compliance Awareness, Risk and Corporate Compliance
- Compliance with Standards for Recording Sales
- Workplace Environment
- Personnel Management
- Human Resource Development
- Cash Flow

I Implementation of Sustainability Survey (former CSR awareness survey)

Since fiscal 2004, the Daiwa House Group has been conducting an in-house Sustainability Survey each year to gauge the status of practice of the Principles of Corporate Ethics and Code of Conduct by employees in their respective workplaces. Taking the form of an anonymous questionnaire, this completely original survey of the Group asks questions on workplaces and duties to be answered on the Group's intranet.

The answers are analyzed in detail, and feedback is given to all worksites and Group companies to encourage improvement activities. Since fiscal 2018 the survey has also begun to focus on employees' motivation.

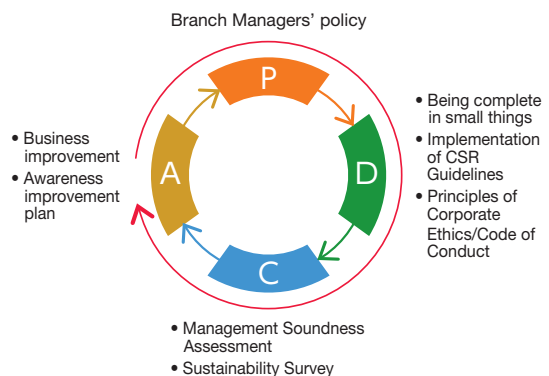
Action (Improvement)

I Workplace awareness improvement plan based on Sustainability Survey

After the implementation of the Sustainability 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 and concrete improvement measures are summarized in the "Organizational Environment Improvement Plan," which will be used for the next year's improvement activities.

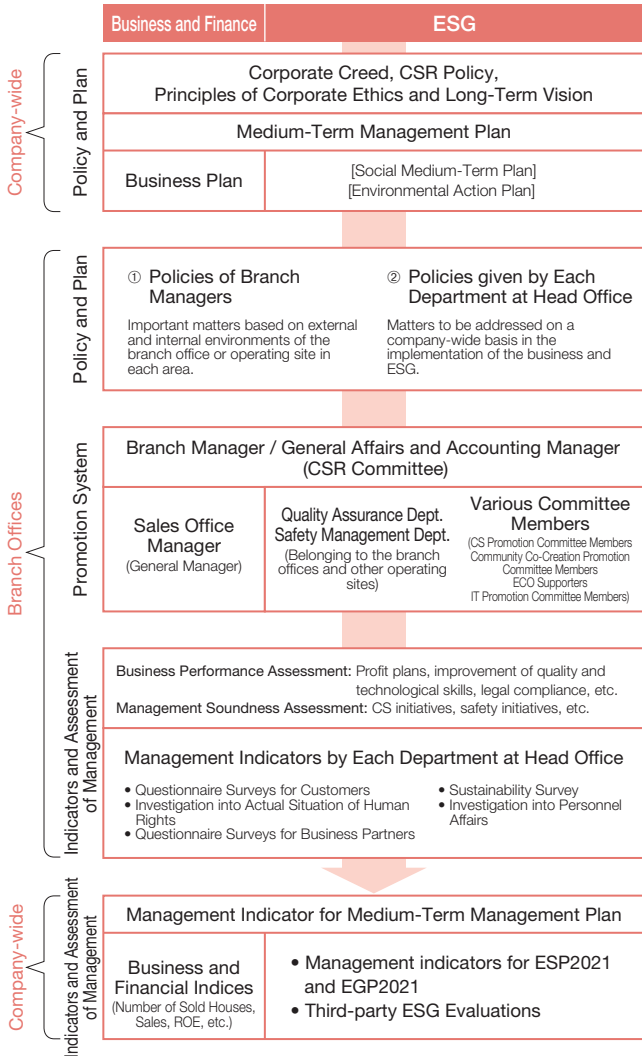
For improvements, branch managers and other managers take the lead in working to create a sound organizational climate where each employee can fully demonstrate their capabilities.

■ PDCA Cycle for management of worksites



■ Whole picture of our CSR management system

Company-wide policies and plans



Managerial Philosophy and Overall Picture

Environment

Society

Innovation Base

Human resources Base

Technology and Manufacturing Base

Customer Base

Communication Base

Risk Countermeasures Base

Governance

Third-Party Assessment / Data Section

Human Rights Management

Basic Policy and Concept

Daiwa House Group supports international standards including the Universal Declaration of Human Rights, the United Nations Global Compact, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), and the joint declaration with UNICEF on the Children's Rights and Business Principles. 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. 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. 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.

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 ensure that no human rights are violated by the business of the Daiwa House Group, we will reinforce a mechanism to grasp and monitor the impact and extract and improve issues from the viewpoint of human rights due diligence. Our CSR procurement of timber survey can be cited as one of our ongoing efforts in this area. (See Page 120.)

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.

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)

Related page P118 CSR Procurement Guidelines (Business Partner Code of Conduct, Corporate Activity Guidelines, Guidelines for Products) Our Group official website Conduct of every single Group employee https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html

I Our Vision of Human Rights Awareness-Raising

Since the Daiwa House Group is mainly based on the construction industry, it differs from other business categories that sell finished goods, in that our employees who are 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 our employees regarding human rights.

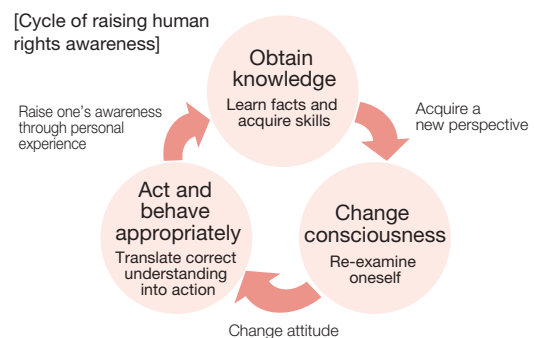
The Group has continued to conduct human rights awareness-raising activities for employees in accordance with our conviction that "all corporate entities are required to respect human rights." In 2015, on the occasion of the 60th anniversary of the corporate founding, our employees voluntarily sought 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 page Our Group official website Basic Policy of Respect for Human Rights <https://www.daiwahouse.com/English/sustainable/csr/jinken/>

- 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.



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)

Management

Human rights management system

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.

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).” Because real estate, including buildings, is valuable to our customers, our business has the characteristic that the value we create results from our employees engaging in direct communication with our customers, business partners, community residents and a wide range of stakeholders. Therefore, if our employees do not possess a correct understanding of the issue of human rights, they may be unconsciously complicit in acts of discrimination. 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 surveys 	<ul style="list-style-type: none"> Sustainability Planning 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"> Questionnaire 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 Sustainability Survey Employees’ awareness survey (View Research 100) 	<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 sustainability survey Improvement of our worksites based on questionnaire survey for business partners 	<ul style="list-style-type: none"> Corporate Ethics and Human Rights Hotline Power Harassment Prevention Hotline Risk Information Hotline Lawyer Hotline Global Whistleblower System Auditors whistleblowing system General Affairs Department of each branch (consulting services for harassment, etc.)
Business partners (partner subcontractors, employees of suppliers)	<ul style="list-style-type: none"> CSR Procurement Guidelines 	<ul style="list-style-type: none"> Questionnaire survey for business partners Self-assessment on CSR Procurement Guidelines CSR procurement of timber 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

Main content on human rights in the bases

Bases	Main themes on human rights* Items in brackets are priority issues for the relevant ESP	Pages
Human rights management	(Due diligence for human rights in the entire value chain)	P071–076
Innovation base	Product development to solve social issues (minimize social stresses)	P094
	Social inclusion in real-estate development (Issue 2)	P087–091
Human resources base	Occupational safety and health of Group employees (Issue 3)	P098–101
	Promoting diversity among Group employees (Issue 5)	P106–108
Technology and manufacturing base	Safety and health of employees in our partner subcontractors, improvement of work environment (Issue 6)	P112–113
	Ensuring the quality and safety of products (Issue 7)	P114–117
	Responding to human rights and labor practices in the supply chain (Issue 8)	P117–120
Customer base	Proper communication with customers (Issue 9)	P123–124
	Responding to issues of consumers (product users) (Issue 10)	P125–126
Communication base	Community co-creation activities and contribution to local communities	P132–136
Risk countermeasures base	Establishing due diligence for human rights at plants (Issue 14)	P143
	Grievance mechanisms (Issue 15) (Issue 16)	P144–152
	Restriction of marketing communication leading to human rights violations, personal information management	P152–153

Establishment of the Power Harassment Preventive Measures Office

Understanding that the June 2020 Act for the Comprehensive Promotion of Labor Measures will make it compulsory for corporations to act to prevent power harassment, in May 2019 the company sent an in-house notice to employees on company-wide initiatives to prevent power harassment, and in July established the Power Harassment Preventive Measures Office in the Head Office Human Resources Department.

This organization will primarily undertake the following three initiatives.

- ① Operating the Power Harassment Prevention Hotline (whistleblower hotline)
- ② Conducting training for employees
- ③ Conducting workplace environment hearings via employee interviews

Managerial Philosophy and Overall Picture
 Environment
 Society
 Innovation Base
 Human resources Base
 Technology and Manufacturing Base
 Customer Base
 Communication Base
 Risk Countermeasures Base
 Governance
 Third-Party Assessment / Data Section

I Operating the Power Harassment Prevention Hotline (whistleblower hotline)

A whistleblower hotline specifically for power harassment was established for company employees simultaneous to the opening of the office. It accepts reports via both phone calls and email. In fiscal 2019, its first year, there were 73 reports. Disciplinary action was taken where malicious behavior was confirmed to have occurred. (The company regulations, which are posted on the intranet for all employees to see, specify that behavior involving power harassment will be punished.)

Related page P149–151 Various whistleblowing systems

I Conducting training for employees

A training course for all managerial positions (directors, auditors, and executive officers) led by Professor Ichiyo Matsuzaki at the Graduate School of Comprehensive Human Sciences, University of Tsukuba, was held in August 2019.

In October Head Office was linked live to all branch offices, branches, plants, and research labs of the company, for the president to announce to all employees a top message on the elimination of power harassment. (The written summary is posted on the intranet for all employees to view.) Subsequently a DVD recording of directors' training in August was used as teaching material for power harassment prevention training for managers. In December we independently created e-learning materials for non-manager employees, for training to reaffirm the top message and company regulations, and show the Ministry of Health, Labor and Welfare's definition of power harassment and typical behavior associated with it.

From February 2020 we started an educational program for all sales managers nationwide, inviting dedicated instructors from Trust Coaching to learn coaching. Our efforts seek to encourage better workplace communication, creating relationships of trust between managers and employees to prevent harassment.

I Conducting workplace environment hearings via employee interviews

In parallel with the operation of the whistleblower hotline, persons in charge visit branch offices, branches, plants, and research labs nationwide, to conduct interviews on workplace environments primarily with younger employees. These visits are aimed at supporting better worksites by checking if there are interviewees or their colleagues or subordinates who are troubled by power harassment or mental health issues. If serious power harassment is suspected, they confirm the facts and take the action required of the company, including disciplinary action.

In fiscal 2019 a total of 50 worksites were visited, interviewing 1,171 employees.

System for promoting human rights awareness-raising activities

The Group has set up a Human Rights Awareness-Raising Committee, headed by the President, to periodically check the implementation status of human rights awareness-raising activities across the entire Group. Every April we issue a report on our Policy on Human Rights Awareness-Raising Activities, under the name of the President, who is the Chairman of the Human Rights Awareness-Raising Committee. In fiscal 2019, reports on training, as well as our human rights promotion structure (organization chart) and an activity plan were received from all Daiwa House Industry's branch offices and all Group companies (30) in Japan.

■ Organization of the Human Rights Awareness-Raising Committee



I Implementation of human rights education

The company is focused on human rights awareness-raising training for obtaining proper knowledge. At each branch, 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.

I Guidelines for land use surveys

As a company whose business involves the use of land, we are particularly careful to avoid complicity in buraku discrimination (also called the dowa issue) which involves discrimination against the descendants of Japan's feudal-period outcast group 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 training program places emphasis on ensuring that new employees acquire proper knowledge about the buraku issue as a matter of first priority. 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 contains any description that could develop into a discrimination.

Main approach

Total number of discrimination cases and corrective actions implemented

At our branches and Group companies, human rights awareness-raising promoters are assigned to create a system to immediately respond to and report individual human rights problems. As for harassment, sexual "harassment prevention expert," who differs from human rights awareness-raising promoter, is selected for each branch for easier access to consultation. The number of consultations from the worksites in fiscal 2019 was 22; all of these were redressed.

* Separately from the reports to the Human Rights Awareness-Raising Committee, we also operate the Corporate Ethics and Human Rights Hotline to enable whistleblowing by employees, where they can receive consultation and advice regarding instances of harassment.

Related page P149–151 Various whistleblowing systems

Results of applying human rights due diligence to stakeholders in business

I Assessment of employees human rights risks

The Daiwa House Group 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, and conducts the Sustainability Survey (former 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 2018 we received 47,690 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 Sustainability Planning Department 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 Hotline 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.

Related page P098 Establishment of various systems related to labor problems Our Group official website (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/code_of_coduct.pdf

I Assessment of business partners human rights risks

The CSR Procurement Guidelines of Daiwa House Industry include our Business Partner Code of Conduct, and we had business partners working inside 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 a Groupwide basis: 6,593/6,911 companies, for a collection rate of 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 observance is monitored using our original checklist. By doing this, we are able to 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, the Company carries out annual surveys by means of questionnaires 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. In this way, we establish sound and good relationships, free from violations of

human rights.

With regard to timber procurement—which involves particularly high human rights risks concerning violation of the human rights of the indigenous inhabitants of production areas—among other materials that our company purchases, we conduct surveys and monitoring of business partners under the authority of the Procurement Department, which accounts for most of our timber procurement, the Product Development Department, the Design and Construction Department, the Condominium Promotion Division, and Group companies. In the event that a business partner which has procured timber does not satisfy our requirement standards, we conduct a hearing and take corrective action.

The number of non-Japanese citizens working at construction sites is increasing, and there have been cases of unjust employment procedures being followed, and unlawful employment conditions (e.g. unpaid wages), which has become a social problem. 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 is to work at a construction site operated by the Company, we make it a rule to verify his legitimate employment eligibility in advance, and to confirm his identity when he arrives at the site. In fiscal 2019, no formal complaint was filed against the Company concerning forced labor or child 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. The Company’s Code of Conduct stipulates its practice of fair recruitment. While it’s natural for us to observe 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. Daiwa House Industry and Daiwa Lease Co., Ltd. have acquired certification as a “company proactively committed to fair recruitment and human rights awareness-raising”.

* As of March 31, 2018. Following certain revisions made to the Guidelines, we are currently engaged in a further round of collection of letters of consent.

Related page P049 Preserving biodiversity in our procurement and business activities

Stakeholder engagement in applying human rights due diligence

The Daiwa House Group’s Human Rights Policy stipulates that the Group will implement human rights due diligence and respect the human rights of its stakeholders (particularly its customers, employees, business partners, and local communities) through initiatives based on the existing policies relating to business activities and guidelines. We conduct various surveys, employing questionnaires, to monitor the impact of our business activities on our stakeholders, and our engagement with our stakeholders is based mainly on the results of such questionnaires.

We conduct customer satisfaction-related questionnaire surveys targeting our customers. Questionnaire surveys implemented targeting our employees are “Fact-finding survey on human rights issues (once in four years),” “Sustainability Survey (every year),” “Employee awareness survey (View Research 100, once in four years).” Questionnaire surveys targeting our business partners are “Business partner survey (every year),” “CSR procurement of timber survey (every year),” “Self-assessment on CSR Procurement Guidelines (every other year).” Additionally, we understand issues to address by participating in activities of various groups and NGOs, which represents people in local communities, and collecting opinions on our initiatives.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

I Engagement with employees

The Daiwa House Group summarizes aggregate results of the “Sustainability Survey” in a sheet to compare with the results of the previous year and company-wide average and provides feedback to each branch and segment. At each branch, mainly human rights awareness-raising promoters give explanation of the results to employees. The employees who have given explanation draw up an improvement plan in view of issues they have, as well as what lack in their approach, and report the plan to the Head Office. Operating a mechanism under which the outcome of improvement activities is confirmed with results of the following year’s survey, workplace environment is improved continuously. As for the results of the fact-finding survey on human rights issues, the Head Office’s department in charge analyzes collected data by branch and by Group company and summarizes the results in “Feedback sheet” which carries general overview for improvement, so the problems and issues have been clearly visualized. Human rights awareness-raising promoters make use of the problems and issues revealed by the survey in planning future training and other human rights awareness-raising activities. With regard to human rights issue at workplace, we fulfill engagement with our employees by operating this mechanism.

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 2017 on human rights issues Questions (excerpt)

- 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 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

●●●●株式会社

調査項目	前年度 (2016.3)	調査結果	今年 (2017.3)	調査結果
総合	調査スコア 47.1	2.9	調査スコア 51.6	B
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	C
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	A
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	D
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	B
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	B
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	C
セグメント	調査スコア 47.1	2.9	調査スコア 51.6	A

1. 調査結果 (スコア・ランク)

2. 調査の趣旨で掲げられた目標 (現状) 値

3. 調査結果が確認する課題テーマ

4. 確認する課題テーマ

5. 調査結果より読み取れる課題

I 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.

The Internet is inundated with prejudice, false rumors, and fake news. In order to prevent the risk of human rights violations due to employees posting discriminatory statements or similar content on social media, in January 2020 a training session was held for managers and employees in the leadership class of Head Office and Head Branch. The session, titled “The Internet and Human Rights: Anyone Can Be a Victim or an Offender,” was led by Yoshikazu Saisho, a lawyer at the Shonan Hiratsuka Office of Minato International Law Office.



Session for managers and employees

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. Becoming a signatory to the Global Compact Network Japan is a part of this. 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

- 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.
- 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.
- 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.
- 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.”
- 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.
- 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.
- Normalization Association**
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

I 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 branch offices and plants across the nation as well as the Head Office, Tokyo Head Office and the Taiwan Branch voluntarily selects its own human rights theme and provides training. After trainings are provided, Human Rights Section of Sustainability Planning Department collects and checks training report of all participants.

When participants ask questions or we see that they have mistakenly understood the contents of training, we reply to them individually to raise the awareness of the employees. Additionally, to help them fulfill responsibilities according commensurate with their job position, we provide training programs for Directors and Executive Officers, employees in executive and supervisory positions, and new recruits, systematically and continuously.

Also, as needed basis, UN's Guiding Principles on Business and Human Rights and our original DVD materials themed on the Act for Eliminating Discrimination Against People with Disabilities are distributed to each of worksites and Group companies. Since April 2016, human rights awareness-raising training programs have been implemented at our overseas sites as well. 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.

Implementation status of human rights awareness-raising training for FY 2019

Type of training	Total number of participants	Total training hours*1	Participation rate*2
① Daiwa House Industry worksite training	39,040	19,520 hours	188.6%
② Daiwa House Industry Head Office hosted training (grade-specific programs)	1,730	2,595 hours	-
③ Group companies training	51,447	25,723 hours	124.8%

*1 Regarding training hours per person, ① and ③ are aggregated as 0.5 hours, and ② as 1.5 hours.

*2 Ratio of total participants to all employees

I Jinken-no Hiroba (Human Rights Plaza)

The in-house newsletter Jinken-no Hiroba (Human Rights Plaza) was published five times in fiscal 2019 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. The theme of the March 2020 issue was "fake news and human rights." Daiwa House Group will continue to raise the awareness of employees regarding human rights to prevent human rights violations and harassment.



Jinken-no Hiroba (Human Rights Plaza)

I 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 shall stay away from anti-social forces under all circumstances and face off against them organizationally in an uncompromising fashion, 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 anti-social forces to enable us to immediately cancel the contract if the business partner is found to be an antisocial force. Furthermore, we established "Regulations for Responding to Anti-social Forces," which sets out how to respond to anti-social forces as an organization, obligatory pre-transaction attribute examination of business partners and others.

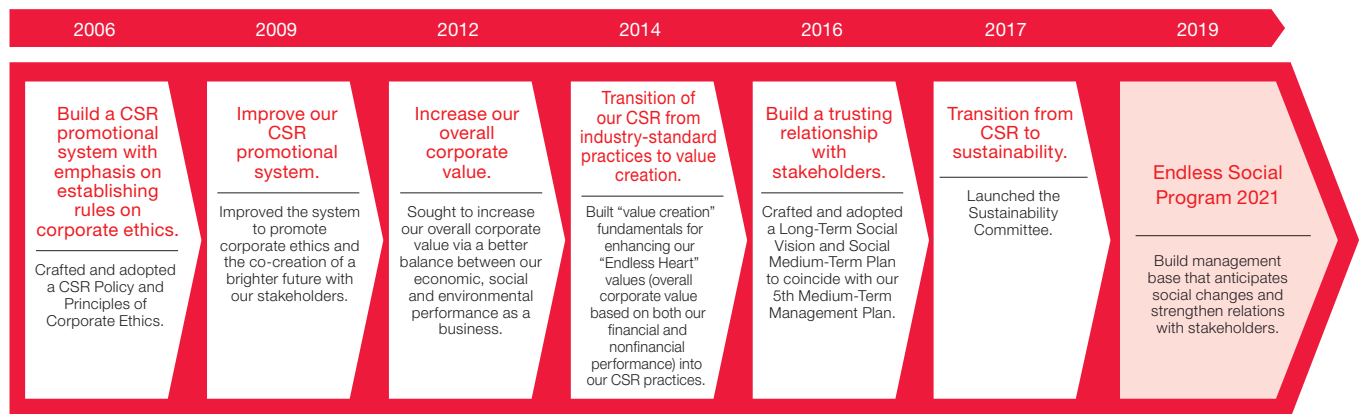
Related page P146 Complete prevention of connection with anti-social forces

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Social Medium-Term Plan (Endless Social Program)

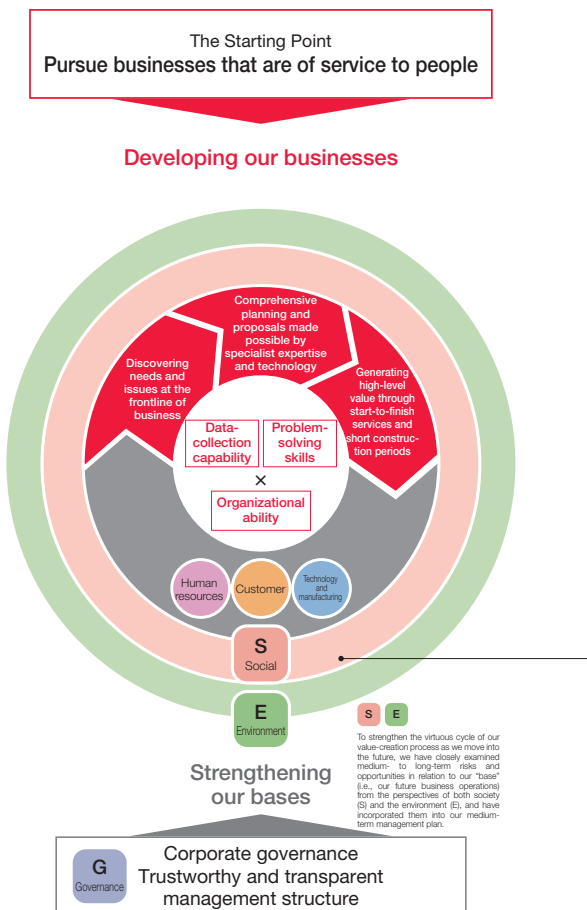
The Daiwa House Group crafted and adopted an “Endless Social Program (ESP 2021)” for achieving our Long-Term Social Vision. It identifies priority issues based on major trends and our business models along a core axis of our founder’s spirit, and lays out specific targets and plans for attaining them over a 3-year period that coincides with our 6th Medium-Term Management Plan (FY 2019–FY 2021).

History of Social Medium-Term Plan



Key social themes in our 6th Medium-term Management Plan

The Endless Social Program 2021 is underway as a program to raise our social engagement. Over the last three years in particular, we will focus on the three bases as the source of value creation, observing changes in the external environment while identifying bases to strengthen for the future.



Building management base and strengthening relations with stakeholders		
	Policy	Examples of assessment indices
Human resources base	Build an organization with a diversified motivated workforce that retains the young people it develops	Improvement in “motivation” of entire workforce
Customer base	Build long-term relations with customers and establish corporate brands that bring in new customers	Brand monetary value
Technology and manufacturing base	Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality	Annual holidays on a worksite
Bases to strengthen anew	+	+
	The three bases to strengthen anew are the innovation base to continue to create innovative businesses to solve social issues, the communication base to ensure proper communication with our stakeholders, and the risk countermeasures base to thoroughly implement internal controls and foster corporate ethics among executives and employees. We will promote efforts along these lines.	Percentage developed of large projects based on Community Development Guidelines Establish a system and practices for financial and non-financial communications Business Continuity System score

Basic policies, materiality (priority issues), and management system for key social themes

As the first step toward solving our highlighted 16 priority issues, we laid out exactly what each of our headquarters departments and branch offices must do in the form of 58 strategies.

To measure and manage the progress of those strategies, we set 71 Key Performance Indicators (KPI). The priority issues are addressed on the ground by our branch offices and the entire Group employees under the supervision of a management layer spearheaded by the Sustainability Committee and Corporate Governance Committee. This is how we promote sustainable management. [Related page](#) P079

Focal themes	Policy/Priority issues	Related pages
1. Innovation base	(Continuously comes up with innovative solutions to social issues) Policy Strengthen systems to promote business and real-estate development that helps solve social issues	See P. 083 for more details
	Issue 1 Build platforms for innovating solutions to social issues Issue 2 Promote social inclusion in real-estate development	
2. Human resources base	(Steers our sustainable development in directions that carry on our founder's spirit) Policy Build an organization with a diversified motivated workforce that retains the young people it develops	See P. 095 for more details
	Issue 3 Work style reform for employees Issue 4 Upgrade human resource development and recruitment Issue 5 Promote diversity and inclusion	
3. Technology and manufacturing base	(Reflects customer and social values in products and services) Policy Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality	See P. 109 for more details
	Issue 6 Enforce safety/security at construction sites. Issue 7 Improve productivity in manufacturing operations with the cooperation of business partners Issue 8 Promote and improve the efficiency of CSR procurement across the Group	
4. Customer base	(Solid long-lasting relations with customers) Policy Build long-term relations with customers and establish corporate brands that bring in new customers	See P. 121 for more details
	Issue 9 Upgrade corporate communications Issue 10 Promote customer support to maintain long-term relationships	
5. Communication base	(Appropriate multi-channel communications with stakeholders) Policy Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age	See P. 127 for more details
	Issue 11 Integrate and upgrade financial and nonfinancial communications Issue 12 Keep pace with rapidly evolving communication environments	
6. Risk countermeasures base	(Effective internal control and executives/all employee leadership in corporate ethics) Policy Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases	See P. 137 for more details
	Issue 13 Prepare business continuity plans on the premise of natural disasters/extreme weather Issue 14 Establish human rights due diligence at plants Issue 15 Establish corporate ethics and compliance rules Issue 16 Build management base for global business development from a long-term perspective	

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Priority issues of our Social Medium-Term Plan (Endless Social Program 2021)

We will build management base in anticipation of social changes and improve relations with stakeholders, by addressing the below 16 priority issues in the 6 bases where balanced improvements are needed.

1 Innovation base

Issue 1: Build platforms for innovating solutions to social issues

FY 2021 targets

Identify and build ways and means (innovation base) for “creating new businesses” that serve society, as exemplified by SDG projects, and “tuning existing businesses.”

Particularly with regard to new business development, strengthen “forms of collaboration,” “human resource development programs” and “systems for evaluating ESG risks and social contributions of businesses.”

* The leading premise of all Daiwa House Group business is to “generate cashflow and fulfill social responsibilities.”

Promotion of collaboration

Business appropriateness
ESG evaluation
Human resource development

Collaboration

SUSTAINABLE DEVELOPMENT GOALS
 Solutions to social issues
Business creation

Build platforms that facilitate innovation

Number of cooperative new business ventures or joint R&D projects that helped to solve social issues

Maintain a high level both in terms of quantity/quality using fiscal 2018 as a benchmark.

* The goal is to “build platforms for innovation” where we can collaborate with others, not to increase the number of projects.
* Imaginable partners in cooperative projects include venture businesses, start-ups, quality business that lead in their field, UN, governmental institutions, NGOs, etc.

2 Human resources base

Issue 2: Promote social inclusion in real-estate development

FY 2021 targets

Improve our housing planning and management abilities and promote inclusive and sustainable development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2055.

Introduce broad “inclusive design” concepts into all processes of urban development and large-scale construction handled by our Group.

Community value
Property price

Using development capabilities and support systems to improve value

Investment, design and area management from a long-term perspective

Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

70%

* Calculated by the number of projects/extended floor space
* Imaginable projects are community development projects under the Real Estate Investment Committee.

3 Human resources base

Issue 3: Work style reform for employees

(by creating workplace environments that both maximize results and ensure health and safety)

FY 2021 targets

Promote changes to workplace environments that allow all our employees to both “maximize the results of their work” and “maintain their mental/physical health and safety,” in line with Corporate Creed and SDG No. 8 “Decent Work and Economic Growth.”

* Any and all changes are premised on the importance that our founder placed on the private lives of employees and the right to develop through one’s job, as well as the type of human resource the group seeks.

Work improvements
ICT, AI, automation

Employee health

Balance point

Revolutionize the way employees work

Improvement in “motivation” of entire workforce

80%

* Calculated based on question about “motivation” on a sustainability survey.

4 Human resources base

Issue 4: Upgrade human resource development and recruitment

(by building programs based on projected 2030 group requirements)

FY 2021 targets

Design human resource development and recruitment programs from a long-term perspective (what will be needed in 2030/2055), with the founder’s spirit, the values espoused in our Corporate Creed and our business models as an underlying basis.

Prepare training, hiring and work environments based on the fact that millennials will hold midlevel staff and managerial positions, and the bulk of new recruits will be of Generation Z age. Moreover, build systems that allow senior employees, which represent a growing share of the workforce, to continue to exhibit their skills.

Founder's spirit/
Corporate Creed

Changes in the social landscape

Training for management resources
Career-building support
Upgrading recruitment

Build programs based on projected 2030 group requirements

Retention rate of young employees (3 years after joining the company)

90% or higher

2 Human resources base

Issue 5: Promote diversity and inclusion

Respect the diversity (race, nationality, ethnicity, gender, sexual orientation, gender identity, handicapped or not, age, faith, social status, etc.) of our employees and build workplace environments where diverse employees are motivated and can demonstrate their abilities. Apply inclusion and diversity concepts to managing operations, decision-making processes and all functions (positions) in order to conceive new ideas for products, services and other processes, and foresee risks from diverse angles.



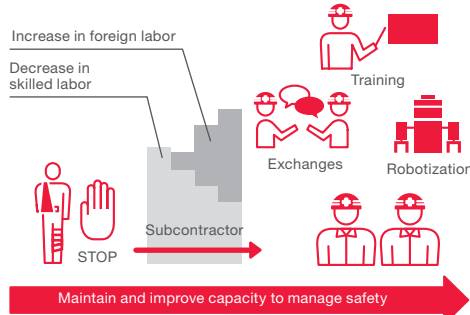
FY 2021 targets

General indices for diversity and inclusion
 Targets are set for the below 5 indices.
 ① Percentage of women managers 5%
 ② Percentage of line leaders amongst women managers 40%
 ③ Percentage of women engineers 6%
 ④ Percentage of women sales reps 13%
 ⑤ Percentage of women amongst new college recruits 30%
 * Targeted for April 1, 2022

3 Technology and manufacturing base

Issue 6: Enforce safety/security at construction sites

Address the declining capacity to manage safety at construction sites resulting from a decrease in skilled labor and an increase in foreign labor amongst subcontractors (due to labor shortages stemming from Japan's changing demographics). Also, address rising industrial accident risks on job sites due to longer hours under the blazing sun.

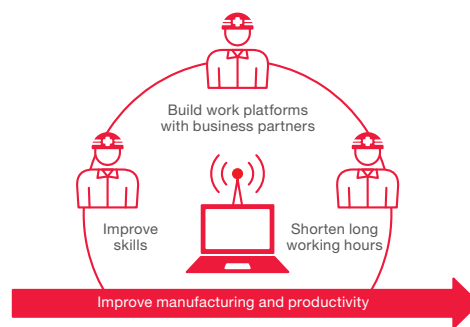


FY 2021 targets

Frequency of worksite industrial accidents
0.21
 * Number of industrial accident related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)

Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners

Counter labor shortages and shorten long working hours by using IoT to impart skills and improve productivity. Create workplace environments and practices that retain skilled builders.

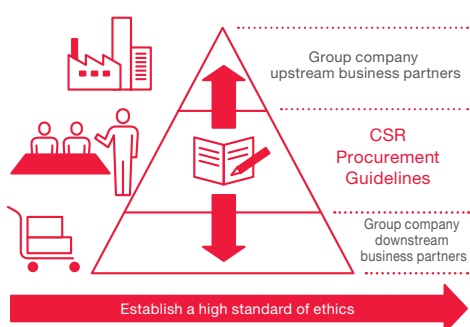


FY 2021 targets

Number of days off per annum for construction site workers
112 days
 (8 days-off for every 4 weeks)
Annual plant holidays
117 days
 * Holidays increased by 3 days every year.

Issue 8: Promote and improve the efficiency of CSR procurement across the Group

Build a PDCA-based management system with use of new ICT, etc., to promote CSR procurement amongst Group company business partners both upstream and downstream. Eliminate any adverse impacts on society that could lead to reputation-damaging risks like product boycotts, disclose information in line with domestic and international guidelines, and obtain reviews from institutional investors.



FY 2021 targets

Percentage of important suppliers that comply with our CSR Procurement Guidelines
70% (Scores of 80 or higher are judged as compliant.)
 * Important supplier: Suppliers with 300 or more employees
Reply rate to CSR Procurement Guidelines self-check sent to all suppliers
70%
 * CSR Procurement Guidelines are promoted at 7 Group companies. This KGI targets only suppliers of Daiwa House Industry, Fujita and Daiwa Lease.

Issue 9: Upgrade corporate communications

Establish, maintain and enhance a corporate brand that goes beyond “name recognition” to send a consistent unified message that is tightly coordinated with our founder’s spirit, the values espoused in our Corporate Creed and our management vision.



FY 2021 targets

Japan's Best Domestic Brand Brand monetary value is

1 billion USD

Nikkei Corporate Perception Survey

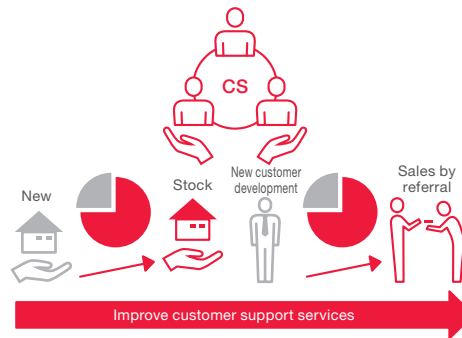
① Favorability (individuals) **70%**

② First-class evaluation (businesspeople) **90%**

Issue 10: Promote customer support to maintain long-term relationships

Improve customer satisfaction services in order to prepare for the growing shift in the business environment from new construction to housing stock business and from new customer development to sales by referral.

Build an information system in addition to training and deploying appropriate human resources, in order to make proposals that are appropriate to the lifecycle stage and household changes of owners.



FY 2021 targets

Order rate using our customer base

70%

* Housing: Percentage of sales by referral (Departments in charge will implement strategies in coordination with related departments to attain targets.)

Issue 11: Integrate and upgrade financial and nonfinancial communications

Integrate and upgrade financial (business) and nonfinancial (ESG) communications from top management, departments at corporate headquarters, branch offices and Group companies.

Particularly for information disclosures, build an efficient system for disclosing nonfinancial information on a consolidated basis in consideration of the various reports and recipients, e.g., stock exchanges, etc.



FY 2021 targets

Establish a system and practices for financial and nonfinancial communications, and promote understanding that financial and nonfinancial communications system is fully integrated.

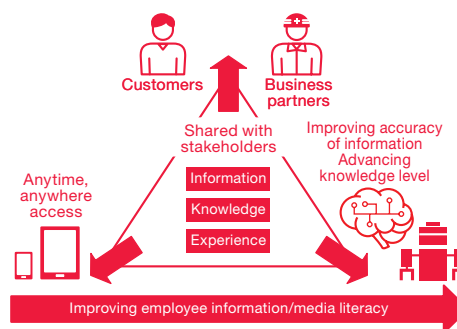
Build the system by the end of fiscal 2021.

Issue 12: Keep pace with rapidly evolving communication environments

Keep pace with rapidly evolving ICT in terms of system hardware and employee literacy, by benchmarking against global companies of similar size.

But, aggressively invest to gain a more advantageous position for what regards both business and ESG.

With regard to system design for information management and improving the media-literacy of employees, balance opportunities with conventional risk management.



FY 2021 targets

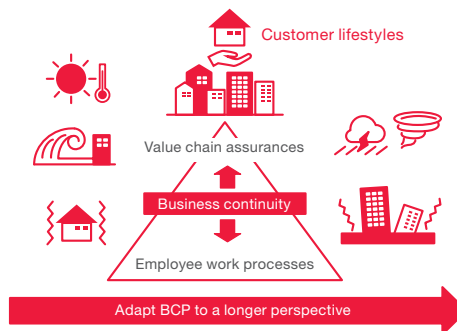
Establish communication platforms to ready the workforce for the information age.

- 1 Build the means for sharing all sorts of information with stakeholders in Japan and abroad. (Have it up and running in FY 2019.)
- 2 Build the means for effectively using information within the company. (Have it up and running in FY 2020.)
- 3 Support introduction of the communication platform at our Group companies (Have it up and running in FY 2020.)

Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather

Adapt systems and business continuity plans (BCP) to a broader range of “hypothetical” natural disasters and abnormal weather events because of climate change and aging infrastructure.

In order to build systems to incur minimal damage, identify risks to our business, work processes of employees and customer lifestyles (building use) from broader and longer perspectives.



FY 2021 targets

BCP score

100 points

- * Progress on the below themes is scored and evaluated by the BCM Subcommittee.
- ① Ensuring employee safety
 - ② Ensuring power and backing up information systems
 - ③ Upgrading aftersales support services for customers
 - ④ Maintaining production purchasing capacity
 - ⑤ Keeping the group functional as a whole
 - ⑥ Establishing a development system based on the long-term risks of customers

Issue 14: Establish human rights due diligence at plants

Establish a process of due diligence for human rights at plants and develop a process for expanding it to Group companies in the future.



FY 2021 targets

Establish a process of due diligence for human rights at plants.

Establish the process by the end of 2021.

Issue 15: Establish corporate ethics and compliance rules

Establish the concept of “being complete in small things” advocated by the Group’s executives and employees as a regular practice. Provide media and training to share a common mindset and promote PDCA practices via awareness surveys and other means, to encourage self-directed action based on a proper understanding of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.



FY 2021 targets

Internal control system attainment score

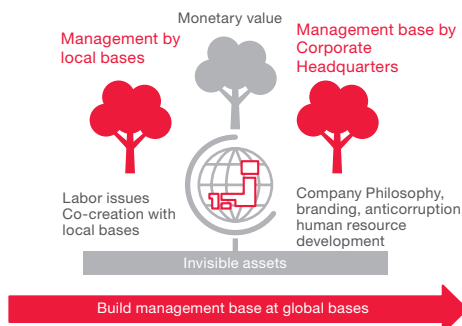
447 points
(15% improvement compared to FY 2017)

- The score is calculated in consideration of the following information.
1. Completeness of internal control system
 - ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.)
 - ② Management and supervisory systems (Operation of Internal Control Committee and other organizations)
 - ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
 2. Degree of damages and losses
 - ① Degree of financial losses and occurrence of serious incidents, etc.

Issue 16: Build management base for global business development from a long-term perspective

Build management base at global bases to put roots down in the local area from a long-term perspective of 10 of 20 years. Address themes that neither the overseas bases (general affairs or accounting) nor departments at Corporate Headquarters can handle.

With regard to corruption (bribery), have Group companies carefully manage matters because much attention is paid to the subject in Japan and abroad.



FY 2021 targets

Improved score on sustainability survey at overseas bases

Conduct first survey in fiscal 2019. (Targets are to be set after that).

* Surveys target employees at overseas Group companies wholly owned by Daiwa House Industry.

1 Innovation base

Continuously comes up with innovative solutions to social issues

A Road Map to Achieving Endless Social Program 2021

Priority issues

FY 2019 results

FY 2021 targets

Issue 1: Build platforms for innovating solutions to social issues

Identify and build ways and means (innovation base) for “creating new businesses” that serve society, as exemplified by SDG projects, and “tuning existing businesses.”

Particularly with regard to new business development, strengthen “forms of collaboration,” “human resource development programs” and “systems for evaluating ESG risks and social contributions of businesses.”

* The leading premise of all Daiwa House Group business is to “generate cashflow and fulfill social responsibilities.”

Number of cooperative new business ventures or joint R&D projects that helped to solve social issues

Undisclosed

Maintain a high level both in terms of quantity/ quality using fiscal 2018 as a benchmark.

* The goal is to “build platforms for innovation” where we can collaborate with others, not to increase the number of projects.
* Imaginable partners in cooperative projects include venture businesses, start-ups, quality business that lead in their field, UN, governmental institutions, NGOs, etc.

Issue 2: Promote social inclusion in real-estate development

Improve our housing planning and management abilities and promote inclusive and sustainable development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2055.

Introduce broad “inclusive design” concepts into all processes of urban development and large-scale construction handled by our Group.

Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

Building Programs

70%

* Calculated by the number of projects/extended floor space
* Imaginable projects are community development projects under the Real Estate Investment Committee.

Policy and Concept

I Megatrends that Impact Bases

- Contraction of the single-family house market due to Japan’s falling population
- Prosperity with businesses that solve SDGs and other social issues
- A rising rate of ethical consumption
- Expanding ESG investments

I Social issues and Megatrends

The tide of a declining birthrate and an aging population, a demographic issue most prominent in Japan, will exert an enormous impact on the economy in the future in the form of a shrinking market. In tandem with this, it has the potential to be a factor in a dramatic transformation of how business is conducted.

In addition, as globalization of economies escalates the severity of competition, on our present course there is a rising danger of a potential collapse in social sustainability. Given this, as symbolized with ESG investments, society increasingly demands that corporate activities be conducted in an ethical manner.

On top of such a major transformation in what society values, soaring advances in ICT and other science and technology have become the backdrop to the emergence of what could be venture

companies and startups that possess the competitiveness to disrupt conventional business models.

Coming up against these new competitors, there is the fear that solely relying on the extension of existing business models will be insufficient to gain a competitive advantage. We will need to prepare for all manner of disruptive creation that may occur in the future, and from the perspective of solving those issues that confront society, as reflected by the Sustainable Development Goals (SDGs), it will be ever more important to develop a business model that will not be focused on established preconceptions.

I Risks and opportunities for the Daiwa House Group and its responses

Founder Nobuo Ishibashi stated that we should “Have a dream and go forth into the world of originality and ingenuity.” Based on this teaching, we have constructed a business model that can adapt to the changes of the times. Nonetheless, given today’s dramatic transformation in values, and an accelerating pace of technological advances, innovation entails risks that have the potential to destabilize the Group’s business model.

For this reason, it is essential to create a new business model that contributes to solutions for the issues that face society, without being sidetracked by preexisting notions. When existing businesses are growing steadily, it is difficult to say that organizations possess

[Policy] Strengthen systems to promote business and real-estate development that helps solve social issues

Contribution to
SDGs



a sufficient sense of danger with regard to innovation. Moreover, while each Group company has their core competencies in place, a future issue to tackle is the generation of innovation by seizing upon synergies within the Group.

The founder Ishibashi also once commented, “After three years, products should be relegated to the graveyard.” Together with this, he warned that being held up by an outdated sense

of values will lead one to become “a fossil of the past, and the downfall of tomorrow.” Now is exactly the time for the Group to bolster its management foundation with an eye toward innovation, while being conscious that a critical management issue is the generation of a steady stream of innovative businesses that work to find solutions to society’s problems.

Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 1: Build platforms for innovating solutions to social issues

In fiscal 2019, our business development activities included participation in Open Innovation Base “Xport (cross port),” sponsored by the Osaka Chamber of Commerce and Osaka Institute of Technology. At the Daiwa House Open Innovation Program, “Daiwa House Future Labo,” we conducted programs in our pursuit of collaboration with innovative corporate partners, and from initial considerations commenced “Housing IoT Project.” In addition, we also took part in “PBL,” a program that generates business ideas through exchanges made with international universities, which was established by the same sponsors. Through this we received business proposals for “housing” from the youth demographic. Elsewhere, in research and development, with relevant divisions and Group companies we performed joint research with external industry, government and academia. Moreover, we launched an organization dedicated to promoting company-wide digital transformation, including for business and R&D.

In fiscal 2020, together with moving forward on the aforementioned initiatives, we will narrow down topics that have a high likelihood of being realized, targeting open innovation

programs. We plan to work not only with venture companies, but to also endeavor at business innovation that includes alliances with major corporations. On another front, we continue to prepare for the April 2021 opening of our general training facility (tentatively) named “Daiwa House Group New Training Center” as we look to nurture human talent, the source of innovation.

Main Partners/Project List
“Housing IoT Project” at “Daiwa House Future Labo”
Joint research with Nara Medical University MBT Research Institute
Collaboration with companies in different industries at INCF (Innovation Network for Co-creating the Future)
Examination and execution of PoC (proof of concept) with overseas companies at ATR (Association of Meta-Research Innovation at ATR)
Daiwa House Group’s Construction Technology Committee R&D sub-committee (formulation and promotion of joint R&D topics with Fujita Corporation, Daiwa Lease Co., Ltd.)

Issue 2: Promote social inclusion in real-estate development

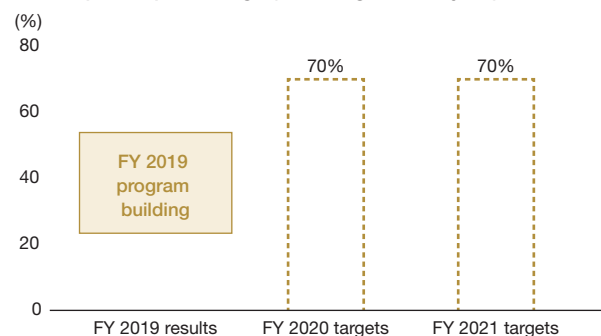
To check whether or not development plans were based on “Community Development Guidelines” as of the planning stage in the real estate development process, in fiscal 2019 we made plans for a “planning assistance tool,” and together with preparing for its implementation and determining details and how it would be used, we shared it with the Sustainable Community Development Promotion Committee Through efforts such as these, we constructed a management framework geared toward instilling inclusion design in real estate development.

In making use of the “planning assistance tool,” the key is for the business worksites and departments that are actually conducting real estate development to be aware of how to think about social inclusion. Given the enormous social impact that large-scale real estate development will have in fiscal 2020, and by initiating use of the “planning assistance tool” for properties applicable to the Company’s Real Estate Investment Committee’s deliberations, we will make known throughout the Company our stance on social inclusion in the development of real estate. We will then aggregate management conditions on a fiscal year basis, and taking into account any apparent issues, will fine tune the tool on an as needed basis.

■ Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

FY 2019 results	FY 2020 targets
Building Programs	70%

■ Development percentage (following second year)



Issue 1

Build platforms for innovating solutions to social issues

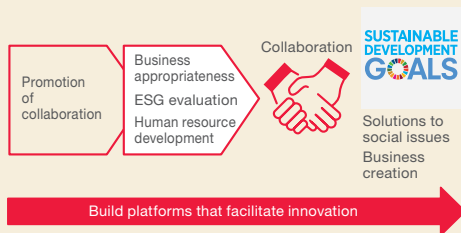
Basic Policy and Concept

Always keeping in mind “what will benefit the world,” which reflects the spirit of our founder, the Daiwa House Group has created businesses that generate both economic and social value. Starting with our founding product, the Pipe House, we have developed businesses, that while being innovative, allow for personal contact with customers right on a business site, including the development of retail and wholesale facilities for land use that takes motorization into account, and the development of logistics facilities suited to growth in e-commerce.

Today, society is confronted by issues that are deepening in their severity. In tandem, though, are the growing expectations of stakeholders, mainly institutional investors and public institutions, as well as global corporations, for businesses that work to solve social issues. This is based on the adoption of SDGs (United Nations’ Sustainable Development Goals), the Paris Agreement and the circular economy package as international codes of conduct. This trend, we believe, will gain momentum going forward.

For the Daiwa House Group, the creation of businesses that find solutions to social issues is the embodiment of our founder’s spirit. On the other hand, “creating new businesses” that serve society, and “tuning existing businesses” will require further structural strengthening. This is why it is important to identify and build ways and means (innovation base), in addition to our conventional “originating on site,” to build a new framework.

In the three years up until fiscal 2021, by creating from a diverse range of perspectives, such as with open innovation, and so as to facilitate new medium- to long-term business development that has society as its starting point, we will strengthen “forms of collaboration,” “human resource development programs” and “systems for evaluating ESG risks and social contributions of businesses,” while building platforms for innovation.



Management

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

In addition to the basic areas that support safe and secure living, Daiwa House Industry’s Central Research Laboratory focuses on 4 main social issues which are “stock-type society,” “low birth rate and aging population,” “environmental energy,” and “stable food production” as key areas. We have set as our goal residences that stand up well to major earthquakes and disasters, residences with consideration to comfort and health, and 100% renewable

energy (RE100) residences and community development to elicit the values needed by the world through our research and development. For that purpose, we have set themes that clarify the R&D process based on the “Research and Development Policy.” The first stage, “investigation,” consists of feasibility studies for verifying hypothesized utility, superiority and feasibility. The second stage is “applied research,” technical quality and performance, environmental friendliness, socially relevant requirements and user safety are also set and verified.

The Co-Creating a Brighter Future Center was established in 2018, and in order to create business scenarios that contribute to the management vision of “realizing a society where people can live fulfilled,” we have made the goal of discovering business technologies from a long-term standpoint that can lead to future businesses and products. We are considering the problems that need to be solved and what technology is necessary for the solutions to such problems, together with various individuals who are involved, both inside and outside the company. From that point, “Co-creating” for research and development is implemented to realize the businesses and commercialization.

Related page P042 Community development: Funabashi Grand Oasis, Japan’s first large-scale mixed purpose development with 100% renewable energy

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. If the target company has or is suspected to have contact with antisocial forces, or if such company is involved, we will not conduct M&A under any circumstances.

As well as its financial and tax aspects, we investigate business and legal aspects of the target company, including business models, internal control systems, compliance levels, lawsuits, environments, human resources and labor management through which we evaluate its superiority, synergy possibilities in qualitative aspects, business risks and other factors. We will not make investments if, as a result of these evaluations, we determine that the subject company or business has no long-term future.

Promoting company-wide digital transformation

In October 2019 the company launched “DX Promotion Department” as an organization dedicated to promoting digital transformation company-wide. In response to the problem of “off-specification components in some of our single-family houses and rental housing property” revealed in April of the same year, the organization was tasked with the problems of how information should be shared and how work should be performed at worksites and construction sites. Moreover, keeping in mind business innovation for the future, we established this department within the Legal Compliance and Quality Assurance Division, under direct control of the president.

What we are aiming for in the company’s digital transformation is further innovation for “an organization where people play an active role.” Having a good command of technology will enable working styles that break free of the constraints of time and place, and by having the ability to make accurate judgements gained through enhanced monitoring precision, people will be able to seize upon the capability to create value with those tasks that they should rightfully be focusing upon.

As a construction industry leader, we are tackling the challenge of innovating the way we carry out our duties so that duties can be an even more satisfying experience for working people. Through the promotion of digital construction (digitizing construction sites with the use of robots and ICT), we hope to transform the past

“difficult, dirty and dangerous” image, and will pursue worksites that become the “dream” of the younger generation upon whose shoulders rests the future of the construction industry.

With an eye toward this target image, the DX Promotion Department takes a global perspective in its observations of the latest digital technology trends, and based on this, gains an overarching grasp of the state of each of the company's organizations and business sites. Together with this, it plays a role in tuning for “overall optimization” so that each project leads to improved results throughout the company. A number of projects have been set in motion since the organization was launched, up to the present, and this has led to “identification of issues in existing business processes toward innovation,” “the construction of a data governance structure” and “establishment of an intranet site to consolidate knowledge within the company,” among other initiatives.

In light of issues faced by the company and the construction industry, we will continue to bring people together through digital transformation and endeavor to innovate to become “an organization where people play an active role.”

Main approach

Efforts to create a system for innovation

On the 8th floor of the Umeda Campus of the Osaka Institute of Technology, just walking distance from Umeda Station in Osaka, we are participating in the “City Open Innovation Base Xport (cross port)” program established by the Osaka Chamber of Commerce, and continue to host the new business development program, “Future Labo.” This program is a vehicle with which we use to draft and promote specific business projects. We have cooperated with large companies that focus on technology and research by forming alliances, and continue to create ideas that utilize the knowledge of universities in our activities, alongside our goal of providing acceleration support* and capital investment for venture companies. We have also set the goal of creating an innovative business that cannot be achieved with just our own resources, but through the help of external partners. In addition, we would like to create a venue that functions as a hub platform that fosters students' flexible ideas and works to incubate facilities inside and outside Japan to create communication networks.

For fiscal 2020, we will reveal our theme that has been revised to “Looking for collaborative housing business proposals together with IoT business partners.” The wide use of this project by new business planners in the Daiwa House Group will have a ripple effect across the group's foundation.

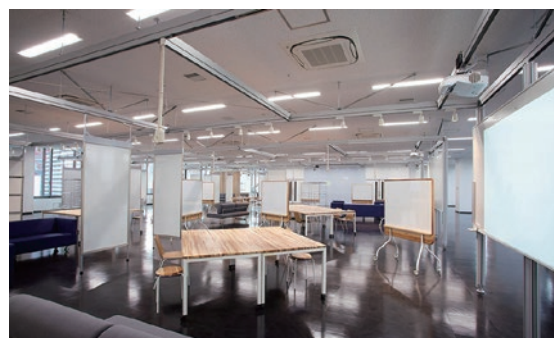
* This program accelerates business creation and the growth process at the initial stages.

Related page ▶ Our Group official website
Open Innovation Program (Japanese text only)
https://www.daiwahouse.com/open_innovation/

大和ハウス工業 オープンイノベーション

Build the Future.

築こう、未来を。



Internal view of the Future Labo facility

Issue 2

Promote social inclusion in real-estate development

Basic Policy and Concept

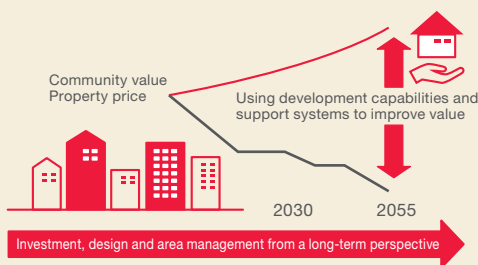
The Daiwa House Group, as a Group that co-creates value for individuals, communities, and lifestyles, aims for sustainable development of business through interactions with customers and local community consisting of local people, local business partners, local governments, and local companies.

Expanding economic disparity driving an increase in poverty rates, regional depopulation, super aging in urban areas and other social problems impacting communities must be solved. This is our belief, and for that reason we are aggressively taking action for inclusion and consideration to communities as we undertake “community development.”

In light of our vision, “Community value into the future,” we are advancing community development that unites the Group’s capabilities, under on our “Community Development Vision,” in order to carry out our mission of “Working together for Design & Management” with local communities.

Our basic stance for this revolves around two factors, “For the benefit of people” and “For the benefit of regions,” and works to promote community development by enhancing eight values. The values for people refer to safety, health, comfort, and communication; and for regions, this means sustainability, the environment, economy, and identity. This is consistent with our belief in social inclusivity.

Under our Social Medium-Term Plan (Endless Social Program 2021), our goal is to expand our “Community Development Vision” into urban development and large-scale construction, and to introduce broad “inclusive design” concepts to all development processes. This will also work to facilitate inclusive and sustainable community development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2055.



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 Managing Executive Officer and works closely with related departments and Group companies.

The Sustainable Community Development Promotion Committee has arranged and presented a relationship between their Community Development Vision and indicator 17 of the SDGs to Group companies. Additionally, we are advancing the construction of a system that allows us to check the status of conformity to the Community Development Vision against projects

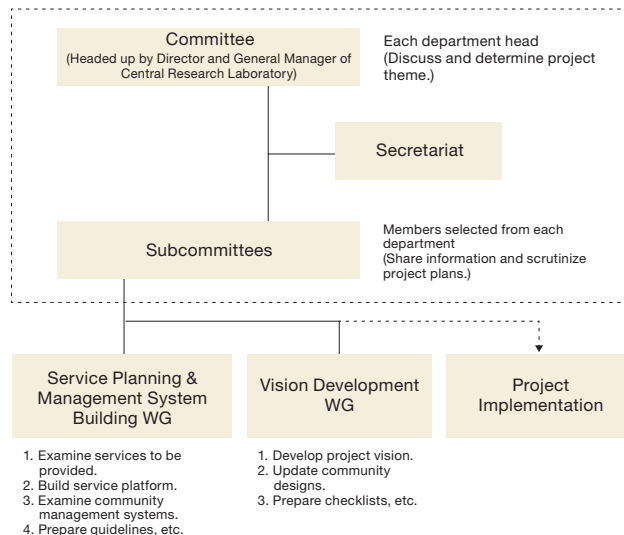
that involve the Real Estate Investment Committee. By creating this system, it will be possible to evaluate the impact the real estate development business has on society and the environment.

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, the Livness Town Project 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



Related page P041 Community development: Enhanced initiatives of the Sustainable Community Development Promotion Committee

Real Estate Investment Committee

I 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 and COO 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.

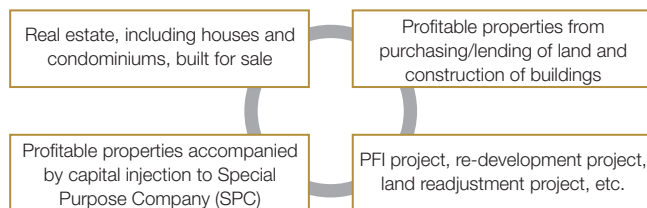
To contribute to request for approval and decision-making by the Board of Directors, the Real Estate Investment Committee deliberates on domestic and overseas real estate investment projects of more than a certain level of amount, in accordance with a classification by monetary value. Projects relate 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.

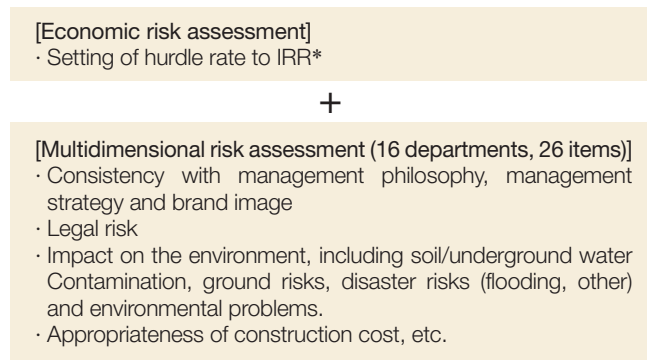
I Deliberations based on our own standard

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 (16 departments, 26 items), including ESG, such as 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 (flooding, other), environmental issues 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. We also conduct periodic revisions to risk assessment items.

Major real estate development projects to be deliberated



Risk assessment for investment decision



* Set based on the WACC (weighted average of shareholder's equity cost and liability cost) standard with risk premium and other factors added

Related page → P063 Prevention of soil contamination

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 discuss the revitalization of the community and community issues with the leading actors of local communities, propose plans that can offer solutions to said issues, form consensus and establish an association to promote the projects as association 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 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 to Creating Comfortable Lives with 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 community development that enables diverse people to enjoy a comfortable life.

ESG Management Policy for Real Estate Properties in our portfolio

Daiwa House Asset Management Co., Ltd., which operates Daiwa House REIT Investment Corporation, keeps ESG in mind in real estate investment implementation which will contribute to the fundamental policy of the Daiwa House REIT Investment Corporation that is to maintain secure profit and steady growth over the medium- to long-term. With that in mind, real estate investments will be implemented based on said policy.

In order to promote consideration for ESG, we have established the Sustainability Promotion System Rules. These rules determine matters related to the company system, stakeholder cooperation, information disclosure policy among other things and are used to work toward maintaining an adequate sustainability promotion system. On top of that, a Sustainability Committee meets, in principle, at least once every 3 months to consider the targets related to sustainability and make efforts toward targets and the implementation of various policies.

In addition, we understand the importance of promoting initiatives that take sustainability into consideration along the supply chain, and when conducting procurement to manage our real estate portfolio, we implement ESG selection criteria in addition to factors such as necessary quality, function, economy and rationalization.

I Examples of selection criteria based on social issues

Selection standards for products, others (example)

- Consideration to human health and safety
Do not use forbidden chemical substances, and give consideration to human health and safety
- Long-term usability
Achieves enhancements with simplicity in repair or component exchange, durability and other factors

Selection and assessment criteria for suppliers (example)

- Occupational Health and Safety
Properly manage working hours and industrial accidents, take efforts to ensure appropriate working environments as well as safety and health of executives and employees
- Health and comfort
Promote workplace environments and take efforts to maintain the fitness of executives and employees, mentally as well as physically, so that they can also stay healthy socially
- Respecting human rights and diversity
Respect the human rights of executives and employees, promote efforts toward human resources diversity, work-life balance, etc.
- Corporate ethics
Develop and maintain policies and systems for corporate ethics, e.g. to prevent fraud and corruption
- Community involvement
Take efforts to contribute to the health, safety, welfare, etc. of local communities
- Cooperation with our sustainable procurement
Understand the requirements of our sustainable procurement policy, procurement of goods and services matching our standards

[Related page](#) P032 Environmental management for our real estate portfolio

Main approach

Local revitalization through land readjustment projects and urban redevelopment 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. We maintain the land so it can be used efficiently and adjust the usage of the land and construct buildings according to the community.

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.

The Urban Redevelopment Project seamlessly and comprehensively develops buildings, premises, and public facilities in existing urban areas. The Daiwa House Group participates in projects from the position of entrusted operators for specific businesses, participating association members, and reserve for space acquisition, to promote housing supply in urban areas.

Through housing and industrial land readjustment projects and urban redevelopment projects, our Group creates new housing and employment and contributes to local revitalization.

We have participated in a total of 19 projects (including those ongoing) from 2017, 8 land readjustment projects as an entrusted operator (including those planned for the future) and 11 of our own urban redevelopment projects. We have supplied 1,789 houses through these projects (including those to be provided in the future).

Communication with tenants of facilities

Daiwa House Asset Management works together with the tenants that occupy the properties owned by Daiwa House REIT Investment Corporation to promote efforts for sustainability based on considerations for ESG.

I Examples of cooperation with tenants based on social aspects

- Promoting the installation of universal design toilets and elevators. We are promoting social inclusion by providing equipment and services tailored to social needs such as accessible parking prioritizing vehicle parking for people with disabilities, elderly people requiring assistance, expecting mothers, or people with injuries, etc., cycle sharing allowing free borrowing and return of bicycles, and automated external defibrillators (AED).
- As part of our efforts to contribute to local society, we prioritize local residents when hiring employees for some commercial facilities to help create local employment, and hold events as part of support for community activities.
- Daiwa House Asset Management, along with deciding selection criteria of a property management (PM) company, provides evaluation of all PM companies 1 time every year. The evaluations include categories such as Facility Management Ability, Facility Technology Management Ability, Leasing Ability along with Sustainability Structure System. In order to achieve the energy reduction targets that are set for properties owned by Daiwa House REIT Investment Corporation, Daiwa House Asset Management is cooperating with the suppliers of PM companies, building management (BM) companies and others to promote measures that will reduce environmental impacts.
- Daiwa House Asset Management believes increasing tenant satisfaction is connected to stable and better property management performance. Questionnaire surveys are used in order to identify the needs and satisfaction of tenants. The results of the questionnaire surveys are shared with PM companies etc. and used for specifications of buildings and equipment and increasing service. In February 2019, Daiwa House Asset Management implemented a questionnaire survey (64% of tenants responded) in all logistics centers and throughout all facilities approximately 63% of tenants responded that they were "very satisfied" or "satisfied."
- Daiwa House Asset Management is working together with the tenants of its own properties to make efforts for the environment and within some of the properties there are periodic Community Councils held to share environmental information and reduction targets and efforts are also being made to distribute and post a Sustainability Guide to increase awareness of the environment.

[Related page](#) P032 Environmental management for our real estate portfolio



Cycle sharing



AED (automated external defibrillator)

Community engagement in urban development

From fiscal 2017 to 2019, we implemented community engagement programs for 16* urban development projects that, in terms of area, accounted for a total of 602,202 m². As key components of these community engagement programs, we formulated “Community Development Guidelines”, assisted residents in forming and activating community associations, 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.

* 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.

Examples of community engagement

Subdivision	Location	Developed area	Lots	Noteworthy measures
SECUREA Garden Hibarigaoka	Nishitokyo City, Tokyo	14,503 m ²	78	<ul style="list-style-type: none"> SECUREA Garden Hibarigaoka is a part of the rebuilding project of the Hibarigaoka Housing Complex that was built in 1959. The area management that was utilized in the Hibarigaoka Revitalization Project will have residents of SECUREA Garden Hibarigaoka join to contribute to even better community building. 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 “Community Development Guidelines” to inherit priceless values Hibarigaoka has treasured and make the town more attractive in the future.
Tsumugi terracia	Okazaki City, Aichi	142,578 m ²	Single-family houses: 357 Commercial facilities: 2 Medical care and welfare facility: 1	<ul style="list-style-type: none"> In order to build sustainable communities, we are placing residential area club houses in central urban districts to act as interactive hubs for residents, commercial facilities, and medical care and welfare facilities. Permanent administrators are placed in residential area club houses to be available at all times, to encourage community building. They are equipped with minimal disaster preparedness functions to act as an aid site for residents in case of a disaster. The residential area club houses are run, maintained, and managed by a community association formed of local residents. The Community Development Committee was formed as a town management organization where residents, commercial facilities, and medical care and welfare facilities can participate, to help integrate towns. District plans and Community Development Guidelines are enacted to maintain pleasant landscapes and living environments.
Royal City Aso Ichinomiya Resort ASONOHARA	Aso City, Kumamoto	49,177 m ²	29	<ul style="list-style-type: none"> Development of the first new block in around ten years for the Forest Housing Business. In the surrounding undeveloped area we are enhancing the environment of the coniferous forest and forming grassland from the wilderness. Buildings are placed to ensure a decent interval between them, and with onsite verification the plan allows a view of the nearby five peaks of Mount Aso from any of the residences. The existing topography is used to form boundaries for the plots. No utility poles are placed in the residential area, out of consideration for the landscape and safety. Lighting products are selected to not detract from the view of the night sky. We conduct ecosystem inspections and follow the advice of natural environmental consultants to decide which trees to plant and how to manage them. Establishment of the Environmental Preservation Rules. Areas next to the road on housing sites will be recreated as green fields, to create grassland holiday homes. Gained two environmental certifications: the Japan Habitat Evaluation and Certification Program (JHEP), a first for Daiwa House, and Association for Business Innovation in harmony with Nature and Community (ABINC). Engaging in efforts to recreate the historical unique grassland environment of Mount Aso through involvement with the local Grassland Restoration Committee and with local residents.

All new single-family houses will have the “Housing Removal Support Eligible Housing System (Flat Rate Guaranteed Rent System)”

From December 20, 2016, as an industry first effort, we applied the “Housing Removal Support Eligible Housing System (Fixed Rent Guarantee)” to all newly constructed single-family houses*1. As a result of this, the minimum rent income*2 for “home rental system” residences that are eligible for the “Fixed Rent Guarantee” as certified by JTI will be guaranteed for the first 50 years after construction. Furthermore, after 50 years, the minimum rent income guarantee will finish but life-long rental is still available.

As a result, the building owners can expect stable rent and it is possible for the tenants to rent houses with cheaper rents than the surrounding market. Regardless of age*3, customers who purchased our new single-family houses and were issued a certificate of eligibility, as well as customers with newly built homes that are currently being lived in, can use this system in a variety of

situations in the child-raising generation such as when they want to move into a bigger house or when the senior generation wants to relocate to the suburbs from the urban area.

In addition to the merits of both the senior generation and the child-raising generation, this system also has social significance as a property of society because it utilizes houses that no longer meet people's lifestyles without letting them become unoccupied homes.

*1 Depending on the area and the condition of the property etc, the house may not be eligible.

*2 Depends on the region.

*3 Normally, for applying the JTI system, persons 50 years and older are eligible but at Daiwa House Industry we allow the use by anyone regardless of age.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

■ Advanced examples of social inclusion

Subdivision	Value we provide*1	Noteworthy measures
Funabashi Grand Oasis	<ul style="list-style-type: none"> Countermeasure and response to disasters Connections between people Community independence Efficient use of energy Harmony with regional characteristics 	<ul style="list-style-type: none"> Mixed-purpose development using the site of a former plant to form five applications: condominiums, rental condominiums, rental apartments, single-family houses, and commercial facilities. Creating district plans to limit building height and provide greening with consideration to the environment and the landscape, and developing some parts of vacant land and sites as greenways to form pedestrian routes for convenient and safe networks. Formulating plans for roadside trees and parks based on landscape design with consideration to the look of the town. Achieve a town using 100% renewable energy (an RE100 town) through the energy efficiency of the individual buildings and ensuring all electricity supplied from outside the town is certified as non-fossil fuel-derived. All single-family houses are equipped with solar power cells and household lithium-ion batteries. Power interchange between grids of five or six houses give greater efficiency to power consumption and energy within the block. To give the single-family housing blocks a totally coordinated look with verdant greenery, we formulated the Community Development Guidelines pertaining to planning of outer structures and shrubs, trees, and other plants. Playground equipment to enhance health is placed in the park, helping local residents improve their fitness. A single residents' association will be formed for the entire town, including both commercial facilities and rental housings, to encourage interaction among the local residents, helping to build a community such as through holding events prior to moving in.
SECUREA City Fujisawa Tsubasa-no-Oka	<ul style="list-style-type: none"> Efficient use of energy Harmony with the natural environment Countermeasure and response to disasters Maintaining and improving health Solving administrative issues Connections between people 	<ul style="list-style-type: none"> The project was a proposal for the purchase of the high school ruins from the local government and it was handed over including the existing school buildings. The school site was opened to the alumni for a farewell party before dismantling began and commemorative stone monuments, clocks, stone works and some trees were transferred and reused in the development area. In line with development, we built a Local Exchange Center in the city to serve as a base for local exchange and donated it to Fujisawa City. All single-family houses will be equipped with a solar power generation system, lithium ion batteries and fuel cells for home use and the visualization of household energy etc. will be implemented using our proprietary energy management system D-HEMS III. With consideration for the environment and landscape, we decided a district plan to limit the height of buildings and the rate of greening. Many local shrubs, medium-sized trees and tall trees from Fujisawa City were used and "Community Development Guidelines" for the sake of protecting greening were formulated. In addition to installing "Kamado benches (benches that can be used as a stove)" and "Disaster prevention wells" on the premises to be utilized in time of disasters, we worked on safe and secure community development and also set up playground equipment that will be useful to maintaining health within the park and have implemented a health check system utilizing IoT technology that can be done at every door to serve as an opportunity to promote health within residents. Also, in addition to residents being able to use IoT to record daily activity data through wearable to promote health along with being able to measure endurance, we plan to introduce a service that uses and analyzes AI data to create and recommend a training regime that is customized for each resident. Certified as an Environmentally Symbiotic City Planning Project based on the Center of the Prefecture and Shonan Urban Area Environmentally Symbiotic Model City Planning Promotion Guidelines, a support system of Kanagawa Prefecture. We built an authorized nursery school and cooperated with Fujisawa City to invite social welfare corporations to contribute to bettering the local child care environment for preschool children. We have contributed to local child care through developing public interest sites and restoring them to Fujisawa City as well as transferring existing childcare facilities within the school district to the control of Fujisawa City. We have set up a gathering center as a base for exchange, disaster prevention and health enhancement and we will install a delivery box and security cameras.
Kamigo Neopolis (Livness Town Project) *2	<ul style="list-style-type: none"> Connections between people Solving administrative issues Creation of local employment Community independence 	<ul style="list-style-type: none"> After beginning to exchange opinions with residents in 2014, in 2015 the "Kamigo Neopolis Community Development Committee" was launched as part of the residents' association. In 2016 the company signed a community development agreement with the residents' association, to launch the "Kamigo Neopolis Community Development Council" with involvement from experts from Meiji University and the University of Tokyo, and the elderly residents' association. In the first awareness survey of all households conducted in January 2017 issues such as shopping and transportation inconvenience and watching over and mutual support for the elderly were identified, so formulation of a plan for a community center was started. As a result of ongoing cooperation with Yokohama City and other members for construction of the community center, "Noshichiri Terrace" was developed as a convenience store doubling as a community facility. "Noshichiri Terrace" was selected for the "Smart Wellness Housing etc. Promotion Model Business (Housing Complex Revitalization Department)" designation from the Ministry of Land, Infrastructure, Transport and Tourism, as verification of our co-creation with a residents management system for small-scale homes doubling as stores and community facilities, as part of our verification of restoring existing housing blocks through building of service platforms. We are considering the introduction of mobility to solve the inconvenience of last mile transportation.
Miki Midorigaoka Neopolis (Livness Town Project) *2	<ul style="list-style-type: none"> Sustainable future planning Connections between people and community Maintaining and improving health Improving usability Creation of local employment 	<ul style="list-style-type: none"> In March 2017, 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 "Town Promotion Mechanism Association of Active Life, Miki City" as a collaborative effort of industry, government, academia and consumers. Government and 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 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 dialog with local residents, healthcare events for the elderly, events local children can enjoy as well as to publicize the organization's activities. We also provide opportunities for employment to local residents as a crowdsourcing activity center introducing a team system. In fiscal 2019, as the first part of the New Town Regeneration Project, we conducted three validation tests for suburban housing complex redevelopment: community mobility services using self-driving (movement and delivery support), development of employment environments for the elderly and people with disabilities through crowdsourcing (new ways to work), and preventing worsening of high blood pressure (health monitoring).

*1 "The value we provide" corresponds to each element of the 8 Hearts of the Community Development Vision of the Daiwa House Group.

Related page Our Group official website
Community Development Vision
<https://www.daiwahouse.com/English/about/community/vision/>

*2 The Livness town projects are re-tilling (redeveloping) existing suburban housing complexes developed from the 1970s. The basic policy of our Livness town projects is to develop communities centered on local residents through dialog with them.

Related page Our Group official website
Livness town projects (as of July 31, 2019) (Japanese text only)
https://www.daiwahouse.co.jp/fujitsu/report/jimukyoku_1901.html

Intellectual property strategy

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, design right, 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.

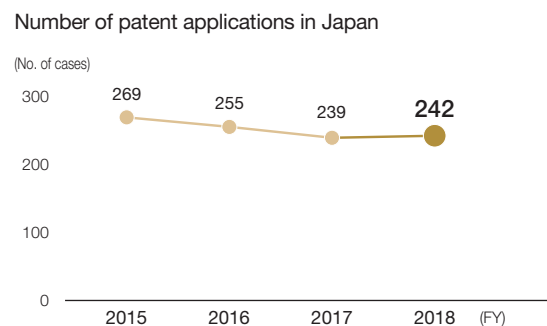
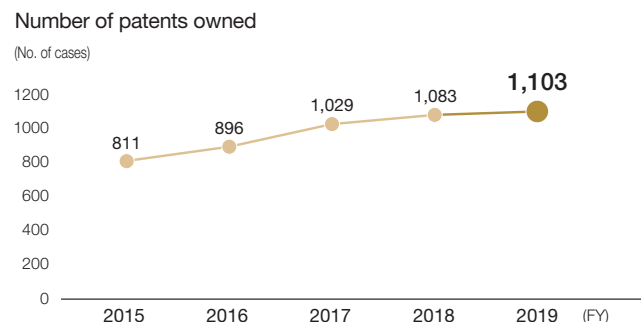
In accordance with the principle of maintaining order in competition, we place the utmost importance on not only claiming our own IP rights but also respecting others' rights, making sure to prevent violations of other companies' patent or trademark rights through a solid investigation system. Additionally, 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.

Main approaches

Number of patents owned

The number of patents owned (including those acquired outside Japan) was 1,103 as of the end of fiscal 2019, an increase of 20 from the end of fiscal 2018. The number of patents applied in Japan during fiscal 2018 was 242. 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 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



Developing disaster-resilient products

Management

Further efforts for earthquake countermeasures

As part of our efforts to contribute to a sustainable society, we have set earthquake countermeasures for buildings as one of the priority implementation categories and, based on the knowledge and lessons learned from recent large scale earthquakes, we are continuously reviewing specifications for seismic resistance ability, materials and equipment.

In 2016, along with efforts to support reconstruction in the wake of the Kumamoto earthquake, we also conducted measurements of micro tremors* on the ground to identify the relationship between the characteristics of the ground and the state of damage to the buildings. Using the measurements of these micro tremors, when designing in the future it will be possible to research building resistance according to properties of the ground.

In addition, when it was difficult to judge the degree of damage visually, we conducted surveys using a method to measure the damage without removing the outer wall. Furthermore, we examined the criteria for determining if repairs were needed, developed a new repair method and judged the reusability of beams.

In the future, it is predicted that there is a high possibility for a large earthquake to occur in the Nankai Trough. Taking the lessons learned from the Kumamoto earthquake to heart, we will review our foundation and resistance reinforcement methods and make effort towards researching technologies etc. that will allow us to implement quick inspections and diagnosis so buildings can be restored with haste after a disaster happens. We will promote research and development in order to realize even further safety and peace of mind for our customers.

* Micro tremors are vibrations of building foundations by manmade vibration sources such as cars in motion or natural phenomena like wind shaking the trees

Main approaches

External thermal ventilation wall for extended service life of houses

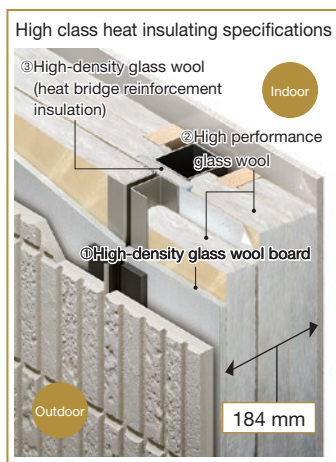
Daiwa House Industry has developed an external thermal ventilation wall for single-family houses that has exceptional insulation, durability, condensation- and moisture-blocking performance inside the wall to prevent structural deterioration. We have been actively using this wall since 2005. Using this external thermal ventilation wall improves the condensation and moisture blocking performance inside the wall and prevents deterioration of the structure. Improving the durability of a housing unit improves its safety and maximizes its service life.

This proprietary external wall system is plant manufactured to maintain stable quality, which is absolutely necessary in the construction process in general at construction sites, that ensures waterproofing and moisture-blocking performance that greatly affect the safety of buildings. Our goal was to implement the use of this wall in 100% of houses built after the development of this wall in 2005 and currently 97% of our single-family housing units are using the wall.

The wall system features a "double barrier" structure. Regarding moisture-blocking and waterproofing performance, structures have been designed to ensure sufficient performance with only one barrier must like general buildings but, in line with failsafe theory (a design that will be safe even if a problem occurs) we have added an additional barrier (a double barrier) to increase safety. For condensation-blocking, first it creates a moisture barrier

on the inside of the structure, blocking moisture from penetrating into the walls and reaching the indoors. Then, the air-permeable layer on the outside is 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 plant 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.



* For "xevo Σ"

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.

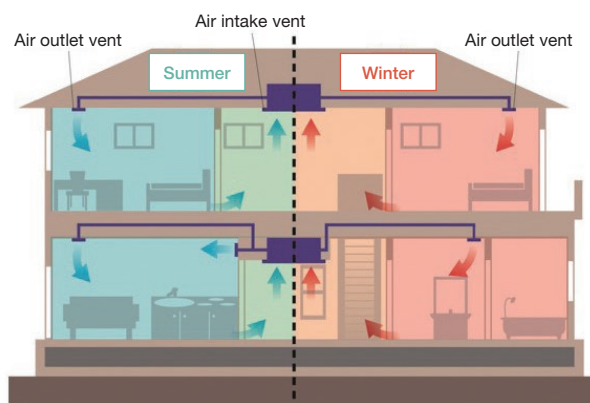
Generally, when a living room has an air conditioner installed, the temperature difference between the living room and a non-airconditioned room such as a bathroom can be as much as 6 to 8°C. The temperature difference is so large that a rapid drop in temperature when moving from a warm room to a cold 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. 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

Product development for sustainable use

I 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.

The 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 xevo Σ ("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.

Related page P046 Creating Business Opportunities in Anticipation of Physical Changes: The Anti-Disaster House

I Seismic resistance of our xevo Σ housing products

Under Japan's Building Standards Act, a structure that does not easily collapse in response to an earthquake is defined (in Article 88 Paragraph 3 of the Enforcement Ordinance of the Building Standards Act) as "a building that does not collapse in response to an earthquakes of such severity that occurs extremely rarely (once in every several hundred years). Furthermore, in the system of indication of housing unit functionality that has been adopted, based on the Housing Quality Assurance Act, earthquake resistance grade 1 through 3 define a structure's resistance to collapse. Seismic Resistance Grade 1 is the same as the Building Standards

Act definition. The definition of Seismic Resistance Grade 2 is “a building that does not collapse in response to an earthquake 25% stronger than in the case of Seismic Resistance Grade 1.” The definition of Seismic Resistance Grade 3 is “a building that does not collapse in response to an earthquake 50% stronger than in the case of Seismic Resistance Grade 1.”

Daiwa House Industry’s housing product xevo Σ was launched in 2014 with Seismic Resistance Grade 3 (see above) as the standard*1. In 2019 we developed xevo Σ s+, a new optional specification that reduces the seismic effect of large earthquakes by a maximum of 50%*2 to control damage to the inside and outside. The xevo Σ s+ option is strong enough (limited to the 1st floor)*3 to withstand twice the force of the level listed in the Building Standards Act (30% stronger than in the case of Seismic Resistance Grade 3).

*1 Plan changes may be required depending on construction location and plan conditions.

*2 When compared with Seismic Resistance Grade 3 xevo Σ

*3 The 1st floor is expected to have twice the necessary performance to withstand the force of an earthquake of an intensity such as occurs once every several hundred years (30% stronger than in the case of Seismic Resistance Grade 3).



Energy-absorbing anti-seismic wall: D-NΣQST

Developing products to solve challenges facing society

Main approach

Efforts toward increasing environmental efficiency from the standpoint of the customers

Looking at Japan’s greenhouse gas emissions by sector, the household, business and other sectors are responsible for about 40%, and over the course of a quarter-century has increased 70% in both sectors. Furthermore, looking at the overall greenhouse gas emissions of our Group’s value chain, indirect emissions apart from our company (scope 3 emissions) are a predominant 98.7%. In particular, the “inhabitation and use phase” of homes and buildings over the long-term accounts for 60%.

For that reason, our Group has formulated the “Challenge ZERO 2055” in line with our long-term environmental vision looking toward the 100 year anniversary of the establishment. By promoting the dissemination of products that consider energy efficiency and energy saving such as ZEH and ZEB etc. we can contribute to the overall CO₂ reduction in the domestic housing and business sectors as well as provide comfortable and highly environmentally efficient products to our customers.

Furthermore, for “Challenge ZERO 2055” we plan to construct, on average, ZEH and ZEB buildings by 2025 for single-

family houses and by 2030 for average new buildings. By 2030, we aim to reduce greenhouse gas emissions (per surface area) in the inhabitation and use phases by 30% in comparison to fiscal 2015. By promoting the use of power generated by renewable energy and low-carbon electricity we can work toward the development of zero-energy-loss towns.

Related page P037 Slowing and adapting to climate change (Energy)

Developing and providing products to solve challenges facing society

I 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 2008 to 2018, the number of two income households in Japan increased about 22.5% to 12.19 million*1. Between 1985 and 2019, the percentage of women among all employees rose from 35.9% to 45.3%*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 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 questionnaire 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: White Paper on Gender Equal Society from the Cabinet Office and 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)

I Robotics business helping to solve challenges facing society



The robotic suit HAL to assist with care work Reduces serious back pain among workers directly involved in nursing care and helps create a better working environment.

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

2 Human resources base

Steers our sustainable development in directions that carry on our founder's spirit

A Road Map to Achieving Endless Social Program 2021

Priority issues

FY 2019 results

FY 2021 targets

Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)

Improvement in "motivation" of entire workforce

65%

80%

Promote changes to workplace environments that allow all our employees to both "maximize the results of their work" and "maintain their mental/physical health and safety," in line with Corporate Creed and SDG No. 8 "Decent Work and Economic Growth."

* Calculated based on question about "motivation" on a sustainability survey.

* Any and all changes are premised on the importance that our founder placed on the private lives of employees and the right to develop through one's job, as well as the type of human resource the group seeks.

Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)

Retention rate of young employees (3 years after joining the company)

75.4%

90% or higher

Design human resource development and recruitment programs from a long-term perspective (what will be needed in 2030/2055), with the founder's spirit, the values espoused in our Corporate Creed and our business models as an underlying basis.

Prepare training, hiring and work environments based on the fact that millennials will hold midlevel staff and managerial positions, and the bulk of new recruits will be of Generation Z age.

Moreover, build systems that allow senior employees, which represent a growing share of the workforce, to continue to exhibit their skills.

Issue 5: Promote diversity and inclusion

General indices for diversity and inclusion

Respect the diversity (race, nationality, ethnicity, gender, sexual orientation, gender identity, handicapped or not, age, faith, social status, etc.) of our employees and build workplace environments where diverse employees are motivated and can demonstrate their abilities.

Apply diversity and inclusion concepts to managing operations, decision-making processes and all functions (positions) in order to conceive new ideas for products, services and other processes, and foresee risks from diverse angles.

①	4.1%
②	25.0%
③	4.9%
④	10.2%
⑤	24.8%

Targets are set for the below 5 indices.

① Percentage of women managers	5%
② Percentage of line leaders amongst women managers	40%
③ Percentage of women engineers	6%
④ Percentage of women sales reps	13%
⑤ Percentage of women amongst new college recruits	30%

* Targeted for April 1, 2020

* Targeted for April 1, 2022

Policy and Concept

I Megatrends that Impact Bases

- Shrinking population, aging of society, shrinking workforce
- Advancing development and deployment of AI (artificial intelligence) and automation
- Shifting of workforce core to Millennials and members of Gen Z
- Widening of educational gaps

I Social issues and Megatrends

With rapid aging of Japanese society, the shrinking of Japan's labor force is a major headache for human resources departments. This is especially true in labor-intensive sectors, which already anticipate difficulty in being able to continue getting their work done with the same worker numbers as in the past.

Meanwhile, rapid advances in ICT are accelerating the practical deployment of AI and other technologies like IoT and robotics. As exemplified by the emergence of self-driving cars, their

[Policy] Build an organization with a diversified motivated workforce that retains the young people it develops

Contribution to SDGs



increasing deployment will likely drive greater automation of tasks and workload reduction as computers and robots take over tasks performed by humans.

Parallel to these developments, two younger generations—Millennials and Generation Z (Gen Z)—will start making up the core of the labor force. Members of these demographics grew up with ICT, and using social media to interact with others is routine for them. They also tend to value work–life balance, and because they are more open to diverse values, moves are afoot around the world to entrench inclusiveness—practices conducive to maximizing the capabilities of organizations and the individuals who work in them.

I Risks and opportunities for the Daiwa House Group and its responses

Ever since its founding, the Daiwa House Group has hired and trained people on the conviction that human resources underpin the enterprise. And we believe that, for us in construction and real estate—both new idea-generating sectors, human resources

of excellence are pivotal to further development of our business model.

However, Japan's shrinking working population makes it harder to find the people businesses need to expand, with negative implications for the human resources the Group has always considered an indispensable strength. To adapt, we seek to demonstrate, in a contemporarily appropriate manner, the Founder's spirit of treasuring our human resources in a bid to provide personally rewarding workplaces.

As part of this, we want to promote/advance/progress/diversity & inclusion, practices for prizing employees' individuality, from the very top down to the frontlines of our organization. In that context, we will continue focusing on acquiring, training, effectively deploying, and recognizing people able to adapt to social change. With this approach we intend to shore up our human resources, the foundation that bestows a competitive edge we want to remain constant regardless of progress in ICT and automation and reductions in labor intensiveness.

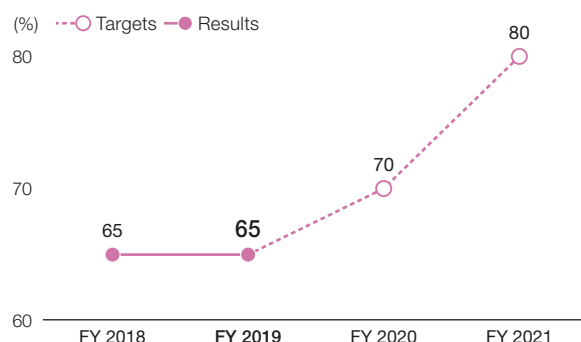
Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)

In fiscal 2019, work style reform concentrated on identifying problems in current methods and exploring new ways of working conducive making work gratifying and a source of joy. Efforts focused on fostering three major outcomes: work environments conducive to trust in the company, pride in work, and solidarity with colleagues. For example, we surveyed employees about the scheme for assessing contributions to achieving organizational goals and how benchmarks they are happy with are assessed, then used the post-analysis results to examine them more closely. Other objectives included promoting employees' health and safety and encouraging health-oriented business practices and entailed training on “line care” for managers and self-care for young employees.

In fiscal 2019, 65% of employees report feeling motivated because their work is gratifying. Although this result was on target, it was the same as in fiscal 2018, highlighting the multiplicity of business- and job-specific issues that need addressing in a company as diverse as ours in business interests and employee trades. And it shows that we still have a way to go to develop and implement programs conducive to further motivating employees. In fiscal 2020, we will be developing into specific projects the issues we have looked into so far and the resulting project ideas, and embarking on program design, all the while with Daiwa House Industry' distinctive situation in mind.

■ Improvement in “motivation”



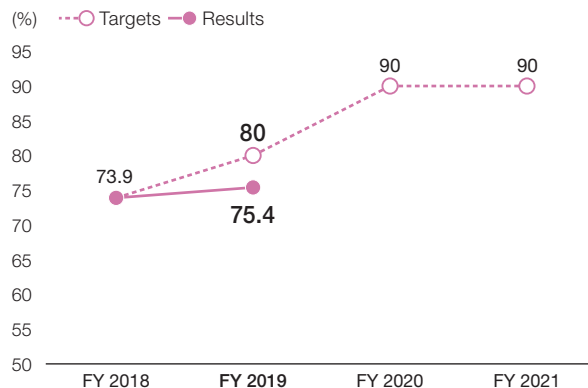
Human resources base

Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)

In fiscal 2019 we undertook a number of initiatives to enhance human resources development and recruitment. We launched a project studying ways to enhance young-employee retention, advancing it to the program design and proposal development stage. To be better able to find the talent we need, we proactively participated in recruiting events to increase contact with college students, a main source of new hires, and raise the profile of our corporate brand among them, as well as working to support recruiters more effectively. And in personnel training, we looking into succession planning for branch and equivalent managers along with continuing the Daiwa House Juku for nurturing future managerial personnel.

Although young-employee retention improved YoY to 75.4% in fiscal 2019, this was short of target. The COVID-19 pandemic forced us to revise our hiring plans for fiscal 2021 due to less contact with students, our biggest pool of potential hires. We nevertheless remain committed to retaining more of our new young hires and want to improve how we assess their performance by ensuring a balance between getting work done and effective training in the workplace, and in how we reflect their preferences in placing them. With ideas developed to enhance young-employee retention in mind, in fiscal 2020 we will be working on hiring and placement schemes designed to avert employee-to-job mismatches.

■ The retention of young employees (who have worked for less than three years at the company)



Issue 5: Promote diversity and inclusion

In fiscal 2019 we moved to improve the diversity and inclusion (D&I) situation at the organization level, experimented with a number of new ways of working, and provide training for women moving into managerial positions, sales & marketing, or construction trades.

Training initiatives during the year included managerial seminars for female managers, seminars for female sales staff at the Single Family Housing and General Construction Headquarters, district-level meetings of and forums with the Working Group of Women Active in Business of the Daiwa House Group's Construction Technology Committee, and unconscious bias training for newly appointed managers, male as well as female. In July 2019 we also started participation in telework days (Organizer: Ministry of Internal Affairs and Communications, Ministry of Health, Labor and Welfare, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, Cabinet Secretariat, Cabinet Office) and telework trials and, building on the experience gained, instituted work-from-home in response to the COVID-19 pandemic. And we launched a trial program to support employees balancing work and childcare or sickness, with our Kagawa Branch serving as model.

These initiatives have yielded results: four of five key goal indicators (KGIs) showed YoY improvement, and we achieved our fiscal 2019 goal for women in managerial positions. In fiscal 2020 we will be implementing the trial programs and continuing the training programs mentioned above. And we will move to tackle issues that surface through analysis of our achievements are measured by D&I composite scores (business-location diversity scores) in the Evaluations of Business-Location Management Soundness implemented in fiscal 2019.

Related page → TELEWORKDAYS (Japanese text only)
<https://teleworkdays.go.jp>

■ General indices for diversity and inclusion

KGIs	FY 2017 results	FY 2018 results	FY 2019 results	FY 2019 targets	FY 2020 targets	FY 2021 targets
Women managers	3.3	3.6	4.1	4	4.5	5
Line leaders amongst women managers	27.6	24.1	25	30	35	40
Women engineers	4.3	4.6	4.9	5	5.5	6
Women sales reps	9.1	9.9	10.2	11	12	13
Women amongst recruits	28.4	27.2	24.8	30	30	30

(%)

Work style reform for employees

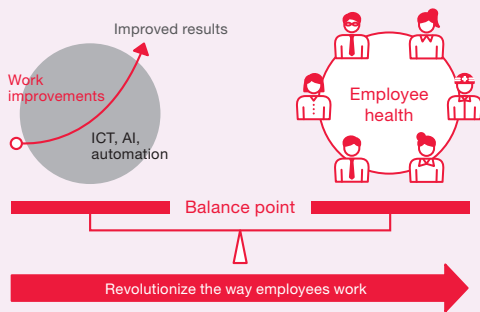
Basic Policy and Concept

The Daiwa House Group company philosophy (corporate creed) includes two injunctions informing relations with employees: "Develop people through business" and "A company's progress depends directly on ensuring a good working environment for its employees." In line with them, we believe ensuring workplaces conducive to safety and health is an essential element of encouraging employees' development and providing an environment allowing them to give full play to their capabilities. Providing such workplaces is instrumental in enhancing two of our business strengths: data collection capability and problem solving skills and our wellspring for creating economic and social value.

In Japan, serious societal issues impact employee recruitment and retention, especially workforce shrinkage due to a rapidly aging and declining population and separation from the workforce to care for children or elderly parents. Excessively long working hours are a directly damage employee health, both physical and mental, and can lead to increases in on-the-job injuries. Meanwhile, there is progress in ICT, AI, automation, and other technologies with implications for labor practices, and work style reform is also a focus of attention. Further, SDG No. 8, "Decent Work and Economic Growth," lays out a universal approach for decent work applicable in developing as well as advanced economies.

Daiwa House Industry has continuously worked to improve work styles since the aughts by putting together and implementing strategies to eliminate excessively long working hours, encourage employees to use up their annual paid vacation days, and provide a framework for assessing hourly productivity benchmarks. These have begun to bring results: employees are clocking fewer overtime hours and displaying greater awareness about work styles. Nevertheless, on the assumption that technical innovation and the labor market situation will continue to spur change, we believe further improvement is essential for employees to continue taking pride in and deriving fulfillment from their work.

During the three years to fiscal 2021, we will further reform work styles with the double aim of having employees maximize the results of their work and maintain their mental/physical health and safety. In this way, Daiwa House Industry will continue adapting to changes in its situation and the social context, implementing innovative programs and frameworks and overhauling how it organizes and manages itself.



Management

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	Daiwa House Industry employs people aged 18 or older.
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 Office in charge. Also, from an employee's perspective as a stakeholder, participation in yearly stakeholder meetings is available.
Living wage	We comply with the locally mandated minimum wage everywhere we operate. In fact, Daiwa House Industry goes beyond local minimum-wage requirements with pay high enough to ensure living wages appropriate to the lifestyle and standard of living in employees' respective countries.

Main approach

Flexible work styles

I Telework

Daiwa House Industry is pushing ahead with telework, especially among field personnel who commute directly to and from construction sites. To provide more work style alternatives, we are also experimenting with allowing employees to work from home, especially those who have to look after children or family members or otherwise have restrictions on when they can work.

Staff at our Osaka and Tokyo Head Offices are involved in Telework Days, a program started in 2018 under the lead of the national government. As a preparatory precedent for extending the work-from-home (WFH) scheme to branch offices, in 2019 we ran a trial involving all design staff at one of our branch offices.

In 2020 transitioning to telework took on new urgency as the COVID-19 pandemic hit. We are now putting into place protocols and the ICT environment needed to expedite WFH throughout the company.

I More flexibility for staggered working hours

In April 2015, Daiwa House Industry embarked on a staggered shift program to better support employees looking after children or family members or with restrictions on when they can work. And to accommodate employees of diverse backgrounds more flexibly, since 2019 we have been looking into expanding the scope of eligibility for staggered shifts.

In 2020, we permitted all employees to work staggered shifts as a special measure taken to cope with the COVID-19 pandemic.

Going forward we will be looking into implementing WFH schemes across the company in line with broader society-wide trends.

Related page P142 Multiple measures taken in response to the spread of COVID-19

Human resources base

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

Risk assessment concerning labor issues

Daiwa House Industry monitors employees' working hours and health to assess the occupational safety risks they face and ascertain, analyze, and address causes.

I 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.

In fiscal 2019, monthly average overtime per worker at Daiwa House Industry was 30.2 hours, down five hours from fiscal 2014's 35.2 hours. It must be noted that more overtime work hours have been recorded in engineering departments (design and construction) than in sales and administrative departments.

Monthly average overtime at the 13 core Group companies was 23.4 hours in fiscal 2019.

■ Company-wide change of average overtime hours

Fiscal year	Average overtime hours
2017	29.6 hours
2018	29.7 hours
2019	30.2 hours

I 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.

I Employee attitude survey "View Research 100"

Reflecting opinions from the frontlines of our respective business segments in personnel policies is essential for securing and retaining human resources of excellence. 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 response results

Fiscal year	Response rate
2008	90.7%
2012	90.6%
2016	91.4%

■ Performance data

Fiscal year	Annual total work hours per person	Annual overtime per person	Rate of obtainment of paid holidays
2017	2,162 hours	355 hours	55.1%
2018	2,159 hours	356 hours	56.5%
2019	2,146 hours	362 hours	68.4%

Labor-related non-compliance issues

I Overwork

All employees who have worked over 80 hours in a month, regardless of their wishes, are to be examined by an occupational health physician (OHP).

We have also launched an online OHP service to ensure that employees see the doctor in a timely manner.

I Undeclared overtime

Daiwa House Industry has prioritized eliminating undeclared work and seeks to visualize the reality on the ground to form a full, accurate picture and use it as starting point for remedies. To eradicate the practice, we deployed PC log-based working hour management and initiated visits to business locations and personnel interviews by the Human Resources Department. When undeclared work is discovered, we retroactively pay the overtime put in and reprimand the responsible managers.

I Countering workplace harassment

Since 2004 the Group's Sustainability Planning Department has hosted a Corporate Ethics and Human Rights Hotline, available to any working for the Group regardless of employment format, to field complaints and calls about ethics violations. To uncover and remedy abuses of authority in the workplace early, we set up in July 2019 a Power Harassment Prevention Hotline inside Human Resources Department specifically to accept reports of harassment by high-ups. To resolve issues, we investigate, interviewing the complainant, the accused, and any cooperating third parties, then institute appropriate remedies and work to prevent recurrences.

When interviewing witnesses, maximum care is exercised to protect privacy and confidentiality is maintained. If the facts establish harassment, the harasser is disciplined pursuant to the company's work rules, which explicitly prohibit all forms of harassment (abuse of authority, sexual harassment, and harassment over pregnancy, childbirth, childcare, or elderly care). To avert recurrences, incident details are thoroughly reviewed and lessons learned are conveyed to employees at training sessions as well as disseminated by the Risk Management Committee to heighten awareness throughout the company.

Related page P072 Establishment of the Power Harassment Preventive Measures Office
P151 The results of the whistleblower system operation

Risk assessment concerning the health and safety of employees

I Periodic medical examinations

While 97.9% of the Daiwa House Group employees received periodic medical examinations in fiscal 2019 (as of February 29, 2020), Daiwa House Industry sees to it that they are fully provided; all employees have received medical examinations for seven consecutive years since fiscal 2013 and those with abnormal test results were all followed up in fiscal 2016 and 2017 (99.8% in fiscal 2019).

The Daiwa House Group is aiming to achieve a medical examination rate of 100% with efforts underway to thoroughly follow up those with abnormal test results and maintain/improve the health of all employees, all designed for early detection, early treatment and health risk management. In addition, specific health guidance is provided where health improvement seminars are offered to help employees improve their health.

Of 5,691 employees identified as needing health guidance in fiscal 2019, 2,782 (48.9%) took advantage of the program and 2,431 (87.4%) completed it; the program is being continued until May 2020.

We will be supporting and motivating employees to improve their health in fiscal 2020 and beyond.

I Medical examination of employees putting in many hours

At Daiwa House Industry, the company's OHP reviews the results of the regular employee checkups as well as providing advice

based on self-checks employees perform themselves.

In compliance with the Occupational Safety and Health Act, which mandates examinations 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 OHP and receive instruction to prevent health problems.

I Overseas implementation

As part of an ongoing employee support program to monitor the health of personnel posted overseas, in October 2019 our occupational health physician and mental health personnel visit the Taiwan Branch to provide mental health training, advice on health maintenance, and personal interviews.

Further, as of October we provide a 24-hr chat-based medical consultation service available to all employees and their families, whether full-time, part-time, or temporary.

I Mental healthcare

A stress check system has been in place since December 2011 to help employees check their stress levels themselves. A total of 16,872 employees (or 90.1% of those targeted) were consulted in fiscal 2019 while 29 employees were diagnosed with stress and asked for consultations, all of whom were interviewed and treated by psychiatrists.

At the same time, a group (organization) analysis was conducted as part of best-effort obligations where the results based on a company-wide average were communicated to each branch office according to the scale of their operations and tips for a better work environment were posted on the intranet for information sharing purposes. Follow-up measures are also in place, such as individual visits and workplace improvement programs, taking into account the characteristics of each branch office. All employees, moreover, can perform self-checks on the website for a year until the next fiscal year.

New managerial appointee training includes instruction on mental health care and group discussions covering prevention of mental issues, dealing with people who have developed mental problems, and improving the work environment in ways conducive to better mental wellbeing, all with focus on line- and self-care and reference to case studies. Attendees also learn the importance of spotting signs of mental illness and ways to preventing its development.

A self-care training program for recruits has been in place since fiscal 2017. In addition, a line-care training (e-learning) has been provided to all managers (workplace managers) since fiscal 2018.

■ Mental health training attendance in FY2019

Mental health line care seminar (training for newly-appointed managers)	155
Mental health line care seminar (e-learning training for newly-appointed managers)	241
Mental health self-care seminar (training for new employees)	499

[Related page](#) P113 Risk management system for work safety

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 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.

To help counter the spread of COVID-19, the company has taken steps that include launching a headquarters response team and calling on all employees to take precautions. The response team's has drawn up pandemic-response guidelines and guidelines for accommodating government calls for preventive measures, among other actions.

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 (101 employees as of April 1, 2020) undergo inoculation against hepatitis A and B, tetanus, rabies, Japanese encephalitis, and typhoid fever.

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 social 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.

Active utilization of information and communication technologies (ICTs)

We are endeavoring to enhance our corporate value in various aspects, through the proactive utilization of ICTs. 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;

To maintain an environment where employees are able to efficiently utilize ICT, 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, having the “IT Promotion Commissioner” appointed at each department and branch, we are outlining methods of cooperation between workplaces and our Information Systems Headquarters in the interest of contributing to IT literacy improvement opportunities for all of our employees.

Issue 4

Upgrade human resource development and recruitment

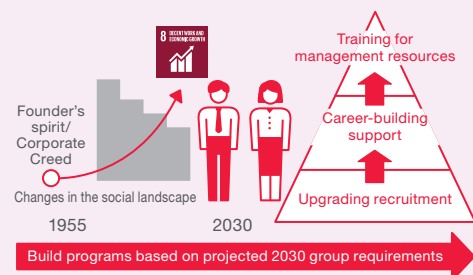
Basic Policy and Concept

As stated in its Company Philosophy (Corporate Creed), the Daiwa House 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.

As human resources become increasingly mobile and competition to recruit talent intensifies, our ability to offer attractive work styles and arrangements to working people is being tested. Various generations including millennial mid-level employees and managers, and fresh recruits from Generation Z will be working together in the future. This calls for a workplace environment that fosters mutual understanding to bridge the value gap between generations and accommodates diverse ideas of what a career should be.

Our policies focus on enriching our employees’ lives over the long term, from hiring through training, work assignments, and ultimately retirement. Following our founder’s counsel to “come up with useful businesses and products that make many people happy,” we aim to train our people to anticipate future trends and take on challenges fearlessly, unconstrained by established concepts. In the workplace we want them to be thorough in carrying out their everyday duties, which embodies the meaning of “being complete in small things.”

The Daiwa House Group aims to recruit talented human resources by offering employment opportunities suited to the times and thus contribute to society. 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 questionnaire 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.

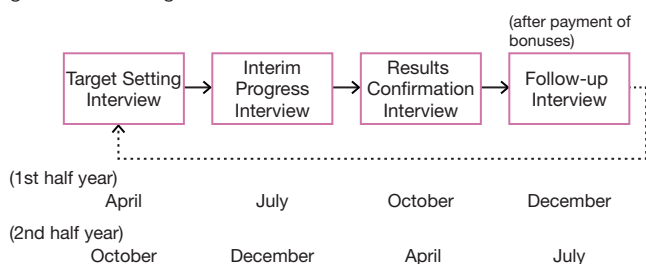
The Human Resources Department cooperates with all other departments to check on recruitment performance and determine priority items for the coming year to secure the next generation of human resources.

Linkage with evaluation systems

To facilitate the further development of human resources, grade-specific 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. All our employees are subject to periodic performance evaluations.

In the evaluation management system targeted at chiefs and regular employees, the superior has an interview with each subordinate at least once every quarter. 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 himself/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.



Division/Group Company Collaborative Training Support System

We hold a human resources development liaison council meeting every month, aiming at the sustainable enhancement of education and training. The Human Resources and Organizational Development Department, 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 system

A career counseling system is in place to avoid mismatch between employees' capabilities and the workplaces or career paths they are in, which prevents them from achieving their full potential. Moreover, they can report their career development design concepts while each department has a regular report system for employees' job skills.

Centralization of hiring and recruitment data

We have 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.

Main approach

Hiring locally in Japan and overseas

In order to go ahead with community-based business sustainably, we are promoting recruitment activities locally with each branch operating across Japan.

In fiscal 2019, we hired 148 mid-career recruits as full-timers (among them 32 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.

In Group companies outside Japan, we are promoting local recruitment in each site under the philosophy of recruiting and developing local talent.

■ Newly hired university graduates' starting salary (fiscal 2020 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)

Human resources development through OJT

I 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. In addition, we appoint OJT Assistants (close to newcomers in seniority) who can provide counsel casually. To facilitate efficient on-the-job training in the workplace, they study OJT basics, how to pass on skills, and how to get involved via e-learning. This raises their awareness regarding new employee development following appointment.

I Training support patrol system

Staff from the Human Resources and Organizational Development Department known as "round supporters" go around to each branch to ensure that the OJT Elders system is functioning smoothly and that guidance and training are 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.

Human resources development through Off-JT

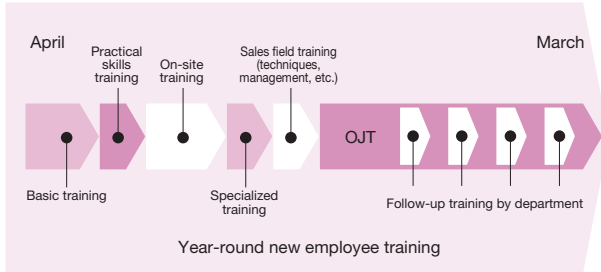
<Entry-level employee training>

I Recruit training

An educational program with an annual curriculum is in place as recruits, in their first year of employment, are expected to learn the basics of a Daiwa House Industry employee as well as a responsible member of society. New recruits learn the code of

Human resources base

conduct in basic training, which takes about a week. New recruits involved in design and sales as well as construction receive on-site training and gain expertise in *monozukuri* and construction. Their practical knowledge and skills are evaluated at other training sessions during the year.



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

Studying the company's history, founder's spirit, and CSR activities prepares recruits for their jobs, teaches them our approach, and equips them with criteria for evaluating situations and 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]

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.

Training for female managers

All female managers in their second year of service are educated and trained to learn the responsibilities of managers and the capabilities required of senior staff members, thereby improving their awareness, behaviors and practical skills.

Training for female manager candidates

Female manager candidates are trained for leadership roles so that they can accommodate the diversity among all staff members and proactively improve the workplaces and operations they are involved.

<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 other managers for upper-level management posts. An inhouse open call is put out to motivate people to rise to leadership positions and to discover talented individuals. At the end of fiscal 2019 a total of 494 people completed this program. In fiscal 2019 the company focused on looking into and working out a new succession plan for branch office managers. Fiscal 2020 marks a fresh start with a completely overhauled scheme.

Daiwa House Juku (School)

The Daiwa House Juku, a Groupwide training program, was launched in May 2008 to educate and train next-generation leaders of the Daiwa House Group where they learn management skills by developing strategies for real business challenges. A total of 384 employees have completed the course, with 145 of them promoted to executive officers or higher (as of April 1, 2020).

<Manner training>

"Being Complete in Small Things" and manner training

We conduct manner training programs at each branch office for all employees including branch managers and executives. The aim is for all our employees to perform everyday actions such as greeting people properly and maintaining good manners as a matter of course.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

Investment in and annual average time allotted to human resources development

The data for fiscal 2019 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 **Total investment**
95,850,282 yen (non-consolidated)
141,822,900 yen (12 of 13 main Group companies)
- ② **Total attendees**
5,495 (non-consolidated)
3,640 (12 of 13 main Group companies)
- ③ **Training hours per employee (non-consolidated)**

Training hours per employee	3.4 hours
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* Training hours per employee = Total training hours / employees

- ④ **Breakdown by type of training (non-consolidated)**
Hours for each type of training indicate hours per participant.

Category	Training Type	Hours
(Entry-level employee training)	New employee training (Basic training only)	26.0 hours
	Training for mid-career recruits	15.5 hours
(Manager and leader training)	(Senior executive and future president training) Daiwa House Juku	168.0 hours
	Training for newly appointed branch directors and branch office managers	6.0 hours
	(Senior executive and future president training) Training for branch office manager candidates	0 hours*
	Training for newly appointed managers	30.0 hours
	Training for team leaders <Optional>	16.0 hours
	Management training for female managers	14.0 hours
	Training for female manager candidates	14.0 hours
	Training for OJT Elders	3.0 hours
	Interactive/experiential training mindset	18.5 hours
	(Training for all employees)	"Being Complete in Small Things" and manner training
Training camp toward real-estate transaction specialist		22.0 hours

* Training for branch office manager candidates was suspended in fiscal 2019 amid a review of appointment arrangements. The company plans to relaunch an updated program in fiscal 2020.

Related page ▶ P177 Major Group Companies

Initiatives to recruit and train talented human resources

I Training program for high school graduates

In a program for some high school graduate recruits, we have instituted a two-year construction college (full time) study exchange scheme. For two years after joining the company they receive practical training at construction sites during extended college breaks. At other times they are given no work at all, and told that their duty is to study. They maintain contact with the company while the education program is running via regular on-site training and face-to-face meetings. Quarterly consultations with a public health nurse provide lifestyle support. The high school graduates gain expertise and acquire qualifications quickly. The program also aims to equip them to function as adult members of society and help their personal development. Seven recruits in fiscal 2018 and

nine in fiscal 2019 took part in the program.

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.

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. Also, in accordance with Japan's Labor Standards Act, we have an Article 36 Agreement with representatives of a majority of employees at each worksite in Japan. The agreement concerns overtime and holiday work and covers all employees except for managers and supervisors.

Continuous employment and support to the termination of employment

I 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 2020, 148 persons have used this system.

I 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 2017	FY 2018	FY 2019
Participants	134	138	118

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 2018	964	167	58	662	1,851
April 2019	969	170	53	687	1,879
April 2020	972	204	63	634	1,873

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

Employment and turnover

As of April 2020, Daiwa House Industry had 16,904 full-time regular employees. In fiscal 2019, the company newly hired 1,066 full-time regular employees (918 new graduates and 148 mid-career recruits). In April 2020, 826 new graduates (621 men [75.2%] and 205 women [24.8%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were as follows.

For the 13 main Group companies, employee turnover in the first three years of employment averaged 14.3%.

In fiscal 2019, no dismissal took place for the reason of personnel reduction.

■ Turnover for voluntary reasons in the past three years

Fiscal year	Non-consolidated	13 main Group companies
2017	3.03%	4.67%
2018	3.22%	4.75%
2019	3.33%	4.37%

■ Average years of tenure

Average years of tenure: female employees	10.5 years
Average years of tenure: male employees	15.3 years
Difference in average years of tenure between male and female employees	4.8 years

Paying fair wages

The average salary of Daiwa House Industry employees stands at 9,185,000 yen in fiscal 2019. The company's domestic operations are supported by employees engaged in general work to handle core operations (nationwide and local employees) and those engaged in administrative work to handle administrative and support operations (local employees). They are paid based on their capabilities, performance and contribution, regardless of gender.

The Daiwa House Group, moreover, abides by each country's minimum wage standards, paying fair wages to all employees, taking into account local commodity prices.

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	○	○	○	○

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 (non-consolidated)

	Male	Female
a. Total number of employees entitled to childcare leave	520	146
b. Total number of employees who have taken childcare leave	222	141
c. Childcare leave uptake	42.3%	96.6%
d. Total number of employees who returned to their positions in fiscal 2018 after taking childcare leave	223	124
e. Total number of employees who have remained in the company for At least 12 months after returning to their positions following childcare leave	167	104
f. Rate of employees who return after childcare leave	100%	96.9%

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

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

■ Average childcare leave uptake (13 main Group companies)

	Male	Female
a. Total number of employees entitled to childcare leave	498	293
b. Total number of employees who have taken childcare leave	67	282
c. Childcare leave uptake	13.5%	96.2%

Launch of new training facility for human resources development

In 2021, the company plans to open a new center for group human resources development (tentative name: "Daiwa House Group New Training Center") to mark the 100th anniversary of our founder's birth. The center will be located on the grounds of the Daiwa House Industry Nara Factory in Nara.

We aim for the center to be an open facility that will give rise to a variety of learning experiences and new discoveries. It will be a gathering place not just for employees, but other locals including children, students, and people from other industries and specialists.

We hope that it gets off to a start as a shared space where Group employees from overseas as well as Japan can meet and get to know Daiwa House management principles and our founder's spirit in depth.

Promote Diversity and Inclusion

Basic Policy and Concept

The Daiwa House Group upholds international codes of conduct such as the UN Declaration of Human Rights and the ILO Core Labor Standards. It also respects the Guiding Principles on Business and Human Rights, a global standard adopted by the UN Human Rights Council. Accordingly, the board of directors adopted the Daiwa House Group Human Rights Policy in December 2017, taking into account advice from external specialists, with the Group's responsibilities for human rights set forth in January 2018.

Governments, institutional investors and others are keenly aware of the benefits that diversity brings to corporate management: hiring and deploying talented human resources, boosting productivity, and bringing creativity to bear in engaging with a variety of businesses. For the Group to contribute on the global stage, we must be able to adapt flexibly to an ever-changing society and diverse value systems. We thus need to create new value to tap into potential markets.

We have to nurture a workplace culture where we can draw on perspectives and concepts informed by our employees' diverse value systems, gender identities, generations, ethnicities, languages, cultures, disabilities (if any), and lifestyles. We must create an organization able to continuously generate ideas regardless of the commonsense and received wisdom that have prevailed to date.

The company has shared its approach, our desired trajectory, with our employees of various backgrounds. We have been proactive in furthering women's participation in the workplace (one aspect of diversity), as a litmus test for our diversity initiatives.

Our Sixth Medium-Term Management Plan, meanwhile, focuses on promoting diversity by creating an ideal environment for diverse human resources. Specifically, efforts are underway to help female/elderly employees and those with disabilities maximize their potential and to improve a system that allows diverse human resources to work flexibly.



Management and Main approach

Developing diverse human resources

One of the challenges in developing diverse human resources is to help female employees maximize their potential. The Daiwa House Group aims to promote 500 female employees (200 of whom belong to Daiwa House Industry) to managerial positions by the end of fiscal 2020 to make decision making flexible. Accordingly, the personnel system is being improved to help them deal with life events (child bearing and rearing, etc.) and build their career.

Improvements in the performance of female employees are evaluated every year in numerical terms to keep track of developments and make further improvements, with a questionnaire

survey conducted regularly. We will continue to address challenges in creating an ideal work culture and raising awareness for diverse human resources while implementing necessary measures.

In addition to fulfilling our social obligations, we will work to continue improving corporate value by enabling diverse human resources to maximize their potential, regardless of gender, nationality, age, sexual orientation, or disability.

With an office strategy in place for the era of depopulation from employees' viewpoints, moreover, workplaces compatible with diverse lifestyles will be created, based on a concept of "promoting creativity and productivity through comfortable, healthy offices."

Securing diverse human resources

I Hiring and making best use of older employees

At our company, starting from 2013, the age of mandatory retirement was extended from 60 to 65. In our previous postretirement 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.

In fiscal 2019, 50 individuals aged 50 or over joined as mid-career hires, accounting for 17.2% of the 290 such hires (excluding part-timers). Our company employs anyone who can contribute regardless of age.

Those aged 60 or over make up 4.91% of the workforce on average for the 13 main Group companies.

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
2017	69	39
2018	60	28
2019	76	50

I Rate of employees with disabilities

As of April 1, 2020, the ratio of employees with a disability was 2.44% on a non-consolidated basis (100% of target), and 2.06% for the 13 main Group companies. 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.

I Recruitment of international employees

In fiscal 2020, we recruited 5 international students as our employees. We recruit human resources capable of exercising their abilities in our company, regardless of their nationality. Non-

Human resources base

Japanese make up 2.54% of the workforce for the 13 main Group companies on average.

LGBTQ initiatives

Through training sessions and participation in in-house and external events, we are striving to foster a workplace culture where LGBTQ people can perform to the best of their abilities with peace of mind. We use the Pride Index as a benchmark for workplace initiatives to check on our progress. We received a silver award in the Pride Index 2019 from the “work with Pride” organization.

Related page P172 PRIDE Index 2019: Silver prize

Promoting women

Promoting women

As of April 1, 2020, 20.7% of the company's employees were women. Their average length of employment was 10.5 years. In fiscal 2020, 24.8% 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 and 25.7% in 2020.

Trends concerning women employees (non-consolidated)

	Number of employees	Women among left column number	Ratio of women
2018.4.1	16,275	3,239	19.9%
2019.4.1	16,670	3,405	20.4%
2020.4.1	16,904	3,499	20.7%

Development of women managers

It was not until the 2000s that the Daiwa House Industry launched a full-scale employment of female workers for main career track. The number of female employees holding key positions, therefore, is much lower than that of their male counterparts, which can be attributed to the length of their service. While efforts are underway to improve the work environment for female employees who have completed major events in their lives and increase their awareness and capabilities, the percentage of female employees in managerial positions remains low in proportion to the total number of female employees.

As of April 1, 2020, there are 160 female managers (4.1%) (and additional seven assigned employees) and 681 female chief staff members (16.0%). The number of the Daiwa House Group's female managers has been increasing steadily: 302(4.0%) in fiscal 2018, 352 (4.5%) in fiscal 2019 and 418(5.0%) in 2020. With a Groupwide target set to “promote 500 female employees to managerial positions by the end of fiscal 2020,” a corporate culture is being developed to enhance female employees' performance.

Related page P105 Average years of tenure

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

	Number of managers	Women among left column number	Ratio of women
2018.4.1	3,694	123	3.3%
2019.4.1	3,812	137	3.6%
2020.4.1	3,889	160	4.1%

Percentage of female employees

March 31, 2006 April 1, 2020



Percentage of new female recruits (graduates)

March 31, 2006 April 1, 2020



Number of women in managerial and supervisory posts

Managers	160 (4.1%) (plus 7 on loan)
Section chiefs / group leaders	681 (16.0%)

Percentage out of the total employees in the same grade

Expansion into sales and technology divisions

Women have been a rarity in the construction industry. As of April 1, 2020, they accounted for 10.2% of Daiwa House Industry employees in sales posts (up 0.3% from the previous year), and 14.5% of those in technical posts (up 0.6%). Following on from fiscal 2018, to support women in the sales division, we held career training sessions for women in sales positions in each department and gave talks to managers on training techniques. In the technology division, additional programs included information exchange meetings among female engineers at the district level in the housing construction department, and interviews to help retain our female engineers after they return from childcare leave.

Adoption of office diversity scores

In fiscal 2019, we introduced office diversity scores to aid in assessing office management soundness, with the aim of promoting diversity across the entire company. We evaluate five items: ratio of female managers, ratio of female section chiefs, ratio of childcare leave taken by males, ratio of disabled workers, and retention of young workers. Quantifying at the individual office level enables us to measure progress and promote diversity from the bottom up.

Related page P068 CSR Management

Diversity Report publication

We publish a Diversity Report quarterly on our in-house intranet. We also distribute a Diversity Report booklet to all employees to raise awareness.

Related page Our Group official website Diverse human resource utilization <https://www.daiwahouse.com/English/sustainable/social/employee/diversity/person.html>

Seventh D's Diversity Forum

Since fiscal 2013, D's Diversity Forum, a joint initiative of Group companies, has been held yearly. The aim is for participants to learn the importance of practicing diversity in the organization, and to lead diversity efforts at group companies and departments, accelerating progress on this front. The theme of the seventh D's Diversity Forum in fiscal 2019 was The Practice of Diversity Management to Enable Diverse Human Resources to do Their Best. A total of 400 members from the Osaka and Tokyo Head Offices took part, joined by videoconference participants from another 12 business locations. They learned about the importance and possibilities of diversity management and exchanged opinions about future initiatives in the area.

Related page ▶ Our Group official website
Promoting inclusion (Japanese text only)
https://www.daiwahouse.com/sustainable/social/employee/diversity/diversity_forum07.html

Joining The Valuable 500 international initiative

We support the aims of The Valuable 500, an international initiative to promote social participation of people with disabilities, and have been a member since January 2020.

Related page ▶ P169 Cooperation in international initiatives

3 Technology and manufacturing base

Reflects customer and social values in products and services

A Road Map to Achieving Endless Social Program 2021

Priority issues

FY 2019 results

FY 2021 targets

Issue 6: Enforce safety/security at construction sites

Address the declining capacity to manage safety at construction sites resulting from a decrease in skilled labor and an increase in foreign labor amongst subcontractors (due to labor shortages stemming from Japan's changing demographics). Also, address rising industrial accident risks on job sites due to longer hours under the blazing sun.

Frequency of worksite industrial accidents

0.19

0.21

* Number of industrial accidents related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)

Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners

Counter labor shortages and shorten long working hours by using IoT to impart skills and improve productivity. Create workplace environments and practices that retain skilled builders.

Number of days off per annum for construction site workers

88 days*
(6 days-off for every 4 weeks)

112 days*
(8 days-off for every 4 weeks)

* Results are currently unavailable regarding our target of 88 days off during fiscal 2019. For our target of 77 holidays in fiscal 2018, 93% of business partners took said number of days off (from the Questionnaire survey for business partners 2019).

Number of days off per annum for factory workers

111 days

117 days

* Holidays increased by 3 days every year

Issue 8: Promote and improve the efficiency of CSR procurement across the Group

Build a PDCA-based management system with use of new ICT, etc., to promote CSR procurement amongst Group company business partners both upstream and downstream.

Eliminate any adverse impacts on society that could lead to reputation-damaging risks like product boycotts, disclose information in line with domestic and international guidelines, and obtain reviews from institutional investors.

Percentage of important suppliers that comply with our CSR Procurement Guidelines

42.4%

70%
(Scores of 80 or higher are judged as compliant.)

* Important supplier: Suppliers with 300 or more employees

Reply rate to CSR Procurement Guidelines self-check sent to all suppliers

19.7%

70%

* CSR Procurement Guidelines are promoted at 7 Group companies. This KGI targets only suppliers of Daiwa House Industry, Fujita and Daiwa Lease.

Policy and Concept

I Megatrends that Impact Bases

- Japan's low birth rate, aging and decreasing population, and shrinking workforce
- More frequent natural disasters, consistent severe heat
- Full-scale immigrant society

- Rise of AI (artificial intelligence) and automation
- Spread of ethical consumption

[Policy] Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality

Contribution to SDGs



I Social issues and Megatrends

The shrinking workforce not only leads to shortages of human resources, but also presents a problem in passing down manufacturing skills. At construction sites, in particular, skilled workers and site supervisors play crucial roles, but it may become difficult to continue to develop such human resources.

As the workforce shrinks, the number of foreign workers is increasing as an immigrant society becomes a reality. It may be difficult to maintain our previous style of *monozukuri* due to language barriers and differences in values. Moreover, frequent natural disasters and consistent severe heat owing to the global warming are making the construction site operations even more arduous.

As these various factors combine, maintaining safety at construction sites has become a matter of concern. A shortage of veteran workers and site supervisors, an increase in the numbers of foreign workers unable to communicate sufficiently, and operations under the blazing sun year round, may lead to an increase in labor accidents.

Meanwhile, improvement in production technology and progress of the Internet of Things (IoT) are speeding up the trend toward automated production of materials needed for construction and automation of construction itself. Such new technologies may improve safety management and enhance productivity. The wider acceptance of the SDGs is likely to increase ethical consumption with consideration for the global environment, people, and local communities, and raise corporate awareness of CSR procurement.

I Risks and opportunities for the Daiwa House Group and its responses

For the Daiwa House Group engaged in multiple businesses including housing, general contracting, and real estate, a key feature of its technology and manufacturing base is the hybrid operation, combining plant-based production of construction materials with on-site construction. The Daiwa House Group is also one of the top companies in terms of the number of construction sites in Japan.

These characteristics are strong advantages of our Group, but they also put us at a risk of poor operational management if there is a shortage of site supervisors. Accordingly, we are taking measures to minimize this risk by strengthening collaboration with our business partners that handle construction work, and improving productivity through utilization of the IoT.

In addition to construction safety management, there is also a growing demand from society for CSR procurement, to procure materials according to standards from the perspective of social responsibility. As a leading company in the construction industry, the Daiwa House Group was one of the first to engage in such efforts, which we believe will lead to greater business opportunities in the future.

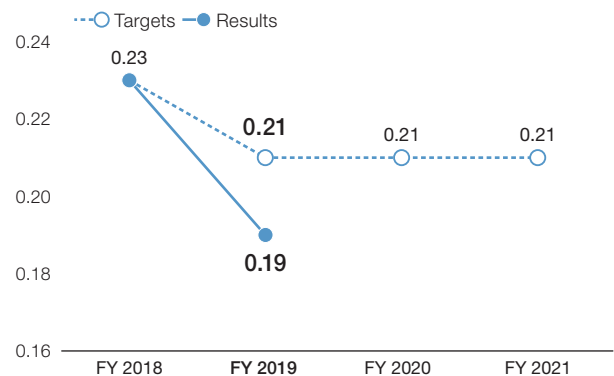
Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 6: Enforce safety/security at construction sites

In fiscal 2019, we revised our educational methods and undertook efforts to strengthen our management system in order to enhance the safety and health of skilled builders on site (employees of our business partners). Safety education includes the adoption of interactive VR teaching materials, non-verbal videos for foreign workers, creation of signs in foreign languages, and special training for fall prevention devices (full harness type). For our safety management system, we have introduced meetings via tablets or smartphones and remote supervision devices via ITV (industrial TV) for the sake of greater operational efficiency based on ICT. Site working environments were also improved by holding work-style reform competitions and widely employing the best ideas found. Thanks to these efforts, we achieved our target for the frequency rate KGI for fiscal 2019 at 0.19.

Fiscal 2020 will see more changes in safety and health for construction sites. We have introduced measures to prevent the spread of COVID-19, and are developing new teaching materials for safety. While steadily establishing the above-mentioned measures, we will also continue our efforts on the fundamentals of safety, such as regularly issuing our safety management newsletter, promoting use of the serious accident case study panel, and installing environmental sensors to help cope with the severe heat.

■ Frequency of worksite industrial accidents



Technology and manufacturing base

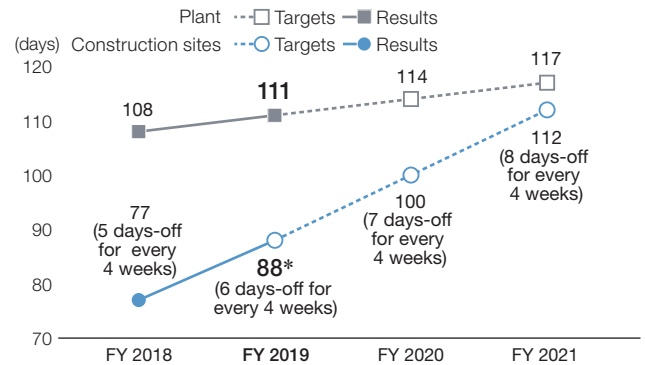
Managerial Philosophy and Overall Picture
 Environment
 Society
 Innovation Base
 Human resources Base
 Technology and Manufacturing Base
 Customer Base
 Communication Base
 Risk Countermeasures Base
 Governance
 Third-Party Assessment/ Data Section

Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners

In fiscal 2019, we trialed in three locations a remote support initiative for information on construction with the Confederation of Partner Companies (partner subcontractors), to improve productivity at sites. We have also launched digital construction projects. A total of 11 projects involving automation are to be implemented by fiscal 2021 in our plants, of which five (including concentrated welding lines for pillars and processing of surface elements) have already started. In terms of quality assurance, we are developing voice interactive inspection equipment. For human resources development, under the Certification System for Skilled Engineers and Technicians, 1,547 site workers and 116 plant workers of partner subcontractors are certified as excellent or senior technicians, with financial support provided for their wages. We have also constructed systems allowing employees to directly make suggestions about their work environments, in addition to the existing partner questionnaire surveys at plants and whistleblowing system for our partners.

Through these efforts, we have made scheduled holidays known to all plants and construction sites, and as a result, we largely achieved our KGI target for site and plant annual holidays in fiscal 2019. In fiscal 2020, we will verify and adopt technologies, such as ICT and the IoT, and raise the skills and motivation of employees of our partners, to improve productivity by ensuring quality and reducing working hours.

Number of days off per annum



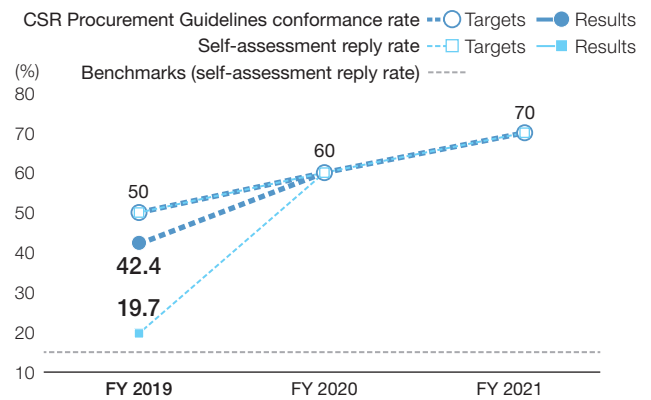
* Results are currently unavailable regarding our target of 88 days off for construction sites during fiscal 2019. For our target of 77 days off in fiscal 2018, 93% of business partners took said number of days off (from the Questionnaire survey 2019).

Issue 8: Promote and improve the efficiency of CSR procurement across the Group

In fiscal 2019, steps were taken to make our CSR Procurement Guidelines known among our business partners and share our thinking. An Ethics Card for Partner Employees was prepared and distributed as a tool for repeated learning of the key points for responsible behavior. Letters of consent to the CSR Procurement Guidelines were once again collected following the institution of the guidelines in fiscal 2015, reaching 52.2% in submission rate (2,910 out of 5,574 companies). Online self-assessments were also implemented as a way to confirm how far our partners are engaged in initiatives and building systems for CSR procurement.

The fiscal 2019 results of KGI for the CSR Procurement Guidelines conformance rate and for the self-check reply rate were 42.4% and 19.7%, respectively, both falling below the targets. This was due to the self-assessment being held for the second time, and the low level of recognition. In addition, compared to suppliers in the upstream part of the supply chain, many of the downstream partner subcontractors tend to be smaller-scale companies, which struggle to meet the standards for the path that we believe ought to be taken. Our intention is to continue dialogs with our business partners in order to promote CSR procurement.

Group CSR procurement



Enforce safety/security at construction sites

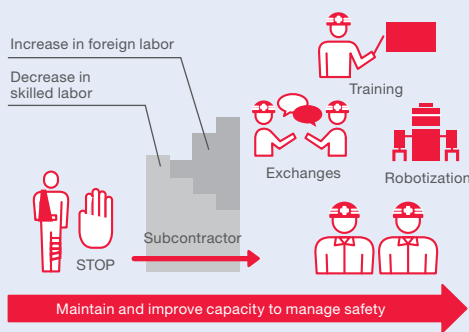
Basic Policy and Concept

Business at the Daiwa House Group is done with the cooperation of many business partners from across our supply chains. Co-creation with our business partners has always been important to us, as shown by our policy to “grow and develop together with our business partners,” which is enshrined in our Employees’ Charter. The majority of our business partners and employees are construction companies that work at plants or on sites. Betterment of safety, health, and working conditions based on respect for human rights is a universal theme. The Daiwa House Group believes that providing job environments where diverse human resources can work with peace of mind helps our business partners secure and retain human resources, and leads to maintaining and strengthening our technology and manufacturing base.

Japan’s shrinking workforce due to its low birth rate and aging population are mirrored in the aging of skilled builders and the increase in the number of foreign workers at construction sites. Building safety management systems that address these issues is increasingly important.

Technologies that help secure safety and peace of mind in construction sites are evolving, through reducing workloads, streamlining tasks, and robotizing dangerous work. Meanwhile, there remain many areas of work with processes reliant on manpower. The challenge we face is to build a pleasant working environment for women, elderly workers, and foreign workers, who will play important roles at construction sites in the future.

With this situation in mind, the Daiwa House Group is working with its business partners to develop and adopt ICT while strengthening safety and health systems to reassure people working on our sites, to achieve the priority issue “Enforce safety/security at construction sites” stated in our Social Medium-Term Plan (ESP 2021).



Related page P098 Work style reform for employees

Management

General management of safety and health by the Board of Directors

We have appointed the Executive Vice President 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 Managing Executive Officer and the Executive Officer are in charge of General Safety Management. In total, five Executive Officers overseeing single-family houses, apartments, 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 each branch 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 each branch are clarified.

Dissemination concerning safety and health to employees

Our company has established health and safety management regulations. In addition to the interest of preventing industrial accidents 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 Council, 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.

We also appoint managers to promote labor safety and health in our 13 main Group companies, as well as hold committee meetings and workshops at each company.

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, Technology, 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 a Safety and Health Council.

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

Technology and manufacturing base

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Occupational Safety and Health Education (non-consolidated)

Asbestos-related e-learning	4 seminars 137 attendees total
Safety management e-learning	11 seminars 4,378 attendees total

* Training relating to the health and safety standards is held at the 13 main Group companies, such as safety and health seminars or equipment training. (Total of 10,324 participants, training costs 4,512,550 yen)

Reinforcing safety, quality, and compliance in plants

Our partner subcontractors as primary subcontractors are permanently posted at our plants, to manufacture housing and construction products through assembling components and welding. 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 Daiwa House Industry's Risk Management Committee. They also share with business partners information about events that have 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, providing support and guidance using monitors to solve production issues and uniting the Head Office and production floors in efforts to manage risks.

It also makes arrangements to avoid too much overlap of construction activities by planning construction procedures and workloads, taking into account the problems (financial conditions, construction capacities, employee turnovers, etc.) identified through hearings and visits to construction subcontractors.

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 safety and health and other management systems.

Main approach

Risk assessments of construction site health and safety

In fiscal 2019, 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 2020

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 Compulsory wearing of fall prevention equipment (full harness with 2 hooks type) 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.

Related page P043 Adapting to climate change
—How to prevent heatstroke on construction sites

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

	FY 2017	FY 2018	FY 2019
Construction site accidents	35	39	31

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

	FY 2017	FY 2018	FY 2019
Frequency rate	0.21	0.23	0.19

"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 (non-consolidated)

	FY 2017	FY 2018	FY 2019
Incidents	2	2	2

Third parties' examination and evaluation of employees' health and safety

Daiwa House Industry is not certified with OHSAS 18001, but the Health and Safety Committee is held at least once a month at each branch to communicate and share information on safety and health.

Also, full-time industrial physicians are stationed at both the Head Office and the Tokyo Head Office, each of which has over 1,000 employees.

Five out of nine Daiwa House Industry's plants have been certified with OHSMS (Occupational Health and Safety Management System) while safety audits are conducted at those uncertified according to the OHSMS standards.

Employees' industrial accidents and response to major accidents

Three industrial accidents took place at construction sites and plants in fiscal 2019, none of which was fatal. There was one fatality among the industrial accidents that occurred in the thirteen main Group companies.

In addition, major disasters and accidents (such as fatal accidents caused by the fall of a crane, pile driver, etc.), should they happen, are investigated for causes, with preventive measures communicated and implemented through special patrols.

Improve productivity in manufacturing operations with the cooperation of business partners

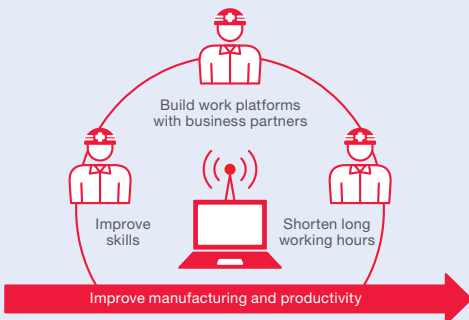
Basic Policy and Concept

The Daiwa House Group provides people with buildings that give a sense of safety and peace of mind as a “Group that co-creates value for individuals, communities and people’s lifestyles.” 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). The Daiwa House Group has pursued the Industrialization of Construction that achieves better and stable quality of buildings, lower costs, shorter construction periods, and environmental friendliness. Working together with our partners, we have built up our technology and manufacturing base.

Labor shortages in the construction industry have become acute due to Japan’s dwindling population. As the construction workforce is aging far more rapidly than other industries, vast numbers of workers are projected to retire by 2030. Shortages of skilled builders and engineers who oversee construction sites are already becoming prominent.

The Daiwa House Group is a general contractor engaged in construction of major buildings and is also a housing manufacturer that produces construction materials in its plants. Guided by the Industrialization of Construction, we have improved plant productivity to save labor at building sites. As an example, we started research into Building Information Modeling (BIM) in fiscal 2006, and then established a specialized department in fiscal 2017. With these and other efforts, we are revolutionizing manufacturing for the entire supply chain utilizing ICT and the IoT. The Daiwa House Confederation of Partner Companies, which is made up of partner subcontractors, has been active in improving technology through its subcommittees. Meanwhile, shortages of skilled builders among our partners and the handing down of these skills to younger workers remain serious challenges.

In the three years up to fiscal 2021, we will continue to increase productivity in our manufacturing, based on the use of ICT and the IoT in collaboration with our partners upon ensuring quality. In response to frequent requests from partner employees to ensure they receive days off, we aim to provide higher salaries, more days off, and accommodation of their wishes. Such efforts cement relationships of trust with our partners and improve our technological capabilities, helping to establish a technology and manufacturing base that can cope with the changing times.



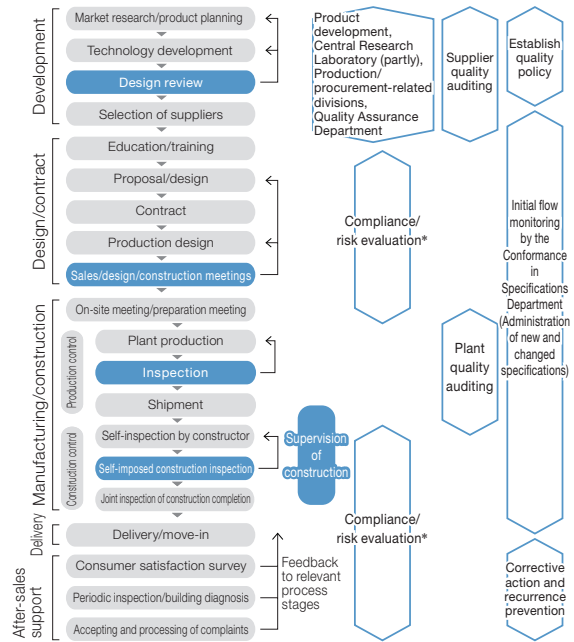
Management

Quality Assurance System

Following the noncompliance with building standards that occurred in 2019, Daiwa House Industry established the Legal Compliance and Quality Assurance Division to build a legal compliance system that will ensure employees’ legal compliance and appropriate execution of duties. With this division in place for noncompliance risk mitigation, we seek a management system for providing high-quality products as a priority managerial issue.

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, with a quality policy defined based on feedback from recurrence prevention activities and various processes. The General Manager of the Production Development Department is responsible for communicating technical information on products under development, while the construction supervisor is responsible for confirming that the building is built according to the design drawings. 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).

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

Daiwa House Industry has created a Conformance in Specifications Department to prevent the reoccurrence of noncompliance like the cases that occurred since 2014 in on-site construction, factories, production and purchasing and product development. However,

Technology and manufacturing base

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

the fourth noncompliance (prior to the establishment of the Conformance in Specifications Department) was found in 2019, leading to the rebuilding of the system for supervising design and construction work in our Head Office. To further strengthen our legal compliance system, we established the Legal Compliance and Quality Assurance Division reporting directly to the president on August 1, 2019. The Conformance in Specifications Department also belongs to said division.

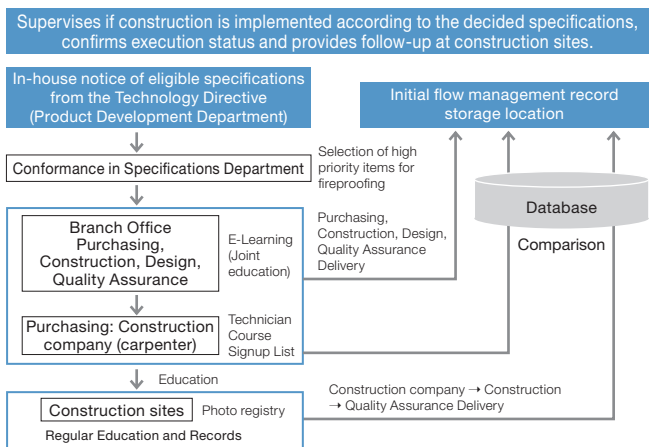
For the design, production and construction of single-family houses and apartments, the Conformance in Specifications Department manages the technical information related to new and changed specifications that will directly impact the safety and peace of mind of customers, especially those for fireproofing and structural performance, and conveys necessary information to related departments so as to limit the reoccurrence of nonconformity. In particular, regarding important items for fireproofing and structural performance, we educate our staff on whether information has been reliably conveyed in response to changes in situations such as improvements and revisions and new product development, etc. and the system records if construction has been carried out properly as an initial flow management.

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 departments. Furthermore, the Head Office appoints a person from its Technology Division 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 regarding items that guarantee customer comfort, such as sound insulation and thermal efficiency, and also supervises the process to ensure its proper implementation.

We use a drawing generation system (D-SPEC) 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.

Properties are examined both on drawings and on site, and the information gained through the examination is shared among the relevant divisions of the Head Office to prevent nonconformity of business premises.

■ Overview of initial flow management



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 for the assurance of product and service quality and safety.

Local procurement

Ever since our founding, we have grown in concert with our partner subcontractors under a spirit of "co-existence and coprosperity." In 1986, we launched the "Confederation of Partner Companies" (CPC) to help our partner subcontractors improve their practical skills and for both sides to learn from each other and build friendly relations.

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.

Member organizations in our supply chains

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

I The Confederation of Partner Companies (4,633 companies)

The Confederation of Partner Companies, consisting of 86 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 share ideas and knowledge through the information site "WEB Ren" to ensure smooth communication and collaboration.

I The Trillion Club (242 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 these categories of promotional activities.

I The Setsuwa Club (164 companies)

Composed of housing equipment manufacturers and sales companies we have had dealings with, the Setsuwa Club has enhanced cooperation and collaboration by product and technology exhibitions and various other activities. The Club has four branches in the Kansai, Kanto, Chubu and Kyushu regions.

Related page P033 Supply Chain Management (Environment)

Communications with the Confederation of Partner Companies

The Confederation of Partner Companies, a membership

organization of construction subcontractors and manufacturing business partners, consists of regional confederations (comprising each branch and manufacturing partners), prefectural confederations (comprising representatives from each prefecture) and the confederation headquarters. Construction representatives, branch managers, plant managers and directors of Daiwa House Industry closely communicate with one another through each organization's meetings to share knowledge and information on safety, product quality, technological skills, work efficiency, engaging with environmental issues, human resource development, etc., thereby coming up with improvement plans.

Amenities and building codes that make it easier for business partners 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.

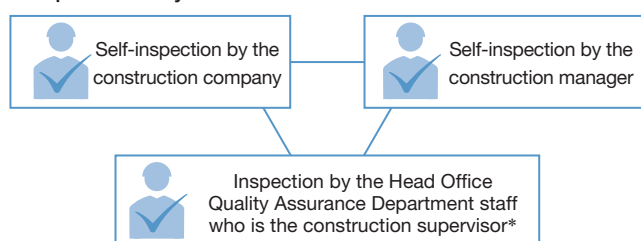
Main approach

Impact assessment on product safety

I Housing (single-family house and apartment businesses)

Japan has rigorous standards for building safety to protect building owners and residents (consumers), based on the Building Standards Act. Having ensured compliance with the Building Standards Act, we add to legally required inspections both construction quality self-inspections carried out by the construction company and construction manager with the goal of achieving zero accidents, and 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 staff: As part of the physical

inspection—an essential part of a completion inspection—this inspection is conducted by focusing additionally on one particular process. The Quality Assurance Department staff also reviews all quality records. As construction supervisor, the staff member also verifies the drawings, monitors the legal status of approval and authorization, and monitors the design process through in-process inspections. Training sessions are regularly held for the Quality Assurance Department staff to improve their skills.

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 with the aim of ensuring zero accidents.

Providing product information

Daiwa House Industry provides documents related to product information at the time of building handover. For single-family houses, for example, we provide the customer with a "Lifestyle Guidebook" that contains building maintenance information. For customers that request, we also disclose our voluntary performance evaluation certificate based on the "Japanese housing performance labeling standards." For condominiums, along with providing the key at the handover we also give the customer an "Instruction manual relating to the use of the building and facilities" as well as a document for "Support after moving in" and "D's File," which is a document that shows the history of the residence.

Support for issues faced by partner subcontractors

I 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 business partners. We also provide our business partners financial support to train fresh recruits in specialized skills.

In the same way, the Certification System for Skilled Engineers and Technicians certifies engineers and technicians with outstanding skills to strengthen the on-site construction system, improve the production systems of plant business partners and enhance their quality, and to further motivate business partners and technicians.

As for housing construction, a total of 2,067 technicians at 50 locations are provided with educational programs on "construction chief technicians" and "full-time supervisors" with guidance and training provided in each area through quality patrols.

In addition, the following programs are in place at each plant to develop and improve the skills by qualified technicians:

- ① Skill-specific training by qualified technicians
- ② Skill competition (as a qualifying session for our national competition)
- ③ Certification of national competition winners as "excellent technicians" and "senior technicians" (Those who are certified guide and instruct junior technicians to help them improve their skills.)

I Career advancement in the construction industry

The "Construction CareerUp System" is designed to reserve

technicians' qualifications and work experiences and fairly evaluate their skills, which leads to improved work conditions. It also improves the construction industry's recruiting environment with benefits package information (social insurance subscriptions, etc.) consolidated.

Daiwa House Industry participated in this system in April 2019, which is supported by the Ministry of Land, Infrastructure, Transport and Tourism as part of work style reforms. We were among the first to study the system, and decided on companywide introduction in October 2019. Face recognition systems have been also introduced in April 2020, with which the access histories of builders to construction sites are controlled and stored. The resulting data will be used in evaluating technicians and confirming their qualifications.

Support for issues faced by plant business partners

**I Passing on skills and employee retention
[Nationwide building skills contest]**

At Daiwa House Industry, we have teamed up with our plant business partners 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. In fiscal 2019, we held nine events for five skills: welding skills, "skill challenge" and "open" categories, woodworking and exteriors, forklift operation, painting skills in housing and construction categories, and crane operation. The contest was held from November 26 to 27, 2019 at our Nara Plant (Nara City, Nara Prefecture) with about 112 participants including contestants from our plant business partners 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.

[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 "4M1I Management"* and issues they are having, and they discussed possible solutions and the recent issue of risk management. The purpose was to improve their motivation and make them conscious of participating in management as supervisors, as well as enhancing risk management skills, by honing their floor management abilities and teaching them ways to develop subordinates and demonstrate leadership. In fiscal 2019, 49 supervisors from across Japan (29 trainees and 20 staff) from West Japan took part. Because of the interacting they do with supervisors from other plants, the participants discover a lot of new things about safety, quality, developing subordinates, risk management, and more.

The training in East Japan scheduled in March has been delayed due to the novel COVID-19.

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



Building skills contest



Supervisor training

Issue 8

Promote and improve the efficiency of CSR procurement across the Group

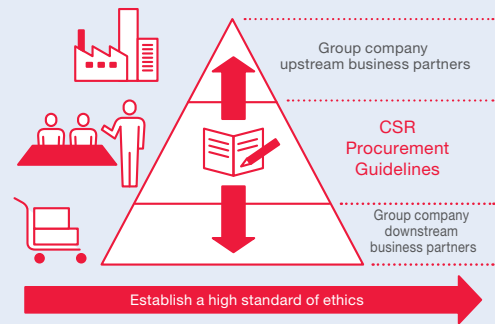
Basic Policy and Concept

At 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.

Demands from institutional investors and NGOs regarding corporate environmental and social initiatives have expanded from the non-consolidated to consolidated (Group) level, and as far as supply chain management. International rules and securities exchange guidelines also require Group CSR procurement efforts and enhanced information disclosure. We are entering an age where competitive superiority can be gained by satisfying social requirements, including human rights considerations, while at the same time offering good quality/pricing.

The Daiwa House Group strives to comply with the "Regulations for Construction Work Contracting" of the Construction Industry Act and to conclude fair contracts. We also transact business with business partners who are protected under the subcontracting law in the full spirit of the law. Through the use of ICT and other technologies, we are building management systems for reliable and effective CSR procurement.

As our business rapidly expands internationally, the Daiwa House Group works to achieve a sustainable society through promoting CSR procurement with its business partners.



Related page Our Group official website
CSR Guidelines
https://www.daiwahouse.com/English/sustainable/csr/vision/social_contributions/index.html

Our Group official website
CSR Procurement Guidelines (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

Management

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 places 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 industrial accidents, attentively managing sanitation and hygiene, and preparing for unforeseeable events like natural disasters. “Fair business activities” aims to keep business operations free of graft and to prevent corruption. 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, etc.

The Partners Book, which is in line with the “Business Partner Code of Conduct” and the “Corporate Activity Guidelines” is provided to all employees of business partners for educational and training purposes. 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 timber 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.

Related page Our Group official website
 CSR Procurement Guidelines (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

■ CSR Procurement Guidelines

- | |
|--|
| (1) Business Partner Code of Conduct
Seven principles concerning social & environmental responsibility
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 |
| (2) Corporate Activity Guidelines
Twenty specific requirements concerning social & environmental responsibility |
| (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 guidelines below:
1) Chemical Substance Management Guidelines [Basics]
2) Biodiversity Guidelines [Timber Procurement] |

Related page P033 Supply Chain Management (Environment)

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. These guidelines clearly prohibit the recent social issues of 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.

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 [Basics]” (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.

At the same time, every year since fiscal 2011, we have audited timber suppliers as per our “Biodiversity Guideline” [Timber Procurement]. These audits determine if the Group is procuring timber logged in a way that illegally violates the rights of indigenous people. They are required to verify the legality and sustainability of timber 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 compliance with our “CSR Procurement Guidelines” by having our business partners conduct self-assessments. In fiscal 2019, there were no reports of human rights infringements prohibited in our CSR Procurement Guidelines.

■ 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 procurement of timber 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
September 2019	Management	Collection of letters of consent for the CSR Procurement Guidelines (Second collection)
September 2019	Management	Ethics Cards for Partner Employees are distributed to all business partners

Related page P033 Increasing suppliers’ awareness of our environmental policy
 P049 Preserving biodiversity in our procurement and business activities
 P074 Assessment of business partners human rights risks

Encouraging business partners in CSR procurement

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.

We seek out, identify, and improve behavior of our Group employees that can be interpreted as ethical and compliance problems, and also problems among our 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 maintain collaboration with order placement personnel at each branch, and promote responsible procurement across the Group.

This subcommittee shares environmental and social issues related to procurement, audits procurement practices of the entire Group, and implements measures for solving CSR procurement-related issues.

In particular, we have stopped procurement of timber construction materials involving high risks such as large-scale deforestation and human rights, sourcing their sustainable counterparts from other countries.

Related page P033 Supply Chain Management (Environment)
 P115 Member organizations in our supply chains

Cooperating with trailblazing organizations in CSR procurement

I Global Compact Network Japan (GCNJ) Taking part in the Supply Chain Subcommittee

In April 2018, Daiwa House Industry announced its participation in the UN Global Compact (UNGC), a universal principle advocated by the UN on human rights, labor, the environment and corruption prevention.

We are also member to the GCNJ Supply Chain Subcommittee consisting of UNGC member companies, and the SDGs Subcommittee. These subcommittees feature case studies and lectures by experts on recent CSR trends, with CSR promotion measures developed for various companies based on member companies’ experience in wide-ranging industries.

Knowledge obtained from the subcommittee is reflected in the Daiwa House Group’s CSR programs.

I Registering with EcoVadis

Daiwa House Industry registered with EcoVadis from fiscal 2019 as a supplier and started to disclose required information. In the fiscal 2019 evaluation, we gained a Gold rating.

Related page P171 Company receives top Gold EcoVadis sustainability rating

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 partners, 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, their environmental measures, and customer services and employee training programs. We only conduct business with suppliers who clear a certain level of evaluation. After commencing business with them, we use the same approach for follow-up assessments.

In selecting new partner 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 partner 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.

Main approach

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 have a letter of consent submitted 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. We regularly ask business partners from which we have obtained a letter of consent to conduct self-assessments based on our “CSR Procurement Guidelines” so that we can confirm that the guidelines are being followed.

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.

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. 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.

I Monitoring business partners for ESG issues

We had our business partners conduct self-assessments in December 2019 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 timber, etc., we conduct a CSR procurement of timber 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” (5,577 businesses)

· Companies that replied: 1,096 (19.6% response rate)

Related page P034 Monitoring of supply chain
P034 Supplier reports and status monitoring

I Complying with timber construction material procurement standards for Tokyo Olympic and Paralympic facilities

Daiwa House Industry is a Tokyo 2020 Official Partner (facility construction and housing development). In constructing Olympic/Paralympic-related facilities, therefore, we selectively procure timber construction materials* meeting the “sustainable timber construction material procurement standards” set by the Olympic/Paralympic Organizing Committee.

* Including those procured by subcontractors

I CSR procurement of timber survey

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

In March 2016, we revised our timber procurement assessment 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 assessment. Assessment results in fiscal 2019 are shown below.

■ Assessment results of used timber

	FY 2018	FY 2019
Rank S	94.9%	94.3%
Rank A	1.9%	3.9%
Rank B	1.1%	1.2%
Rank C	2.1%	0.6%

Related page P047 Harmony with the Natural Environment (Preservation of Biodiversity)

Action taken with suppliers with marked ESG risks

In fiscal 2019, via the company’s own checking and monitoring system or via the various whistle-blowing systems it operates, it received no reports of human rights abuses that violate the company’s 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, 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.

While four partners were found to be procuring 50 cubic meters or more of C-ranked timber annually in the fiscal 2017 CSR procurement of timber survey, they all submitted improvement plans and implemented corrective measures. As a result, two of them eliminated C-ranked timber procurement in fiscal 2018 and the rest in fiscal 2019.

Related page P049 Conducting procurement of timber survey at our suppliers
P062 Expanding Implementation of the Chemical Substance Management Guidelines

Action taken with suppliers 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 branch. 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 each branch.

Response to rights of indigenous people

As we procure timber from all over the world, we have established CSR Procurement Guidelines – Biodiversity Guidelines [Timber Procurement] as our policy in order to avoid complicity in biodiversity destruction or human rights violations. In accordance with these Guidelines, we conduct a CSR procurement of timber survey annually, to check if no timber is procured from areas categorized as “high risk areas (tree species)” with high possibility of violating the rights of indigenous people. In cases where 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.

Related page P049 Preserving biodiversity in our procurement and business activities

4 Customer base

Solid long-lasting relations with customers

A Road Map to Achieving Endless Social Program 2021

Priority issues

FY 2019 results

FY 2021 targets

Issue 9: Upgrade corporate communications

Establish, maintain and enhance a corporate brand that goes beyond “name recognition” to send a consistent unified message that is tightly coordinated with our founder’s spirit, the values espoused in our Corporate Creed and our management vision.

Interbrand

Japan’s Best Domestic Brand/ Brand monetary value

700 million USD

1 billion USD

Nikkei Corporate Perception Survey

① Favorability (Individuals)

44.1%

70%

② First-class evaluation (business people)

71.7%

90%

Issue 10: Promote customer support to maintain long-term relationships

Improve customer satisfaction services in order to prepare for the growing shift in the business environment from new construction to housing stock business and from new customer development to sales by referral.

Build an information system in addition to training and deploying appropriate human resources, in order to make proposals that are appropriate to the lifecycle stage and household changes of owners.

Order rate using our customer base

37.4%

70%

* Housing: Percentage of sales by referral (Departments in charge will implement strategies in coordination with related departments to attain targets.)

Policy and Concept

I Megatrends that Impact Bases

- Declining number of housing starts and rising rate of unoccupied houses
- Shifting of workforce core to Millennials and members of Gen Z
- Changes in housing demand
- Changes in consumption behavior

I Social issues and Megatrends

Against the backdrop of the declining birth rate and aging population in Japan, the decline in the number of new housing starts, and conversely, the increase in unoccupied houses, are emerging as social issues. From the perspective of disaster and crime prevention needs that come with the rise in unoccupied houses, this issue runs the risk of lowering values in the regional community.

On the other hand, today we are in a period of increasing single-person households, and the younger generations, the so-called millennials and Generation Z, are purchasing their own

homes. This portends a mainstreaming of purchasing behavior based on a sense of values that differs from the conventional dream of “your own home.”

What we can also anticipate is that rather than an uncompromising demand for a newly constructed house, there will be rising sentiment of existing homes being an acceptable alternative. In addition, becoming more apparent is that share houses and living somewhere other than a principal residence are among the changes in the ways that customers hope to live.

Moreover, in light of this being an age in which customers can obtain information for themselves via the Internet, conducting ever more in-depth communication and earning relationships of trust with customers is the key to “being chosen” by customers.

I Risks and opportunities for the Daiwa House Group and its responses

As the number of new housing starts in Japan is in decline, the future holds risks that may arise in the form of difficulties when offering housing proposals.

In response, we will strengthen corporate communications so that even those customers without a strong interest in the Daiwa

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment/ Data Section

[Policy] Build long-term relations with customers and establish corporate brands that bring in new customers

Contribution to SDGs



House Group can be made more aware of the Company, and in so doing we will pave the way to capturing their future business.

In another area, the capabilities we have long cultivated in conveying information and problem solving will serve us well when it comes to responding to changes in demand of the times. By leveraging these strengths, we can adapt with flexibility to upcoming variations in demand. This will lead to the creation of new business opportunities.

The founder Ishibashi exercised management with an

emphasis on being a “Daiwa House that is loved.” Based on this stance, in the early 2000s we established the CS Promotion Department, making concerted efforts to build better relationships with customers. It was through initiatives such as this that we have further strengthened relationships of trust over the long term, and this will lead to providing proposals tailored to customer lifecycles and the utilization of unoccupied houses that have become a social issue.

Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 9: Upgrade corporate communications

Concerning the problem of off-specification components in and remedial work on Daiwa House single-family houses and apartments in fiscal 2019, we investigated the cause and overhauled governance, and then presented an explanation to our customers and all stakeholders. Top management took the lead throughout this process, and worked to share the Daiwa House Group’s corporate philosophy as symbolized by “Endless Heart.”

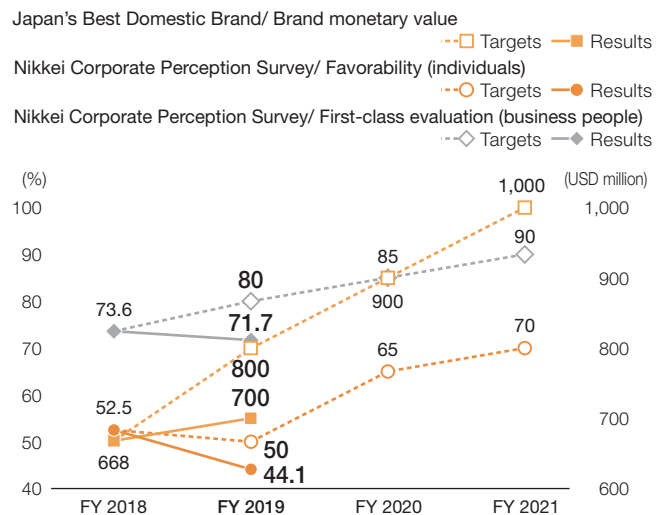
In terms of advertising and promotional activities, we have defined our basic policy of “redevelopment,” and striving to restore the trust from all of our stakeholders, we pressed forward on communications that put a spotlight on the products and technologies that will become solutions for societal issues. In addition, we have concentrated support on the Livness business that embodies the value of a new lifestyle, and have made great endeavors to strengthen our customer base.

In addition, we engage in cherry tree preservation activities on the slopes of Mt. Yoshino in Nara Prefecture, the region where our founder was born and raised. We have positioned this “Daiwa Sakura Aid” as an activity that brings our corporate philosophy to life. By increasing opportunities to interact with our stakeholders, we strove to demonstrate the Company’s corporate stance to society.

The results of three brand surveys that are key goal indicators (KGI) showed that our image in fiscal 2019 stayed even or deteriorated from the previous year. In fiscal 2020, together with

an ongoing overhaul of governance, we will work to spread our corporate philosophy so as to foster among customers the idea that the behavior of each and every employee represents the Daiwa House Group brand.

Brand Value, Perception Survey Results



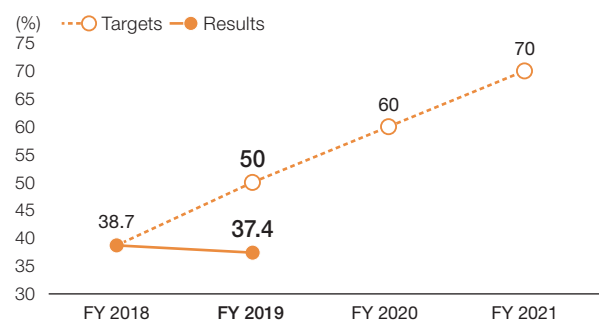
Issue 10: Promote customer support to maintain long-term relationships

In fiscal 2019, we received numerous requests and expectations from customers on account of the aforementioned off-specification component problem, as well as with issues such as the major Typhoon Hagibis, the 19th named typhoon of the year. With regard to the off-specification components, we apologized to customers, provided an explanation and pressed ahead with corrective action on relevant properties. To deal with the typhoon damage, we visited the owners of homes that had been hit by the disaster, and are moving forward on inspections. While taking these customer satisfaction (CS) initiatives, we also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we built a framework that made it easy for customers to contact the Company.

The fiscal 2019 result of the order rate (percentage of sales by referral) using our customer base, a KGI, was a decline to 37.4%. This marked a failure to attain our goal. In fiscal 2020, as regular inspections and impromptu visits are postponed in order to prevent the spread of novel COVID-19 infections, this elicits the question of

what new form of relationship will we have with customers. We will continue to endeavor at nurturing long-term relationships, and will go forward while taking appropriate measures during emergencies.

Order rate using our customer base



Issue 9

Upgrade corporate communications

Basic Policy and Concept

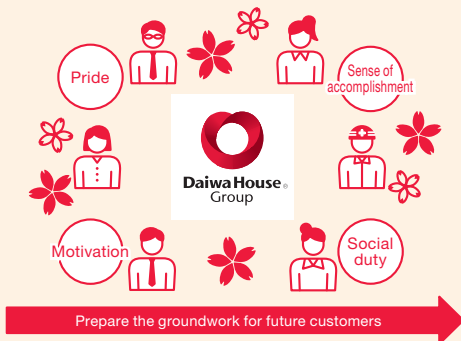
We will continue to take the stance of “Co-creating a Brighter Future,” which means solidarity with society through our business, and also with people, through our products and services. This demonstrates our understanding of how critical it is to deal sincerely with society.

In terms of our management strategy, corporate communication is becoming ever greater in importance. In addition to society’s rising expectations for companies, the spread of SNS and other means to convey information have emerged as common ways for consumers to discuss a company’s reputation. Realizing sustainable management will require two-way communication with all manner of stakeholders, as a member of society. It will be vital to listen to their voices and sustain trust.

The Daiwa House Group introduced the “Endless Heart” group symbol in April 2005, marking the 50th anniversary of its founding. Moreover, together with formulating the Employees’ Charter, the Company made “Connecting Hearts,” its new management vision shared throughout the Group. Corporate communications will raise awareness of Endless Heart among consumers, and in addition to deepening relationships as customers or employees, this has led to a sweeping trend tied to bolstering both our customer base and financial base.

In the three years until fiscal 2021, we will emphasize the sharing and entrenchment of the corporate brand among employees, instilling the corporate philosophy throughout the Company, taking into account the characteristics of Daiwa House Group business conditions. Specifically, that is “employees who communicate directly with consumers or customers.” Endless Heart symbolizes the importance of the endless emotional connections with each and every customer, and so as to share joy throughout a lifetime, we conduct dynamic communications with all of our stakeholders which together with responding to the expectations and requests from society, in line with the spirit of greater harmony* as we aim to realize a sustainable society.

* Greater harmony: A term coined to infer “conducting management with greater harmony,” which reflects the meaning of the Company’s name.



Related page P035 Eco Communication

Management

Operational management of the “Endless Heart” group symbol

The corporate brand symbol “Endless Heart” represents a point of interaction with Daiwa House Group stakeholders in a wide variety of businesses, and is a symbol of the “Proof of Reliability” the Daiwa House Group promises to society through architecture, whether it be in a social or lifestyle situation, or where we conduct advertising communications activities. To ensure that this symbol is treated correctly and properly, the parent company, Daiwa House Industry Co., Ltd., individually enters into a basic contract with each Group company, and through preparation for and strict adherence to operational rules and guidelines (basic manual), we strive for communication management that leads to a uniform Group image and a higher degree of favorability. In addition, with an eye toward mitigating risks associated with intellectual property, we are thorough in our registration of trademarks, and in response to the quickening pace of globalization in business, we have pressed forward on making applications in countries around the world (92 countries) and registrations (85 countries). Concerning trademark infringements (copies), as a preventive measure, we endeavor to keep a regular lookout at each country’s patent agency database.

Main approach

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 page Our Group official website Daiwa Sakura Aid <https://www.daiwahouse.com/English/sustainable/social/contribution/sakura/>

[About Daiwa Sakura Aid]

Through performance and experience of traditional Japanese instruments and the planting of trees in the Sakura Project, we can protect and pass on the history, culture, tradition and lifestyle related to cherry trees and the cherry trees themselves through the spirit of “Creating Dreams, Building Hearts” using the keyword of “cherry trees” which is the symbol of “Japanese spirit.”

I Preserving the cherry trees on Mt. Yoshino

In fiscal 2019, a total of 163 Group employees and their families participated in activities six times, picking up sakuranbo (cherry seeds) and planting trees. At the cherry tree orchard managed jointly by the Company and the Yoshinoyama Hoshokai, in February we planted approximately 3,000 seeds, and in May, confirmed 237 sprouts. Following five years of growth, the cherry tree saplings will be transplanted to Mt. Yoshino.

In addition, we conducted soil improvement efforts that continued to focus on enhancing the growing environment for cherry trees at Taikohanamizuka, based on the guidance of soil environment specialists. In recognition of these activities, we

were honored with the 39th Green City Award “Minister of Land, Infrastructure, Transport and Tourism Award (Green Citizens’ Cooperation Section)” in November 2019.



Landscape of Mt. Yoshino viewed from Nakasembon



Planting cherry tree seeds

Related page P172 Awarded 39th MLIT Green City Award (green citizen collaboration category)

I Sakura 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.

A total of 5,872 children participated at 18 locations in fiscal 2019, and planted 42 cherry trees. Until now a total of 89,182 children have participated at 302 locations to plant 734 cherry trees. The Sakura Project was undertaken on February 13, 2020 at Iwaki Elementary School in Fukushima Prefecture, marking the 300th occasion it has been implemented.



Cherry tree planting at Iwaki Elementary School, the 300th such occasion.

In addition, the Company has carried out regular inspections of young trees continuously planted since the implementation of the project in fiscal 2015 (visits of planting workmen based on the response to the questionnaire survey). According to the regular inspections carried out in fiscal 2019, all cherry trees planted by 86.8% (up 2.2% from fiscal 2018) of schools responding to the questionnaire survey have grown healthily, while 13.2% of respondents reported that cherry trees had died, or were withering to some extent. Planting workmen visited those schools and replaced the trees or added fertilizer, improving the soil and taking other efforts to better the environment for cherry tree growth.

The Company will keep an eye on the growth of the cherry trees as well as the growth of the children, and is improving the system that builds bonds with the next generation.

■ Result of Regular Inspections in Music and Planting Project

Fiscal year	2017		2018		2019	
	Locations	%	Locations	%	Locations	%
Inspections	153	—	130	—	106	—
Replies (%)	136	88.9	130	100	106	100
Replies that trees were doing fine	(103)	75.7	(110)	(84.6)	(92)	(86.8)
Replies that trees needed attention	(33)	(24.3)	(20)	(15.4)	(14)	(13.2)

I 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 2019, concerts were held in 16 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 816,800 yen. We also conducted a donation drive for cherry trees on-site on Mt. Yoshino this spring, and received donations of 905,299 yen from 2,196 people over a five-day period. During the donation drive, we provided a collection of photos that we publish every year entitled “Sakura,” and also a small booklet, “Hito Hira,” so as to spur interest by as many people as possible in the importance of cherry trees and conservation, and to convey the story of the iconic tree throughout Japan.



Donation drive on Mt. Yoshino



Pamphlets that introduce the beauty of cherry blossoms all throughout Japan Photo collection “Sakura”

I 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.

The Daiwa House Group allots part of the profits earned from vending machines installed in our branch offices, worksites, plants and construction sites to the cherry tree preservation activity, and donated 2,022,816 yen to that activity in fiscal 2019. Furthermore, Group companies work as one to provide support through various means. Clothes collected at commercial facilities operated by Daiwa Lease Co., Ltd. are donated at five yen per kilogram. At Osaka Maru Building, one yen is donated for every guest room sold, and at Daiwa Resort Co., Ltd., one yen is donated for every cup of coffee, while the hotel “THE KASHIHARA” holds cherry blossom photo exhibits and makes calls for donations at its front desk.



Automatic vending machine with donation function installed in the Nara Plant



Photo exhibition at THE KASHIHARA

Issue 10

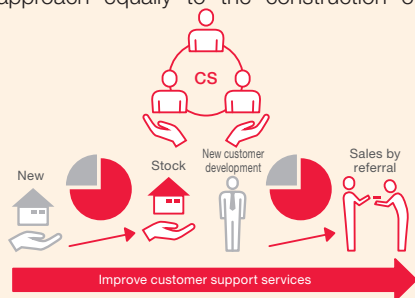
Promote customer support to maintain long-term relationships

Basic Policy and Concept

The Daiwa House Group's mission is to ensure that a building is maintained in excellent condition over a long period of time to sustain its value as an asset and enable people to use it across generations, and it promotes corporate activities while advocating its philosophy of being a company loved and trusted by customers. Particularly in Japan, as we look to develop our existing home business through utilization of unoccupied houses and renovations, we intend to further raise the importance of long-term relationships in line with the central role of the millennial generation among both customers and employees.

The Daiwa House Group instills, among all of its employees, its corporate approach of "being complete in small things," or in other words, putting one's fullest effort into the most ordinary of tasks, and we put this into practice for our customers. Moreover, we also go a step beyond "customer orientation" to "each individual orientation," this is 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.



Management

Systems for enhancing three qualities

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.

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.

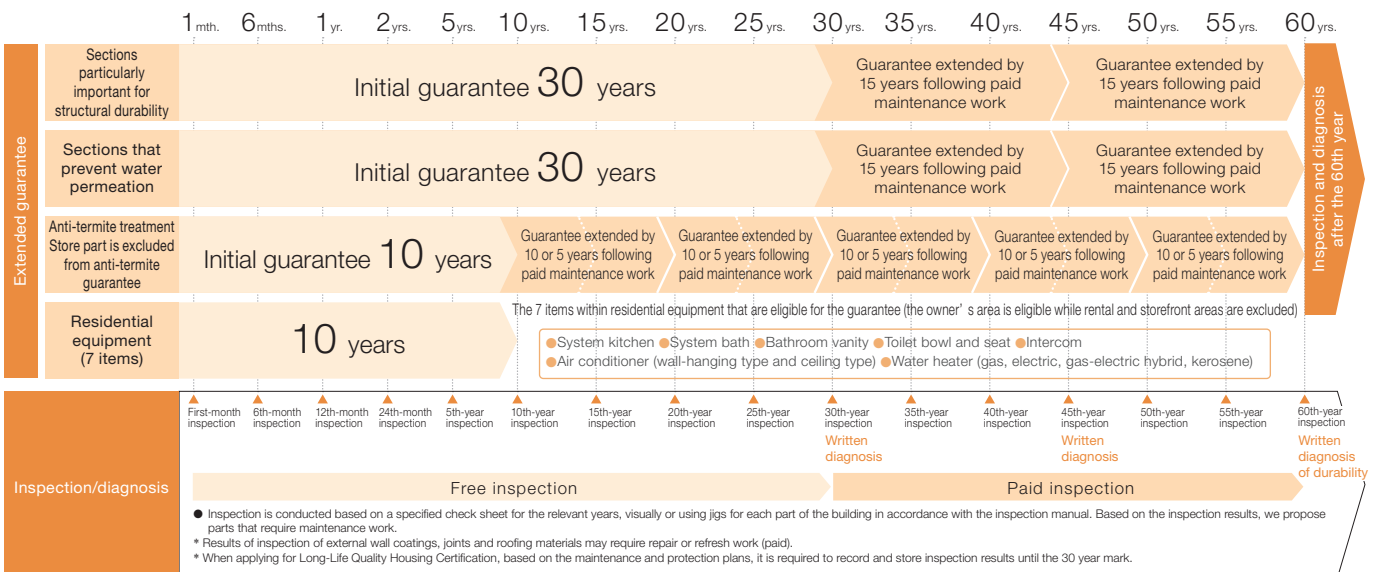
Long-term quality assurance

The Company has established a system for long-term guarantees and after-sales service tailored to the structure of buildings and circumstances of the customer. We offer initial guarantee periods of up to 30 years* for waterproof related structural parts of buildings, and also provide a regular building diagnostic 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 aftersales services is summarized by the CS Headquarters and fed back to each department, leading to improvement in product development and quality assurance.

* Depends on the products (the above applies to xevo Σ brand and GranWood products)

Single-family houses—steel-framed and wooden (one-story, two-story or three-story) * In the case of xevo Σ or GranWood related products



Inspection and diagnosis after the 60th year

After the 60th year, a durability inspection (test) is conducted, and a written durability diagnosis is prepared, according to the customer's wish. Items of maintenance work necessary for separate sections (for fees) and the maximum duration of guarantee are presented.

1. The initial guarantee period for "important parts for structural durability" and "parts that prevent the intrusion of rainwater" is 30 years starting from the day of handover insofar as the house is available to be inspected by Daiwa House Industry during the guarantee period. In principle, if the house cannot be inspected, the guarantee will be null from that moment on.
2. When the guarantee has expired, the guarantee can be extended only in the case that paid maintenance (hereinafter guarantee extension maintenance) was performed based on inspection and diagnosis. Furthermore, the guarantee for "important parts for structural durability" can be extended by 15 years if guarantee extension maintenance is performed on "parts that prevent the intrusion of rainwater."
3. If the guarantee is nullified, the guarantee may be restarted (re-guaranteed) if guarantee extension maintenance is performed. In this case, the inspection and diagnosis are not free. Depending on the time that the guarantee has been null, there may be cases where the guarantee may not be restarted (re-guaranteed).
4. In the case that the exterior walls are tiled or painted, there may be areas that need to be repaired over time found during inspections. Regarding those areas, necessary measures will be implemented for the exterior walls (exterior wall coverings and joints) based on the period (5 years) and specifications of the guarantee.
5. Damage to "important parts for the structural durability" and "parts that prevent the intrusion of rainwater" caused by the failure to implement guarantee extension maintenance will be exempt from the guarantee.
6. Even within the guarantee period, parts and materials used may be discontinued without notice. In that case, a substitute part will be provided.
7. Repairs and replacements are available for a free after the guarantee has expired.
8. The guarantee cannot be applied to damage from floods, earthquakes, landslides and other accidents such as fires and explosions, as well as expansion and repair work that do not involve Daiwa House Industry unless the above meet the specifications of the guarantee.
9. The details of the guarantee and inspection program are subject to change.

* The above guarantee details apply to new contracts starting from January 1, 2019.

Call Center communications

I 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 each branch, 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."



Main approach

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 questionnaire surveys 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.

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 questionnaire surveys after one month, one year, two years, and 10 years from taking up residence. We also conduct apartment questionnaire surveys after six months, and condominium questionnaire surveys three months, one year, and two years after taking up residence and general construction questionnaire surveys 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 questionnaire surveys, 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 apartment business and commercial facilities business, we ascertain long-term customer satisfaction with buildings after handover based upon communication that takes place at Owners Clubs.

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 "each individual orientation" 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 questionnaire surveys to ascertain how customers view our customer service, the results of which we use in personnel training.

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 apartments they manage, for example. Owners socialize with one another through organized trips and social 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	Apartments	Commercial facilities
Name	Daiwa Family Club	Daiwa House Owners Clubs	Owners Clubs
Total Membership	265,000 (As of February 29, 2020)	93 clubs in Japan 35,426	65 clubs in Japan 6,674
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 * Business consultations on opening commercial establishments for tenant companies held

5 Communication base

Appropriate multi-channel communication with stakeholders

A Road Map to Achieving Endless Social Program 2021

Priority issues	FY 2019 results	FY 2021 targets
<p>Issue 11: Integrate and upgrade financial and nonfinancial communications</p> <p>Integrate and upgrade financial (business) and nonfinancial (ESG) communications from top management, departments at corporate headquarters, branch offices and Group companies.</p> <p>Particularly for information disclosures, build an efficient system for disclosing nonfinancial information on a consolidated basis in consideration of the various reports and recipients, e.g., stock exchanges, etc.</p>	Establish a system and practices for financial and nonfinancial communications, and promote understanding that financial and nonfinancial communications system is fully integrated.	<p>Launch</p> <p>Build the system by the end of fiscal 2021.</p>

<p>Issue 12: Keep pace with rapidly evolving communication environments</p> <p>Keep pace with rapidly evolving ICT in terms of system hardware and employee literacy, by benchmarking against global companies of similar size. But, aggressively invest to gain a more advantageous position for what regards both business and ESG.</p> <p>With regard to system design for information management and improving the media-literacy of employees, balance opportunities with conventional risk management.</p>	Establish communications platforms to ready the workforce for the information age.	<p>Launch</p> <p>1 Build the means for sharing all sorts of information with stakeholders in Japan and abroad. (Have it up and running in FY 2019.)</p> <hr/> <p>Building the system</p> <p>2 Build the means for effectively using information within the company. (Have it up and running in FY 2020.)</p> <hr/> <p>Building the system</p> <p>3 Support introduction of the communications platform at our Group companies. (Have it up and running in FY 2020.)</p>
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Policy and Concept

Megatrends that Impact Bases

- Heightened interest in ESG issues among institutional investors and the rise of ESG activists
- Banks step up ESG financing
- Standardization of nonfinancial disclosure by stock exchanges and Financial Services Agency (FSA)
- Advent of society informed by Big Data
- Revolution in communications formats (due to advances in ICT)

Social issues and Megatrends

In recent years, communication with customers, shareholders, local-community members, and other stakeholders has become a priority for business amid interest mounts in ESG (environmental, social, and governance)-driven investing.

In the coming era, others will judge our business as highly likely to grow sustainably in the medium to long term as we highlight our solid, resilient business foundation—particularly in times of crises such as natural disasters, infectious disease outbreaks, and terrorism.

In addition to the financial disclosure we already provide,

we need to make stakeholders aware of our nonfinancial ESG activities. As stock exchanges and the FSA continue to formulate nonfinancial disclosure standards, institutional investors are looking for information to help them make investment decisions.

Further, as information and communications technology (ICT) develops, online communications with stakeholders is becoming increasingly sophisticated, particularly among global companies.

Risks and opportunities for the Daiwa House Group and its responses

Investors may view companies that fail to collect and provide adequate financial and non-financial information as risky investments. Missed communication opportunities may delay management decisions. We thus work hard to provide appropriate information and offer ample opportunities for dialogue.

Our founder Nobuo Ishibashi said that we are responsible to our shareholders first, creditors second, employees third, and society fourth. This attitude undergirds the Daiwa House Group's communication with stakeholders. Understanding that it is important to go beyond merely making information available, we are aware of our responsibility to our counterparties and strive to deliver consistent messages.

We want to be seen as suitable for ESG investment, in

[Policy] Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age

Contribution to SDGs



accordance with our founder’s spirit. To that end we are focused on integrating and upgrading our financial and nonfinancial communications.
Another pressing issue is to adopt the latest ICT to ensure we

are properly equipped for the information age. We are working both to develop systems and improve our employees’ IT literacy so we are able to choose change-adaptable means of communication as needed, as befits a massive organization.

Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 11: Integrate and upgrade financial and nonfinancial communications

In December 2019, we held small group meetings with institutional investors to enhance our ESG engagement with them. The CFO spoke about our integrated thinking-based business strategy. We also used the ESG dialogue platform sponsored by the Ministry of the Environment to hold dialogues and exchange opinions regarding ESG. To enhance our efforts in this area, we welcomed interviews (four times on the dialogue platform and nine other ESG dialogues).

We need internal systems for acquiring and organizing information to accommodate increasing consolidated nonfinancial disclosure requirements and a growing variety of report recipients such as stock exchanges. We will continue to hold ESG dialogues and disclose integrated financial and nonfinancial information in our securities reports. We will also boost our shareholder relations,

another aspect of ESG engagement. We will also work to improve understanding of the concepts of integrated thinking and integrated management among managers and executives, as well as deepen awareness of materiality (priority issues).

■ Financial and nonfinancial communications

FY 2019 results	FY 2020 targets	FY 2021 targets
Launch	Launch	Launch
Small ESG meeting and one-on-one interviews on December 16	Small ESG meeting and one-on-one interviews	

Issue 12: Keep pace with rapidly evolving communication environments

In fiscal 2019, we started revamping our information systems as part of our communications reform. We improved the responsiveness of our MyPortal intranet site for managing important internal information and added employee search features, after launching trials in fiscal 2018, and issue regular updates on it to encourage use. We also ran verification and evaluation tests of a cross-organizational search feature for company data we are developing to enable best use of such information.

We produced e-learning resources and a manual to encourage use of Teams, a communications tool that combines chat, online conferencing, voice calls, and file sharing, and have run training

sessions at the behest of branch offices and operating sites. We also built a website, Bukken Site, which amalgamates and shares data on projects (buildings) needed for collaboration with suppliers and other external stakeholders in one place and began proof of concept (POC) testing.

In fiscal 2020, we will launch the official version of MyPortal, our intranet site for managing critical company data. The launch of a cross-company search function for internal data will enable effective use of such information. We are also planning to build an information sharing website for the use of customers and other external stakeholders.

Issue 11

Integrate and upgrade financial and nonfinancial communications

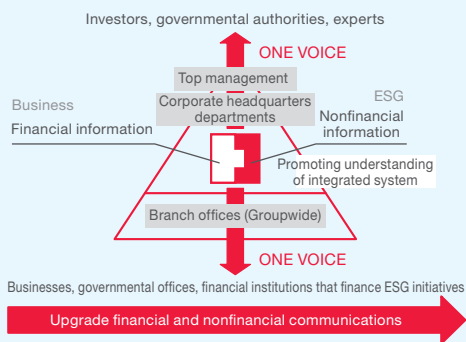
Basic Policy and Concept

Daiwa House Industry wants to build long-term relations built on trust with all shareholders, investors, and other stakeholders, domestic and foreign. Our policy is to go beyond statutory requirements to disclose information about corporate strategy, our financial position, and business initiatives and their background, as well as nonfinancial information and the operating environment needed to make an investment decisions, in a timely, accurate, and fair and impartial manner. Further, we aim at ample two-way communications to enable a purposeful dialogue with stakeholders in the spirit of co-creation and co-existence.

In response to growing ESG investment (which takes environmental, social, and governance issues into account), the Japan Exchange Group (JPX) is stepping up its ESG initiatives, and its Stewardship Code explicitly mentions ESG. Institutional investors and other stakeholders are also prominently seeking more dialogue and action on ESG issues.

Daiwa House Industry views constructive dialogue on our businesses and ESG between our management (director level) and institutional investors as essential to improving Group management and retaining a stable base of shareholders long-term. We have taken the initiative in providing dialogue opportunities such as small group meetings, and in fiscal 2020 we are extending the scope of consolidated ESG disclosure.

Moving forward, we will be further integrating financial and nonfinancial communications as we work build a framework facilitating concrete, collaborative ESG engagement accommodating of future ESG trends.



Management

Our IR activities are aimed at sustainable growth for the company and boosting corporate value in the medium to long term. Our policy is to have the management team and executive officers responsible for IR talks with shareholders and investors. All company departments cooperate in constructive dialogue with our shareholders and investors on financial and nonfinancial matters. We work to deepen their understanding of our corporate strategy, financial management indicators, risks, and ESG engagement. We also collect and provide information to rating agencies that prepare reports used by investors.

One priority of our social medium-term plan, Endless Social Program (ESP 2021), is to integrate and upgrade financial and nonfinancial communications (issue. 11). Our management team is seizing every opportunity to engage with institutional investors to gain insights into the gap between the market's view of the Corporate value and our intrinsic value as well as perceived management issues, to enable us to make better management decisions and qualitative improvements. Further, we aim to deepen understanding of integrated management, so that management can continue to deliver a consistent message (byword: One VOICE), and will be working to instill integrated thinking at the workplace level as we move ahead. The goal is sustainable growth for the company and medium to long term improvements in corporate value.

To pass on information used to judge corporate value in particular, we hold one-on-one meetings, management briefings, and facility tours and use media such as IR tools and our regularly updated website. We are laying the groundwork for integrated financial and nonfinancial information by building a more efficient system ahead of increasingly diverse ESG disclosure requirements.

In addition to disclosure, the IR department takes the opinions and requests gleaned through dialogue with shareholders and investors and reports regularly to management and directors through board meetings and other forums. We brief outside directors twice yearly, sharing our awareness of issues from an objective and independent standpoint.

Through our IR activities, we are working to have our corporate value properly understood, and provide timely and relevant feedback of opinions and requests to the management team to enable better decision-making and further improvements in corporate value.



Scenes from the management briefing session

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Major IR Activities for FY 2019

	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				●
· ESG small meetings	●			
· Small meetings organized by securities firms	●			
· Proactive participation in an IR conference organized by securities firms	●			
· Facility tours and business briefing session for institutional investors	●			
Activities for individual investors				
· Online company briefing sessions				●
· Facility tours for individual investors				●
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		●		

Main approach

Information disclosed to investors

Daiwa House Industry uses its official website to disclose timely and relevant information to stakeholders including shareholders and institutional investors inside and outside Japan.

We provide information in Japanese and English for the sake of convenience and usefulness. This goes beyond monthly order data and qualitative information and earnings highlights on a quarterly basis. Our website also hosts voice recordings that explain our earnings results in more detail, as part of our efforts to provide easy-to-understand information. Recently, timely disclosure releases on TDnet (the Tokyo Stock Exchange's company announcements service) are automatically uploaded to the News Release and Financial Highlights sections on our website, for more timely and accurate information disclosure.

We are also working to provide information in a variety of formats. This includes videos of presentations by our management team on the business and company briefings for individual investors available for on-demand streaming the following day.

Related page P173–174 Inclusion in ESG indices
Our Group official website Investor Relations
<https://www.daiwahouse.com/English/ir/>

Dialogue and communication with institutional investors

In fiscal 2019, we had dialogues with institutional investors and analysts from 678 companies via one-on-one meetings, telephone conferences, and small meetings. Our CEO, CFO, and executive officers in charge of IR visited Europe, North America, Hong Kong, and Singapore, and held discussions with investors from

50 companies. We also hold briefings focusing on businesses of interest to investors. In fiscal 2019, we held tours of our logistics facilities and briefings on our Livness Town Project strategy and thinking underpinning our community development vision.

We use our Integrated Report to communicate with investors and published the 2019 edition (fourth issue) in August 2019. The report explains the Group's value creation process and discusses our sixth medium-term business plan, which got underway in fiscal 2019, in detail.

We are also stepping up our efforts in ESG dialogues, and in December 2019 we hosted a meeting for 28 investors who engaged in a lively exchange of opinions. They asked about our moves to improve governance, announced in November 2019, including our future priorities in the area and how oversight by the Board of Directors would change. They also asked about the Livness Town Project strategy, a key theme of our sixth medium-term plan.



A logistics facility tour

Dialogue and communication with individual investors

In February 2020, we held an online briefing for individual investors with 1,500 live participants.

It was our sixth such an event. It outlined our sixth medium-term management plan, focusing on key features and strengths of segments investors are particularly interested in. Subsequently management responded to live questions from the audience. Individual investors wanted to know about which segments had promising growth prospects and other business strategy aspects; others asked about ESG.

We hosted tours of facilities for individual investors, one of our focuses, in Tokyo and Nara. Offered for the fifth time, they are valuable opportunity for participants to deepen their understanding of our management philosophy and business strategy. Feedback included comments like “I could see that the company is managed with an eye on the future,” and “I’m glad I went. I gained a better understanding of the company as a shareholder and got to see and experience its business and technological capabilities firsthand.”



A facility tour for individual investors

Issue 12

Keep pace with rapidly evolving communication environments

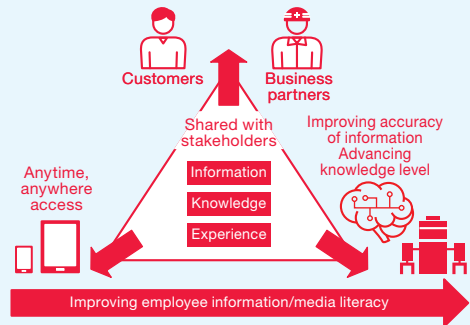
Basic Policy and Concept

The Daiwa House Group has used communication with stakeholders to strengthen the human resources, customer, and technology/*monozukuri*, and other bases that form our business foundation, further honing the communication and problem-solving skills that are a strength of our businesses. Our information systems are not merely a communications platform; rather, they are vital infrastructure to enhance the six bases that are the source of value creation for the Group.

All companies are facing a sea change in communications technology with increasing use of IoT, Artificial Intelligence (AI), and Big Data. They need to put in place communications technology and systems that take into account medium- to long-term management and operational issues.

To date, our Group has built information systems involved in communications, including a core system for internal controls, intranet for employees, and tools to communicate with customers and business partners. However, as our business expands, the number of Group companies grows, and our global development accelerates, we face challenges in communicating properly. These include barriers (organizational, location, and time related) and growth in the volume of information we deal with and number of information tools we use.

In the three years through fiscal 2021, we will continue to effectively use and share information, bolster security, further develop information systems across the Group, and improve employee IT literacy under the heading, “communications reform.”



Management

Communications reform: Equipping our people for the information age

Communications reform is a key theme in the Information Systems Department’s medium-term management plan (IT plan). These themes are: Reviewing things to be done from an overall perspective. Regular oversight by those higher in the chain of command so issues can be detected and resolved quickly. And All Information Systems people to share IT plan status and challenges. The plan is managed using P2M* methodology. This entails reviews by directors and deputy directors and discussion among participants, and feedback to those implementing the programs in a quarterly PDCA cycle.

We are doing the following to lay the foundations for

communications reform:

- ① Developing capabilities to share of all types of information with internal and external stakeholders
- ② Developing capabilities to make the best use of internal information
- ③ Supporting the adoption of communications platforms at our Group companies

In fiscal 2019, two key accomplishments were trial operations of our Bukken Site for sharing information with business partners and upgraded features of the MyPortal centralized website for internal data.

* P2M stands for Project and Program Management, a management standardization methodology for integrated management of individual projects and all programs that include them

Main approach

Trial run of Bukken Site for sharing information with business partners

We use a variety of systems in our everyday workflows, and our processes require sharing information with external partners. This also applies to our residential and construction worksite processes. To ensure our workflows take place accurately, safely, securely, and speedily, we built Bukken Site, a website for central information management, and launched trial operations. Information* aggregated on the Bukken Site can be made instantly available even to relative newcomers to the job. It also allows remote worksite monitoring, enabling construction managers to give and follow up instructions to those on-site. In the future we plan to let employees at business partners (workshops) access the Bukken Site for further gains in workflow efficiency.

* Includes:

- ① Images from cameras installed on-site
- ② Lists of employees/visitors
- ③ Construction progress schedules
- ④ Blueprints, construction methods
- ⑤ Weather forecasts, disaster warnings, WBGT values (heat stress index)
- ⑥ Chat, messaging features

Additional features of the MyPortal website for one-point access to internal information

We developed arrangements to share the vast store of knowledge and expertise employees have gained in their duties to make best use of internal information and prevent it being tied to the individual or buried in the organization. As part of communications reform to improve our organizational capabilities, it features more efficient data search, and an integrated platform enabling smooth communication between employees. Operation was launched in 2019. We also revamped the MyPortal internal portal site. The website had previously only handled information dispatched from head office departments. We incorporated individual schedules and a message mailbox (BOX) and deployed a smartphone-friendly layout.

These achievements have enabled anytime, anywhere communications. The aim is to equip employees for the information age by enabling them to swiftly access the information or expertise they need.

Community Service and Co-creation Activities: Contribution to Local Communities

Basic Policy and Concept

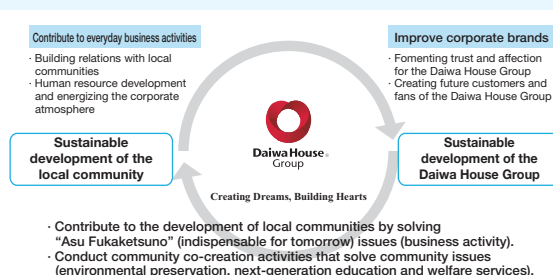
The Daiwa House Group places a lot of importance on earning the trust of local communities that host our business operations. In fact, we view our social contribution activities that we conduct on the community level as “co-creation activities” and develop them to resolve social problems that our hosting 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. Daiwa House Industry works with the people from local communities to find solutions to social issues through activities in environmental preservation, educational support for the next generation, and welfare services.

Related page Our Group official website Regional Social Contributions <https://www.daiwahouse.com/English/sustainable/social/contribution>

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.



Management

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

At Daiwa House Industry, planning and implementation of community co-creation activities are conducted mainly by the Community Co-Creation Committee appointed at each branch office. In planning such activities, the Community Co-Creation Committee works to identify local social issues through interviews with local citizen organizations and NPOs in the business area. In addition, in order to establish links with business strategies, we also confirm issues in branch office management with branch managers. Major issues include building relationships with local communities, in company revitalization and the development of human resources.

We then compare social issues and issues and business management and devise tentative plans and measures and obtain the approval of the branch manager and general manager before making the plans official. Based on the plans made every half year, we carry out community co-creation activities while promoting the participation of employees and then evaluate the level of achievement for the targets and put them together in a report.

On the other hand, our Sustainability Planning Department works to support the Community Co-Creation Committee to lead to quality improvements for community co-creation activities such as making opportunities for such activities as well as maintaining manuals. Furthermore, information about the activities implemented at the branch offices is summarized through a reporting system, and support is provided for the realization of more fulfilling community co-creation activities.

The reporting system also manages community investments (donations and support for local organizations and local events and projects) that have been increasing at each branch.

[Related page](#) P068 Group CSR promotion system

Numerical targets for community co-creation activities

Since joining the “1% Club (currently Keidanren 1% Club)” established by the Japan Business Federation, Daiwa House Industry have worked toward spending 1% of ordinary income on activities that contribute to regional areas. Daiwa House Industry has the revitalization of regional communities through the Community Co-Creation Committee and we are considering ways of investing in communities after comparing social issues and issues in business management. Furthermore, some branch offices have developed programs for community involvement after discussions with various local organizations.

Procuring and hiring in the community

Daiwa House Group’s core business is construction, which means we are dependent on local building-trades service providers (business that take over onsite work) and building-materials suppliers. Further, to earn the trust of and build long-term relationships with customers, we have to take a mid- to long-term perspective and be locality-oriented in sales and post-sale customer services, which entails hiring the people to do this work from the community as well. We therefore cultivate relationships with community stakeholders to build a business foundation of expertise, human resources, and customers, drawing on local resources in hiring and procurement as well as incorporating universal design elements into neighborhood building to help communities flourish.

Main approach

Number of community co-creation activities

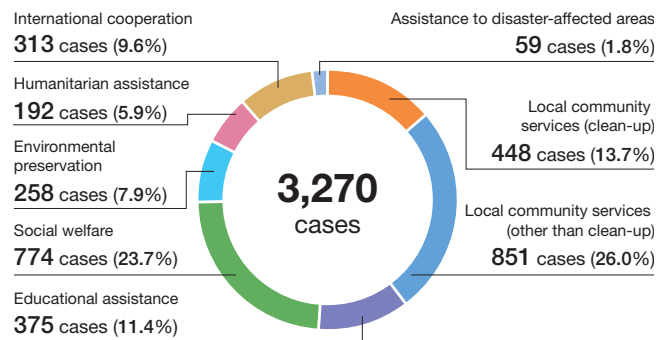
The number of activities conducted by Daiwa House Industry in fiscal 2019 were 3,270.

In addition to emphasizing dialogue with local governments, NPOs and local citizens in order to solve social issues based on the philosophy of community co-creation, we also cooperate with NPOs and NGOs to implement activities (in fiscal 2019: 1,264 cases). In addition, we aim to enhance the contents of said activities and plan and implement activities that make employees say, “I want to participate again.”

As for leave for volunteer activities, we have established a system that allows for acquisition of leave days on a half-day basis from fiscal 2015, and we have created an environment that allows employees to acquire leave days more easily.

[Related page](#) Our Group official website
Number of community co-creation activities (Japanese text only)
<https://www.daiwahouse.com/sustainable/csr/esg/contribution/index.html>

■ Our community co-creation activities in fiscal 2019



	FY 2017 results	FY 2018 results	FY 2019 results
Leave obtained for volunteerism	4,803 days	4,904 days	4,905 days
Rate of obtainment of leave for volunteerism*	28.9%	31.0%	30.2%

* 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.

Investment in communities through community co-creation activities

The expenditures for fiscal 2019 based on labor cost and donation amount for community co-creation activities carried out by branch offices were 553,351 thousand yen.

Introduction and operation of donation collecting system

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. Currently more than 5,300 employees are registered with the system. Since fiscal 2017, we have endeavored to expand such donations and the donation collecting system has been introduced to 22 member companies of the Daiwa House Group.

I Endless Donations Program

Under our Endless Donations Program, the collection system withdraws a preset donation from registrants' monthly pay. To ensure the broadest possible range of beneficiaries, starting in fiscal 2018 recipients are selected from two sets of candidates: organizations engaged in tackling social issues that have responded to open calls for recipients and chosen by employee vote, and organizations active at the global level that have been recommended as recipients.

■ Results of Endless Donations Program (Fiscal 2019)

Supported Organizations	Total Amount of Donations
NPO Corporation Kuwana shien-juku	¥1,000,000 for each (6 organizations)
Authorized NPO Corporation CPAO	
Public Interest Incorporated Foundation Sumire Class	
NPO Corporation Community Welfare Association	
Authorized NPO Corporation Association for Aid and Relief, Japan	
General Corporation Human Work Association	
NPO Corporation merry-me-z	¥740,000
Social Welfare Corporation Chiba Prefecture Deaf Association	¥670,000
Public Corporation Japan Asian Association & Asian Friendship Society	¥508,000 for each (9 organizations)
Authorized NPO Corporation Institute for Sustainable Energy Policies	
Authorized NPO Corporation The United Nations High Commissioner for Refugees	
Authorized NPO Corporation International Medical Volunteers Japan Heart	
Public Interest Incorporated Foundation Japanese Organization for International Cooperation in Family Planning	
Authorized NPO Corporation Médecins du Monde Japan	
Public Interest Incorporated Foundation Japan Environment Association	
Public Corporation National Federation of UNESCO Associations in Japan	
Authorized NPO Corporation World Vision Japan	
Total	¥11,982,000

I Heart Donations Program

Emergency donations are collected from employees following an event that has caused serious damage to society. Depending on the extent of damage and other factors, Daiwa House Industry contributes a matching gift to top up emergency donations.

■ Results of Heart Donations program (Last 3 Years)

Fiscal year	Disaster	Beneficiary	Donation by Daiwa House Group
2019	Northern Kyushu Heavy Rains Disaster	Japanese Red Cross Society	¥632,094
	Typhoon Faxai Disaster		¥1,264,188
	Typhoon Hagibis Disaster		¥7,585,137
2018	Western Japan Heavy Rain Disaster	Japanese Red Cross Society	¥17,628,069
		City Hall in Kurashiki City	¥10,000,000
2017	Northern Kyushu Heavy Rains Disaster	Japanese Red Cross Society	¥8,583,788

Related page Our Group official website
Endless Heart Donations Program (Japanese text only)
<https://www.daiwahouse.com/sustainable/social/contribution/funds/index.html>

I Support for the West Japan Heavy Rain Disaster

The Daiwa House Group raised donations from employees across the group as part of its Heart Donations program for victims of the Northern Kyushu Heavy Rains and Typhoons Faxai and Hagibis that struck around Japan between late August and early October 2019.

Donations, which poured in from employees across the Group, were passed on to the Japan Red Cross Society. And at business locations around the country, employees went out to affected localities to take part in clean-up work under the direction of volunteer coordination centers.

Educational support for the next generation

I Quest Education

The latest revision of Japan's National Curriculum Standards calls for education that provides children with *competencies for living*, to be imparted through *proactive, interactive and authentic learning*. As part of our career education support program for teenagers, Daiwa House Industry has been cooperating in Educa & Quest Inc.'s Quest Education program since 2007.

Quest Education, as its name suggests, sends students on a quest to learn how to shape their own futures, leveraging business organizations as a framework for acquiring the pertinent competencies. As well as fostering their individual ability to think and act proactively and creativity as they relate to the significance of work and economic activity, experiencing internship the classroom helps students develop a wholesome attitude towards work.

As interns, students get a chance to imagine their futures in their own way as they, working in teams, pool and apply their intelligence and imaginations to addressing the kind of real-world questions—ones with no single, universally right answer—that businesses routinely deal with, while remaining true to Daiwa House Industry' founding ideals.

Daiwa House Industry employees visit schools around the country to talk to students during their internships and convey the genuine sentiments that only employees of the company can express about how to approach work and the significance of working as a contributing member of society. This proactive engagement with students also provides an opportunity for employees to become aware of new approaches and perspectives by seeing things as members of Gen Z see them through interaction with the students.

I Lecture activities at educational institutions

In order to raise social awareness about solving social issues and sustainable consumption, we conducted workshops on housing and architecture at elementary, middle and high schools. We also conducted a workshop based on the theme of "Daiwa House Industry's contribution to SDGs" for university students.

In regard to educational support for the next generation, by identifying and analyzing the number and content of activities done Groupwide, we will continue to develop teaching materials and cooperate on advanced projects and more so that employees can carry out better educational support activities.

Related page P035 Eco Communication

I 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.

I “Challenged Visit” sports experience class

Since 2017 Daiwa House Industry cooperates in Challenged Visit, a classroom workshop organized by Asahi Shimbun that gives elementary schoolers a chance to experience what it’s like for persons with disabilities to play sports. Fifteen workshops were held by the end of fiscal 2019.

The project sends athletes with disabilities to visit elementary schools around the country. They give demonstrations of their sport, then engage the pupils in conversations about their challenges. Pupils also get to try playing the sport with a disability. Employees serve the project as volunteers, helping provide interactive opportunities for kids to learn about the challenges people with disabilities face and think about how to make society more inclusive.



Related page Our Group official website Challenged Visit (Japanese text only) https://www.daiwahouse.com/tokyo2020/activities/challenged_visit/

I The “Decorate Building Sites with Artwork!” Project

Daiwa House Industry runs a Decorate Building Sites with Artwork! project that allows neighborhood kids to use the enclosures around construction sites as their own canvas. Doing more than just brightening up construction sites with the kids’ artwork, the initiative also supports their education, giving them an opportunity to show the results of their creative endeavors to a broad public. In fiscal 2019, the initiative lived up 54 sites, which by definition affect their neighbors deeply, to help us form stronger positive bonds with communities all around Japan.



Children’s artwork enlivens a worksite enclosure

I Support for “artists with disabilities”

To promote the participation of persons with disabilities as full and productive members of society, Daiwa House Industry uses illustrations by artists with disabilities on its in-house human rights-awareness posters and on the cover of this document.

Related page Our Group official website Support of the Paralympic Artists (Japanese text only) <https://www.daiwahouse.com/sustainable/social/contribution/welfare/paralymart.html>

Environmental preservation

I Forest preservation activity in “Calm Forest” in Mt. Rokko

In 2008 we started backing the Rokko Mountains Greenbelt Development Project to maintain the scenery and green backdrop of Kobe’s cityscape. This also helps preserves and nurture the ecology and biological diversity of the Rokko Mountains’ forests, as well as enhance safety by stabilizing slopes. With the cooperation of the Japan Forrester-volunteer Association, an NPO, we work to convey the beauty of the forests and importance of caring for nature through flora observation and woodworking events and conservation activities, primarily planting saplings, cutting undergrowth, and thinning trees. To date over 300 Group employees and their families have participated.



View of cutting grass on ground

Related page P050 Rare species protection and “Ikimono Kansatsu-Kai” at Company facilities

Welfare services

I Sponsorship of “LIVES TOKYO 2019”

Daiwa House Industry sponsored LIVES Tokyo for the third time in 2019. The annual event, organized by Hands On Tokyo, an NPO, is designed to encourage greater interaction between people with disabilities and their families and the rest of the public as a means of effecting a positive society-wide shift in awareness about people with impairments.

At the event, we had a valuable opportunity to become aware of many things by listening to stories and communicating with handicapped people. Furthermore, this event creates a place where each person is able to make the most of their abilities, which leads to the creation of a society where handicapped and non-handicapped people can live together.



LIVES Tokyo 2019

I “Social Inclusion Program” was launched throughout the country

We launched our nationwide Social Inclusion Program in April 2018. So far, 4,296 employees have participated in 24 sessions.

The program has three components: learning, feeling, and acting. The learning component entails absorbing how to interact appropriately with persons with disabilities, with the latter serving as instructors. Feeling entails donning a geriatric simulator or

moving around in a wheelchair and surveying the accessibility of a variety of public spaces. And acting entails volunteering to help out at handicapped and elderly support booths at events held around the country.

We believe that the learning, feeling, and acting activities ultimately enhance employees' inclusiveness etiquette by providing opportunities for us to look at buildings and public environments from all kinds of perspectives as well as enhancing the quality of our interactions with customers.

Related page Our Group official website
Social Inclusion Program (Japanese text only)
<https://www.daiwahouse.com/sustainable/social/contribution/welfare/d-sip.html>



Employee experiencing barriers (handicaps) in community

I Cooperation for Bmaps*

In 2018 we started backing Bmaps, an info-sharing service and smartphone app whose purpose is enabling people with mobility handicaps—the elderly, people with a disability, parents pushing a stroller—to get around without encountering barriers. Employees cooperate by posting information on accessibility at public places like hotels and restaurants. This is added to a database that users tap into to ascertain whether they can go where they want without having to cope with hindrances to their movement.

Posting accessibility information to Bmaps is also proving effective for enhancing employees' awareness of accessibility issues.

* Bmaps is a service that collects and shares barrier free related information for lodging facilities, restaurants and more.



Employees collecting and publishing barrier free related information

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.

Further, to foster cordial relations with plants' immediate communities, in addition to engaging in community co-creation activities such as the Sakura Project, community events, and neighborhood clean-ups, we offer local elementary and middle schoolers a chance to tour facilities and internships [to older

children in the community]. These provide opportunities to gain insights into what it's like to make useful things in a factory, and to contemplate the meaning of work and what they'd like to do or be when they grow up.

Donations and sponsorships as a corporate citizen

As a corporate citizen, we want to help bring about a society where people can live materially and spiritually rich lives. We sponsor events in or donate to entertainment, the arts and culture, sports, education, and other civic causes, all to help create, bring to life, and enhance new value in and for the community.

I Major donation and sponsorship recipients*1

- Official partner of the Tokyo 2020 Olympic and Paralympic Games
<https://www.daiwahouse.com/tokyo2020/>
(Our Group official website)
- Support for the Osaka Symphony Orchestra
<https://www.daiwahouse.com/ad/sponsor/sym/>
(Our Group official website)
- Cultural forums at the Nobuo Ishibashi Memorial Museum (Japanese text only)
<https://www.daiwahouse.co.jp/forum/bunka/>
(Our Group official website)
- Sponsorship of and participation in the Osaka Marathon
http://www.osaka-marathon.com/2020/info/sponsor/index_en.html
(Osaka Marathon official website)

*1 To stay abreast of the latest developments, visit the respective recipients' description pages on our official website.

Related page Our Group official website
Advertising & Sponsorship Activities (Japanese text only)
<https://www.daiwahouse.com/ad/sponsor/>

6

Risk countermeasures base (Being complete in small things)

Effective internal control and executives/all employee leadership in corporate ethics

A Road Map to Achieving Endless Social Program 2021

Priority issues	FY 2019 results	FY 2021 targets
<p>Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather</p> <p>Adapt systems and business continuity plans (BCP) to a broader range of “hypothetical” natural disasters and abnormal weather events because of climate change and aging infrastructure.</p> <p>In order to build systems to incur minimal damage, identify risks to our business, work processes of employees and customer lifestyles (building use) from broader and longer perspectives.</p>	<p>BCP score</p> <p>44 points</p>	<p>100 points</p>
<p>Issue 14: Establish human rights due diligence at plants</p> <p>Establish a process of due diligence for human rights at plants and develop a process for expanding it to Group companies in the future.</p>	<p>Not started</p>	<p>Establish a process of due diligence for human rights at plants.</p> <p>Establish the process by the end of fiscal 2021.</p>
<p>Issue 15: Establish corporate ethics and compliance rules</p> <p>Establish the concept of “being complete in small things” advocated by the Group’s executives and employees as a regular practice.</p> <p>Provide media and training to share a common mindset and promote PDCA practices via awareness surveys and other means, to encourage self-directed action based on a proper understanding of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.</p>	<p>Internal control system attainment score</p> <p>397.4 points</p>	<p>447 points (15% improvement compared to FY 2017)</p>
<p>Issue 16: Build management base for global business development from a long-term perspective</p> <p>Build management base at global bases to put roots down in the local area from a long-term perspective of 10 or 20 years. Address themes that neither the overseas bases (general affairs or accounting) nor departments at Corporate Headquarters can handle.</p> <p>With regard to corruption (bribery), have Group companies carefully manage matters because much attention is paid to the subject in Japan and abroad.</p>	<p>Collecting information</p>	<p>Improved score on sustainability survey at overseas bases</p> <p>Conduct first survey in fiscal 2020. (Targets are to be set after that).</p>

- * Progress on the below themes is scored and evaluated by the BCM Subcommittee.
- ① Ensuring employee safety
 - ② Ensuring power and backing up information systems
 - ③ Upgrading aftersales support services for customers
 - ④ Maintaining production purchasing capacity
 - ⑤ Keeping the group functional as a whole
 - ⑥ Establishing a development system based on the long-term risks of customers

- The score is calculated in consideration of the following information.
1. Completeness of internal control system
 - ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.)
 - ② Management and supervisory systems (Operation of Internal Control Committee and other organizations)
 - ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
 2. Degree of damages and losses
 - ① Degree of financial losses and occurrence of serious incidents, etc.

Policy and Concept

I Megatrends that Impact Bases

- More frequent natural disasters, consistent severe heat
- Greater concern for human rights issues from stakeholders including institutional investors

- Higher expectations for corporate ethics and compliance (including anti-corruption)
- Increasing world population and rapid economic growth of emerging economies

[Policy] Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases

Contribution to SDGs



I Social issues and Megatrends

The global spread of COVID-19 that began in December 2019 is a strong reminder of the importance of risk measures in corporate management. Companies around the world have recognized pandemic as one possible risk in their business continuity plans (BCPs), but when the risk was actually materialized, their countermeasures were found to be insufficient.

Risks in corporate management continue to increase, including the recent infectious disease, climate change, human rights issues, compliance, and cyber terrorism, and therefore it is urgent to be well-prepared for these risks. We may lose the trust of stakeholders if we are merely disturbed by an emergency due to it being something “unexpected.” To prevent such a situation, it is increasingly essential to be prepared for these risks in advance.

Recent years have also seen more and more cases of corporate compliance violations occurring, with a greater risk of this being spread through social media. Management must, therefore, strengthen internal controls, and also establish corporate ethics.

The development of the global economy will increase business opportunities, but will also bring greater risks as well. It is therefore essential to identify these risks and take adequate measures against them.

I Risks and opportunities for the Daiwa House Group and its responses

The Daiwa House Group is facing the possibility of increasing risks as its internal control fails to keep pace with the rapid growth of its business. In particular, our expansion of business domains and overseas business development may involve risks that are difficult to be foreseen based on our experience to date.

The Daiwa House Group’s risk countermeasures are based on “being complete in small things.” The essence of this is to build a solid corporate culture to overcome any emergencies by having every employee to thoroughly do what they have to do with a sense of crisis. The front lines continue to function not just during ordinary times, but also in the time of emergency. That is our risk response by “being complete in small things.”

The Daiwa House Group has achieved a series of management reforms based on the spirit of having a “positive attitude.” This has enabled us to get through the collapse of the Bubble Economy and continue expanding the scope of our business up to the present day.

The Daiwa House Group’s current approach to addressing risks is to identify them and take measures under the motto “Be prepared.” If a risk becomes manifest, we will not blink the fact but confront it directly. Having dealt with a situation, we then apply what we have learned to make changes in our systems. Our aim is to be a corporate group that protects people’s lifestyles and towns by engaging in management unaffected by any situation, by tackling the four issues that form the base of our risk countermeasures.

Fiscal 2019 Overview of “Endless Social Program 2021”

Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather

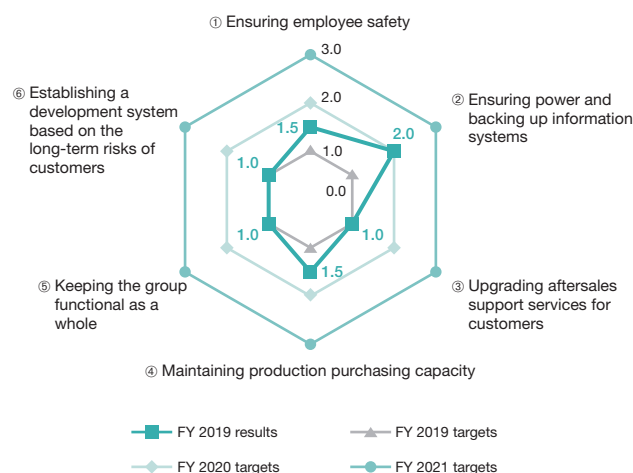
In fiscal 2019, we further strengthened our business continuity management (BCM) through the BCM subcommittees, which involve each of our departments in charge of our entire value chain. We held drills to confirm the safety of our employees, communications between sites, and recovery of our core system, while taking steps to build enhanced backup systems by installing storage batteries at our sites, preparing to expand business process outsourcing (BPO) abroad, and conducting credit surveys of suppliers. Our BCM was put into practice and validated at the time of the flood caused by Typhoon No. 19. Through these efforts, we have established a management system with a wider scope of possible natural disasters in the future.

The fiscal 2019 Business Continuity System score met the target set in our key goal indicators (KGI). While our plans generally progressed as scheduled, our activities were forced to be reactive due to a series of wide-area disasters and COVID-19, which partially hindered the primary promotional activities.

In fiscal 2020, we continue working on backups for our core systems, power sources, and suppliers, while also undertaking new initiatives, such as establishing work rules and automatic coordination with suppliers in time of disasters.

Key Goal Indicators	FY 2019 results	FY 2019 targets	FY 2020 targets	FY 2021 targets
BCP scores	44	30	60	100

■ BCP scores



Risk countermeasures base

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Issue 14: Establish human rights due diligence at plants

The Company is promoting due diligence for human rights throughout its entire value chain. As part of our efforts for plants in fiscal 2019, we built a system allowing employees of business partners working at our plants to directly make suggestions to us on the working environment. Several of our business partners are permanently stationed in our plants as primary subcontractors to make it easier for our production managers to supervise them. In addition to the already established whistle-blowing systems such as the Partners Hotline and questionnaire surveys for our suppliers, we increased contact points for consultation so that we can quickly detect and resolve problems regarding human rights.

In fiscal 2019, we focused on prevention of in-company harassment and CSR procurement by construction sites and suppliers. As a result, we were unable to promote human rights due diligence at plants as we had initially planned. With an

economic downturn expected in fiscal 2020, business environment surrounding our business partners is projected to be harsh. To prevent deterioration in the working environments of business partners' employees working at our plants, as well as initiatives for human rights, we will leverage on-site and company-wide monitoring systems in order to establish human rights due diligence at our plants.

■ Establish human rights due diligence at plants

FY 2019 results	FY 2019 targets	FY 2020 targets	FY 2021 targets
Not started	Not started	Building programs	Launch

Issue 15: Establish corporate ethics and compliance rules

In fiscal 2019, in order to ensure more quick and appropriate collection of risk information, rules for reporting risk information to the Risk Management Committee were clarified and a new whistleblower hotline (the Lawyer Hotline connecting to a legal office) was set up. In addition, to promote correct use of several in-house hotlines, the Daiwa House Group Whistleblower Hotline Rules were established and notified throughout the Company as a unified rule. A Risk Management Subcommittee was also set up, consisting of the various departments in charge of these hotlines, in order to regularly monitor the response to reported cases. Based on top management commitment to preventing harassment, the Power Harassment Prevention Office established in fiscal 2018 provided expert consultation for power harassment as a dedicated body, and training courses by experts on prevention of harassment were provided to managers. For the prevention of sexual harassment,

we established a taskforce of female employees and formulated in-company rules that incorporate specific measures in April 2020.

The internal control system attainment score, one of our KGI, dropped to 397.4 points in fiscal 2019. This is because the number of training courses on corporate ethics and compliance held during the year has decreased, due to the shift to e-learning and the impact of COVID-19. In fiscal 2020, we will continue to build our systems to collect more pertinent risk information, while providing more training and awareness-raising opportunities.

Key Goal Indicators	FY 2018 results	FY 2019 results	FY 2019 targets	FY 2020 targets	FY 2021 targets
Internal control system attainment score	408.1	397.4	376	436	447

Issue 16: Build management base for global business development from a long-term perspective

In fiscal 2019, we deliberated ways to enhance the internal control of our overseas Group companies, as part of enhancement of the Group-wide governance structure. In order to enhance our management base for global operations over the medium to long term, we need an overseas business headquarters to establish management systems for respective regions. We therefore began discussing the establishment of corporate function for the North American region. We also plan to conduct Sustainability Survey for our wholly owned subsidiaries overseas from fiscal 2020 for the purpose of continuous improvement in operation of our Group companies.

Managers of administrative divisions at overseas sites have often requested more insight not just into risks, but also employee satisfaction, so the survey will cover this point as with those in Japan.

In managing overseas sites, setting a globally uniform rule is difficult owing to differences in laws and commercial practices

in each country and region, so we need to allow for flexible management suited to each country, while establishing certain shared points.

In fiscal 2020, we will continue our efforts to build systems for managing the overseas Group companies. We will build management base for global business development to create a company where overseas employees are motivated to work.

■ Sustainability Survey at overseas sites

FY 2019 results	FY 2020 targets	FY 2021 targets
Collecting information	Launch	Launch
	The results of fiscal 2020 is set as a benchmark	Our goal is to gain five points over the benchmark

Governance Enhancement Measures

Basic Policy and Concept

Given the recent circumstances, the Daiwa House Group announced steps to enhance its governance on November 8, 2019, following the rapid expansion of its business scale and area.

As part of these steps, four basic policies were set for all Group companies both in Japan and abroad to build a base enabling sustainable growth.

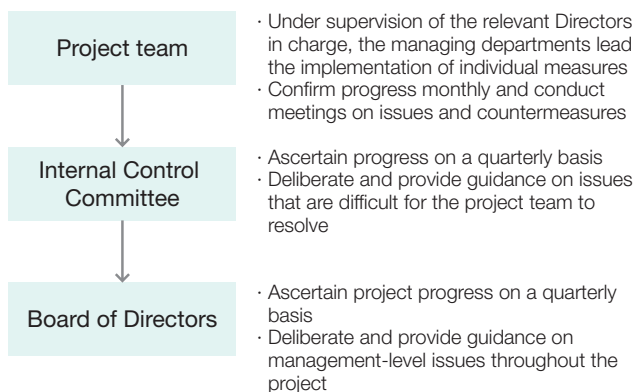
I Basic policy on governance enhancement measures

1. Review management structure and state of management and supervision
2. Enhance agile business execution and risk response structure
3. Strengthen risk information gathering and sharing
4. Strengthen environment for supporting sustainability and implementation

Management

As the Daiwa House Group endeavors to strengthen its governance system, project teams were set up to implement measures with the responsibility and support of senior management, and make quarterly reports to the Internal Control Committee and the Board of Directors.

■ Promotion system for the Governance Enhancement Project



Related page ▶ P018 Enhancing governance

Main approach

Implementation status and future initiatives

The Daiwa House Group has already put some measures into practice, based on the basic policies for the governance enhancement measures, to enhance the effectiveness of the Board of Directors and strengthen systems to deal with risk and compliance. Various enhancement measures will be steadily put into action within a fixed period to rebuild Group governance by fiscal 2021, the final year of the 6th Medium-Term Management Plan.

I Measures already taken

- Changed the percentage of external directors
- Establish upper age limits on inside directors
- Appointed women members and people with experience abroad to the Board of Directors
- Adopt a business division-centered organization to the business execution structure in Japan
- Establish the Compliance Promotion Department
- Clarify risk reporting standards
- Establish new external whistleblowing hotline
- Continue risk and compliance training for directors and employees
- Strengthening the Group's internal audit system and risk approach

I Future initiatives

- Improve corporate value with medium- to long-term management strategies of the Board of Directors and a stronger supervisory function
- Shift to a business division-centered organization in Japan and a region management system overseas
- Optimize organizations and functions, etc. for overlapped Group businesses
- Reorganize the Group Head Office function and make ongoing improvements
- Operate and reconfirm items that need to be improved concerning risk information
- Ongoing improvements in the gathering of risk information in line with the new business execution system
- Enhance effective business bases to improve the sustainability of compliance-related activities

Issue 13

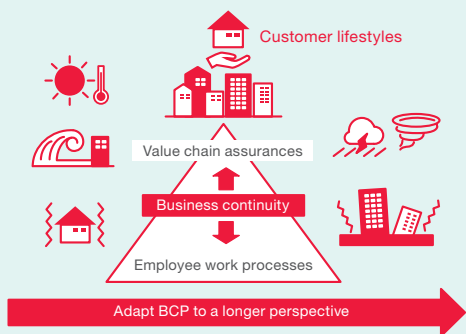
Prepare business continuity plans on the premise of natural disasters/extreme weather

Basic Policy and Concept

We see helping victims of natural disasters rebuild their lives as our social mission and have provided building products for emergency, as represented by "Pipe House," our first product. 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 crises 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.

The construction industry must deal with natural threats to property, buildings, and equipment. Natural disasters and extreme weather give severe impacts on products and services, and construction sites are often exposed to natural environment. As a result, abnormal weather events and intensifying natural disasters are a risk that can heavily affect our business continuity itself. We must also consider the damage to the working environment that may be caused by pandemics, as people are an intrinsic part of our business model, from sales to construction sites.

The Company has formed a BCM Subcommittee incorporating different departments to formulate BCM rules for Head Office and the worksites and build BCM systems. Given the frequent disasters in recent times, we strive for disaster preparedness and mitigation with a sense crisis, assuming that a serious disaster can occur at any time.



Related page P044-046 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Management and Main approach

Business continuity management

If an earthquake, other natural disasters or pandemic occur, 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 cases where the Head Office is affected, Tokyo Head Office and Central Research Laboratory (Nara Prefecture) are specified as substitute Head Offices and continue with the business of our company.

Framework to ensure safety and peace of mind of employees

For typhoon, flood damage and other natural disasters as well as pandemics or bomb warning by terrorists, etc., we have prepared an action manual that clearly describes what we should do on the spot.

Once every six months, a disaster drill is implemented at all our worksites to test employee safety confirmation and everyday preparedness. When a disaster occurs, we confirm employees' safety and get information on the damage that has happened.

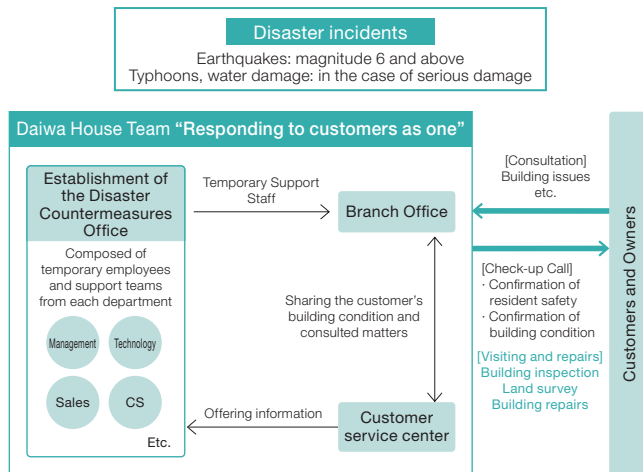
Regarding safety confirmation of employees outside Japan, given the recent international circumstances, we have developed a system under which employees stationed abroad can deliver information to relevant divisions of the Head Office in the event of a crisis. In cases where an emergency of some kind occurs, the relevant divisions of the Head Office share information simultaneously and take first response swiftly.

Structure for response to customers if a disaster or abnormal weather occurs

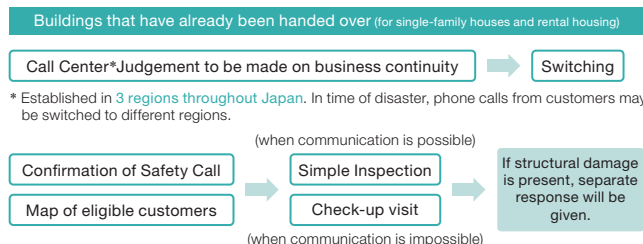
To prepare for disasters, etc., pursuant to our Business Continuity Regulations, we implement education and periodic training for employees. In the event that an earthquake of a seismic intensity of 6 upper occurs, we make it a rule to immediately confirm our existing customers' safety according to the Disaster Response Manual. We also have put ourselves in a position to deliver relief supplies to affected areas through various routes including our Group companies.

In fiscal 2019, we provided simple building inspection services as well as relief supplies to the areas affected by the 2019 Yamagata earthquake, torrential rain in northern Kyushu, and Typhoons No.15 and No.19.

■ A team that can respond as one in times of disaster



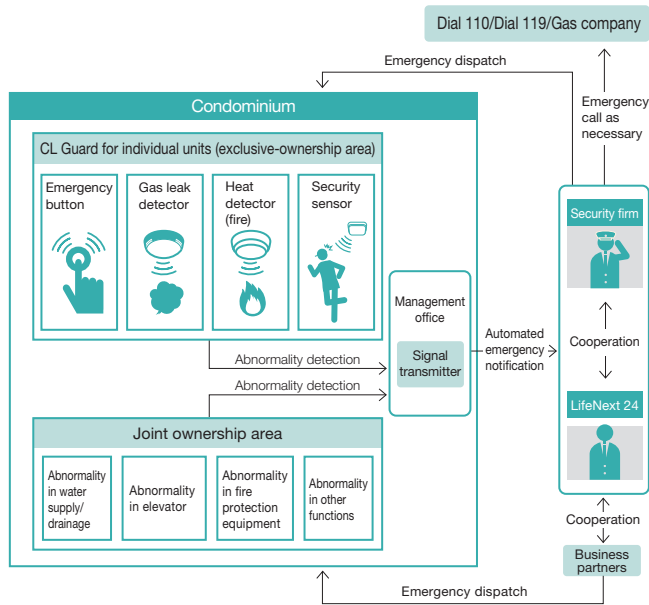
■ Call center response structure



I 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



- * 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.

Formulation of business continuity plans in the supply chain

To prepare for a situation where the supply of materials from suppliers may stop due to major disasters, we have formulated a business continuity plan for our supply chain, based on which we promoted measures, such as procuring materials from multiple suppliers and manufacturing sites, to minimize the risk of operations being suspended. Procedures for responding to disasters are set out to immediately ascertain the level of damage, and set up alternative systems if necessary.

In addition to disaster risks, there is a supply failure risk attributable to suppliers. To mitigate this risk, we monitor their financial standing, legal compliance, and so forth.

Business continuity management in plants

In coordination with the Head Office production division, the plants collect information on weather conditions and monitor multiple sensors installed within plants. They prepare for natural disasters by implementing measures (wastewater inspections, protection of materials and products, inspections of shutters and doors, etc.) according to the anticipated damages. To ensure safety of our employees, we take care of commuters who have difficulty returning home, give instructions to go home early, and consult with managers of our business partners regarding the production system for the following day. An emergency contact system is also established including our business partners to minimize damage in case of emergency and to achieve a quick recovery.

Construction of emergency temporary housing

The Daiwa House Group has structures to provide a smooth response when disasters occur, launching a project that handles everything from design to post-delivery management of emergency temporary housing.

The project implements efforts focusing on preparations before emergencies occur, such as development of construction manuals and regular drills.

The total number of temporary houses constructed for disasters was 11,041 after the Great East Japan Earthquake in 2011, 1,016 for the Kumamoto Earthquakes in 2016, and 45 for Typhoon No.19 in 2019.

- Related page**
- Our Group official website
 - Aid Activities in Areas Affected by the Great East Japan Earthquake
<https://www.daiwahouse.com/English/sustainable/csr/disaster/index.html>
 - News releases
 “Daiwa House Group signs joint research agreement aiming at rapid provision of emergency temporary housing” (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20190409132805.html>



Emergency temporary housing

Multiple measures taken in response to the spread of COVID-19

The Daiwa House Group has established a COVID-19 Countermeasures Office in its Head Office to cope with the infections, as a central command center to prioritize the safety of our employees, according to the situation both inside and outside the Company.

The Countermeasures Office has continued to raise awareness of the infection prevention since January 2020, providing instructions to all employees according to each situation, such as when employees are infected, or self-restriction on operation is requested by administrative agencies.

- Related page**
- Our Group official website
 - “FY2020 Presentation on Management Policies”
https://www.daiwahouse.com/English/ir/challenge/pdf/FY2020_presentation_material_en.pdf
 - “The Daiwa House Group’s Response to the COVID-19 Pandemic” (Japanese text only)
<https://www.daiwahouse.com/action2020/>

Issue 14

Establish human rights due diligence at plants

Basic Policy and Concept

The Daiwa House Group supports international standards including the Universal Declaration of Human Rights, the United Nations Global Compact and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), as well as sets out our respect for human rights in our Principles of Corporate Ethics, while establishing the Daiwa House Group Human Rights Policy. 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 our Social Medium-Term Plan (ESP 2021), we are developing a technique to investigate and correct any violations of human rights (human rights due diligence) involving foreign workers at our plants, with the intent of expansion to our Group companies.

It is our future task to implement human rights management that can be applied to the supply chain and value chain, which are becoming broader and complex in line with our overseas business expansion. To ensure that the Daiwa House Group' business does not lead to human rights violations, we will reinforce a mechanism to grasp and monitor the impact, and identify and improve issues from the viewpoint of human rights due diligence.



Related page P071 Human Rights Management

Management

Business at the Daiwa House Group 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 respect for human rights and labor conditions important matters to us. 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.

As such, we have placed suggestion boxes in our plants, and by listening to the voices of employees, we strive to further improve their working environment.

By realizing work environments in plants where not only our employees, but also plant workers and their families can feel a sense of safety, we work to achieve coexistence and coprosperity

with our business partners from a long-term perspective.

Main approach

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. Furthermore, 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 branch as feedback. As for physical safety, an important human right for workers, we provide business owner training targeted at business owners of our business partners, as well as new visitor education, and supervisors/safety manager education targeted at workers.

In the course of operating business across the world, in some cases we use a security firm to ensure safety and security for our employees. As at the end of fiscal 2019, no infringement of human rights by armed security guard has been confirmed at the Group's business partners.

Related page P118 CSR-related policy and management for business partners

I Engagement with business partners

The Daiwa House Group conducts "Business partner questionnaire survey" once a year to the members of the Confederation of Partner Companies to see if there is any problem in ensuring onsite work safety and adequate construction period, payment of construction fee and so on. Response rate for fiscal 2019 was 78.1%. The survey results and improvement activity plan drawn up based on the results are explained and informed to our business partners on various occasions, including a Safety and Health Council, which is held periodically at each branch for them. We have developed a mechanism by which the effect of improvement activities carried out in the previous year is evaluated with questionnaire survey of the following year. We also continue with dialogues on safety and work environment through meetings with member organizations (the Trillion Club, the Confederation of Partner Companies) of suppliers and partner subcontractors.

Related page P069 PDCA Cycle for management of worksites
P115 Member organizations in our supply chains

Establish corporate ethics and compliance rules

Basic Policy and Concept

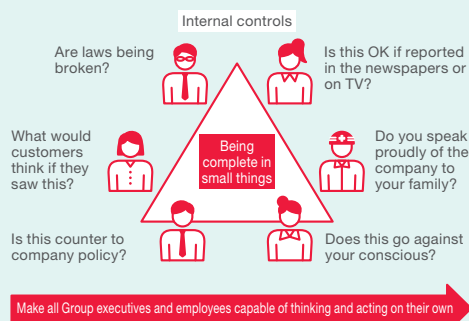
In the Daiwa House Group, all employees are committed to maintaining high ethical standards and complying with the laws and the corporate philosophy system of the Group when conducting its business. While building trust with our various stakeholders including our customers, we aim to become a corporate 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 in order to maintain and enhance trust toward our Group and to make them like our corporate philosophy system (Corporate Philosophy, Management Vision and Employees' Charter), to document the behavior that should be kept in mind and practiced by employees.

Both in Japan and abroad, stakeholders' demands and expectations for corporate ethics and compliance are heightened, as represented by the emphasis on corporate integrity in buying behavior. Many companies are developing systems leveraging latest technologies, such as ICT, to further enhance their internal control, while raising awareness of employees with an eye toward steady operation.

Taking into account the changes in social circumstances, our expanding business operations, an increase in the number of Group companies and other internal factors, the Daiwa House Group believes it is urgent for us to strengthen our internal control system. At the same time, it is essential, over the medium to long term, to raise awareness of each employee who is in charge of our internal control system.

The Group ensures to share concepts of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct as well as information on revisions to relevant laws with employees of every class without being limited to conventional methods, while implementing the PDCA cycle in organizational and company units. Through these efforts, we seek to lower risks including harassment, and establish corporate ethics and compliance as a corporate group.



Make all Group executives and employees capable of thinking and acting on their own

Related page ▶ Our Group official website
Principles of Corporate Ethics, code of conducts
https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html

Management

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 Sustainability Planning 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 judgments on the information collected through such routes.

Respecting fair competition

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 employees undergo training that enables them to make decisions and act in line with our "Principles of Corporate Ethics and Code of Conduct."

We verify that the Daiwa House Group Principles of Corporate Ethics and Code of Conduct are being complied with and identify violations through the internal audits conducted by the Internal Audit Department, and the audits of purchasing operations that the Head Office Procurement Department conducts.

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. Problems identified in the questionnaire surveys are shared among branch offices for improvement purposes. The Partner Hotline System is also in place to help partners blow the whistle and ensure all problems reported are dealt with sincerely.

To check the compliance and risk status, moreover, coaching is provided to each branch office on improvements that should be made according to prescribed plans and on approaches to deal with the results of questionnaire surveys, with developments monitored. The Daiwa House Group Principles of Corporate Ethics and Code of Conduct were revised in 2010, and will continue to be updated with changes of the times.

Related page ▶ P152 Risk Management

Resolving problems in relations with partner subcontractors originating with the Daiwa House Industry employees

A few key results from a questionnaire survey we sent to our business partners in fiscal 2019 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 Technology Department to promote improvements by measuring the progress of improvement activities.

	FY 2017	FY 2018	FY 2019
Rate of response	70.2%	77.1%	78.1%
Percentage of respondents who stated "no problem" with regard to our employees' conduct	78.6%	75.7%	80.7%

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

I Auditing branch office’s purchasing function

At Daiwa House Industry, we periodically audit the purchasing operations of each branch to make sure that ordering, contracting and other transactions with business partners are conducted properly and fairly by the PDCA method. The frequency of audits (from quarterly to annually) is determined based on the score obtained. The audit subjects implemented in fiscal 2019 are listed below. Compliance with the Corporate Ethics and Code of Conduct was checked, violations were identified, and corrections were made. In addition, business partners are regularly visited to make mutual improvements, promote management reforms, and create a better relationship.

The results of questionnaire surveys are taken into account in improving and guiding each branch office’s purchasing function.

- Assessment 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?

Policy regarding taxation

I Basic Policy

The Daiwa House Group Principles of Corporate Ethics are defined for the sake of helping Co-creating a Brighter Future with all the stakeholders involved in the Daiwa House Group. Complying with the related laws and regulations to pay appropriate taxes is part of our corporate social responsibility and also a way of contributing to the local community. This is why we do not engage in arbitrary tax evasion using tax havens, and instead we make it our policy the payment of taxes with consideration to a balance between improving our corporate value and providing a return to areas where we engage in business operations.

I Company system relating to taxation

The Daiwa House Group does not use a consolidated tax payment system. Each company handles affairs relating to tax payment, while our Accounting Department reporting to CFO controls and supports overall tax affairs for the entire Group. For proper tax filing and payment, the Accounting Department is working to obtain necessary legal knowledge as well as building a system that enables it to correctly aggregate information on transactions within

the Group.

For transactions where the tax interpretations are unclear, we receive advice from outside experts, and make advance inquiries to the tax authorities with regard to important transactions to ensure appropriate tax payment.

I Approach to international taxation

The Daiwa House Group understands the importance of international initiatives such as the Base Erosion Profit Shifting (BEPS) project by the OECD to ensure tax transparency and prevent international tax evasion. Accordingly, we comply with the tax laws of each nation and perform tax management based on the principles of the BEPS project and other such initiatives. For international transactions between Group companies, we have set up rules based on OECD transfer pricing guidelines to follow.

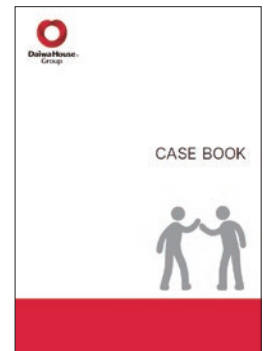
I Amount of corporate taxes by regions

Over 95% of taxes imposed on the Daiwa House Group is paid in Japan, so we do not disclose a tax breakdown by region. We intend to disclose the breakdown when the ratio of tax payment outside Japan exceeds 10% of the total, according to the progress of internationalization of our business.

Main approach

Distribution and utilization of educational booklet “CASEBOOK”

At the Daiwa House Group, for not only sharing the Principles of Corporate Ethics and Code of Conduct with all employees but also put them into practice, we have created and distributed an educational booklet “CASEBOOK” to all employees of the Group since 2004. This booklet introduces concrete case examples so the employees can make decisions in line with the corporate ethics under any circumstances. We regularly revise this booklet according to the changes in situation inside and outside the Company. In April 2018, “The 8th edition of CASEBOOK” was issued. In each workplace, discussions are made based on a case introduced in the booklet at morning assembly or other occasions to enhance the sense of ethics.



Monitoring and response to violation

The Group conducts a Sustainability Survey once a year to monitor whether or not its employees’ actions are in line with the Principles of Corporate Ethics and Code of Conduct. The survey results are analyzed, feedback is provided to achieve workplace improvements, and each branch and the Group companies make improvement plans and act on these plans, thereby running the PDCA Cycle.

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 Hotline, the Risk Information Hotline, Lawyer Hotline, Global Whistleblower System 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.

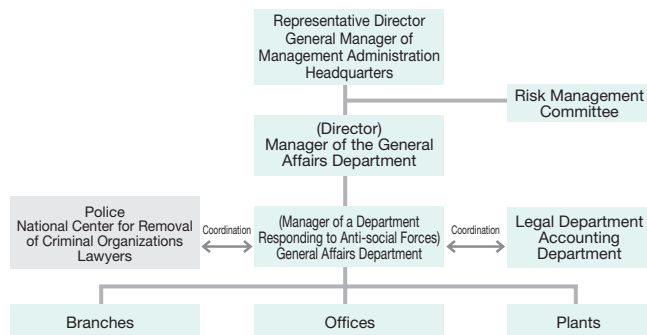
For violations of law and our company regulations, we find the cause and the details based on the reports to the Disciplinary Committee with the President and COO as the chairman, and make the violator take responsibility. We share causes of violations through educational activities and training provided at each branch in order to prevent them from reoccurring.

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
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.

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 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 (President and COO of each company) 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 midcareer 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 addition to training programs organized by the Head Office’s departments, each branch is encouraged to hold its own compliance training programs and practice voluntary compliance-related activities. In fiscal 2019, we held 27 compliance training courses.

CSR trainings that include the contents of corporate ethics and compliance are regularly provided at our worksites throughout Japan.

Issue 16

Build management base for global business development from a long-term perspective

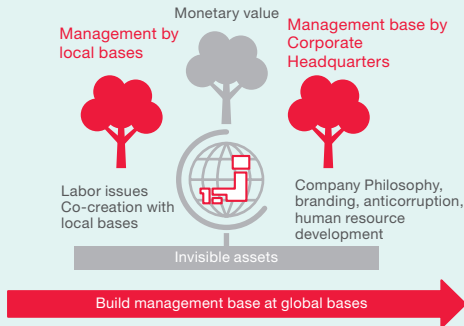
Basic Policy and Concept

The Daiwa House Group operates its overseas business by establishing 44 sites abroad as of December 2019.

The construction market in Japan is said to shrink after peaking in 2019, with a full-scale shift in demand from quantity to quality. Meanwhile, outside Japan, demand for construction and real estate is increasing as populations and economies continue to grow in the emerging economies.

The Daiwa House Group has achieved growth through governance based on centralized management by the top management team and the capabilities of our employees, but in response to the rapid expansion of the scale and areas of our business in recent years, we are undertaking a major overhaul of the Group's governance system. In our overseas business as well, site operations are sometimes dependent on the management capabilities of local executives and managers, and therefore, our challenge is to build an organizational structure toward long-term goals and vision.

Our Social Medium-Term Plan (ESP 2021) is committed to promoting an area-based system for our global sites to put roots down in the local area from a long-term perspective of 10 or 20 years. For challenges beyond the reach of local administrative departments in Group companies and global sites, such as enhancing governance and strengthening the risk countermeasures system (bribery prevention, etc.), we will enforce the corporate functions in each area, and promote Groupwide countermeasures.



Management

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 business company and guarantee the appropriateness of their business.

As for management administration, we make key Group companies inside and outside Japan report the status of monthly profit and loss. 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.

Major associated companies of the Group List of sites outside Japan (As of December 31, 2019)

Site location	Number of locations	Site location	Number of locations
China	9	Taiwan	1
United States	6	Myanmar	1
Australia	3	Thailand	2
New Zealand	1	United Arab Emirates	1
Singapore	1	Qatar	1
Vietnam	4	Mexico	3
South Korea	1	Peru	1
Philippines	2	Sri Lanka	1
India	2	Kenya	1
Malaysia	2	Total	44
Indonesia	1		

Main approach

Dealing with risks in the businesses and activities in high-risk countries

I Establishing an anti-bribery system

We have formulated and implemented the Anti-Bribery Regulations and Anti-Bribery Bylaws as rules to prevent bribery to public servants or deemed public servants.

The Anti-Bribery 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 page P154 Anti-corruption

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

A system is in place so that risk information found at overseas Group companies is immediately reported to the Head Office Risk Management Committee Secretariat (Legal Department).

Internal Control

Management

Internal Control Committee

The Internal Control 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 the President and COO as a director, the General Manager of Management Administration Headquarters as a chairman, and directors in charge of respective departments as members.

In order to make the functions of this committee more effective, we conduct a survey regarding internal control issues to members of the committee, and adopt a process to verify and improve the identified issues in the relevant departments.

Structure of internal control system

In the construction and implementation of its internal control system, the Daiwa House Group refers to the standard framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our system is structured as below.

① Basic policy

The 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 employees are the leaders of the internal control system and advocates that all individuals should attain the goal of internal control.

② Control activity

The Internal Control Committee reports the internal controls status to the Board of Directors semiannually, thereby creating a governance environment in which the Board of Directors and individual directors are involved.

The Internal Control Committee conducts risk management through a multilayer structure, incorporating the Head Office Risk Management Committee, the Branch Office Risk Management Committee, and the Group Company Risk Management Committee. Measures against risks to be avoided are taken Groupwide as necessary through internal notices and other means.

③ Reporting

All company departments and Group companies are required to report on the operational status of the internal control system. Summaries of this information are reported to the Internal Control Committee to show the operational status of the system for the entire Group. In this way, the information necessary for managers in charge of the internal control system to carry out their responsibilities is delivered.

Information on risks in the reports from the company departments and Group companies is notified immediately to members of the Risk Management Committee, through the Space Finder network system. This rapid and efficient notification of risk information is achieved through both rules and infrastructures. The said system facilitates information processing, including information search, realizing expedited and more efficient risk information analysis and use.

In case that the regular information communication method mentioned above does not work, the Whistleblower System is also in place to ensure that risk information is properly escalated.

④ Monitoring

The Internal Audit Department 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.

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 company and branch are supposed to make use of the problems and issues revealed by the survey in planning future human rights awareness-raising activities.

In October 2018, operation of Global Whistleblower System started and thereby a contact point has been put in place. Now violation of compliance/internal rules or misconduct can be reported from our overseas sites in local languages.

Corporate Ethics and Human Rights Hotline

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 (currently the Daiwa House Group Whistleblowing Regulations). The hotline is available, and the regulations are applicable, to all Group employees, regardless of their type of employment. In fiscal 2020, this system was renamed the Corporate Ethics and Human Rights Hotline. 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 Sustainability Planning, 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 Hotline, 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.

Main approach

Response to human rights violation

I Grievance mechanism relating to employees human rights

Daiwa House Industry has been operating the Corporate Ethics and Human Rights Hotline as the point of contacts for whistleblowing and consultation regarding violation of employees' human rights. Whistleblowing and consultation can be made by several methods: by interview, telephone, email, website, or post. To keep consultants from suffering detrimental treatment, such as retaliation, at their workplace, we have established the Daiwa House Group Whistleblowing 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.

I 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 each branch. Since victims of sexual harassment are mostly women, both male and female consultants are appointed. Moreover, a mechanism has been put in place for persons in charge of each branch to receive support and advice as needed from Sustainability Planning Department of the Head Office and worksites as to how to handle and solve harassment cases.

The Corporate Ethics and Human Rights Hotline handled inquiries regarding harassment as the in-company consultation office. In resolving complaints, in line with the Daiwa House Group Whistleblowing Regulations, we conduct hearing with both the consultant and the employee(s) in question and listen to what third parties say to grasp the situation in a fair manner. If correction is deemed necessary, we take disciplinary action against the employee(s) after deliberation was made by the Disciplinary Committee.

Various whistleblowing systems

The Daiwa House Group has several hotlines in place to check, detect, and correct violations of law and acts of dishonesty at an early stage.

When solving problems notified through these hotlines, 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 recurrences. Information on critical cases is shared with managers in branch offices through compliance training, legal training, etc., to ensure such cases are widely disseminated within the Group.

We also respond sincerely to the opinions of local citizens received on the web by sharing them with the relevant or nearby

worksites after having confirmed the details and issuing an alert or taking other actions.

In fiscal 2019, based on the instructions of the chairman of the Risk Management Committee, the Risk Management Subcommittee was established comprising the departments in charge of the consultation hotlines. This subcommittee regularly monitors the status of response to the inquiries made through the hotlines, and reports critical cases to the Board of Directors.

I Protection of whistleblower

Seeking to enhance the rationality and uniformity of these whistleblowing systems, the Daiwa House Group Whistleblowing Regulations were formulated in fiscal 2019 to apply to all such systems with the exception of Auditors' Whistleblower System. The Auditors' Whistleblower System has a different nature as it allows access to Auditors, who are outside the company's business execution functions, and is separately covered by the Auditors' Whistleblower Regulations.

In order to protect whistleblowers, the Daiwa House Group Whistleblower Regulations and Auditors' Whistleblower Regulations clearly state that any information that may identify the whistleblowers, the content of their reports, evidences, and so forth is strictly confidential, that identifying the whistleblowers without good reason is prohibited, and that discriminatory treatment of whistleblowers or those who took part in ascertaining the truth of such cases is prohibited.

All whistleblowing hotlines accept anonymous reporting to protect the whistleblowers.

I Explanation of the whistleblowing hotlines

① Corporate Ethics and Human Rights Hotline

The Corporate Ethics and Human Rights Hotline 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 an enhanced self-cleansing function and social credibility. The Sustainability Planning Department accepts whistleblowing reports on violations of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, not only from within the company but also from Group companies. The Sustainability Planning Department is the primary department in the Group for handling human rights issues. As the name of the system implies, it also accepts reports on human rights issues.

This hotline accepts reports on violations of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, not only from the company but also from Group companies.

The hotline accepts reports of cases that cannot be easily resolved or corrected within the workplace, or that require urgent response, by interview, telephone, email, website, or post.

Depending on the reporting details, within three months after some actions were taken, we check if the whistleblower and others are not suffering detrimental treatment and improvement has been made after that. We do our best to protect consultants so the whistle blowing will not exacerbate his or her working environment.

I Start of the operation

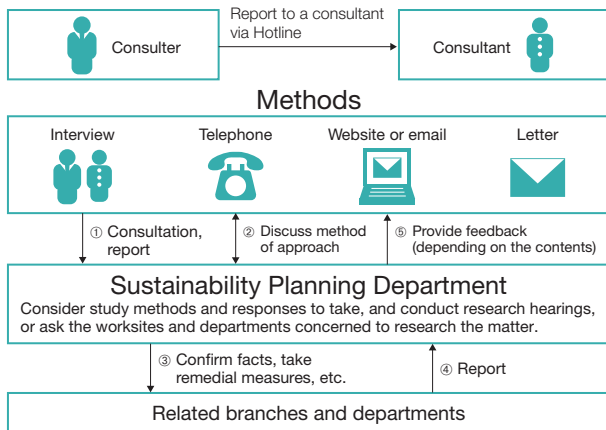
In fiscal 2004, we established the Whistleblower Protection Regulations (currently the Daiwa House Group Whistleblowing Regulations) and started the operation of the Corporate Ethics Helpline. In fiscal 2012, we integrated this with the whistleblower system for human rights to establish the Corporate Ethics and Human Rights Helpline, and since then, we have been receiving various reports regarding issues about workplaces and human rights in addition to whistleblowing. In fiscal 2020, we changed its name to the Corporate Ethics and Human Rights Hotline.

I Who can use this hotline and how is the contact information shared

All employees of the Daiwa House Group including employees, post-retirement specially commissioned employees, limited-term contractual employees, part-timers and temporary employees, temporary helpers, can use this hotline.

The contact information is widely disseminated through worksite training, the company's intranet, CASEBOOK, posters and periodically-issued in-house publications.

■ Operational system



* 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.

② Power Harassment Prevention Hotline

A whistleblower hotline exclusively handling power harassment was established for all our employees at the time of opening the Power Harassment Preventive Measures Office in July 2019. The hotline accepts reports by telephone or email.

Disciplinary actions are taken if the fact of malicious behavior is confirmed. (The company's regulations stipulate that behaviors involving power harassment is subject to punishment, and this information is posted on the intranet available to all employees.)

③ Risk Information Hotline

Based on the Daiwa House Group Risk Management Regulations, the Head Office Risk Management Committee gathers information on risks for the entire Group. In addition to that, the Risk Information Hotline has been put in place as a whistleblowing system to collect further information on violations of law and acts of dishonesty.

I Operation

Information is provided by telephone or by completing and sending a reporting form via the intranet. It can be used by all employees, including those of Group companies, and accepts anonymous reports.

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. This hotline also accepts reports on violations of law and other issues occurring in our supply chain.

Similarly to the Corporate Ethics and Human Rights Hotline,

it receives a wide range of information on labor problems, human rights, bribery including anti-corruption and so on. This hotline can be used anonymously, too.

⑤ Lawyer Hotline

The Daiwa House Group has had an external hotline for overseas use only (⑥ Global Whistleblower System), but has not had a similar external hotline for domestic use. Therefore, the Lawyer Hotline was established and put into operation on November 1, 2019 as a whistleblowing system independent from the Daiwa House Group, allowing access to lawyers of a legal office. This hotline expands the risk information collection channel, while securing higher anonymity of reports.

I Operation

Information is provided by telephone or email to the legal office. It can be used by all employees, including those of Group companies, and also accepts anonymous reports.

⑥ Global Whistleblower System

The Global Whistleblower System allows reports to be received in the languages of each region worldwide. Available languages are primarily those of countries where the Group operates (English, Chinese, Indonesian, Thai, Tagalog, Vietnamese, Burmese, Korean, and Spanish). Lawyers of legal offices in each country accept the reports. This whistleblowing system is independent from the Daiwa House Group, as with the Lawyer Hotline.

I Operation

Information is provided by email to the legal office. It can be used by all employees, including those of Group companies, and accepts anonymous reports.

⑦ Auditors' Whistleblower System

The Daiwa House Group has a multiple number of whistleblower systems, but all of them are established inside business operation organizations. Our Auditors' Whistleblower System, which has a supervisory function independent from operation departments that enables direct reporting to Auditors, started its operation in October 2016 for more objective verification and more appropriate response. This system is independent from our business operation function, in line with Supplementary Principle 2.5.1 of the Corporate Governance Code of Japan.

I Hotline can be used by:

All employees of the Daiwa House Group, including employees, post-retirement specially commissioned employees, limited-term contractual employees, part-timers and temporary employees, can use this hotline.

I Information provided to:

Auditors of Daiwa House Industry

I Operation

In accordance with the Auditors' Whistleblower Regulations, we receive information regarding violations of law, acts against the company regulations and corporate ethics and others at any time. Information can be provided by sending a reporting form via the intranet. Reports can be made anonymously.

Auditors and investigation collaborators must conduct investigation in a fair and equitable manner, and must not disclose

Risk countermeasures base

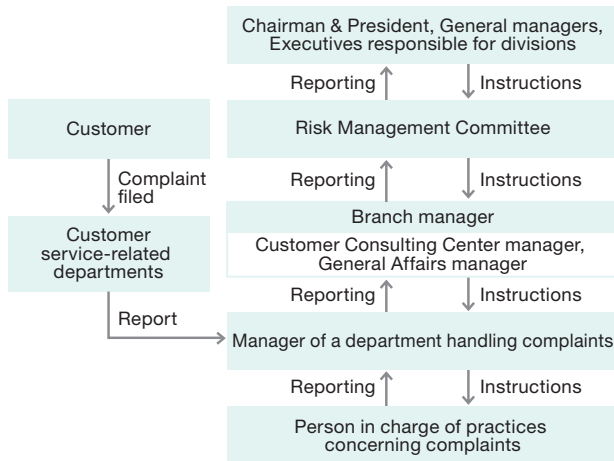
information that can identify the whistleblower without obtaining the consent of the whistleblower, even if the whistleblower-identifiable information needs to be disclosed in the course of investigation. We must also put information identifying the whistleblower, and the background, details, evidence, etc. of the report under strict control, and never leak such information. Employees must not force Auditors and investigation collaborators to disclose the whistleblower-identifiable information, or take any other actions to identify the whistleblower without a good reason.

⑧ 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.



The results of the whistleblower system operation

	FY 2017	FY 2018	FY 2019
Corporate Ethics and Human Rights Hotline (Of which, consultations relating to harassment)	138 (38)	149 (39)	136 (33)
Power Harassment Prevention Hotline	—	—	73
Risk Information Hotline	3	23	17
Partners Hotline	15	24	17
Lawyer Hotline	—	—	4
Global Whistleblower System	—	0	2

Building the legal compliance system for the technology division

I Creation of Legal Compliance and Quality Assurance Division

“Providing High Quality Products to Our Customers”

Guided by the above as a corporate mission, we have steadily established and managed a quality control system under the philosophy of industrialization of construction.

However, we caused a series of noncompliant cases that occurred in on-site construction, production and purchasing and product development in and after 2014. After having identified the cause of these cases, as part of steps to prevent the recurrence, the Conformance in Specifications Department has been taking the initiative in strengthening quality control through integrated management of technology information of new or revised specifications.

Nevertheless, another case of noncompliance occurred due to a fundamentally different cause in 2019. The fault stemmed from a misunderstanding of the Type-Approved and Type-Certified Component Manufacturer System in the Building Standards Act at the product development and design stage, which caused inconvenience and concern to our stakeholders. We are currently implementing and developing recurrence prevention measures under the supervision of the Ministry of Land, Infrastructure, Transport and Tourism, based on the investigation results by the External Investigation Committee.

With a view to establishing a legal compliance system to prevent risks by ensuring that engineering employees observe laws and correctly accomplish their duties, and fulfilling our corporate social responsibility by heightening our compliance awareness through promoting thorough observance of laws and regulations, we established a Legal Compliance and Quality Assurance Division, to reflect on the past cases of noncompliance and achieve sustainable development into the future.

I Creating a self-cleansing corporate culture

Although we have instituted several recurrence prevention measures in response to improprieties, there is a concern over the increasing burden on the on-site engineers. As the social environment surrounding the construction industry has also significantly changed, digitalization leads to new types of manufacturing.

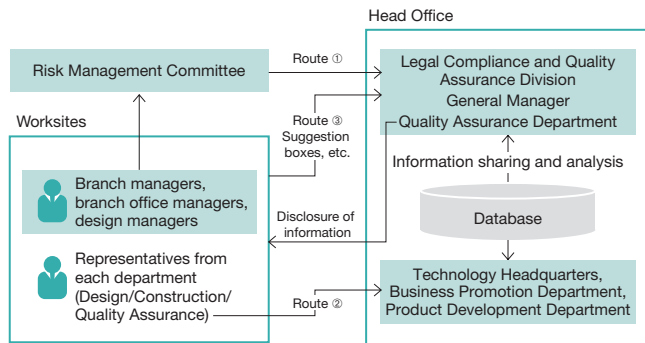
The Legal Compliance and Quality Assurance Division promotes quality control and conformance in specifications (p. 114), as well as digital transformation, an operational reform that adopts the latest ICT technology to facilitate smarter and streamlined operation by on-site engineers (p. 085).

We are creating a self-cleansing corporate culture with mutual checks to promote legal compliance. Previously, cases involving legal violations occurring in the front line have been addressed by individual department. We have built a system to centrally manage risk information so that such cases will be swiftly addressed and resolved from a broader perspective in a cross-departmental manner.

Previously, information such as requests for improvement was communicated via risk information or inquiry contacts in each department (routes ① and ②). Risk information concerning technical affairs is centrally managed by the Quality Assurance Department to implement measures for total optimization. We have also established a suggestion box (route ③) to reach the general manager of the Legal Compliance and Quality Assurance Division as one of the recurrence prevention measures. Another channel for direct information communication to the management is also in operation.

In this way, we make the most of the information gathered in-house to develop a self-cleansing corporate culture.

■ Centralized risk management



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.

Management

We established the Risk Management Committee as a meeting structure specializing in risk management.

Functioning as a system to follow the progress of risk management structure improvement on a regular basis, the Head Office Risk Management Committee meets monthly to share risk information reported by worksites and Group companies. The risk information is reported regularly to the Board of Directors. In fiscal 2019, we made improvements to clarify the risk reporting standards from worksites and Group companies, in order to gather risk information more appropriately and quickly. We also formulated rules with regard to the establishment and operation of emergency headquarters to better deal with emergencies, allowing us to respond more quickly to such situations.

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 Department 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 Risk Management Committee and Internal Control Committee. The Board of Directors supervises management of these matters and takes necessary actions.

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 medium- to long-term viewpoint.

I Risk Management Committee

We have made it mandatory to report any risk information identified by the Head Office, worksites, or Group companies (including those outside Japan) immediately to the Head Office Risk Management Committee. Such information is promptly communicated to the Executive Officers and managers in relevant departments, and from them to the Internal Control Committee and the Board of Directors. In fiscal 2019, we clarified the standards for bringing risk information before the Board of Directors, whereby information is communicated to the Board in a more appropriate and expeditious manner.

Furthermore, the Risk Management Committee meets not only at the Head Office but also at worksites and Group companies on a regular basis, to discuss risks that have come to light and measures to deal with them or prevent their recurrence. Branch Office and Group Company Risk Management Committees build a management system within each worksite and Group company, share the contents of proceedings of Head Office Risk Management Committee meetings across the Group, and making proposals in terms of business improvements to the Head Office. 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.

Main approach

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 are also promoting the use of D-Workplace, an advertising production system for creating and utilizing templates for advertising materials, to reduce the risk of improper expression in the advertisement creation phase.

Furthermore, a dedicated team has been established as part of the Final Check Division to reinforce our checking structure as our effort to manage risk as much as possible.

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. At the same time, a common infrastructure and management administration base 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

Measures to protect 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.

In fiscal 2019, we received no administrative guidance, advice, recommendations or orders from competent authorities.

Sanction measures due to a violation of law and litigation (including ESG-related issues)

I 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 2019, there were no significant reserves.

Related page → P031 Environmental accidents and complaints (fiscal 2019)

Anti-corruption

Basic Policy and Concept

The Daiwa House Group has formulated Anti-Bribery Regulations and Identification Regulations to build a system to strictly prohibit and prevent bribery, money laundering, misappropriation and other corrupt behavior contravening the law. Furthermore, any behavior which, while not necessarily breaking the law, still promotes corrupt and illegal dealings and is ethically inexcusable is prohibited 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.

I 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 simple social gathering or the like.” On top of this, in fiscal 2019, we circulated an internal notice to make all our employees thoroughly aware of compliance with our Anti-Bribery Regulations and Anti-Bribery Bylaws as rules to prevent bribery to public servants or deemed public servants.

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 norms by taking internal rules, etc., of an entertained person into consideration.” Under such basic policies, all 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. On the other hand, 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”

The Daiwa House Group signed the United Nations Global Compact, which contains Anti-corruption as one of its principles, and participates in meetings of the Anti-Corruption Subcommittee. Additionally, under the Business Principles for Countering Bribery of Transparency International, the Guidelines for the Prevention of Bribery of Foreign Public

Officials of the Ministry of Economy, Trade and Industry of Japan, and the Guidance on Prevention of Foreign Bribery of the Japan Federation of Bar Associations, the Group has developed the Basic Policies on Prevention of Offers of Bribes based on resolution of the Board of Directors, 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 and Anti-Bribery Bylaws in order to set forth the system, prohibited matters, procedures, etc., required to prevent our employees from being involved in offers of bribes to public officials or deemed public officials throughout the Group.

The main rules thereof are as follows:

1. Selecting and appointing a manager responsible for preventing offers of bribes
A Representative Director is selected and appointed as a director responsible for preventing offers of bribes, with the duty of establishing the anti-bribery system.
2. Establishing consultation hotline and whistleblower hotline
Our regulations stipulate hotlines for consultations to deal with specific cases of alleged bribes. We have also set up a whistleblowing hotline to receive information both in Japan and abroad, forming a system to gather a broad range of information on bribery.
3. Prohibiting offers of benefits, etc., to public officials, etc., in principle and allowing exceptions through procedures, etc., for getting prior approval
Our rules prohibit in principle the provision of cash and other benefits (offering entertainment or gifts, paying for the expense that public officials should bear themselves, giving donations, subsidies, or other rewards) to public officials or deemed public officials. Offers of benefits are exceptionally allowed only when certain conditions are met, such as obtaining prior approval of a manager.
4. Controlling third parties such as agents
When signing agreements with agents and other third parties, consideration must be given to such factors as integrity of the third parties, and validity of the purpose of the agreement and compensation. In addition, for agreements considered high risk, such as those with agents from countries with low scores on the Corruption Perceptions Index published by Transparency International and those with agents specified or introduced by public officials, we adopt a risk-based approach, whereby advance approval of a manager is required for signing the agreement.
5. Providing training
Under a risk-based approach, we provide education and training on the prevention of bribery. To employees who are involved in businesses, sites, or transactions that are recognized as having a higher risk for bribery, more intense education and training are provided.
6. Conducting audits by the internal audit department
Following a risk-based approach, the internal audit department conducts audits to see how regulations are being implemented. For businesses and sites that are recognized as having a higher risk for bribery, more focused audits are conducted.

7. Reviewing them by management
 The responsible director regularly verifies the effectiveness of the content and operational status of the anti-bribery system and makes revisions as necessary.
8. Taking disciplinary actions against persons violating the rules
 The Anti-Bribery Regulations and Bylaws stipulate that violations thereof are subject to disciplinary actions.
9. Supporting the Group companies in improving their systems
 The responsible director coordinates with Group companies to develop and maintain the anti-bribery system, in order to prevent bribery in the entire Group.

I Basic policy on fair trade

The Group has clearly stated that all 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).

I 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 22-3, Paragraph 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 8-2 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.

I 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 “Principles of Corporate Ethics and Code of Conduct” and endeavors to improve awareness through employee education, it collects written oaths from all employees once every two years so that it can prevent any corrupt practices. We started full-scale implementation of the Anti-Bribery Regulations and Anti-Bribery Bylaws in fiscal 2019. These regulations and bylaws explicitly set forth investigations on the risk of corruption for new agreements with suppliers, business partners, or agents, handling of agreements considered high risk, and procedures for reporting misconducts after they are discovered.

The regulations and bylaws will be ongoingly reviewed by the Board of Directors. In addition, we regularly conduct questionnaire surveys on corruption risks for overseas sites and provide trainings for employees in sites with a high risk of corruption. In these and other ways, we concentrate our efforts on early detection of problems with anti-corruption and compliance with the principle of fair competition and trade.

Related page Our Group official website Anti-corruption / Fair Trade <https://www.daiwahouse.com/English/sustainable/csr/fairtrade/>

Main approach

Risk assessment of corruption

We have included the provision for grasping and assessing risks of offers of bribes in the Anti-Bribery Regulations. Specifically, we adopt a process in which employees collect information relating to practices involving bribery, and the responsible director conducts surveys on bribery risks. The resulting information is centralized by the departments in charge to conduct verification and evaluation.

In fiscal 2019, the Risk Management Committee did not report any cases of acts of bribery including facilitation payments, or convictions or administrative penalties owing to such acts.

Prevention of money laundering

For the purpose of ensuring the safety and peace of people’s lives and preventing any money laundering in accordance with the objective of the Act on Prevention of Transfer of Criminal Proceeds 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 those laws and regulations, Internal Audit Department 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.

The Risk Management Committee did not report any cases of convictions or administrative penalties owing to problems related to accounting, including those based on the Act on Prevention of Transfer of Criminal Proceeds, a law to prevent money laundering.

Chapter

03


Implementation Report

Corporate Governance

Management

Commitment from the Executive Officer in Charge 159

Corporate Governance 162



Rather than slavishly following the outmoded set of values that informed the Group's early history, we will adopt new values that anticipate future developments, and on their basis will rebuild governance system.

Takeshi Kosokabe

Executive Vice President and
Chief Financial Officer (CFO)
Head of Management Administration
Headquarters

Commitment from the Executive Officer in Charge

Radically reinventing our corporate governance system

In the Sustainability Report 2019 for the Daiwa House Group, following the occurrence of financial irregularities at an affiliate in the People's Republic of China as well as a failure to conform to construction standards, we promised our stakeholders that we would do our best to enforce rigorous internal control procedures. Despite this, we subsequently discovered further violations of our compliance rules, including irregularities in the nationally administered "operation and

management engineer qualifications" tests, and the discovery that a Group employee had entered nonexistent orders for construction materials onto our books. In my capacity as Head of Management Administration Headquarters, I would like to sincerely apologize to all our stakeholders for these events, which have shaken your confidence in the Group.

We pledged to our stakeholders that we would rigorously enforce compliance with the principles of corporate ethics and the law, but when the violations of our compliance rules committed last year came to my attention as Head of Management Administration Headquarters, being fully occupied in dealing with the increased amount of work concomitant on the expansion of the Group's business, it appears that

I may not have looked closely enough into the details of the internal control situation.

The Group's consolidated net sales have grown to reach ¥4 trillion per annum, roughly 2.5 times the level ten years ago, and the scale of our business operations has been expanding in overseas markets, including the United States, Australia, and the nations of East Asia as well as Southeast Asia (ASEAN). We are now making steady progress toward achieving the goal set by the founder of Daiwa House Industry—of ¥10 trillion in net annual sales by 2055, when we will celebrate the 100th anniversary of the Company's founding. Upon closely examining the Group's current situation, we came to the conclusion that a thorough reexamination of our corporate governance system is required. To that end, we believe that, rather than slavishly following the outmoded set of values that informed the Group's early history, we must adopt new values that anticipate future developments, and on their basis must rebuild governance system.

Creating an organization that functions effectively even without a charismatic leader

The management of the Daiwa House Group have extensively examined and discussed all issues relating to corporate governance. For example, I held one-on-one talks with President Keiichi Yoshii in 2017, immediately prior to his assumption of the office of COO, during which we debated the direction in which the Group should go in the future. I pointed out to him that, for the first sixty years of the existence of Daiwa House, the Company—and subsequently the Group—had benefited from the strong leadership provided by founder Nobuo Ishibashi and his successor—former Chairman Takeo Higuchi. It was these two who motivated all our employees to work together to expand our business. However, I stressed, we cannot count on such charismatic leadership going forward, and thus we must change the way we operate.

I believe that we must create an organizational structure that will function effectively even in the absence of a charismatic leader. To do this, we must radically change the organization's management structure. In particular, I pointed out to President Yoshii the necessity for ensuring a smooth transition from one management team to the next generation of managers. The two of us then agreed to work together to realize these two essential points—rethinking the way we manage the Group and facilitating a smooth transition from one generation of top management to the next. The measures to enhance governance that we announced in November 2019 were based on the conclusions reached during this dialog.

Business Division where the head of each business division has authority over, and is responsible for, that division's business performance, risk management, and compliance

Against the background of these discussions, the management of the Daiwa House Group has begun a series of radical steps to regain the trust of its stakeholders and the general public. Specifically, in July 2019 we started up the Governance Enhancement Project, led by myself in my capacity as Executive Vice President, and including not only the Group's own staff but also external consultants. This then led to the announcement in November of the Daiwa House Group Governance

Enhancement Measures, which built on the discussions conducted in the project.

These governance enhancement measures are being steadily pursued as part of Groupwide governance rebuilding efforts to be implemented during a specific time frame concluding at the end of fiscal 2021 (which is the final business year under our current Sixth Medium-Term Management Plan), and following four Basic Policies laid down for governance of Group companies both in Japan and overseas.

Especially noteworthy with regard to our policy on compliance is that we will be reorganizing our business operations in Japan into seven business divisions, under the control of which all related Group companies will be placed. The head of each division will have comprehensive authority over and responsibility for risk management and compliance oversight, as well as business performance, and all divisions at the Company's head office will support all business divisions in a cross-sectoral manner. In these ways, we will work to enhance the functioning of our governance system. The new system was officially introduced in April of this year, but full-scale operation will commence in April 2021.

We will also be appointing a director to the Board who has extensive experience of doing business globally, and he will assume responsibility for all our global operations. We will also appoint officers exercise authority over each of our four global business areas—North America, Australia, East Asia, and Southeast Asia (member nations of ASEAN)—each of whom will manage business performance, risk, and compliance in their respective areas.

Going forward, with regard to global businesses that we expect to grow, it is becoming increasingly essential to strengthen our systems for risk management and compliance in East and Southeast Asia, where rapid economic growth is being recorded. Meanwhile, while we are strictly enforcing legal and ethical compliance in our American and Australian operations, we run the risk of lawsuits if we put just one foot wrong. We will work to ensure that we are fully prepared for the emergence of risk in these geographical areas, with the aim of achieving sustained business growth.

Establishment of intermediary between head office and front line, for smoother communication

Regarding the second of our four policies mentioned above—ensuring strict legal compliance—in November 2019 we set up the Compliance Promotion Department, which works to preempt the emergence of risks and non-compliance by facilitating better communication between the Company's head office and the business front line, as well as to realize an improved working environment.

For example, against the backdrop of the impropriety that came to light in April 2019 in our single-family houses and rental apartment businesses, in which it was found that off-specification components had been employed, subsequent investigation revealed that although the staff at the Company's Head Office believed that they had explained matters relating to specifications, this information had not, in fact, been adequately conveyed to design staff at construction sites. This appears to have been a failure of communication. To solve this problem, we set up the Compliance Promotion Department to act as an intermediary between Head Office and the front lines of all our operations, which ensures that the correct information is conveyed and understood. The

staff of this department will also provide advice to employees working on the front lines of all our operations, as well as other forms of support.

We plan to spend the next year constructing a new system that will enhance governance, and measures will be fully implemented from April 2021. Regarding the enhancement of our governance to ensure legal compliance, I expect steady, continuous, low-key efforts will produce the desired results. Having achieved that, I am sure that we will be able to restore our stakeholders' trust in us.

Aiming to strengthen directors' roles by separating oversight and executive functions

Turning to the issue of corporate governance for the whole Daiwa House Group, we are currently working to reform the structure of the Board of Directors as part of a rethinking of our decision-making system at the organizational level. The basic idea underlying this is the separation of oversight and executive functions. Hitherto, issues for resolution by the Board have been dealt with adequately, but it appears that matters to be reported—such as risks involving management, and materiality assessments relating to sustainability—may have been insufficiently debated.

That being so, we have decided to ensure that the Board becomes a forum for discussion and debate on such matters as decision-making relating to the framework of management policy and related issues, the materiality of various corporate activities, risks that are likely to affect the entire corporate group, and so on. Meanwhile, authority for decision-making regarding investment projects and the execution of other such individual operations will be delegated to Executive Directors. By these means, the involvement of the Board of Directors in day-to-day business execution will be reduced as much as possible, and this will allow the directors to exercise oversight of the Group's business from a broader perspective.

There is also a need for further diversification of the Board membership. Of the current 14 members, five of them are outside directors, of whom the majority have experience in corporate management. Going forward, we are also considering recruiting Board members with academic experience, and from the legal profession. Needless to say, considerations of gender and nationality will play no part in our decisions as to whom to appoint, and we will seek only those persons whose personal experience and talents make it likely that they will perform well as members of the Group's management. Moreover, by acquiring knowledge, experience, and know-how from outside the Group, we believe we will be able to strengthen our organizational control and our oversight function, and create a board of directors that will be more active, more transparent, and more effective.

Amid the COVID-19 pandemic, we will undoubtedly have to contend with an extremely serious business environment during the current fiscal year, ending March 31, 2021. But it is precisely in such circumstances that the true worth of the Daiwa House Group—which we owe to the example set by our founder Nobuo Ishibashi—will be revealed.

By fulfilling our mission, as represented by the Group's Endless Heart symbol—to create bonds of empathy—all employees and executives of Daiwa House will unite to achieve continuous growth for the good of all people. I look forward to the continued support of all our stakeholders.

Corporate Governance

Basic Policy and Concept

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

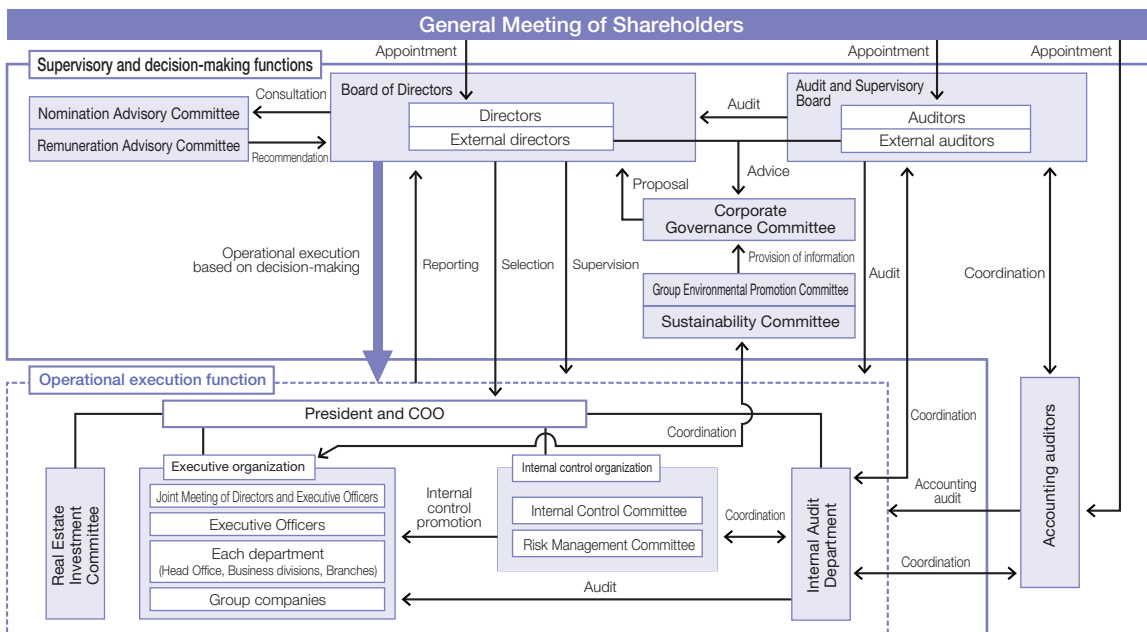
Corporate governance system

To raise our corporate value by putting 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.

Our Board of Directors consists of nine executive directors and five independent external directors. By appointing both executive directors to enable accurate and swift actions on how to respond to the society's needs through our business operations, and a multiple number of independent external directors, we increase the transparency and soundness of our business management. Furthermore, the Board of Directors is further audited by auditors and the Audit and Supervisory Board that are independent of the Board of Directors.

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 independent external directors headed also by an independent external director. We also have the Corporate Governance Committee to discuss overall management visions, strategies including efforts toward achieving the SDGs (the 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 the 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 the Board of Directors stipulates the procedures and standards for selecting directors.

Standards for selection of directors

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 or her own quality
6. Capable of proactively expressing his or her opinion from a company-wide perspective

Managerial Philosophy and Overall Picture
 Environment
 Society
 Innovation Base
 Human resources Base
 Technology and Manufacturing Base
 Customer Base
 Communication Base
 Risk Countermeasures Base
 Governance
 Third-Party Assessment/ Data Section

Diversity amongst directors

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 (as of June 26, 2020)	Daiwa House Group (as of April 1, 2020)	
Directors	Directors	Executive officers
2	13	2

Related page Our Group official website
 Information disclosure in accordance with the Corporate Governance Code (Japanese text only)
 Concept of balance, diversity, scale, etc. of the entire Board of Directors
https://www.daiwahouse.com/ir/governance/pdf/governance_kajiji.pdf

Supervision of the Board of Directors concerning SDGs and ESG

As for the efforts toward achieving SDGs and ESG, chairpersons of Group Environmental Promotion Committee and Sustainability Committee periodically provide information to Corporate Governance Committee, which is consisted of representative directors and outside executives, make suggestions to the Board of Directors on matters of importance and are engaged in their activities for ESG promotion.

Related page P030 Environmental Management

Status of holding Board of Directors (Expected attendees: Directors and Auditors)

FY2019	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭	⑮	⑯	⑰
Directors	18/19	18/19	19/19	17/19	16/16	16/16	15/16	16/16	14/16	16/16	15/16	16/16	16/16	16/16	16/16	16/16	14/16
Auditors	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	5/6	6/6	6/6	6/6	6/6	6/6	6/6	5/6	5/6
Attendance rate	96%	96%	100%	92%	100%	100%	95%	100%	86%	100%	95%	100%	100%	100%	100%	95%	86%
Matters to be resolved	6	6	3	1	7	2	2	6	1	5	10	6	6	1	9	10	3
Matters to be reported	1	6	4	2	2	1	2	1	0	5	1	2	2	1	3	4	0
Time required	95 min	155 min	75 min	80 min	67 min	55 min	70 min	80 min	25 min	145 min	145 min	90 min	125 min	25 min	160 min	120 min	15 min
	Apr	May	Extraordinary meeting in June	Extraordinary meeting in June	Jun	Jul	Aug	Sep	Extraordinary meeting in September	Oct	Nov	Dec	Jan	Extraordinary meeting in January	Feb	Mar	Extraordinary meeting in March

Status of holding Joint Management Council (Expected attendees: Directors, Executive Officers and Auditors)

FY2019	①	②	③	④	⑤	⑥	⑦
Directors	18/19	16/16	15/16	16/16	16/16	16/16	16/16
Auditors	6/6	6/6	6/6	6/6	6/6	6/6	6/6
Executive Officers	43/46	46/46	46/46	46/46	48/48	47/48	47/48
Attendance rate	94%	100%	99%	100%	100%	99%	99%
	Apr	Jul	Aug	Sep	Dec	Jan	Feb

Status of holding Nomination Advisory Committee (Expected attendees: External Directors, Chairman and CEO, President and COO)

FY2019	①	②	③
Number of attendees	5/5	5/5	5/5
Attendance rate	100%	100%	100%
	May 13	June 24	March 13

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 and 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 2019, 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.

We have also shared issues such as reconstruction of our risk management system in order to ensure even stronger governance. We will continue striving to improve the effectiveness of the Board of Directors and our management system.

Status of holding Corporate Governance Committee (Expected attendees: External Directors, External Auditors, Fulltime Auditors, CEO, COO, CFO and Representative Directors)

FY2019	①	②
Number of attendees	12/12	12/12
Attendance rate	100%	100%
	Jul	Jan

Status of holding Remuneration Advisory Committee (Expected attendees: External Directors, Chairman and CEO, President and COO)

FY2019	①	②	③
Number of attendees	5/5	5/5	5/5
Attendance rate	100%	100%	100%
	April 11	May 13	June 24

Audit and Supervisory Board

The Audit and Supervisory Board operates independently of the Board of Directors. It consists of fulltime auditors well versed in the operations and management structure of the company, as well as external auditors who are experts in particular fields such as law or management. 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 Directors and Executive Officers.

Having received a mandate from shareholders as independent entities to audit the execution of duties of Directors and Executive Officers, auditors fulfill their duty to ensure sustained corporate growth. Additionally, the Audit and Supervisory Board shares necessary information with the accounting auditors, the Internal Audit Department and external directors and holds regular meetings with them, in an effort to improve auditing quality and perform audits efficiently. One of the fulltime auditors has a wealth of knowledge of finance and accounting, improving financial expertise of the Audit and Supervisory Board.

In addition, we established an Audit and Supervisory Board Member's Office with several employees assigned to it, to accomplish tasks based on resolutions of the Audit and Supervisory Board and instructions of the auditors. To secure objectivity of audits, the employees assigned to the Audit and Supervisory Board Member's Office are ensured to be independent from directors regarding operational orders and personnel evaluation.

The status of auditors' audit and auditors' remuneration is disclosed in our Securities Report.

Related page Our Group official website
The 81st Term Securities Report (Japanese text only)
<https://www.daiwahouse.com/ir/shouken/pdf/81yuh.pdf>

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 and Supervisory Board stipulate the procedures and standards for selecting auditors. Concept of the composition of auditors is as follows.

1. Audit and Supervisory Board shall be composed of 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 those 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. Once a year they are evaluated by the Audit and Supervisory Board, which determines the content of proposals on the appointment and dismissal, as well as reappointment of accounting auditors.

For the number of auditors and other details, please see our Integrated Report 2020 (to be published at the end of August).

Related page Our Group official website
Items related to organizational composition, organizational operation, etc. [Auditor-related] (Japanese text only)
https://www.daiwahouse.com/ir/governance/pdf/governance_report.pdf
Policy and procedures of information disclosure nomination based on the Corporate Governance Code (Japanese text only)
https://www.daiwahouse.com/ir/governance/pdf/governance_kaiji.pdf
Integrated Report 2019
<https://www.daiwahouse.com/English/ir/ar/>

Committees to increase effectiveness of supervisory function

I Corporate Governance Committee

The Corporate Governance Committee is composed of external directors, external auditors and fulltime auditors, as well as the CEO, COO, CFO and Representative Directors. This committee conducts exchanges of views on visions, strategies and other items related to corporate governance and overall company management from diverse and long-term perspectives.

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, a meeting structure associated with the Committee, and Sustainability Committee, and exchanges opinions with them.

By fully incorporating into corporate management the knowledge and wisdom of external directors and external auditors, the Committee aims to create a "better company," and meets 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)

I Group Environmental Promotion Committee

Group Environmental Promotion Committee has been established as an organization to promote environmental management across the Group and globally. The committee supervises our Group's environmental initiatives discusses and makes decisions on basic policies for environmental initiatives that our Group should undertake and environmental risks and opportunities. In addition, the committee has executive organizations consisting of 10 specialized subcommittees with each Executive Officer in charge at the top, which meet quarterly for review. This is the way the subcommittees function as the small cross-segment working units, promoting detailed improvement activities.

Important matters concerning our environmental management are to be reported to the Corporate Governance Committee by the Group Environmental Promotion Committee. (Chairman: Executive Officer in charge of Environment, Current: Managing Executive Officer, Frequency: twice a year, in principle)

I Sustainability Committee

Sustainability Committee deliberates and determines contents of improvement of important issues concerning sociality, such as relationship with employees and business partners, and directs and controls company-wide initiatives relating to relevant determinations. Executive sub-committees promote practical approach on the ESG front, such as operation of cross-segment projects, measures for ESG investment-related external evaluation and appropriate information disclosure, check of progress of the Medium-Term CSR Plan and formulation of the next-term plan, to visualize intangible assets and raise corporate value from the ESG perspective. Additionally, as a meeting structure, the Committee provides information on important items concerning our Company's sociality to Corporate Governance Committee (Chairman: General Manager of Management Administration Headquarters, Frequency: annually in principle).

Managerial Philosophy and Overall Picture
 Environment
 Society
 Innovation Base
 Human resources Base
 Technology and Manufacturing Base
 Customer Base
 Communication Base
 Risk Countermeasures Base
 Governance
 Third-Party Assessment / Data Section

I Nomination Advisory Committee

Over a majority of members of the Nomination Advisory Committee is composed of independent external directors and chairperson is an external director. The Nomination Advisory Committee is designed to receive consultations from Director or executive officer in charge of human resources on the following items to be deliberated, discuss those matters and strengthen fairness and objectivity concerning nomination. (Frequency: annually in principle)

Major items to be discussed by the Nomination Advisory Committee are as follows.

1. Requirements for directors
2. Requirements for the independency and neutrality of outside directors
3. Recommendation of director candidates

I Remuneration Advisory Committee

The Remuneration Advisory Committee, the majority of which is composed of independent external directors, is chaired by an external director. The Remuneration Advisory Committee is designed to receive consultations from Director or executive officer in charge of human resources on the following items to be deliberated, discuss those matters and strengthen fairness and objectivity concerning remuneration. (Frequency: annually in principle)

Major items to be discussed by the Remuneration Advisory Committee are as follows.

1. Policy on directors' remunerations
2. Remuneration system for directors
3. Appropriateness of the process for determining directors' remuneration

Directors' remunerations are disclosed in our Securities Report.

Related page Our Group official website
 The 81st Term Securities Report (Japanese text only)
<https://www.daiwahouse.com/ir/shouken/pdf/81yuh.pdf>

Committees related to execution of operations

As committees involved in execution of operation (Management Committees), we have a Joint Management Council to promptly and appropriately execute matters decided by the Board of Directors in developing businesses in a broad range of fields; a Real Estate Investment Committee as a body to deliberate on matters necessary for decision-making by the Board of Directors and for the management; and an Internal Control Committee and Risk Management Committee that supervise the company-wide internal control system and secure effectiveness of its operation. Having these committees in place, we develop business in a way that strikes a balance between reliable approaches to business opportunities and risk control.

I Joint Management Council

To encourage communication between the Board of Directors and Executive Officers, as well as to appropriately execute matters determined by the Board of Directors, we establish Joint Management Council. (Chairman: President)

I 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)

I Risk Management Committee

The Committee constructs and maintains a risk management system to prevent and control the risks related to the management of the Daiwa House Group, as well as to minimize the loss caused by them. (Chairman: General Manager of Management Administration Headquarters)

Incentive system for medium- to long-term corporate value enhancement

Amid changes in the business environment, Daiwa House Industry has introduced a system awarding improvement of the medium- to long-term corporate value (stock awards), along with incentive for achievement of short-term business goals, so that we can make adequate managerial decisions that improve the medium- to long-term corporate value as the management of a listed company. In this way, we are creating a well-balanced incentive system. Objectives of respective elements are described below.

I Basic remuneration

In compensation for "fulfilling their duties," monetary fixed remuneration is paid to all of our directors and auditors. Limitation of remuneration for directors shall be 70 million yen per month (resolution at the 57th General Meeting of Shareholders held on June 27, 1996) and that for auditors shall be 18 million yen per month (resolution at the 80th General Meeting of Shareholders held on June 25, 2019).

I Annual bonus

In compensation for "making a profit for the company's growth and development," performance-linked monetary remuneration, which is less than 0.5% of consolidated ordinary income, is paid to Executive Directors. To seek our shareholders' judgement, the amount paid to directors in proportion to the company's performance in the relevant fiscal year is submitted as agenda to the General Meeting of Shareholders every year. (KPI: Consolidated ordinary income)

I Stock awards

To strengthen linkage with our shareholders' benefit and to boost incentives for improving the medium- to long-term corporate value, the following two types of performance-linked stock awards are provided to Executive Directors.

- ① Performance Share Restricted Stock (hereinafter, "Restricted Stock") is provided to urge commitment to achieving medium-term performance goals and improving long-term shareholder value. Under this system, upon the start of a Medium-Term Management Plan, a minimum number of shares is specified according to official position and Daiwa House Industry's shares with restriction on transfer until retirement are issued in proportion to the achievement level of operating income in each fiscal year during the period of the Medium-Term Management Plan. (KPI: Operating income during the period of the Medium-Term Management Plan) The stock awards are also provided to the senior management of Daiwa House Industry and its Group companies.
- ② Stock Ownership Plan is provided in compensation for "creating long-term shareholder value." Under this system, directors are provided with the Company's shares, which are acquired and managed for them by a trust, in proportion to the achievement level of ROE (Return on Equity), within the upper limit resolved by a General Meeting of Shareholders.

[Determination of payment amount]

The payment amount conforms to the above policy. Regarding stock awards, an incentive for greater improvement of medium- to long-term corporate value, in principle, we seek to secure approximately 10%. Please visit our website as to how we determine the amount of performance-linked stock awards.

Related page Our Group official website
Information disclosure in accordance with the Corporate Governance Code (Japanese text only)
<https://www.daiwahouse.com/ir/governance/pdf/principle3-1-3.pdf>

Directors' stock ownership

[About Stock Ownership Guidelines]

To foster benefit-sharing awareness with our shareholders and contribute to actions respecting shareholder return, the Company encourages its executives and employees to acquire treasury stock through its employment stock ownership program, etc.

Especially, Stock Ownership Guidelines are prepared for executives and executive candidates, who are supposed to play an important role in the company's sustainable growth and the improvement of medium- to long-term corporate value. As a general rule, they are required to own more than a prescribed number of treasury stock.

■ Stock Ownership Guidelines

Director of Daiwa House Industry:

In principle, acquire more than 6,000 shares of treasury stock within three years from assuming the post.

Executive Officer:

In principle, acquire more than 3,000 shares of treasury stock within three years from assuming the post.

Director of the Group companies:

In principle, acquire more than 2,000 shares of treasury stock within three years from assuming the post.

Groupwide efforts to promote internal control

Daiwa House Group instituted Regulations for Group Management in 2007. These regulations stipulate that each company of our Group, as a basic principle, ensures to further develop their business with a spirit of independence and self-reliance, while being required to report to Daiwa House Industry concerning important items. Under moderate influence of administration and discipline by Daiwa House Industry, we respect flexible and efficient business operation of each Group company while ensuring appropriateness of their business.

As for management administration, we have key Group companies inside and outside Japan report status of profit and loss monthly and conduct conference calls. In so doing, we confirm business progress against business plans formulated at the beginning of the term, promote sharing of issues and understand the performance outlook at an early stage.

Notice of the Fiscal 2019 Ordinary General Meeting of Shareholders

The notice of the Fiscal 2019 Ordinary General Meeting of Shareholders was provided within the period set forth in the Companies Act and was not delayed.

Chapter

04

Third-Party Assessment / Data Section

Cooperating with Third Parties and Their Assessment

Cooperating with Third Parties	169
Main certifications and awards	171
Inclusion in ESG indices	173

Data Section

Corporate Data / Financial Information	175
Medium-Term Plan Self-Assessment Indices	179
Environmental Data	183
Glossary	215

Third-Party Assurance Report	217
------------------------------------	-----

Editorial Postscript	218
----------------------------	-----

Cooperating with Third Parties

Basic Policy and Concept

The Daiwa House Group believes that it is important to promote initiatives for climate change and biodiversity conservation and other environmental issues as well as communicate with stakeholders and work with organizations to resolve social issues.

Through dialogues and partnerships, we will deepen our understanding of the role that the industry and our Group will play in society and disseminate these efforts both inside and outside the company. Furthermore, by actively participating in validation projects implemented by countries and governments and giving advice for the promotion and strategy for environmental activities from industrial organizations, we can fully utilize our leadership with the goal of realizing a sustainable society.

Main approach

Cooperation in international initiatives

Our Group is working together with companies that have similar goals by actively joining international initiatives to combat international issues.

I Global Compact Network Japan

In April 2018, Daiwa House Industry signed the UN Global Compact*. 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.

* Each company and organization allow their responsible and creative leadership to fully realize their potential, thereby acting as a good member of society and participating in creation of a global framework to realize sustainable growth.

I Participation in environment related initiatives

From March of 2018, we joined the EP100 and RE100 international initiatives for the promotion of energy efficiency and the use of renewable energy. In August of the same year, the goal of reducing greenhouse gas emissions was decided in our long term vision for the environment Challenge ZERO 2055 and we were awarded the SBT certification.

In September, we joined the Task Force on Climate Related Financial Disclosures (TCFD) organized by the Financial Stability Board. Through exchanging opinions with countries and cooperating companies and increasing awareness of the TCFD, we can carry out more efficient low-carbon management and fulfilling information disclosure.

■ Initiatives participated in and conditions of our activities

Organizer	Committees, etc.
UN Global Compact	<ul style="list-style-type: none"> Supply Chain Subcommittee Environmental Management Subcommittee ESG Subcommittee, etc.
The Climate Group	<ul style="list-style-type: none"> RE100 EP100
CDP and WRI (World Resources Institute) WWF (World Wildlife Fund) UN Global Compact	SBT
Financial Stability Board	TCFD



I Joining The Valuable 500

In January 2020, we joined The Valuable 500, an international initiative to promote disability inclusion. The aim of the initiative, launched at the World Economic Forum Annual Meeting in Davos in January 2019, is for business leaders to spearhead reform so that people living with a disability can realize their potential in business, social, and economic spheres.

The promotion of diversity and inclusion by building a flexible workplace for diverse employees is a priority for our Company. We endorse the aims of The Valuable 500, and will work to raise awareness and establish an environment enabling social engagement for all.

Related page

P135 Welfare services
Our Group official website
News Release (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20200206173241.html>

Active participation in validation projects conducted by the national government, etc.

Daiwa House Industry actively participates in validation projects for ZEH and ZEB and campaigns organized by the national government and its agencies to provide feedback on their policies and we also cooperates in bringing awareness to 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 were able to contribute to the promotion of efforts toward biodiversity made by companies in the public sector because our group efforts were consolidated into guidelines. In fiscal 2019, we continued our participation in the Ministry of the Environment's Environmental Information Disclosure Infrastructure Project, which we joined in fiscal 2013. We have been proactive in giving feedback on the development of information disclosure infrastructure to enable investors and others to make best use of environmental information that companies provide.

■ Major programs the Group participates in

Organizer	Program
Ministry of Economy, Trade and Industry	<ul style="list-style-type: none"> Net Zero Energy House Support Project Net Zero Energy Building Validation Project Smart Community Alliance Association on the Promotion of Standards for Long-Term Use of Housing Materials Validation experiments for the sale of trackable non-fossil certificates TCFD Consortium of Japan

Ministry of Land, Infrastructure, Transport and Tourism	Early Adopters of Sustainable Architecture (Early CO ₂ reduction adopters)
Ministry of the Environment	<ul style="list-style-type: none"> Green Value Chain Platform Environmental Information Disclosure Infrastructure Project "Fun to Share" climate change campaign Revision of the Guidelines for Private Sector Engagement in Biodiversity Water Project Plastic Smart Campaign Low Carbon Management Promotion Network Company Research Committee for Responding to Climate Change Effects Platform for Climate Change Information Taranao Dialogue Eco First Program Promotion Council Mori Kawa Sato Umi Project Corporate 2°C Target Network

Related page P044 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

Leadership among industry organizations and policy proposals

Daiwa House Industry has joined various economic organizations and industrial groups and we participate in various committees related to economic, environmental and social aspects.

Industrial organizations will work together to provide leadership that will formulate and promote activity policies that will address important environmental and social issues and also provide information for policy proposals and advice for policy from the standpoint of sales and development.

Major organizations of which we are a member, and activities we participate in

Industry organization	Committees, etc.
Japan Business Federation	
Japan Federation of Housing Organizations (Our president is vice-chairman as of April 2020)	<ul style="list-style-type: none"> Building Regulatory Rationalization Committee Housing Performance Improvement Committee Housing Stock Committee Environmental Action Subcommittee
Japan Prefabricated Construction Suppliers and Manufacturers Association (Our president is chairman as of April 2020)	<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
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 and social issues, and by sharing information and exchanging opinions on efforts made by non-governmental organizations.

Membership of key committees, study groups

Organizer	Committees, etc.
Tokyo Metropolitan Government	Obligation to reduce total greenhouse gas emission and emission trading program (The cap-and-trade program)
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 LCCM Housing Standard and Certification WG
Environmentally Symbiotic Housing Promotion Council	<ul style="list-style-type: none"> Survey and Research Subcommittee Promotion Subcommittee, etc.
Smart Wellness Community Council	Community Development Subcommittee
Consortium for Building Research & Development	<ul style="list-style-type: none"> Management Committee Research and Development Promotion Committee Incubation Subcommittee
Provision of Quality Housing Stock Association	<ul style="list-style-type: none"> Planning & Administration Committee Assessment Training Committee
Senior Housing Promotion Organization	Joint Research Committee

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 environment and social issues. We cooperate with them while complementing each other's knowledge to promote the efforts toward solving environmental and social issues.

Key partners

Collaboration partner	Major activities
World Wide Fund For Nature (WWF) Japan	Implementation of the Timber Procurement Guidelines, sharing of information on risk areas, etc.
Japan Climate Leaders Partnership (Japan-CLP)	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
Reforestation Commercialization Research Group, Japan Project-Industry Council (JAPIC)	Reforestation Commercialization Research Group (industrialization of new forestry system, proposals on community revitalization, etc.)
Association for Business Innovation in Harmony with Nature and Community (ABINC)	Operation of biodiversity guidelines and promotion of biodiversity-aware land use
Green Purchasing Network	Dissemination of green purchase and CSR procurement
Sky Front Forum	Technological Development Group (technological study on rooftop and wall greening)
Tokyo Institute of Technology AES Center	Industry-academia collaboration for the realization of a low-carbon society
Osaka Gender Equality Foundation	Promotion of Gender Equal Community Development (Our employee participates as a director)
Yoshinoyama Hoshokai	Cherry tree conservation activity at Mt. Yoshino
Japan Forest-Volunteer Association	Conservation activities for Mt. Rokko
Buraku Liberation and Human Rights Research Institute	Elimination of all racism and realization of a society with established human rights
Fair Recruitment and Human Rights Center	Ensuring fair hiring practices and promoting in-house human rights training
Multi-Ethnic' Human Rights' Education Center for Proexistence	Realizing a co-created society, promoting human rights education
Mirairo Inc.	Promotion of human rights awareness and universal manners training

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Main certifications and awards

On CDP climate change A List two years running. Received CDP's highest Supplier Engagement Rating

Our initiatives to deal with climate change and disclosure are recognized internationally to be of a high standard. We were awarded a place on the CDP climate change A List, the highest rating, two years running.

CDP Global is an international NPO that surveys over 8,400 companies worldwide each year. Companies with outstanding strategies to deal with climate change are named to the climate change A List. In 2019, 179 companies, including 38 from Japan, were selected for the A List.

Also in fiscal 2019, the Company received the CDP's highest Supplier Engagement Rating, listing on the Supplier Engagement Leaderboard for the first time.



Recognized at Environmental Communication Awards

Our Group was selected for the Hall of Fame at the Environmental Communication Awards co-sponsored by the Ministry of the environment and the Global Environmental Forum thanks to our Sustainability Report.

The Daiwa House Group publishes a sustainability report with comprehensive coverage of ESG matters, with the aim of building good relations with our stakeholders — customers, employees, suppliers, local-community members, and shareholders. This is the seventh time we have received an award in the environmental report category since our first award in 2007. Because we received first prize in the 21st awards, we were named to the newly established Hall of Fame.



Related page Our Group official website
News Release (February 19, 2020) (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20200219170051.html>

Company receives top Gold EcoVadis sustainability rating

50,000 suppliers in 190 industries from 150 countries worldwide participate in EcoVadis, a France-based ESG assessment platform that provides third-party sustainability reviews. 300 major global multinationals rely on it to promote responsible procurement.

In 2019 our Company underwent an ESG assessment, and scored in the top 5% in the global construction industry, receiving the top Gold rating.

Awarded fiscal 2019 First Prize for Global Warming Prevention Activities by Minister of the Environment, First Prize in 20th Green Purchasing Awards New Energy Foundation Chairman's Prize in fiscal 2019 New Energy Awards (advanced business model category)

In order to promote the use of renewable energy, our Group participates in the international RE100 initiative. We are developing our own renewable energy generation facilities and our community development activities use renewable energy end-to-end starting with construction and continuing after residents move in. We were recognized for these initiatives.

We do not merely procure existing renewable energy but generate it in-house. This is the first 100% renewable energy community development in Japan — something only a housebuilder could do. The ability of individuals to choose to live with renewable energy as such towns spread throughout the country was deemed merit-worthy.



Sadamisaki Wind Power Plant



Presentation ceremony for Environment Minister's Global Warming Prevention Activities Award

Related page Our Group official website
News Release (November 20, 2019) (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20191120115109.html>

Received Energy Conservation Center Chairman's Prize (energy conservation case category) at Fiscal 2019 Energy Conservation Awards

The Daiwa House Group aims to make our buildings zero emission and self-sufficient in power. We are installing energy-saving lighting and air-conditioning equipment and in-house facilities that run on renewables. In February 2018, we launched a verification project for power self-sufficiency using renewable energy at the Daiwa House Saga Building. Its energy consumption is roughly 92% lower than a conventional building of the same size. It uses solar power in tandem with storage cells, making it roughly 80% self-sufficient in power.

Moving forward, we intend to make further strides in energy savings and self-sufficient power supply.



Daiwa House Saga Building

Related page Our Group official website
 News Release (January 29, 2020) (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20200129132950.html>

2019 Integrated Report deemed excellent by GPIF's Japanese stock investment managers

Our 2019 Integrated Report was named as an excellent integrated report by organizations that manage Japanese equities on behalf of the Government Pension Investment Fund (GPIF).

Awarded 4.5 stars in Nikkei SDG Management Survey

In the inaugural Nikkei SDG Management Survey in December 2019, the Company's overall score was 66.7 and overall rating was 4.5 stars (out of maximum five stars).

Nikkei rates 637 listed Japanese companies from the perspective of their moves to implement the United Nations Sustainable Development Goals (SDGs).

Daiwa House Industry received particularly high ratings in the categories below. Moving forward, we intend to take further steps to create businesses that solve social issues.

<Categories we ranked particularly high in>

- SDG strategy, economic value
 - Reporting and communication (score: 68.4)
 - Promotion arrangements, internal permeation (score: 69.8)
- Environmental value
 - Policies (score: 72.5)
 - Climate change, resources, biodiversity (score: 71.6)

Related page Nikkei SDGs survey
<https://www.nikkei-r.co.jp/english/>

13th in CSR Corporate Ranking (1st in construction industry)

Toyo Keizai Inc.'s CSR Corporate Directory (Employment/Human Capital Utilization Edition and ESG Edition) covers 1,593 companies. Firms are rated in CSR categories such as human resource utilization (max. 100 points), environment (max. 100 points), corporate governance and societal impact (max. 100 points combined), and financial categories (profitability, soundness, and scale; max. 100 points each) for a possible maximum 600 points and ranked accordingly.

Daiwa House Industry received 557.5 points out of a possible 600, and was ranked 13th overall (1st in construction industry) in the 2020 edition released in February 2020.

■ CSR evaluation

Human resources	Environment	Corporate governance + Impact on society
83.8	98.7	96.0

■ Financial evaluation

Growth Profitability	Profitability	Scale
79.0	100.0	100.0

PRIDE Index 2019: Silver prize

The voluntary organization “work with pride (wwP)” promotes diversity management so that LGBT people and other sexual minorities in Japan can work free from discrimination in companies and groups. Our Company was awarded Silver at PRIDE Index 2019 under evaluation standards developed by wwP.



As we move forward, we will enhance our diversity management so that a variety of personnel can participate in company operations from a multi-faceted perspective.

Related page work with Pride website
<https://workwithpride.jp/>

Awarded 39th MLIT Green City Award (green citizen collaboration category)

Daiwa House Industry and the Yoshinoyama Hoshokai Foundation are proud recipients of the 39th Green City award. Main sponsor: the Organization for Landscape and Urban Green Infrastructure, supported by the Land, Infrastructure, Transport and Tourism, Internal Affairs and Communications, and Environment ministries. On this occasion, our Company and the Mount Yoshino Hoshokai Foundation were recognized for our efforts to preserve Mount Yoshino cherry trees.

Related page P123 Preserving the cherry trees on Mt. Yoshino
 Our Group official website
 News Release (November 26, 2019) (Japanese text only)
<https://www.daiwahouse.com/about/release/house/20191126125328.html>

Cooperating with Third Parties and Their Assessment










Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

■ ESG awards

Awarded category	Award name	Organizer	Reason for the award		
ESG management	CDP Climate Change 2019 A (highest evaluation)	CDP	Efforts for excellent response and strategy to combat climate change	Daiwa House Industry	
	CDP Supplier Engagement 2019 Supplier Engagement Leaderboard (highest award)		Company efforts to deal with climate change evaluated in four categories: Governance, Eagerness, Scope 3 Management, and Collaboration with suppliers.		
	CDP Water Report 2019 B		Promotion of water resource management		
	CDP Forest 2019 B		Forest resources conservation		
	PRIDE Index 2019 silver award	work with Pride	Diversity engagement		
Products and services	2019 Environment Minister's Award for Global Warming Prevention Activity	Ministry of the Environment	Tackling RE100 using in-house production	Daiwa House Industry	
	First prize, 20th Green Purchasing Network's Green Purchasing Award	Green Purchasing Network			
	Our company won the Grand Prize in the Fiscal 2019 New Energy Foundation Chairman's New Energy Award (advanced business model category)	New Energy Foundation			Aiming at zero emission buildings (ZEBs) and power self-sufficiency
	Fiscal 2019 Energy Conservation Center Chairman's Prize: Energy Conservation Grand Prize (energy conservation case category)				
Association for Business Innovation in Harmony with Nature and Community (ABINC) accreditation	Association for Business Innovation in Harmony with Nature and Community (ABINC)	PREMIST Shonan Tsujido			
Communication	Selected for the Hall of Fame at 23rd Environmental Communication Awards	Ministry of Environment Global Economic Form	Daiwa House Group Sustainability Report	Daiwa House Group	
	Minister of Land, Infrastructure, Transport and Tourism Award: 39th Green City Award (green citizen collaboration section)	Organization for Landscape And Urban Green Infrastructure	Preserving cherry trees on Mt. Yoshino	Daiwa House Industry	
	Major prize: 2019 eco certification award (eco unit category)	Tokyo Chamber of Commerce and Industry	Other environmental activities that set an example	Daiwa Lease	
	Sustainability Website Award 2020: Awarded Gold	CSR Communications Association	Assessing whether disclosure regarding CSR activity of listed and unlisted companies nationwide is sufficient	Daiwa House Industry	

Inclusion in ESG indices

 FTSE4Good	FTSE4Good Index Series 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.	Rating: 4.1 (Out of 5.0) * Global No. 1 in Real Estate * As of December 2019
 FTSE Blossom Japan	FTSE Blossom Japan Index Used by the GPIF (Global Pension Investment Fund), which is the world's largest pension fund, as an ESG index that includes Japanese companies.	
 MSCI ESG RATINGS	MSCI World ESG Leaders Index / MSCI World SRI Index 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.	Rating: AA (From within the 7 levels from "AAA" to "CCC") * Within the global top 11% (10 companies) in Diversified Real Estate Activities * As of December 2019
	MSCI Japan ESG Select Leaders Index The GPIF uses this as an investment target as it is an index that includes Japanese companies.	
 MSCI Japan Empowering Women (WIN) Select Index	MSCI Japan Empowering Women (WIN) Select Index One of MSCI's ESG indexes containing companies that lead in promoting gender diversity within their sector based on their gender diversity scores. Based on the idea that companies that promote gender diversity may be better placed to cope with the risk of personnel shortages as the labor force rinks in the future, and thus be able to provide sustainable long-term earnings. It reflects the performance of Japanese companies strongly committed to gender diversity in the workplace and maintaining high financial standards.	Gender diversity score: 6.25 (out of possible 10) * As of December 2019

	<p>STOXX® Global ESG Leaders The ESG Index made by STOXX, a Deutsche Börse Group company. Based on the ESG data provided by Sustainalytics*, our company has been incorporated into this index since fiscal 2016.</p>	<p>Score is undisclosed</p>
	<p>Dow Jones Sustainability Indices 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: 59 points (out of 100) * Current as of September 2019 * Within the top 30% for the sectors and regions on the left</p>
	<p>S&P/JPX Carbon Efficient Index An ESG index that has been adopted by the GPIF for operations that focuses on Japanese companies. Daiwa House Industry has the highest carbon efficiency within the real estate industry and we have been evaluated as a company that properly discloses information about our greenhouse gas emissions.</p>	<p>Ranked in the second decile in Real Estate</p>
	<p>GRESB A ratings agency for real estate companies and REITs. More than 100 institutional investors are members. Daiwa House Industry has received awards for disclosure and our group company Daiwa House REIT has won awards in the disclosure and real estate categories.</p>	<p>Rated A for disclosure in fiscal 2019 (Daiwa House Industry, Daiwa House REIT) Rated ★★★ green stars for real estate in fiscal 2019 (Daiwa House REIT)</p>
	<p>Ethibel EXCELLENCE An ESG Index created by the NGO Forum Ethibel, headquartered in Belgium. Component issues 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 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>Bloomberg Gender-Equality Index ESG index developed by Bloomberg in the US. This includes companies with superior codes of conduct, personnel systems, product development, and information disclosure related to gender equality. Daiwa House Industry has been included in the index for two years running starting in January 2019.</p>	
	<p>Nadeshiko Brand (METI/TSE) award 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 has been chosen for the five years from 2015 to 2019.</p>	
	<p>New Diversity Management Selection 100 (METI) award 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>	

* THE INCLUSION OF Daiwahouse Industry, CO. Ltd IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daiwahouse Industry, CO. Ltd BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Managerial Philosophy and Overall Picture

Environment

Society

Innovation Base

Human resources Base

Technology and Manufacturing Base

Customer Base

Communication Base

Risk Countermeasures Base

Governance

Third-Party Assessment / Data Section

Company Summary

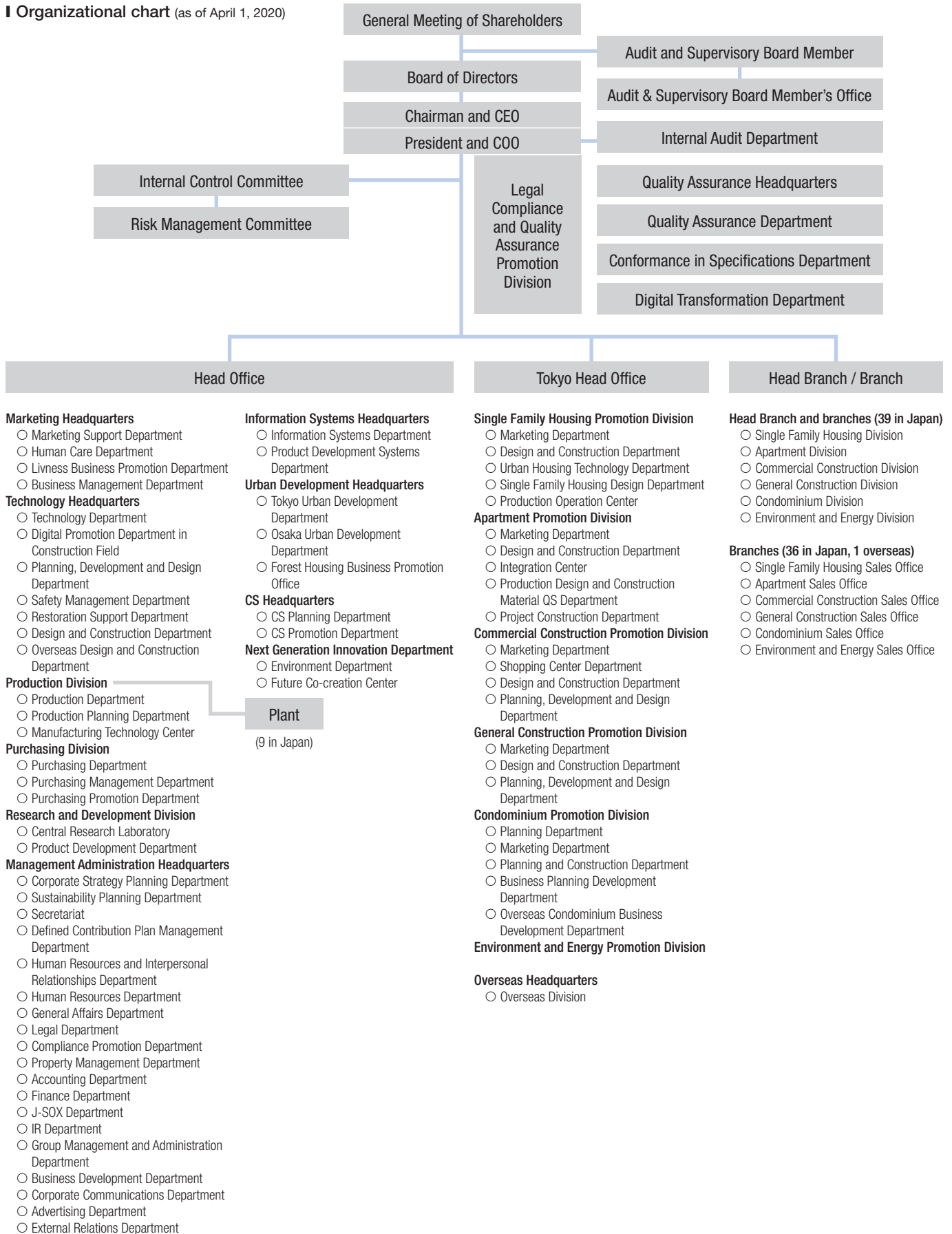
(as of March 31, 2020)

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	76 locations (Head Branches:2, Offices:37, Branches:37) * including Taiwan Branch
Plants	9 locations in Japan
Research Center	Central Research Laboratory (Nara City)
Training Centers	Osaka, Tokyo
Net Sales	Non-consolidated: 1,975,150 million yen Consolidated: 4,380,209 million yen

Data
Section

Organization

I Organizational chart (as of April 1, 2020)



Major Group Companies*1

For the latest information, please refer to "Group Companies" on the Company's official website.
<https://www.daiwahouse.com/English/about/company/>

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Japan

- Daiwa House Industry Co., Ltd.
 • Housing, Commercial facilities, Urban development, etc.
- (listed in alphabetical order)
- A**
- acca international Co.,Ltd.
 • Fulfillment service (Product catalogue data creation, Logistics, Call center, System development)
- C**
- Cosmos Hotel Management Co., Ltd.
 • Hotels
- Cosmos Initia Co., Ltd. *2
 • Real estate sales, Real estate rental & agency services
- Cosmos Life Support Co., Ltd.
 • Total management of real estate
- Cosmos More Co., Ltd.
 • Office relocation, Construction of showrooms for condominiums
- D**
- Daiwa CoreFactory Co., Ltd.
 • Manufacture of housing parts & materials
- Daiwa Cosmos Construction Co., Ltd.
 • Large-scale condominium renovation work
- Daiwa Energy Co., Ltd.
 • New power generation business & ESCO business
- Daiwa Estate Co., Ltd.
 • Real estate agency
- Daiwa House Asset Management Co., Ltd.
 • Investment corporation, Asset management
- Daiwa House Financial Co., Ltd.
 • Credit card operations
- Daiwa House Insurance Co., Ltd.
 • Non-life insurance agency
- Daiwa House Life Support Co., Ltd.
 • Management & operation of fee-based nursing care facilities for the elderly
- Daiwa House Parking Co., Ltd.
 • Parking lot operations, Real estate sales & rental
- Daiwa House Property Management Co., Ltd.
 • Maintenance management of buildings used for logistics facilities and healthcare facilities
- Daiwa House Real Estate Investment Management Co., Ltd.
 • Investment corporation, Asset management, Real estate investment advisory
- Daiwa House Reform Co., Ltd. *2
 • Renovation design & execution, Property inspection
- Daiwa Information Service Co., Ltd. *2
 • Land utilization, Development & operation of commercial facilities
- Daiwa Lantec Co., Ltd.
 • Foundation assessment & reinforcement, Construction & exterior construction
- Daiwa Lease Co., Ltd. *2
 • Building & vehicle leasing, Land utilization, Development & operation of commercial facilities, Environmental greening, etc.
- Daiwa LifeNext Co., Ltd. *2
 • Management of condominiums & buildings, Moving services
- Daiwa Living Co., Ltd.
 • Management & operation of rental housing
- Daiwa Living Management Co., Ltd. *2
 • Businesses related to rental housing
- Daiwa Living Stay Co., Ltd.
 • Management of rental housing, Serviced apartments
- Daiwa Living Utilities Co., Ltd.
 • Retail sale of electricity and gas
- Daiwa Logistics Co., Ltd. *2
 • Transportation, Warehouse & storage

- Daiwa LogiTech inc.
 • Logistics infrastructure development
- Daiwa Resort Co., Ltd. *2
 • Resort hotels
- Daiwa Royal Co., Ltd. *2
 • Rental of commercial facilities, Hotels
- Daiwa Royal Golf Co., Ltd.
 • Golf course operations
- DesignArc Co., Ltd. *2
 • Interior items, Housing materials, Rental
- DDInnovation Co., Ltd.
 • Outsourced services
- DiceNext Inc.
 • DX Strategic promotion, BIM consulting, Real estate advertising
- Double-D Co., Ltd.
 • Planning, development and operation of information technology
- D.U-NET Co., Ltd.
 • ISP business
- E**
- Eneserve Corporation
 • Electrical equipment maintenance checks, Retail sale of electricity
- F**
- Fine Co., Ltd.
 • Sale of commodities for daily use, household furnishings, others
- Frameworkx Inc.
 • Development of logistics systems
- Fujita Corporation *2
 • General construction, Real estate
- G**
- Global Community Co., Ltd.
 • Management of condominiums & buildings
- H**
- HeartOne Trust Co., Ltd.
 • Property management trust business
- J**
- JUST Logistics, Inc.
 • Transportation, Warehouse & storage
- M**
- Media Tech Inc.
 • Data systems, Data services
- N**
- Nihon Jyutaku Ryutu Co., Ltd. *2
 • Real estate agency & property management services, Appraisals, Renovation work
- Nishiwaki Royal Hotel Co., Ltd.
 • Hotels
- O**
- Osaka Marubiru Co., Ltd.
 • Management of hotels, Rental of commercial facilities
- P**
- Parking Solutions Co., Ltd.
 • Parking lot operations
- R**
- Royal Gate Inc.
 • Cashless payment service
- Royal Home Center Co., Ltd. *2
 • DIY, Gardening, Interior items
- S**
- Shinwa Agency Co., Ltd.
 • Advertising & travel agency
- Smart Clinic Inc.
 • Planning and operation of medical malls
- Sports Club NAS Co., Ltd.
 • Fitness clubs
- W**
- Wakamatsu KONPOU UNYU SOKO, Inc.
 • Transportation, Warehouse & storage

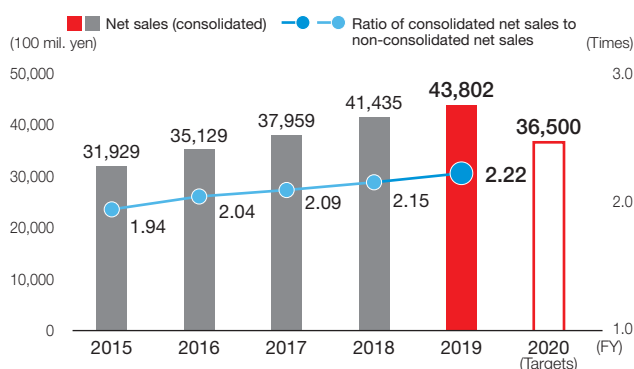
Overseas

- Attractive and Innovative Residence Juriquilla S.A. de C.V.
 • Development of serviced apartments, hotels
- Cosmos Australia Pty Ltd
 • Real estate development
- Daiwa House Australia Pty Ltd
 • Real estate development
- Daiwa House Industry India Pvt Ltd
 • Real estate marketing survey
- Daiwa House Industry (Thailand) Co., Ltd.
 • Single-family housing business, Warehouse rental business
- Daiwa House Malaysia Sdn Bhd
 • R&D of single-family houses and industrialized methods
- Daiwa House Real Asset Management Vietnam, Co., Ltd.
 • Rental factories
- Daiwa House Real Estate Development Co., Ltd.
 • Rental factories
- Daiwa House Texas Inc.
 • Real estate development
- Daiwa House Vietnam Co., Ltd.
 • Industrial park development, Business process outsourcing (BPO)
- Daiwa Living Australia Pty Ltd.
 • Management of serviced apartments
- Daiwa Living California Inc.
 • Rental housing business
- Daiwa Living de Mexico, S.A. de C.V.
 • Management of serviced apartments
- Daiwa Living Nesuto Holdings Pty Ltd
 • Management of serviced apartments
- Daiwa Living Nesuto San Jose LLC
 • Management of serviced apartments
- Daiwa Living Vietnam Co., Ltd.
 • Management of serviced apartments
- Daiwa Resort Australia Pty Ltd.
 • Activities to promote inbound to Japan
- DH Asia Investment Pte.Ltd.
 • Real estate development
- DH Logistic Property Vietnam Co., Ltd.
 • Warehouse rental business
- DT Development Vietnam LLC.
 • Real estate development, Management of serviced apartments
- Fujita Corporation (M) Sdn. Bhd.
 • Construction
- Fujita Corporation Singapore Pte. Ltd.
 • Investment business
- Fujita Corporation (Thailand) Ltd.
 • Construction
- Fujita Corporation Vietnam
 • Construction, Real estate development
- Fujita Engineering India Pvt., Ltd.
 • Construction
- Fujita Integral Mexico S.A. de C.V.
 • Construction, Environmental business, Real estate development
- Fujita Philippines Construction and Development, Inc.
 • Construction
- Fujita Americas, Inc.
 • Construction, Research into overseas construction technology
- KD Living, Inc.
 • Rental housing business
- Stanley-Martin Communities, LLC
 • Single-family housing business
- PT Daiwa House Indonesia
 • Business administration in Indonesia
- PT. DAWA LIFE NEXT INDONESIA
 • Real estate management
- PT Daiwa Manunggal Logistik Properti
 • Development, operation & management of logistics facilities
- PT Daiwa Tetra Manunggal Konstruksi
 • Construction
- PT Sayana Integra Properti
 • Condominium development
- Rawson Group Pty., Ltd.
 • Single-family housing business
- 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 (Taiwan) Industrial Development Co., Ltd.
 • Construction accounting, Construction materials wholesale, Real estate transactions/leasing, Parking lot management
- Fan Lu Construction Co., Ltd.
 • Condominium development, Multi-purpose development (hotels)
- DH (Dalian) Administrative Management Consulting Center Co., Ltd.
 • Business process outsourcing (BPO)
- Dalian Dahezongsheng 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
- Daiwa House (Changzhou) Real Estate Development Co., Ltd.
 • Real estate development
- Daiwa Baoye (Wuxi) Property Management Co., Ltd.
 • Real estate management
- Tianjin Jiuhue International Villa Co., Ltd.
 • Management of serviced apartments
- Fujita (China) Construction Co., Ltd.
 • Construction
- Daiwa Baoye (Nantong) Real Estate Development Co., Ltd.
 • Real estate development

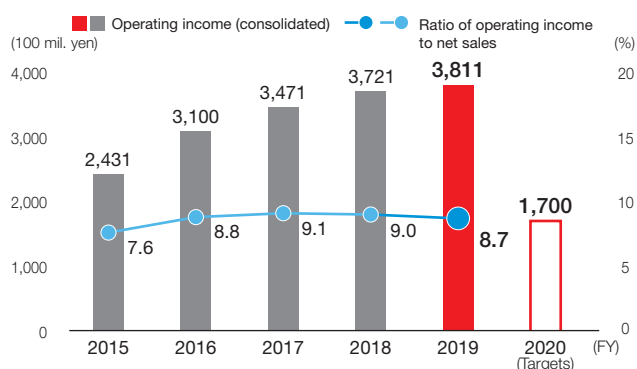
*1 Not all Group companies are stated.
 *2 Defined as "13 main Group companies" in "Sustainability Report 2020."

Highlight of Financial Results and Consolidated Financial Indicators*1

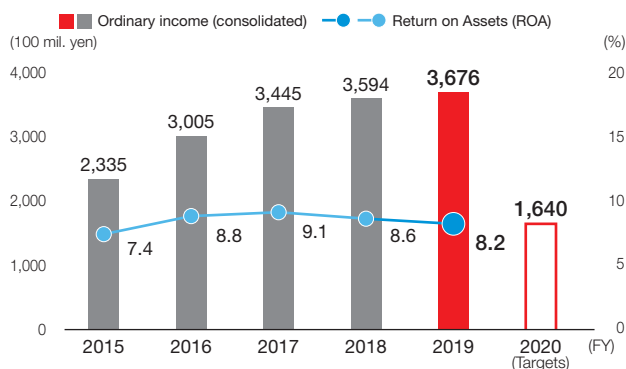
I Net sales (consolidated)/Ratio of consolidated net sales to non-consolidated net sales



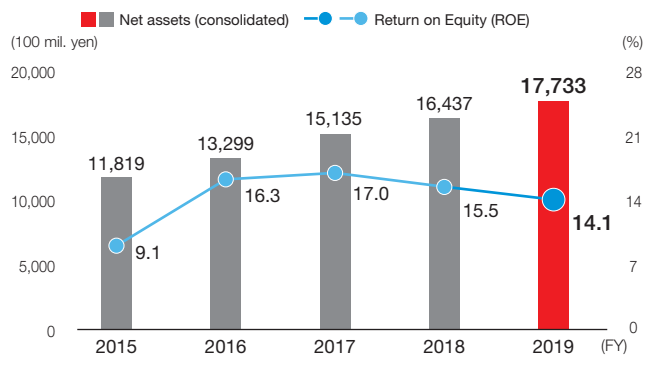
I Operating income (consolidated)/Ratio of operating income to net sales



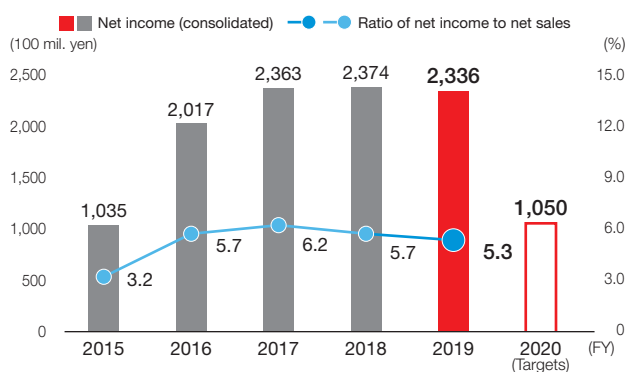
I Ordinary income (consolidated)/Return on Assets (ROA)



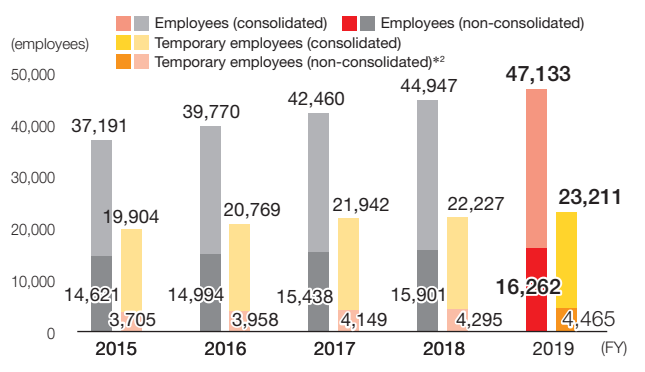
I Net assets (consolidated)/Return on Equity (ROE)



I Net income (consolidated)/Ratio of net income to net sales

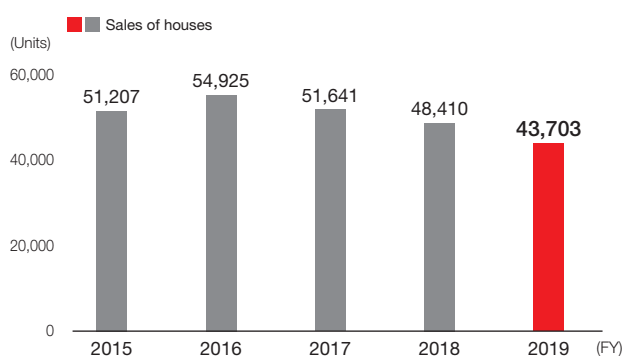


I Number of employees (consolidated/non-consolidated)



*2 Average number of temporary employees

I Sales of houses (non-consolidated: Single-family houses (Custom-built houses/ houses in housing development projects)/condominiums/ rental housing)



*1 Business results for the fiscal year ending March 31, 2021 are premised on the impact of COVID-19 being contained by around the second quarter.

Medium-Term Plan Self-Assessment Indices

In fiscal 2006, the Daiwa House Group introduced a CSR self-assessment index to measure and “visualize” the results of our activities for the environment and society. This has been beneficial in making improvements to CSR activities.

Along with the start of the 6th Medium-Term Management Plan, we formulated Endless Green Program 2021 and Endless Social Program 2021. Progress is managed annually by each related department using indices to assess the results of the plan (implementation period: fiscal 2019 to fiscal 2021), with the goal of achieving performance objectives and strengthening management foundations.




The results of our self-assessment for fiscal 2019, the first year of the plan, are as follows.

























■ Results and self-assessment of the Action Plan for the Environment (Endless Green Program 2021)

Environmental theme	Focal themes		Management indicator (KPI)		Scope	2018 results	2019 targets	2019 results		
General	Products and services	Pursue both environmental stewardship and corporate earnings by developing and selling products/services that are tied to the environment	Sales of environmental contribution business		Daiwa House Group	1,117.2 billion yen	1,250.0 billion yen	1,227.7 billion yen		
			Setting rate of suppliers' greenhouse gas emissions reduction targets		Daiwa House Group	54%	70%	71%		
Slowing and adapting to climate change (energy)	Business activities	Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities Expand power generation projects driven by renewable energy (wind, solar, hydro and biomass)	GHG emissions (from the fiscal 2015 level, per unit of sales)		Daiwa House Group	26.3% reduction	28% reduction	31.9% reduction		
			Energy efficiency (EP100) (from the fiscal 2015 level)		Daiwa House Group	1.27 times	1.28 times	1.34 times		
			Renewable energy utilization rate (RE100)		Daiwa House Group	0.23%	0.30%	0.30%		
			Renewable energy rate		Daiwa House Group	84.5%	85%	96.4%		
	Products and services	Promote ZEH, ZEB and Green Building certification	GHG emissions derived from use of products (from the fiscal 2015 level, per area)		Daiwa House Group	20.0% increase	2% reduction	19% increase		
			ZEH sales rate		Daiwa House Industry	29%	50%	41%		
			ZEB sales rate		Daiwa House Group	22%	25.0%	33.4%		
			Rate of Green Building Certification obtained		Daiwa House Industry	15%	30%	5%		
	Harmony with the natural environment (Preservation of biodiversity)	Procurement	Promote sustainable timber procurement	Ratio of S-ranked timber		Daiwa House Group	94.9%	95%	94.3%	
				Ratio of C-ranked timber		Daiwa House Group	2.1%	1.0%	0.6%	
Business activities		Promote greening at our and Group company facilities	Development of the company's facilities filled with greenery*1		Daiwa House Group	4 (cumulative)	5 (cumulative)	7 (cumulative)		
Products and services	Promote the preservation and creation of green spaces in projects and community development	Compliance rate with voluntary standards		Daiwa House Group	100%	100%	100%			
Conservation of natural resources	Business activities	Promote 3R activities with construction waste	Construction waste emissions (per unit of sales)		Production Daiwa House Group	61.9 kg/million yen	62 kg/million yen	61.4 kg/million yen		
			Construction waste emissions (per m ²)		New construction Daiwa House Group	19.3kg/m ²	19.0kg/m ²	18.7kg/m ²		
			Recycling rates		Daiwa House Group	96.6%	97%	97.1%		
			Waste plastics recycling rate		Daiwa House Group	90.1%	90%	91.2%		
		Promote 3R activities with plastics at service centers		Royal Home Center Daiwa Resort	—	0.1% reduction	0.7% increase			
Water resource conservation	Business activities	Identify and minimize risks to water resources	Water consumption (from the fiscal 2012 level, per unit of sales)		Daiwa House Group	28.2% reduction	32% reduction	30.5% reduction		
	Products and services	Reduce water consumption in our corporate facilities as well as houses and buildings	Water-saving device adoption rate (housing and hotels)		Daiwa House Group	94%	95%	89%		
Prevention of chemical pollution	Business activities	Reduce the use of toxic chemicals in production stages	Release and transfer of PRTR (from the fiscal 2012 level, per unit of sales)		Daiwa House Group	49.9% reduction	50% reduction	56.8% reduction		
			VOC emission (from the fiscal 2013 level, per unit of sales)		Daiwa House Group	20.4% reduction	21% reduction	12.5% reduction		
	Products and services	Further improve indoor air quality of residential houses and facilities	Compliance rate with voluntary standards for indoor air quality		Daiwa House Group	100%	100%	97%		
Environmental education		Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce	Number of those who acquired the Eco Test certification		Daiwa House Group	4,402	5,000	8,218		
			Green purchasing ratio		Daiwa House Group	—	93%	96.1%		

*1 Acquisition of J-HEP, ABINC, SEJES and other greening and biodiversity certification systems

*2 Goals for fiscal 2021 are scheduled to be disclosed in the next fiscal year, in accordance with conditions in the current fiscal year.

-  : Target for fiscal 2019 achieved
-  : Target for fiscal 2019 not achieved (achievement rate 90% or above)
-  : Target for fiscal 2019 not achieved (achievement rate under 90%)

	Self-assessment	2020 targets	2021 targets	Pages
	We advanced initiatives for environmentally conscious products and in the environmental energy business, and sales in the environmental contribution business rose 10% year-on-year. Nonetheless, we were unable to achieve our goals. We will continue to accumulate and share the expertise gained through our environmental activities we perform in the course of our business duties, and aim to expand our environmental contribution business by developing environmentally conscious products and services.	1,100.0 billion yen	— *2	P029, 185
	We launched a carbon-free working group in collaboration with suppliers in our pursuit of reducing greenhouse gas emissions in the supply chain, and have shared this goal of going carbon free. As a result, the rate of goal setting by major suppliers reached 71%, and we achieved our target.	80%	90%	P034, 038, 187, 197
	We achieved our goal by promoting energy conservation at each company and each division, and by expanding the use of renewable energy. Going forward, we will introduce photovoltaic systems and other reusable energy systems to Company facilities, and keep an eye out for new energy conservation technologies, verifying results and spreading them laterally.	30% reduction	35% reduction	P038, 187, 197, 198
		1.3 times	1.4 times	
	In addition to photovoltaic systems for in-house energy consumption, the result of promoting the new introduction of RE100 electricity at construction sites was that we were able to reach our target. Looking ahead, while putting to use our environmental energy business within the Group, we will press forward with expanding the installation of photovoltaic systems for in-house energy consumption and the purchasing of RE100 electricity.	7%	10%	P040, 189, 198
	We newly added a wind power plant (16MW) in Seiyō, Ehime Prefecture, to the DREAM Project that the Group has been working on, and have achieved our goal with solar power generation of 352MW, wind power generation of 26MW and hydroelectric power generation of 2MW.	100%	100%	
	By developing support tools for sales and designing, and implementing training, we were able to achieve a year-on-year improvement in the ZEH sales rate of 41%, and a ZEB sales rate of 36%. However, we were unable to reach our target for greenhouse gas emissions (per floor area). Going forward, we will work to significantly raise ZEH and ZEB sales rates by enhancing our lineup of ZEH products and by holding ZEB seminars for customers, and will strive to offer homes and facilities that offer both comfort and energy savings.	4% reduction	6% reduction	P038, 191, 197
	We launched "Lifegenic," a new steel-frame product, offered a simple ZEH assessment tool, and strengthened measures and structures that are connected to the promotion of ZEH proposals. This in turn led to a ZEH sales rate higher than fiscal 2018, although we were unable to achieve our goal.	55%	60%	P041, 042, 191, 192
	By offering education and holding ZEB seminars for technicians, we bolstered our ZEB proposals, and the result was a significantly higher ZEB rate for large-scale logistics facilities, enabling us to meet our target.	35%	35%	
	While we pursued acquisition of certifications with regard to family-oriented hotels, obtaining certifications for logistics and elderly care facilities did not progress and we were unable to achieve our goal. We will thoroughly instill, and work to promote a policy of acquiring green building certifications at our business sites nationwide.	50%	70%	P042, 192
	For timber deemed in the previous fiscal year's timber procurement survey to have a "C" rank and timber that we were unable to sufficiently confirm traceability back to its source area, our response was to work with suppliers and change sources of procurement and other efforts in our aim to conduct timber procurement that paid consideration to sustainability. As a result, in the fiscal 2019 survey, although the rate of S-ranked timber was essentially unchanged from the previous fiscal year and fell below the target, the rate of C-ranked timber fell to 0.6%, an improvement that helped us reach our target.	96%	97%	P047, 048, 050, 199
		0.5%	0.0%	
	The Company achieved its goal with acquisition of certifications for one forest-side housing unit, and three commercial facility units of the Group's Daiwa Lease Co., Ltd. We will continue to secure sufficient green spaces at the Company's newly constructed facilities, while contributing to the preservation of regional biodiversity.	8 (cumulative)	9 (cumulative)	P047, 048, 052, 199
	We worked to develop and create communities that adhere to our self-imposed criteria at all of our projects, and we have reached our target.	100%	100%	P048, 051, 199
	We made timber members that had varied by section to be as uniform as possible, as by enabling the effective use of end materials we achieved our goal.	62 kg/million yen	62 kg/million yen	P053, 054, 202, 203
	By using roofing tiles that have coating on their entire surface for the roof hips on single-family and rental house divisions, we were able to substantially reduce waste emissions to reach our target.	19kg/m ²	19kg/m ²	
	We achieved our goal by thoroughly classifying waste, and also by revising our waste processing route.	97%	97%	
	We achieved our goal by thoroughly classifying waste, and also by revising our waste processing route.	90%	90%	
	Although we made recommendations for reusable "eco bags" at stores and hotel shops, and considered switching to paper bags, we were unable to achieve our objective. Together with actively making queries about the necessity of shopping bags so as to reduce plastic, we will continue to consider charging for shopping bags.	2% reduction	5% reduction	P056
	Newly introducing water-saving devices at hotels and other facilities progressed steadily. On the other hand, water usage at construction sites, where reduction measures are difficult, increased and we could not attain our target.	33.0% reduction	34.0% reduction	P054, 057, 204
	At properties that are single-family and rental house divisions, or have hotel applications, we promoted the adoption of water-saving devices in order to protect water resources. However, with the installation rate stalled at 89%, we were unable to achieve our goal.	96%	97%	P058, 205
	Having switched to paint that does not contain ethylbenzene, a substance that obliges special medical examinations, we were able to make a major reduction to the release and transfer of PRTR-listed chemicals. Conversely, the paint we switched to contained a great many VOCs, and we could not reach our goal with regard to VOC emissions. Going forward, we will work to reduce VOCs by revising painting methods and by cutting solvents in anticorrosive paints for steel frames and solvents in thinners for cleaning painting machines.	57% reduction	57% reduction	P059, 060, 205, 206
		12% reduction	12% reduction	
	Without conformity to voluntary standards in certain properties other than residential-type housing, the achievement rate amounted to 97% and we fell short of our goal.	100%	100%	P060, 062
	The Group came together and we promoted test taking, so we achieved our goal.	10,000	12,000	P032, 186
	Having broadly and newly promoted our activities to Group companies, the Group took action as one, and our goal was achieved.	95%	95%	P186




Medium-Term Plan Self-Assessment Indices

























■ Results and self-assessment of the Social Medium-Term Plan (Endless Social Program 2021)

Base	Priority issues	Assessment indices (KGI)		Scope	2018 results	2019 targets	2019 results	
		Indices	Benchmarks					
① Innovation base	1. Build platforms for innovating solutions to social issues	Number of cooperative new business ventures or joint R&D projects that helped to solve social issues	Set with FY 2018 results	Daiwa House Industry	Figures are not disclosed			
	2. Promote social inclusion in real-estate development	Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions	Figures unavailable as it was prior to establishing system	Daiwa House Industry	Not applicable (prior to establishing system)	Building the system	Building the system	
② Human resources base	3. Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)	Improvement in "motivation" of entire workforce * Calculated based on question about "motivation" on a sustainability survey.	FY 2018: 65%	Daiwa House Industry	65%	65%	65%	
	4. Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	Retention rate of young employees (3 years after joining the company)	FY 2017: 82.6% * Entered the Company in April 2015	Daiwa House Industry	73.9%	80%	75.4%	
	5. Promote diversity and inclusion	General indices for diversity and inclusion * Calculated from the following items. Figures for April 1 of the fiscal year following the last fiscal year		FY 2017 Set with (April 1, 2018 results)	Daiwa House Industry			
		① Percentage of women managers	3.3%	Daiwa House Industry	3.6%	4%	4.1%	
		② Percentage of line leaders amongst women managers	27.6%	Daiwa House Industry	24.1%	30%	25.0%	
		③ Percentage of women engineers	4.3%	Daiwa House Industry	4.6%	5%	4.9%	
④ Percentage of women sales reps		9.1%	Daiwa House Industry	9.9%	11%	10.2%		
⑤ Percentage of women amongst new college recruits	28.4%	Daiwa House Industry	27.2%	30%	24.8%			
③ Technology and manufacturing base	6. Enforce safety/security at construction sites	Frequency of worksite industrial accidents * Number of industrial accidents related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)	FY 2018: 0.23	Daiwa House Industry	0.23	0.21	0.19	
	7. Improve productivity in manufacturing operations with the cooperation of business partners	Number of days off per annum for construction site workers	FY 2018: 77 days	Daiwa House Industry	77 days	88 days (6 days-off for every 4 weeks)	88 days*1	
		Number of days off per annum for factory workers	FY 2017: 105 days	Daiwa House Industry	108 days	111 days	111 days	
8. Promote and improve the efficiency of CSR procurement across the Group	① Percentage of important suppliers that comply with our CSR Procurement Guidelines (Scores of 80 or higher are judged as compliant) * Important supplier: Suppliers with 300 or more employees	Figures unavailable as it was prior to establishing system	Daiwa House Group	—	50%	42.4%		
	② Reply rate to CSR Procurement Guidelines self-check sent to all suppliers	15.1%	Daiwa House Group	—	50%	19.7%		
④ Customer base	9. Upgrade corporate communications (new customers)	① Interbrand Japan's Best Domestic Brand/ Brand monetary value	595 million USD	Daiwa House Group	668 million USD	800 million USD	700 million USD	
		② Nikkei Corporate Perception Survey Favorability (individuals)	45.1%	Daiwa House Group	52.5%	60%	44.1%	
		③ Nikkei Corporate Perception Survey First-class evaluation (business people)	63.4%	Daiwa House Group	73.6%	80%	71.7%	
	10. Promote customer support to maintain long-term relationships	Order rate using our customer base (Housing sales by referral)	39.6%	Daiwa House Industry	38.7%	50%	37.4%	
⑤ Communication base	11. Establish a system and practices for financial and non-financial communications (For investors, government authorities, specialists and internal use)	Establish a system and practices for financial and non-financial communications, and promote understanding that financial and non-financial communications system is fully integrated	Figures unavailable as it was prior to establishing system	Daiwa House Group	Holding small meetings	④ Launch	④ Launch	
		Establish communications platforms to ready the workforce for the information age * Following commencement of operations, quantify through usage log for provided communications tools and number of systems improvements	Results unavailable as it was prior to establishing system	Daiwa House Industry	—			
	12. Keep pace with rapidly evolving communication environments (IT literacy improvement for employees)	① Build the means for sharing all sorts of information with stakeholders inside and outside the company	Results unavailable as it was prior to establishing system	Daiwa House Industry	—	④ Launch	④ Launch	
		② Build the means for effectively using information within the company	Results unavailable as it was prior to establishing system	Daiwa House Industry	—	③ Building the system	③ Building the system	
③ Support introduction of the communications platform at our Group companies		Results unavailable as it was prior to establishing system	Daiwa House Industry	—	③ Building the system	③ Building the system		
⑥ Risk countermeasures base	13. Prepare business continuity plans on the premise of natural disasters/extreme weather	Business continuity plan score (points)*2 (Scoring based on status of efforts in six themes, as assessed by the BCM Subcommittee)	Figures unavailable as it was prior to establishing system	Daiwa House Group	—	30 points	44 points	
	14. Establish human rights due diligence	Establish a process of due diligence for human rights at plants	Results unavailable as it was prior to establishing system	Daiwa House Industry	Not applicable (prior to establishing system)	① Not started	① Not started	
	15. Establish corporate ethics and compliance rules	Internal control system attainment score*3	FY 2017: 388 * FY 2021 goal set as 15% advancement	Daiwa House Group	408.1	376	397.4	
	16. Build management base for global business development from a long-term perspective	Improved score on sustainability survey at overseas bases * Surveys target employees at overseas Group companies wholly owned by Daiwa House Industry	Figures unavailable as it was prior to establishing system	Daiwa House Group	Figures unavailable as it was prior to establishing system	Building the system	Collecting information	

*1 Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019)

*2 Calculated based on the degree of progress in six indices ① Ensuring employee safety ② Ensuring power and backing up information systems ③ Upgrading aftersales support services for customers ④ Maintaining production purchasing capacity ⑤ Keeping the group functional as a whole ⑥ Establishing a development system based on the long-term risks of customers

-  Target for fiscal 2019 achieved
-  Target for fiscal 2019 not achieved (improved from fiscal 2018)
-  Target for fiscal 2019 not achieved (worse than fiscal 2018)

		Self-assessment	2020 targets	2021 targets	Pages	
		By continuing to voluntarily take part in the Open Innovation Program and conduct exchange with a variety of organizations, we have deepened our relationships with a range of diverse partners in business and R&D. The result is that we have been able to enter into contracts pertaining to collaboration with multiple companies and research organizations, and that will work toward the creation of innovation. Given this, we were able to achieve our fiscal 2019 goal.	Figures are not disclosed		P083-085	Managerial Philosophy and Overall Picture
		We have been successful in planning for the fiscal 2020 operation of the "planning assistance tool," so as to build a management structure in which inclusive designs will be an integral part of real estate development.	70%	70%	P083, 084, 087	
		Initiatives we have tackled are the selection of issues with regard to "work-style reform" and studying and planning for new systems. As many adjustments are required until we can build and operate a system that contributes to "an awareness of job satisfaction," numerical figures were flat.	70%	80%	P095, 096, 098	Environment
		While the retention rate of young workers improved from fiscal 2019, we fell short of our goal. We will be dealing with what form personnel evaluations should take in light of balancing both "promotion of tasks" and "nurturing human talent" in the workplace, how we should accommodate the individual preferences of young workers with regard to tasks, and where they should be stationed, and other underlying issues.	90%	90%	P095-097, 101	Society
			/		P095-097, 106	
		Four of five indices improved from fiscal 2019, and we hit our target with regard to "percentage of women managers." Concerning the general assessment (worksite diversity score) of diversity and inclusion (D&I) in the management soundness assessment of worksites introduced from fiscal 2019, we are responding to issues that emerged from our analysis of status of progress.	4.5%	5%	P097, 107	Innovation Base
			35%	40%	P097	
			5.5%	6%	P097	
			12%	13%	P097, 107	
			30%	30%	P097, 107	
		In addition to initiatives that have continued to be the cornerstone of safety, with consideration to communication with skilled foreign builders, utilization of ICT and other technology, we have worked to reform the way we educate and to strengthen our management structure. The result has been an accident frequency rate lower than benchmarks, and we achieved our target.	0.21	0.21	P109-110, 112	Human resources Base
		We are undertaking ICT-utilization and automation-related projects at both construction sites and at our plants. Through these, we are striving to raise productivity and to educate employees of business partners, and the result of these efforts has been the ability to achieve the annual target for days off from construction.	100 days (7 days-off for every 4 weeks)	112 days (8 days-off for every 4 weeks)	P109-111, 114	
		Both the compliance rate and response rate to our CSR Procurement Guidelines were below targets. As underlying factors for this, there were the second implementation of the self-check and a low awareness. In addition, compared to the supplier companies that are the "upstream" of the supply chain, there are the partner subcontractors that are the "downstream," and many of those are small-scale business operators that may be unable to satisfy the criteria for the "vision" that the Company expects.	60%	70%	P109-111, 117	Technology and Manufacturing Base
			60%	70%	P109-111, 117, 120	
		The results of the three brand surveys, namely the KGI, were in fiscal 2019 either flat or had deteriorated. In fiscal 2019, we worked to ascertain the factors behind the problem of off-specification in building standards for single-family housing and rental housing and to strengthen governance, and continued to supply explanations to our customers and all of our stakeholders.	900 million USD	1,000 million USD	P121-123	Customer Base
			65%	70%		
			85%	90%		
		As stated above with the problem of "off-specification," we fell short of our goal. Fiscal 2019 was a year in which we responded to support customers for the off-specification issue and dealt with the damage caused by Typhoon Hagibis, the 19th named typhoon of the year. We also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we built a framework that made it easy for customers to contact the Company.	60%	70%	P121, 122, 125	Customer Base
		At our ESG small meetings and other venues, our CFO had the opportunity to directly discuss management strategy based on integrated thinking, and our management team also took the initiative toward facilitating an understanding of "integrated management." We were able to move forward on practice and preparation to convey a consistent message.	④ Launch	④ Launch	P127-129	Communication Base
		The Company has commenced to transform communication in its information systems. In addition to enhancing and facilitating the use of our "MyPortal" intranet site that consolidates important internal Company information, we prepared for the operational launch of an internal data cross-search scheme. We have been working according to plan, moving forward to put in place a communications environment in which we promote the use of the "Teams" communication tool, and construct a "property site" which aggregates essential property (building) information by collaborating with external stakeholders.	/		P127, 128, 131, 132	Risk Countermeasures Base
			④ Launch	④ Launch		
			④ Launch	④ Launch		
		The BCM Subcommittee has a role to play in each of the divisions involved across the Company's value chain. This enabled progress to further strengthen BCM in the six themes that make up the Business Continuity System score, and paved the way for us to achieve our goal. Through verification in BCM operations dealing with the water damage from Typhoon No. 19 and other natural disasters, we have firmly put in place a management structure that anticipates further spread of natural disasters in the future.	60%	100%	P137, 138, 141	Governance
		In fiscal 2019, we focused efforts on preventing harassment within the Company, and promoting CSR procurement at construction sites and among our suppliers. Given this, we were unable to advance on human rights due diligence at plants in the way we had initially anticipated. On the other hand, as part of a new management structure, employees of business partners working at our plants need not go through their own companies to make proposals with regard to the work environment, as we have put in place a structure in which they can approach the Company directly.	③ Building the system	④ Launch	P137-139, 143	
		Figures fell from fiscal 2018. Underlying factors for this are that while the number of training sessions on corporate ethics and compliance are included as part of the score calculation, the impact of the novel coronavirus from the end of fiscal 2019 and the shift toward e-learning caused a decline in the number of times training was carried out.	436	447	P137-139, 144	
		As we consider measures to strengthen the structure of governance throughout the Group, fiscal 2019 saw Group companies outside of Japan move forward on their considerations to strengthen internal control. In order to bolster the medium- to long-term management foundation in overseas businesses, we have established the Overseas Business Headquarters, and with the intent to develop a management structure for each respective region, we have begun to study establishing a corporate function on a regional basis, starting with North America. In addition, with an eye toward continuous improvements to corporate management, for wholly owned subsidiaries, even those that are overseas Group companies, we plan to conduct a Sustainability Survey from fiscal 2020.	Launch	Benchmarks + 5pt	P137-139, 147	Third-Party Assessment / Data Section

*3 Calculated from the right 1. Completeness of internal control system ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.) ② Management and supervisory systems (Operation of Internal Control Committee and other organizations) ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
2. Degree of damages and losses ① Degree of financial losses and occurrence of serious incidents, etc.

Environmental Data

Contents

Results and self-assessment of the Action Plan for the Environment (Endless Green Program 2021)	179
Calculation and Reporting of Environmental Data	184

[Strengthening the Foundation of Environmental Management]

<General>	
· Sales of environmental contribution businesses	185
<Environmental management>	
· ISO 14001 certification	185
<Supply chain management>	
· Study sessions held for suppliers	185
<Environmental education>	
· Environmental education provided	186

[Slowing and Adapting to Climate Change]

<Procurement>	
· Principal suppliers' GHG emissions reduction target setting rate	187
<Business activities>	
· GHG emissions	187
· Energy consumption	188
· Electricity consumption	189
· Renewable energy	189
<Products and services>	
· GHG emissions derived from use of products	191
· ZEH sales rate	191
· ZEB sales rate	191
· Green Building Certification	192
· Contribution to GHG reduction	192
· Installed capacity of photovoltaic power generation systems	192
<Reducing GHG emissions in the value chain>	
· Scope 1, 2 & 3 GHG emissions	195
<Progress in the long-term goal>	
· SBT (Business activities / Procurement / Products and services)	197
· EP100 (Energy efficiency improvement)	198
· RE100 (Improving renewable energy utilization rate)	198

[Harmony with the Natural Environment]

<Procurement>	
· Eco-friendly timber procurement	199
<Business activities>	
· Promotion of greening at Company and Group company facilities	199
<Products and services>	
· Preservation of biodiversity in development and community development	199
<Biodiversity Declaration>	201

[Conservation of Natural Resources / Water Resource Conservation]

<Business activities>	
· Waste emissions / Recycling rates of waste	202
<Water Resource Conservation Procurement>	
· Water risk assessment results in timber-producing countries	203
<Water Resource Conservation Business activities>	
· Water consumption	204
<Water Resource Conservation Products and services>	
· Water-saving device adoption rate	205

[Prevention of Chemical Pollution]

<Business activities>	
· Release and transfer of PRTR-listed substances	205
· VOC emissions	205
· Material balance of chemical substances subject to PRTR	206

[Flow of Materials Imparting Environmental Load and Environmental Accounting]

· Flow of materials imparting environmental load	207
· Environmental accounting	207

[Site Report]

· Daiwa House Industry Site Report (9 plants)	209
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Calculation and Reporting of Environmental Data

■ Basics

◇ **Report period:** April 1, 2019 to March 31, 2020

Reference: Number of consolidated subsidiaries: 317 (147 in Japan, 171 outside Japan)
(as of March 31, 2020)

◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. and its consolidated subsidiaries

The scope of these environmental data encompasses the business operations of Daiwa House Industry and its consolidated subsidiaries, which are the target organization of Endless Green Program 2021, 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 100%.

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 of such an organization shall be collected for the fiscal year (until it is sold) and excluded from data collection from the next fiscal year on. This measure shall not be applicable to the past data.

[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 (2018 Edition)" by the Ministry of the Environment
- Manual for Calculating and Reporting GHG Emissions (Version 4.4) by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Basic Guidelines on Calculating Greenhouse Gas Emissions through Supply Chain Ver. 3.0" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Guideline for Quantifying GHG Emission Reduction Contribution" by the Ministry of Economy, Trade and Industry

◇ 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.

◇ Stance on greenhouse gas (GHG) emissions

At Daiwa House Group, among GHG emissions, we calculate and report exclusively on carbon dioxide (CO₂) emissions originating from energy.

We exclude GHG other than CO₂ originating from energy. Specifically, these are CO₂ from non-energy sources, as well as methane (CH₄), Nitrous Oxide (N₂O), and the fluorinated gases of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). With regard to these, as the result of the Group's calculation of emissions based on the Act on Promotion of Global Warming Countermeasures, we have determined that these gases accounted for less than 1% of our total GHG emissions, and the degree of their impact on our activities was nominal.

◇ CO₂ emission factor

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. For both domestic and internationally purchased electric power, we use the alternative values to power supplier emission factor based on the GHG emissions calculation, report, and disclosure initiative for use in Japan.

· Purchasing power	0.488 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. In addition, we use the same factors at overseas locations as well.

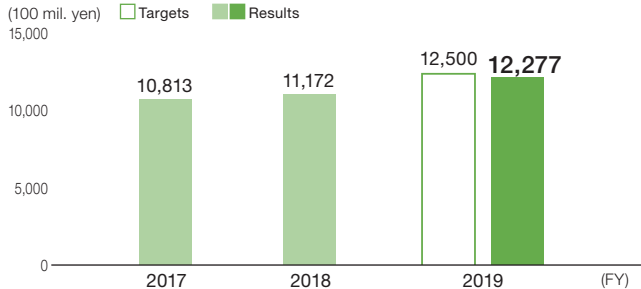
· Purchasing power	9.76 GJ/MWh	· Kerosene	36.7 GJ/kl
· Gasoline	34.6 GJ/kl	· City gas	44.8 GJ/1,000m ³ (N)
· Light oil	37.7 GJ/kl	· LP gas	50.8 GJ/t
· No. 2 fuel oil	39.1 GJ/kl	· Cold, Warm Water	1.36 GJ/GJ

Strengthening the foundation of environmental management

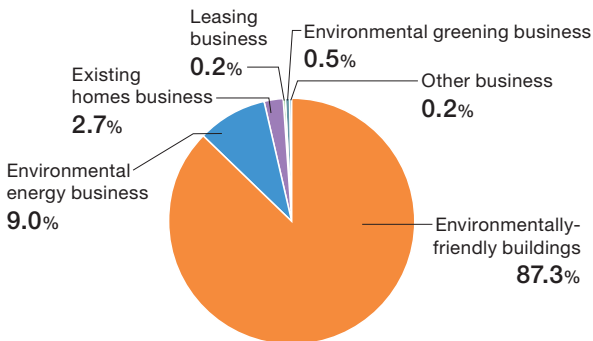
General

Sales of environmental contribution businesses

■ Sales of environmental contribution businesses



■ Sales of environmental contribution businesses (by segment)



■ Sales of environmental contribution businesses (by segment)

	2017	2018	2019
Environmentally-friendly buildings	9,723	10,202	10,719
Environmental energy business	802	666	1,110
Existing homes business	228	241	334
Leasing business	13	1	21
Environmental greening business	48	57	64
Other business	0	6	28

<Calculation method and scope of coverage of environmental data>

■ Sales of environmental contribution businesses

◇ Overview

Each of the businesses in Daiwa House Group works toward the realization of a carbon-free society and a society that is committed to recycling. The combined revenue from businesses capable of contributing to the environment is defined as sales generated by environmental businesses. In specific terms, we have established definitions for environmental businesses as follows.

Segment	Definition
Environmentally-friendly buildings	Single-family housing business: ZEH-supporting products
	Rental housing business: Buildings with a BEI of 0.85 or less
	Condominium business: D's SMART Condominiums
Commercial and office buildings business: Buildings with a BEI of 0.8 or less	
Environmental energy business: All energy recycling, energy conserving, energy retailing businesses	
Existing homes business	Home renovation business: Photovoltaic (PV) system, storage batteries, energy-saving renovations
	Existing homes outside sales: Resale of existing houses by renovations
Leasing business: Energy-saving equipment leasing, EV leasing	
Environmental greening business: Total environmental energy business	
Other business: Sale of environmentally conscious products	

◇ Scope of coverage

Daiwa House Industry Co., Ltd. and all consolidated subsidiaries
 * However, only companies with businesses that match definitions of environmental businesses

Environmental Management

■ ISO 14001 certification

Company name	Scope certified by ISO 14001 Figures in parentheses indicate rate of acquisition
Daiwa House Industry	Production Department and all 9 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 (100%)

(as of March 31, 2020)

■ Sites that have the ISO 14001 certification

Company name	Site name	Certification body	Certification No.	Validity of the current certificate	Date of certification acquisition
Daiwa House Industry	Production Department	Japan Testing Center for Construction Materials	RE0008	July 31, 2021	April 15, 1998
Daiwa Logistics	Safety and Quality Promotion Department	Japan Testing Center for Construction Materials	RE0615	September 27, 2019	September 28, 2001
	Nara Branch				
	Osaka Minami Branch				
Fujita	Entire company (domestic bases)	Japan Testing Center for Construction Materials	RE0002	November 30, 2020	August 15, 1997
Daiwa Lease	Entire company	Union of Japanese Scientists and Engineers	Registration No. JUSE-EG-056	August 28, 2020	Date of update August 29, 2017 Date of issuance August 29, 2002

(as of March 31, 2020)

Supply Chain Management

■ Study sessions held for suppliers (FY 2019)

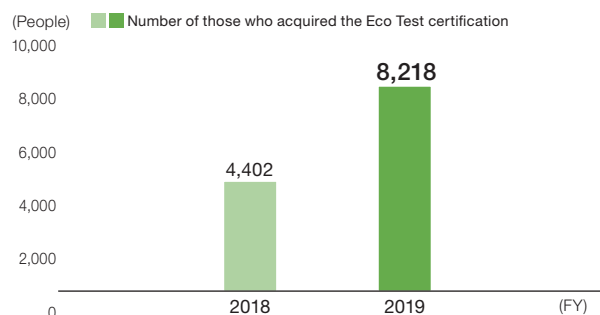
Company/organization name	Activity name	Details of main activity	No. of participating companies (No. of participants/No. of attendees)
Daiwa House Industry (Trillion Club)	Carbon-free working group (Osaka)	Climate change issues Introducing the efforts of an advanced company Group discussion	82 companies (approx. 140 attendees)
	Training and education activities (Osaka, Tokyo)	Climate change issues Expert panel discussion Introducing the efforts of an advanced company	160 companies (502 attendees)
Daiwa House Industry (Setsuwa Club)	Carbon-free working group (Osaka, Tokyo, Nagoya, Fukuoka)	Climate change issues Introducing the efforts of an advanced company Group discussion	101 companies (approx. 170 attendees)
	Product technology exhibitions (Osaka, Tokyo, Nagoya, Fukuoka)	Introduction of environmentally friendly technology	221 companies (approx. 8,800 attendees)

Environmental education

■ Environmental education provided (FY 2019)

	Category	Contents	Number of participants and frequency
Specialized education	Waste management	e-learning	158 attendees in 4 courses
	Asbestos-related management	e-learning	137 attendees in 4 courses
	Environmental regulation management	Training	7 Group companies
	Soil contamination countermeasures	Training	349 attendees
	Environmentally conscious proposal	Training	20 times, 1,055 attendees
Grade-specific education	Environmental management	Training	103 attendees
	Worksite ECO training seminars	Training	Biannually, 80 locations
	General training for new employees	Training	209 attendees
	Plant environmental managers training seminar	Training	9 attendees
	Plant environmental staff training seminar	Training	9 attendees
Supplier education	Overseas administration division managers training	Training	21 attendees
	Carbon-free working group	Training	183 companies in total
	Training and education activities	Training	160 companies

■ Number of those who acquired the Eco Test certification (The Group)



* Targeted companies are Daiwa House Industry and 24 Group companies

■ Employees with main environmental qualifications (Daiwa House Industry)

Qualification	Number of acquirers (cumulative)
Eco Test	2,734
CASBEE Assessor for Home (Single-family housing)	317
CASBEE Assessor for Building	298
Healthy Housing Advisor	904
Energy Manager	17
House Energy Saving Expert	30
Building Energy Saving Expert	5

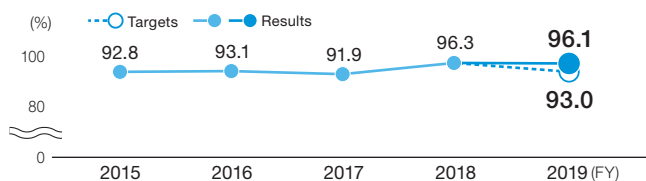
(As of March 31, 2020)

■ Number of participants in environmental education for children

	-2016	2017	2018	2019
Eco Workshop for Children	5,947	557	247	277
The King and His House	—	207	61	36
Total	5,947	764	308	313
Cumulative	5,947	6,711	7,019	7,332

Green purchasing ratio

■ Green purchasing ratio



<Calculation method and scope of coverage of environmental data>

■ Green purchasing ratio

◇ Overview

We have adopted our own Green Purchasing Standards for the items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in offices of the Company and 22 principal Group companies. In calculating our green purchasing ratio, we use the following formula on a monetary basis.

◇ Calculation formula

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 of coverage
Office work	Daiwa House Industry and 22 other companies	All offices (Head Office, branches, offices, sales offices) and research centers (excluding some of stores, hotels and nursing care facilities)

■ Green purchasing standards

We have adopted our own Green purchasing standards for six main items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in our offices.

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:
Stationery	Office supplies	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.
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.
Office equipment	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

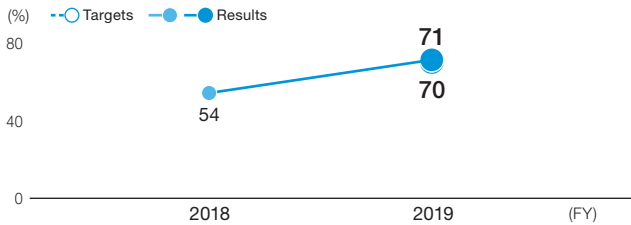
Slowing and adapting to climate change

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

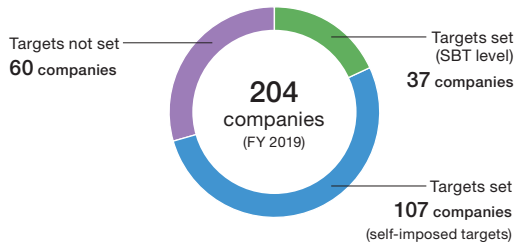
Procurement

Principal suppliers' GHG emissions reduction target setting rate

Principal suppliers' GHG emissions reduction target setting rate



Status of principal suppliers' GHG emissions reduction targets setting



<Calculation method and scope of coverage of environmental data>

Principal suppliers

Overview

Our principal suppliers are set forth as the Trillion Club, which supplies our materials, the Setsuwa Club, which supplies our facility equipment, and the Gosen Club, the supply chain organization for Daiwa Lease Co., Ltd., and Fujita Corporation's sources of procurement are also applicable.

Scope of coverage

Company name (organization name)	Scope of coverage
Daiwa House Industry (Trillion Club)	Among sources of centralized purchasing, approx. 90% of companies with the top transaction amounts (78 companies)
Daiwa House Industry (Setsuwa Club)	Companies with membership in the Setsuwa Club, excluding sales companies and those with less than 100 employees (90 companies)
Daiwa Lease (Gosen Club)	Among companies that are members in the Gosen Club, companies that account for approx. 90% of purchasing amount (20 companies)
Fujita	Major companies in each segment (16 companies)

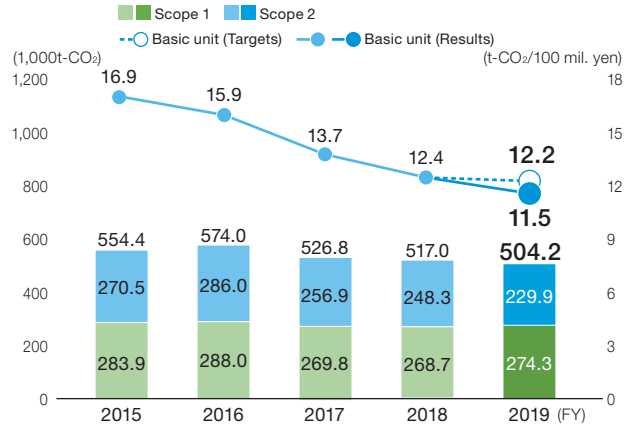
Calculation formula

Setting rate of GHG emissions reduction targets (%) = $\frac{\sum (\text{suppliers that have completed setting targets})}{\sum (\text{principal suppliers})}$

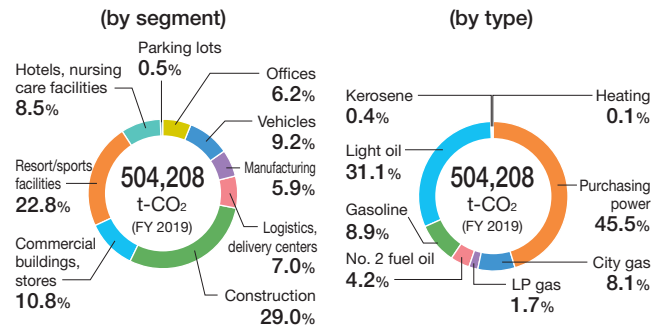
Business activities

GHG emissions

GHG emissions and basic unit



Breakdown of GHG emissions



GHG emissions (by segment)

	2015	2016	2017	2018	2019
Offices	36,619	38,981	37,296	35,166	31,486
Vehicles	55,265	50,743	50,190	49,209	46,584
Manufacturing	36,094	36,969	32,511	32,420	29,898
Logistics, delivery centers	37,426	38,087	36,262	37,429	35,075
Construction	148,840	154,082	134,472	136,832	146,368
Commercial buildings, stores	69,072	72,914	64,579	58,445	54,209
Resort/sports facilities	137,337	141,917	129,496	121,486	115,068
Hotels, nursing care facilities	30,954	37,143	38,660	42,767	42,883
Parking lots	2,790	3,166	3,286	3,237	2,637

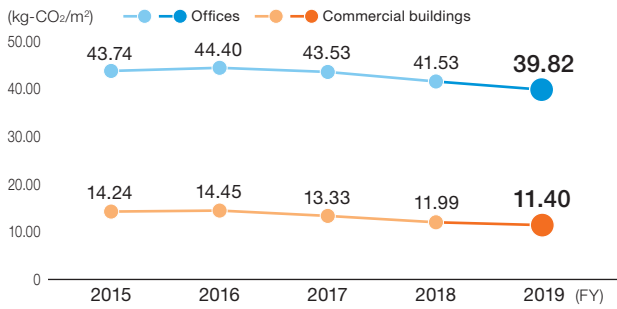
GHG emissions (by type)

	2015	2016	2017	2018	2019
Scope 2					
Purchasing power	270,504	285,979	256,311	247,393	229,344
Heating	0	0	620	900	596
City gas	34,522	38,177	40,073	38,428	40,859
LP gas	9,147	9,020	9,488	9,094	8,460
Scope 1					
No. 2 fuel oil	25,348	26,647	25,547	24,838	21,113
Gasoline	55,765	51,227	49,071	47,696	45,020
Light oil	153,894	157,532	142,341	146,676	156,813
Kerosene	5,216	5,420	3,300	1,965	2,002

GHG emissions (Japan, outside Japan)

	2015	2016	2017	2018	2019
Japan	538,663	555,140	504,458	499,388	484,350
Outside Japan	15,734	18,862	22,293	17,603	19,858

GHG emissions per gross floor space

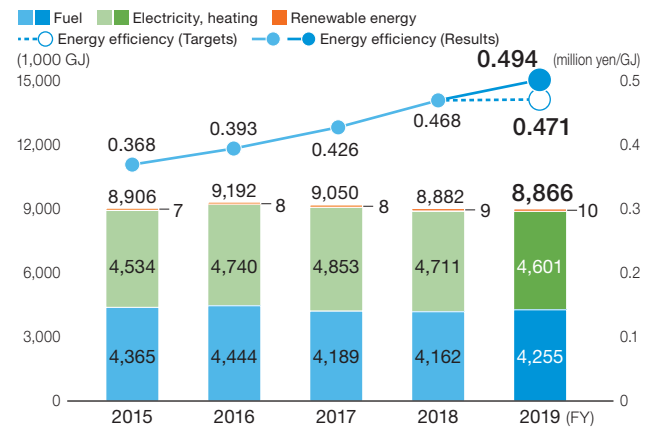


Leading-edge project to reduce GHG emissions at our Company and Group facilities (new construction)

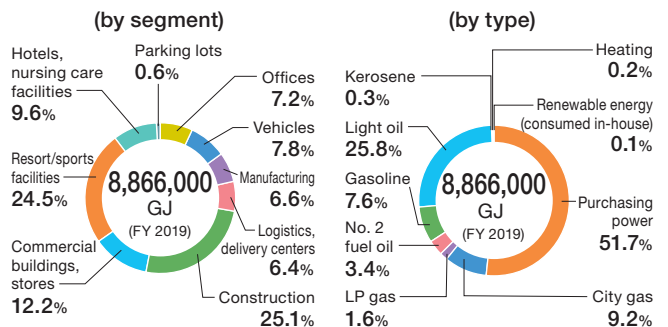
Project	Date completed	Application	Total area	Number of stories	Environmental performance
Daiwa House Industry Kawasaki Branch (AIRBIC)	August 2019	Office (multi-purpose facility)	26,714 m ²	Five floors above ground One floor below ground	Solar power generation system: 15.1 kW Wall greening, aluminum louver (solar shading) Natural lighting through installation of light courts Lithium-ion storage batteries CASBEE: rank A BEI: 0.64
Daiwa House Industry Osaka Chuo Branch	February 2020	Office	3,296 m ²	Four floors above ground	Solar power generation system: 10.8 kW Wall greening Lithium-ion storage batteries CASBEE: rank A BEI: 0.72
Daiwa House Industry Nara Plant	January 2020	Plant	15,650 m ²	One floor above ground	Solar power generation system: 761 kW Rainwater tank (for watering) Adoption of three types of recycling materials (tiles, recycled asphalt, long PVC sheet) CASBEE: rank A BEI: 0.36
Frespo Hibarigaoka	October 2019	Commercial building	11,769 m ²	Three floors above ground One floor below ground	Solar power generation system: 54 kW Wall greening / exterior walls with excellent heat insulation Low-e glass/high-efficiency ventilation/desiccant air conditioning/LEDs/motion sensors/daylight sensors/BEMS

Energy consumption

Energy consumption and Energy efficiency (EP100)



Breakdown of energy consumption



Energy consumption (by segment)

Unit: 1,000 GJ

	2015	2016	2017	2018	2019
Offices	628	673	706	698	635
Vehicles	823	756	747	700	693
Manufacturing	604	618	606	606	582
Logistics, delivery centers	570	579	573	593	567
Construction	2,227	2,295	2,046	2,075	2,221
Commercial buildings, stores	1,179	1,226	1,234	1,117	1,085
Resort/sports facilities	2,288	2,352	2,333	2,213	2,174
Hotels, nursing care facilities	541	641	743	821	855
Parking lots	47	53	63	62	53

Energy consumption (by type)

Unit: 1,000 GJ

	2015	2016	2017	2018	2019
Purchasing power	4,534	4,740	4,838	4,690	4,587
Heating	0	0	15	21	14
City gas	692	766	804	771	819
LP gas	155	153	161	154	143
No. 2 fuel oil	366	384	369	358	305
Gasoline	831	763	731	711	671
Light oil	2,244	2,297	2,076	2,139	2,287
Kerosene	77	80	49	29	30
Renewable energy (consumed in-house)	7	8	8	9	10

Energy consumption (Japan, outside Japan)

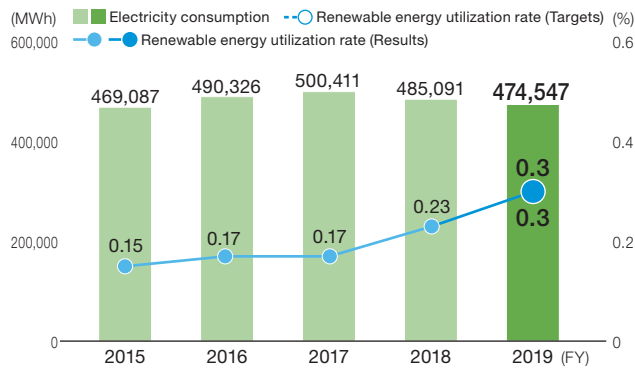
Unit: 1,000 GJ

	2015	2016	2017	2018	2019
Japan	8,683	8,909	8,725	8,621	8,554
Outside Japan	233	282	325	261	312

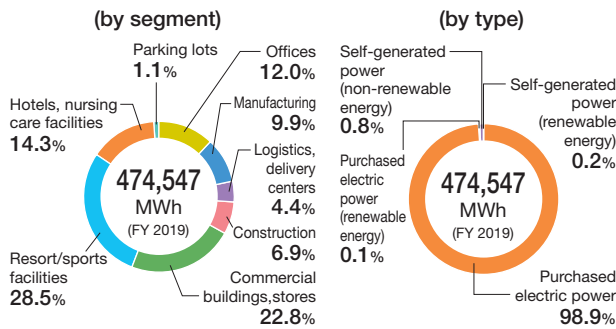
Slowing and adapting to climate change

Electricity consumption

Electricity consumption and renewable energy utilization rate (RE100)



Breakdown of electricity consumption



Electricity consumption (by segment)

	2015	2016	2017	2018	2019
Offices	56,640	60,849	62,046	59,047	56,788
Manufacturing	46,579	47,544	47,327	48,496	47,123
Logistics, delivery centers	17,106	18,177	18,439	19,833	20,864
Construction	43,745	41,455	40,301	36,528	32,712
Commercial buildings, stores	112,282	118,132	121,548	111,193	108,330
Resort/sports facilities	145,160	147,130	146,132	138,737	135,318
Hotels, nursing care facilities	42,758	51,646	58,201	64,936	68,010
Parking lots	4,818	5,394	6,418	6,321	5,403

Electricity consumption (by type)

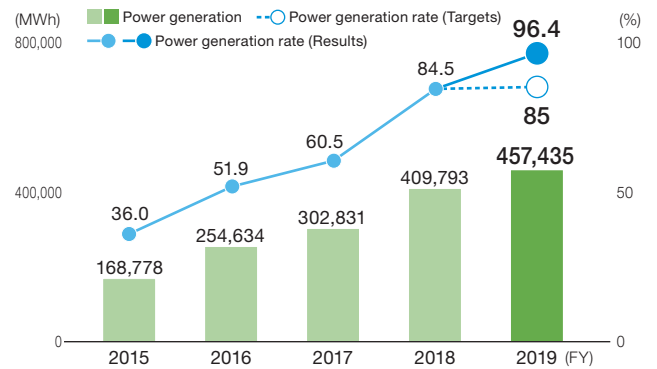
	2015	2016	2017	2018	2019
Purchasing power	464,590	485,646	495,700	480,341	469,552
Purchasing power (renewable energy)	0	0	0	160	415
Self-generated power (non-renewable energy)	3,802	3,833	3,840	3,628	3,580
Self-generated power (renewable energy)	695	847	871	962	1,000

Electricity consumption (Japan, outside Japan)

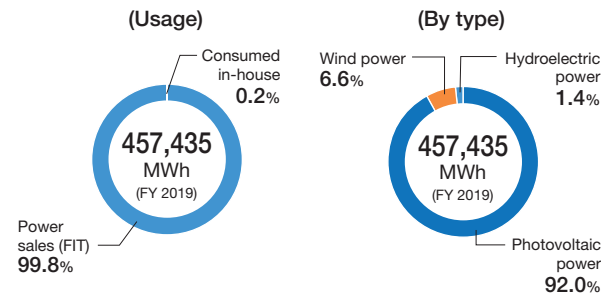
	2015	2016	2017	2018	2019
Japan	461,059	477,922	486,715	475,028	466,390
Outside Japan	8,028	12,404	13,697	10,064	8,158

Renewable energy

Renewable energy-based power generation and renewable energy rate



Breakdown of renewable energy-based power generation



Renewable energy-based power generation (usage)

	2015	2016	2017	2018	2019
Power sales (FIT)	168,083	253,787	301,960	408,831	456,435
Consumed in-house	695	847	871	962	1,000

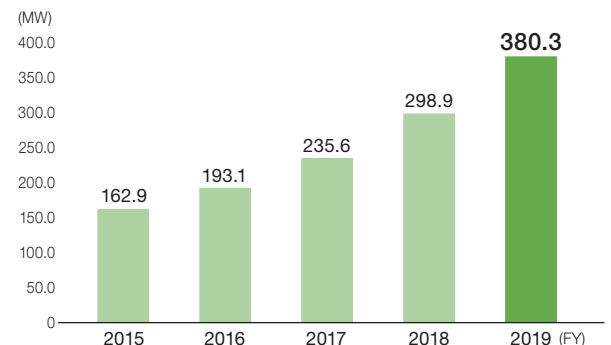
Renewable energy-based power generation (by type)

	2015	2016	2017	2018	2019
Photovoltaic power	142,228	226,290	273,949	374,416	421,017
Wind power	26,549	28,344	27,340	30,484	30,088
Hydroelectric power	0	0	1,542	4,893	6,330

Renewable energy-based power generation (by country)

	2015	2016	2017	2018	2019
Japan	168,778	254,634	302,831	409,793	457,435
Outside Japan	0	0	0	0	0

Installed generation capacity of renewable energy-based power generation equipment



<Calculation method and scope of coverage of environmental data>

■ GHG emissions/ energy consumption/ electricity consumption

◇ Overview

GHG emissions refers only to CO₂ emissions originating from energy, and energy consumption is calculated on a heat quantity basis. 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

GHG emissions (t-CO₂) = $\sum \{(\text{Annual consumption of electricity and fuel}) \times (\text{GHG emission factor for each type of energy})\}$

Energy consumption (GJ) = $\sum \{(\text{Annual consumption of electricity and fuel}) \times (\text{Energy conversion factor for each type of energy})\}$

GHG emissions (t-CO₂/100 mil. yen) = $\sum (\text{GHG emission}) \div \text{consolidated net sales}$

Energy efficiency (million yen/ GJ) = $\text{Consolidated net sales (million yen)} \div \sum (\text{Energy consumption})$

Electricity consumption (MWh) = $\sum \{(\text{Annual purchased electricity}) + \text{electricity generated by self-consumption generation (including renewable energy)}\}$

◇ Scope and calculation criteria (Japan)

Segment	Target	Scope (Number of locations as of March 31, 2020)		Calculation criteria		
Offices	Daiwa House Group	All offices (Head Office, affiliates, branches and sales offices), research labs, training centers and housing exhibition	Total	975 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.	
			Offices	739 locations		
			Research laboratories	2 locations		
			Training centers	5 locations		
			Housing exhibition	229 locations		
Vehicles	Daiwa House Group	All company vehicles and privately owned permitted vehicles	Total	13,644 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	33 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption 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	773 vehicles	At each site, we use the monthly bill from the fuel supplier to identify the energy consumption and multiply it by the respective CO ₂ emission factor.
		Delivery center	All delivery centers required for transporting materials (our company operations only)	Total	86 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.
Construction*1	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total	6,929,000 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	2,495,000 m ²		
			Building construction	4,434,000 m ²		
			Civil engineering	159 projects		
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company	Total	518 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor. Note: Excludes the tenants' portion. (However, some tenant portions are included in facilities where such inclusion is required under the Energy Efficiency Act.)	
			Commercial buildings	461 locations		
			Home improvement centers	57 locations		
Resort/ sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total	118 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.	
			Resort hotels	29 locations		
			Golf courses	10 locations		
			Fitness clubs	74 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	76 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.	
			Urban hotels	67 locations		
			Nursing care facilities	9 locations		
Parking lots	Daiwa House Group	Parking lots operated by our company	Total	2,631 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.	

*1 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.

◇ Scope and calculation criteria (Outside Japan)

Segment	Target	Scope	Calculation criteria
Offices	Daiwa House Group	Offices	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption*2 and multiply it by the respective CO ₂ emission factor. *2 At some sites, based on estimates from amount billed and space in use
Vehicles	Daiwa House Group	Company vehicles	
Manufacturing	Daiwa House Group	All production sites	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective CO ₂ emission factor.
Construction	Daiwa House Group	Construction sites for new houses and buildings (excluding demolition/renovation)	We calculate the total estimate by multiplying the energy consumption per floor space (or per unit of sales) in domestic sample properties by floor space sold (sales amount).

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

<Calculation method and scope of coverage of environmental data>

■ Installed capacity and generated volume of renewable energy-based power generation equipment

◇ Overview

Installed capacity of renewable energy-based power generation equipment is the total of 1) and 2) below.

1) The power-generation capacity of equipment for in-house power consumption, as well as the power generated during the fiscal year, with renewable energy power-generation facilities (such as wind power and photovoltaic power) held (and operated) by the Group, or within such Group premises, as of the end of the fiscal year.

2) The power-generation capacity of renewable power-generation facilities (wind power, photovoltaic power, and hydroelectric power generation) that the Group manages (and operates) as a power producer as of the end of the fiscal year and the amount of power sold during the fiscal year. The power generation facilities operated by Eneserve Corporation, which sells electricity as a specific Power Producer and Supplier (PPS), are not included.

◇ Renewable energy utilization rate =

$$\frac{\sum [\text{Renewable energy (generation by self-consumption generation equipment)}] \text{ [MWh]} + \sum [\text{Purchased amount of RE100 electricity} \text{ [MWh]}]}{\sum [\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] \text{ [MWh]}}$$

◇ Renewable energy rate =

$$\frac{\sum [\text{Renewable energy (sale of full electricity and generation by self-consumption generation equipment)}] \text{ [MWh]}}{\sum [\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] \text{ [MWh]}}$$

■ Renewable energy utilization rate/ Renewable energy rate

◇ Calculation formula

Renewable energy utilization rate (%) = $\frac{[\text{Renewable energy (generation by self-consumption generation equipment)} + \text{Purchased amount of RE100 electricity}] \div \text{electricity consumption}}{\text{renewable energy-based power generation} \div \text{electricity consumption}}$

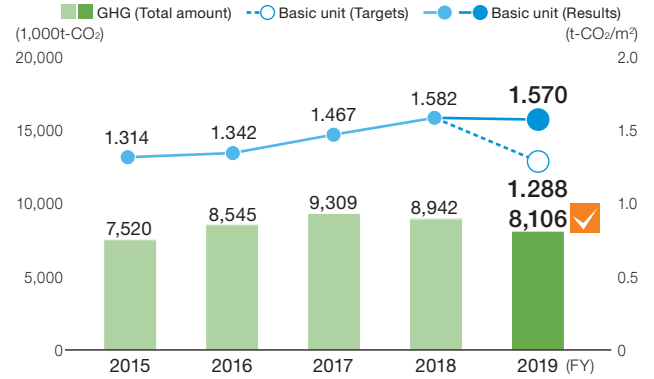
◇ Scope of coverage

All Daiwa House Group companies

Products and services

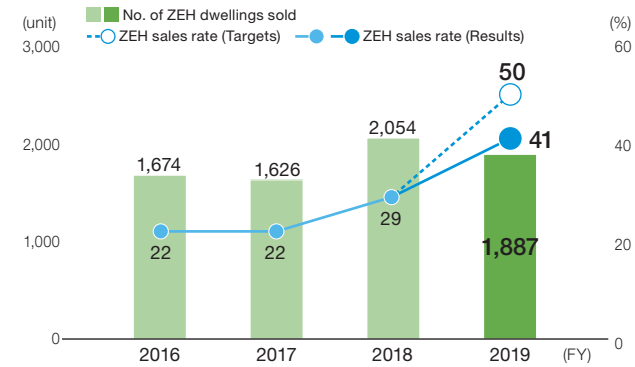
GHG emissions derived from use of products

■ GHG emissions derived from use of products and basic unit



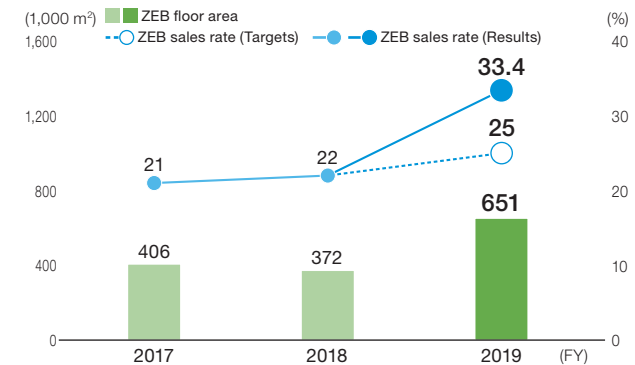
ZEH sales rate

■ ZEH sales rate

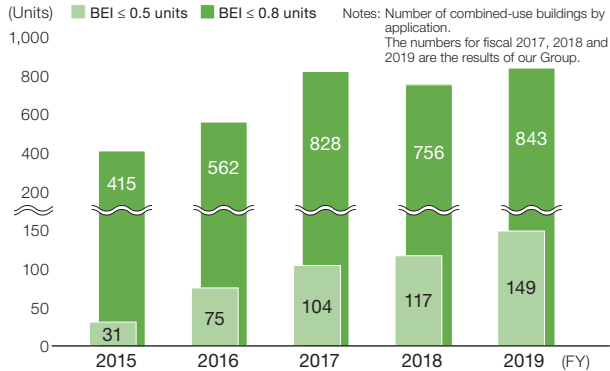


ZEB sales rate

■ ZEB sales rate



Number of units designed to ZEB*1 specifications or guidance standards*2

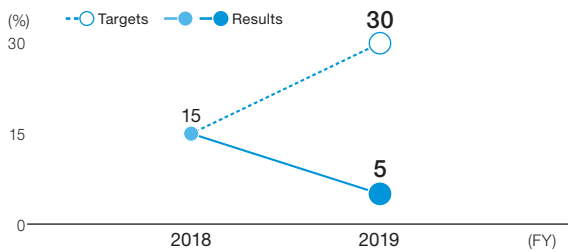


*1 Buildings with BEI ≤ 0.5 are ZEB in a broad sense and include ZEB Ready and Nearly ZEB structures.

*2 Buildings with BEI ≤ 0.8 meet Japan's guidance standard as specified in the Building Energy Efficiency Act.

Green Building Certification

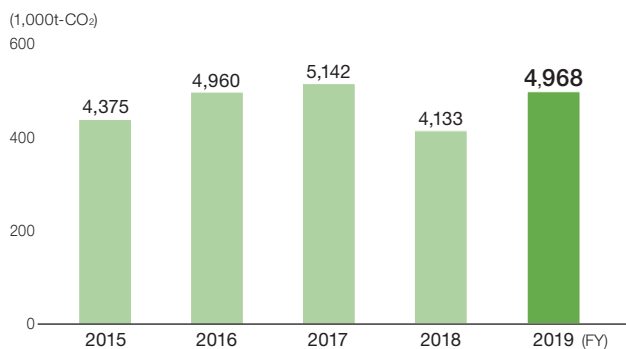
Rate of Green Building Certification obtained



Name of certification	Segment	Unit	2015	2016	2017	2018	2019
Long-life quality housing	Single-family housing business	Units	7,640	7,530	7,486	7,237	6,430
BELS certification	—	Units	—	2,045	1,567	1,668	1,288

Contribution to GHG reduction

Contribution to GHG reduction



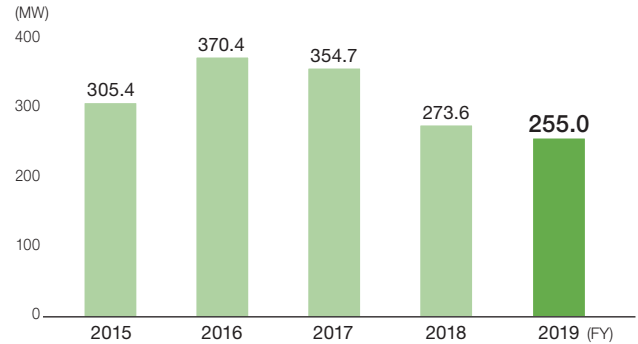
Contribution to GHG reduction (by segment)

Segment	2015	2016	2017	2018	2019
Single-family housing business	381	347	335	342	301
Rental housing business	427	467	459	422	341
Home renovation business	177	211	184	96	60
Condominium business	127	180	92	118	136
Commercial and office buildings business	1,434	2,084	2,341	2,199	2,206
Environmental energy business	1,829	1,670	1,732	957	1,924

Unit: 1,000t-CO₂

Installed capacity of photovoltaic power generation systems

Trend in installed capacity of photovoltaic power generation systems



Trend in installed capacity of photovoltaic power generation systems (by segment)

Segment	2015	2016	2017	2018	2019
Single-family housing business	25,817	22,808	20,188	17,932	15,409
Rental housing business	24,631	21,123	15,782	11,921	3,997
Home renovation business	17,220	20,442	17,068	7,152	3,400
Condominium business	69	45	5	3	0
Commercial and office buildings business	14,469	30,629	12,781	1,176	15,190
Environmental energy business	223,235	275,338	288,906	235,456	217,048

Unit: kW

<Calculation method and scope of coverage of environmental data>

GHG emissions derived from use of products

Overview

The "inhabitation and use phase" of homes and buildings over the long-term accounts for approx. 60% of GHG emissions across the value chain. By popularizing products that take into account energy saving, creation and accumulation, it becomes possible to reduce GHG emissions emitted from products sold over their lifespan.

Scope and calculation criteria

GHG emissions per square meter = $\sum (\text{GHG emissions that sold products released during their usage lifetime [t-CO}_2\text{]} \div \sum (\text{Floor space sold [m}^2\text{)})$

* Group GHG emissions (same calculation method) are in line with Scope 3 category 11 (using sold products). The four targeted companies are Daiwa House, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.

ZEH/ZEB/green building certifications

ZEH sales rate

1) Scope: Contracted property (based on start of construction)

2) Purpose of use: Single family houses

ZEH sales rate = ZEH units / total No. of units

* Scope of coverage is Daiwa House Industry

ZEB sales rate

1) Scope: Newly designed and constructed properties of at least 300m² (construction start basis)

Company-developed properties (D Project)

2) Purpose of use: Offices or plants, warehouses (combined-use properties are deemed to be used for the application which is in maximum use for any particular unit)

ZEB rate = $\frac{\text{ZEB property area [m}^2\text{]}}{\text{Total property area [m}^2\text{]}} = \frac{\text{ZEB property area for offices, plants, warehouses [m}^2\text{]}}{\text{Total property area for offices, plants, warehouses [m}^2\text{]}}$

* Scope is Daiwa House Industry, Daiwa Lease, Fujita

Rate of green building certification obtained

1) Scope: Company-developed properties

2) Purpose of use: All

Rate of green building certification obtained = $\frac{\text{Company-developed properties [m}^2\text{] that have obtained green building certification}}{\text{Company-developed properties [m}^2\text{]}}$

* Scope is Daiwa House Industry

<Calculation method and scope of coverage of environmental data>

■ Contribution to GHG reduction

◇ Overview

Contribution to GHG reduction is represented by a numerical value that indicates "how much we have been able to contribute to the reduction of GHG emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions."
Using flow-based calculations, the Group calculates GHG 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 GHG emissions by subtracting the result from the GHG emissions generated by a comparable equivalent product. As for the contributed reduction of an ESCO business*, the value is calculated by the existing home base method, and the annual GHG 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 GHG emissions of a comparable facility.

* ESCO: An abbreviation 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 GHG reduction (t) = {(Annual GHG emissions per house (t/house-year) in the usage or operation stages of the products being compared) - (Annual average GHG 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 GHG reduction (t) = Σ {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 GHG reduction (t) = Σ {Annual renewable energy generated (kWh/year) × CO₂ emission factor (t/kWh) × Estimated number of years of use}
*Includes power sales
- Method ④ (Energy efficiency improvement): contribution to GHG reduction (t) = Σ {Annual GHG emissions (t/year) before energy-efficiency retrofits - Annual GHG emissions (t/year) after energy-efficiency retrofits} × Estimated number of years of use
- Method ⑤ (Electricity retailing): contribution to GHG reduction (t) = Σ {(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]

$$\text{contribution to GHG reduction (t/year)} = \Sigma \{(\text{Annual GHG emissions (t/year) of comparable facilities}) - (\text{Annual GHG emissions (t/year) of equipment subject to ESCO services provided during year})\}$$

◇ 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 [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	
	Rental housing business	All newly built houses in rental housing business (low-rise)	[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.	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
	Condominium business	All housing starts of condominium business	[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, plant: 30 years Other applications: 60 years Photovoltaic power generation: 20 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 ③-④ [Calculation of power generated/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 (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, plant: 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, plant: 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 generated/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 Certification

◇ 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.

BELS certification

This is the abbreviation for Building-Housing Energy-efficiency Labeling System, a system whereby third-party assessment 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 (☆).

Long-Life Quality Housing Certification

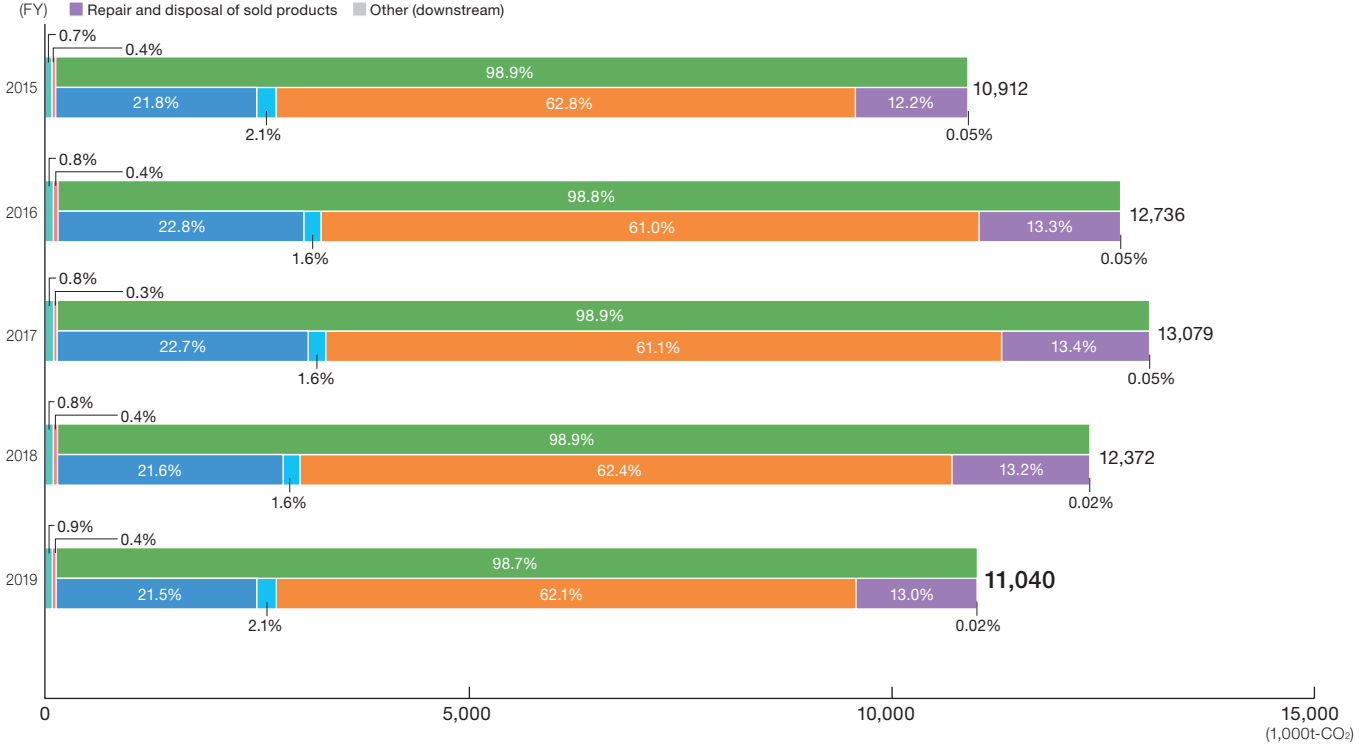
In promoting the effective use of resources, we utilize the Long-Life Quality Housing Certification System under the terms of the "Act on the Promotion of Popularization of Long-Life Quality Housing" as an index to measure progress. In the certification system, requirements are also stipulated including 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.

Slowing and adapting to climate change

Reducing GHG emissions in the value chain

Scope 1, 2 & 3 GHG emissions

- Scope 1 (direct emissions from the use of energy by our company)
- Scope 2 (indirect emissions from the use of energy by our company)
- Scope 3 (indirect emissions from sources other than our company)
- Purchased goods and services
- Other (upstream)
- Use of sold products
- Repair and disposal of sold products
- Other (downstream)



Unit: 1,000 t-CO₂

Category		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Percentage of total
Scope 1	Scope 1	74	106	99	94	99	0.9%
	Scope 2	44	47	46	46	49	0.4%
Scope 3	Upstream	10,794	12,582	12,935	12,232	10,892	98.7%
	Purchased goods and services	2,377	2,907	2,968	2,672	2,371	21.5%
	Capital goods	107	54	69	57	63	0.6%
	Fuel- and energy-related activities (not included in scope 1 or scope 2)	12	14	14	14	17	0.2%
	Upstream transportation and distribution	46	45	43	41	39	0.4%
	Waste generated in operations	52	84	79	77	96	0.9%
	Business travel	5	5	5	6	10	0.09%
	Employee commuting	5	5	6	6	6	0.06%
	Upstream leased assets	0.2	0.2	0.2	0.2	0.2	0.002%
	Downstream	—	—	—	—	—	(Not applicable)
	Downstream transportation and distribution	—	—	—	—	—	(Not applicable)
	Processing of sold products	—	—	—	—	—	(Not applicable)
	Use of sold products	6,848	7,767	7,991	7,721	6,855	62.1%
End-of-life treatment of sold products	1,335	1,693	1,754	1,635	1,432	13.0%	
Downstream leased assets	5	6	6	3	3	0.02%	
Franchises	—	—	—	—	—	(Not applicable)	
Investments	—	—	—	—	—	(Not applicable)	
Total		10,912	12,736	13,079	12,372	11,040	100.0%

<Calculation method and scope of coverage of environmental data>

■ Reducing GHG emissions in the value chain

◇ Target

Daiwa House Industry (Non-consolidated)

◇ Overview

For Scope 1 and 2, see p.195 (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 GHG 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

GHG emissions (t) = \sum {(Amount of activity) × (CO₂ emissions per amount of activity)}

◇ Source (Secondary data used)

- ① Emission basic unit database (ver. 3.0, 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

Progress in the long-term goal

Greenhouse gas (GHG) emissions reduction

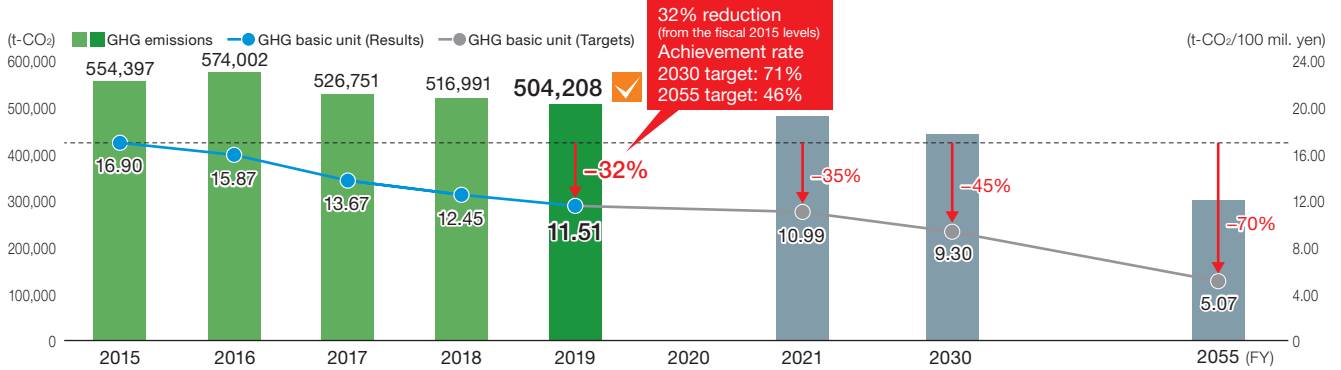
Business activities (Scope 1 + 2)

Long-term goal

45% GHG emissions reduction by 2030 (from the fiscal 2015 level, per unit of sales)
70% GHG emissions reduction by 2055 (from the fiscal 2015 level, per unit of sales)

Trend in GHG emissions and basic unit (per unit of sales)

SBT



			Results					Targets			
			2015	2016	2017	2018	2019	2021	2030	2040	2055
SBT	GHG emissions	Basic unit from the fiscal 2015 level (per unit of sales)	-	-6%	-19%	-26%	-32%	-35%	-45%	-	-70%
		Total amount	554,397 t	574,002 t	526,751 t	516,991 t	504,208 t	Down 9% from the fiscal 2015 level	Down 22.5% from the fiscal 2015 level	-	Down 43.6% from the fiscal 2015 level
Energy efficiency from the fiscal 2015 level EP100			-	Up 1.07 times	Up 1.16 times	Up 1.27 times	Up 1.34 times	Up 1.4 times	Up 1.5 times	Up 2. times	-
Renewable energy rate			36.0%	51.9%	60.5%	84.5%	96.4%	100%	100%	-	-
Renewable energy utilization rate RE100			0.15%	0.17%	0.17%	0.23%	0.30%	10%	30%	100%	-

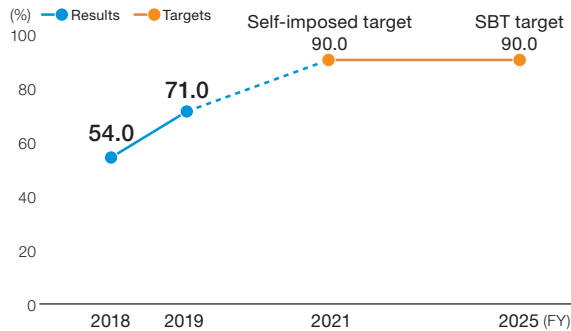
Procurement (Scope 3 Category 1)

Long-term goal

Getting 90% of the principal suppliers to set a standard SBT target

Status of principal suppliers' GHG emissions reduction targets setting

SBT



		Results			Targets	
		2017	2018	2019	2021	2025
SBT	Principal suppliers' GHG emissions reduction target setting rate	-	Self-imposed target 54%	Self-imposed target 71%	Self-imposed target 90%	SBT target 90%

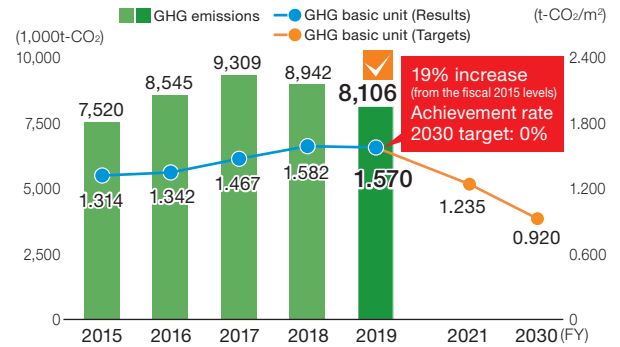
Products and services (Scope 3 Category 11)

Long-term goal

30% reduction of GHG emissions derived from use of products by 2030 (from the fiscal 2015 level, per area)

Trend in GHG emissions derived from use of products and basic unit (per square meter)

SBT

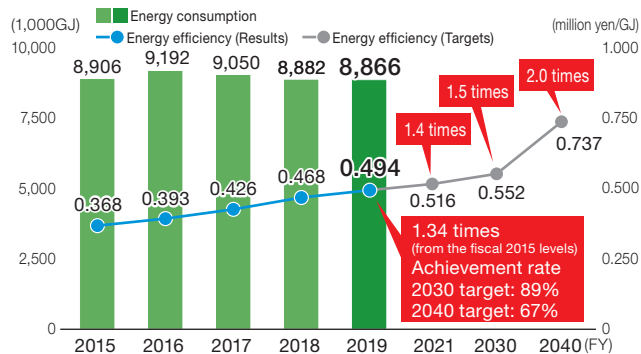


		Results					Targets	
		2015	2016	2017	2018	2019	2021	2030
SBT	GHG emissions derived from use of products	-	+2%	+12%	+20%	+19%	-6%	-30%
	Basic unit from the fiscal 2015 level (per area)	-	-25.9%	-27.5%	-27.8%	-27.6%	-28.6%	-30%
Compared to reference buildings		-	-25.9%	-27.5%	-27.8%	-27.6%	-28.6%	-30%

Energy efficiency improvement (EP100)

Long-term goal Doubling energy efficiency by 2040

Trend in energy consumption and energy efficiency

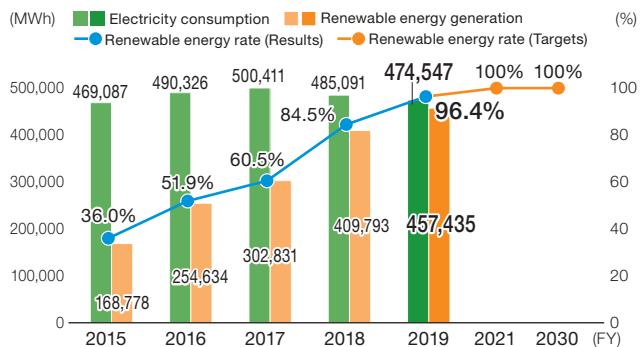


Spread of renewable energy

Long-term goal 100% renewable energy-based electricity by 2030

Trend in renewable energy rate

<renewable energy generation / electricity consumption>

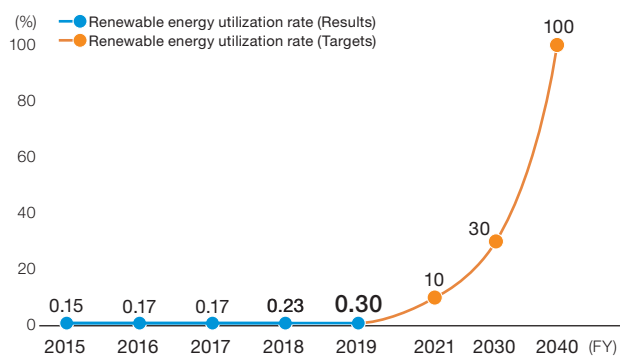


Improving renewable energy utilization rate (RE100)

Long-term goal 100% renewable energy-based electricity by 2040

Trend in renewable energy utilization (RE100)

<renewable energy utilization / electricity consumption>



<Calculation method of environmental data>

- ◇ Basic unit of GHG emissions = $\sum (\text{GHG emissions [t-CO}_2\text{]}) \div \text{consolidated sales [100 million yen]}$
- ◇ GHG emissions derived from use of products per m² = $\sum (\text{GHG emissions [t-CO}_2\text{]}) * \text{that sold products released during their usage lifetime} \div \sum (\text{Floor space sold [m}^2\text{)})$
* Group GHG emissions (same calculation method) are in line with Scope 3 category 11 (using sold products). The four targeted companies are Daiwa House, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.
- ◇ Principal suppliers' GHG emissions reduction target setting rate = $\text{suppliers that have already set targets} \div \text{Number of principal suppliers}$
- ◇ EP100 (Energy efficiency) = $\text{Consolidated net sales (million yen)} \div \sum (\text{Energy consumption [GJ]})$
- ◇ Renewable energy rate =
$$\frac{\sum [\text{Renewable energy (sale of full electricity and generation by self-consumption generation equipment)}] [\text{MWh}]}{\sum [\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] [\text{MWh}]}$$
- ◇ Renewable energy utilization rate =
$$\frac{\sum [\text{Renewable energy (generation by self-consumption generation equipment)}] [\text{MWh}] + \sum (\text{Purchased amount of RE100 electricity [MWh]})}{\sum [\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] [\text{MWh}]}$$

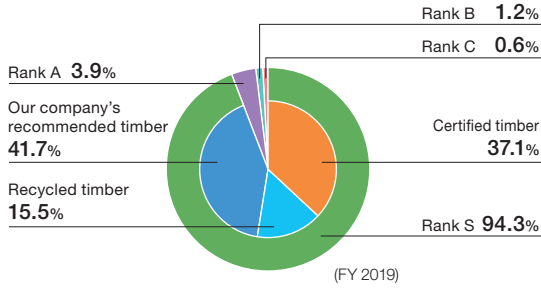
Harmony with the Natural Environment

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

Procurement

Eco-friendly timber procurement

Assessment result of procured timber



Assessment result of procured timber [Overall]

	2015	2016	2017	2018	2019
Rank S	87.6%	86.5%	84.2%	94.9%	94.3%
Rank A	5.6%	7.9%	11.4%	1.9%	3.9%
Rank B	2.2%	3.1%	2.0%	1.1%	1.2%
Rank C	4.7%	2.5%	2.4%	2.1%	0.6%

[Within Rank S]

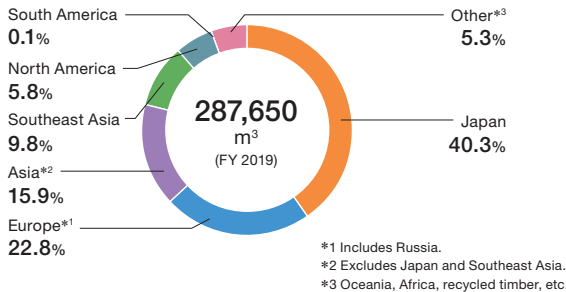
	2015	2016	2017	2018	2019
Certified timber	43.9%	40.3%	35.6%	44.0%	37.1%
Recycled timber	23.0%	21.6%	17.7%	18.2%	15.5%
Our company's recommended timber	20.7%	24.6%	30.9%	32.7%	41.7%

Volume of timber procured in segments to be evaluated

Unit: m³

	2015	2016	2017	2018	2019
Daiwa House Industry	254,132	246,277	342,291	268,867	238,102
Royal Home Center	25,723	27,509	37,237	36,763	39,356
DesignArc	1,726	2,854	3,510	3,011	129
Daiwa Lease	6,073	5,963	3,733	5,052	4,734
Fujita	5,185	9,443	1,919	2,629	5,079
Cosmos Initia	140	91	147	1,076	251
Total	292,979	292,137	388,837	317,398	287,650

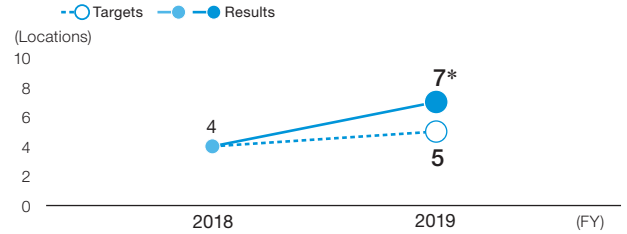
Ratio of procured timber by logging area



Business activities

Promotion of greening at Company and Group company facilities

No. of certification acquisitions by Company facilities



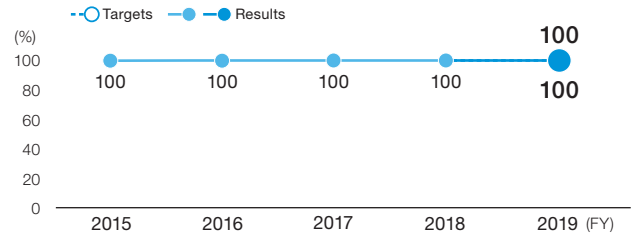
Facility name	Company name	Certification name	Certification date
Royal City Aso Ichinomiyama Resort —ASONOHARA—	Daiwa House Industry	JHEP (AAA)	June, 2019
BRANCH Kobe Gakuentoshi	Daiwa Lease	ABINC	February, 2020
BRANCH Inage		JHEP (AA)	July, 2015
BRANCH Chigasaki		SEGES	July, 2015
BRANCH Sendai		SEGES	July, 2017
BRANCH Matsuyamate		SEGES	March, 2020
BRANCH Okayama kitanagase		SEGES	March, 2020
		SEGES	March, 2020

* In fiscal 2019, the certification of one facility was not renewed, and as such, the existing three facilities plus four new ones makes for a total of seven facilities.

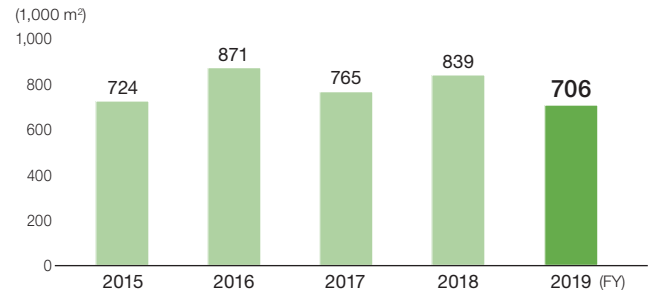
Products and services

Preservation of biodiversity in development and community development

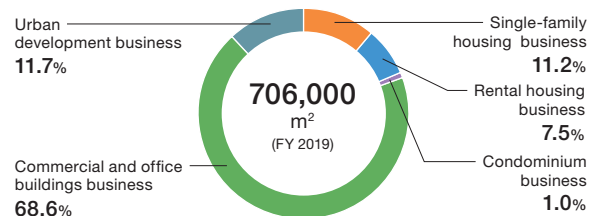
Compliance rate with voluntary standards for biodiversity conservation (development)



Surface area of green spaces



Breakdown of green covered areas



<Calculation method and scope of coverage of environmental data>

■ Procured timber

◇ Overview

In line with our Biodiversity Guidelines [Timber Procurement], we have established certification criteria for three types of timber: certified timber, recycled timber, and our company's recommended timber. Once a year, we conduct a timber delivery survey with timber suppliers and confirm compliance with the certification criteria. [Timber 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: Assessment criteria were partially revised in fiscal 2015.

◇ Calculation formula

Composition of C-ranked timber (%) = $\frac{\sum (\text{amount of C-ranked timber procured (m}^3\text{)})}{\sum (\text{Total amount of timber procured})}$

Note: Statistics for S, A, and B-ranked timber are also calculated in the same way.

◇ Scope of coverage

Segment	Target	Scope of coverage
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	Timber products sold
	DesignArc	Wooden building materials manufactured

* Target materials: Includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

■ No. of certification acquisitions by Company facilities

◇ Overview

While preparing and securing sufficient green spaces at the Company and Group facilities, we will press onward with efforts to contribute to the preservation of regional ecosystems. To carry such initiatives forward, we will pursue the acquisition of certification systems pertaining to greening and the preservation of biodiversity. The number of facilities reflects the cumulative number of major certifications already acquired as of the end of the fiscal year under review.

◇ Scope of coverage

All facilities held by Daiwa House and Group companies

◇ Main certification systems

Name of certification	Certifying institution
JHEP	JHEP (Japan Habitat Evaluation and Certification Program)
ABINC	ABINC (Association for Business Innovation in harmony with Nature and Community)
SEGES	SEGES (Social and Environmental Green Evaluation System series)

■ [Development] Compliance rate with voluntary standards for biodiversity conservation

◇ Overview

Voluntary standards for biodiversity conservation (development) are based on our Biodiversity Guidelines [Development & Community Creation], and our large-scale development projects are subject to our evaluation tool comprising 30 independently determined and self-evaluated items, and achieve a rank of B or higher. 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.

◇ Calculation formula

Compliance rate with voluntary standards for biodiversity conservation (%) = $\frac{\sum (\text{Site area of units in compliance with voluntary standards (m}^2\text{)})}{\sum (\text{Site area of units under evaluation (m}^2\text{)})}$

◇ Scope of coverage

Segment	Target	Scope of coverage
Development	Daiwa House Industry, Fujita	Our company-developed projects with a development area exceeding 3,000 m ²

■ [Community development] Surface area of green spaces

◇ Overview

Green space surface area refers to the total area where greening has been conducted with sale and construction contracts for built-for-sale houses, together with undertaking exterior construction.

◇ Calculation formula

Green space surface area (m²) = $\sum (\text{Surface area of green space (m}^2\text{) of target units in each project})$

◇ Scope of coverage

Segment	Target	Scope of coverage
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

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

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

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

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 [Timber Procurement]

② Items to be Assessed for Legality and Sustainability

③ Biodiversity Guidelines [Development & Community Creation]

① Biodiversity Guidelines [Timber Procurement]

1. Certified timber

Procure timber certified by the FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forestry Certification) and SGEC (Sustainable Green Ecosystem Council).

2. Recycled timber

Procure timber recycled from construction scrap (particleboard*, etc.).

3. Our company's recommended timber

When procuring timber 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 timber 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 Assessed for Legality and Sustainability

(1) Confirmation of legality

- (a) Ensure the source of supply has been clearly identified (traceable to the logging site).
- (b) Confirm that the cutting rights have been secured.
- (c) Confirm compliance with forestry laws and other relevant rules.

(2) Confirmation of sustainability

- Comprehensively determine sustainability with the following eight items.
- (a) The logged timber is not an endangered species.
 - (b) The logging method avoids large-scale logging of natural forests.
 - (c) Endangered species in the logging areas and surrounding areas have been considered for conservation.
 - (d) The timber is not produced in a disputed region.
 - (e) Working conditions are in compliance with the local government.
 - (f) The forest reserves can be maintained (forests within the area can be renewed after logging).
 - (g) The timber is Japanese domestic timber.
 - (h) 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.)

③ Biodiversity Guidelines [Development & Community Creation]

1. 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.

2. 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.

3. 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.

4. 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.

5. Take steps to minimize the environmental impact of construction work

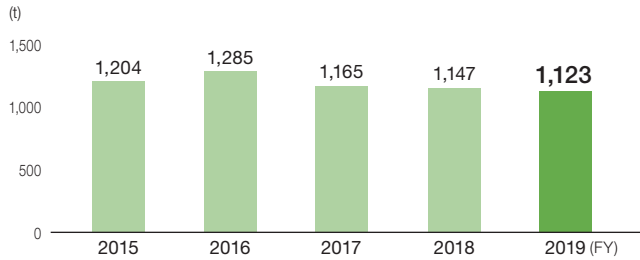
We will consider the plants and animals inhabiting the surroundings as we strive to reduce the impact of noise, vibration, exhaust, and other such factors.

6. 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.

Business activities

■ Paper consumption



■ Steel consumption

	2015	2016	2017	2018	2019
Daiwa House Industry (housing)	204,826	209,793	224,863	186,794	187,963

<Calculation method and scope of coverage of environmental data>

■ Paper consumption

◇ Overview
Regarding our paper consumption, we calculate the actual value of the paper purchased (m²) using the weight conversion method.

◇ Calculation formula
Paper consumption (t) = ∑ (Purchased paper (m²) × weight per unit area (t/m²))

◇ Scope of coverage

Segment	Target	Scope of coverage (Number of locations as of March 31, 2020)
Office work	Daiwa House Industry	All offices (Head Office, branches, offices, sales offices) and research centers 219 locations in total

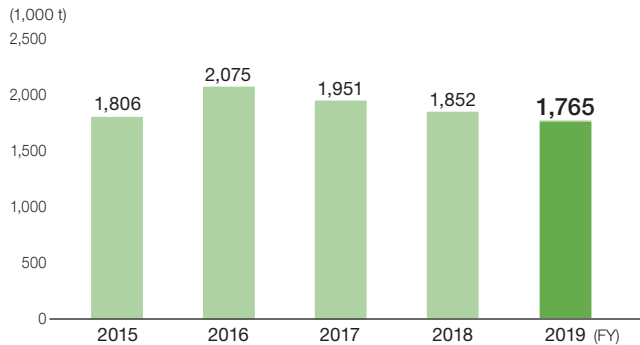
■ Steel consumption

◇ Scope of coverage

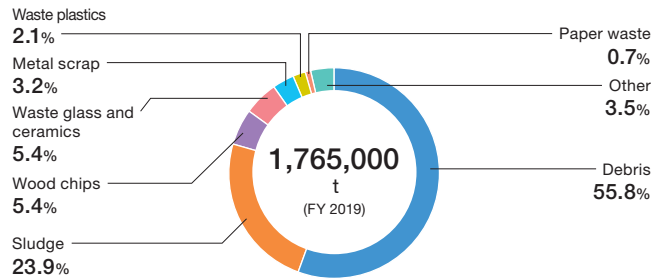
Segment	Target	Scope of coverage
Manufacturing	Daiwa House Industry	All production sites

Waste emissions / Recycling rates of waste

■ [Overall] Construction/demolition waste emissions



■ [Overall] Construction/demolition waste emissions (by item)



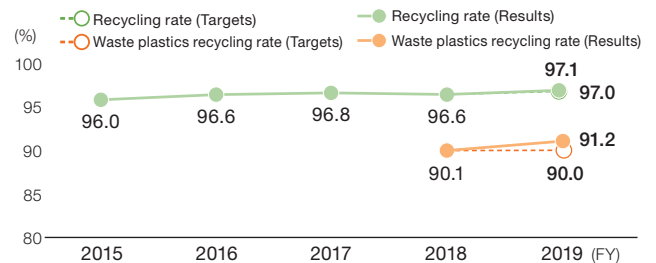
■ [Overall] Construction/demolition waste emissions (by item)

	2017	2018	2019
Debris	1,179,952	1,083,470	984,097
Sludge	355,249	377,840	422,100
Wood chips	112,857	129,691	94,522
Waste glass and ceramics	128,463	104,204	96,191
Metal scrap	59,731	54,626	57,214
Waste plastics	39,888	38,848	37,263
Paper waste	11,398	11,849	11,482
Other	63,468	50,938	62,322

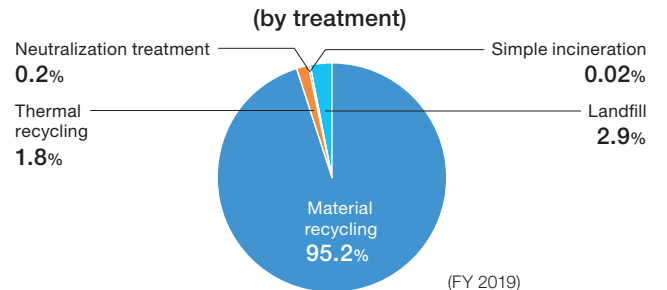
■ [Overall] Construction/demolition waste emissions (by process)

	2015	2016	2017	2018	2019
Manufacturing	12,551	14,152	13,324	12,470	11,793
New construction	131,976	142,533	135,317	130,777	129,386
Civil engineering	236,607	273,671	137,746	260,468	214,366
Renovation	41,217	49,188	52,226	52,437	51,014
Demolition	1,285,849	1,363,459	1,409,979	1,241,820	1,103,062
Other	97,849	231,637	202,412	153,495	255,568

■ [Overall] Recycling rate of construction waste



■ [Overall] Breakdown of construction waste emissions (by treatment)



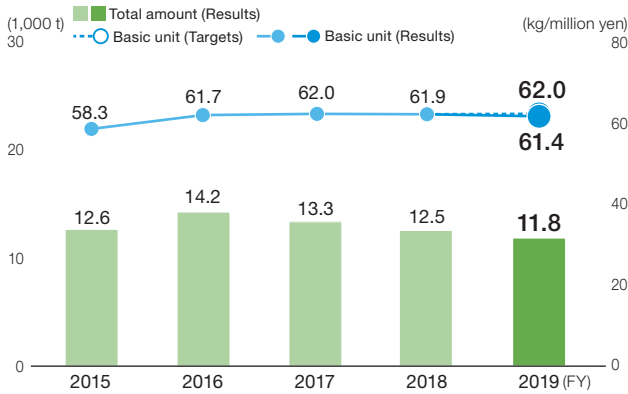
■ [Overall] Breakdown of construction waste emissions (by treatment)

	2015	2016	2107	2108	2019	
Recycling	Material recycling	93.7	94.5	94.6	93.8	95.2
	Thermal recycling	2.3	2.0	2.1	2.2	1.8
	Neutralization treatment	0.03	0.05	0.1	0.6	0.2
Final disposal	Simple incineration	0.03	0.05	0.0	0.0	0.02
	Landfill	3.7	3.4	3.2	3.4	2.9
	Other	0.17	0.05	0.0	0.0	0.0

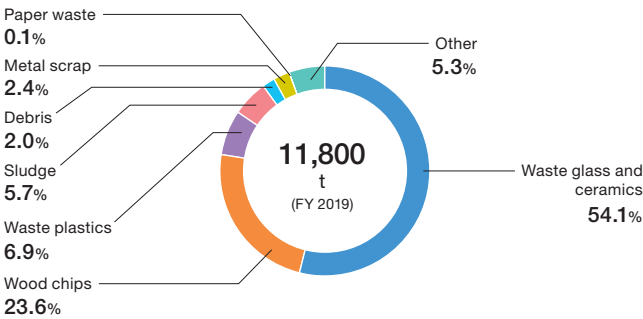
Conservation of Natural Resources / Water Resource Conservation

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

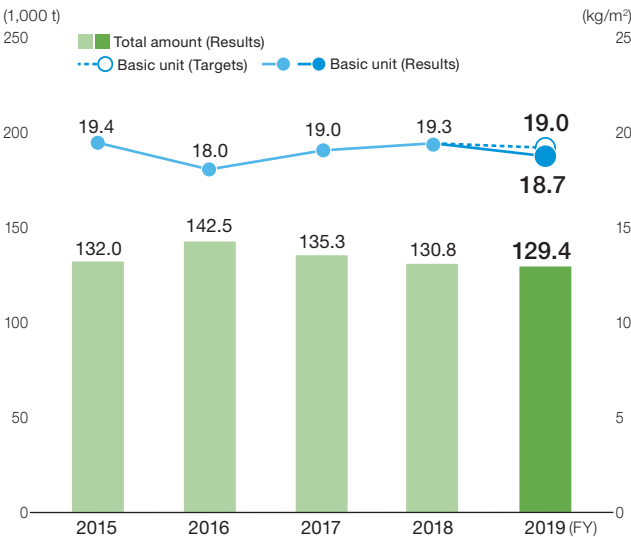
■ [Manufacturing] Waste emissions and basic unit



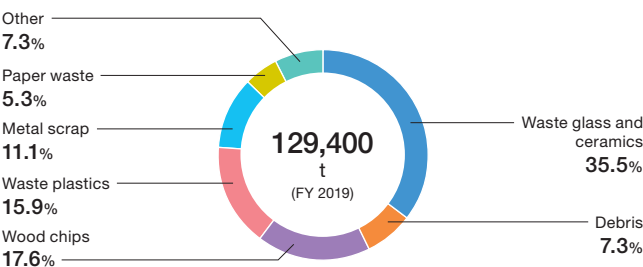
■ [Manufacturing] Breakdown of waste emissions (by item)



■ [New construction] Waste emissions and basic unit



■ [New construction] Breakdown of waste emissions



<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 division, 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 (%)
= \sum {(Amount of material recycled (t))
+ (Amount thermally recycled (t))
÷ \sum (Construction waste emissions (t))

Note: Construction sludge is included in the calculation of the recycling rate.

◇ Scope of coverage

Segment	Target	Scope of coverage
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

Water Resource Conservation Procurement

■ Water risk assessment results in timber-producing countries

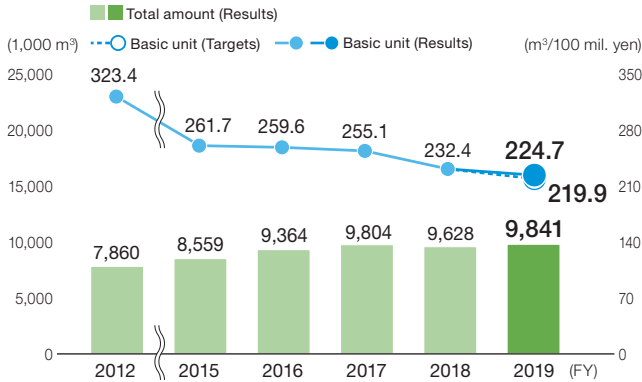
Country	Procurement ratio	Risk level			
		Present	2020	2030	2040
Japan	40.3%	3.1	2.31	2.31	2.24
Finland	11%	1.0	1.45	1.72	1.86
China	16%	2.9	3.3	3.29	3.30
Other 22 countries	12%	Less than 3			
Canada	5%	1.2	1.04	1.13	1.26
Other 6 countries	10%	3 or more			
Unknown (recycled materials, etc.)	5%				

Risk levels 0-1: low, 1-2: low to medium, 2-3: medium to high, 3-4: high, 4-5: very high
Source: WRI-Aqueduct Country and River Basin Rankings, Aqueduct Projected Water Stress Country Rankings

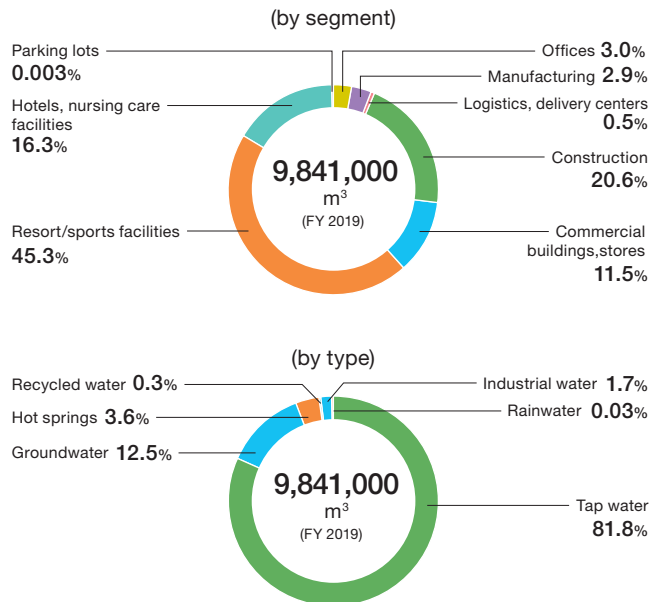
Water Resource Conservation Business activities

Water consumption

■ Trend in water consumption (water intake) and basic unit



■ Breakdown of water consumption (water intake)



■ Water-saving measures at individual facilities

Segment	Company name	Scale	Water-saving measures
Resort facilities	Daiwa Resort	2 hotels	Replace with water-saving showers
		4 hotels	Replace with water-saving toilets
	Nishiwaki Royal Hotel	24 rooms	Replace faucets in guest rooms with single lever types
Sports facilities	Sports Club NAS	2 stores	Installing water-saving showers/water-saving packing
		Daiwa Royal Golf	2 golf courses
Hotels	Daiwa Royal	7 hotels	Install water volume regulating faucets in bathrooms
		3 hotels	Replace regular shower heads with water-saving ones
	Osaka Marubiru	13 floors	Replace regular shower heads with water-saving ones

■ Water consumption (water intake) (by segment)

Unit: 1,000 m³

	2015	2016	2017	2018	2019
Offices	434	460	390	309	292
Manufacturing	346	307	305	301	283
Logistics, delivery centers	54	55	53	52	46
Construction	1,767	1,954	2,073	1,706	2,028
Commercial buildings, stores	637	680	908	1,146	1,132
Resort/sports facilities	4,261	4,741	4,657	4,562	4,458
Hotels, nursing care facilities	1,061	1,167	1,416	1,552	1,603
Parking lots	0.3	0.3	0.3	0.3	0.3

■ Water consumption (water intake) (by type)

Unit: 1,000 m³

	2015	2016	2017	2018	2019
Tap water	6,744	7,382	7,362	7,645	8,049
Groundwater	1,405	1,415	1,686	1,272	1,230
Hot springs	316	327	341	328	359
Recycled water	85	229	298	361	33
Industrial water	10	11	114	17	168
Rainwater	0	0	3	3	3

■ Water consumption (water intake) (Japan, outside Japan)

Unit: 1,000 m³

	2015	2016	2017	2018	2019
Japan	8,102	8,724	9,011	9,053	9,143
Outside Japan	457	640	793	575	698

■ Drainage discharge (by point of discharge)(Japan)

Unit: 1,000 m³

	2016	2017	2018	2019
Rivers and lakes	1,242	1,088	963	972
Brackish water intake source/sea	621	602	456	398
Sewer system	5,172	5,228	6,109	5,875
Discharge to other areas	0	0	0	0

■ Drainage discharge (by point of discharge) (Outside Japan)

Unit: 1,000 m³

	2016	2017	2018	2019
Rivers and lakes	0	0	0	0
Brackish water intake source/sea	60	57	13	0
Sewer system	178	96	63	15
Discharge to other areas	12	13	4	0

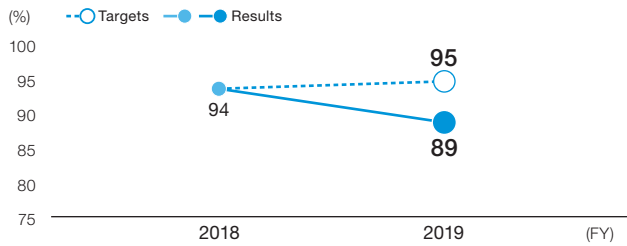
■ Water recycling in each facility

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.	9,755 m³ (20%)
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.	7,489 m³ (14%)
Hotel & Resorts MINAMIWAJII	Using miscellaneous waste water for washing toilets and for being sprayed.	35 m³ (0.04%)

Conservation of Natural Resources / Water Resource Conservation

Water Resource Conservation Products and services

Water-saving device adoption rate



Adoption rate by department

Department	Adoption rate
Single-family housing business	100%
Rental housing business	89%
Home renovation business	98%
Condominium business	94%
Commercial and office buildings business	54%*

* Hotel business only

<Calculation method and scope of coverage of environmental data>

Water consumption

Overview

This represents the total annual water consumption from the water supply, groundwater, hot springs, industrial-use water, recycled water and rainwater, and is calculated based on purchasing data at each location (from measurements when purchasing data is unavailable). 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 of coverage

The same scope and calculation criteria exist for GHG emissions, energy consumption and electricity consumption

Water-saving device adoption rate

Overview

We consider the adoption rate to be the rate of water-saving devices installed in the bathroom showers, kitchens and toilets of the single-family housing, rental housing, condominiums, hotels, and renovation business we have provided to customers.

Scope of coverage

Segment	Target	Scope of coverage
Single-family housing business	Daiwa House Industry	All properties
Rental housing business	Daiwa House Industry	All properties
Condominium business	Fujita	All properties
Commercial and office buildings business	Daiwa House Industry Fujita Cosmos Initia	Hotel business only
Home renovation business	Daiwa House Reform	All properties

Calculation formula

Water-saving device adoption rate (%)

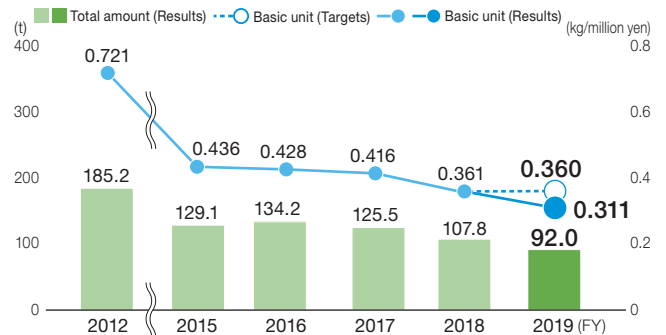
$$= \frac{\sum (\text{No. of installed water-saving devices (showers + kitchen faucets + toilets)})}{\sum (\text{No. of relevant facilities installed (showers + kitchen faucets + toilets)})} \times 100$$

Prevention of Chemical Pollution

Business activities

Release and transfer of PRTR-listed substances

Release and transfer of PRTR-listed substances and basic unit



Change in release of PRTR-listed substances (by company/segment)

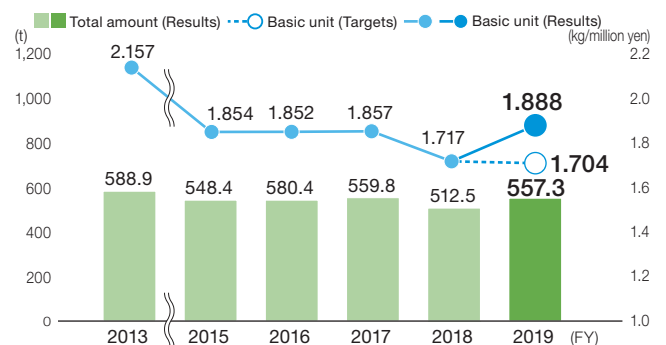
Breakdown by segment	2015	2016	2017	2018	2019
Daiwa House Industry (housing)	32.1	32.6	31.4	26.7	23.3
Daiwa House Industry (construction)	26.8	18.9	18.2	19.3	15.5
Daiwa Lease	52.0	63.7	57.8	44.9	33.9
DesignArc	5.1	4.2	3.8	3.1	4.7

Change in transfer of PRTR-listed substances (by company/segment)

Breakdown by segment	2015	2016	2017	2018	2019
Daiwa House Industry (housing)	8.2	9.6	9.1	8.9	9.0
Daiwa House Industry (construction)	4.0	4.0	4.3	4.1	4.8
Daiwa Lease	0.9	1.1	1.0	0.7	0.8
DesignArc	0.0	0.0	0.0	0.1	0.0

VOC emissions

VOC emissions and basic unit



Change in release of VOC emissions (by segment)

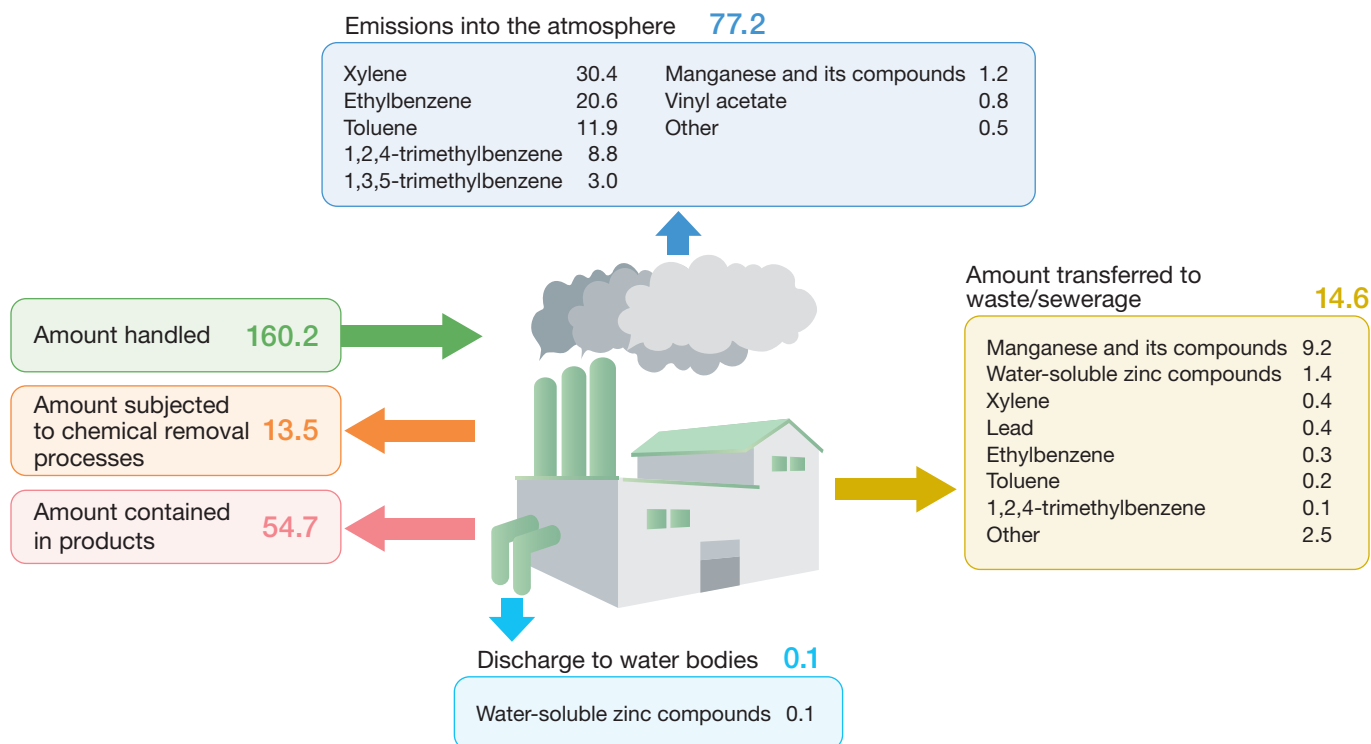
Breakdown by segment	2015	2016	2017	2018	2019
Daiwa House Industry (housing)	224.4	250.7	235.0	195.7	201.4
Daiwa House Industry (construction)	127.9	112.3	106.6	103.5	120.6
Daiwa Lease	190.9	213.1	214.1	209.9	227.7
DesignArc	5.2	4.4	4.1	3.4	7.6

NOx and SOx emissions in the manufacturing phase

	2017	2018	2019
NOx emissions	0.38	1.16	0.15
SOx emissions	0.03	0.08	0.01

Material balance of chemical substances subject to PRTR

Unit: t



Release and transfer of PRTR-listed substances (by type)

Unit: kg

Substance number	Name of target chemical substance	Name of target chemical substance	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	30,941	45	0	436	436	30,370	0	30,370	13
412	Manganese and its compounds	35,723	24,559	0	9,199	9,199	1,211	0	1,211	673
53	Ethylbenzene	21,085	0	0	298	298	20,610	0	20,610	3
448	Methylenebis (4,1-phenylene) = diisocyanate	20,563	20,278	0	93	93	0	0	0	192
300	Toluene	12,139	0	0	157	157	11,881	0	11,881	25
71	Ferric chloride	12,166	0	0	0	0	0	0	0	12,166
296	1,2,4-trimethylbenzene	9,051	48	0	131	131	8,754	0	8,754	8
1	Water-soluble zinc compounds	7,240	5,467	32	1,412	1,443	0	144	144	186
297	1,3,5-trimethylbenzene	3,102	0	0	45	45	3,039	0	3,039	0
304	Lead	990	585	0	405	405	0	0	0	0
134	Vinyl acetate	823	0	0	12	12	811	0	811	0
	37 other substances	6,350	3,758	0	2,390	2,390	522	0	522	216
	Grand total	160,173	54,740	32	14,579	14,610	77,198	144	77,341	13,481

Related page | Our Group official website
 CSR Procurement Guidelines (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

<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).

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.

NOx emissions/ SOx emissions

Overview

Calculated based on "Environmental Report Guidelines (2018 edition)" by the Ministry of the Environment.

Scope of coverage

Segment	Target	Scope of coverage	
Manufacturing	Daiwa House Group	All production sites	Total 29 locations*

* Plants that are required to make release and transfer registration according to the PRTR law

Scope of coverage

Segment	Target	Scope of coverage	
Manufacturing	Daiwa House Group	All production sites	Total 29 locations*

* Plants that are required to make release and transfer registration according to the PRTR law

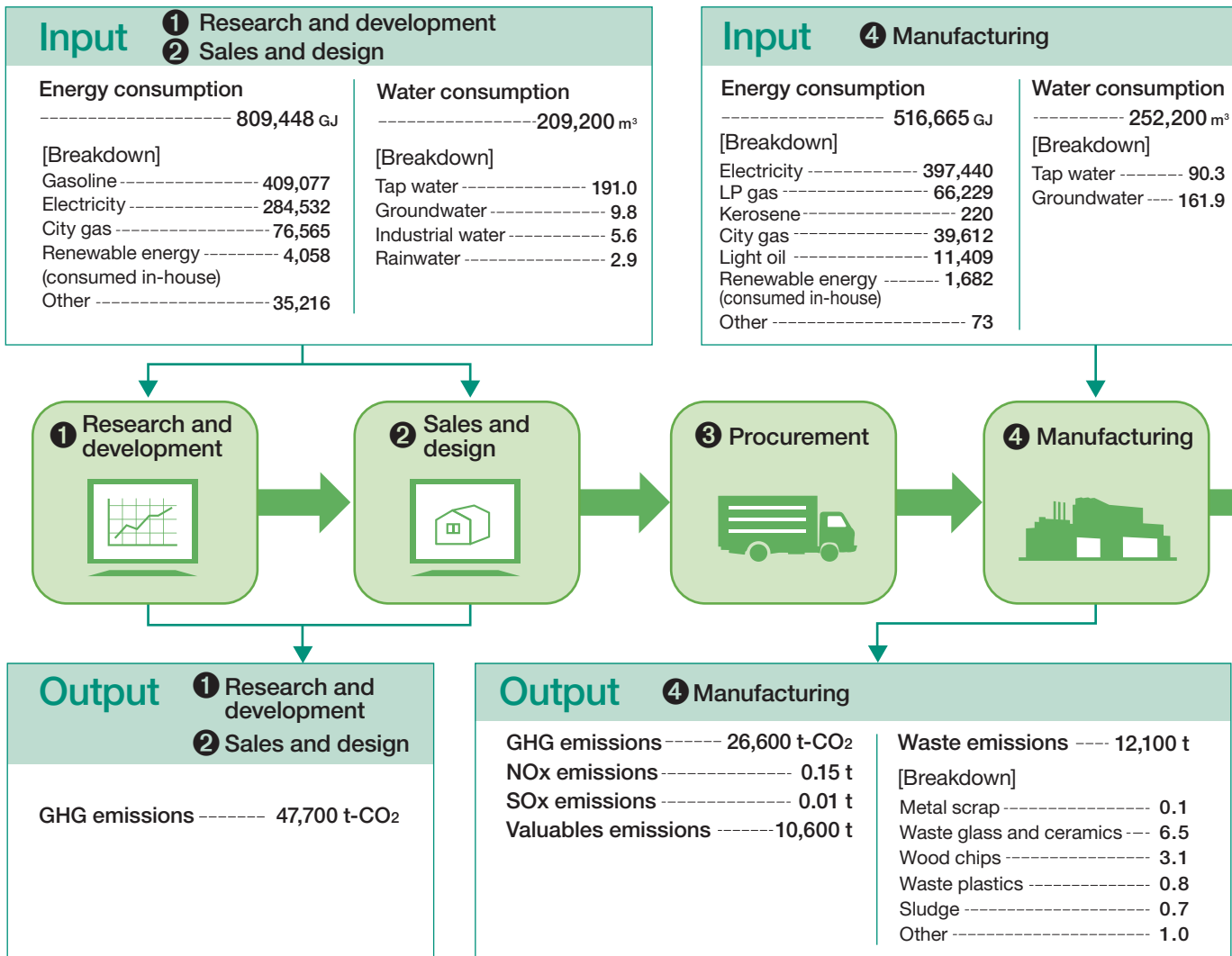
Scope of coverage

Segment	Target	Scope of coverage	
Manufacturing	Daiwa House Industry	All production sites	Total 4 locations*

* Plants that are included in soot generation facilities specified in the Air Pollution Control Act

Flow of Materials Imparting Environmental Load and Environmental Accounting

Flow of materials imparting environmental load



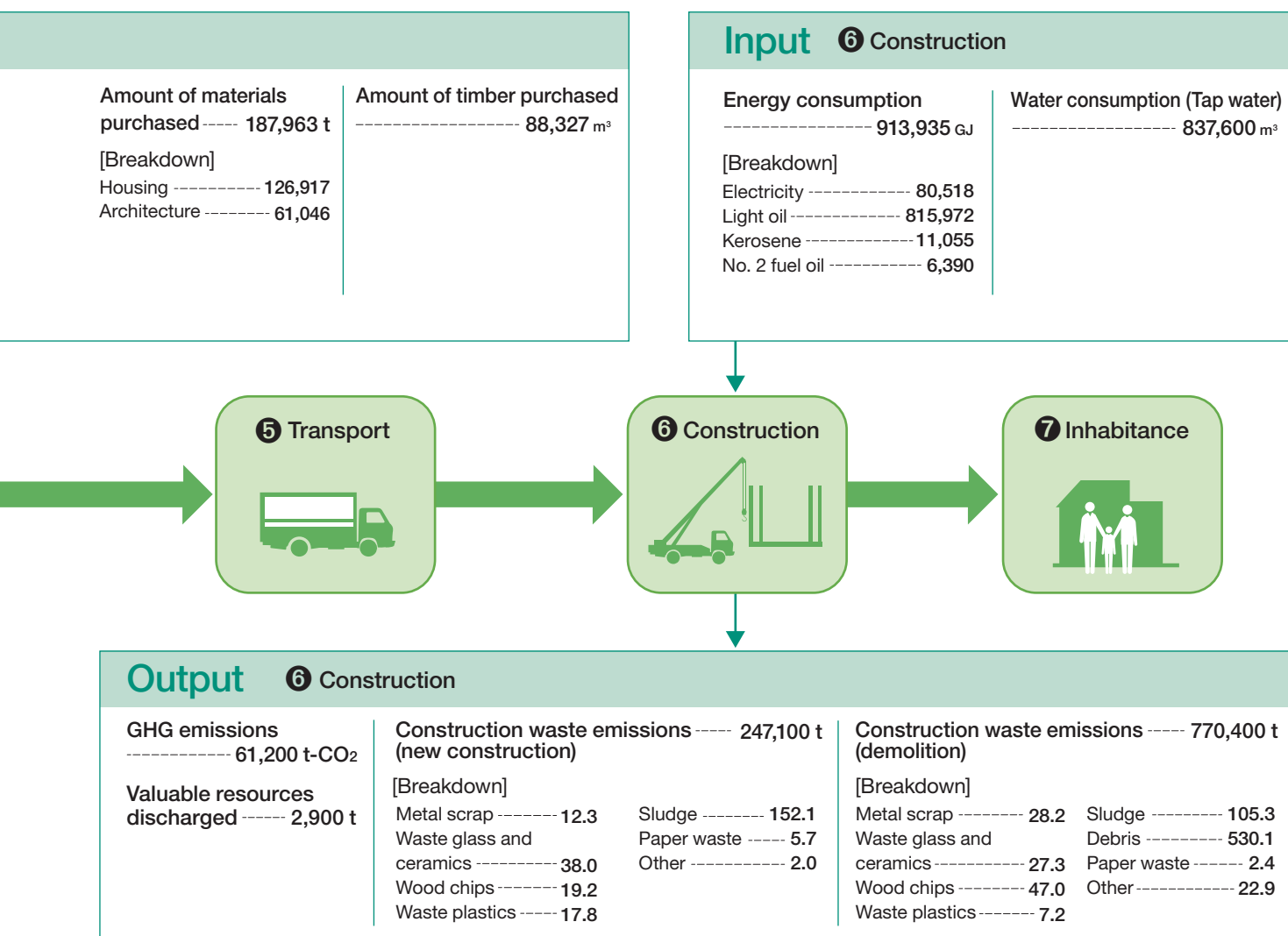
Environmental accounting

① Environmental preservation costs

Item	Major content	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		Amount invested (thousands of yen)	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	18,895	5,637	7,623	4,654	205,182
	Cost of prevention of global warming (energy efficiency)	50,478	65,548	237,228	37,344	60,366
	Cost of waste reduction measures	2,088	0	0	156	60
	Cost of reducing water consumption	2,029	5,124	2,450	1,317	5,553
Upstream/downstream costs	Green purchasing fees, cost of purchasing returnable boxes	2,019	5,397	7,212	3,298	3,467
Administrative costs	Environmental education costs, EMS maintenance expenses, etc.	455	624	653	595	108
Total		75,964	82,330	255,165	47,364	274,736

② Environmental preservation effect

Effect	Item	Unit	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
Business area	Effect on input resources	Energy consumption, crude oil equivalent (production system)	GJ	552,770	563,228	552,654	537,539	516,665
		Energy consumption, crude oil equivalent (distribution system)	GJ	628,155	656,001	620,421	603,890	570,623
	Effect on environmental load and waste	Waste generated	t	11,712	13,333	13,008	12,680	12,104
		CO ₂ emissions (production systems)	t-CO ₂	26,180	26,418	25,888	25,032	26,559
		CO ₂ emissions (distribution system)	t-CO ₂	43,074	44,983	42,544	41,384	39,106
		Water resource consumption	m ³	330,447	292,074	289,956	269,781	252,235



③ Economic effects of environmental preservation

Unit: 1,000 yen

Item		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	Sales of valuable resources*	1,106	1,696	39,552	233	260
	Cost savings from energy-efficiency efforts	16,774	11,025	83,606	5,613	29,713
Cost savings	Cost savings from waste-reduction efforts	27,830	22,715	6,907	5,309	12,259
	Cost savings from water resource reduction efforts	—	—	16,066	0	9
Total		45,710	35,436	106,579	11,155	42,241

* Revenue obtained from effects of environmental conservation implemented during the fiscal year

<Calculation method and scope of coverage of environmental data>

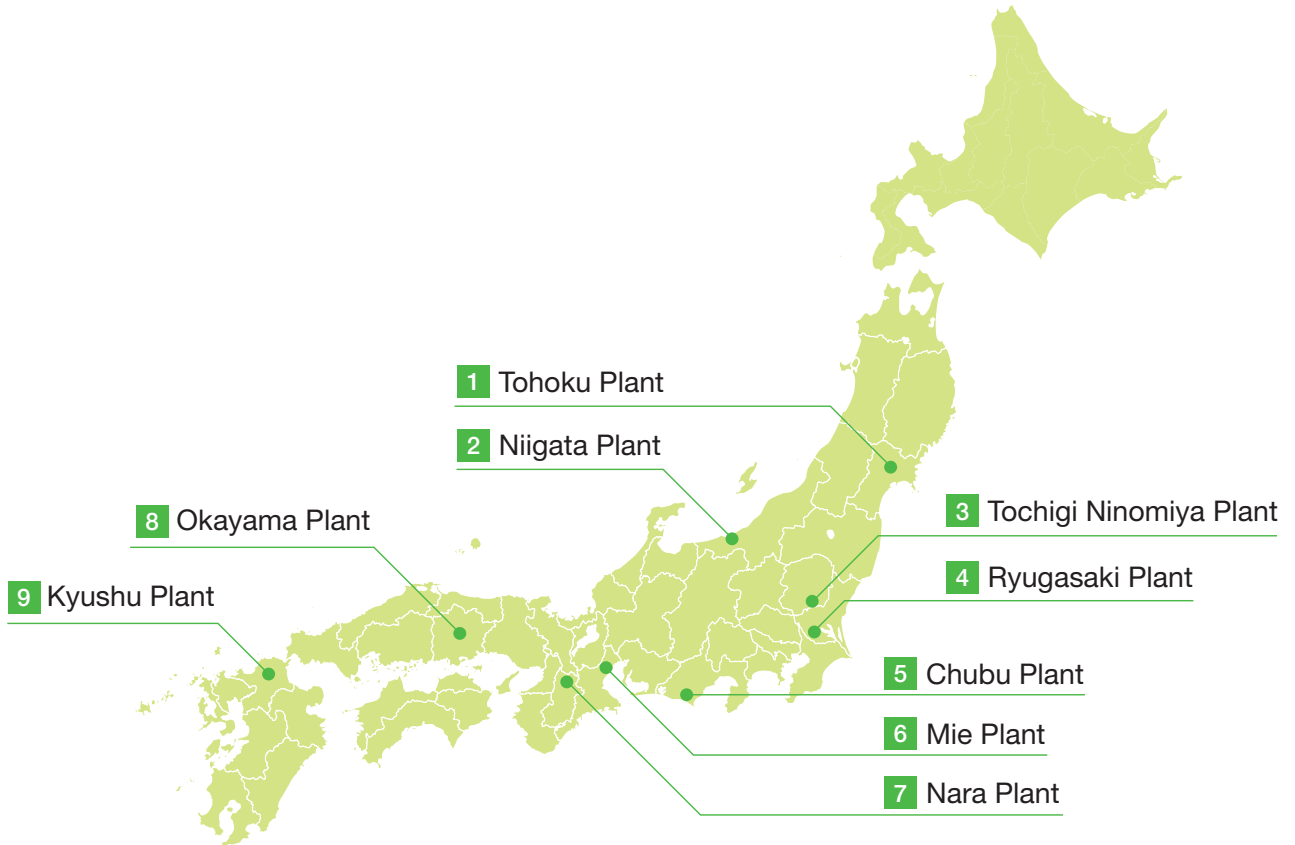
■ Flow of materials imparting environmental load

- ◇ **Report period:** April 1, 2019 to March 31, 2020
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:**
 - ① Research and development: All offices (Head Office, affiliates, branches and sales offices), research labs, training centers and housing exhibition
 - ② Sales and design: All company vehicles and privately owned permitted vehicles
 - ③ Manufacturing: All production sites
 - ④ Construction (energy & water): Construction sites of housing/buildings (new construction)
 - Construction (construction waste): Construction sites of housing/buildings (new construction/demolition)
- ◇ **Calculation criteria:**
 In addition to "Calculation and Reporting of Environmental Data" on p. 184 and the calculation methods of environmental data in the previous sections, the criteria include values that are not subject to target management in the Endless Green Program 2021.

■ Environmental accounting

- ◇ **Report period:** April 1, 2019 to March 31, 2020
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:** 9 plants in total
- ◇ **Referential guidelines:** "Environmental Accounting Guidelines 2005 Edition" by the Ministry of the Environment

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section



1 Tohoku Plant

■ About the plant

Address..... 133 Ebisawa, Furukawa-Kono, Miyagi Prefecture
 Employees..... Daiwa House Industry: 34
 Business partners: 224
 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 2017		FY 2018		FY 2019	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit (/million yen)
GHG emissions* ¹	t-CO ₂	2,516	0.17	2,401	0.19	2,264	0.20
Water consumption* ¹	m ³	17,582	1.21	32,230	2.50	25,661	2.30
Waste emissions* ¹	t	615	0.04	493	0.04	480	0.04
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	2,246	0.17	1,929	0.18	1,853	0.19
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	1,981	0.25	2,286	0.29	2,703	0.38
VOC emissions (residential)* ¹	kg	15,577	1.18	10,416	0.97	10,796	1.13
VOC emissions (buildings)* ²	kg	9,557	1.23	14,445	1.83	18,579	2.59

*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 2019 average value	FY 2019 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	—	20	1.8	2.6	4
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	160	—	20	5.2	6.0	4
Floating substance (SS)	mg/L	Final discharge port	200	—	100	4.3	7.0	4
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	1.0	1.0	4
Zinc (Zn) content	mg/L	Final discharge port	2	—	2	0.3	0.5	4
Phosphorous content (T-P)	mg/L	Final discharge port	16	—	—	0.2	0.3	4
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	0.8	0.8	4

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 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 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	55	—	—	54	54	1
		Evening	South side	50	—	—	47	47	1
		Nighttime	South side	45	—	—	44	44	1
Vibration	dB	Daytime	South side	60	—	—	28	28	1
		Nighttime	South side	55	—	—	15	15	1

Note: Statutory values are control values required by laws, bylaws and accords.

■ About exceeding the control value for laws and bylaws

In FY 2019, we exceeded no control values for related laws and bylaws.

■ About other administrative instructions

In FY 2019, 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: 30
Business partners: 171
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 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions	t-CO ₂	1,630	0.12	1,595	0.13	1,407	0.15
Water consumption	m ³	15,613	1.13	16,976	1.38	14,121	1.48
Waste emissions	t	603	0.04	544	0.04	431	0.05
Release and transfer of PRTR-listed hazardous substances	kg	5,330	0.38	3,086	0.25	1,808	0.19
VOC emissions	kg	22,588	1.63	19,522	1.59	14,184	1.49

■ Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	—	20	2.1	3.3	12
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	—	—	20	4.3	6.8	12
Floating substance (SS)	mg/L	Final discharge port	150	—	100	2.5	10.0	12
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	ND	ND	2
Zinc (Zn) content	mg/L	Final discharge port	2	—	5	0.2	0.3	12
Phosphorous content (T-P)	mg/L	Final discharge port	—	—	—	0.9	1.1	2
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.7	1.7	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	16.5	20.0	2
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	ND	ND	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	65	—	—	53	53	1
		Evening	South side	60	—	—	42	42	1
Vibration	dB	Daytime	South side	65	—	—	30	30	1
		Nighttime	South side	60	—	—	ND	ND	1

Note: Statutory values are control values required by laws, bylaws and accords.

■ About exceeding the control value for laws and bylaws

In FY 2019, we exceeded no control values for related laws and bylaws.

■ About other administrative instructions

In FY 2019, 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: 67
Business partners: 607
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 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions* ¹	t-CO ₂	4,999	0.13	4,562	0.14	4,231	0.14
Water consumption* ¹	m ³	78,591	2.09	75,606	2.39	71,169	2.35
Waste emissions* ¹	t	2,615	0.07	2,046	0.06	1,864	0.06
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	5,567	0.19	4,823	0.21	3,851	0.18
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	8,118	0.25	8,923	0.25	7,532	0.21
VOC emissions (residential)* ¹	kg	30,220	1.01	22,077	0.94	19,945	0.91
VOC emissions (buildings)* ²	kg	29,478	0.92	29,691	0.82	38,214	1.07

*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 2019 average value	FY 2019 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	25	—	4.8	6.8	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	160	25	—	2.7	5.3	2
Floating substance (SS)	mg/L	Final discharge port	200	50	—	7.8	12.0	2
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	0.0	—	2
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.0	0.0	2
Phosphorous content (T-P)	mg/L	Final discharge port	16	2	—	0.1	0.1	2
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	0.0	—	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
SOx (Sulphur oxide)	m ³ (N)/h	Generator	3.14	—	—	0.003	0.003	1
NOx (Nitrogen oxide)	ppm	Generator	950	—	—	640.0	640.0	1
Particulate matter	g/m ³ (N)	Generator	0.10	—	—	0.003	0.0	1

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	65	—	—	38	38	1
		Evening	East side	60	—	—	44	44	1
		Nighttime	East side	50	—	—	32	32	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 2019, we exceeded no control values for related laws and bylaws.

■ About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

4 Ryugasaki Plant

About the plant

Address 393-1 Itabashimachi, Ryugasaki City
 Employees Daiwa House Industry: 51
 Business partners: 524
 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 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions	t-CO ₂	4,050	0.13	4,238	0.14	4,093	0.13
Water consumption	m ³	26,485	0.84	15,214	0.49	13,896	0.45
Waste emissions	t	3,002	0.10	2,742	0.09	2,355	0.08
Release and transfer of PRTR-listed hazardous substances	kg	6,630	0.21	6,838	0.22	6,531	0.21
VOC emissions	kg	30,369	0.96	31,811	1.02	33,354	1.08

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Hydrogen ion indicator	pH	Final sewage discharge port	Between 5.8 and 8.6	—	—	5.3	8.1	3
Biochemical Oxygen Demand (BOD)	mg/L	Final sewage discharge port	—	600	—	22.7	41.0	3
Chemical Oxygen Demand (COD_Mn)	mg/L	Final sewage discharge port	—	—	—	17.0	30.0	3
Floating substance (SS)	mg/L	Final sewage discharge port	—	600	—	20.7	33.0	3
Normal-hexane extraction (mineral oil)	mg/L	Final sewage discharge port	—	5	—	0.7	1.0	5
Normal-hexane extraction amount (animal and plant oil)	mg/L	Final sewage discharge port	—	30	—	1.1	2.4	4
Phenol content	mg/L	Final sewage discharge port	—	5	—	0.0	0.0	3
Zinc (Zn) content	mg/L	Final sewage discharge port	2	2	—	0.1	0.1	3
Soluble iron content (S-Fe)	mg/L	Final sewage discharge port	10	10	—	0.0	0.0	3
Soluble manganese content (S-Mn)	mg/L	Final sewage discharge port	10	10	—	0.0	0.0	3
Total nitrogen content (T-N)	mg/L	Final sewage discharge port	—	240	—	23.0	46.0	3
Phosphorous content (T-P)	mg/L	Final sewage discharge port	—	32	—	2.2	3.7	3
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final sewage discharge port	380	380	—	14.5	25.0	3

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Boiler No. 1	150	—	—	17.3	30	3
NOx (Nitrogen oxide)	ppm	Boiler No. 2	150	—	—	17.7	31	3
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	6.0	12	3
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.004	0.007	5

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	West side	65	—	—	40	40	1
		Evening	West side	60	—	—	45	45	1
		Nighttime	West side	50	—	—	35	35	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 2019, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2019, 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: 44
 Business partners: 171
 Business content Production and supply of steel frames for general buildings and system construction materials
 Main products Construction: steel frames for general buildings
 System construction: steel frames, and external panels

Environmental performance data

	Unit	FY 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions*1	t-CO ₂	672	0.15	674	0.16	682	0.13
Water consumption*1	m ³	3,284	0.75	3,795	0.93	4,456	0.83
Waste emissions*1	t	94	0.02	96	0.02	82	0.02
Release and transfer of PRTR-listed hazardous substances*2	kg	6,885	0.48	5,801	0.37	6,010	0.44
VOC emissions*2	kg	34,056	2.36	31,426	2.03	35,148	2.58

*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 2019 average value	FY 2019 max. value	Frequency (times/year)
There are no applicable facilities.								

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 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 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	55	—	—	52	52	1
		Daytime	South side	55	—	—	48	48	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 2019, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

6 Mie Plant

About the plant

Address 3997-1 Takenari, Komono-cho, Mie-gun, Mie Prefecture
 Employees Daiwa House Industry: 52
 Business partners: 503
 Business content Production of housing materials
 Main products Single-family and rental housing materials

Environmental performance data

	Unit	FY 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions	t-CO ₂	3,299	0.12	3,139	0.12	3,131	0.12
Water consumption	m ³	30,985	1.10	29,608	1.12	26,913	1.05
Waste emissions	t	1,641	0.06	1,838	0.07	2,009	0.08
Release and transfer of PRTR-listed hazardous substances	kg	4,263	0.15	4,193	0.16	4,228	0.17
VOC emissions	kg	29,323	1.04	25,564	0.97	28,940	1.13

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	—	—	1.0	1.0	6
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	—	—	1.5	2.0	6
Floating substance (SS)	mg/L	Final discharge port	150	—	—	2.0	3.0	6
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	ND	ND	6
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.025	0.033	6
Phosphorous content (T-P)	mg/L	Final discharge port	8	—	—	0.3	0.4	6
Boron and its compounds	mg/L	Final discharge port	10	—	—	0.01	0.02	6
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	2.8	3.2	6

There are no applicable facilities.

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
There is no measurement result for fiscal 2019 because the measurement takes place every four years.									

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2019, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

7 Nara Plant

About the plant

Address 4-2-2 Saikujicho, Nara City, Nara Prefecture
 Employees Daiwa House Industry: 72
 Business partners: 443
 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

Environmental performance data

	Unit	FY 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions*1	t-CO ₂	3,327	0.11	3,446	0.11	3,286	0.12
Water consumption*1	m ³	30,732	1.06	31,407	1.04	27,920	1.03
Waste emissions*1	t	1,447	0.05	1,473	0.05	1,370	0.05
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	9,072	0.33	7,451	0.28	4,992	0.20
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	978	0.11	2,485	0.13	1,885	0.16
VOC emissions (residential)*1	kg	59,999	2.26	46,387	1.75	42,324	1.73
VOC emissions (buildings)*2	kg	6,602	0.75	17,249	0.94	14,798	1.29

*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 2019 average value	FY 2019 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	600	600	—	13.8	24.0	2
Floating substance (SS)	mg/L	Final discharge port	600	600	—	21.0	38.0	2
Total nitrogen content (T-N)	mg/L	Final discharge port	240	240	—	28.5	32.0	2
Phosphorous content (T-P)	mg/L	Final discharge port	32	32	—	0.6	0.9	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	7	7	2
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.002	0.002	2
SOx (Sulphur oxide)	m ³ (N)/h	Generator	17.5	—	—	5	5	2
NOx (Nitrogen oxide)	ppm	Generator	950	—	—	225	290	2
Particulate matter	g/m ³ (N)	Generator	0.1	—	—	0.008	0.009	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	70	—	—	62	62	1
			East side	65	—	—	56	56	1
			South side	70	—	—	57	57	1
		Evening	South side	65	—	—	45	45	1
			North side	70	—	—	51	51	1
			North side	65	—	—	45	45	1
Vibration	dB	Daytime	East side	65	—	—	33	33	1
			East side	60	—	—	30	30	1
		Nighttime	South side	65	—	—	31	31	1
			South side	60	—	—	30	30	1
		Daytime	North side	65	—	—	31	31	1
			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 2019, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

Managerial Philosophy and Overall Picture
Environment
Society
Innovation Base
Human resources Base
Technology and Manufacturing Base
Customer Base
Communication Base
Risk Countermeasures Base
Governance
Third-Party Assessment / Data Section

8 Okayama Plant

About the plant

Address 2056 Taga, Akaiwa City, Okayama Prefecture
 Employees Daiwa House Industry: 3
 Business partners: 288
 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 2017		FY 2018		FY 2019	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
GHG emissions	t-CO ₂	2,621	0.16	2,536	0.16	2,478	0.17
Water consumption	m ³	39,370	2.47	18,458	1.16	18,433	1.24
Waste emissions	t	1,322	0.08	1,450	0.09	1,281	0.09
Release and transfer of PRTR-listed hazardous substances	kg	3,570	0.22	3,254	0.20	3,524	0.24
VOC emissions	kg	21,545	1.35	18,365	1.15	20,548	1.38

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements			
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)	
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.9	8.2	12	
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	20	—	1.2	1.6	2	
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	20	16	1.8	3.4	12	
Floating substance (SS)	mg/L	Final discharge port	150	40	20	2.0	4.0	12	
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.1	0.1	2	
Soluble iron content (S-Fe)	mg/L	Final discharge port	10	—	—	ND	ND	2	
Soluble manganese content (S-Mn)	mg/L	Final discharge port	10	—	—	ND	ND	2	
Number of coliform bacilli	counts/cm ²	Final discharge port	3000	—	—	0.7	1.4	2	
Total nitrogen content (T-N)	mg/L	Final discharge port	60	60	30	1.4	3.7	12	
Phosphorous content (T-P)	mg/L	Final discharge port	8	8	2	0.2	0.6	12	
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	2.8	3.3	2	
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	0.8	0.9	2	
<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements			
There are no applicable facilities.			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)	
<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
There are no applicable facilities.				Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 max. value	Frequency (times/year)

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2019, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

9 Kyushu Plant

■ About the plant

Address 448-8 Ninobu, Kurate-machi, Kurate-gun, Fukuoka Prefecture
 Employees Daiwa House Industry: 58
 Business partners: 316
 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 2017		FY 2018		FY 2019	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit (/million yen)
GHG emissions*1	t-CO ₂	2,479	0.10	2,440	0.11	2,340	0.11
Water consumption*1	m ³	45,135	1.84	46,488	2.14	49,666	2.23
Waste emissions*1	t	1,430	0.06	1,221	0.06	1,329	0.06
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	3,775	0.18	4,049	0.21	5,448	0.29
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	3,582	0.42	3,902	0.46	2,157	0.23
VOC emissions (residential)*1	kg	25,380	1.20	21,529	1.09	31,296	1.64
VOC emissions (buildings)*2	kg	16,671	1.97	10,721	1.26	13,841	1.48

*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 2019 average value	FY 2019 max. value	Frequency (times/year)	
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.6	7.7	6	
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	90	—	1.3	1.8	6	
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	90	—	5.0	7.3	6	
Floating substance (SS)	mg/L	Final discharge port	150	120	—	2.8	3.7	6	
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	ND	ND	6	
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.1	0.1	6	
Soluble iron content (S-Fe)	mg/L	Final discharge port	10	—	—	ND	ND	6	
Soluble manganese content (S-Mn)	mg/L	Final discharge port	10	—	—	ND	ND	6	
Number of coliform bacilli	counts/cm ²	Final discharge port	3000	—	—	72.2	433.3	6	
Total nitrogen content (T-N)	mg/L	Final discharge port	60	—	—	14.7	17.0	6	
Phosphorous content (T-P)	mg/L	Final discharge port	8	—	—	0.9	1.4	6	
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.3	2.0	6	
Ammonia, ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	10.5	13.0	6	
<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements			
			Laws/ordinances	Bylaws	Accords/agreements	FY 2019 average value	FY 2019 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 2019 average value	FY 2019 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	60	—	—	47	47	1
		Evening	South side	50	—	—	45	45	1
Vibration	dB	Daytime	South side	60	—	—	ND	ND	1

Note: Statutory values are control values required by laws, bylaws and accords.

■ About exceeding the control value for laws and bylaws

In FY 2019, we exceeded no control values for related laws and bylaws.

■ About other administrative instructions

In FY 2019, we received no orders for disposal or improvements from administrative organs.

Glossary

Managerial Philosophy and Overall Picture

Environment

Society

Innovation Base

Human resources Base

Technology and Manufacturing Base

Customer Base

Communication Base

Risk Countermeasures Base

Governance

Third-Party Assessment / Data Section

Terms	Definition
B Biodiversity	Refers to creatures' diversity in uniqueness and interdependence. Terrestrial creatures have become diverse in uniqueness by adapting to a variety of environments and evolving over a long period of history and depend on each other directly or indirectly. The Convention on Biological Diversity, signed in 1992, recognizes diversity at three levels: ecosystems, species, and genes.
BEI	Abbreviation for Building Energy Index, which indicates the energy-saving performances of a building. Expressed in the ratio of the primary energy consumption of a designed building to that of the nationally-designated criterion specification building. The smaller the value is, the higher the energy-saving performance is.
Core competence	A core capability of a company is to provide to customers its own unique value, something that other companies cannot imitate.
C Corona shock	From February 2020, we have been in a dire economic situation brought about by the worldwide spread of the novel coronavirus (COVID-19). The impact is being felt far and wide, regardless of industry or region, and not limited to merely share price, consumption has fallen and economic activity has stagnated as a result of work stoppages and home quarantines, while the hiring situation has deteriorated, among other difficulties.
CASBEE	Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is an environmental performance assessment method of buildings that was originally developed in Japan. This totally assesses the environmental performances of a building including indoor comfort and consideration for landscapes in addition to reduction in environmental impacts such as energy and resource conservation on a five-point scale.
E Existing homes	Refers to existing homes that were domestically built.
EP100 (Energy Productivity)	EP100 is a group of companies with the goal of doubling energy productivity in business.
F Feed-in tariff system (FIT)	Started in July 2012, the system obligates power companies to purchase electricity generated from renewable energy [solar power, wind power, hydro power (less than 30,000 kW), geothermal power, biomass, etc.] at a fixed price for a fixed period for society-wide promotion of renewable energy.
G Green procurement	Refers to purchasing products or services that preferentially chooses those which are smaller in environmental impacts rather than those which are good in price or quality.
L Life cycle	All stages of the product, from the extraction of resources to manufacturing, sales, use, recycling, and disposal.
M Mega-solar	Refers to a large solar power generator that generates more than 1 megawatt (more than 1,000 kilowatts) of electricity.
P Primary energy consumption	Fossil fuel, atomic fuel, and solar or hydro energy, which are called primary energy, are converted/ processed into electricity, kerosene, city gas, etc. as secondary energy. Buildings are mostly powered by secondary energy, each of which has its own calculation unit (kWh, liter, MJ, etc.). By converting such units into primary energy, a building's gross energy consumption can be calculated in the same units (MJ, GJ).
R Renewable energy	Renewable energy is a generic term for energy that is extracted from repeated natural phenomena and made available infinitely, unlike fossil fuels such as oil and coal, which are finite and exhaustible. Specifically included in it are natural energy that uses sunlight, solar heat, wind power, thermal power, etc. and recycled energy such as heat utilization and power generation from waste incineration.
RE100 (Renewable Energy)	RE100 is a group of companies with the goal of achieving 100% renewable energy in the power they use in their business operations.

	Terms	Definition
	Supply chain	Refers to the chain of all processes from the procurement of raw materials to the delivery of products or services to customers.
	System construction	Refers to a building of which external walls and structural members are standardized by size or similar use specification and some members are processed/built in a plant. Compared to the conventional method used for general buildings in which all are made from scratch at a construction site, the method for system construction makes waste reduction and dismantling for the reuse of components at a construction site easier in addition to promoting stability in quality and price and shorter construction periods.
S	Smart house, Smart building, Smart community (city)	A smart house or building optimally controls energy devices including home appliances, equipment, solar power generators, and batteries with information and communication technologies and offers various services according to consumers' needs. When this concept is extended to an entire community, it is called a Smart community (city), which satisfies efficient use of energy and pleasant living.
	SDGs	Abbreviation for Sustainable Development Goals, which, adopted at the 2015 United Nations Sustainable Development Summit, consist of 17 goals and 169 targets.
	SBT (Science Based Targets)	This international initiative encourages companies to set targets for eliminating greenhouse gas emissions that are science-based and compatible with achieving the objective of the Paris Agreement to limit temperature rise to within 2 degrees.
T	TCFD	Abbreviation for Task Force on Climate-related Financial Disclosures, which was founded by the Financial Stability Board. Presented recommendations to urge companies to disclose consistent, comparable, and reliable climate-related financial information for investors' appropriate decisions on investment.
V	Value chain	Refers to added values in all the corporate activities including the procurement of raw materials and the delivery of products or services to customers, and all the stakeholders who receive them (or are influenced by them). Used when analyzing which segments in business activities produce values added to products or services provided by a company.
	Zero emissions	Refers to movement designed to reduce all waste to zero by recycling all waste from an industrial activity as raw material for another activity. We are promoting zero emission activities including thermal recycling, in which waste is utilized as fuel.
Z	ZEB (Net Zero Energy Building)	Refers to a building which, equipped with highly insulated outside surfaces and highly efficient energy-saving equipment, has its annual primary energy consumption reduced to net zero or sub-zero by renewable energy. Classified into "ZEB," "Nearly ZEB," or "ZEB Ready" by rank.
	ZEH (Net Zero Energy House)	Refers to housing which, equipped with highly insulated outside surfaces and highly efficient energy-saving equipment, has its annual primary energy consumption reduced to net zero or subzero by renewable energy. Classified into "ZEH," or "Nearly ZEB" by rank.
	ZEH-M (ZEH Mansion)	Refers to an apartment which, equipped with highly insulated outside surfaces and highly efficient energy-saving equipment, has its annual primary energy consumption reduced to net zero or subzero by renewable energy. Classified into "ZEH-M," "Nearly ZEH-M," "ZEH-M Ready," or "ZEH-M Oriented" by rank.

Third-Party Assurance Report

Managerial Philosophy
and Overall Picture

Environment

Society

Innovation Base

Human resources
Base

Technology and
Manufacturing Base


Customer Base

Communication Base

Risk
Countermeasures Base

Governance

Third-Party Assessment/
Data Section

This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2020. 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 217 of the Japanese-language edition of the Sustainability Report 2020 for a third-party assurance report.)

“TRANSFORMATION”

Thank you for reading our report.

Firstly, I would like to take this opportunity to apologize to all our stakeholders—most notably our customers, shareholders, and investors—for the recent improprieties that have damaged the Company's reputation for trustworthiness and caused considerable concern. These incidents include the use of off-specification components in some of our single-family houses and rental housing properties, followed by the discovery that certain employees had taken the nationally administered operation and management engineer qualifications tests without adequate work experience.

In pursuit of the Daiwa House corporate dream of achieving ¥10 trillion in net annual sales by the year 2055—the 100th anniversary of the Company's founding—we are working to make the management of our operations truly sustainable. To be the sort of enterprise that is appropriate to annual sales on the order of ¥10 trillion, we have incorporated the ESG perspective into our Sixth Medium-Term Management Plan, commenced in fiscal 2019. We have set target values in relation to environmental and social factors, and are pushing ahead with efforts to reach these targets in parallel with our business activities. In November 2019 we announced our basic policies for enhancing governance, and are currently putting our full efforts into restructuring the governance system of the Daiwa House Group.

The business environment remains unclear, owing to a mix of economic and political factors, including the COVID-19 pandemic and trade friction between the United States and China. In these circumstances, even more so than hitherto, companies will need the ability to respond flexibly and swiftly to the changing environment.

In addition, Japan and other countries have been seriously impacted by the effects of global climate change, including damage from strong winds and flooding, which have been occurring both more frequently and with greater severity. Such factors have been posing a threat to the safety of residences and the well-being of those who live in them.

In this situation, in our role as a public organ of society, to straightforwardly pursue our mission of being of service to the world, it is essential that we strengthen our management base from the viewpoint of ESG.

Amid our current encounter with a virus of unknown potential, we are rapidly undertaking a wide-ranging restructuring of the ways in which we do business, notably by instituting a reform of our working practices. We see this as a favorable opportunity to effect a transformation of the Daiwa House Group into an entity that can make a valuable contribution to creating a sustainable society in the post-COVID-19 world. We will therefore work to reinforce our management base so that the Group will continue to be regarded as a socially essential business entity and achieve sustained growth.

In closing, I would like to thank all those who gave us their assistance in the making of this report, in addition to everyone who has taken the trouble to read it. I hope that it has succeeded in increasing your understanding of the Daiwa House Group's stance on environmental, social, and governance issues, and of the measures we have been taking, and I look forward to receiving your continued support as we go forward.



Tamio Ishibashi
Executive Vice President
Head of Sustainability



Cover: Paralympic Art artwork

“A Forest View”

(Artist: SAYAKA)

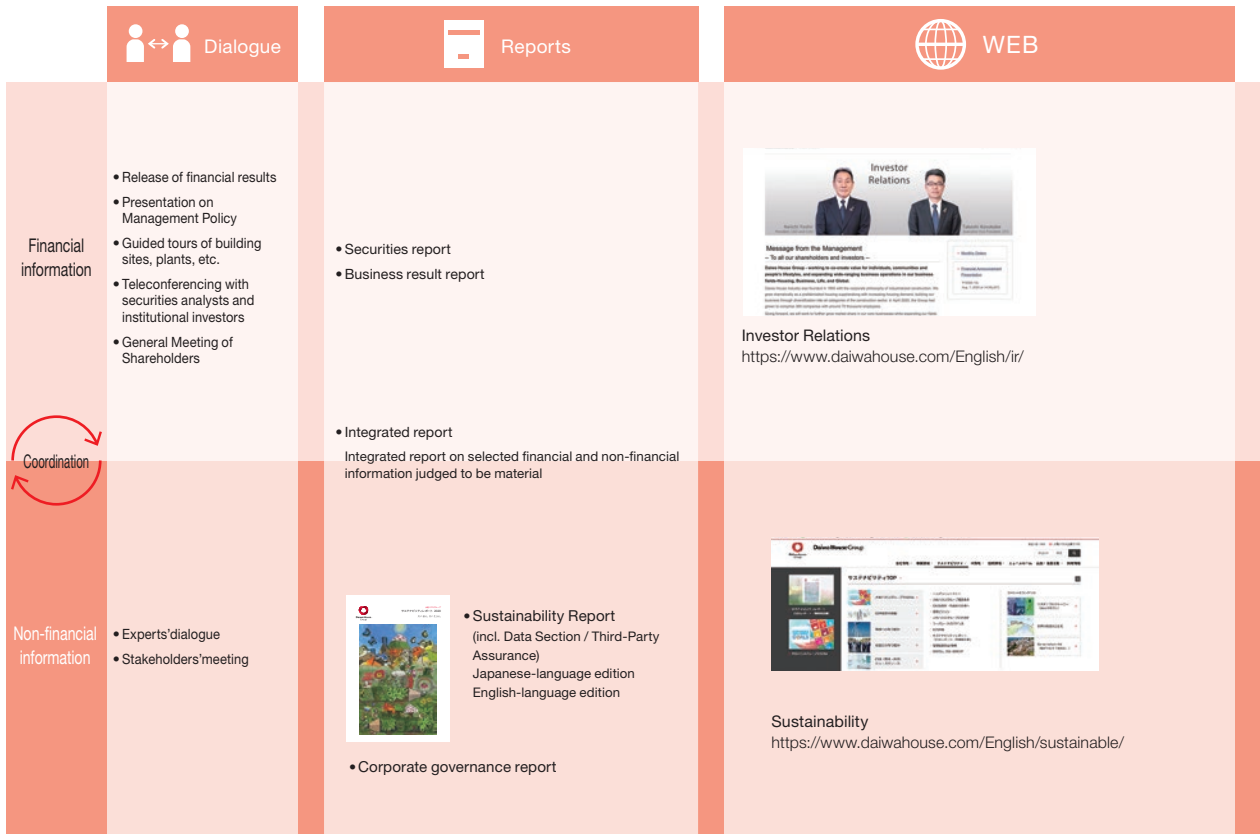
I created this work with thoughts to the vastness of nature. From tiny moss to gigantic trees, I drew a world of colorful plants and birds.

“Paralympic Art,” a program sponsored by the Shogaisha Jiritsu Suishin Kikou Association, helps people with disabilities participate in society and become financially independent through artistic activities.

The Daiwa House Group, which makes it a principle to “co-create a brighter future,” fully supports the intent of Paralympic Art, helping people with disabilities make their dreams come true by promoting their artworks.

 **Paralympic Art**[®]
We promote artworks of people with disabilities.

Our Communications at a Glance



Certified by the Minister of the Environment in Japan.

We Build ECO
Daiwa House Group®

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.