



Daiwa House[®]
Group

Daiwa House Group

Sustainability Report 2019

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.

Purpose of Publication

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

To realize management sustainability, our Group has divided the Sustainability Report 2019 (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, the Executive Officer in charge of the Environment, department managers and others who were interviewed for this report.

Page Layout, Included Content

- The items listed in the Contents of this report correspond with the priority issues from the Medium-term CSR plan (FY 2016–FY 2018).
- This report also introduces our Social Medium-Term Plan (P029) and Action Plan for the Environment (P149) that we newly started in 2019 and, in the respective “Commitment from the Executive Officer in Charge” messages, explains in detail the efforts we set out in these plans to build better relations with our stakeholders and to shrink our carbon footprint.

[Managerial Philosophy and Overall Picture P001–022]

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 Pages P029–181]

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

[Third-Party Assessment / Data Section P182–238]

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

Reporting Media

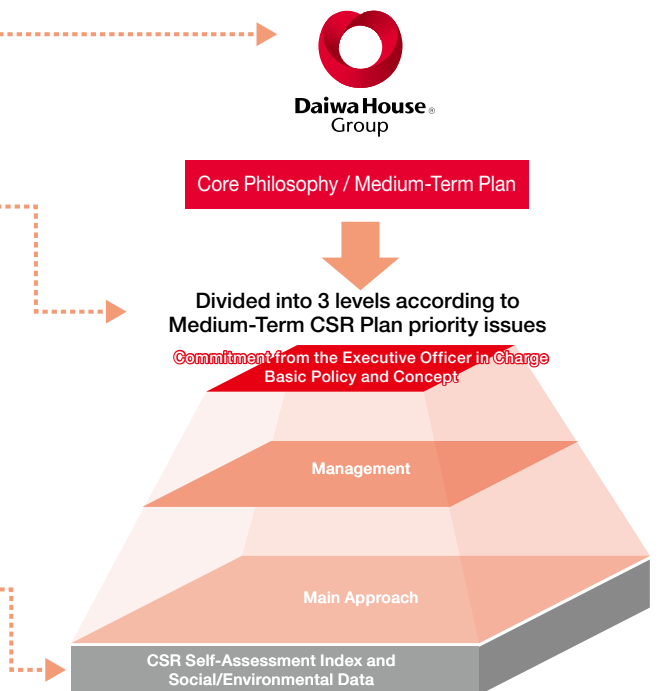
The Sustainability Report is published in both Japanese and English.

Target Readers

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

Reporting Organizations

The report is centered on Daiwa House Industry and Daiwa House Group companies (340 consolidated subsidiaries, 2 non-consolidated subsidiaries, 42 equity-method affiliates and 2 non-equity-method affiliates as of March 31, 2019).



Report Period

The report mainly focuses on the 2018 fiscal year (April 1, 2018 to March 31, 2019) 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 2019 (next issue scheduled for July 2020)

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Items listed as priority issues and the most important priority issues under our Medium-Term CSR Plan are identified with a red bullet (●).

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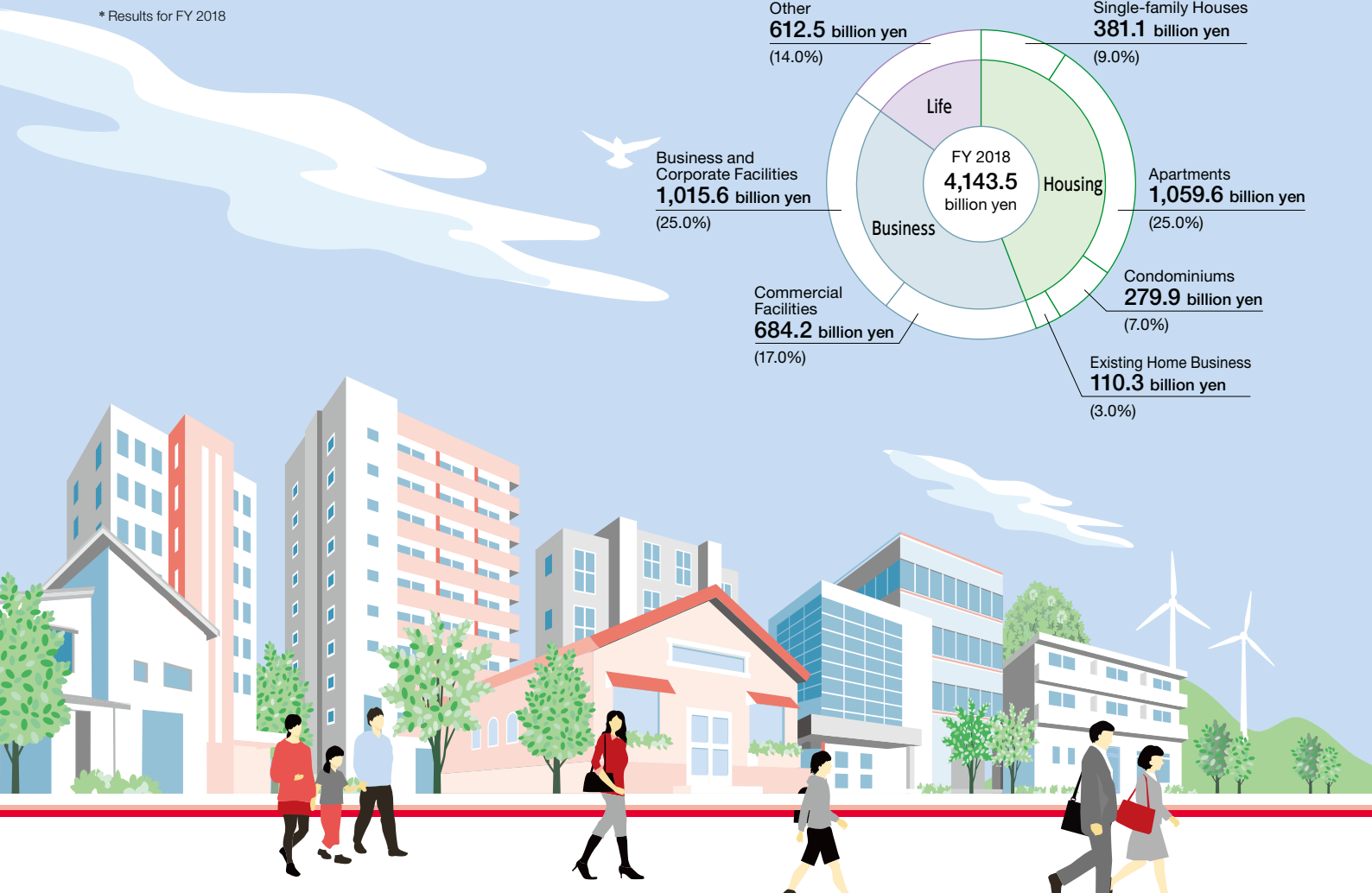
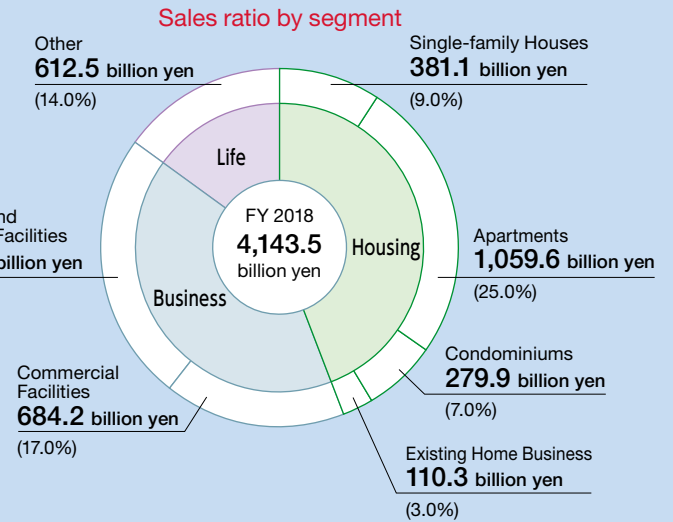
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This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2019. The accuracy of the data regarding carbon dioxide (CO₂) contained in that report was certified by third parties and an accompanying check mark (✓) indicates all data subject to such certification. (See page 241 of the Japanese-language edition of the Sustainability Report 2019 for a third-party assurance report.)

Company Summary

* Results for FY 2018



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.



Apartments

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



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.



Existing Home 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 houses supplied
8,716

Number of houses supplied
37,905

Number of managed units
572,238

Occupancy
96.9%

Number of houses supplied
2,203

Number of managed condominium units

360,619

Number of units outsourced by management associations

6,466

Number of satisfied customers

34,020,000



* Cumulative total number of customers living in single-family houses, apartments, and condominiums built by Daiwa House Industry, as of March 31, 2019. 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.



International 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

6,095,592 m²

Occupancy

99.1%

Site area developed for logistics facilities (Total)

9,962,253 m²

Number of logistics facilities (Total)

206

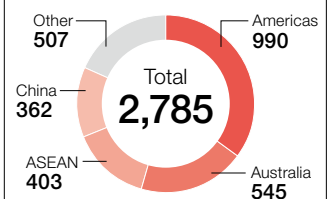
Number of customers of home improvement centers

28,526,000

Number of overnight guests at Daiwa Royal Hotels

3,321,392

Sales by area
Unit: 100 million yen



* Internal business between segments included

Message from the Chairman

We are pursuing sustainable development by continuing to espouse and practice the spirit of our founder Nobuo Ishibashi.

Takeo Higuchi
Chairman

Takeo Higuchi



| Nothing but appreciation for our stakeholders

I recently retired as CEO and relinquished my authority to represent the Daiwa House Group by doing so. However, during my years at the helm, I was fortunate to have the support of our various stakeholders, to note first and foremost our many customers, our shareholders and investors, business partners and our employees. I truly thank you, one and all, for your continuous guidance and encouragement during my tenure at the top. Now as chairman, I am determined to continue promoting our employee training programs, coaching the younger members of our workforce, and fulfilling my duties of carrying on the spirit of our founder as the underlying business foundation of the Daiwa House Group.

The 15 years after I assumed the position of CEO in 2004 went by fast. Having inherited the founder's dream of building our group into a "10 trillion yen-a-year business by our 100th anniversary" and, to the best of my abilities, steered the group to do good for this world as a public organ of society, we grew into a business with over 4 trillion yen in sales annually. Though we are not even halfway to where we want to be, we can grow sustainably as a business by continuing to solve issues that afflict society as we have been doing for so many years.

| Pursuing our mission "The company is a public institution of society."

I became strongly aware of the point and purpose of managing a business like a "public organ of society" in 1993 when I was appointed president of Daiwa Danchi and tasked with reconstructing our then-affiliate. When the founder, then in the role of an advisor, called me in and entrusted me with the reconstruction, he said, "This is actually my job, but in the condition I'm in, I want you to handle it." Knowing the business difficulty that Daiwa Danchi was in, I was hesitant to take on such a heavy responsibility, but the founder, who was straddled with health issues at the time, lectured me about how "rebuilding the business was our responsibility because the company is a public institution of society," so I prepared myself mentally for the challenge.

Years later, in 2001, I was named president of Daiwa House Industry when it merged with Daiwa Danchi. Group sales at the time were about 1 trillion yen, but throughout my time as president and chairman, our duty as a "public organ of society" was always in my head when conducting business.

Even today, though sales are about four times greater,

that thought has not changed one iota.

Looking back on my 15 years as chairman, I committed myself to carrying on the founder's spirit, spreading his teachings both inside and outside the company like a storyteller and making sure our "products and services were useful and liked by people." The founder forever etched his perspective of work and life into my thoughts when he made the statement listed at the beginning of this report: "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.'"

| Achieving sustainable growth by practicing the founder's spirit

When the founder was battling illness at a retreat house in Noto, Ishikawa during his later years, a few others and I paid him a visit. However, because he was gravely ill, I alone was chosen to meet with him. I don't know why he picked me; I never asked him. I had joined the company in the middle of my career and started out managing supplies at our Sakai Plant. Not having followed an elite path by any standard, I find it strange to this day that he called me in.

After that first visit, I made overnight trips to see him almost monthly, during which I listened to what the founder thought about the company's future and I expressed what I thought. What he imparted to me in those discussions has helped to develop the Daiwa House Group into what it is today for as much as I have tried to spread that message through the group.

To show for that, the "six criteria for decision-making" that we codified when I became president embody the founder's thinking. In a nutshell, all business decisions are based on whether or not the outcome down the road will be good for the company and our employees, our customers and shareholders, and society in general. This is how we thought instinctively back in the day, but this train of thought came from our founder.

Another practical application of the founder's belief in "being useful and liked by people" is the "Asu Fukaketsuno" (indispensable for tomorrow) concept we apply to new business. It is an initialism from the Japanese language for: safety (Anzen), speed & housing stock, social welfare (Fukushi), the environment (Kankyo), health (Kenko), ICT (Tsushin), and agriculture (Nogyo). Each of these fields represents an issue facing humanity the world over.

| All of the answers are found in “The Future of the Daiwa House Group”

There are people concerned about who will convey the founder's spirit going forward and how. I am not one of them. Reason being, our founder left us a wonderful book titled “The Future of the Daiwa House Group.” Current president Keiichi Yoshii and all the executives and employees have read it, learned from it and are applying what it says to their work every day.

For example, if they run into a wall on something, they can return to the book and find a solution to their problem as if the founder was talking directly to them.

Through this book, every executive and employee can learn and refresh their understanding of our mission “the company is a public institution of society” by reading up on the founder's thoughts from time to time. Moreover, it spells out how to go about business almost as if it foresees the future, and simply explains the path to “10 trillion yen in annual sales by our 100th anniversary.”

In recent years, employees working at our overseas bases

are learning from the translated version of “The Future of the Daiwa House Group.” I hope this is the beginning of our founder's dream stepping out of Japan and into the world, and finding solutions to a plethora of problems around the globe.

| Our strength lies in our adherence to the bottom-up approach

Fortunately, we are performing well. And, if I were asked to cite a particular reason for our success, it would have to be the bottom-up approach we have developed since our founding. I recall at a sales meeting a long time ago the founder pointing to the shoes of an employee. They were covered in dust and worn thin. He then said, “As many times as it takes, get on your feet and get out there. Sales are about footwork.” His words were loaded with strong convictions the founder held about business.

Visit the sites you are in charge of to know the situation. Before buying a lot, walk the area. If construction is underway, check the work out to make sure there are no problems. All issues and answers are found at the site. Check the project out with your own eyes, think about the issues and, once you find a solution, promptly take action. Though all of this seems obvious, the source of our company's strength lies in the importance we place on seeing the actual site, product and situation, which is the bottom-up approach I speak of.

Not only will the way we focus on this bottom-up approach continue to serve us going forward but, as business expands both in content and scale and in Japan and overseas as well, its importance is likely to grow more and more.

| Human resource development is the biggest key to growth going forward

More than anything else, human resources are essential to the future growth aspirations of our Group. Because of the particularly heavy influence on growth they have, those at the top of the pyramid must have a clear vision of the future and explain it in easy enough language to understand so that it permeates throughout the entire organization. Needless to say, programs that can produce as many of these human resources as possible are crucial.

Recognizing the importance of human resource development, managers of our company spend half of their time training and grooming the staff whose work they oversee. I am confident that, by developing human resources who ambitiously seek



solutions to the social challenges ahead, our Group can grow one or even two times over.

Of course, training someone is never easy. Both knowledge and skill are vital; simply instructing someone how to do something is not the same as developing him/her. People, for one, are complicated and can grow only so much when the steps they need to follow are easy. Moreover, they can get away with being selfish and protective for a while, but eventually others see through them. What is critical to personal growth is to pursue a presence truly trusted by others. It is not about the material losses or gains before your eyes but standing firm for what is right and calling out what is wrong based on your own beliefs. You then do your best in your place of assignment. No matter what your environment, you remain committed to your mission. Somebody is always watching, so conducting yourself in such a way will open doors of opportunity for you.

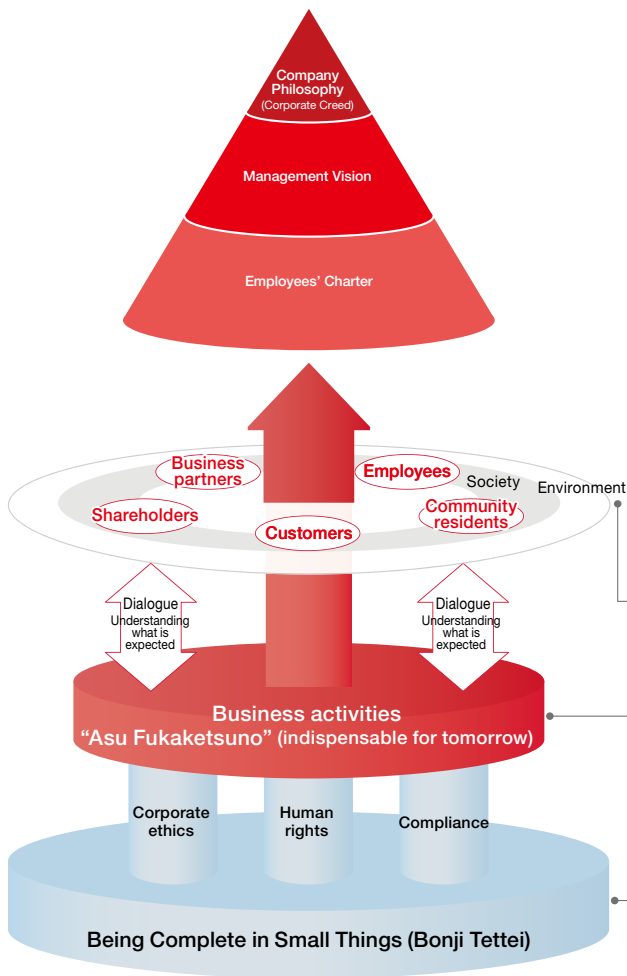
To be successful in any field requires exceptional effort.

And, in addition to that, you need a little bit of “luck.” But, you have to realize that “luck” is not something that happens by chance but what “unfolds” before those who keep at it day after day without quitting. This is the most important thing in developing human resources and also is the universal truth that transcends the ages, which I strongly believe will remain important going forward.

Creating a corporate climate where our workforce can hold onto and reach for their dreams

The young people on our workforce are obviously tasked with achieving our Group dream of “10 trillion yen in sales by our 100th anniversary.” Creating a corporate climate that spurs in them the ambition and courage to make this challenge is perhaps the biggest duty of top management and certainly crucial to future growth.

There are still many, many issues we face because of our nature “the company is a public institution of society.” But, we can solve them one by one and continue to grow in the process by passing down the insight of our founder, Nobuo Ishibashi, to the next generation so that they feel like they own it. In the meantime, all the executives and employees are agreed to look squarely at the social issues ahead and establish for ourselves a position and presence from where we can contribute further to the world as a business group, rather than act conceited about our good performance over the past few years.



CSR Guidelines

01 Contributing to society through business

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

02 Co-creating a brighter future with our stakeholders

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

03 Conduct of every single Group employee

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

Our six criteria for decision-making

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



Message from the President

By operating as a responsible business, we create tangible and intangible values that contribute to society.

Keiichi Yoshii
President,
CEO and COO

Keiichi Yoshii

I apologize for the improprieties that have caused the loss of trust in us.

Since becoming president in November 2017, I have sought to constructively increase the overall strength of the Daiwa House Group and break into new domestic markets. In this roughly year and a half, I cannot outright claim that we achieved everything I set out for us to do, but I do come to work every day determined to accomplish what needs to be done. It also goes without saying that I recognize the weight my words can have because of my position at the top of an organization and, for that reason, I am very much determined to further tune my messaging also within the company.

In terms of performance, we did well under our 5th Medium-Term Management Plan by accelerating growth in our core businesses of apartments and commercial, business and corporate facilities, diversifying business, and strengthening our

human resources and manufacturing foundations. In fact, in the final year of the plan, which ended this past March, we posted our highest sales and earnings ever, many thanks to all the executives and employees of our Group as well as business partners.

Unfortunately, however, our otherwise stellar record has been tarnished by a series of improprieties as an affiliate of ours in China was caught cheating in March this year and some single-family houses and apartments failed to clear building standards in April. We resultantly lost the trust of our stakeholders, therefore being the highest ranking officer in the group, I sincerely apologize.

We are presently addressing the matters. Moreover, all the executives and employees unanimously agree that it is important to confront the causes of the improprieties, deal with them directly, learn from them and show everyone how we have changed.

Related page P057-058 Irregularities at our joint venture in China
P073-074 Off-specification components in and remedial work on Daiwa House single-family house and apartments

Continuing to carry on the founder's spirit

My predecessor, Takeo Higuchi, recently retired as CEO and relinquished his authority to represent the Daiwa House Group by doing so. He served as president and chairman for 18 years, during which time he increased sales from 1 to 4 trillion yen – a tremendous achievement by any measure. Moreover, his efforts to carry on and permeate throughout the Group the spirit of our founder Nobuo Ishibashi undeniably laid the foundations for the growth that the Daiwa House Group has achieved today.

If we are to continue growing to the 5 trillion yen mark, 6 trillion yen mark and eventually reach our founder's dream of "10 trillion yen in annual sales by our 100th anniversary," it is imperative that we continue to pursue business with the founder's spirit while adhering to the philosophy of "Being Complete in Small Things" that our executives and employees have advocated for generations, and create "products and services that are useful and liked by people."

In addition to that, given the importance placed on ESG (Environment, Society and Governance) around the world today, I strongly feel that these three topics should be our starting point for managing business over the medium- to long-term, rather than focusing purely on recent performance figures.

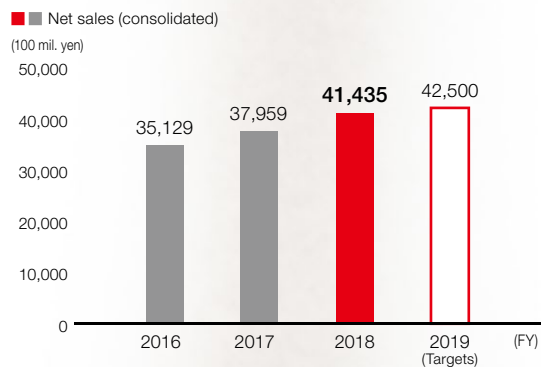
Further contributions to society through the housing stock and overseas businesses

Our business strategy for implementing the 6th Medium-Term Management Plan we just announced is to expand business in the commercial, business and corporate facilities segments, prepare for new growth and accelerate overseas expansion in the single-family house, apartments and condominium segments, and steadily promote the housing stock business under the "Livness" brand that we newly launched to help customers improve the added-value of their assets. The "Livness" business is a particularly important theme of our 6th Medium-Term Management Plan because, with it, we are "re-tilling" communities and houses as part of our commitment to the future.

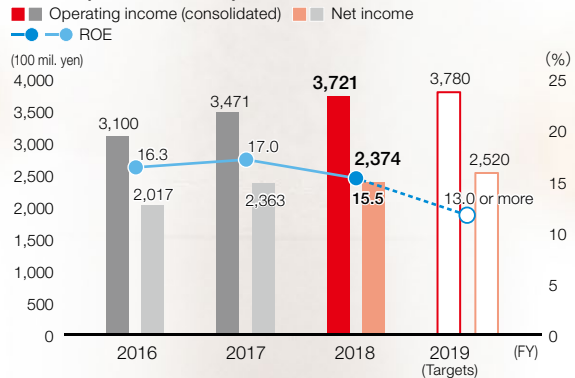
With regard to our overseas business expansion, we have identified our mission in each country in terms of what our Group should do so that we can undertake new challenges. I am a strong believer in "local production for local consumption," which means "having people from the local area running local operations." In countries with developing economies, there is an

increasing amount of public housing being built with public funding, but our Group has done no more than to provide know-how; we're strictly involved in private sector projects. The reason being that construction projects that would send tax revenues out of the country are not allowed. And, it is highly unlikely that this policy will change going forward. Therefore, to grow business overseas, we will team up with people in a broad range of countries around the world to seriously analyze and solve the issues of each specific geographic area.

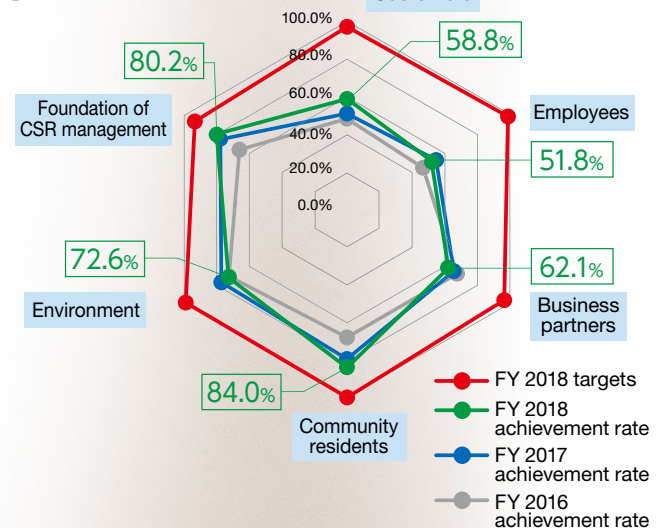
Net Sales (consolidated)



Operating Income, Net Income, ROE (consolidated)



CSR Self-Assessment Index



More in terms of sustainable management

In addition to spelling out our business strategy in the 6th Medium-Term Management Plan, we set specific priority issues to promote over the coming three years with regard to the “environment” and “society.” And, we specify target indices for each issue, which, by trying to achieve them, we expect to strengthen the processes we use to conduct business and help enhance our social value through the business we do.

Just with regard to the “environment,” we participated in several international initiatives last year related to climate change in “SBT,” “EP100” and “RE100.” Going forward, we will take on the challenge of high targets in business and other activities that you could call ambitious. As high as these hurdles may be, this is the path we need to be taking in our Group. And, we are confident that helping to solve environmental problems will pan out as sustainable growth for us.

Human resources are instrumental to sustainable development going forward

With regard to “society,” we will continue looking for solutions to a variety of issues from the three bases of “human resources,” “technology and manufacturing” and “customers.”

It goes without saying that human resources are instrumental to the sustainable growth of any business. For us as well, the sustainable development of our Group hinges entirely on how we train and groom the human resources who will be steering business going forward. I often speak about an “employee’s right to learn and the obligation that his/her superior has to teach him/her.” Whether an engineer, sales rep or some other capacity, everybody desires to grow through their job. But, for everyone to grow, a business requires future certainty. If there is a future in that company, people will grow on their own and, as they grow, they will become increasingly more motivated to work and will discover the rewards of their efforts.

I joined this company in the middle of my career and have been very fortunate in terms of the people I have worked with. I have always been able to share my thoughts with others, which is why, I believe, we were able to move business development forward no matter what the situation. It is an executive’s duty to shape his/her company so that the younger people of the workforce can feel this same way, because someday they will be shouldering the world.

Moreover, diversity is a necessary component of developing and deploying human resources. Japan is abuzz these days with the “active participation of women in the

workplace,” but I think we could do away with a special phrase like this by creating environments where anyone, regardless of gender, age or what have you, can be active. In our Group, we have improved employment systems and practices to increase diversity in the workplace, but it is still a work in progress. We, therefore, will steadfastly address matters in the 6th Medium-Term Management Plan.

With regard to “technology and manufacturing,” we will make proactive use of advanced technologies like artificial intelligence, big data and other ICT to enhance safety, security and productivity. But, a major premise to any new technologies is that they must be practical and agreeable with construction sites, therefore thoughts and opinions from the field will be heavily reflected in development.

Keeping the promises we made to our customers

With regard to “customers,” we will absolutely maintain our promises, as has been our standard practice till now. Our “Livness” business is all about that. We launched it because the suburban housing complexes our Group had built were losing their vitality due to the aging resident population.

When we built these complexes, we gave customers a reason to dream, but our duty tells us that we have to keep their dreams alive even decades later. So, already, work is in full swing to reanimate communities in housing complexes we developed in Kanagawa and Hyogo prefectures. As these projects move forward, we will reshape the landscapes inside and out into attractive communities that offer residents an environment where they can lead safe, secure and comfortable lives for years to come and are open to others who want to settle in there.

We look at this “re-tilling” of the housing complexes developed by our Group as a contribution through business to “Sustainable Cities and Communities,” which the United Nations lists as number 11 of their 17 sustainable development goals, and consider it our responsibility to see it through.

Related page P021-022 Priority Issues Concerning Value Chains Raised in Our Social Medium-Term Plan / Action Plan for the Environment

Preparing for predictable risks through future-oriented investments

In addition to these three perspectives we will be using to solve issues, our 6th Medium-Term Management Plan specifies “innovation,” “communication” and “risk

countermeasures.” With regard to “risk countermeasures,” the improprieties we have had recently to atone for highlight the need for us to further improve our corporate governance and strengthen our risk countermeasures.

As for infrastructure development, we plan to invest about 100 billion yen over the next three years in the aforementioned “environmental” and “social” interests. Just regarding the budgeted amount, there are all sorts of opinions. Naturally, the question arises as to whether it is cost-effective or not. If we were investing all 100 billion yen in human resource development and the like, it would obviously be hard to measure the cost-effectiveness because the effect is mostly intangible.

But, we have looked long and hard at the future and earmarked this investment for the direction we are certain that our Group will have to head. With the birthrate falling and the population aging, severe labor shortages are predicted on the road ahead. If push comes to shove, we may be unable to properly execute operations using the ways and means we do now.

This is not the time to be taking things easy. Our thinking is to accelerate internal research and development on the one hand, while, given this age of open innovation, getting straight into practical applications by acquiring ideas and technologies from outside the Group on the other. We are going to take steps now so that, 5 or 10 years down the road, our successors will be able to say that they are glad they did what they did when they did it.

I Fulfilling our social mission by preserving “Japanese sentiment”

With regard to “governance,” we have unfortunately seen a series of improprieties as I mentioned at the very beginning. The situation is not only regrettable but serious and I promise all of our stakeholders right here and now that every instance will be addressed and corrected, as I will be looking into matters myself. Nothing will be overlooked or let off with a slap on the wrist.

I will work with all our executives and employees to solve the problems and prevent any recurrence to a degree that will spur people to think that our Group has been reborn.

As a final note, I am happy to inform you that we added our “Daiwa Sakura Aid” activity with which we are preserving cherry trees as our symbolic activities to carry forward our founder’s spirit and a social contribution to future generations, to the 6th Medium-Term Management Plan. The cherry trees in the activity are on Mt. Yoshino in Nara Prefecture where our founder Nobuo Ishibashi was born and essentially where the spirit of the Daiwa House Group hails from.

As you probably know, the cherry trees of Yoshino have been cherished by the Japanese people since a long time ago. Together with our stakeholders, we want to preserve them into eternity as a representation of “Japanese sentiment” and symbol of the culture, history, traditions and landscape of Japan. This preservation activity brings us closer to the spirit of our founder and reminds us of our social mission in our Group to conduct business so that we are useful to and liked by society, and grow sustainably.



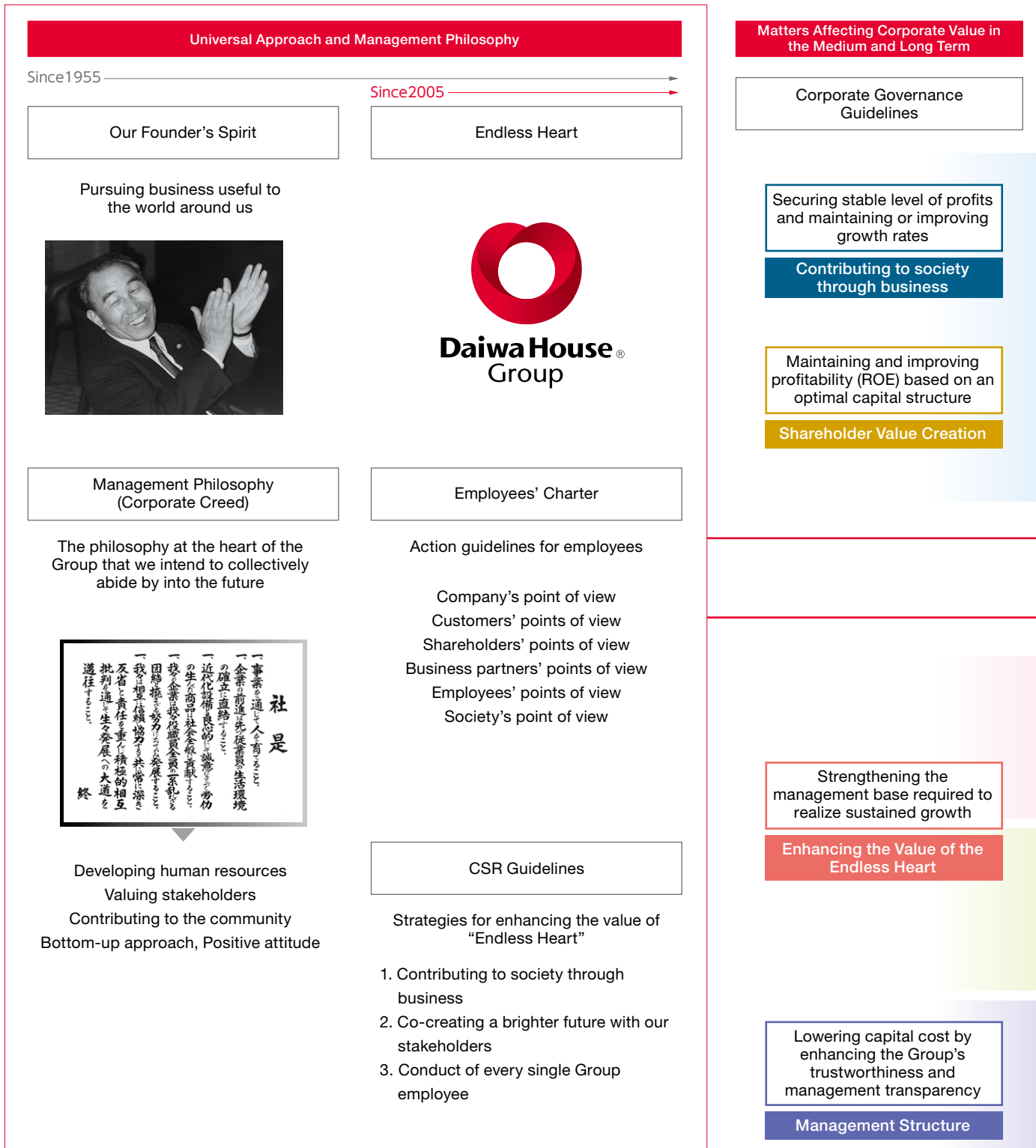
Realizing Management Vision that Embodies Our Founder's Spirit

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 more than half a 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



Managerial Philosophy and Overall Picture

Foundation of CSR Management

Customers

Employees

Business Partners

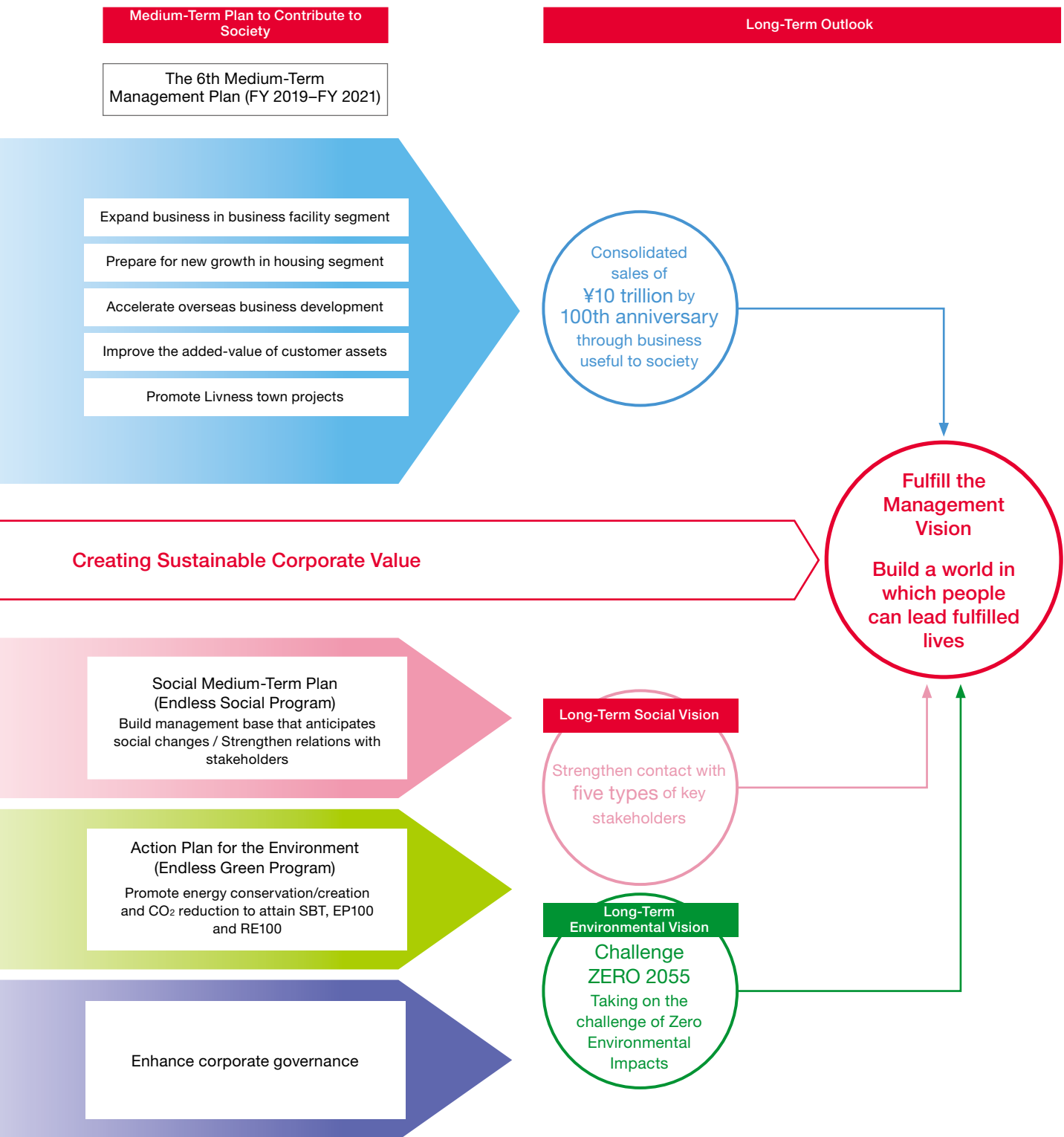
Local Communities

Shareholders

Environment

Third-Party Assessment/ Data Section

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.



Medium-Term Plan for Achieving Our Management Vision

Long-Term Vision

Long-Term Social Vision

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

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

Long-Term Environmental Vision

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

“Challenge ZERO 2055”

- | | | | |
|--------------------|--|--------------------|--|
| 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. | 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. |
| 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. | 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. |

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

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.

Action Plan for the Environment	
Endless Green Program 2021 Promote energy conservation/creation and CO ₂ 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 Preservation of biodiversity	<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 Key Goal Indicators

Percentage improvement in “motivation” of entire workforce
80%

Attainment rate of taking 8 days-off for every 4 weeks on a worksite
100%

Order rate using our customer base
70%

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

Energy efficiency
1.4x (Compared to FY 2015)

Renewable energy rate (Usage rate)
85% (3%)

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

Materiality (Priority Issues) of the Daiwa House Group

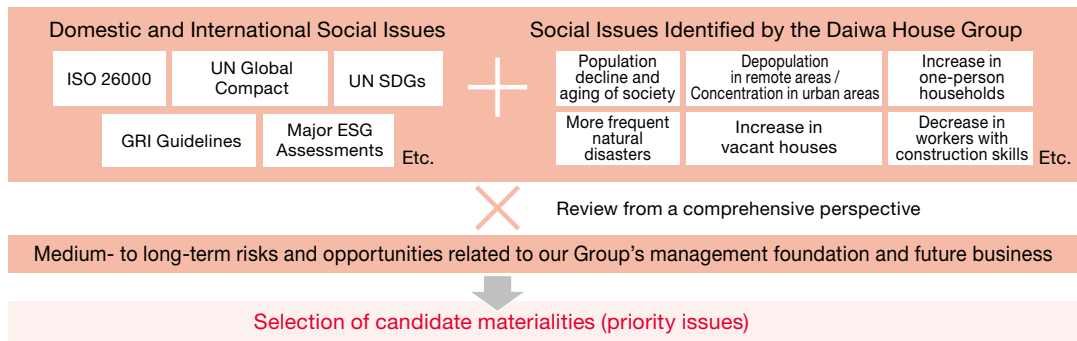
Materiality identification steps

We use the following steps to identify particularly important issues in steering our Group toward our Management and Long-Term Social and Environmental Visions. The value chains of our Group provide us a basis for identifying priority issues with a focus on megatrends and social issues and setting targets in regard thereto.

STEP 1

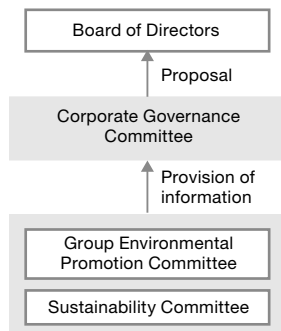
Identify and organize themes

We identified important current and future social issues via dialogue with experts, international codes of conduct like SDGs, assessment items of prominent ESG evaluation institutes, opinions of internal executives and department heads, and other sources. We then pinpointed and analyzed current and future business/management foundation with a focus on our value chains, and selected candidate materialities (priority issues) from a comprehensive perspective.



STEP 2

Discuss candidate priority issues



The candidate materialities (priority issues) were submitted to the Corporate Governance Committee for discussion and approval by the Group Environmental Promotion Committee and the Sustainability Committee, which provide supervisory and decision-making roles for environmental and social matters. Then the priority issues from each area and the medium-term plans were reported to the Board of Directors.

The priority issues concerning the environment were discussed within the Group Environmental Promotion Committee in terms of expanding the scope of application of the environmental themes previously identified in the Endless Green Program 2018 (FY 2016–FY 2018 Action Plan for the Environment) to Group companies and supply chains.

The priority issues in the social domain were discussed within the Sustainability Committee along the lines of expanding the previous theme of “building a relationship with four types of key stakeholders” to the “six bases,” an important nonfinancial theme.

[Related page](#) P041 Corporate governance system

STEP 3

Identify priority issues

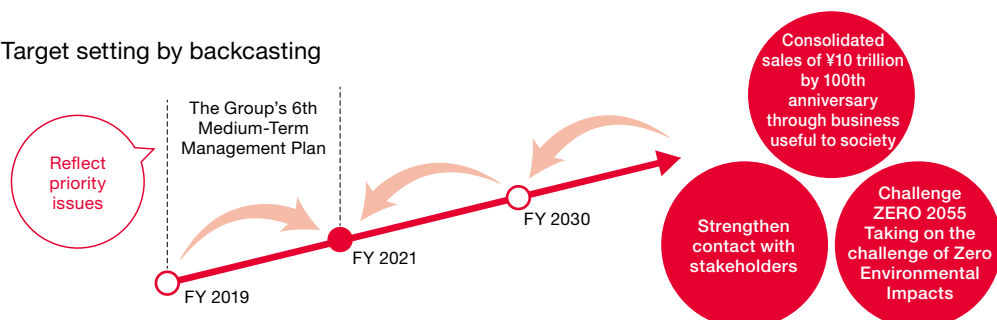
The priority issues of each focal theme from both the environmental and social areas were identified and compiled into a 3-year plan for fiscal 2019–2021.

STEP 4

Set targets

Targets for fiscal 2021 were set by backcasting from the long-term perspective of where we want to be as a Group in fiscal 2030 and 2055.

Target setting by backcasting



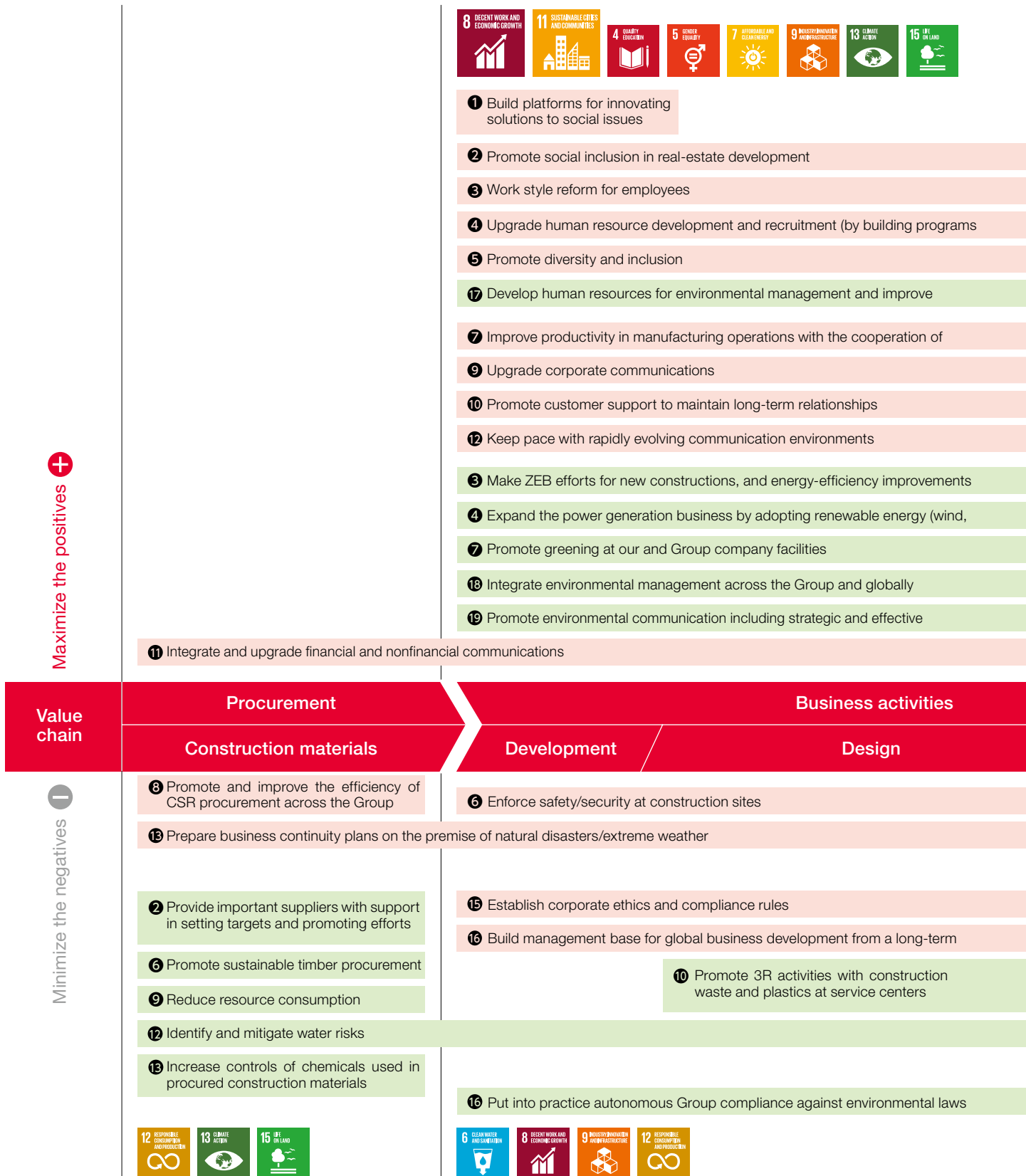
Identified priority issues

	Focal themes	Priority issues
Society	Innovation base	① Build platforms for innovating solutions to social issues.
		② Promote social inclusion in real-estate development.
	Human resources base	③ Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety).
		④ Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements).
		⑤ Promote diversity and inclusion.
	Technology and manufacturing base	⑥ Enforce safety/security at construction sites.
		⑦ Improve productivity in manufacturing operations with the cooperation of business partners.
		⑧ Promote and improve the efficiency of CSR procurement across the Group.
	Customer base	⑨ Upgrade corporate communications.
		⑩ Promote customer support to maintain long-term relationships.
	Communication base	⑪ Integrate and upgrade financial and nonfinancial communications.
		⑫ Keep pace with rapidly evolving communication environments.
	Risk countermeasures base (Being complete in small things)	⑬ Prepare business continuity plans on the premise of natural disasters/extreme weather.
		⑭ Establish human rights due diligence.
		⑮ Establish corporate ethics and compliance rules.
		⑯ Build management base for global business development from a long-term perspective.
Environment	General	① 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	② Provide important suppliers with support in setting targets and promoting efforts.
		③ Make ZEB efforts for new constructions, and energy-efficiency improvements and replacement of existing facilities with energy-efficient ones.
		④ Expand the power generation business by adopting renewable energy (wind, sun, water and biomass).
		⑤ Promote ZEH, ZEB and Green Building Certifications.
	Harmony with the natural environment Preservation of biodiversity	⑥ Promote sustainable timber procurement.
		⑦ Promote greening at our and Group company facilities.
		⑧ Promote the preservation and creation of green spaces in projects and community development.
	Conservation of natural resources	⑨ Reduce resource consumption.
		⑩ Promote 3R activities with construction waste and plastics at service centers.
		⑪ Develop and diffuse recyclable products (high durability, long lasting, less use of resources).
	Water resource conservation	⑫ Identify and mitigate water risks.
	Prevention of chemical pollution	⑬ Increase controls of chemicals used in procured construction materials.
		⑭ Reduce the use of chemicals in production stages.
		⑮ Further improve indoor air quality of housing.
	Strengthening the foundation of environmental management	⑯ Put into practice autonomous Group compliance against environmental laws and regulations.
		⑰ Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce.
		⑱ Integrate environmental management across the Group and globally.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
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 Business Partners
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 Environment
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Priority Issues Concerning Value Chains Raised in Our Social Medium-Term Plan / Action Plan for the Environment

We identify the priority issues by analyzing the positive and negative impacts on our value chains. Of the wide range of social contributions we make by reducing the load of our business activities and other efforts implemented across our value chains, we are particularly committed to SDG No. 11 “Sustainable Cities and Communities” as a contribution we can make through business.





that both maximize results and ensure health and safety)
 based on projected 2030 group requirements)
 environmental awareness and knowledge of the entire workforce
 business partners
 and replacement of existing facilities with energy-efficient ones
 sun, water and biomass)
 information disclosures

- 1 Pursue both environmental stewardship and corporate earnings by developing and selling products/services that are tied to the environment
- 5 Promote ZEH, ZEB and Green Building certification
- 8 Promote the preservation and creation of green spaces in projects and community development
- 11 Develop and diffuse recyclable products (high durability, long lasting, less use of resources)



14 Establish human rights due diligence
 perspective
 14 Reduce the use of chemicals in production stages
 and regulations

- 15 Further improve indoor air quality of housing



“Community Development” the Way the Daiwa House Group Sees It

Our community development vision

It began with the industrialization of construction, but, ever since the very first Pipe House, the Daiwa House Group has been attentive to social issues and stakeholder views, and forever conscious of “being useful and liked by people” when developing communities. The communities we build are not finished when the infrastructure and structures are in place. Those communities must be happy places for all of the people who live and work there, and the wildlife it contains. We do not look at a community merely in terms of asset value but view it as a platform for creating new values that lead to the future. Our goal is to build communities with a future.

How social issues change with the times

1960s

- Rising population spurred by strong economic growth
- Housing shortage



New town developed in the 1960s

Today

- Growing percentage of elderly residents
- Increasing number of vacant houses
- Energy conservation/renewable energy utilization
- Disaster prevention/reduction
- Community-building between new residents and neighbors
- Mechanisms for enhancing community values



Multigenerational event



ZET (Net Zero Energy Town)

Community development vision and our 8-Point Heart

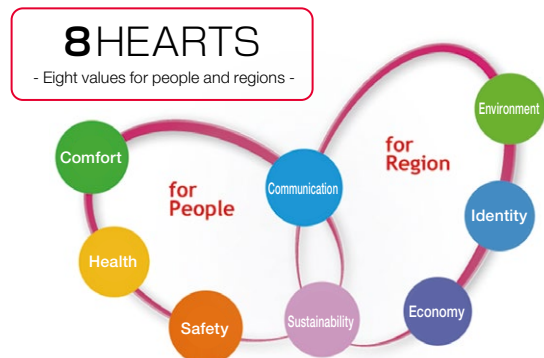
In 2015, we marked our 60th year of business. Realizing that, as a Group, we had a responsibility to the future to fulfill including creating new values for society, we launched a Sustainable Community Development Promotion Committee outside and above the framework of divisions and Group companies. The committee crafted a vision indicating the guidelines and thought process that we employ in community development.

In developing a community, our Group specifies 8 values, quaintly depicted as “8HEARTS” and divided into those “For people” and those “For region.”

For people, we seek to create values in the form of “safety,” “health” and “comfort,” whereas, for region, values are represented by the “environment,” “economy” and “identity.” “Communication” and “sustainability” are values for the future.

* For the organizational structure of the Sustainable Community Development Promotion Committee, see P117.

* The below 8HEARTS is the same as on P117 and 197.





MESSAGE

Looking at the future of the local area to develop greater community value

During Japan's years of strong economic growth, you were helping to solve social issues by clearing the land and providing buildings and other infrastructure, but today you create new communities within existing communities, so the needs of these communities can be all over the map. What we think is a good idea may not be to the people from the local area. Therefore, we go into a local community prepared to stay on a semi-permanent basis and intent on listening to all sorts of opinions from the local residents and providing area management.

Moreover, no longer does a single company go about developing a community on its own. In this era of open innovation, NPOs and businesses from other industries are involved from the planning stage, because it is necessary to increase not just the property values but also the community value.

In our 6th Medium-Term Management Plan, we position our Livness Town Projects as strategic business and, in our Social Medium-Term Plan, list "promoting social inclusion in real-estate development" as a priority issue. By utilizing all of the strengths from across the Group's value chains from community infrastructure to building management and services, we tailor development to the local area and realize sustainable communities.

Senior Executive Officer
Head of Urban Development
General Manager,
Urban Development Department

Koji Harano



An extended open dialogue with stakeholders before community development

As the Daiwa House Group, we fit into society through the work we do and share common ground with consumers through the products and services we offer. Fitting in and sharing common ground are the first steps to "co-creating a brighter future," so acting straight-up and forthcoming is important toward establishing and maintaining good relationships. The same applies to community development.

The realization of a sustainable community where residents can lead safe comfortable lives over the long-term requires an extended open dialogue with all stakeholders that builds trust between them and the Daiwa House Group.

Hearing from residents

Because of the massive size of the Neopolis new town we developed in the 1960s, we created opportunities to dialogue with residents by launching a community development committee and council. By listening to residents, we can identify community issues and share them with college professors and urban planning experts, as part of the discussion on the future image of the new town.



Stakeholder meetings

On March 6, 2019, we hosted governmental officials, experts in urban planning and university professors for discussions on the theme of "designing community values for the future: relationships between people, connections between people and their communities, developing communities that last into the future."

At this event, we presented the activities of our Group and heard opinions from various perspectives as to what will need to be considered and done to develop communities going forward.

[Themes of group discussions]

- ① What do stakeholders want from the Daiwa House Group?
 - From the perspective of a "community development vision"
- ② Community development from a long-term perspective
 - From the perspective of business/investment sectors such as real-estate investment and ESG evaluation organizations
- ③ Community development and disasters
- ④ Coordinated efforts with local governments to achieve SDGs



For more information, visit the official website.
(Japanese text only)

Example 1

Re-tilling of the Midorigaoka Neopolis (Miki, Hyogo Pref.)

Redeveloping the community for long-term multigenerational living (Model subdivision for a multigenerational, recycling-based community)

Many of the new towns built across Japan during the days of strong economic growth are struggling today with an aging community, declining numbers of young people and more and more vacant houses. To explore effective ways and means to solve these issues, we launched Miki Municipal Organization for Promoting an Ageless Active Community as a cooperative project between industry, government, academia and residents.

The Midorigaoka Neopolis that we developed in the 1960s is facing similar problems, so, since April 2017, we have been conducting validation as a prelude to re-tilling the new town as a model community. This validation serves toward building a sustainable, multigenerational and recycling-based community where, despite the aging factor, residents can lead rewarding lives and relocate to other units in the community that are more appropriate to their life stage, and new residents can live peacefully and comfortably. The findings and other matters learned from this validation will be applied to other large subdivisions facing similar problems, in the future.

The community Midorigaoka Neopolis aspires to be

Support for comfortable living including the option to relocate to other units in the community to match one's stage in life

As community residents get older, they would have the option of relocating from a single-family house to housing with assisted-living services that would make life easier for them. Nearby would be a place where they can work or take part in activities, which allows them to lead healthy, rewarding and joyful lives, and fosters a sense of community at the same time. Moreover, the units left vacant by residents who move out would be renovated for modern lifestyles to encourage young households to move in.

Furthermore, since the suburban location requires a vehicle to get anywhere, a shuttle service with self-driving community-owned vehicles would transport residents who no longer drive around the community and to the nearest train stations and bus stops so that residents find it easy to go shopping, etc. So, the goal is to redevelop the complex into a sustainable community where people can live comfortably well into the future.



Validation tests for building a multigenerational, recycling-based community

Validation 1 Activity center

The Town Promotion Mechanism Association of Active Life, Miki City opened "Midorin" as a recreation/assistance center where residents can volunteer their services, receive counseling or simply hang out. Midorin shares information with the Midorigaoka Community Development Council, which operates as a neighborhood association, activity circles for the elderly, volunteer social workers in the community, child welfare volunteers, children's activity circles and the management boards of local shopping areas. It is used for multigenerational events and health services as well.



Interactive event at Midorin

Validation 2 Health monitoring

Wearable IoT devices were distributed to residents of Midorigaoka Neopolis with high blood pressure. Heartrate, blood pressure and activity level are being automatically measured along with data believed to affect blood pressure such as the air temperature, humidity and atmospheric pressure. After the data is analyzed by a medical research institute, a personalized report is sent to the individual's tablet or smartphone. Participants periodically receive lifestyle counseling at a satellite facility.



VOICE

We work with residents on solving issues.



We just began working with residents on creating services they need and building a community. I want to hear what they have to say and find ways for people to move in and out of units as their needs change.

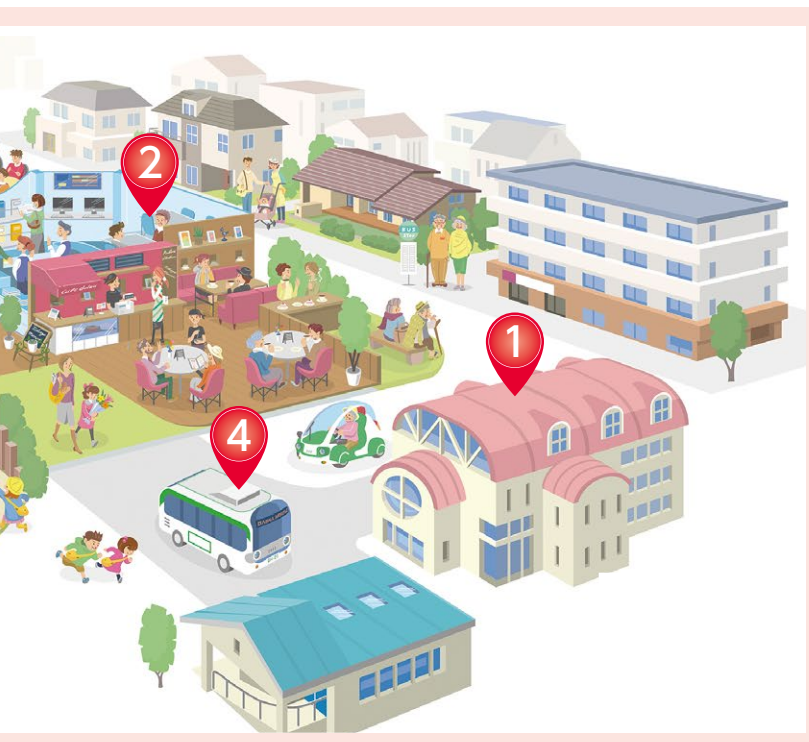
Innovation Group
Development Section
Osaka Urban Development Department
Toki Usami

VOICE

We are telling people about our new community development efforts.

We are working with the Suburban Housing Complex Lifestyle Study Group on a project to redevelop an old housing complex. Last year, we conducted IoT validation and self-driving tests. This year, we will be providing information about new community development efforts, such as our use of crowdsourcing as a new work platform across Japan.

Director
A General Incorporated Association
Town Promotion Mechanism Association
of Active Life, Miki City
Mr. Masakatsu Iwasaki

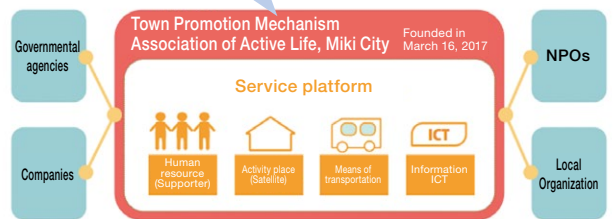


An organization just for creating and enhancing amenities

Services required for comfortable living need to be economically self-sufficient in order to stay in operation. For that reason, the Town Promotion Mechanism Association of Active Life, Miki City was established at Midorigaoka Neopolis with elements from governmental agencies, local organizations and businesses.

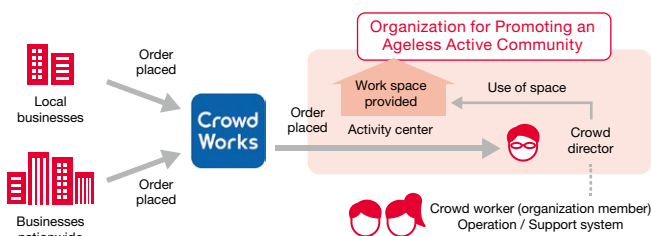
Using government subsidies, the organization is conducting validation tests for new lifestyles that promise comfortable living to households of differing age. Our company is part of that organization.

Town Promotion Mechanism Association of Active Life, Miki City



Validation 3 A new way to work

An ICT environment is being built to maintain a “crowdsourcing” platform that will allow people to work without opening an office or having to commute. In the future, a kids corner will be added to the activity center and an NPO will be brought in to provide childcare services so that working parents can both work and raise children at the same time.



Validation 4 Mobility support

For many elderly people, the day eventually comes that their driver's license is revoked and they are reduced to walking to get around. Just leaving the house could be hard to do. Moreover, the public transportation authority is having trouble getting people to use route buses in the area and is contemplating whether to cancel service or not. Therefore, a mobility support service using self-driving cars is being tested as a new means of transportation around the community and issues are being identified. We are planning to launch official service as soon as possible.



Actual self-driving car

Example **2**

Safe & Eco-smart Model City Block Development Project in Toyama City

Business opportunity created via a new direction in community development

With climate change getting worse, the world needing to wean itself off carbon and the pressures on the global environment only rising, there is urgent need to develop more and more eco-friendly communities like Net Zero Energy Towns or ZET.

That said, a ZET plan submitted by our company was selected by Toyama City for a Safe & Eco-smart Model City Block Development Project, which they are promoting as an SDG Future City. As a result, we built a “compact energy-efficient community” on the grounds of Toyota Elementary School as a model of sustainable block development with a “high-quality living environment, public and private sector amenities and a small carbon footprint.”

The park in the residential area was the first ever in Toyama to be equipped with convertible bench/toilets and a pergola/shelter with alternative disaster applications, storage battery and emergency supplies locker. The combination of public facilities and community action are intended to make the area’s defenses against disaster stronger, while a plethora of environmental technologies serve to conserve energy and reduce CO₂ emissions of the community as a whole.

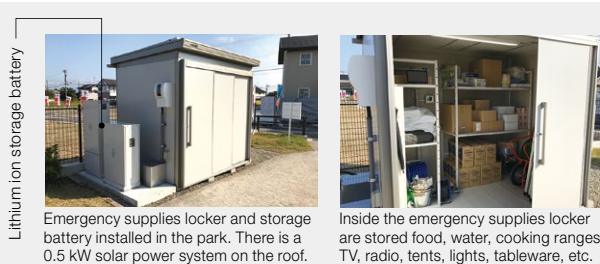
Highlight 1 “Disaster-resilient” community

A community association was created and is being run by residents. The purpose is to form a tightly knit, disaster-wise community where people can fend for themselves, help each other and work with public assistance in the event of a disaster.



The community park is equipped with a lithium ion storage battery, emergency supplies locker and typical amenities like a pergola and benches that can be converted into a shelter and toilets in a disaster situation. As such, the park can serve as a point of operations that ties into the public support network of community centers, satellite municipal offices, libraries, etc.

The park’s storage battery is charged with electric power generated by the Community’s Solar Power Plant. During ordinary times, the battery powers park lights, but should disaster strike, the power can be diverted to the emergency supplies locker where outlets can be used to charge cellphones, etc.



ZET (Net Zero Energy Town)

Every single-family house is equipped to create, store and conserve energy so that more energy is generated throughout the year than is consumed. Moreover, data is collected from each house via a Home Energy Management System (HEMS)* and the energy balance of the community as a whole is visualized by “SMA x ECO Cloud.”

The goal is a ZET (Net Zero Energy Town), therefore the Community’s Solar Power Plant and the lithium ion storage battery in the park help to generate more energy as a community than is consumed by the community as a whole.

* A system built on ICT to manage house energy use on behalf of residents.

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VOICE

Model project of public and private sector collaboration that makes use of our strengths

We worked with each department at Daiwa House Industry and pooled our strengths in “new community development” and “mixed purpose development” for this model project of public and private sector collaboration.

Together with the residents who live here and Toyama City, we will make it an even better community and apply what we learned to the next project.

Lead engineer
Design Group, Development Section
Osaka Urban Development Department
Tomonori Inoue



VOICE

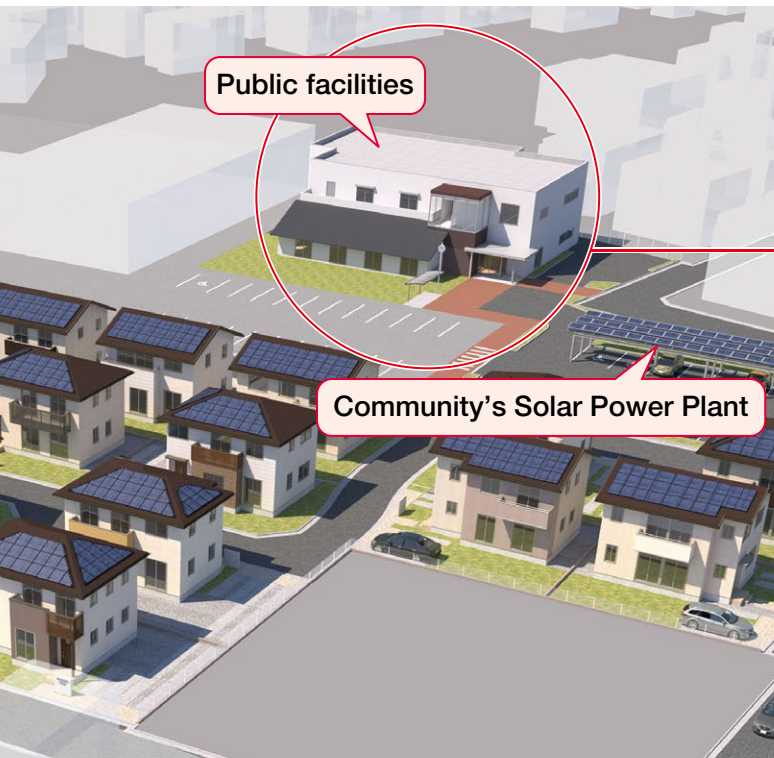
Potential solutions to issues faced by provincial cities through collaboration with the private sector

Provincial cities are asking for help with a variety of issues such as their aging population and need for human resources and technical skills. That help can come from the private sector, so the key here is to match public needs with business seeds.

We also expect new added-values will come from businesses and governments looking at social issues as their own and addressing them across conventional boundaries as SDGs.

Deputy Manager, Environmental Policy Div.
Toyama City Government

Mr. Mitsuharu Toufuku



Highlight 2

“Eco-friendly” community

Environmentally-friendly buildings (D's SMART OFFICE)

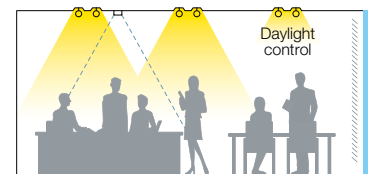


Public facilities that house a community center, satellite municipal office and library

In a disaster, public facilities serve as a point of operations for governments and a shelter and support center for communities, therefore, if disaster strikes, they need to be restored quickly. For that reason, a micro cogeneration system with multiple power sources (solar power, lithium ion storage batteries and natural gas) has been introduced to secure and share power in a disaster for “priority loads” like computers and emergency radio systems.



Light duct (daylight opening)



Daylight sensor (Illustration)

Single-family houses

(Energy creation/storage equipment)

- Solar power system
- Lithium ion storage battery
- Home fuel cell

(Energy-saving features)

- External heat-insulating and ventilating external wall
 - High-performance heat-insulating window sashes
 - Heat-insulated double-pane windows
- Etc.

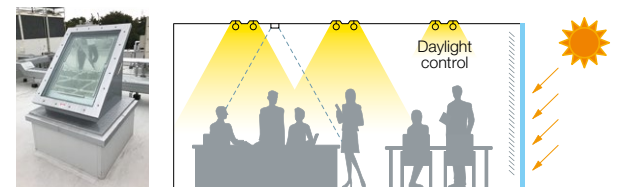
Public facilities

(Energy creation/storage equipment)

- Solar power system
- Lithium ion storage battery



Lithium ion storage battery (Hybrid type)



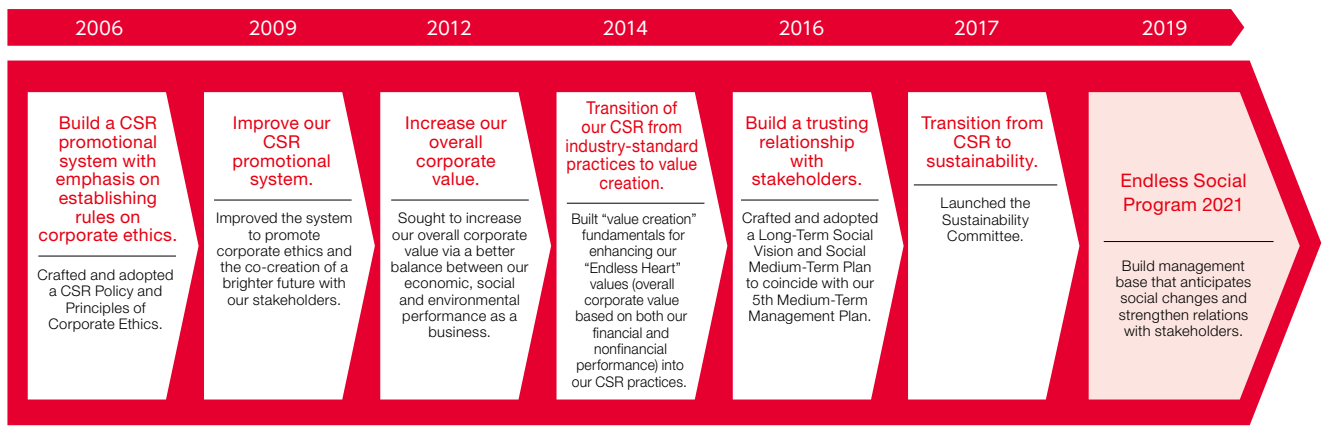
Moreover, the building itself has numerous environmental considerations such as “light ducts” for guiding natural light from skylights in the roof to corridors where it does not reach for use as interior lighting, and “daylight and CO₂ sensors” that detect room brightness and crowding in order to operate lighting, ventilation and air-conditioning systems efficiently.

Related page P159-160 Helping to reduce greenhouse gas emissions through our products and services

Social Medium-Term Plan (Endless Social Program)

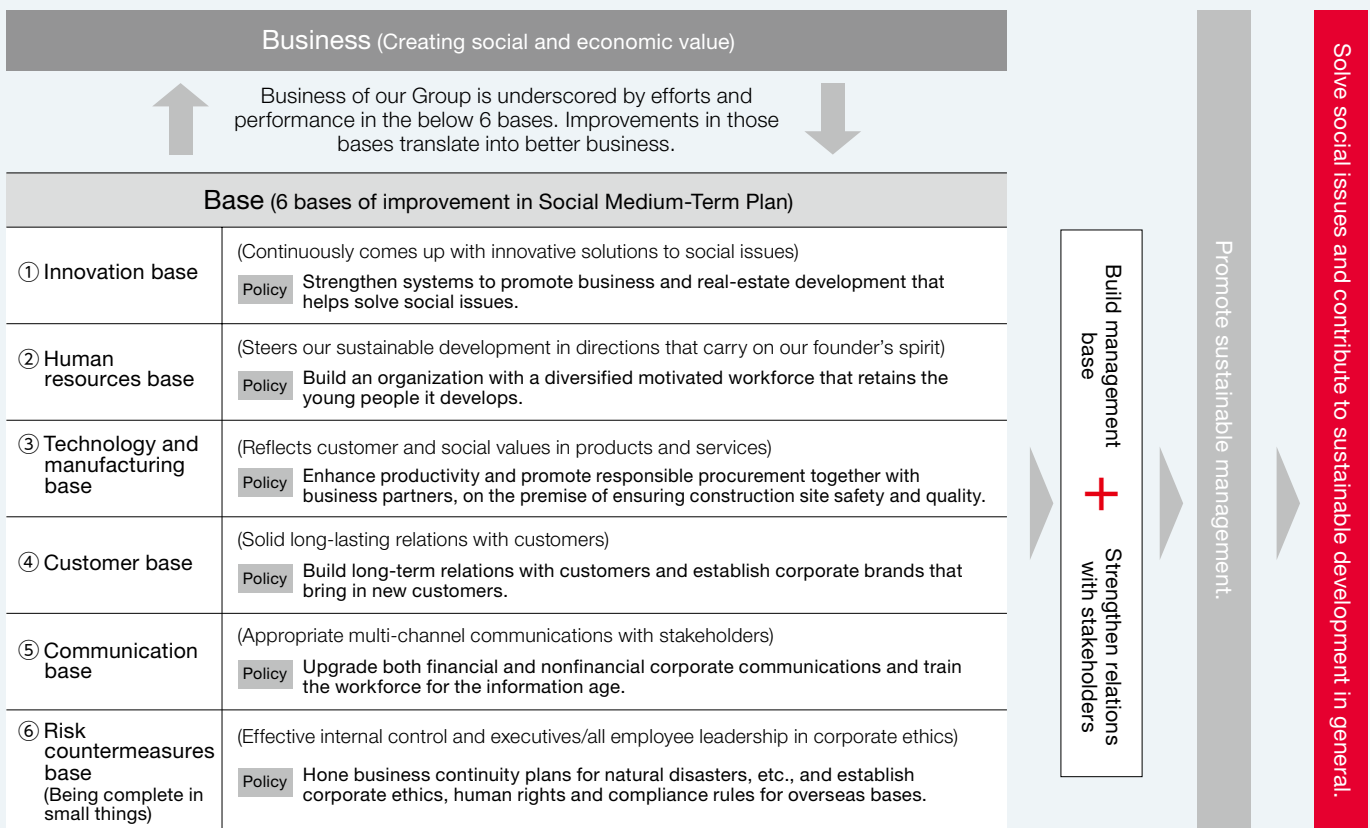
We crafted and adopted an “Endless Social Program (ESP 2021)” for achieving our Long-Term Social Vision. It identifies priority issues based on major trends and our business models along a core axis of our founder’s spirit, and lays out specific targets and plans for attaining them over a 3-year period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

History of Social Medium-Term Plan



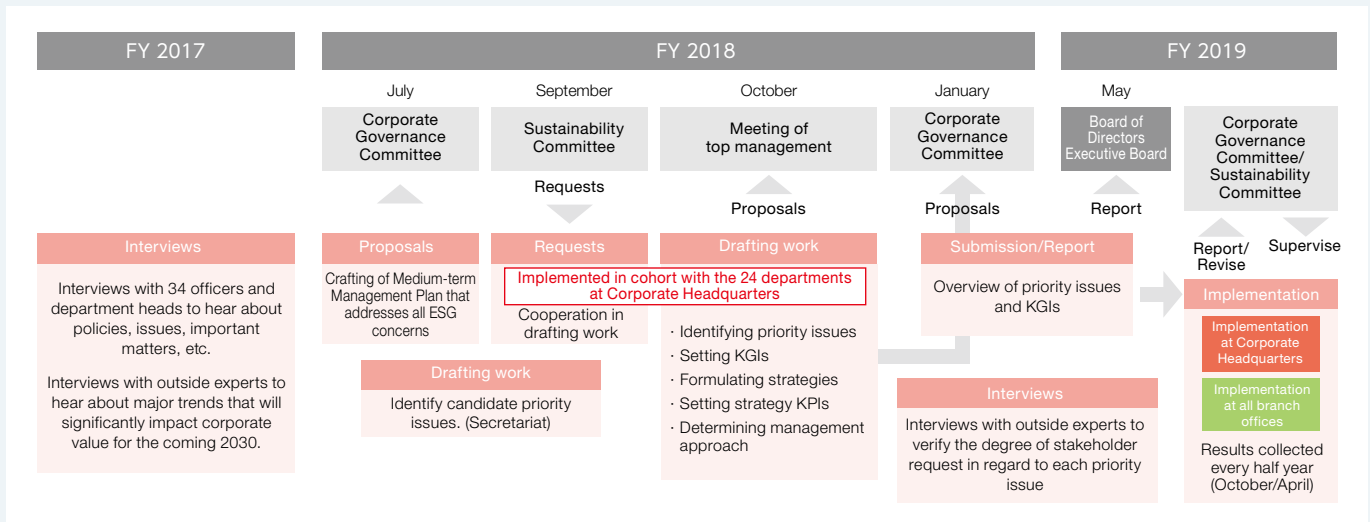
Overview of Social Medium-Term Plan

Our Group has built our management foundations in step with business growth and in line with our Company Creed of “developing human resources through work.” In ESP 2021, we set “6 bases of improvement” within our business models and value chains as important themes in the social domain. Maintaining a balance amongst these improvements will be instrumental toward molding our management structure to social changes over the long-run and strengthening relations with our stakeholders. Moreover, the synergies we develop between management and business will help us to achieve sustainable management, solve social issues and contribute to sustainable development in general.



Identification of materiality (priority issues)

After interviewing officers, department heads and outside experts through its working group, the Sustainability Committee understood that priority issues needed to be drawn from a broader scope because the previous plan (FY 2016–FY 2018) had mainly emphasized strengthening relations with stakeholders. So, they worked with other departments and crafted a new plan with 16 priority issues that had been selected based on our Long-Term Visions (Management Vision and Long-Term Social Vision) and major trends that would continue to 2030 and have a considerable impact on the 6 bases of improvement. The priority issues and KGIs (Key Goal Indicators) proposed by the working group were submitted to the Corporate Governance Committee where they were discussed and approved as the Social Medium-Term Plan. [Related page](#) P019–020 Materiality (Priority Issues) of the Daiwa House Group



Priority issues and their relation to stakeholders

Our stakeholders all have their requests and expectations with regard to what we do, so we had outside experts review on our priority issues on their behalf in order to understand those demands and expectations. The below table shows where our stakeholders stand on each of our priority issues.

Base	Priority issues	Stakeholder requests/expectations					
		Customers	Employees	Business Partners	Local Communities	Shareholders (Universal owners who emphasize the betterment of society as a whole)	Other (NGOs, governments, UN and others who speak on behalf of the environment/society)
Innovation base	1 Build platforms for innovating solutions to social issues.	●	●		●	●	●
	2 Promote social inclusion in real-estate development.	●			●	●	●
Human resources base	3 Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety).		●			●	●
	4 Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements).		●			●	
	5 Promote diversity and inclusion.		●			●	●
Technology and manufacturing base	6 Enforce safety/security at construction sites.			●		●	
	7 Improve productivity in manufacturing operations with the cooperation of business partners.	●		●		●	
	8 Promote and improve the efficiency of CSR procurement across the Group.			●	●	●	●
Customer base	9 Upgrade corporate communications.	●	●				
	10 Promote customer support to maintain long-term relationships.	●					
Communication base	11 Integrate and upgrade financial and nonfinancial communications.		●			●	●
	12 Keep pace with rapidly evolving communication environments.	●	●	●			
Risk countermeasures base (Being complete in small things)	13 Prepare business continuity plans on the premise of natural disasters/extreme weather.	●	●	●		●	●
	14 Establish human rights due diligence.		●	●		●	●
	15 Establish corporate ethics and compliance rules.	●	●	●	●	●	●
	16 Build management base for global business development from a long-term perspective.	●	●			●	●

* ● mark indicates particularly strong requests/expectations.

Management system

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. And, 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](#) P063–064 CSR Management

Priority issues and KGIs (Key Goal Indicators) of our Social Medium-Term Plan

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.

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment/Data Section

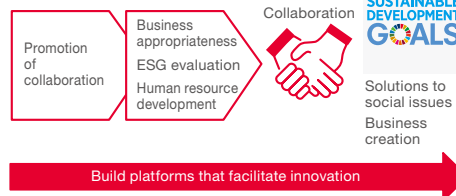
1 Innovation base

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.”



KG I

Number of cooperative new business ventures or joint research projects that helped to solve social issues

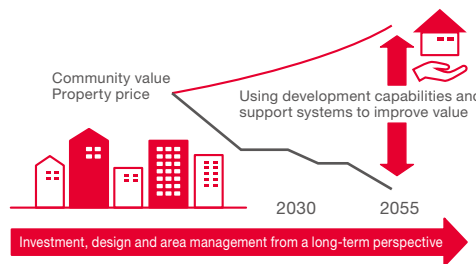
Maintain a high level both in terms of quantity/quality using fiscal 2018 as a benchmark.

* 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.

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.



KG I

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

70%

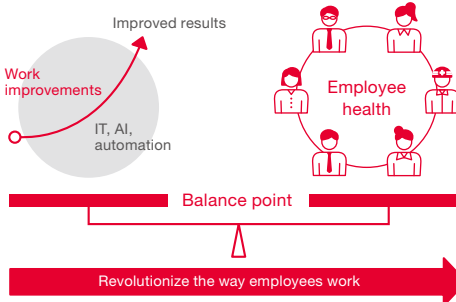
* Calculated by the number of projects/extended floor space
* Imaginable projects are community development projects under the Real Estate Investment Committee.

2 Human resources base

Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety).

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.



KG I

Improvement in “motivation” of entire workforce

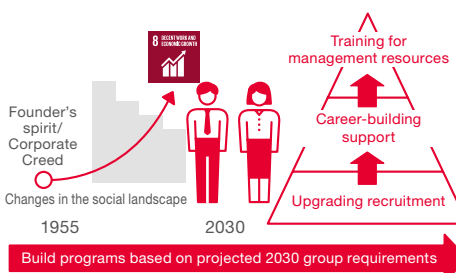
80%

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

Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements).

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.



KG I

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

90% or higher

(Endless Social Program 2021)

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.



KGI

General indices for diversity and inclusion

Targets are set for the below 5 indices.

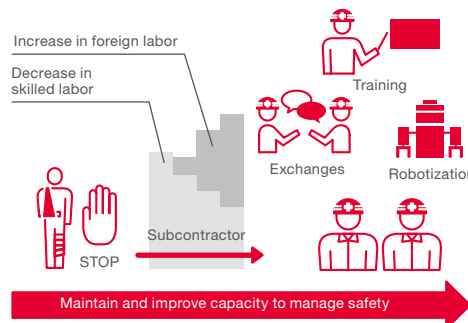
- ① Percentage of women managers 5%
- ② Percentage of line leaders amongst women managers 40%
- ③ Percentage of women engineers 6%
- ④ Percentage of women sales reps 13%
- ⑤ Percentage of women amongst new college recruits 30%

* Targeted for 04/01/2022

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.



KGI

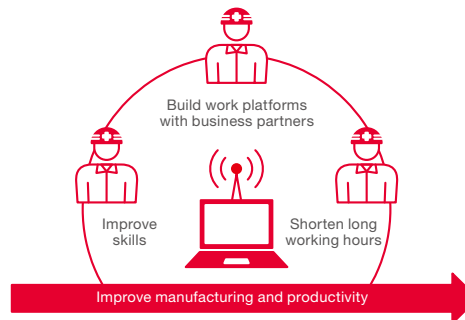
Frequency of worksite industrial accidents

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.



KGI

Attainment rate of taking 8 days-off for every 4 weeks on a worksite

100%

* Rate of construction holidays = Number of closed construction sites on designated holidays/Number of on-going construction sites on designated holidays

Annual plant holidays

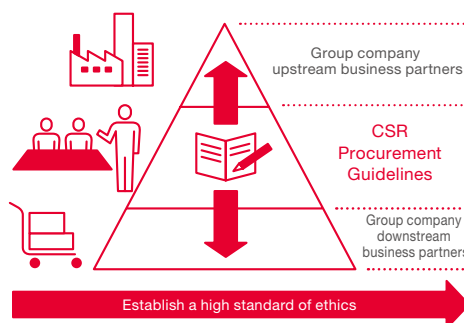
117 days

* 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.



KGI

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.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
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4 Customer base

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.



KGI

Japan’s Best Domestic Brand Brand monetary value is

1 billion USD

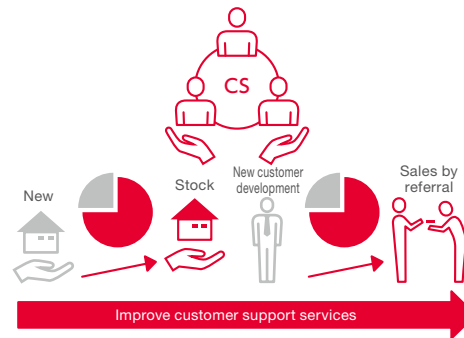
Nikkei Corporate Perception Survey

- 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.



KGI

Order rate using our customer base

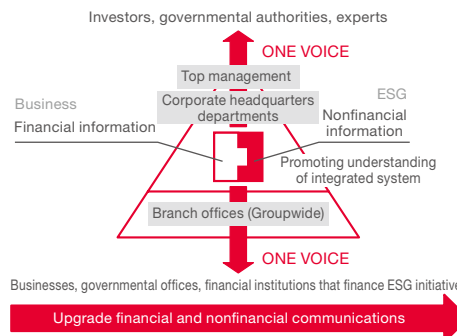
70%

* 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.



KGI

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

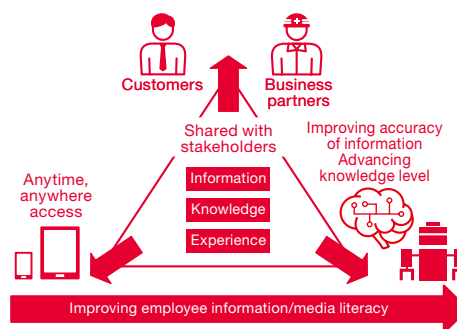
Build the system by the end of fiscal 2021.

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.



KGI

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

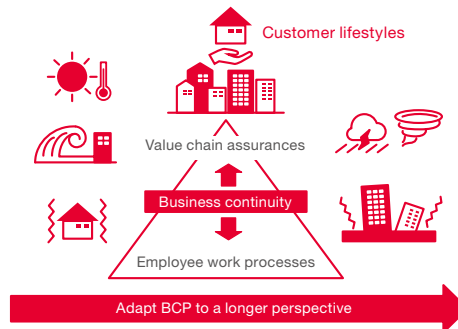
- 1 Build the means for sharing all sorts of information with stakeholders in Japan and abroad. (Have it up and running in 2020.)
- 2 Build the means for effectively using information within the company. (Have it up and running in 2020.)
- 3 Support introduction of the communication platform at our Group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

5 Communication base

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.



KGI

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.

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



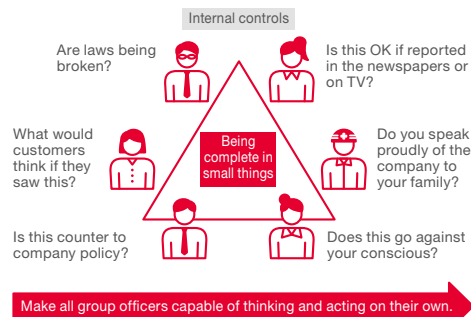
KGI

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.



KGI

Internal control system attainment score

15% improvement (388→447 pts) (Compared to FY 2017)

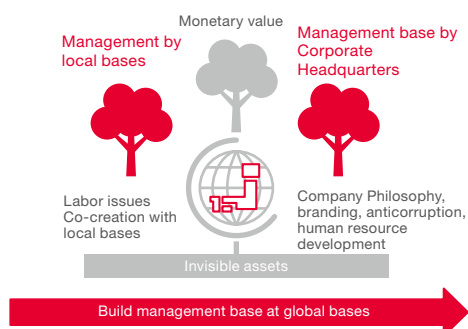
The score is calculated in consideration of the following information.

- 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.



KGI

Improved score on CSR awareness 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.

Where governance fits into the Social Medium-Term Plan

In the strictest sense, corporate governance does not belong in the Social Medium-Term Plan. But, when taken more broadly, the social connotations of governing a business are visible in things like risk management, corporate ethics and compliance. Therefore, we have included it in the Plan and report on it herein mainly in the chapter on “Foundation of CSR Management.”

Governance in the broad sense

[Strengthening management and being complete in small things]

- Respect for human rights
- Risk management (Internal controls)
- Corporate ethics, compliance, anticorruption
- Communication with stakeholders
- Matters related to execution function, e.g., cooperation with outside partners, etc.

Our Group have included corporate governance in our Social Medium-Term Plan (Endless Social Program 2021) because of its **social connotations**, and set priority issues and KGIs for it.

Governance in the narrow sense

[Corporate Governance]

- Evaluation of Board of Directors
- Diversity amongst directors (Outside sourced, gender, etc.)
- Appointment of auditors and accountants
- Nomination Advisory Committee
- Remuneration Advisory Committee and other matters related to the supervisory and decision-making functions

Correlation between priority issues of the new and previous Social Medium-Term Plans raised in this report

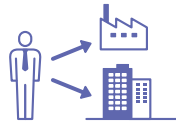
This report was edited and compiled around the priority issues raised in the previous (fiscal 2016–2018) Social Medium-Term Plan that coincided with our 5th Medium-Term Management Plan. The results of the previous plan are presented in the messages from the directors that open each of the sections on our priority issues and in the 2018 results of the CSR self-assessment indices on P 201–206. The table of contents of this report and the priority issues of the previous Social Medium-Term Plan are listed below against the priority issues of our “Endless Social Program 2021” (new plan). The new plan rearranges the framework of the previous plan, so the priority issues between the previous and new plans do not line up perfectly.

Table of contents of this Implementation Report		Previous plan	New plan (Endless Social Program 2021)			
Chapter title	Topic header	Presented as priority issue	Base	Priority issues		
Foundation of CSR Management P036–065	Corporate Governance		—	—	—	
	Human Rights Management		Risk countermeasures	14	Establish human rights due diligence	
	Risk Management			Risk countermeasures	15	Establish corporate ethics and compliance rules
				Communication	13	Prepare business continuity plans on the premise of natural disasters/extreme weather
	Corporate Ethics / Compliance		Risk countermeasures	12	Keep pace with rapidly evolving communication environments	
	Anti-corruption / Fair Trade		Risk countermeasures	15	Establish corporate ethics and compliance rules	
	Management of Intellectual Property Rights		Innovation	16	Build management base for global business development from a long-term perspective	
Co-creating a Brighter Future with Our Customers P066–083	CSR Management		Risk countermeasures	1	Build platforms for innovating solutions to social issues	
	Providing High Quality Products	●	Technology and manufacturing	7	Improve productivity in manufacturing operations with the cooperation of business partners	
	Proper Communication with Customers	●	Customer	9	Upgrade corporate communications	
				10	Promote customer support to maintain long-term relationships	
Long-Term Efforts to Earn Trust	●	Customer	10	Promote customer support to maintain long-term relationships		
Businesses to Address Social Issues / Sustainable Consumption		Innovation	1	Build platforms for innovating solutions to social issues		
Co-creating a Brighter Future with Our Employees P084–099	Providing a Safe and Healthy Work Environment	●	Human resources	3	Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)	
	Developing Human Resources	●	Human resources	4	Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	
	Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly	●	Human resources	5	Promote diversity and inclusion	
	Providing Employment Opportunities for Exceptional Human Resources	●	Human resources	4	Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	
Co-creating a Brighter Future with Our Business Partners P100–111	Fair Competition	●	Risk management	15	Establish corporate ethics and compliance rules	
	Encouraging Business Partners in CSR Efforts	●	Technology and manufacturing	8	Promote and improve the efficiency of CSR procurement across the Group	
	Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors	●	Technology and manufacturing	6	Enforce safety/security at construction sites	
7				Improve productivity in manufacturing operations with the cooperation of business partners		
Co-creating a Brighter Future with Local Communities P112–131	Contributing to the Community by Sharing Business Knowledge Gleaned Through Experience (Supporting Community Development Through the Construction Business)	●	Innovation	2	Promote social inclusion in real-estate development	
	Active Involvement in, and Collaboration with Other Parties for Local Community Development (Community Co-creation Activities)	●	Customer	9	Upgrade corporate communications	
Co-creating a Brighter Future with Our Shareholders P132–139	Returning Benefits to Our Shareholders and Investor Relations		Communication	11	Integrate and upgrade financial and nonfinancial communications	
Third-Party Assessment / Data Section P182–262	Cooperating with Third Parties and Their Assessment		Communication	11	Integrate and upgrade financial and nonfinancial communications	

Foundation of CSR Management

No. of worksites visited
for the CSR training
program

85



Human rights
awareness-raising
activities

① Our employees

189.9%



② Employees of our
Group companies

147.7%

Commitment from the Executive Officer in Charge	037
Corporate Governance	041
Human Rights Management	046
Risk Management	052
Corporate Ethics / Compliance	058
Anti-corruption / Fair Trade	060
Management of Intellectual Property Rights	062
CSR Management	063



Takeshi Kosokabe

Executive Vice President and
Chief Financial Officer (CFO)
Head of Management Administration
Headquarters

**We will face a series of wrongdoings sincerely
and thoroughly implement internal control.**

Commitment from the Executive Officer in Charge

**We regard going back to our founder's spirit now
as important.**

Takeo Higuchi, the former Chairman and Chief Executive Officer (CEO) of Daiwa House Industry, retired from Representative Director and CEO this June and assumed the post of Chairman of the Board. To this day, he has contributed to the development of the company's business over the years. The Chairman has also sought to take over the founder's spirit as an in-house narrator, so to speak, who inherited the thoughts of Nobuo Ishibashi, the founder of the company.

Going forward, the number of employees who don't know the founder personally, including myself, will decrease. It's no doubt that inheriting his spirit lays the base for sustainable growth.

Now is the time to have a serious company-wide discussion about how we hand down the founder's spirit to the young generation.

In the fiscal year under review, the Group performed strongly and maintained a high economic value. Nevertheless, we had a chain of wrongdoings such as misconduct of our Chinese affiliated company and nonconformity of single-family houses and rental collective housing to the construction standard.

I see these circumstances as extremely insecure in terms of social value, even if we have a high economic value. We therefore should reflect on this seriously in pursuit of CSR management. It's essential to firstly set the record straight and disclose information to our stakeholders. The next important thing is, while solving problems swiftly, to probe into the cause and take measures so as not to repeat wrongdoings. As a precondition for that, I would say that all the employees should learn once again from the founder's spirit.



Thoroughly eliminating offense against corporate ethics and compliance

As a governance initiative set forth in our 5th Medium-Term Management Plan, we have been pursuing CSR management with “We shall walk on the main street to continue to grow as a sustainable corporate group by taking the offense-defense balance into consideration” as the basic policy. Regarding the “thoroughgoing enforcement of risk management and corporate compliance,” one of the priority items, we did everything exhaustively and strengthened our management administration system. As a result, we have attained progress in human rights and risk management, as well as various issues including strict compliance and prevention of corruption. At meetings of the Board of Directors and Corporate Governance Committee, every time I see attendants vigorously exchanging opinions and having constructive discussions on agenda. I believe that the governance is functioning here appropriately.

With the elimination of long working hours and workstyle reform set as a priority item, we have also worked to improve productivity by improving the way of working and creating new ideas and devices.

As a result of these efforts, overtime work has been decreasing in the company and the rate of paid leave taken has been increasing. Efforts to increase holidays are also advanced at construction sites, where they are off on Saturdays.

However, as I mentioned at the beginning, a series of wrongdoings admits of no excuse for being pointed out that our risk management was not always functioning effectively. Particularly, as a person responsible for promoting CSR management, I’m very much concerned about the problem that the nonconformity to construction standard was kept inside the organization for almost two years. I also keenly feel the need of reconstructing governance. It’s a pressing need for all the executives to be more sensitive to every kind of risks, including potential ones, share information and take countermeasures promptly.

As I see it, the misconduct of our Chinese affiliate posed a big issue for us as we expand our overseas business toward the future.

Naturally, a company should neither violate compliance nor get involved in business management with lies or deception. On the basic premise of the above, providing good products, services and pleasure to customers is the basis of CSR management. And we need to learn again that we can make sales and profits as a consequence of the fact that our customers were delighted.

Implementing measures toward corporate governance reform

Under harsh conditions that wrongdoing occurs one after another, the “risk management base” in our 6th Medium-Term Management Plan includes “establishment of corporate ethics and compliance” as one of its priority issues. It has been set so all executives and employees of the Group will make it a rule to “do everything exhaustively” based on the Daiwa House Group Principles of Corporate Ethics and Code of Conduct. To encourage their spontaneous action toward internal control, we will share our perspective through a variety of media and trainings.

A series of wrongdoings depreciated our corporate value substantially and recovering the value is not easy. It’s our important mission to seek improvement of our corporate value again over the three years of our 6th Medium-Term Management Plan. From now on, we will reconsider how supervisory function should be and work on measures in sequence to reform corporate governance, an organizational design for the Board of Directors.

We will strive to penetrate the founder’s spirit in overseas sites as well

In addition to the above, “construction of a management base for global operation from a long-term viewpoint” is a priority issue as well. As our overseas business gains speed from here forward, we are going to build a management foundation that enables our global sites to take root in local communities over a long period of 10 years or 20 years. In particular, since our stakeholders in Japan and overseas are highly interested in fraud (bribery) prevention, management of our Group companies must be ensured.

In overseas business, some Japanese employees used to go to the worksites to carry out their duties. However, to build a management foundation from a long-term viewpoint, it’s essential to set up a locally incorporated company and cultivate human resources. To this end, we are required to face risks that are unpredictable in the conventional approach.

How we hand down the founder’s spirit to our overseas sites is another big issue. On the other hand, currently in our overseas business, many of locally recruited employees eagerly read “The Future of the Daiwa House Group” written by Nobuo Ishibashi, an advisor, and show enthusiasm toward learning. The employees in Japan should learn such ambitious spirit from them.

We will respond sincerely to various business risks.

Under the “Risk management foundation” of our 6th Medium-Term Management Plan, “establishment of business implementation structure assuming disasters and abnormal weather” and “establishment of human rights due diligence” are also specified as priority issues. The former means creating a system to minimize damage assuming more extensive natural disasters and abnormal weather caused by climate change or deteriorated infrastructure, as well as enhancing BCP (Business Continuity Planning). In building the system, we will extract a wide range of value chain, including the company’s business, our employees’ job process and risks of our customers’ use of buildings, from a long-term viewpoint, and then will seek to establish a business implementation structure.

As for the latter, “establishment of human rights due diligence,” we will firmly set up a technique of human rights due diligence process especially at plants where the number of foreign workers is increasing. For future application of the technique to our Group companies including those outside Japan, we plan to formulate an operation manual in accordance with international codes and to build a management system.

Pursuit of business management seeing the significance of “social value” in a fresh light

As I mentioned at the beginning, value of a company consists of its economic value and social value. Even if its economic value becomes high, unless social value is created accordingly, the company cannot win the trust of society. Business management is a pursuit of sales and profit. However, it should be obtained as a result of customer satisfaction that we provide through our business while observing social rules.

In this regard, Nobuo Ishibashi, the founder, left precious words to us: “Don’t start off from the thought: What can I do that will make a profit? We must ask ourselves what kind of product—or what kind of business—will be of use to the world.” All the employees of Daiwa House Group should ponder again the meaning of these words and renew their recognition of the significance of social value before they buckle down to work.

At the start of the 6th Medium-Term Management Plan, we took on responsibilities of “thoroughgoing enforcement of risk management and corporate compliance.” Turning this into an opportunity to rebuild governance of the company, we will focus on thoroughgoing enforcement of compliance. We will put all our strength in becoming a trusted group company to the society at the end of the management plan.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

For an enterprise to meet the need of society and being trusted by its stakeholders, it is essential to think ahead all the time and grasp social issues accurately. Besides that, incessant pursuit of fair corporate governance is important as well.

In addition, the falling birthrate and aging population in Japan is a social issue that enterprises should cope with. This issue can have an impact on all aspects of the management infrastructure, and as an enterprise, we must tackle this proactively from a long-term point of view.

Risks and opportunities for the Daiwa House Group and its responses

While the scale of business and that of the organization are expanding and their influence on society is increasing, the risk may arise in our acquisition of human resources as an influence of a declining birthrate and aging population although the number of our business opportunities increases.

In addition, any risks not contemplated until now may arise as a result of expansion of business domains. Even a small mistake may result in damage to the trust of the entire Group in some cases. Considering the prevention of such risks from arising, we endeavor to improve the internal control by the Risk Management Committee in order to thoroughly enforce corporate compliance. In order to carry on the management by taking the “offense-defense balance” into consideration, the worksites constituting the frontlines of sales activities in the whole country and the Administrative Division of the Head Office jointly endeavor to share information on problems and resolve them by cooperating closely with each other.

Business risks and opportunities are changing with the passing of time. We think that the continuous enhancement of sensitivity to corporate compliance by all executives and employees and the proper management of risks including potential ones will bring about the increase in the number of business opportunities as a result thereof.

Aiming at Building of Foundation of CSR Management

We will build the solid foundation of the management by creating the CSR mindset and enhancing the awareness through the activation of the organization with work performance improvement.

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

Ethical conduct

P063–065

In the “In-House CSR Awareness Survey” for surveying the actual situation of ethical conduct in the Company, we have fixed the target score at 80 points for fiscal 2018. The actual score was 76.8 points. We will continue our efforts to enhance the CSR awareness.

Individual indices (Excerpted)	Results	FY 2018 targets
In-house CSR awareness survey	76.8 pts	80 pts

Creation of a CSR mindset

P058-059

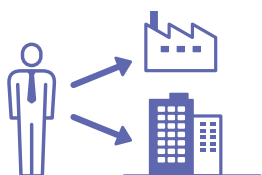
Regarding the “number of worksites visited for the CSR training program” as one of the efforts to create the CSR mindset in the company, we fix the accumulated target number for each fiscal year. In fiscal 2018, the actual number was 85 worksites against the target of 83 worksites, achieving the target number for the third straight year.

Individual indices (Excerpted)	Results	FY 2018 targets
No. of worksites visited for the CSR training program	85	83

■ No. of worksites visited for the CSR training program

FY 2017
74

Results
85



Human rights awareness-raising

P046-052

Regarding the rate of attendance at the training program for raising the human-right awareness of the employees of Daiwa House

Industry, while the target rate is 200% (expecting two attendances per person a year) for fiscal 2018, the actual rate was 189.9%. Regarding the rate of attendance of the employees of Group companies, while the target rate is 100% for fiscal 2018, the actual rate was 147.7%, and the target was reached.

We will promote our efforts for continuously raising the human-rights awareness to reach the target.

Individual indices (Excerpted)	Results	FY 2018 targets
Human rights awareness-raising activities		
① Our employees	①189.9%	①200%
② Employees of our Group companies	②147.7%	②100%

■ Human rights awareness-raising activities

① Our employees

FY 2017
186.7%

Results
189.9%



② Employees of our Group companies

FY 2017
116.4%

Results
147.7%

Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021

Major priority issues	Major Key Goal Indicators (FY 2021)
Keep pace with rapidly evolving communication environments.	Establish a communication innovation base that enables individuals to be armed with information.
Prepare business continuity plans on the premise of natural disasters/extreme weather.	Business Continuity System score: 100
Establish human rights due diligence.	Establish a technique of human rights due diligence process at plants. Establish the technique by the end of 2021.
Establish corporate ethics and compliance rules.	Improve the score of the development level of internal control system by 15% (388 → 447 pts).
Build management base for global business development from a long-term perspective.	First survey on the improvement rate of the scores of CSR awareness survey conducted at overseas sites Will start from fiscal 2019 (for target setting).

Corporate Governance

Basic Policy and Concept

Promoting Corporate Governance

Daiwa House Industry considers corporate governance a priority issue in our business management in order to remain a corporation trusted by society. As such, our basic approach is to establish and maintain a swift and accurate decision-making and business execution system, an optimal supervisory and auditing structure, and a corporate governance mechanism incorporating diverse and long-term perspectives.

Operating on these systems, we pursue, and continue to improve, our corporate governance in the best possible manner, so that we may maintain both our contribution to society and value creation for our shareholders at high levels: the former through our business activities in a broad range of fields fulfilling society's needs as a group that co-creates value for individuals, communities, and lifestyles as stated in our management vision and advancing proactive innovation and exploration of new areas; and the latter as a publicly listed corporation that creates stable economic value surpassing capital cost on a medium- to long-term basis.

Management

Corporate governance system

To put our management vision into practice, the senior management in charge of business execution should always explore social needs based on a bottom-up approach, and the Board of Directors should deliberate and determine how we concretize the social needs as a business.

Taking these into account, we choose to be a Company with an Audit and Supervisory Board and have a Board of Directors centering on executive directors so as to enable accurate and swift actions on how to respond to the society's needs through our business operations. In this structure, we appoint a multiple number of independent external directors to increase transparency and soundness in our business management. Furthermore, the Board of Directors is further audited by auditors and the Audit and Supervisory Board that are independent of the Board of Directors (diagram below).

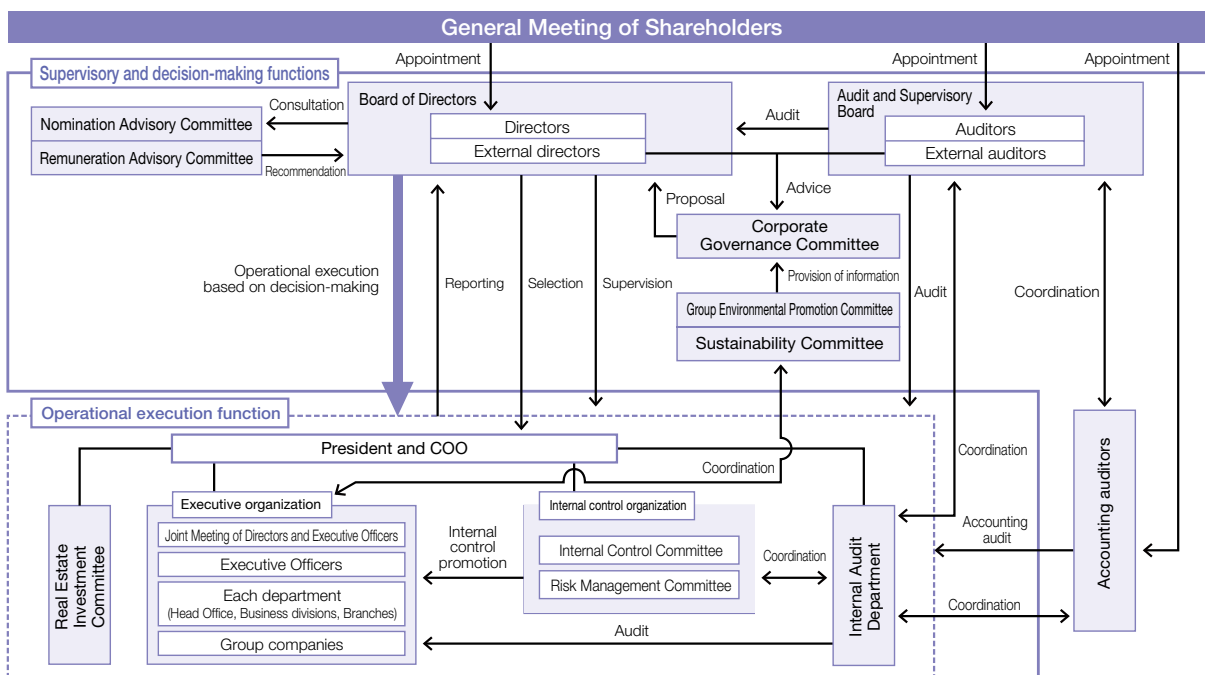
The company has a well-balanced so-called "hybrid-type board" with "managerial functions" centering on 13 executive directors and "supervisory functions," which is mainly consisted of three independent external directors (of which, one is female) and six auditors and the Audit and Supervisory Board (of which, three are external directors) who do not vote to a decision-making of the Board of Directors.

The Board of Directors of our company appoints Chairman who serves as Chief Executive Officer (CEO), who is granted supreme authority of decision-making and supervisory functions, and chairman of the board. Granted operational execution function based on the bottle-up approach as well, Chairman achieves high levels of decision-making and supervisory functions.

Regarding the nomination of directors and officers and remuneration, to enhance independence and objectivity, we have a Nomination Advisory Committee and a Remuneration Advisory Committee formed on a voluntary basis, the majority of whose respective members are external directors headed also by an independent external director.

We also have the Corporate Governance Committee to discuss overall management visions, strategies including efforts toward achieving SDGs (UN's Sustainable Development Goals) and ESG, and other subjects, so as to sufficiently incorporate the knowledge of external directors into the company's medium- to long-term managerial issues for sustainable growth of our company.

Corporate governance system



Selection of directors

Our company's Article of Incorporation stipulates that the term of office of directors as one year, and the Regulations of Directors set by directors stipulates the procedures and standards for selecting directors.

Standards for selection of directors are as follows.

1. Having good character and knowledge, good managerial sense and a mastery of wide-ranging managerial issues
2. Having an excellent company-wide perspective and abilities to analyze and judge subjectively
3. Having outstanding foresight and insight
4. Capable of accurately grasping the trend of the times, managerial environment and changes in the markets
5. Highly motivated to improve his own quality
6. Capable of proactively expressing his or her opinion from a company-wide perspective

Diversity of gender of the Board of Directors, etc.

The Board of Directors of our company is consisted of various directors who have different backgrounds of expertise, experience and so on. And it's basically composed of less than 20 persons that include two or more independent external directors, as it is the adequate number of directors for the Board of Directors to fulfill its functions most effectively and efficiently. The number of female directors of the Group is as follows.

Number of female board members

Daiwa House Industry *1	Group *2	
Directors	Directors	Executive Officers
1	11	2

* As of April 1, 2019

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_kaiji.pdf

Supervision of the Board of Directors concerning SDGs and ESG

As for the efforts toward achieving SDGs and ESG, chairmen 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 P041 Corporate governance system
P151 Environmental Management

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 2018, we conducted a questionnaire survey in cooperation with an external organization, and assured anonymity by having replies made directly to the external organization. Taking into consideration a report on the aggregate results from the external

organization, we have confirmed the structure of the Board of Directors, its decision-making process, administration status of the Board of Directors including performance management, status of support to external directors, and status of the execution of duties of the directors. As a result of the above, we have determined that the effectiveness of our Board of Directors is maintained adequately.

On the other hand, we shared the diversified structure of the Board of Directors, as well as acquisition of knowledge required to keep up with the ever-changing managerial environment and other issues.

We will continue striving to improve the effectiveness of the Board of Directors and our management system.

Audit and Supervisory Board

The Audit and Supervisory Board audits the execution of duties of Directors and Executive Officers, determines the content of proposals for submission to the General Meeting of Shareholders on the appointment or dismissal of accounting auditors or against the reappointment of accounting auditors, and conducts other items prescribed by accounting auditing and other laws. The Board receives in a timely and appropriate manner reports from Directors, employees and accounting auditors on items necessary for auditing the execution of duties by the Audit and Supervisory Board, Directors and Executive Officers. Additionally, the Audit and Supervisory Board shares necessary information with the accounting auditors, Internal Audit Department and external directors in an effort to improve auditing quality and perform audits efficiently.

Having received a mandate from shareholders as independent entities to audit execution of duties of Directors and Executive Officers, Audit and Supervisory Board Members fulfill their duty to ensure healthy and sustained corporate growth and establish a high-quality corporate governance system worthy of society's trust. In light of the characteristics of their full-time position, fulltime Audit and Supervisory Board Members work proactively to put in place audit environments and collect information. In addition, they routinely monitor and verify the status of internal control system construction and operation.

External Audit and Supervisory Board Members express their audit opinions objectively from a neutral standpoint, being that they are appointed as part of a legal requirement for augmenting the independence and neutrality of the audit structure.

One of fulltime auditors has a wealth of knowledge of finance and accounting, improving financial expertise of the Audit and Supervisory Board. The status of auditor's audit and auditors' remuneration are disclosed in our Securities Report.

Related page Our Group official website
The 80th Term Securities Report (Japanese text only)
<https://www.daiwahouse.com/ir/shouken/pdf/80yuuhou.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 by a majority of external auditors for the purpose of securing of independence of the Board, and one or more members shall be designated as independent officer set forth by stock exchanges.
2. External auditors shall be selected among professionals of finance, accounting, laws, business management and other expertise.
3. Fulltime auditors shall be selected among those who have rich experiences in our company, and one or more of them shall be selected among those who are considerably versed in finance and accounting.

Procedures of selecting accounting auditors and other matters are stipulated in 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.

For the number of auditors and other details, please see our “Integrated Report 2019” (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

Committee on supervisory and decision-making functions

Corporate Governance Committee

The Corporate Governance Committee is composed of external directors, external auditors and fulltime auditors, the CEO, COO and CFO and Representative Directors. This committee conducts exchanges of views on vision, strategies and other items related to corporate governance and overall company management from diverse perspectives and based on a long-term viewpoint.

As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee (Chairman: Executive Officer in charge of the Environment, Current: Representative Director and Senior Managing Executive Officer), a meeting structure associated with the Committee, and Sustainability Committee (Chairman: General Manager of Management Administration Headquarters, Current: Executive Vice President), and exchanges opinions with them.

By incorporating into corporate management the full extent of the knowledge and wisdom of external directors and external auditors, the Committee aims to create a “better company,” convening with the principal purpose of contributing to enhancing corporate value over the medium- to long-term. (Chairman: Chief Executive Officer (CEO), Frequency: twice a year in principle)

Group Environmental Promotion Committee

Group Environmental Promotion Committee has been established as an organization to promote environmental management in a united effort of the entire Group and on a global scale. 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, Frequency: twice a year, in principle)

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).

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 respond to request for advice from Director in charge of Human Resources or executive officers on items to be discussed, 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 director
2. Requirements for the independency and neutrality of outside director
3. Recommendation of director candidate

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 respond to request for advice from Director in charge of Human Resources or executive officers on items to be discussed, 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 determining director's remuneration

Directors' remunerations are disclosed in our Securities Report.

Related page Our Group official website
The 80th Term Securities Report (Japanese text only)
<https://daiwahouse.com/ir/shouken/pdf/80yuuhou.pdf>

Committee related to execution of operations

As for committees involved in execution of operation (Management Committee), we have, in order to operate business in its extensive business field, established the Joint Management Council to promptly and appropriately conduct subjects decided by the Board of Directors, the Real Estate Investment Committee and the Group Environmental Promotion Committee as a review organization for decision-making by the Board of Directors and matters necessary to the guidance of our management, and the Internal Control Committee and the Risk Management Committee to supervise the company-wide internal control system and to secure effectiveness of its implementation while striving to deploy well-balanced business between high certainty approaches against business opportunities and risk control.

Joint Management Council

To enable the Board of Directors and the Executive Officers to encourage mutual communications, as well as to appropriately execute decisions determined by the Board of Directors, we establish Joint Management Council. (Chairman: President)

Internal Control Committee

To construct an appropriate internal control system in line with the provision of the Basic Policy for Internal Control System Construction, the Committee requests reports on the system's operational status and provides supervision. (Director: President, Chairman: General Manager of Management Administration Headquarters)

Risk Management Committee

The Committee constructs and maintains a risk management system to prevent and curtail the manifestation of risks related to the management of the Daiwa House Group, as well as to reduce the amount of damage when risks materialize and to implement them. (Chairman: General Manager of Management Administration Headquarters)

Real Estate Investment Committee

[Establishment of Real Estate Investment Committee]

To ensure a proper decision when making investment to a real estate development project by assessing and fully deliberating and considering its feasibility and risk, we have established Real Estate Investment Committee. As a general rule, the Committee is held about once every 10 days and President 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.

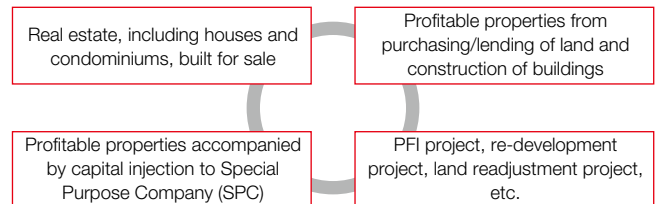
To contribute to request for approval and decision-making by the Board of Directors, the Real Estate Investment Committee deliberates on domestic and overseas real estate investment projects of more than a certain level of amount, in accordance with a classification by monetary value. Projects relate 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.

[Deliberations based on our own standard]

Deliberation of projects is made sufficiently based on the explanation of originating department and relevant departments. As investment standard, a hurdle rate to IRR is set. If the IRR exceed the standard,

a resolution to execute investment is adopted. At the same time, the Committee conducts multidimensional risk assessment (15 departments, 25 items), including whether or not the execution of investment is consistent with management philosophy, management strategy and brand image of our company, legal risks, soil and underground water contamination, ground risks and appropriateness of construction cost. So even if an investment project clears the condition in the economic viewpoint, execution of this investment differs substantially from what we aspire to be, or our vision, exerts great influence on the environment or in other cases, such investment is not approved.

Major real estate development projects to be deliberated



Risk assessment for investment decision

[Economic risk assessment]

- Setting of hurdle rate to IRR*

+

[Multidimensional risk assessment (15 departments, 25 items)]

- Consistency with management philosophy, management strategy and brand image
- Legal risk
- Impact on the environment, including soil/underground water contamination and ground risks
- Appropriateness of construction cost, etc.

* Set based on the WACC (weighted average of shareholder's equity cost and liability cost) standard with risk premium and other factors added

Status of holding Board of Directors (Expected attendees: Directors and Auditors)

FY 2018	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭
Directors	18/18	18/18	18/18	19/19	18/19	18/19	19/19	18/19	19/19	18/19	19/19	16/19	17/19	18/19
Auditors	6/6	6/6	6/6	5/6	5/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6
Attendance rate	100%	100%	100%	96%	92%	96%	100%	96%	100%	96%	100%	88%	92%	96%
Matters to be resolved	7	6	3	7	3	3	6	2	6	5	5	5	11	3
Matters to be reported	1	2	0	1	0	1	1	2	1	1	0	0	1	0
Time required	120 min	130 min	40 min	90 min	75 min	65 min	65 min	60 min	80 min	85 min	90 min	60 min	125 min	45 min
Meeting month	Apr	May	Extraordinary meeting in May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Extraordinary meeting in March

Status of holding Joint management Council

(Expected attendees: Directors, Executive Officers and Auditors)

FY 2018	①	②	③	④	⑤	⑥	⑦	⑧
Directors	18/18	18/19	18/19	19/19	18/19	18/19	19/19	16/19
Auditors	6/6	5/6	6/6	6/6	6/6	6/6	6/6	6/6
Executive Officers	41/41	38/40	39/40	40/40	41/41	41/41	41/41	41/41
Attendance rate	100%	94%	97%	100%	98%	98%	100%	95%
Meeting month	Apr	Jul	Aug	Sep	Oct	Dec	Jan	Feb

Status of holding Corporate Governance Committee

(Expected attendees: External Directors, External Auditors, Fulltime Auditors, CEO, COO, CFO and Representative Directors)

FY 2018	①	②
Number of attendees	16/16	16/16
Attendance rate	100%	100%
Meeting month	Jul	Jan

Status of holding Group Environmental Promotion Committee

(Expected attendees: Executive Officer in charge of Environment, Specialized Subcommittee members)

FY 2018	①	②
Number of attendees	48/49	51/51
Attendance rate	98%	100%
Meeting month	Jun	Nov

Status of holding Sustainability Committee

(Expected attendees: General Manager of Management Administration Headquarters, Head of each department, sustainability members)

FY 2018	①
Number of attendees	49/49
Attendance rate	100%
Meeting month	Sep

Status of holding Nomination Advisory Committee

(Expected attendees: Independent External Directors, Chairman and CEO, President and COO)

FY 2018	①
Number of attendees	4/5
Attendance rate	80%
Meeting month	Sep

Status of holding Remuneration Advisory Committee

(Expected attendees: Independent External Directors, Chairman and CEO, President and COO)

FY 2018	①
Number of attendees	5/5
Attendance rate	100%
Meeting month	Apr

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 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.

Basic remuneration

In compensation for “fulfilling their duties,” monetary fixed remuneration is paid to all of our directors and auditors. Limitation of remuneration for director shall be 70 million yen per month (resolution at the 57th General Meeting of Shareholders held on June 27, 1996) and auditor shall be 18 million yen per month (resolution at the 80th General Meeting of Shareholders held on June 25, 2019).

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)

Stock awards

For stronger linkage with our shareholders’ profit and more attractive incentive to improve 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 the 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 bought and managed for them by a trust, in proportion to the achievement level of ROE (Return on Equity).

[Determination of payment amount]

The payment amount conforms to the above policy. Regarding stock awards, an incentive for more medium- to long-term improvement of corporate value, in principle, we seek to secure approximately 10%. Please visit our website as to how we determine 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 follows. 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. By these regulations, each company of our Group, as a basic principle, ensures to further develop their business with a spirit of independence and self-reliance and the rule to require reporting to Daiwa House Industry concerning priority items was adopted. Under moderate influence of administration and discipline by Daiwa House Industry, we respect flexible and efficient business conduct of each Group company and guarantee the appropriateness of their business.

As for management administration, we make key Group companies inside and outside Japan to report status of monthly profit and loss and conduct conference calls. Therefore, we are able to confirm business progress against the business plan formulated at the beginning of the term, promote sharing of issues and understand the financial outlook at an early stage.

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 and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO)*. The Daiwa House Group declares in its Principles of Corporate Ethics its stance on respect for human rights: We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.” In January 2018, we instituted the “Daiwa House Group Human Rights Policy” with the understanding of the corporate responsibility to respect human rights, which is stated in the UN’s “Guiding Principles on Business and Human Rights.” This policy was instituted with advice from outside experts and a resolution of the Board of Directors held in December 2017. For our business partners, we have established the CSR Procurement Guidelines as comprehensive social and environmental standards concerning human rights, labor practices, environmental protection, and bribery (including anticorruption), and which clearly states about respecting human rights as one of the codes in the Business Partner Code of Conduct, so we will respond to human rights issues that occur in our supply chain in a responsible manner.

It is our future task to implement human rights management that can respond to the supply chain and value chain, which will further expand and become complicated as overseas business increases. To reduce as many people whose rights are violated by our business as possible, even just one, we will reinforce a mechanism to grasp and monitor the impact and extract and improve issues from the viewpoint of human rights due diligence. As part of our ongoing efforts, we try to reduce infringement of rights of indigenous inhabitants of the place of origin by timber procurement. (See Page 049.)

Respect for dignity and basic human rights of various stakeholders pursuant to this basic policy is brought by daily jobs of each one of our employees. For this reason, we think highly of providing human right education. In every April, we set a Policy on Human Rights Awareness-Raising Activities under the name of President and all employees are notified to receive trainings more than twice a year.

* Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO): Principles established in the ILO’s Declaration on Fundamental Principles and Rights at Work, adopted at the 86th Session (1998) of the International Labour Conference and consisting of four categories: freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect to employment and occupation. All Member States (187 countries including Japan) respect, promote and assume responsibilities to realize these Fundamental Principles.

Policy on Human Rights Awareness-Raising Activities (excerpts of items only)

- Commitment to the respect for human rights**
Approach to promote the respect for human rights
- Continuous implementation of human rights due diligence
 - [Respect for customers’ human rights]
 - [Respect for employees’ human rights]
 - [Respect for business partners’ human rights]
 - [Respect for community residents’ human rights]
 - Dialogues and discussions with stakeholders
 - Education
 - Report (Established in January 2018)

Related page P195–196 Principles of Corporate Ethics and Code of Conduct [Respect for human rights]
 P198–200 CSR Procurement Guidelines (Business Partner Code of Conduct, Corporate Activity Guidelines, Guidelines for Products)

■ Vision of Human Rights Awareness-Raising

Since Daiwa House Group is mainly based on the construction industry, it differs from other business categories that sell finished goods. Therefore, our employees engaged in sales, design and construction create buildings by directly communicating with customers, business partners, community residents and various stakeholders. As such, in order to avoid complicity in human rights violations through our business, it is particularly important to raise the awareness of employees about human rights.

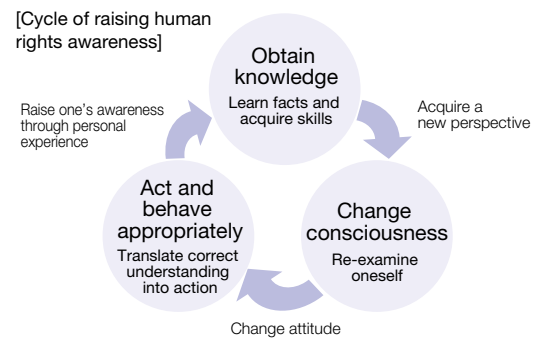
Daiwa House Group has continued to conduct human rights awareness-raising activities for employees in accordance with our conviction that “all corporate entities are required to respect human rights.” In 2015, on the occasion of the 60th anniversary of the corporate founding, our employees voluntarily sought to participate in human rights awareness-raising activities looking ahead to the future, formulated and made widely known “Our vision of human rights awareness-raising” and shared with all of our employees the state and direction to aim for.

We also inform employees annually about human rights awareness-raising activities in all of the worksites in our Group, the policy on building a human rights management structure and “Human Rights Awareness-Raising Activity Policies” through our in-house notices at the beginning of the term.

Related subject Our Group official website
 Human Rights Policy of Daiwa House Group
<https://www.daiwahouse.com/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

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).” Real estate including buildings are not only valuable to customers. Construction of buildings has business characteristics in which our employees take the lead and create through direct communication with customers, business partners, community residents and various stakeholders. Therefore, if our employees do not correctly understand about human rights they may be complicit in discrimination unconsciously.

Daiwa House Industry’s measures taken on human rights are reinforced by continuously conducting information exchange and engagement with human rights-related organizations and experts in the areas of human right issues. We understand that the present issue is to be able to implement a human rights management system at overseas sites at the same level as in Japan.

Human rights management system

Target stakeholders	Policy	Impact study and monitoring	Planning and implementation of response to issues	Whistleblowing system and consulting services
All stakeholders	<ul style="list-style-type: none"> Daiwa House Group Human Rights Policy (Commitment) Principles of Corporate Ethics and Code of Conduct 	<ul style="list-style-type: none"> Understanding of human rights issues through engagement with “various organizations and NGOs” representing individual stakeholders. Understanding from the following surveys 	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 	Daiwa House Industry Customer Consulting Center
Our employees	<ul style="list-style-type: none"> Vision on Human Rights Awareness-Raising Human Rights Awareness-Raising Activity Policies (policies by the President and COO) 	<ul style="list-style-type: none"> Survey on actual conditions of human rights CSR awareness survey Employees’ awareness survey (View Research 100) 	<ul style="list-style-type: none"> Human rights awareness-raising training operation plan (including human rights awareness-raising organization chart) Workplace awareness improvement based on CSR awareness survey Improvement of our worksites based on questionnaire survey for business partners 	<ul style="list-style-type: none"> Corporate Ethics and Human Rights Helpline Risk Information Hotline Auditors whistleblowing system General Affairs Department of each branch (consulting services for harassment, etc.)
Business partners (partner subcontractors, employees of suppliers)	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 	Partners Hotline

Priority issues of the Medium-Term CSR Plan concerning human rights and the pages carrying this report

Target	Priority issues of the Medium-Term CSR Plan concerning human rights	Main themes on human rights	Page
Foundation of CSR Management	Responding to human rights issues	Prevention of all forms of discrimination and harassment	P046~052
	Human rights awareness-raising	Human rights awareness-raising activities taking into account the influence of employees on individual stakeholders	
Customers	Provide high quality products	Product safety	P071~076
	Proper communication with customers	Restriction of marketing communication leading to human rights violations, personal information management	P076~078
Employees	Provide a safe and healthy work environment	Occupational safety and health	P089~092
	Creating work environments and systems where a diverse range of employees can work flexibly	Abolition of discrimination, promotion of diversity	P095~097
Business Partners	Encourage business partners in CSR efforts	Responding to human rights and labor practices in the supply chain	P106~109
	Improve labor conditions and ensure human resources for construction subcontractors	Safety and health of employees in our partner subcontractors, improvement of work environment	P109~111
Local Communities	Active involvement in and collaboration with other parties for local community development	Cooperation and assistance with NPOs Exchange with community residents at plants	P125~131

Participation in an international initiative

In April 2018, we participated in the UN Global Compact. We support the Children’s Rights and Business Principles released jointly by UN Global Compact and UNICEF, and work proactively to solve social issues. Through our business, we strive to fulfill our commitment of contributing to the realization of a society where human rights are respected, as a Group that co-creates value for individuals, communities, and people’s lifestyles.

Cooperation with human rights organizations/initiatives

Our company is a formal or supporting member of a number of organizations that work toward the resolution of human rights-related problems in society. We advocate and endorse the objectives of these organizations and participate in their various initiatives. We also collect information in a continuous manner by taking part in the activities of organizations such as the Buraku Liberation and Human Rights Research Institute and the Corporate Federation for Dowa and Human Rights Issues, Osaka, attending seminars on the rights of the child and the violation of human rights, and subscribing publications on related subjects.

[Major cooperation organizations]

- ① Buraku Liberation and Human Rights Research Institute
This organization works toward the elimination of all forms of

discrimination and the realization of a society in which all human rights are respected.

- ② Corporate Federation for Dowa and Human Rights Issues, Osaka
This organization is aimed at generalizing correct understanding and knowledge about buraku discrimination from the corporate CSR perspective in cooperation with local governments, based on the belief that the earliest resolution of the dowa issue is a task of national importance.
- ③ Fair Recruitment and Human Rights Center
This organization was established to encourage proactive corporate initiatives for the establishment of fair recruitment criteria and the promotion of in-house human rights training programs.
- ④ Association of Osaka City Corporations for Human Rights
This is an association of particularly socially influential Osaka-based corporations that engage in mutual improvement and awareness raising to build a "brighter society."
- ⑤ New Media Human Rights Organization
This non-profit organization (NPO) was established to contribute to solving a variety of human rights-related problems that occur on the Internet.
- ⑥ Multi-Ethnic' Human Rights' Education Center for Pro-existence
This NPO was established to promote necessary changes for the realization of a society in which true harmony and solidarity exist between Japanese and non-Japanese, on the assumption that Japan will become a multi-ethnic society in the 21st century.
- ⑦ Normalization 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.

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 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 Helpline

Since 2004, the Daiwa House Group has been operating a hotline for in-house breach notification ("whistleblowing") and consultation services, while implementing regulations to protect whistleblowers. The hotline is available, and the regulations are applicable, to all Group employees, regardless of their type of employment. From 2013, this service was renamed the "Corporate Ethics and Human Rights Helpline." The hotline accepts not only reports of suspected or confirmed cases of breach but also reports of, and requests for help and advice on, a variety of workplace- or human rights-related problems, thereby contributing to early detection and resolution of such problems.

In the process of working toward resolution, whistleblowing is accepted under anonymity. In the factual confirmation and investigation, privacy of not only the consulter but also employee(s) in question and third parties who cooperate in the investigation are respected. Hearings of the persons concerned are held based on

compliance with confidentiality. Along with such actions, appropriate measures are taken to prevent recurrence. Once the problem has been resolved, a follow-up investigation is carried out to ensure, in some cases, that the reporter will not be subject to retaliatory treatment or that improvements have been made, thus always protecting hotline users.

As measures for recurrence prevention, information is shared among related worksites and departments via the persons in charge of the hotline at worksites to raise general awareness of the risks. Training programs are also organized to draw attention to such issues.

Also, points of contacts for consultation for Group employees have been put in place at the 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 Helpline, we accept issues relating to human rights via the Partners Hotline which is a whistleblowing system from business partners in relationship between the Daiwa House Group employees and business partners.

Related page P054 Whistleblowing systems (grievance mechanisms)

System for promoting human rights awareness-raising activities

The Group has organized Human Rights Awareness-Raising Committee headed by the President, as described below, to periodically check the implementation status of the human rights awareness-raising activities of the entire Group. In every April, we give notice on Policy on Human Rights Awareness-Raising Activities under the name of President, who is the Chairman of the Human Rights Awareness-Raising Committee. In this fiscal year, reports on trainings actually provided in the previous fiscal year, as well as human rights promotion structure (organization chart) and activity plan for the current fiscal year were received from Daiwa House Industry's 89 branch offices and 30 Group companies in Japan.

There's a system under which provision of periodical trainings is ensured at each workplace, and individual human rights problems are swiftly responded and reported.

■ Organization of the Human Rights Awareness-Raising Committee



Implementation of human rights education

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

Guidelines for land use surveys

As a building constructor that is essentially linked with land use, we pay particularly close attention to avoid complicity in buraku discrimination (also called the “dowa issue”), discrimination against the descendants of Japan’s feudal-period outcasts historically associated with specific geographic locales. Acts of “investigating dowa district locations” or “letting others know about dowa district” are never should be performed by a real estate transaction agent. Our human rights awareness-raising training is a program that puts weight on new employees’ acquiring proper knowledge about dowa issue as a matter of first priority. For this purpose, in 2011, we drew up guidelines for our market research conducted when purchasing premises for our business. More specifically, it stipulates not to set research items that may lead to a land-associated discrimination, such as “Not to set a question to evaluate school district (school).” We also created a check sheet to check received research reports if it contain any description that could develop into a discrimination.

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. (Number of consultations from each branch in fiscal 2016: 8 cases, in fiscal 2017: 20 cases, fiscal 2018: 25 cases).

[Related page](#) P054 Whistleblowing systems (grievance mechanisms)

Results of applying human rights due diligence to stakeholders in business

Assessment of employees human rights risks

We respond promptly, individually and specifically to consultations concerning violation of human rights from customers and stakeholders other than our employees and employees of our business partners, and conducts a CSR awareness survey annually as an effort to confirm the level of employees understanding and permeation of Daiwa House Group Principles of Corporate Ethics including respect of human rights. We have been conducting this survey since fiscal 2004 and in fiscal 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 Helpline every year. For the purpose of respecting fundamental human rights at work, we have adopted a computerized management system to accurately register daily working hours and attendance and absence at all the offices. This is a centralized data management system that records attendance and quitting times and handles procedures such as the issuance of orders and approval for overtime work. At the same time, we have been taking various measures to reduce working hours, by eliminating late-night overtime work, thus mitigating the physical and psychological burden on employees, and reviewing the way the company works in general.

[Related page](#) P089 Establishment of various systems related to labor problems

Assessment of business partners human rights risks

CSR Procurement Guidelines of Daiwa House Industry contains the Business Partner Code of Conduct, and we have 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 the Groupwide basis: 6,593/6,911 companies (Collection rate: 95.4%)). The Guidelines and the Business Partner Code of Conduct set out workplace safety, labor-related matters and other matters (including forced or compulsory labor, child labor and harassment), and the status of observance is monitored with our original checklist. By doing this, we detect human rights risks in our supply chain. If a problem is detected, we correct it as it arises and provide education to prevent recurrence. Additionally, our company carries out annual questionnaire surveys toward business partners to check if there is any unfairness or inadequacy in the details of order placement to subcontractors or the attitude of our employees. In this way, we establish sound and good relationship free from human rights violation.

With regard to timber procurement, which involves particularly high human rights risks concerning violation of human rights of native inhabitants in production area, among other materials that our company purchases, we conduct an annual survey and monitoring of business partners placed under the responsibility 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. For a business partner that procured timber not satisfying our requirement standards, we conduct a hearing and take corrective actions.

The number of foreigners working at construction sites in Japan is increasing, and some cases of unrighteous employment procedures and actual status of unlawful employment (e.g. unpaid wages) have become social problems. In view of such situation, we operate internal rules pursuant to the Guideline for Subcontractor Guidance concerning Foreign Worker Acceptance Program” set by the Ministry of Land, Infrastructure, Transport and Tourism, and take care so the rights of foreign workers will not be violated. When a foreign worker enters a site of construction we undertake, we make it a rule to verify his legitimate employment eligibility in advance without fail, and confirm identity when he enters the site. In fiscal 2018, no formal complaint was filed against our company concerning forced or compulsory labor.

The entire class of executives is made thoroughly aware that appropriately regulating employees’ working hours is the very least that we should observe in compliance with the labor law. 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 Co., Ltd. and Daiwa Lease have acquired certification as a “company proactively committed to fair recruitment and human rights awareness-raising”.

[Related page](#) P167–168 Preserving biodiversity in our procurement and business activities

Stakeholder engagement in applying human rights due diligence

Daiwa House Group's Human Rights Policy stipulates that the Group will implement human rights due diligence and respect human rights of its stake holders (mainly customers, employees, business partners, local communities) through initiatives based on the existing policies relating to business activities and guidelines. As a monitoring method of the influence that our business activities exert on our stakeholders, we will use various types of questionnaire surveys, steadily provide explanation of results (feedback) and listen to their opinions, which will also be the engagement in corporate social responsibility we think.

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)," "CSR awareness 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 regularly participating in activities of various groups and NGOs, which represents people in local communities, and collecting opinions on our initiatives.

Engagement with employees

The Daiwa House Group summarizes aggregate results of the "CSR awareness 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 on human rights issues Questions (excerpts)

- Do you think that there is a fact or atmosphere of dismissal or other detrimental treatment (demotion without explanation) of female employees because of pregnancy, childbirth or other reasons?
- Have you received power harassment yourself since April 2017 till today?
- What would you do if you were asked by a friend of acquaintance of yours whether a property that Daiwa House Industry sells is in a dowa district?
- Do you think it's "overindulgence" that a foreigner seeks consideration for human rights in Japan because of the difference in culture or religion from that of his or her mother country?

- Was any training or education provided regarding the Act for Eliminating Discrimination Against People with Disabilities (enforced in April 2016) at your workplace?

— 36 questions including the above

Feedback sheet of 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 従業員数 1,998 女性従業員 2,631 女性比率 78.4% 調査スコア 75.6 前年度スコア 72.1 総合スコア B 責任の所在の内訳 10/10

調査項目	前年 (2017.4)	調査結果	今年 (2017.4)	調査結果
総合	調査スコア 72.1 前年比増減 -0.5	75.6 +3.5	調査スコア 75.6 前年比増減 +3.5	B
カスタマー・パートナー・サプライヤー	調査スコア 78.0 前年比増減 -0.2	81.0 +3.0	調査スコア 81.0 前年比増減 +3.0	C
従業員	調査スコア 64.2 前年比増減 0.0	67.0 +2.8	調査スコア 67.0 前年比増減 +2.8	A
ビジネスパートナー	調査スコア 68.7 前年比増減 -1.7	71.0 +2.3	調査スコア 71.0 前年比増減 +2.3	D
地域関係	調査スコア 76.8 前年比増減 0.0	76.8 0.0	調査スコア 76.8 前年比増減 0.0	B
外国人労働者	調査スコア 79.3 前年比増減 0.0	79.3 0.0	調査スコア 79.3 前年比増減 0.0	B
その他	調査スコア 77.4 前年比増減 1.9	78.4 +1.0	調査スコア 78.4 前年比増減 +1.0	A

1. 調査結果 (スコア・ランク) ... 2. 調査結果で顕著な改善 (不満足) 箇所 ... 3. 責任の所在が顕著な調査項目 ... 4. 進捗する調査項目 ... 5. 調査結果より読み取れる傾向

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's any problem in ensuring on-site work safety and adequate construction period, payment of construction fee and so on. response rate for fiscal 2018 was 77.2%. 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 P065 Main approach by our worksites in PDCA cycle of CSR management are as follows.
P107 Member organizations in our supply chains

Engagement with other stakeholders

The Daiwa House Group cooperates with various groups which aim to solve human rights issues, from the perspective of human rights due diligence.

In 2018, a multiple number of requests for trainings for points to note when working with foreign staff were received through employee awareness survey, questionnaire survey and others conducted during trainings at Daiwa House Industry and some of its Group companies. In response to this, in January 2019, a training titled "For prevention of discrimination against foreigners and co-existence with them" was provided by Mr. Mung Gong Whi, Head of Multi-Ethnic' Human Rights' Education Center for Pro-existence, an NPO, to managers and employees at the leadership class of Head Office and Head Branch.



Lecture by Mr. Mung Gong Whi

Additionally, in January 2019, at the request of General Corporation "Career Support and Talent Enhancement Plaza," we reported our initiatives as an enterprise at the fiscal 2018 meeting of the Employment Problem Study Group: "SDGs and enterprise—Realizing the future that everyone can be active." With approximately 180 participants from enterprises, government and interested groups, we gave a presentation on our efforts contributing to SDGs goals, including "Both job satisfaction and economic growth," "Sustainable cities and communities" and "Gender equality," through employee education and product development.

Response to human rights violation

Grievance mechanism relating to employees human rights

Daiwa House Industry has been operating the Corporate Ethics and Human Rights Helpline as the points of contacts for whistleblowing and consultation regarding violation of employees' human rights. In fiscal 2018, we received 149 cases of whistleblowing and consultation mainly on the harassment. Whistleblowing and consultation can be made by several methods: by interview, telephone, mail or over the internet or by post. To keep consulters from suffering detrimental treatment, such as retaliation, at their workplace, we have established the Whistleblower Protection Regulations. In resolving complaints, we respect to the extent possible the intention of consulters, respect the privacy of employee(s) in question and third parties who cooperate in the factual confirmation and conduct hearing from parties concerned. Depending on the confirmed situation, we impose disciplinary actions or directly instruct to the actor as a corrective action.

Related page ▶ P054 Whistleblowing systems (grievance mechanisms)

Response to issues relating to harassment by employees

At the company, moral harassment, especially the kind bordering on power abuse, and sexual harassment are strictly forbidden as prescribed under the company regulations and communicated via in-house notices. Offenders are subjected to punishment. Through seminars and educational booklets, we repeatedly impress upon employees the fact that moral harassment is more than just a problem for the persons concerned and that it should be viewed as an "organizational problem" that can lead to the lowering of morale in the workplace concerned.

As for sexual harassment, considering the importance of early responses and easy access to advice, points of contact for reporting and consultation are put in place at the Head Office as well as 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.

In fiscal 2018, the total number of Corporate Ethics and Human Rights Helpline users reporting or seeking advice on harassment and responded to was 39 (38 cases in fiscal 2017). In resolving complaints, in line with the Whistleblower Protection Regulations, we conduct hearing with both consuler and employee(s) in question and listen to what the third parties say to grasp the situation in a fair manner. When decided necessary for correction, we take disciplinary action against the employee(s) after deliberation was made by the Disciplinary Committee.

Implementation status of human rights awareness-raising activities against employees

Human rights awareness-raising training

All the employees of the company receive human rights awareness-raising trainings more than twice a year. Each of our 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 2018

Type of training	Total number of participants	Total training hours*	Participation rate
① Daiwa House Industry worksite training	38,241	19,120 hours	190.0%
② Daiwa House Industry Head Office hosted training (grade-specific programs)	1,385	2,077 hours	-
③ Group companies training	57,773	28,886 hours	147.8%

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

In-House newsletter Jinken-no Hiroba (Human Rights Plaza)

The in-house newsletter Jinken-no Hiroba (Human Rights Plaza) is published every two months on the Daiwa House Group's intranet for the purpose of raising employee human rights awareness. The newsletter addresses various themes relating to human rights with which the employees are expected to become familiar under different circumstances. It is used and appreciated by many employees as a handy means of learning about human rights and acquiring new knowledge.



Image of Jinken-no Hiroba (Human Rights Plaza)

Other measures to avoid complicity in human rights violations

Our company conducts human rights awareness-raising training and other awareness-raising activities in a continuous manner and according to schedule so that employees will not be complicit in violating human rights. In compliance with the Daiwa House Group Principles of Corporate Ethics, in which we declare that we 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 antisocial forces to enable us to immediately cancel the contract if the business partner is found to be an antisocial force. Furthermore, in February 2016, we established “Regulations for Responding to Anti-social Forces,” which sets out how to respond to anti-social forces as an organization, obligatory pretransaction attribute examination of business partners and others. The regulations have been operated since April.

Related page P59 Complete prevention of connection with anti-social forces

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 2018, no infringement of human rights by armed security guard has been confirmed at the Group's business partners.

Related page P108 Encouraging business partners to respect human rights and institute good work practice

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 CSR procurement of timber survey annually, and we set it as an assessment item so no procurement is conducted from areas categorized as “high risk areas (tree species)” with high possibility to violate the rights of indigenous people. In case we confirm actual conditions of procurement from such areas, we will conduct corrective activities against relevant suppliers. Furthermore, we timely amend assessment items including high risk areas based on information obtained from NGOs and forest certification bodies possessing detailed information on logging areas worldwide.

In fiscal 2018, “C-ranked” timber procured from high risk areas accounted for 2.1% of the total in the survey and has improved by 0.3% from the last fiscal year (2.4%).

Related page P167–168 Preserving biodiversity in our procurement and business activities

Risk Management

Basic Policy and Concept

The Daiwa House Group identifies risks associated with the compliance, environments, quality, information security, human rights and others, then prevents and control these risks and minimize the loss caused by them. We consider that such risk management will contribute to protect rights and interests of not only our company but also our stakeholders who are involved in our business.

Management

In order to proceed with the building and the operation of its internal control system including risk management, our company has appointed the President and COO as the director of the internal control system and the Internal Control Committee meets quarterly with the General Manager of Management Administration Headquarters as the chairman.

Further, we have established the Risk Management Committee as a meeting structure specialized in risk management, and made it mandatory to individually report any risk cases immediately to the Head Office Risk Management Committee Secretariat. Through this initiative, reported information on risks associated with compliance, environment, quality, information security, human rights and others can be promptly communicated to and shared with executive officers and managers of relevant departments.

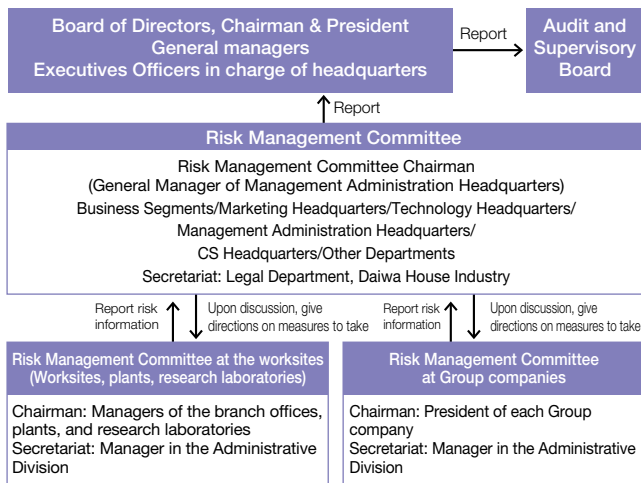
In addition, we have set up a system to follow the progress of the risk management structure improvement on a regular basis. Specifically, the Head Office Risk Management Committee meets monthly to share risk cases reported by worksites and Group companies. These risk cases are reported regularly to the Board of Directors. To deal with critical risks, we launched a working group to discuss preventive measures and give instructions to worksites and Group companies to tell them what must be done as well as implementing them across the Group.

Normally, Chairman of the Risk Management Committee is, as director of the risk management, responsible for developing the Daiwa House Group's risk management system and implementing risk preventive measures. Furthermore, risk management managers are assigned at each department to monitor risks continuously. Serious scandals, accidents and other cases occurred at other companies are also notified immediately, and necessary education is provided.

On top of that, Internal Audit 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 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.

Organizational chart for communicating risk information



Related page P041 Corporate governance system

Structure of internal control system

The Daiwa House Group refers to the COSO's framework for building and operating its internal control system, constituent elements of which are ① Control environment, ② Risk assessment, ③ Control activity, ④ Information and communication, and ⑤ Monitoring. Details are as follows.

① Control environment

Basic policy for building our internal control system is determined by the Board of Directors, and this clearly demonstrates the attitude of the top management. The basic policy also declares that all the executives and regular employees are the leaders of the internal control system and advocates that all individuals should attain the goal of internal control. On that basis, we have formed the Internal Control Committee with the President and COO as the director, the General Manager of Management Administration Headquarters as chairman and directors in charge of each department as members of the Committee. The Internal Control Committee reports the internal control status to the Board of Directors semiannually, thereby creating a governance environment in which the Board of Directors and individual directors are involved.

② Risk assessment

We have adopted the risk-based approach, which is, assessing risks on a departmental basis and clarifying risks of importance to be addressed in the relevant year, and taking concrete measures in view of the importance and frequency of such risks.

③ Control activity

Risk management is carried out by a multilayered structure composed of the Internal Control Committee, the Risk Management Committee, Branch Office and Group Company Risk Management Committees. Measures against risks to be avoided are taken Groupwide as necessary through internal notices and other means.

④ Information and communication

Each department of our company is required to report on the operational status of internal control system. They summarize and submit the reports to the Internal Control Committee, and thereby delivering information necessary for managers of the internal control system to carry out their responsibilities. In case that the regular information communication method does not work, Whistleblower System (Corporate Ethics and Human Rights Helpline, Risk Information Hotline) is also in place.

⑤ Monitoring

The Internal Audit 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.

Precautionary approach

① Internal Control Committee

This Committee receives reports on the internal control situations within the entire Group with an aim to verify and correct any internal control defects. It consists of Executive Officers in charge of Administrative Divisions and Business Segments.

② Risk Management Committee

We have made it mandatory to immediately report any risk cases arising in the Head Office, a worksite or a Group company (including those outside Japan) to the Head Office Risk Management Committee Secretariat. Risk information received by the Secretariat shall be promptly communicated to the Executive Officers and the managers in relevant departments, and is reported at a monthly Head Office Risk Management Committee meeting.

Furthermore, the Risk Management Committee meets not only at the Head Office but also at worksites and Group companies on a regular basis. Branch Office and Group Company Risk Management Committees share the contents of proceedings of Head Office Risk Management Committee meetings across the Group, as well as building a risk management system within each worksite and Group company and making proposals in terms of business improvements to the Head Office. These two types of Risk Management Committees, namely the Head Office Risk Management Committee and the Branch Office and Group Company Risk Management Committees, are operating by complementing each other, making the Group's risk management systems more robust.

Understanding risks in the supply chain

For thorough risk management at each worksite of the supply chain, the Production and Procurement Headquarters is working in cooperation with the plants and branch offices by focusing on safety, quality and compliance. Specifically, the Department links the five categories of safety, quality, operations, procurement and environments with risk management through operational audits. It considers some of the issues pointed out by an audit and their contents as plant risks, and such risks are managed through the PDCA Cycle by the Plant Risk Management Committee, and the Department discusses the PDCA Cycle and gives instructions of the Head Office Risk Management Committee to the plants and branch offices. In this way, the PDCA Cycle is repeated.

Related page P111 Support for issues faced by plant business partners

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

Reserves in anticipation of a violation of law and litigation

The company may be led to make an estimate at the year-end and sets aside reserves for the payment of a fine or settlement highly likely to occur in the future due to an event that took place in the previous fiscal year or earlier. At the end of fiscal 2018, there were no significant reserves.

The operation of a risk information network system to be started

Aiming for speedy and efficient risk information sharing and analysis, we have introduced a new network system called Space Finder. This has computerized risk information which used to be created and circulated in writing, enabling it to be viewed by a multiple number of people at the same time and speeding up communication of risk information. Computerization has facilitated information processing, including information search, as well, realizing expedited and more efficient risk information analysis.

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.

Whistleblowing systems (grievance mechanisms)

Our Group has established the Risk Information Helpline within the Risk Management Committee Secretariat and the Corporate Ethics and Human Rights Helpline within the Sustainability Planning Department, in accordance with the Whistleblower Protection Act, which help us check and detect violations of law and acts of dishonesty at an early stage. With these Helplines, we have made it possible to report violations of Code of Conduct and policies anonymously. We are also making every possible effort to protect the privacy of whistleblowers and prevent unfavorable treatment toward them. 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.

Furthermore, we have established the Auditors' Whistleblower System, which is a point of contact for whistleblowers independent from management, through which any executives and employees of our Group can directly report any wrongdoing within the Group to our auditors and supervisors by completing and sending a reporting form via the intranet. The operation of this system started in October 2016.

Function of the risk information hotline has been enhanced since October 2018, when we started operation of Global Whistleblower System, under which report from our overseas sites can be made in local languages. We are also responding sincerely to the opinions of local citizens received on the web by sharing them with relevant or neighboring branch offices after having confirmed the details and issuing an alert or taking other actions.

Protection of whistleblower

The Whistleblower Protection Regulations stipulates that, when receiving report, strict controls on the name of reporter (whistleblower), background, details, evidence, etc. shall be placed to offer the greatest possible protection to the privacy of the whistleblower (consulter) and parties concerned. Anonymous consultations are also possible.

We will put the whistleblower-identifiable information and background, details, evidence, etc. of the report under strict control and will never leak them. Detrimental treatment of the whistleblowers and third parties who cooperated in the factual confirmation by any

executives are prohibited. Moreover, depending on the consultation details and if necessary, within three months after some actions were taken, we check if the whistleblower and others are not suffering retaliation and improvement has been made after that. We do our best to protect consulters so the whistle blowing will not exacerbate his or her working environment.

① Corporate Ethics and Human Rights Helpline

Purpose

The Corporate Ethics and Human Rights Helpline is one of the consulting services that we provide. Its purpose is to prevent and detect workplace wrongdoings such as violations of law and acts of dishonesty at an early stage, in order to achieve the enhanced self-cleansing function and social credibility.

Anyone in our Group can receive consultation through this

Helpline, in personal meeting, by telephone or mail, on the web or by post, when it is difficult to solve or improve the situations involving violations of law or acts of dishonesty, etc., within the workplace, or if an emergency response is required.

Start of the operation

In fiscal 2004, we established the Whistleblower Protection Regulations and started the operation of the Corporate Ethics Helpline. In fiscal 2012, we integrated this with the whistleblower system for human rights and since then, we have been receiving various reports and providing consultation regarding issues about workplaces and human rights in addition to protecting whistleblowers.

Who can use this helpline and how is the contact information shared

All the executives and employees of the Daiwa House Group, including employees, post-retirement specially commissioned employees, limited-term contractual employees, part-timers and temporary employees, temporary helpers, can use this Helpline.

The contact information is widely disseminated through worksite training, the company's intranet, CASEBOOK, posters and periodically-issued in-house publications.

Operation

In order to internally deal with issues after confirming the facts as much as possible, as a rule, only the consulter can contact the Helpline.

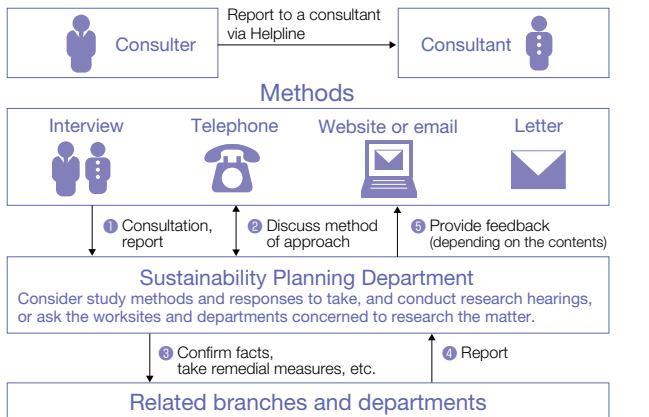
When solving problems, the whistleblower's (consulter's) intention is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrence.

Our Whistleblower Protection Regulations stipulates that, when receiving report, strict controls on the name of whistleblower (consulter), background, details, evidence, etc. shall be placed to offer the greatest possible protection to the privacy of the consulter and parties concerned.

Furthermore, in accordance with the Whistleblower Protection Regulations, whether the whistleblower (consulter) is suffering retaliation after the problem is solved and whether improvements are made after actions are taken are checked depending on the consultation contents in order to protect the consulter so the whistle blowing will not exacerbate his or her working environment. The Helpline can be used anonymously as well.

Foundation of CSR Management

Operational system (website and telephone, etc.)



* Related departments: Cases are handled including fact confirmation by the Administrative Division at each worksite in the case of Daiwa House Industry and by the person in charge of Group CSR Promotion in the case of Group companies.

Others

For serious cases handled through the Corporate Ethics and Human Rights Helpline and other means, we are doing our utmost to prevent them from reoccurring by sharing information on such cases with the managers in branch offices at training for General Affairs and Accounting Managers, compliance training and legal training, etc., as well as issuing an alert to prevent similar cases from occurring at other worksites. When sharing information, we respect the human rights of whistleblowers (consulters) and are careful not to reveal their identity.

② Risk Information Hotline

Our Group has established the Risk Management Regulations and made it mandatory that when a risk case arises, its details are reported to the Risk Management Committee by the branch manager or persons in similar positions on an as needed and regular basis. In addition to that, Risk Information Hotline has been put in place as a whistleblowing system to collect further information on violations of law and acts of dishonesty.

Operation

Information can be provided by telephone or by completing and sending a reporting form via the intranet.

Reporting function has been enhanced since October 2018, when we started operation of the Global Whistleblower System, under which report from our overseas sites can be made in local languages.

③ Auditors' Whistleblower System

Purpose

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.

Helpline can be used by:

All the executives and 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 Helpline.

Information provided to:

Auditors of Daiwa House Industry

Operation

In accordance with the Auditors' Whistleblower Regulations, we receive information regarding violations of law, acts against the company regulations and corporate ethics and others, over the intranet at any time.

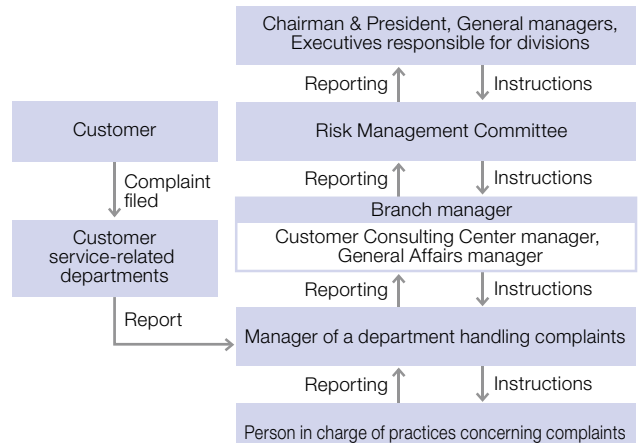
Auditors and investigation collaborators must conduct investigation in a fair and equitable manner, and must not disclose information that can identify the whistleblower without obtaining the consent of the whistleblower, even if the whistleblower-identifiable information needs to be disclosed in the course of investigation. We also accept anonymous reporting.

④ Complaints and opinions from customers

We have established company rules that comply with ISO 10002, which are international standards for complaint handling aimed at consumer protection. We have thus established a system for sincerely and quickly responding to complaints and opinions received from customers.

Complaints and opinions received from customers are escalated to the manager of a complaint-handling department through a Customer service-related department. Complaints and opinions are subsequently shared by the branch manager, the Risk Management Committee, the general manager and the Executive Officers responsible for the division, and then by the Chairman and the President*. Instructions concerning actions to be taken are cascaded to persons in charge of actual complaint handling on a case-by-case basis.

* The scope of information sharing varies depending on a case-by-case basis.



⑤ Partners Hotline

With an aim to uncover and deal with problems that may lead to violations of law in the relationship between our Group's employees and business partners at an early stage, we operate a whistleblower system called Partners Hotline, through which we receive information from our business partners. Under this system, information regarding violations of laws, etc. of our business partner itself are received as well.

Similarly as the Corporate Ethics and Human Rights Helpline, it receives a wide range of information on labor problems, human rights, bribery including anticorruption and so on. This Hotline can be used anonymously, too.

In fiscal 2018, we received 24 reports in total and have already dealt with all of them.

The results of the whistleblower system operation

The numbers of reports received via our whistleblower systems (grievance mechanisms) for fiscal 2018 are as below. When solving problems, in accordance with the Whistleblower Protection Act and the company regulations, the intention of the consulters is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrences.

	FY 2016	FY 2017	FY 2018
Corporate Ethics and Human Rights Helpline	150	138*	149
Risk Information Hotline	9	3	23
Partners Hotline	16	15	24

* The figure has been changed from that was described in "Sustainability Report 2018" issued last year.

Dealing with risks in the businesses and activities in high-risk countries

Establishing an anti-bribery system

We have established the Anti-Bribery Regulations with an aim to prevent our executives and employees from giving bribes to government employees. Currently, we are in the process of developing more specific Anti-Bribery Bylaws. These Bylaws take a risk-based approach in which bribes are dealt with even more carefully in high-risk countries, in accordance with the Corruption Perceptions Index published by Transparency International.

[Related page](#) P060-062 Anti-corruption / Fair Trade

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.

Risk-reporting rule

When a risk case arises in an overseas Group company, it must be reported to the Head Office Risk Management Committee Secretariat (Legal Department) immediately or on a regular basis.

Initiatives for improved Group IT governance

As the digitalization progresses rapidly, there is a growing movement in our Group companies to expand business with advanced services driven by the latest digital technologies. And to gain competitive advantage, speedy launch of services is required. On the other hand, we recognize that, when launching digital technology-driven services, it is necessary to give a careful consideration to the identification of information that we should protect as an organization, concept of security, measures from a technological aspect, how we respond quickly at the occurrence of an incident and other matters.

We have developed various kinds of regulations and implemented them across the Group in accordance with the Information Security Assurance Declaration (Basic Policy).

In addition, we have cultivated human resources for information security and built a CSIRT/SOC* system with the Information Systems Headquarters that has been promoting our IT use and utilization as the leader, and through communications with the

persons in charge of IT in the Group companies, we provide security topics, understand the actual security levels and give guidance on how to solve problems.

Moreover, considering the current situation about cyber attacks becoming more sophisticated, we adopted the latest security technologies and are sequentially implementing them in the Group companies. In addition, a common infrastructure and management administration 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

Business continuity management

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.

For typhoon, flood damage and other natural disasters as well as bomb warning by a terrorist, etc., we have prepared action manual in which what we should do on the spot is clearly described. Once every six months, disaster drill is implemented at all our worksites.

Given the recent international circumstances, we also have developed a system under which employees on overseas business trip can deliver information to relevant divisions of the Head Office in the event of a crisis. In case of a terrorist attack, riot, coup, natural disaster and so on, relevant divisions of the Head Office share information simultaneously and take first response swiftly.

Seeing earthquake hazard as the most critical risk and considering its frequency of occurrence and scale of damage, we are conducting business continuity management focused on the following three points.

Framework to ensure safety and peace of mind of employees

As a routine preparation, disaster drill is implemented at all our worksites twice a year. When a disaster occurs, we confirm employees' safety and get information on affected branch offices. Depending on the situation, we set up a disaster countermeasures office and a local disaster countermeasures office, and have laid out a framework to provide support to our call centers or plants when they are hit by a disaster. In case the Head Office is affected, Tokyo Head Office and Central Research Laboratory (Nara Prefecture) are specified as substitute Head Office and continue with the business of our company.

Framework to ensure safety and peace of mind of customers

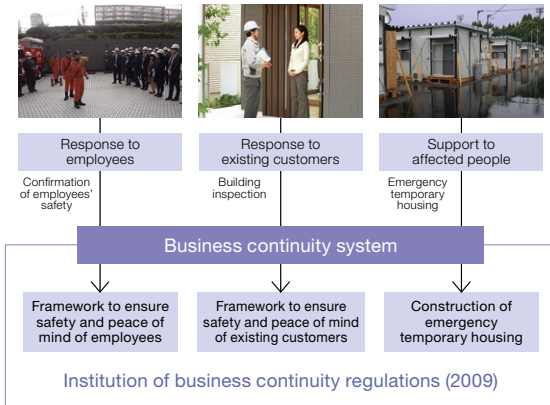
In the event that an earthquake of a seismic intensity of 6 upper occurs, we make it a rule to immediately confirm our existing customers' safety. We also have put ourselves in a position to deliver relief supplies to affected area through various routes including our Group companies.

In fiscal 2018, we provided simple building inspection service as well as relief supplies to the affected areas from the 2018 Osaka Earthquake, torrential rains in western Japan, Hokkaido Eastern Iburi Earthquake of 2018, and Typhoons No. 21 and No. 24.

Construction of emergency temporary housing

Having launched a project, which has been undertaken consistently by the Group from the design stage through property management after its delivery, we are prepared to smoothly conduct emergency activities in case of emergency.

We built 11,041 temporary houses after the Great East Japan Earthquake in 2011, 1,016 temporary houses in the 2016 Kumamoto Earthquakes and 132 temporary houses in the 2018 torrential rains in western Japan as the Group.



Irregularities at our joint venture in China

As announced by the news release, "Notice concerning the irregularities at our affiliate in China," dated March 13, 2019, it was turned out that at Dalian Daiwa Zhongsheng Real Estate Co., Ltd. (hereinafter, Dalian JV), a Dalian-based joint venture with Dalian Zhongsheng Group Co., Ltd., (hereinafter, Zhongsheng Group), Dalian JV's funds have been drawn out fraudulently.

Following this, with a third-party committee set up on March 29, 2019, to implement factual investigations and causal analyses concerned and offer recommendations of recurrence preventive measures, we have investigated the on-site situation and management system of our Company. On June 18, 2019, we received report on this matter.

Summary of the report by the third-party committee is described below.

1) Composition of the third-party committee

Chairman: Shiro Kuniya, Attorney at Law (Managing Partner, Oh-Ebashi LPC and Partners)
 Member: Yu Yada, Attorney at Law (Representative Partner, Hifumi Law)
 Member: Toshifumi Takaoka, CPA (Representative Partner, Forensic Division, KPMG FAS Co., Ltd.)

2) Investigation period

From March 29, 2019 to June 13, 2019

3) Investigation method

- Close examination of related materials (Certificate of Deposit Balance of Dalian JV, Book data, JV Contract, Internal Meeting Minutes, Request for Approval, etc.)
- Hearing of parties involved (38 persons)
- Digital forensic investigation of PC, etc. that were used at Dalian JV*

* Preservation, investigation and analysis of electromagnetic records, such as digital data stored in PC, as evidence.

4) Overview of the irregularities confirmed

i) Fraudulent withdrawal of deposit

- Fraudulent withdrawal of funds by directors and an employee dispatched from Zhongsheng Group had been continued from June 2014 until March 2019 and accumulated amount of the funds fraudulently withdrawn was approx. 1.4 billion yuan (approx. 22.8 billion yen).
- The fraudulently withdrawn funds were mostly sent to the group company of the Zhongsheng Group.
- The fund was withdrawn fraudulently through wrongful use of seal, unlawful issuance of checks, forgery of documents, and the use of online banking an account for which was opened without the company's approval.
- Documents issued by a bank, etc. were forged sophisticatedly and the fact of fraudulently withdrawal of funds was covered up.

ii) Sale of real estates for sale without permission

- Directors and an employee dispatched from Zhongsheng Group had sold Dalian JV's 167 real estate for sale without its permission for the purpose of accord and satisfaction for settlement of the Zhongsheng Group's liabilities.
- The sales real estate without permission was covered up by mixing it with transactions introduced by the Zhongsheng Group and using other techniques.

5) Cause and background of the irregularities

- Despite the Company's capital ratio being over 80% due to wrongdoing and capital shortfall of the Zhongsheng Group, percentage of voting rights was maintained at 50:50; this is the reason why the Company could not sufficiently control Dalian JV.
- Head Office's departments could not sufficiently support Dalian JV to build an internal control system.
- Division of roles in Head Office's departments was not clear and therefore the problem occurred was not effectively solved.
- Auditor's audit and other monitoring results were not responded well by the Board of Directors, etc.

6) Major recurrence prevention measures recommended

i) Tighter overseas JV management system

- Formulation and operation of basic policies on the establishment, operation and management of a JV
- Adequate allocation of personnel dispatched to local sites and utilization of external professionals
- Consideration of ensuring quality in accounting audit
- Better understanding of local systems, laws and trade customs

ii) Enhancement of local support and internal control functions at the Group's Head Office

- Clarification of jurisdiction, responsibility and authority concerning overseas project
- Enhancement of overseas internal control system and a function to provide practical assistance
- Strengthening of Risk Management Committee and internal control function, such as internal audit

Based on the report by the third-party committee, the Daiwa House Group will formulate recurrence preventive measures (scheduled to be released in 2019 autumn) and reinforce governance system in its overseas businesses even more thoroughly in order to regain trust.

https://www.daiwahouse.com/about/release/house/pdf/release_20190618-1.pdf
(Japanese text only)
https://www.daiwahouse.com/English/about/release/pdf/release_20190618e.pdf

Corporate Ethics / Compliance

Basic Policy and Concept

In the Daiwa House Group, all the executives and employees are committed to maintaining high ethical standards and complying with the laws and the corporate philosophy system of the Group when conducting its business. While building trust with our various stakeholders including our customers, we aim to become a corporate group that can make contributions to society.

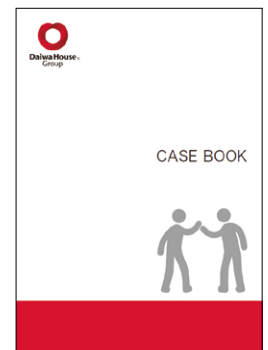
In April 2004, our Group adopted the Principles of Corporate Ethics and Action Guidelines, which defined the rules of conduct to serve as a basis for realizing our company philosophy and policies. In 2014, we revised these to the Principles of Corporate Ethics and Code of Conduct in order to maintain and enhance trust toward our Group and to make them like our corporate philosophy system (Corporate Philosophy, Management Vision and Employees' Charter) that should be kept in mind and practiced. The contents have been improved in response to changes of social situations in and outside Japan, and in order for each and every employee to put the Company Philosophy and the message we send in every aspect of our corporate activities, Co-creating a Brighter Future, into action even more.

Related page ▶ P195–196 Principles of Corporate Ethics and Code of Conduct

Management

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 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. In response to changes inside and outside the company, it is revised every other year. 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 CSR awareness 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 Helpline, the Risk Information Hotline and the Auditors' Whistleblower System for our employees, as well as the Inquiries sections on the official websites, enabling these stakeholders to provide information to us in case they see any of our employees and others conducts any illegal, unacceptable, or suspicious activity.

Foundation of CSR Management

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.

Policy regarding taxation

Recognizing that paying taxes is an obligation that we must fulfill as part of our corporate social responsibility, we properly file and pay taxes in compliance with applicable laws and regulations under Compliance with Laws of the Principles of Corporate Ethics, as well as Sensible Behavior and Compliance with Company Standards of these Principles.

For proper tax filing and payment, we are working to obtain necessary legal knowledge as well as building a system that enables us to correctly aggregate information on transactions within the companies. In addition, we discuss tax planning that can lead to higher corporate values, with proper tax payment as the primary objective.

We have not disclosed our tax information on an area-by-area basis, since 90% or more of our transactions are conducted with external customers based in Japan, and we do not have important matters to be disclosed. At present, there is no tax risk that we are aware of.

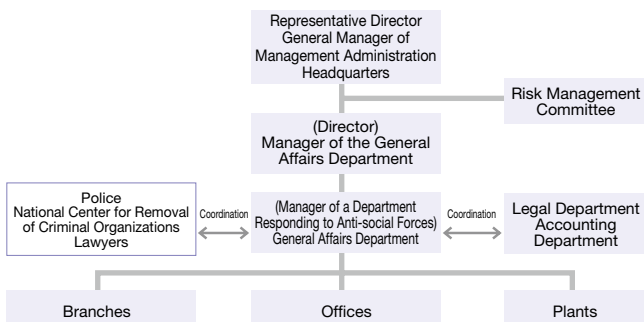
Complete prevention of connection with anti-social forces

The Daiwa House Group has also established the "Daiwa House Group Principles of Corporate Ethics and Code of Conduct" in order to realize sound corporate management and declared internally and externally that it completely prevents any connection with any anti-social force.

Daiwa House Industry has built the system for taking organized measures by establishing the basic policy and the "Regulations for Responding to Anti-Social Forces," clearly designating the department and its director comprehensively controlling practical measures under the General Manager of Management Administration Headquarters, who is the Representative Director, improving the manual for taking practical measures and taking other actions. In addition, it has built a communication and cooperation system for arising troubles by always reinforcing cooperation with external organizations such as the police and the prefectural centers for removal of criminal organizations.

Each Group company endeavors to build the system for excluding anti-social forces (such as improvement in rules, appointment of a director and cooperation with external organizations). In addition, the entire Group promotes combined efforts such as improving the database on anti-social forces shared by all companies of the Group.

Organizational chart for implementation of exclusion of anti-social forces



Function

Positions	Basic Function
General Manager of Management Administration Headquarters	Determination of Policy and Instruction for Resolution of Situation
General Manager of the General Affairs Department	Direction of Practical Measures taken for Resolution of Situation
General Affairs Department Legal Department Accounting Department	Practical Measures; Actual Consultation with Police
Branch Manager Plant Manager General Affairs and Accounting Manager	Improvement in Systems for Exclusion of Anti-Social Forces at Branch Offices and Other Operating Sites
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 the executives and employees thereof and senior management of the Group company shall notify the General Manager of Management Administration Headquarters and obtain his or her approval before buying or selling any share or the like of Daiwa House Industry. Daiwa House Industry has built a system for employees of its Group companies in which any of such employees shall notify the Information Controlling Manager (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 mid-career at the time of their entrances into the Daiwa House Group, thereby raise the awareness of them about the prevention of insider trading from happening. In addition, it continues to raise the awareness of them with the CASEBOOK, etc.

Education for employees on laws, ordinances and regulations and corporate compliance therewith

In order to promote the acquisition of knowledge of laws, ordinances and regulations and raise the awareness about risk management, we actively implement training programs for corporate compliance. More specifically, we implement a training program for each class of employees such as new employees, core employees and managers in order to cultivate the knowledge and grounding required for each such class and a training program for each business segment to acquire the knowledge of laws, ordinances and regulations and so on relating to each such segment. In 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.

CSR trainings that include the contents of corporate ethics and compliance are also provided at our worksites throughout Japan.

Implementation status of each training program

	FY 2018	
Compliance training	62 times	2,818 participants
CSR training (including corporate ethics and compliance)	23 times	2,352 participants

Basic Policy and Concept

The Daiwa House Group declares not only corporate compliance but also anti-corruption and prohibition of corrupt practices such as money laundering, embezzlement and obstruction of justice from the ethical viewpoint in accordance with various policies and rules such as the Daiwa House Group Principles of Corporate Ethics and Code of Conduct. The Group thereby stipulates that we shall conduct business transactions by ensuring transparency and fairness of business operations.

Basic policies on prevention of bribery

The Daiwa House Group sets forth in the “Principles of Corporate Ethics and Code of Conduct” not only the policy on prohibition of bribery but also the requirement of fair competition. In particular, it specifically stipulates as the measures against bribery that “we shall not offer any bribe to any politician or officer or staff member of any government or municipal office or local self-governing body” and that “we shall refrain from any act that may be suspected to be aimed at getting any favor for any permission, approval or the like even if such act is a legal donation, attendance at a simple social gathering or the like.” On top of that, in fiscal 2018, we circulated an internal notice to call for attention not to conduct any act that may raise suspicion about inappropriate relation with public servants or deemed public servants by illustrating with examples.

It also clearly stipulates for other fair competition that “we are prohibited not only from conducting any act infringing the principle of free and fair competition such as an illegal price-fixing agreement but also from making any information exchange, meeting or contact for any adjustment that may raise any suspicion” and that, “when we offer any entertainment such as dinner and a social gathering, we shall do it to the extent allowed by social norms by taking internal rules, etc., of an entertained person into consideration.” Under such basic policies, all executives and employees share the awareness about the necessity of the suitable relationship with political and administrative entities.

Furthermore, as results of the overseas business expansion, the increase in the risk of offering bribes to foreign government officials accompanying such expansion and increased domestic and overseas desires to further improve the systems for preventing offers of bribes, we consider it necessary to further reinforce the system for prevention of offers of bribes. For our business partners, our CSR Procurement Guidelines stipulates anti-corruption and encourages them to observe it, through which the entire supply chain works to prevent corruption.

① Development and determination of “Basic Policies on Prevention of Offers of Bribes” more specifically setting forth contents of “Principles of Corporate Ethics”

In April 2018, the Daiwa House Group signed the United Nations Global Compact which contains Anti-corruption as one of its principles. Additionally, under the “Business Principles for Countering Bribery” of Transparency International and the “Guidelines for the Prevention of Bribery of Foreign Public Officials” of the Ministry of Economy, Trade and Industry of Japan, the Group has developed the “Basic Policies on Prevention of Offers of Bribes” and stated that it prohibits any bribery because it hinders fair competition and aggravates social corruption.

② Establishment of “Anti-Bribery Regulations” setting forth management system

On the basis of the “Basic Policies on Prevention of Offers of Bribes,” we have established the “Anti-Bribery Regulations” in order to set forth the system, prohibited matters, procedures, etc., required to prevent its executives and employees from being involved in offers of bribes to public officials, etc., throughout the Group.

The main rules thereof are as follows:

1. Selecting and appointing a director responsible for preventing offers of bribes
2. Establishing the consultation hotline and whistleblower hotline for ordinary times and emergencies
3. Prohibiting offers of benefits, etc., To public officials, etc., In principle and allowing exceptions through procedures, etc., For getting prior approvals
4. Controlling third parties such as agents
5. Giving training to persons engaged in overseas businesses
6. Conducting audits by the internal audit department
7. Reviewing them by management
8. Taking disciplinary actions against persons violating the rules
9. Supporting the group companies in improving their systems

Basic policy on fair trade

The Group has clearly stated that all executives and employees will abide by the principle of competition of a fair and free market in the Principles of Corporate Ethics to share the awareness to strictly observe the Anti-monopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and subcontracting law (Act against delay in payment of subcontract proceeds, etc. to subcontractors).

Policy regarding political contributions

We have complied with the Political Funds Control Act. We never make any political donations to individual politicians, which is prohibited under the law. Also, we do not make donations, in principle, to specific political parties or political fund-managing organizations. However, if we consider making contributions, we will make sure that such donations do not conflict with the restrictions specified in Article 22, Item 3 (1) of the Political Funds Control Act (restrictions on donations made by companies subsidized by the government). With regard to the purchase of fund-raising party tickets, as set forth in Article 8, Item 2 of the Act, we have made purchases in a legitimate manner. In addition, we will properly make expenditures on lobbying activities pursuant to the corporate compliance principles.

Guidelines for Transactions with Company for Own Interests of Directors, etc.

From the viewpoint of protecting the interests of shareholders, Article 11 of the “Corporate Governance Guidelines” sets forth the standards such as the “Guidelines for Transactions with Company for Own Interests of Directors, etc.” to prevent the persons related to our Group, such as Directors and Auditors, and its major shareholders from conducting any transactions that may conflict with the interests of our Group or its shareholders through abuses of their positions.

Management

We endeavor to prevent and detect any corrupt practices under the supervision of the Directors by developing internal monitoring systems such as the internal audit system and the whistleblower system in enforcing anti-corruption and complying with the principle of fair competition and trade. While it emphasizes the prohibition of offers of bribes in the “Code of Conduct” and endeavors to improve awareness through employee education, it collects written oaths from all executives and employees once every two years so that it can prevent any corrupt practices. In addition, it concentrates its efforts on early detection of problems with anti-corruption and compliance with the principle of fair competition and trade by carrying out questionnaire surveys for business partners regularly.

Enforcement of anti-corruption with internal audits

To secure the transparency and fairness of business management pursuant to the Principles of Corporate Ethics, when asked for the investigation of corruption or illegal acts by the 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 judgements on the information collected through such routes.

Promotion of fair trade based on questionnaire survey toward business partners

The Daiwa House Group carries out questionnaire survey toward business partners to check on a worksite level if there are any incipient problems that may lead to the violation of law or other cases. By sharing the survey results and conducting improvement activities, each worksite endeavors to prevent any corruption or problem with the principle of fair trade from occurring and improve the situation.

Enforcement of anti-corruption by Partners Hotline

As part of building an appropriate relationship with its business partners, the Daiwa House Group is operating “Partners Hotline” as a whistleblower hotline for our business partners. This “Partners Hotline” is a mechanism of early detection and response to problems that may lead to the violation of law in the relationship of our employees and business partners. This whistleblower hotline receives information on any corruption or problem from the viewpoint of fair trade arising in the Group or the supply chain and addresses such corruption or problem.

Employee education on anti-corruption and fair trade

In order for all executives and employees will be able to make decisions and take actions at work pursuant to the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, we have created and distributed “CASEBOOK,” a textbook with concrete case examples and an educational tool for all employees, and read through it at morning meetings and other occasions. In addition, we endeavor to enrich the content of the “CASEBOOK” for meeting needs of the times by revising it regularly.

We educate our employees to refrain from any act that may cause misunderstanding even if such act is a legal donation, attendance at a mere social gathering or the like.

Related page P058 Distribution and utilization of educational booklet “CASEBOOK”

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.”

Cease and desist order issued by Japan Fair Trade Commission to Fujita Corporation

On June 14, 2018, Fujita Corporation, one of our Group companies, received a cease and desist order from the Japan Fair Trade Commission for the alleged act deemed as interference of transaction to its competitor in the bidding for a general civil engineering order placed by the Tohoku Regional Agricultural Administration Office of the Ministry of Agriculture, Forestry and Fisheries.

The Daiwa House Group gravely accepts the order and will further reinforce its compliance system and implement recurrence preventive measures even more thoroughly, so we will never bring such consequences again and make the company-wide efforts to regain trust.

Related page Our Group official website News Release
The cease and desist order to a subsidiary issued by the Japan Fair Trade Commission (June 14, 2018) (Japanese text only)
https://www.daiwahouse.com/about/release/house/pdf/release_20180614-1.pdf

Regarding criminal punishment (summary order) on Fujita Corporation’s employee

An employee of Fujita Corporation, one of our Group companies, received criminal punishment (summary order) for the alleged act deemed as bribery of deemed public servant in the payment of compensation based on the worker dispatch contract on the employment of clerks who work at the site of construction, order of which was placed by the Ministry of Land, Infrastructure, Transport and Tourism, concluded with a company that was reconsigned to construction supervision support work by the Ministry of Land, Infrastructure, Transport and Tourism. We sincerely apologize once again for causing a great deal of trouble and concern to our customers and everyone concerned. Daiwa House Industry gravely accepts the fact that it has come to this situation and will step up efforts to reinforce its compliance system even more thoroughly.

Related page Fujita Corporation Information
(issued on June 28, July 18, and October 2, 2018) (Japanese text only)
<https://www.fujita.co.jp/information/2018.html>

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 which contributes to the sound development of economic activities, we have laid down the Identification Regulations, which are the rules to verify identifiable elements of customers, transaction record keeping, notification of suspicious transactions and other matters, and kept our employees informed about them. After having made such efforts, we drew up and informed our employees about the “Questions and Answers about the Act on Prevention of Transfer of Criminal Proceeds,” which are designed to explain the contents of the Act on Prevention of Transfer of Criminal Proceeds and the Identification Regulations in an easily understandable way. We provide internal trainings related to the prevention of money laundering as well.

Additionally, to verify that activities to prevent money laundering are performed appropriately pursuant to 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.

Management of Intellectual Property Rights

Basic Policy and Concept

With “Ensuring our competitive superiority and maintaining order in competition” as our basic philosophy, the Daiwa House Group is engaged in intellectual property activities. More specifically, our competitive superiority is ensured by promptly establishing rights of the fruits of our technological development and respecting other companies’ intellectual property rights.

Management

We strictly observe the prescribed procedures of the acquisition, retention, and release of patent rights, which are fruits of the company’s research and development; trademarks, the foundation of the Daiwa House brand; and copyrights and other intellectual properties, which are the results of our people’s intellectual and creative efforts, treating them as our precious corporate assets.

In accordance with the principle of maintaining order in competition, we place the utmost importance on not only claiming our own IP rights but also respecting others’ rights, making sure to prevent violations of other companies’ patent or trademark rights through a solid investigation system.

Additionally, in light of the importance of intellectual information, we have built an internal framework to deliver and gather intellectual information, and are utilizing IP rights by actively promoting licensing based on the patent rights, or the fruits of our technological development.

In order to promote the activities for intellectual properties further, we issue an intellectual property report, or summary of annual activities, grant cash bonuses for inventions implemented and hold an annual meeting to present excellent inventions and an invention contest and other events with an aim to increase our executives’ and employees’ awareness of intellectual properties

Intellectual Property Office

The Intellectual Property Office, which belongs to the Legal Department, works in coordination with the Technology Division and other related departments for investigations about, and the acquisition and management of patents, design and trademark rights, copyrights, and other intellectual property rights, and also in cases of infringement of rights and litigation. Since close and swift coordination with research and development-related departments is essential, the Intellectual Property Office staff members are permanently posted at the Central Research Laboratory, our primary R&D center.

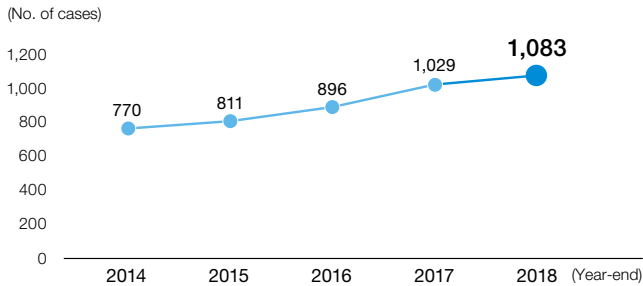
Main approach

Number of patents owned

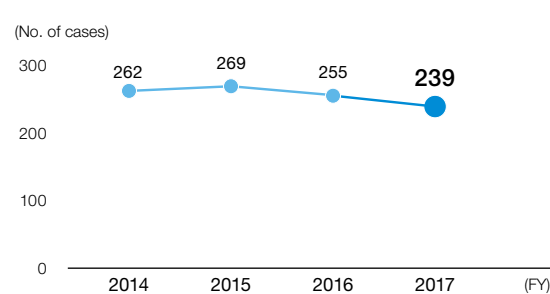
The number of patents owned (including those acquired outside Japan) was 1,083 as of the end of fiscal 2018, an increase of 54 from the end of fiscal 2017. The number of patents applied in Japan during fiscal 2017 was 239. The fields in which we have made patent applications reflect such trend: besides housing/building construction, or our pivotal business segment, in recent years percentages of the total number of our applications have been increasing in communication, robot and agriculture, which are related to our newly launched business segments.

■ Numbers of patents owned and patent applications in Japan in the last five years

Number of patents owned



■ Number of patent applications



CSR Management

Basic Policy and Concept

The Daiwa House Group considers CSR Management necessary to realize a sustainable society, the sustainable growth of the Group and the enhancement of its medium and long-term corporate value. In order to implement CSR Management, it is necessary to carry it on so that it can meet the requests and expectations through dialogue with the society (stakeholders), as well as to strengthen ESG through its business, under our CSR Guidelines.

Daiwa House Group CSR Guidelines

We have established the Daiwa House Group CSR Guidelines on the basis of three viewpoints consisting of the “Contributing to society through business,” the “Co-creating a brighter future with our stakeholders” and the “Conduct of every single Group employee” in order to contribute to society through business, handle stakeholders sincerely with good faith and continue to satisfy demands of society as a corporate citizen. It has also established the “Daiwa House Group Principles of Corporate Ethics and Code of Conduct” as those more specifically and clearly setting forth the “Conduct of every single Group employee.”

Daiwa House Group CSR Guidelines

1. We contribute to society through our business by applying our proprietary technology and expertise.
2. We strive to understand requests submitted to our company through dialogue and through our relationships with our stakeholders. As a good corporate citizen, we do our best to respond.
3. We strive to adhere to corporate ethics, human rights, and regulatory compliance.

Related page ▶ P007-010 Message from the Chairman
 P011-014 Message from the President

Management

Whole picture of our CSR management system

Daiwa House industry holds the Corporate Governance Committee (Chairman: Chief Executive Officer [CEO]) meetings for the principal purpose of becoming a “better company” by incorporating into corporate management the full extent of the knowledge and wisdom of external directors and external auditors and contributing to enhancing corporate value over the medium-to long-term.

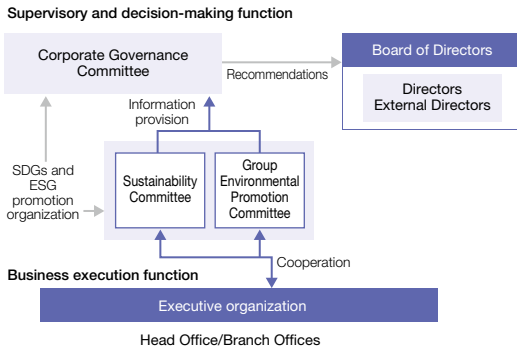
As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee (Chairman: Executive Officer in charge of the Environment, Current: Director and Senior Managing Executive Officer), a meeting structure associated with the Committee, and Sustainability Committee (Chairman: General Manager of Management Administration Headquarters, Current: Executive Vice President), and exchanges opinions with them.

The Sustainability Committee is in charge of the “society” field, such as relationship with stakeholders, and the Group Environmental Promotion Committee is in charge of important issues of the “environment” field. With the understanding of the actual state of the important issues, both Committees deliberate and determine the details of improvement, and instruct and oversee company-wide efforts related with the decisions made. It also plays a role of providing information to the Corporate

Governance Committee and developing matters deliberated at the Corporate Governance Committee.

Related page P041-045 Corporate Governance

Positioning of each committee under the corporate governance system

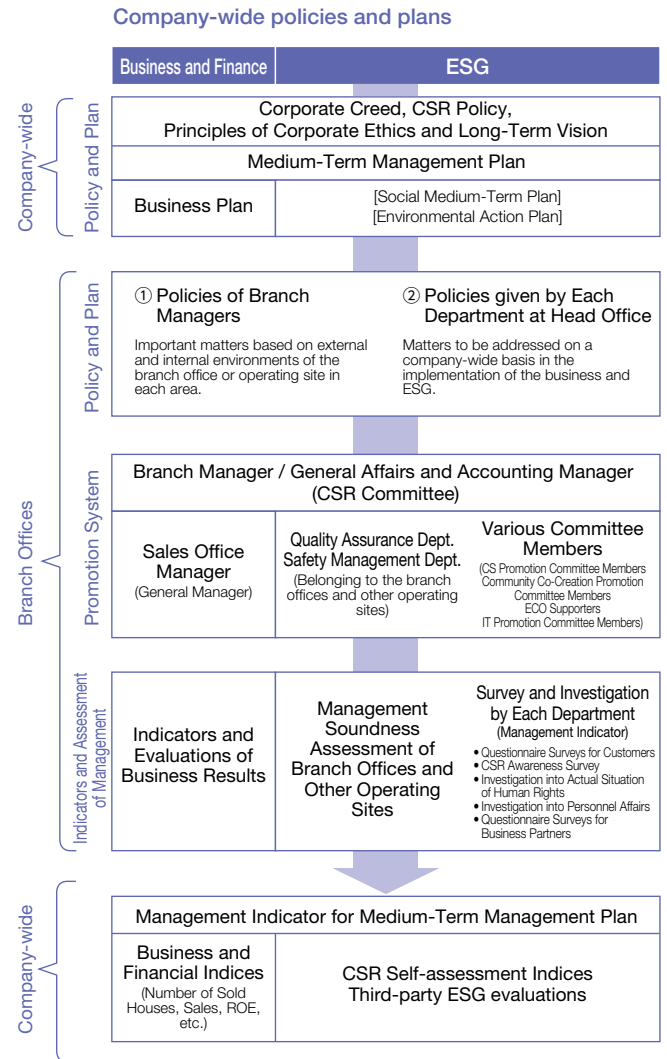


CSR management system of our branch offices

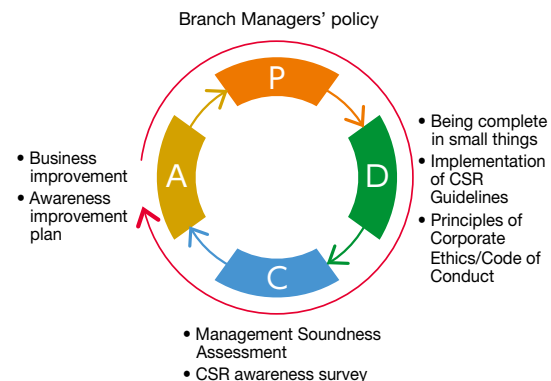
We have clarified the fact that the branch managers are the “representatives of the President” in the organization and transferred the powers to manage 80 worksites to their managers in the whole country. Such managers implement the CSR Management suited to the characteristics of local communities and the conditions in such offices and sites by existing together with stakeholders such as local customers and business partners.

In order to enable the effective implementation of CSR Management at worksites in the whole country, we are developing and determining the policies of the branch managers thereof based on company-wide policies and plans and building management systems such as the promotion system having a manager and administrative department, a management system and an assessment system for various indices. Under such CSR Management systems for the worksites, we endeavor to improve CSR Management by implementing the PDCA Cycle.

Whole picture of our CSR management system



PDCA Cycle for CSR Management of worksites



Group CSR promotion responsibility-taking system

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 Management, and the Board of Directors decide important matters.

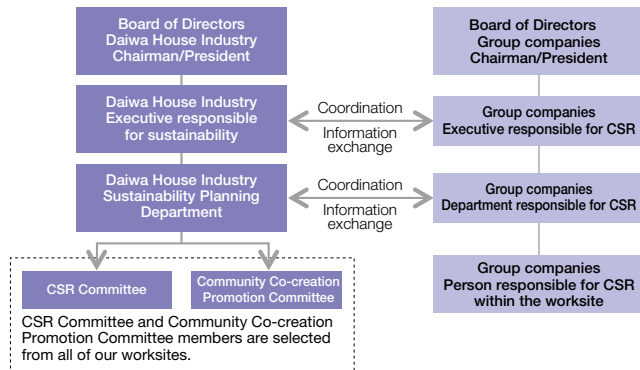
Since 2005, each worksite of our company selects one CSR

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment/ Data Section

Foundation of CSR Management

Committee member to familiarize everyone with corporate ethics and compliance. One Community Co-Creation Promotion Committee member is selected in addition to such CSR Committee member to promote planning and implementation of matters related with community co-creation activities, as well as awareness-raising activities intended for our employees. Since 2005, all of the Group companies have also started to appoint a manager for CSR, and are building a system to promote CSR activities.

■ CSR promotion organization structure of the Daiwa House Group



Main approach

Main approach by our work sites in PDCA cycle of CSR management are as follows.

Plan (Policy and Plan)

■ Formulation of branch managers' policy

Our company provides explanation on its management policy with the managers of its nationwide branch offices at the annually held "Nationwide Branch Managers' Meeting." At this meeting, in addition to the business policies and plans, the company-wide policies and plans in relation to the ESG including strict observance of corporate ethics and compliance, risk management, personal development, ensuring occupational safety and health at the workplace are announced. And at 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)

■ 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 Daiwa House Group has drawn up the "CASEBOOK" as an educational pamphlet and distributed copies to all employees thereof in order to enable them to share the way of thinking shown in the "Principles of Corporate Ethics and Code of Conduct" constituting the basis of such endeavors and act thereunder. The Daiwa House Group has issued the eighth edition of the CASEBOOK in fiscal 2018, which the employees read together at each workplace of the work sites by making use of morning meetings, etc. In addition, it implements the training program of the CSR and human rights awareness-raising regularly.

Related page P058 Distribution and utilization of educational booklet "CASEBOOK"

Check (Confirmation and Evaluation)

■ Management soundness assessment of work sites

The management soundness assessment means the system to assess the work sites in order to firmly establish the "improvement in management efficiency" and "reinforcement of the management foundation" in the work sites in performing the "Check" of the CSR Management thereof. We have prepared a wide range of items to be assessed for the ESG, and the results of the assessment are calculated for each of the work sites and affect amounts of bonuses to be given to branch managers thereof and employees belonging thereto.

■ List of assessment items in management soundness assessment of work sites

- Cash Flow
- Efforts at CSR
- Efforts at Quality
- Workplace Environment, Personnel Management and Human Resource Development
- Efforts at Safety
- Suitable Order Placements with Plants
- Efforts at Social Contribution (Community Co-creation Activities)
- Efforts at Environment
- Compliance Awareness, Risk and Corporate Compliance
- Compliance with Standards for Recording Sales

■ Implementation of CSR awareness survey

Since fiscal 2004, the Daiwa House Group has been conducting an in-house CSR awareness survey to gauge the status of practice of the Principles of Corporate Ethics and Code of Conduct by employees in their respective workplaces. It is a completely original questionnaire survey conducted on the Group's intranet in which participants answer anonymously about 60 questions regarding their workplaces. The results are converted into numerical points, and average values are obtained. We are conducting self-check (self-diagnosis) by comparing the results with those of the previous year to see changes in the employees' awareness during the year, and each work site compares the results with the across-the-board average to find out the points they need to make additional efforts.

Action (Improvement)

■ Workplace awareness improvement plan based on CSR awareness survey

After the implementation of CSR awareness survey, taking the opportunity of plenary meetings or general morning assemblies, each workplace shares the trend of the employees' awareness and future tasks read from the survey results. Setting of the most important improvement items toward the next year and examination of concrete improvement measures are summarized in the "Workplace Awareness Improvement Plan." To cite a case, as a measure to the survey result (what an employee felt) that "it's less likely that everyone cooperates according to his or her ability to achieve our target," we have practiced "presenting outcomes obtained by achievement of our target, as well as compliments and appreciations received from our customers, to share the sense of fulfillment" for a year.

Co-creating a Brighter Future with Our Customers

Rate of long-life quality
housing (single-family
housing segment)

84.0%



Reordering rate
(apartment segment)

44.5%



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Osamu Fujitani

Director and Senior Managing
Executive Officer,
Head of Marketing
Headquarters

We face our customers in good faith and work toward providing quality goods and services.

Commitment from the Executive Officer in Charge

The “single-family house spirit” present in all businesses

Since establishment, Daiwa House Group has focused on facing our customers sincerely and has endeavored to provide quality goods and services. Through responding to the expectations of customers, we have been able to build a trust relationship that we value most of all.

Tracing the origin of this idea, you will end up with the philosophy of “single-family house spirit” left to us by the founder, Nobuo Ishibashi. In 1959, during the post-war baby boom and in response to the people saying “the houses are too small for kids

to study” due to the rapid increase of family members, the Midget House, which would become the origin of prefabricated houses, was developed. The time required for construction was only 3 hours and the cost was only 110,000 yen, both of which were groundbreaking and altered the common sense of the times. When it was first sold, the Midget House was accepted by many families and it became a big hit even though some people said, “there’s no way it will sell.”

Since then our Group has worked tirelessly on the development of prefabricated houses. Even the popularly ordered “xevo Σ,” house was born from repeated technological developments starting from the “industrialization of homes” that

Contribution to SDGs



began with the Midget House. The building technology cultivated in the single-family house was applied in stores and temporary housing etc. and has contributed to solutions for social issues in every generation. Furthermore, in recent years the Group has been engaged in the development of a number of large-scale complex development facilities and distribution centers and in these projects as well, we place value on the “single-family house spirit” and try to do business with the goal of contributing to the development of the local community.

Solving our customer’s problems by foreseeing changes in the times

The spirit of founder Nobuo Ishibashi, an advisor is deeply rooted in the retail business that I have worked on. In the beginning of the mid-1970s, Nobuo Ishibashi, an advisor quickly recognized the trend of motorization (the spread of automobiles) in Japan and predicted that there would be a need for roadside stores. With that in mind, our sales staff have built trust relationships with landowners based on the idea of “single-family house spirit.”

By becoming familiar with land information in each region throughout the country, we could engage in securing sites for the roadside business, building the stores and supporting the business of our customers. In addition to the landowners, we also responded to the issues of tenants, employees working in stores and residents living nearby the stores, as we viewed them the same as our customers.

It was not about simply chasing company sales, but also about identifying issues that customers are having and proposing a method for solving the issue. This corporate attitude has remained the same since establishment and will not change going forward.

Emphasis on the long-term efforts toward gaining trust

In the 5th Medium-term Management Plan, as stated in the beginning, our Group is committed to facing customers in good faith and working to provide high quality products and services to satisfy customers and gain their trust. However, there have been some issues such as nonconformity concerning building standards in single-family houses and rental housing. We deeply apologize to our customers for this situation that has caused a loss of trust. Based on the results of the survey implemented by the External Investigation Committee, we will face the problem head on and proceed with a response groupwide.

Along with providing products and services, we have maintained adequate communication with customers and emphasized efforts for gaining trust over the long-term. Particularly for the latter, our relationship does not end when the house is turned over but rather, the relationship gets even more important.

Our sales method focuses on both before the house is built

and after it is completed. Through this we can make an unshakeable trust relationship and as well as being the starting point for our new mission, it also becomes a chance to meet new customers.

In the apartment business, for example, the “increase in the reordering rate” for 2018 was 44.5%, much higher than the 39.5% from 2017. For this reason, in planning for apartments, we try to solve the issues of landowners and, after building is finished, our salespeople make efforts to fill each and every building while thinking from the landowner’s perspective. Our simple and honest adherence to the founder’s spirit of “Don’t approach work from the idea of how to make money. Think about what item or what business will contribute to society” is connected to the trust we have gained from our customers.

Pursuing businesses where customers say “I’m glad we thought about it over the long term”

The long-term commitment to gaining trust is similar to the retail business that I have worked on. We try to be useful for landowners of course but also consider tenant firms to be important customers as well. For example, the Group’s LOC (Lock System) is highly evaluated as a structure that fully utilizes the potential of the land and proposes appropriate use methods.

This system responds to both the needs of the landowner who desires that their real estate be used efficiently and companies searching for a base for their new business ventures. Having the lender of the real estate and the renter of the real estate both say “I’m glad we thought about it over the long term” is one of our greatest joys. Even now, with the scale of the retail business exceeding 400 billion yen, we are placing the trust relationship with our customers above everything.

Going toward the future, in order to realize our vision of “Co-creating a Brighter Future” with customers, we must develop new technologies and new businesses that respond to the changing needs of society. Our Group is actively researching and creating new products in order to solve social issues.

Specific results in the 5th Medium-Term Management Plan are the “Kaji (Chore) Share House” that corresponds to the increase in double-income households and terminals that anticipate cashless payments. We have also developed other products that can be used to respond to social issues such as robots that can be used to combat the decrease in the labor force population. We will continue to develop products that will be useful to society.

Keep our goal of being a company that makes “dreams” come true

As a part of our efforts for earning customer trust over the long term as mentioned in the 6th Medium-term Management Plan, we have placed emphasis on the Livness Business, which is a housing stock business, from the perspective of contributing to increase in added value of customer assets. We are making efforts to fulfill our responsibility to the future by “re-cultivating” single-family houses, apartments, stores and other various facilities that our Group has built until now.

Among these efforts, “re-cultivating” Suburban Housing Complexes that our Group has worked on until now is one of the most important issues in relation to the policy of keeping our promises to customers. Presently, many of the residents have gotten older and we cannot overlook the fact the housing complexes are losing vitality. Based on the responsibility of our message of “making the dream come true” that we fulfilled in the past by constructing various building, we believe that it is our mission as a company to continue “making the dream come true” even decades later. We want to provide an environment where customers can live safely, comfortably and with peace of mind over a long time and realize the creation of attractive buildings and community development that can bring as many new customers as possible. With that in mind, while bringing together the collective strengths of our Group to lead the success of the Livness Business we will aim to solve social issues through business.

Aiming to create new businesses that can solve social issues

In addition, we will accelerate efforts to create an innovation system within our Group is regard to the development of new technologies and creation of new businesses to solve social issues as addressed in the 5th Medium-Term Management Plan. We have already held open innovation programs in collaboration with the Osaka Institute of Technology and the Osaka Chamber of Commerce. Also, we have also tried using our website to collect proposals for business themes that can contribute to solving social problems.

In addition, we are focusing on creating ideas through alliances with major companies and the knowledge of universities and we are aiming to create revolutionary businesses with external partners to go beyond the scope of our Group.

Apart from that, in the 6th Medium-Term Management Plan another important priority along with earning customer trust over the long term is the establishment of a corporate brand that leads to encounters with new customers. In particular, it is essential for all executives and employees to share the company philosophy and management vision as well as the founder’s spirit when communicating through actions and speech with customers. We intend to focus on reinforcing corporate communication for that reason.

Our Group has the goal of reaching consolidated sales of 4.55 trillion yen over the three year period up to 2021 and the foundation behind that is the spirit of the founder, the “single-family house spirit” that places value of each customer. With that, in trying to be a business that can contribute to society, we will continue to work vigorously toward the creation of trust relationships with customers.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

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

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

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

Risks and opportunities for the Daiwa House Group and its responses

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

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

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

Long-term social vision [Customers]

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

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

[Priority issues]

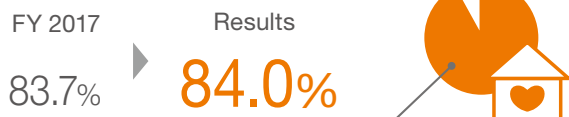
Providing High Quality Products

P071-076

We planned for over 90% of our overall housing business to be to meet the “long-life quality housing” standards. We were able to achieve 84%. Regarding the no-charge after-service index within one-year of handover for apartment, construction and distribution business departments all met their targets.

Individual indices (Excerpted)	Results	FY 2018 targets
Rate of long-life quality housing (single-family housing)	84.0%	90% or above

■ Rate of long-life quality housing (single-family housing segment)



[Priority issues]

Proper Communication with Customers

P076-078

At Daiwa House Industry we have various forms of training for new employees, including basic training. Furthermore, each department also has their own training program to build skills aimed at improving communication with customers. Participation in new employee training reached 100% for both the single-family house and apartment segments in fiscal 2017 and also met the targets for fiscal 2018.

We are planning to make efforts to increase the participation in other training programs in the future. In the apartment segment,

according to our questionnaire survey conducted one month after completion on customer satisfaction during construction and in the post-contract follow-up period, customer satisfaction was 68.5% against a target of 80%. We will continue working to improve satisfaction levels.

Individual indices (Excerpted)	Results	FY 2018 targets
Rate of participation in new employee training (Single-family house and apartment segments)	100%	100%
Rate of employee participation in training for each level, and local seminars (general construction segment)	80.3%	95%

[The most important priority issues]

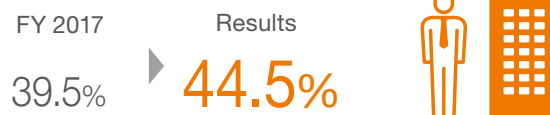
Long-Term Efforts to Earn Trust

P079-080

In the single-family housing segment, our 10-year inspection customer satisfaction questionnaire survey received a result of 96.4% satisfied against a target of 100% in fiscal 2018. In the apartment segment, our fiscal 2018 target for the reordering rate was over 20%, which was highly exceeded in 2017 at 39.5% and again this year at 44.5%. We will continue to do our best to earn the trust of our customers over the long term.

Individual indices (Excerpted)	Results	FY 2018 targets
Reordering rate (apartment segment)	44.5%	20% or above

■ Reordering rate (apartment segment)



➡ Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021

Major priority issues	Major Key Goal Indicators (FY 2021)
Build platforms for innovating solutions to social issues.	The number of companies cooperating to create innovation regarding new businesses and research and development to contribute to solving social issues Maintaining the high standard for quantity and quality using fiscal 2018 as a benchmark
Upgrade corporate communications. (Eligible residents (future customers))	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%
Promote customer support to maintain long-term relationships.	An ordering percentage that utilizes the customer platform 70% <small>Housing: Introduction based sales percentage</small>

[Priority issues]

Providing High Quality Products

Basic Policy and Concept

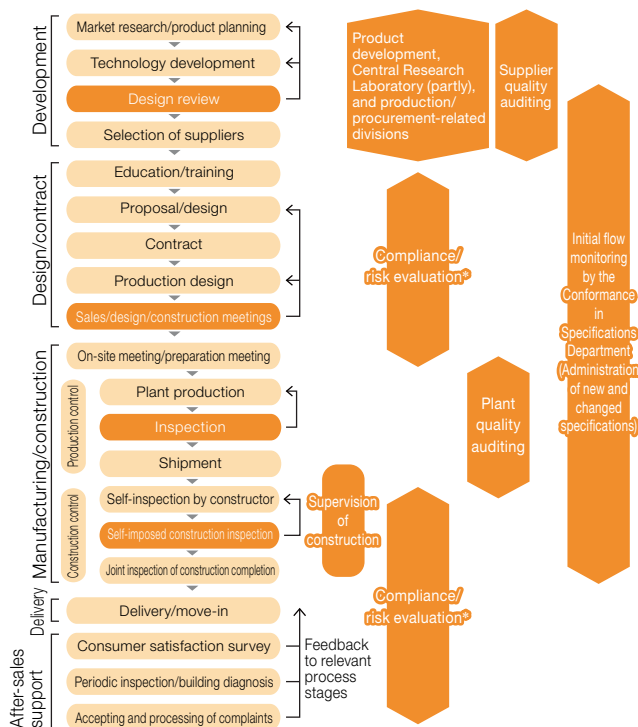
The Daiwa House Group provides a broad range of buildings as a "Group that co-creates value for individuals, communities and people's lifestyles." Buildings also protect human lives and valuable property, and must provide safety and peace of mind. People expect to use such buildings for a long period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

Management

Quality Assurance System

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

Quality assurance system flow (Housing)



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

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. For the design of single-family houses and apartment, production and construction, the Conformance in Specifications Department will manage the technical information related to new and changed specifications that will directly impact the safety and peace of mind of the customers, especially for fireproofing and structural performance, as well as convey necessary information to related departments as to limit the reoccurrence of nonconformity. In particular, regarding important items for fireproofing and structural performance, we will 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 will record if construction has been carried out properly.

If the department finds any noncompliance or irregularities with regard to specifications, it has the authority to halt product development, manufacturing, or sales, and impose control over the related department

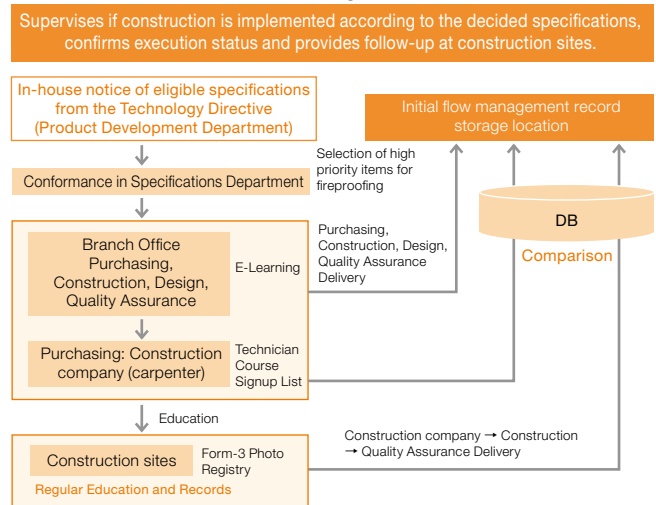
Furthermore, the Head Office appoints a person from its Technology Division who has experience in various fields to be a Product Design Checker. This person has the specialized knowledge to check the details of both new and modified designs regarding things that guarantee customer comfort, such as sound insulation and thermal efficiency and also supervises the process to ensure its proper implementation.

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

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

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

Overview of initial flow of management



Strengthening quality management through ICT (Information and Communication Technology)

Building Information Modeling (BIM)

We are adopting BIM to centralize information through the full life cycle of a building and across all of its processes, including sales,

design, production and construction, and after-sales service. Through the use of BIM we are able to more smoothly build consensus with the customer using 3D data of the building. Also, by centralizing building information we can share design changes or other information in real time, achieve consistency among drawings, and in other ways assure quality as expected by the customer.

Quality Inspection System, D-Doc

We are using the D-Doc system throughout Japan that allows inspections to be conducted at construction sites using a tablet device (mobile data terminal) or a smartphone, registering the results and sharing the data on the spot to streamline inspections and speed up the multiple check process to strengthen and improve the quality and efficiency of construction site quality inspections.

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.

Standards regarding safety of housing products

Due to its position in the Ring of Fire where earthquakes and volcanic activity are common, even though Japan has only 0.25% of the world's land mass, the number of earthquakes in Japan with a magnitude of 6.0 or more is extremely high at 18.5%. Large-scale earthquakes that have been pointed out as being possible in the future include the Great Nankai Trough Earthquake and the Tokyo Metropolitan Earthquake. Apart from these large-scale earthquakes, there is potential for earthquakes in any area throughout Japan. (Cabinet Office: Disaster Prevention in Japan, 2015)

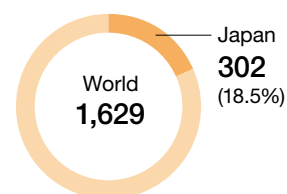
Under the Building Standards Act the definition of a structure that is not easily destroyed or collapsed is "the extent to which a building is not destroyed or collapsed in response to the force of earthquakes (as mentioned in Article 88 Paragraph 3 of the Enforcement Ordinance of the Building Standards Act) that occur extremely rarely (once every hundred years). This is the minimum standard for structural stability in building construction in Japan. Furthermore, in the mandatory indication of housing unit functionality based on the Housing Quality Assurance Act that has been put into operation, earthquake resistance grade 1 through 3 define a structure's resistance to destruction or collapse. Seismic Resistance Grade 1 is the same as the Building Standards Act definition that "a building is not destroyed or collapsed in response to the force of earthquakes that occur extremely rarely (once every hundred years)." Seismic Resistance Grade 2 is defined as "a building is not destroyed or collapsed in response to 1.25 times the force of Seismic Resistance Grade 1." Seismic Resistance Grade 3 is defined as "a building is not destroyed or collapsed in response to 1.5 times the force of Seismic Resistance Grade 1."

Daiwa House Industry's housing product xevo Σ was launched in 2014 with Seismic Resistance Grade 3 as the standard*1. In 2019, xevo Σ s+, a new optional specification that reduces the seismic effect of large earthquakes to a maximum of 50%*2 to control damage to the inside and outside, was developed. The xevo Σ s+ option is strong enough (limited to the 1st floor)*3 to withstand 2 times the force of the level listed in the Building Standards Act (1.3 times the power 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 2 times the necessary performance to withstand the force of an earthquake that occurs once every hundred years (1.3 times the power of Seismic Resistance Grade 3)

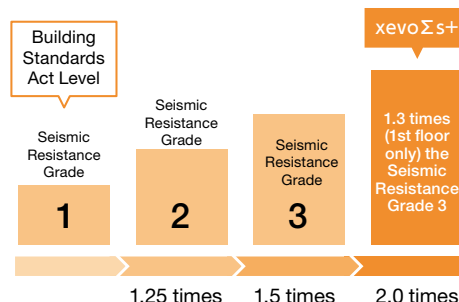
Amount of disasters in Japan compared to the world

Number of earthquakes magnitude 6.0 or more (from 2004 to 2013)



Source: Cabinet Office

Developed a structure that can withstand 2 times the force of the Building Standards Act Level



Main approach

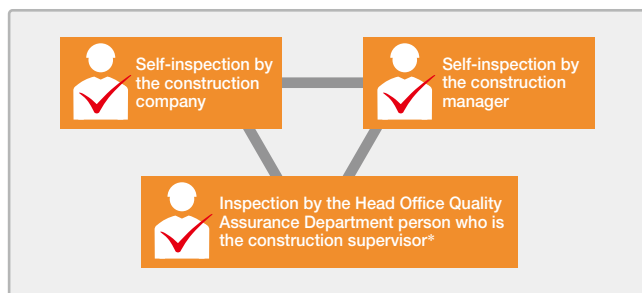
Impact assessment on product safety

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.

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

Triple Check System



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

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.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section

Off-specification components in and remedial work on Daiwa House single-family house and apartments

As notified in the news release on April 12, May 13 and June 18 of 2019, a portion of single-family houses and rental housing constructed by Daiwa House Industry was found to be non-conforming to building standards.

[Overview of the nonconformity etc.]

(1) Off-specification pad footings*1

A portion of single-family houses and apartments provided by our company from 2001 to 2015 contained what is called independent foundation within the foundation that supports the house (3,763 units total). The specifications of this independent foundation were built to specifications different than the specifications that were granted permission beforehand according to the Building Standards Act through the Type-Approval*2 and Type-Certified Component Manufacturer System*3 (hereinafter referred to combined with the Type-Approval as "Type-approval and conformity certification") (3,763 units total).

*1 Foundation that is installed independently without connecting to the foundation (continuous strip footing foundation)
 *2 This examines and confirms beforehand that the shapes of prefabricated houses are built in line with the standard specifications in business based on the Building Standards Act.
 *3 This examines and confirms that the manufacturer of parts and materials that have received the "Type-Approval" can be manufactured according to said certification with adequate quality control.

(2) Off-specification inverted-L columns

Regarding the specifications of inverted-L columns used to support external second-floor side-corridors in a portion of rental housing provided between 2001 and 2008 by Daiwa House Industry, building permits were applied for even though they failed to receive Type-Approval under the assumption that they were pre-approved (192 units total).

(3) Inverted-L column failure to meet fire safety codes

Of the buildings with off-specification inverted-L columns described in (2) above, there is a possibility that some of the inverted-L support columns do not meet the fire protection standards for the buildings where it is necessary to build main structural parts as a semi-fireproof structure (77 units total).

Furthermore, when a building is constructed according to the specifications listed in the acquired type-approval and conformity certification, request for building permits may be skipped. However, if the specifications vary even slightly, general building permits must be applied for.

Regarding the above nonconformities (1) off-specification pad footing and (2) off-specification inverted-L columns, it is necessary to perform a general confirmation of the safety of these buildings and, after performing a said confirmation (as of the end of June 2019) it was found that there is no direct impact of the safety of the buildings. Internal and third-party safety evaluations were also implemented.

Furthermore, regarding the failure for the inverted-L columns to meet fire safety codes as mentioned above, remedial work to secure fireproofing has already been completed on all pertinent buildings.

[About the External Investigation Committee]

From April 26, 2019, Daiwa House Industry commissioned an External Investigation Committee because it was determined that a more objective investigation into these nonconformity problems. The committee was tasked to investigate the factual relationship of these nonconformities, analyze the cause and provide a strategy to prevent reoccurrence. We received the investigation results on June 17, 2019 as a final report.

The overview of the investigation implemented by the External Investigative Committee is as follows.

1) Composition of the External Investigation Committee

Committee Chairman: Yukinori Kuwano, External Auditor (External Auditor for Daiwa House Industry Co., Ltd. (independent director))
 Committee member: Ken Hasegawa, Lawyer (Kato - Nishida & Hasegawa Law Firm)
 Committee member: Toru Watanabe, Lawyer (Kitahama Partners (Joint Manager))

2) Investigation Period

April 26 to June 17, 2019

3) Investigation Methodology

- Use of investigation results and investigation documents from Daiwa House Industry's Non-conformity Prevention Section
- Examination of Daiwa House Industry's building design stipulations, drawings, internal protocol and internal notifications
- Investigation by questionnaire survey sent to involved individuals (144)
- Interviews with involved individuals (28)
- On site investigation into CAD system related building design work

4) Overview of Investigation Results

i) Main facts established

1. Period
 Starting from June 1, 2000, a revision to the Building Standards Act was implemented that introduced a Type-Approved and Type-Certified Component Manufacturer System which was adopted by Daiwa House Industry in December of 2000.
2. Pad footing
 · Before the introduction of the Type-Approved and Type-Certified Component Manufacturer System, the use of pad footings higher than 620 mm were used for convenience.
 · The design managers at each branch assumed that the pad footings had already been approved under the new Type-Approved and Type-Certified Component System and applied for building permits as normal.
3. Inverted-L columns
 · Before the introduction of the Type-Approved and Type-Certified Component Manufacturer System, we utilized the inverted-L columns in the Kanto area to support the 2nd floor hallway in response to a request from customers to make the living space larger.
 · The design managers in the Kanto branch offices assumed that the inverted-L column had already been approved under the new Type-Approved and Type-Certified Component Manufacturer System since they were already in use since before the implementation of the system and, as a result, applied to building permits as normal.
4. Nonconformity with fireproofing standards
 · Buildings that used the inverted-L columns were constructed using general building permits but did not receive the important inspection and check from specified confirmation survey institutions that confirm fireproofing against specific standards such as the Building Standards Act. Since the building permits were applied assuming the columns were on-specification, this check was not received and as a result, houses that may not conform to the fireproofing standards of the Building Standards Act were built.

ii) Cause analysis

1. Issues when operating the legal compliance system
At the time of the adoption of the Type-Approved and Type-Certified Component Manufacturer system, even though there was a system in place for compliance, we failed to operate our system in an effective way so that all of the design managers could understand the new approval system. Also, the engineers using the pad footing and inverted-L columns in their designs did not understand accurately the specifications for which Daiwa House Industry had gotten approval for under the new system.
2. Lack of communication between the branch offices and the Head Office (Product Development Department and Technology Headquarters)
As each of the design managers in each branch are licensed architects and therefore specialists, it was necessary for them, as licensed architects, to accurately understand what specifications had been approved under the Type-Approved and Type-Certified Component Manufacturer system in regard to the pad footing and inverted-L column. However, at the time the Technology Headquarters, which had responsibility for the Type-Approved and Type-Certified Component Manufacturer system companywide, failed to disseminate this knowledge about building permit applications that comply to the Building Standards Act under the new system throughout the company and, as a result, the decision was made by individual design managers.
3. Issues with design document drafting process
The Technology Headquarters failed to thoroughly communicate and explain the meaning and importance of the specification requirements within the CAD system to each branch office and Production Operation Center. That is to say that the Technology Headquarters was unsuccessful in spreading information about the check system regarding the design document drafting process.

iii) Suggestions for preventing reoccurrence

1. Rebuilding the legal compliance system
2. Strengthening the sharing of information between the Head Office and branch offices
3. Creation of a check system for design document drafting

[Regarding the formulation of reoccurrence prevention methods]

Daiwa House Industry received the investigation report from the External Investigation Committee and at the Board of Directors meeting held on June 18, 2019, decided on the following basic policies and plans regarding prevention of reoccurrence.

[Basic policy 1]

Rebuilding the legal compliance system related to companywide design operations

- Rebuilding the legal compliance system related to building laws and regulations including the system of type-certified specifications
- Establishment of an independent Legal Compliance and Quality Assurance Division (tentative name) as a division directly reporting to the President

[Basic policy 2]

Introduction of an internal qualification system related to the system of type-certified specifications

- Introduction of an internal qualification system related to the system of type-certified specifications, and appropriate assignment of personnel in charge of design

[Basic policy 3]

Strengthening of functions for communication of risk information

- Strengthening of functions for internal communication of information on risks related to building laws and regulations including the system of type-certified specifications

[Basic policy 4]

Strengthening of internal auditing functions

- Strengthening of the internal auditing system related to building laws and regulations including the system of type-certified specifications

[Basic policy 5]

Appropriate evaluation of the state of legal compliance of business offices

- Reflection of the state of compliance with building laws and regulations including the system of type-certified specifications in the performance evaluations of business offices

[Basic policy 6]

Strengthening the sharing of information between the Head Office and branch offices, and reiteration of training

- Strengthening of functions for conveying information from the Head Office to branch offices, enhancement of communication between the Head Office and branch offices, and reimplementation of legal compliance training throughout the entire company.

[Basic policy 7]

Strengthening of internal check functions

[Countermeasures]

- Reestablishment of internal standard design rules (design guidelines) / standard specifications
- Improvement of design processes for strengthening systems for checking type-certified specifications
- Strengthening of functions for checking conformity to laws and regulations by BIM
- (Rebuilding of) mechanism enabling long-term storage of plans

[Regarding Management Responsibility]

On June 25, 2019, at the Board of Directors meeting held after the 80th General Meeting of Shareholders, as a result of illicit activities done by Dalian Dahe Zhongsheng Real Estate Co., Ltd., an affiliated company in China, and issues with nonconformity for single-family houses and rental housing in regard to the Building Standards Act, executives and management responsible were removed from their position. (For more details check [Related Pages] below.)

Daiwa House Industry will make sure that the reoccurrence of such a situation will never happen again.

Related page → Our Group official website News Release Notice regarding the final report from the external investigation committee (June 18, 2019)
https://www.daiwahouse.com/English/about/release/pdf/release_20190618-3e.pdf
https://www.daiwahouse.com/about/release/house/pdf/release_20190618-3.pdf (Japanese text only)
Regarding research into the cause and measures to prevent reoccurrence of nonconformities relating to building standards in the single-family house and rental housing businesses (June 18, 2019)
https://www.daiwahouse.com/English/about/release/pdf/release_20190608-4e.pdf
https://www.daiwahouse.com/about/release/house/pdf/release_20190618-4.pdf (Japanese text only)
Regarding partial revisions to the (Revision) Notice regarding the final report from the External Investigation Committee
https://www.daiwahouse.com/about/release/house/pdf/release_20190619.pdf (Japanese text only)
Notice regarding changes in Daiwa House Industry's representative directors, persons in charge, human resources and organizational reform as a result of removal of managers and executives from their position.
https://www.daiwahouse.com/about/release/house/pdf/release_20190625.pdf (Japanese text only)

* The details listed in this category are current as of June 25, 2019. For the most recent information, please check the news release section of our Group official website.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
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External thermal ventilation wall for extended service life of houses

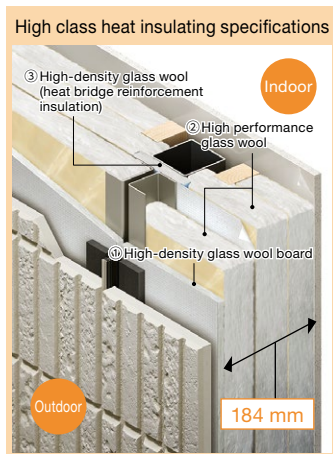
Daiwa House Industry has developed an external thermal ventilation wall for single-family houses that has exceptional insulation, durability, condensation- and moisture-blocking performance inside the wall to prevent structural deterioration. We have been actively using this wall since 2005. Using this 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 (as of fiscal 2018).

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 "xevoΣ"

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.

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

Related page P201-202 CSR Self-Assessment Indices Fiscal 2018 results
 Customers
 “Provide high quality products”
 “Long-term efforts to earn trust”

Research on product safety

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

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

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

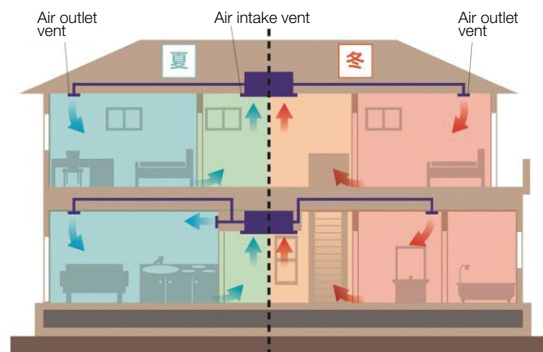
To reduce the temperature difference between rooms and minimize the cause of heat shock, we developed a floor-by-floor central air-conditioning system.

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

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 98.9%. 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 ▶ P155–160 Prevention of Global Warming (Energy / Climate Change)

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.

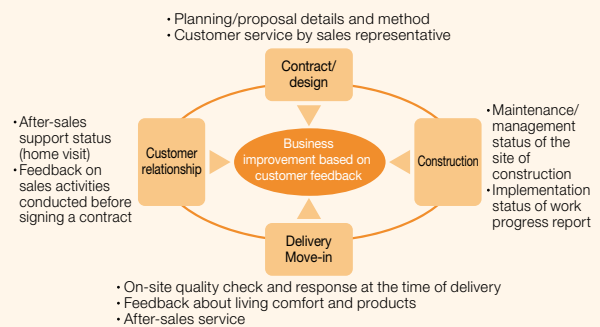
[Priority issues]

Proper Communication with Customers

Basic Policy and Concept

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

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



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.

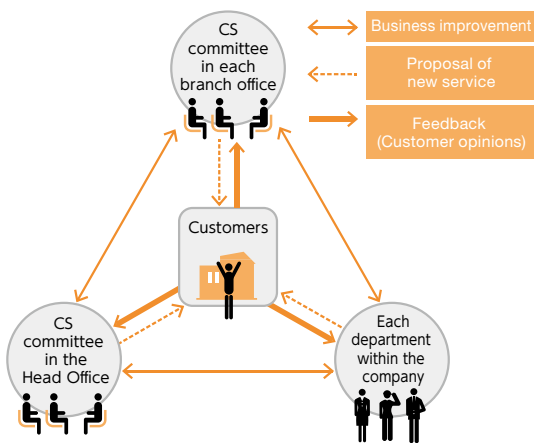
To achieve *operations quality*, it is important for all employees to grasp basic practices and rules. It is essential that all employees share with each other the proper way of doing their jobs for all to understand. The implementation of the plan-do-check-act (PDCA) cycle is also vital for further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

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CS Promotional System

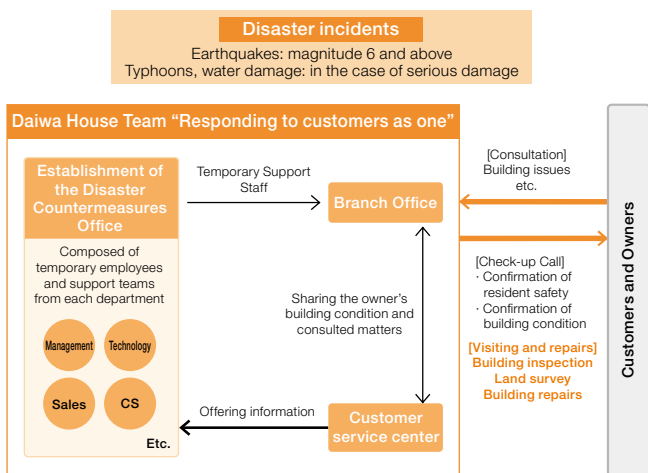
Conventionally, a single department had been taking care of matters related to both customer satisfaction and quality but with the hope of increasing customer satisfaction, in fiscal 2014 we reinforced the system by splitting the functions between the Customer Satisfaction (CS) Headquarters and the Quality Assurance Headquarters. To ensure that customer feedback drives improvement in products and services, customer satisfaction committees have been set up at the Head Office and all branches, tasked with sharing examples of customer feedback (objective statistics and “direct feedback”) and implementing the PDCA cycle for initiatives through monthly meetings. Proposals for improvements based on customer feedback, as well as confirmations of progress, are carried out by a liaison council for the Product Development Department and liaison council for the construction segment. We have thus established a system that allows each branch to share specific measures, while a rapid response is possible when Groupwide decisions need to be made.

■ Promoting improvement activities through CS committees



In line with disasters etc., in our “Business Continuity Regulations” we implement education and periodic training for employees and in fiscal 2018 during time of disasters we were able to promptly respond according to the “Disaster Response Manual.”

■ [Intangible] A team that can respond as one in times of disaster



Call Center communications

■ [Single-family houses/Condominiums/Rental housing] Daiwa House Customer Center

We aim to build an endless partnership with our customers. To this end, we have opened a Customer Center as a concierge desk to handle various queries regarding houses and buildings.

The Customer Center (toll-free/24-hour, 365-day operation), in cooperation with 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.”

For disasters in fiscal 2018, along with checking up on the safety of our customers, identified building conditions for damaged buildings, made inspection appointments and worked quickly to establish communication with customers. Going forward, by establishing bases in multiple regions we will be able to build a system that can respond to any disaster regardless of the region.

■ Creating a system that protects customer security and safety

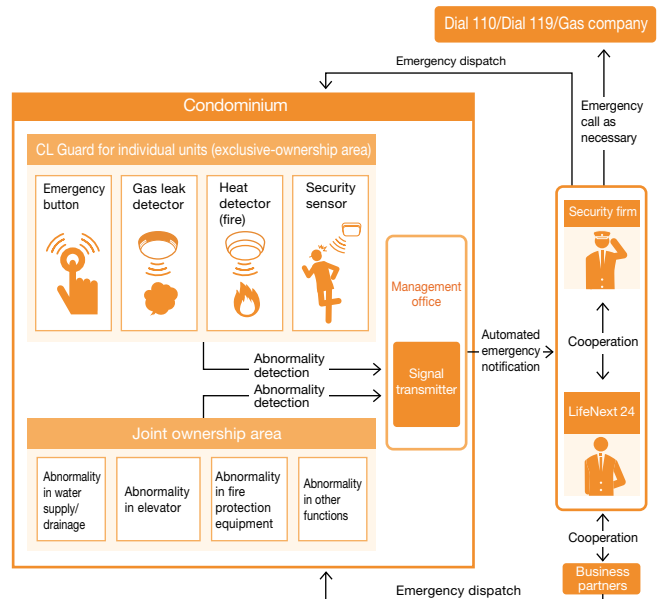


Staff of the center

■ [Condominiums] Emergency response system “LifeNext 24”

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

■ Flow of the emergency response system



Note: Monitoring items differ, depending on the specifications of the condominiums.

© Emergency center “LifeNext 24” has been established within Daiwa LifeNext Co., Ltd., a condominium management company of the Daiwa House Group.

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

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

* Customers: an owner who we have handed over a building to

Main approach

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.

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

Related page P201–202 CSR Self-Assessment Indices Fiscal 2018 results
Customers
“Proper communication with customers”

Voluntary restrictions and legal violations in marketing and communications

In addition to complying with government and industry regulations, Daiwa House Industry has imposed various self-restrictions on advertising that include human rights considerations. We 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.

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 2018, we received no administrative guidance, advice, recommendations or orders from competent authorities.

Regarding the EU General Data Protection Regulation (GDPR) that was implemented in 2018, we implemented a survey to discover if there are any transactions that applied to our Group. With the results of this survey in mind we will work toward concrete measures for each of the regulations in the GDPR.

[The most important priority issues]

Long-Term Efforts to Earn Trust

Basic Policy and Concept

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

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

Management

Long-term quality assurance

Daiwa House Industry has established a system for long-term guarantees and after-sales service tailored to the structure of buildings and circumstances of the owner (e.g. single-family houses and rental housing). We offer initial guarantee periods of up to 30 years for waterproof related structural parts of buildings, and also provide a periodic building diagnosis service.

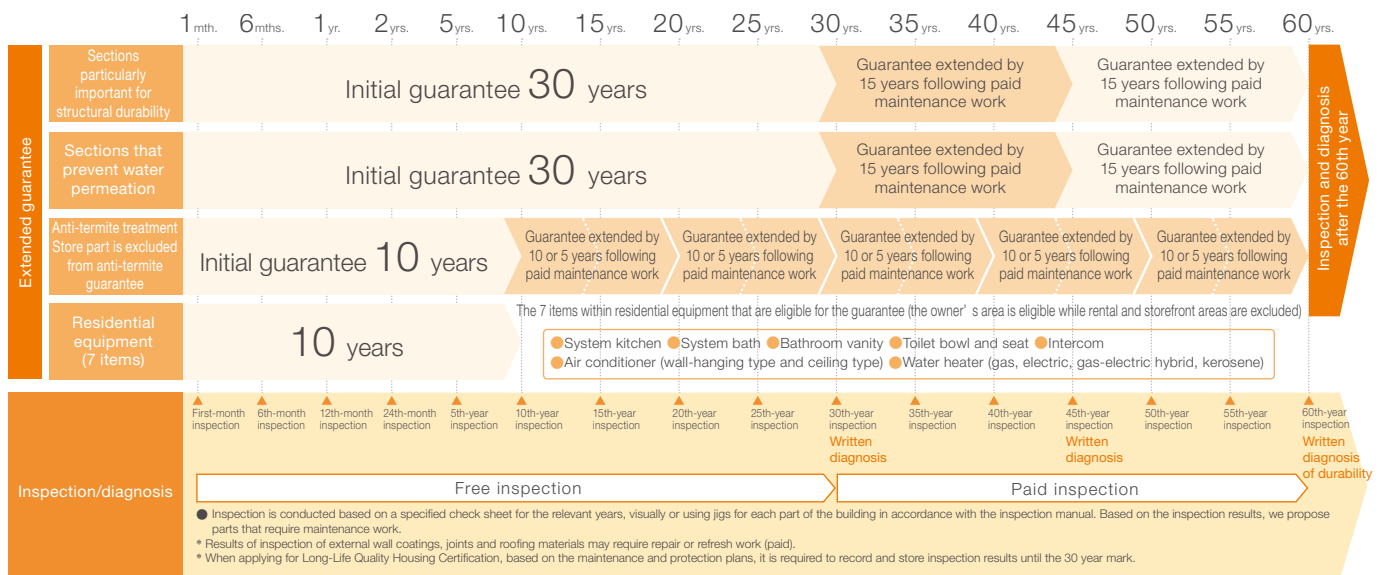
We visit individual customers, and conduct maintenance work to repair areas requiring improvement identified in the building diagnosis, thereby maintaining and improving the value of housing as an asset. Information collected through these after-sales services is summarized by the CS Headquarters and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

*1: Depends on the products (the above applies to xevoΣ brand and GranWood products)

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.

■ Single-family houses—steel-framed and wooden (one-story, two-story or three-story) * In the case of xevoΣ 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.

- 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.
- 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."
- 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).
- 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.
- 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.
- Even within the guarantee period, parts and materials used may be discontinued without notice. In that case, a substitute part will be provided.
- Repairs and replacements are available for a free after the guarantee has expired.
- 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.
- 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.

■ Main membership organizations for owners

	Single-family houses	Apartments	Commercial facilities
Name	Daiwa Family Club	Daiwa House Owners Clubs	Owners Clubs
Total membership	251,000 (As of March 31, 2019)	93 clubs in Japan 36,392 (As of April 30, 2018)	65 clubs in Japan 6,659 (As of March 31, 2018)
Major activities	<ul style="list-style-type: none"> An Internet service exclusively for members Information and advice given to resolve concerns and to answer owners' questions about future housing. 	<ul style="list-style-type: none"> New information provided on managing rental housing Information exchange among members, study tours to deepen friendship, etc. 	<ul style="list-style-type: none"> Seminars on the effective use of real estate Study tours to promote friendship among members * Business consultations on opening commercial establishments for tenant companies held (leading to over 4,200 business deals as of March 31, 2019)

Main approach

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 are able to ascertain customer satisfaction with buildings over the long term through communication that takes place in Owners Clubs.

The results of our management indicators on long-term efforts to earn trust in fiscal 2018 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P201–202 CSR Self-Assessment Indices Fiscal 2018 results
Customers
“Long-term efforts to earn trust”

Businesses to Address Social Issues / Sustainable Consumption

Basic Policy and Concept

The Daiwa House Group always works to solve social issues while reducing negative impacts on the global environment and society. We do this in order to build a sustainable society with the “what will benefit the world,” which is the spirit of our founder, in mind.

Along with working to implement energy recycling and reduce environmental impact from the procurement and production of materials and construction of buildings, we believe it is important to reduce greenhouse gas emissions for buildings in use by customers and maintain that reduction over the long term. This attitude is reflected in product development in the design and after maintenance systems. Through these efforts we can contribute to the environment and society at the “building usage stage” after the handover of the house, which is said to have a big impact. We are making various efforts toward social issues in recent society such as the demand for houses that are more resilient to earthquakes and residences that match a society where everyone is involved. We believe that it is our mission to contribute to a sustainable society through mutual teaching, learning, understanding and cooperation between stakeholders and Daiwa House Industry.

Related page P127 Lecture activities at educational institutions
P159–160 Helping to reduce greenhouse gas emissions through our products and services

Management

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

Daiwa House Industry's Central Research Laboratory 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 considered comfort and health in residences and have set the goal of zero energy houses and community development to develop the values needed by the world through our research and development. For that purpose, we have set themes that clarify the research and development 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.

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

Furthermore, the Co-Creating a Brighter Future Center was established October 1, 2018. 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 which problems need to be solved and what technology is necessary for the solutions to said problems alongside various related individuals both inside and outside the company. From that point, the “Co-creating” for research and development is implemented to realize the businesses and commercialization of the products.

Related page P054 Evaluation of ESG aspects in business investments

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 hosting the Daiwa House Open Innovation Program: Daiwa House Future Labo. This program was the first main project to participate in the “City Open Innovation Base X-Port (cross port)” program established by the Osaka Chamber of Commerce.

Also, on our website, we have published business themes that can contribute to solving social issues like “residences that can support a new life design,” “digital construction business,” “services and technologies that promote real estate” and “infrastructure for new towns that support an abundant life.” These 15 themes are divided into 4 segments and along with always accepting proposals about them, we are trying to draft and promote specific business projects.

We have cooperated not only with venture companies but also with large companies that have focused on technology and research by forming alliances. Also, we have continued to create ideas that utilize the wisdom of universities in our activities and alongside our goal of providing acceleration support* and capital investment for venture companies, we have 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 make a place that functions as a hub platform for students to create flexible ideas and for incubation facilities inside and outside Japan to create communication networks.

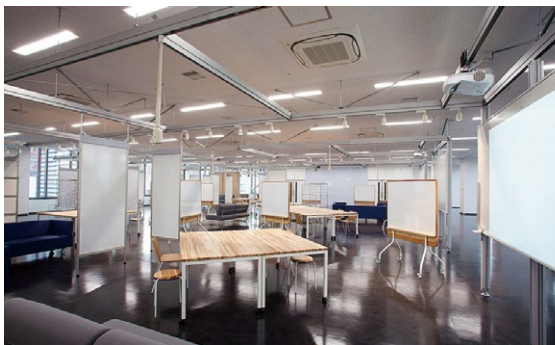
Furthermore, the wide use of this project by new business planners in the Daiwa House Group will have a ripple effect on entire group foundation.

* 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/

Daiwa House Industry Open Innovation

Build the Future.



Internal view of the Future Labo facility

Main approach

R&D to create businesses that will solve social issues

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

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

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

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

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

Product development to solve social issues

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

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

For the 10-year period from 2008 to 2017, the number of two-income households in Japan increased about 17.5% to 11.88 million*1. Between 1985 and 2018, the percentage of women among all employees rose from 35.9% to 45.0%*1, and has been increasing year by year. With more women in the workplace, society looks forward to increasing achievements by women. Meanwhile, the sharing of housework with men doing the chores to lighten the load on women in the home has become more prevalent. Still, the average amount of time men spend per day on housework in Japan is 28 minutes*2, less than one fourth*2 the time spent by their counterparts in the United States, Germany, and Sweden. Many consider such little help to be no help at all to women.

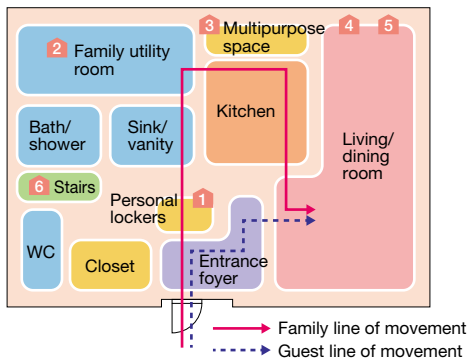
Considering such social conditions, we put together a project team with primary input from female employees, and conducted an in-house questionnaire survey. The questionnaire found not only that women do far more housework than men, but that a gender gap in the view of housework caused frustration for 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)

■ Flow in chore share house



■ Entering the Cashless Payment Business that is currently a social issue

Business promotion by the M&A of Royal Gate Inc.

Against the background of increasing foreign visitors to Japan and the shortage of labor in Japan, the promotion of cashless payments is becoming a social issue. One of the reasons for the slow advancement of cashless payment in Japan is that the member stores that participate in the cashless promotion program of the government do not have the desired products and services. In response to this, we implemented an M&A with Royal Gate Inc. (hereinafter Royal Gate) in April of 2018 in order to join the cashless payment business and promote the development of products desired by customers.

The PAYGATE Station developed and sold by Royal Gate allows for credit card, QR code, point and electronic money payments to be handled on just one mobile device so that member stores can easily introduce cashless payments. Through this we can contribute to the needs of foreigners visiting Japan and the necessity to improve productivity due to the shortage of labor, which is an issue for member stores. Additionally, we will contribute to the improvement of domestic industry standards for the development of social infrastructure that provides “security and safety” by adhering to the PCI P2PE security standard that is a first among other industries in the world.



Mobile Devices
PAYAGATE Station
(Pay gate station)

Related page ▶ PAYGATE Station (Japanese text only)
<https://www.paygate.ne.jp/station/>

Product development to address social issues

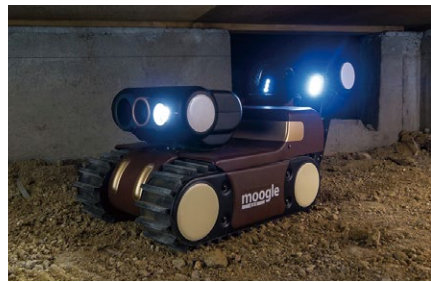
■ Aiming to reform working styles

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

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



The robotic suit “HAL” is one example of a product that has been developed and produced for the nursing care field, as well as the plant floor.
© Prof. Sankai, University of Tsukuba / CYBERDYNE Inc.
HAL® is an exoskeletal suit developed and manufactured by CYBERDYNE Inc.



Underground Inspection Robot “moogle”

■ Fulfilling Next Life Support and Livness Town Project

Based on our basic stance of “Co-Creating a Brighter Future,” we will create new value together with our customers and aim for the realization of a society where everyone can have an active and enjoyable life and we are making efforts toward various activities and systems.

Specifically, for the suburban housing complexes (Neopolis) that were built in the high economic growth period that are experiencing advanced aging, we take on new challenge for community development together with local residents, universities and governments etc. to develop community bases and hold seminars that will lead to community creation and revitalization.



Community Co-Creation Activities



Yokohama City, Kanagawa Prefecture
Kamigo Neopolis, Noshichiri Terrace
To be completed in fiscal 2019

Related page ▶ Fulfilling Next Life Support Business (Japanese text only)
<https://www.daiwahouse.co.jp/jujitsu/>

Product development for sustainable use

■ Sustainable houses for living worry-free

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

However, the Great East Japan Earthquake brought significant repeated aftershocks, which caused “tremor fatigue,” lowering the anti-seismic performance of the original design. In many cases, houses were no longer livable after all of the aftershocks. Learning an important lesson, we came upon a “post-quake” principle of building a house to continue to be safe and livable by minimizing post-earthquake damage. This involved a shift in thinking from preparing for a single major earthquake to “sustained resistance” to maintain the building’s initial performance by preparing for a major earthquake followed by repeated aftershocks.

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

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

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



Energy-absorbing anti-seismic wall: D-NΣQST

All new single-family houses will have the “Housing Removal Support Eligible Housing System (Flat Rate Guaranteed Rent System)”

From November of 2011, all newly built single-family houses of our company are certified as “Housing Removal Support System Eligible Housing” by the Japan Trans-housing Institute (hereinafter JTI), and they have become eligible for our “My Home Leasing System.” As a result, when residents made by Daiwa House Industry become unoccupied, JTI is asked to do a survey of the house and the rent based on said survey will be paid to the owner of the building.

Furthermore, from December 20, 2016, as an industry first effort, we applied the “Housing Removal Support Eligible Housing System (Fixed Rent Guarantee) (hereinafter 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.

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

Co-creating a Brighter Future with Our Employees

Diagnostic interview (lifestyle) score in the health analysis score

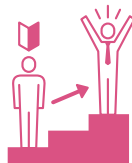
52.7 pts



Evaluation of OJT

① Degree of new employee satisfaction

85.4 %



② Rate of self-assessment of older employees

76.5 %

No. of female managers

137



Rate of employees with disabilities

2.39 %

Rate of hiring of new graduate females (general employees)

24.6 %



Commitment from the Executive Officer in Charge	085
Providing a Safe and Healthy Work Environment	089
Developing Human Resources	092
Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly	095
Providing Employment Opportunities for Exceptional Human Resources	098



Moritaka Noumura

Senior Executive Officer
General Manager of Human Resources Department,
Management Administration Headquarters
Head of Human Resources Training Center,
Management Administration Headquarters
Deputy Head of Sustainability

We are committed to creating an environment where all employees are happy and highly motivated.

Commitment from the Executive Officer in Charge

“Work style reforms,” which should not be imposed and driven by employers

In an aging society with declining birth rates, it is becoming increasingly difficult to recruit qualified personnel – a problem faced by many Japanese companies. It is therefore essential that the working environment be improved to motivate employees with continued efforts made to reform working styles and an integrated system be established for recruitment, education and career development.

While the term “work style reforms” seems to be taking on

different meanings in the Japanese society, we believe that they should be driven not by employers, but by employees, taking into account their perspectives.

In the meantime, the fundamental management resources including human resources, funds and materials remain almost unchanged when viewed from a medium- to long-term perspective while “time” and “information” are expected to change dramatically. For example, it is likely that various work models will be adopted to deal with employees’ life events such as nurturing and nursing. Further advancement in ICT (Information and Communication Technology), moreover, will probably make information sharing and mobilization more convenient, which is essential for better job performance.



We are stepping up efforts to help female and elderly employees prove themselves

With this principle in mind, we have been dealing with various challenges in line with the 5th Medium-Term Management Plan. While many of them are successfully addressed, producing results such as improved work styles, some efforts are still in their infancy.

For example, the Diversity Forum has been held six times to exchange opinions and support female employees. Further efforts are needed, however, to promote female workers to managerial positions while company-wide support has been in place to create a better work environment for elderly employees. One such example is the Active Aging Program, which is designed to rehire employees aged 65 or older as part-timers. This program is being appreciated by those concerned, but it is high time that we should review and redesign it. In addition, various work models to deal with employees' life events such as nurturing and nursing have yet to be fully established.

Time boils down to "life" of a person Providing employees with work that makes them motivated and happy

The 6th Medium-Term Management Plan continues to focus on "work style reforms" while addressing "human resource development and enhanced recruitment" and "diversity and inclusion."

As for work style reforms, the meaning of work will be redefined for reform purposes. In other words, producing work results should make employees motivated and happy. No one can find fun in a boring job even if work style reforms result in reduced work hours. The time spent in work boils down to the "life" of each employee. Real work style reforms are not just about reducing work hours; they should make them more meaningful.

With this principle in mind, the Daiwa House Group is fully committed to pushing forward with work style reforms, which should not be imposed and driven by employers, focusing on increasing job performance and improving the mental and physical health of employees.

Enhancing recruitment as a company trusted by society

As for human resource development and enhanced recruitment, there should be concerted efforts to secure human resources and improve the corporate image. Is Daiwa House Industry worth being recommended by its employees to applicants whom they

know well? Without such confidence, it is not possible to enhance recruitment. In addition, the "corporate personality" should be improved to build confidence for applicants. Obviously the "corporate personality" cannot be built overnight; it is the culmination of day-to-day work of all executives and employees.

There is also a need to reduce the turnover of new employees, which is a waste of resources. For that matter, what is unique about Daiwa House Industry should be communicated to applicants, each of whom should have a good chemistry with the company. This involves educating personnel responsible for recruitment. The Daiwa House Group, meanwhile, has large amounts of human resource data accumulated through recruitment of new employees, which will be analyzed by AI software to enhance and streamline recruitment.

Developing global human resources

On the human resource development front, the Human Resources Training Center, which is responsible for education and training, plays a leading role in addressing themes such as "making the founder's spirit and the corporate philosophy understood by all employees," "developing professional human resources capable of providing their visions along with quality products and services," "creating an environment and culture where employees can develop themselves through their day-to-day work" and "training business leaders contributing to the domestic and global business."

At the same time, an education and training center is scheduled to open in 2021 to develop global human resources for the overseas business. With programs in place to be ahead of the times, we will be developing human resources capable of proving themselves in each business category.

In particular, "making the founder's spirit and the corporate philosophy understood by all employees of the Group" is definitely the foundation of human resource development. A company ignoring its founder's spirit will not survive long, which is proven by many examples. In addition, solutions to various challenges faced by the company are all shown in the founder Nobuo Ishibashi's booklet titled "The Future of the Daiwa House Group." While the management in charge of human resources is significantly responsible for communicating the founder's spirit and vision to young employees, the Human Resources Training Center is stepping up efforts to make them understood by all employees.

Developing business leaders contributing to the global business

With respect to “creating an environment and culture where employees can develop themselves through their day-to-day work,” a major challenge is to create a corporate culture that motivates employees by providing an employee-friendly work environment. Other challenges include promoting workplace communication and providing young employees with opportunities for challenges.

This year, meanwhile, will be a turning point in “training business leaders contributing to the global business” as the overseas business continues to grow. Specifically, recruiting and developing global human resources are imperative as there is a growing need to hire locally in each country we operate.

Daiwa House Industry hosts the “global summit” in Japan to which local employees in managerial positions are invited for a week-long training program. In a previous program, they showed proactive attitude and high loyalty to the company. Actually, some of them have read the translated version of “The Future of the Daiwa House Group” thoroughly, coming up with their own thoughts; they are expected to spearhead overseas subsidiaries in the future.

Developing diverse human resources to keep up with changes in the business environment

The term “inclusion” is purposefully used in “diversity and inclusion” presented in the 6th Medium-Term Management Plan to include concepts not covered by “diversity.” The aim is to employ, educate and motivate human resources regardless of gender, race, nationality, social status, disability, etc. It also intends to deal with social challenges and promote “co-creating a brighter future” with diverse human resources in an effort to keep up with changes in the business environment as corporate group.

Daiwa House Industry is on a steady path toward achieving a dream given by the founder Nobuo Ishibashi: “A corporate group posting sales of 10 trillion yen in its 100th anniversary.” Needless to say, human resources are key to driving this growth while the joy of working in the Daiwa House Group needs to be communicated to as many applicants as possible. To this end, we are committed to creating an environment where employees are motivated with a sense of meaningful life and well-being. Likewise, we will continue to seriously deal with facing human resources and work style to become a company trusted by employees, passing the founder’s spirit on to next generations.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

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

The accelerating pace of population aging and birth rate decline bring a lot of problems, including a declining labor force

participation rate, increased job mobility, and diversification of working styles. Reducing long working hours and encouraging more women and elderly people into the workforce in particular are issues that have been gaining attention, and changes in working styles and enhancement of support systems are needed. Furthermore, in an increasingly globalized economy, it is expected that it will be more and more necessary to deal with issues related to diversity.

Risks and opportunities for the Daiwa House Group and its responses

The Group has approximately 67,000 employees, which means many kinds of personalities and diverse capabilities. Consistently providing an environment that brings out the best in everyone will be a driving force for generating new business opportunities. On the other hand, if we cannot meet new demands in terms of personnel systems and work environments in order to change with the times, we could lose our corporate power and competitiveness.

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

Long-term social vision [Employees]

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

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

[Priority issues]

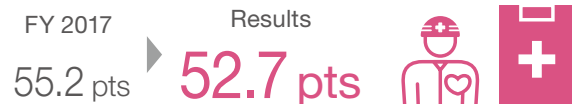
Providing a Safe and Healthy Work Environment

P089–092

With the target set at 70% for fiscal 2018, the actual rate of paid leave taken stood at 56.5%. Likewise, the diagnostic interview (lifestyle) score, which is included in the health analysis score, stood at 52.7 with the target set at 70. Efforts are underway to make further improvements.

Individual indices (Excerpted)	Results	FY 2018 targets
Diagnostic interview (lifestyle) score in the health analysis score	52.7 pts	70.0 pts

■ Diagnostic interview (lifestyle) score in the health analysis score



[The most important priority issues]

Developing Human Resources

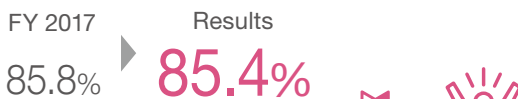
P092-095

As for “the degree of satisfaction of employees to overall human resources training,” a fiscal 2018 target of 80% was set for both “the degree of new employee satisfaction” and “the rate of self-assessment of older employees.” The rates, however, stood at 85.4% and 76.5%, respectively, with the former over-achieving the target and the latter falling short of it, though increasing 4.7 points from the previous year.

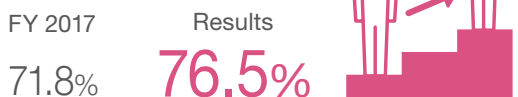
Individual indices (Excerpted)	Results	FY 2018 targets
Evaluation of OJT		
① Degree of new employee satisfaction	① 85.4%	① 80%
② Rate of self-assessment of older employees	② 76.5%	② 80%

■ Evaluation of OJT

① Degree of new employee satisfaction



② Rate of self-assessment of older employees



[The most important priority issues]

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

P095-097

Though our paternity leave rate target for fiscal 2018 is 50%, the rate only reached 32.9%. In addition, the number of women employees hired into managerial positions target for fiscal 2018

(calculated in April, 2019) is 160, and 137 women were hired as managers (excluding eight temporarily transferred employees). The target rate of employees with disabilities in fiscal 2018 is 2.30%, and this target was achieved with a rate of 2.39%. From here, we will continue to work to improve these rates.

Individual indices (Excerpted)	Results	FY 2018 targets
No. of female managers	137	160
Rate of employees with disabilities	2.39%	2.30%

■ No. of female managers



■ Rate of employees with disabilities



[Priority issues]

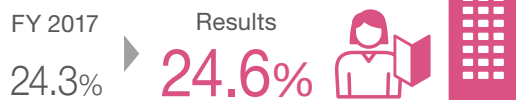
Providing Employment Opportunities for Exceptional Human Resources

P098-099

The target rate of women employees hired from among new graduates (general employees) for fiscal 2018 is 30%, with a result rate of 24.6%. The hiring target for qualified engineers in fiscal 2018 is 150 employees, with the result at 124 employees.

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

■ Rate of hiring of new graduate females (general employees)



Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021	
Major priority issues	Major Key Goal Indicators (FY 2021)
Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)	Employees' awareness of job satisfaction across generations 80%
Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	The retention rate of young employees (who have worked for less than three years at the company) Over 90%
Promote diversity and inclusion	Diversity and inclusion general index Targets are set for the following five indexes. *To be calculated in April 1, 2022. ① Female manager rate: 5% ② Female manager (line supervisor) rate: 40% ③ Female construction worker rate: 6% ④ Female sales representative rate: 13% ⑤ Female new graduate recruit rate: 30%

[Priority issues]

Providing a Safe and Healthy Work Environment

Basic Policy and Concept

The Daiwa House Group believes that creating a safe, healthy work environment for employees constitutes the basis of respect for human rights. It is also an indispensable element in helping each employee grow and maximize their potential, contributing to society and ensuring sustainable business development.

At the same time, efforts are underway to improve employees' mental/physical health and create a well-organized workplace, emphasizing "considerations for healthcare and safety" as part of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.

Employees, meanwhile, participate in creating a safe work environment, maintaining safe workplaces and construction sites according to the safety and health management regulations. Our Basic Policy to Promote Safety and Health at Work, moreover, is revised annually, with specific guidelines and targets set and systems established for each branch office to prioritize the safety of employees of Daiwa House Industry and its business partners. In addition, guidance and educational programs are in place to create such workplaces and construction sites, placing a premium on helping all employees learn skills and raise awareness of safety.

Likewise, the Daiwa House Group focuses on promoting sound management and, by extension, improving the labor productivity through prevention of long working hours and steady implementation of healthcare. In addition to addressing challenges in labor practices, a matter of concern at home and abroad, the Group signed and agreed to the UN Global Compact initiative, which is comprised of 10 principles proposed by the United Nations (UN) on human rights, labor, the environment, and anticorruption. Global challenges are also being addressed, such as prevention of forced and child labor through compliance with the "core labor standards" of the International Labour Organization (ILO) and each country's labor regulations and of the spread of infectious diseases attributable to globalized business.

- Related page
- P046-052 Human Rights Management
 - P109-111 Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors
 - P195-196 Principles of Corporate Ethics and Code of Conduct

Management

General management of safety and health by the Board of Directors

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

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

As an organizational structure for safety management, the Managing Executive Officer is in charge of General Safety Management. In total, six 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.

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.
Subsistence wage assistance	We observe minimum wage laws in Japan, similar to other countries throughout the world.

■ Management system toward reducing excessively long work hours

Year of introduction	Description
April 2004	<ul style="list-style-type: none"> • Lockout system To eliminate excessively long workdays, branch offices were closed at 22:00 (the closing time was changed to 21:00 in February 2009).
April 2007	<ul style="list-style-type: none"> • Home Holidays system To encourage the taking of paid holidays, employees were obliged to take one paid holiday every quarter (three months) in a planned manner.
April 2009	<ul style="list-style-type: none"> • Abolition of the deemed work hour system To ensure the proper counting of working hours, the deemed work hour system that was applied to work outside the office was abolished, and management based on net working hours was applied to all job types. • Introduction of regular working hours for each department and job type To reduce unnecessary overtime work, adequate regular working hours were introduced for each department and job type.
May 2010	<ul style="list-style-type: none"> • Introduction of hourly paid leave An hourly paid leave system is in place to encourage employees to take and make use of paid leave – an effort to create a better work-life balance.
June 2011	<ul style="list-style-type: none"> • Introduction of an HR Department inspection system An in-house system was introduced for representatives from the Human Resources Department to visit branch offices around Japan, and directly investigate labor management issues, such as unpaid overtime payments and the overlooking of excessively long workdays.
April 2012	<ul style="list-style-type: none"> • Introduction of a PC lockout system A system was introduced to disable the use of PCs before check-in at the office or after check-out from the office, without application for overtime work.
November 2013	<ul style="list-style-type: none"> • Visualization of infringement upon the Article 36 Agreement A system was introduced to enable timely confirmation on PCs by employees, superiors and administrators, concerning infringement upon overtime work hours stipulated in the Article 36 Agreement.
April 2014	<ul style="list-style-type: none"> • Review of branch office business performance assessment Earnings per hour, leveling of workload, and the rate of acquisition of paid holidays (Home Holidays) were incorporated into the criteria for bonus assessment for each branch. • Introduction of a half-day substitute holiday system To encourage a flexible working style, a system was established to enable the taking of substitute holidays on a half-day basis.
September 2015	<ul style="list-style-type: none"> • Introduction of the “Evil Office Authorization System” (Standard revisions in June, 2018) These are modification instructions for independent company standards regarding excessively long working hours. In the event that no improvement is seen, the workplace is designated as a “Evil Office,” and bonus reductions are issued. • Yellow Card (modification guidance issued by the Human Resources Department) <ol style="list-style-type: none"> ① In the event that an employee’s monthly overtime exceeds 80 hours without industrial physician consultation ② In the event that no improvement is seen after an internal survey detects neglect of overtime pay, even improvement guidance has been issued by the Human Resources Department. • Red Card (“Evil Office” designation and reduction in bonus pay) <ol style="list-style-type: none"> ① In the event that three yellow cards have been issued within the course of one year ② In the event that employees receive disciplinary punishment due to violations related to personnel management
February 2017	<ul style="list-style-type: none"> • Introduction of the “Premium day” (Completed in FY 2018) Each branch implements “Premium day” on arbitrary day of even-numbered month in principle, on which employees are encouraged to take a half-day paid holiday in the afternoon.

Dissemination concerning safety and health to employees

Our company has established health and safety management regulations. In addition to the interest of preventing 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.

Risk management system for work safety

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

Main approach

Risk assessment concerning labor issues

Identifying the actual status of overtime work

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

The company-wide monthly overtime work stood at 29.7 hours on average in fiscal 2018, reduced by 5.5 hours from 35.2 hours in fiscal 2014.

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

Company-wide change of mean overtime hours

Fiscal year	Mean overtime hours
2014	35.2 hours
2015	31.5 hours
2016	30.4 hours
2017	29.6 hours
2018	29.7 hours

Status survey on work hours

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

Employee attitude survey “View Research 100”

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

View Research response results

Fiscal year	Response rate
2004	83.3%
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 attainment of paid holidays
2015	2,200 hours	378 hours	45.9%
2016	2,176 hours	365 hours	53.5%
2017	2,162 hours	355 hours	55.0%
2018	2,159 hours	356 hours	56.5%

Risk assessment concerning the health and safety of employees

■ Periodic medical examinations

While 97.8% of the Daiwa House Group employees received periodic medical examinations in fiscal 2018 (as of February 28, 2019), Daiwa House Industry sees to it that they are fully provided; all employees have received medical examinations for six consecutive years since fiscal 2013 and those with abnormal test results were all followed up in fiscal 2016 and 2017 (99.9% in fiscal 2018).

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.

In fiscal 2018, 82.4% of those targeted (or 4,973 out of 6,036) received the guidance with 54.9% (2,730) of them completing it. We will be supporting and motivating employees to improve their health in fiscal 2018 and beyond.

■ Medical examination of employees putting in many hours

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

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

■ Mental healthcare

A stress check system has been in place since December 2011 to help employees check their stress levels themselves. A total of 16,332 employees (or 89.8% of those targeted) were consulted in fiscal 2018 while 36 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.

Newly appointed managers, meanwhile, are trained on the basics of mental care with focus on line/self-care, and 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. Case-study-based group discussions are held to prevent and deal with mental health disorders and improve the workplace environment; they are learning the significance of awareness and prevention.

Third parties' examination and evaluation of employees' health and safety

■ Proportion of branch offices certified with OHSAS 18001 (Occupational Health and Safety Assessment Series)

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.

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.

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 (93 employees as of April 1, 2019) undergo inoculation against hepatitis A and B, tetanus, rabies, Japanese encephalitis, and typhoid fever.

Employees' industrial accidents and response to major accidents

Two industrial accidents took place at construction sites and plants in fiscal 2018, neither of which was fatal. Other industrial accidents at construction sites in which our business partners' employees got injured are listed on page 110.

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.

Training and awareness-raising activities concerning health and safety

Occupational Safety and Health Education in FY 2018

Asbestos-related e-learning	4 seminars 547 attendees total
Safety management e-learning	11 seminars 5,363 attendees total
Mental health line care seminar (training for newly-appointed managers)	147 people
Mental health self care seminar (training for new employees)	902 people

[The most important priority issues]

Developing Human Resources

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. We also believe that it is critical for the sustainable growth of businesses to carry on our founder's spirit. Based on the founder's counsel to "reflect on what businesses and products will be useful to people and that will make them happy," we strive to anticipate the needs of the times and train people to be bold in taking on challenges and not be constricted by preconceived notions. We want them to execute their ordinary work duties in a thorough manner, which embodies the meaning of "being complete in small things."

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

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

Management

At our company, we have developed management for human resource development based on OJT and Off-JT combined with an evaluation system. Participants in training seminars are given 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.

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

[Related page](#) P203-204 CSR Self-Assessment Indices Fiscal 2018 results Employees "Develop human resources"

OJT and Off-JT

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

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

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General image of grade-specific Off-JT

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

and training. The Human Resources Training Center, the primarily responsible department for education and training, takes the leadership in the system, where training details and methods are shared, and desirable pedagogy to enhance the personality and capabilities of employees are discussed, with training representatives from individual divisions.

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

Career counseling 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.

Main approach

Human resources development through OJT

OJT Elders

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

Training support patrol system

Staff from the Human Resources Training Center known as "round supporters" go around to each 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

Recruit training

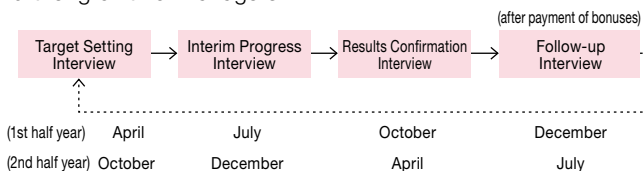
An educational program with an annual curriculum is in place as recruits, in their first year of employment, are expected to learn the basics of a Daiwa House Industry employee as well as a responsible member of society. Specifically, they attend a week-long educational course to learn the code of conduct, followed by OJT training on manufacturing and construction, which is provided to recruits in all lines of work (construction, designing, sales, administration, etc.). Similar programs are provided every three months or so, with their practical knowledge and skills evaluated.

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.

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.



Proportion of employees evaluated

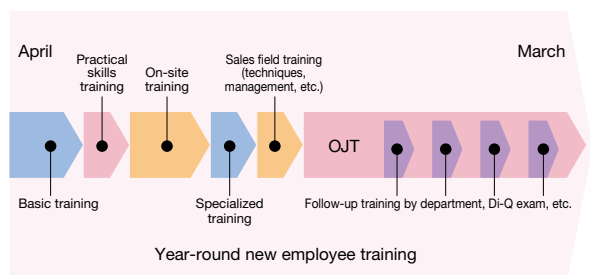
All Daiwa House Industry employees, regardless of gender and rank, are evaluated on a regular basis. While they are all subject to reshuffles, notices are usually made two weeks before transfer.

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

In addition, a standardized qualifying examination (Di-Q Examination*) has been in place since July 2007 for a few lines of work where targets are set for professional work performance.

* An in-house examination to assess the level of practical skills required for each line of work.



Summary of training programs

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

Training for mid-career recruits

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

Manager and leader training

Training for newly appointed branch directors and branch office managers

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

Training for newly appointed managers

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

Training for team leaders [Optional]

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

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 in-house open call is put out to motivate people to rise to leadership positions and to discover talented individuals. At the end of fiscal 2018 a total of 494 people completed this program.

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 360 employees have completed the course, with 130 of them promoted to executive officers or higher (as of April 1, 2019).



Daiwa House Juku

Manner training

"Being Complete in Small Things" and manner training

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

Based on this idea, we commenced the "Being Complete in Small Things" and Manner Training Program that is carried out at each branch office with all member participation, including the branch office manager and other executives.

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Average annual hours spent on human resources development through Off-JT

The data for fiscal 2018 was as follows.

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

■ ① Training hours per employee

Training hours per employee	3.4 hours
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* Training hours per employee = Total training hours / employees

■ ② Breakdown by type of training

Hours for each type of training indicate hours per participant.

(Entry-level employee training)	New employee training	29.3 hours <i>(Basic training only)</i>
	Training for mid-career recruits	16.5 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	5.5 hours
	(Senior executive and future president training) Training for branch office manager candidates	46.0 hours
	Training for newly appointed managers	32.0 hours
	Training for team leaders (Optional)	15.5 hours
	Management training for female managers	14.0 hours
	Training for female manager candidates	14.0 hours
	Training for OJT Elders	3.0 hours
(Training for all employees)	"Being Complete in Small Things" and manner training	2.0 hours
	Training camp toward real-estate transaction specialist	22.5 hours

[The most important priority issues]

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

Basic Policy and Concept

The Daiwa House Group upholds international codes of conduct 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. In particular, the policy prohibits discrimination, respecting each employee's human rights, and emphasizes a safe work environment and diversity, where responsible labor practices lead to respecting each employee's human rights and raising their motivation.

Likewise, the Group's Principles of Corporate Ethics and Code of Conduct emphasize human rights, respecting the dignity and basic human rights of all people and prohibiting discrimination based on race, nationality, gender, sexual orientation, gender identification, disabilities, age, creed, social status, etc. All employees are thus provided with equal opportunities.

On the basis of this policy, key challenges are to diversify human resources and create a workplace where employees with diverse backgrounds can maximize their potential and work flexibly with pride and motivation. This inevitably requires guaranteeing a "minimum standard of healthy and decent living" provided in the Constitution of Japan, complying with minimum wages in line with the Minimum Wage Act and paying wages needed to live a healthy, decent life.

A workplace where employees with diverse backgrounds can work flexibly, maximizing their potential, helps them lead a productive life with heightened motivation, which results in greater customer satisfaction.

The 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

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.

At the same time, the target is to increase the rate of employees with disabilities to 2.3% by April 1, 2020 while further improving the corporate value by fulfilling corporate social responsibilities and developing diverse human resources.

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."

Main approach

Securing diverse human resources

■ Promoting post-retirement re-hiring

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

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

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

■ The state of Active Aging Program participants

Fiscal year	Employees resigning upon reaching mandatory retirement age, etc.	Active Aging Program participants among left column number
2014	33	13
2015	55	37
2016	66	48
2017	69	39
2018	60	28

■ Rate of employees with disabilities

Daiwa House Industry's rate of employment of persons with disabilities was 2.39% (as of April 1, 2019).

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

■ Recruitment of international employees

In fiscal 2019, we recruited 11 international students as our employees. We recruit human resources capable of exercising their abilities in our company, regardless of their nationality.

■ Recruitment of elderly employees

Among the 310 mid-career recruits for fiscal 2018 (excluding part-time hires), 45 were over the age of 50, constituting 14.5% of the total. We hire personnel who are able to actively work at our company, regardless of age.

Promoting women

■ Promoting women

As of April 1, 2019, 20.4% of the company's employees were women. Their average length of employment was 10.1 years. In fiscal 2019, 27.2% of the employees newly hired immediately after graduation were women.

In addition, the ratio of female employees to employees overall has been rising year by year—from 22.9% in 2017 to 24.2% in 2018 and 25.6% in 2019.

■ Trends concerning women employees (non-consolidated)

	Number of employees	Women among left column number	Ratio of women
2015.4.1	14,862 employees	2,740 employees	18.4%
2016.4.1	15,267 employees	2,886 employees	18.9%
2017.4.1	15,725 employees	3,032 employees	19.3%
2018.4.1	16,275 employees	3,239 employees	19.9%
2019.4.1	16,670 employees	3,405 employees	20.4%

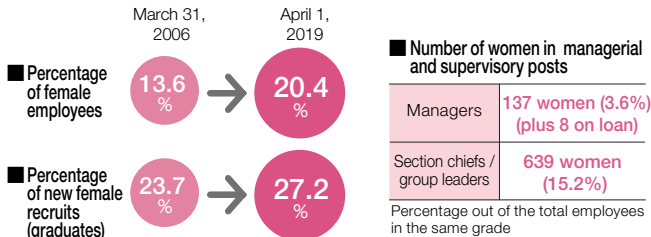
■ Development of women managers

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, 2019, there are 137 female managers (3.6%) (and additional eight assigned employees) and 639 female chief staff members (15.2%). The number of the Daiwa House Group's female managers has been increasing steadily: 261 (3.6%) in fiscal 2017, 302 (4.0%) in fiscal 2018 and 352 (4.5%) in fiscal 2019. 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.

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

	Number of managers	Women among left column number	Ratio of women
2015.4.1	3,257 employees	67 employees	2.1%
2016.4.1	3,422 employees	86 employees	2.5%
2017.4.1	3,568 employees	100 employees	2.8%
2018.4.1	3,694 employees	123 employees	3.3%
2019.4.1	3,812 employees	137 employees	3.6%



■ Expansion into sales and technology divisions

As of April 1, 2019, women accounted for 9.9% of the Daiwa House Industry employees in sales posts (up 0.8% from the previous year), and 13.9% of those in technical posts (up 1.2% from the previous year). Continuing from last year, as a women's support program in the sales division, career training was held for women in sales positions by department and talks were given to managers on training women. In the technology division, additional programs included holding information exchange meetings among female engineers by district in the housing construction department and holding interviews to anchor our female engineers upon returning to work from childcare leave.

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

	Male	Female
a. Total number of employees entitled to childcare leave	573	148
b. Total number of employees who have taken childcare leave	182	149
c. Childcare leave rate	31.8%	100.7%
d. Total number of employees who returned to their positions in fiscal 2018 after taking childcare leave	185	113
e. Total number of employees who have remained in the company for at least 12 months after returning to their positions following childcare leave	185	119
f. Rate of employees who return after childcare leave	99.5%	93.4%

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

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

Paying fair wages

The average salary of Daiwa House Industry employees stands at 9,073,000 yen in fiscal 2018.

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.

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;
- ④ Communication reform to upgrade organizational power, by establishing a system to broadly leverage the substantial knowledge and wisdom acquired by employees through work experience, without limiting them within individuals or departments.

To maintain an environment where employees are able to efficiently utilize 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.

[Priority issues]

Providing Employment Opportunities for Exceptional Human Resources

Basic Policy and Concept

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

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

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

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

Management

To retain human resources of the next generation, we verify recruitment performance and key recruitment points for the next term, under the leadership of the Human Resources Department and in cooperation with each department. We have also established a system for the centralized management and utilization of employment information, and put up a dedicated organization (Shared Service Center) that operates this system, thereby promoting this system throughout the Group.

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

Main approach

Recruitment measures to retain talented human resources

Recruitment with commitment to geographic areas

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

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

Limited-term contractual and temporary employees

Limited-term contractual employees

	Limited-term contractual employees	Post-retirement specially commissioned employees	Employees on probation	Part-time employees*	Total
April 2017	954	143	66	674	1,837
April 2018	964	167	58	662	1,851
April 2019	969	170	53	687	1,879

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

Employment and turnover

As of April 2019, Daiwa House Industry had 16,670 full-time regular employees.

In fiscal 2018, the company newly hired 1,094 full-time regular employees (935 new graduates and 159 mid-career recruits).

In April 2019, 918 new graduates (668 men [72.8%] and 250 women [27.2%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were 3.08% in fiscal 2016, 3.03% in fiscal 2017, and 3.22% in fiscal 2018.

In fiscal 2018, no dismissal took place for the reason of personnel reduction.

Regarding notification of personnel in the event of important business changes

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

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

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

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

Continuous employment and support to the termination of employment

Career design support system

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

This system is aimed at highlighting the life of each individual one step closer, and preparing an environment where they can nourish autonomy and independence, thereby providing opportunities for creating human resources who will broadly exercise their abilities in society. As of April 2019, 135 persons have used this system.

Life design seminar

We carry out a “life design seminar” each year for employees who turn 60 years old. The seminar deals with the personnel system and treatment from age 61 to the mandatory retirement age of 65, and the interim working style and lifestyle. Inside/outside lecturers conduct additional seminars on the public pension system, corporate pension system, and health management, in the interest of support of our employees’ life plans.

	FY 2015	FY 2016	FY 2017	FY 2018
Participants	120	105	134	138

Co-creating a Brighter Future with Our Business Partners

Questionnaire survey for
business partners about
Daiwa House Industry
employees' conduct



① Rate of response

77.1%

② Percentage of respondents who
stated "no problem" with regard
to our employees' conduct

75.7%

Evaluation of business
partners and
purchasing work based
on in-house criteria



4.6 pts

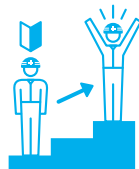
Number of on-site trainees

① Housing segment

481 persons

② Construction segment

339 persons



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Yoshiaki Tanabe

Director and Managing Executive Officer
Head of Technology Department of the Technology
Headquarters
General Manager, Central Research Laboratory,
Technology Headquarters
Head of Product Department
Head of Safety

Stepping up efforts with business partners to “Co-creating a Brighter Future” for young workers entering the construction industry

Commitment from the Executive Officer in Charge

Introducing the “6 days-off over a 4-week period” system for construction workers

While “creating worksites that allow young people to have hope in the future” was my resolution described in the FY 2018 Sustainability Report, a closer look at measures implemented in the previous year reveals challenges to be addressed at construction sites and the responsibilities imposed on the Daiwa House Group.

Daiwa House Industry and other group companies are engaged in the construction of various structures, ranging from housing to large-scale complexes. The common problem here is the shortage of labor, particularly that of young workers – a serious challenge faced by the construction industry whose sustainable

development hinges on best possible solutions.

We have thus been intently listening to the voices of construction workers nationwide according to the 5th Medium-term Management Plan. Specifically, we are engaged in serious debate with executives from about 4,600 companies belonging to the Confederation of Partner Companies, to which we outsource construction work. As a result, we have phased in the “5 days-off over a 4-week period” system as construction workers need regular day-offs more than anything, with the “6 days-off over a 4-week period” system scheduled for introduction. While the system has yet to be fully implemented, significant improvements have been made thanks to cooperation from business partners. We are not content with “6 days-off over a 4-week period,” which

Contribution to SDGs



should develop into “7 days-off over a 4-week period” or “8 days-off over a 4-week period.” We and our business partners are committed to improving the work environment while providing construction workers with more day-offs without compromising the quality of our products and services.

Proactively supporting business partners' management reforms to keep pace with the changing times

“Co-creating a Brighter Future” with business partners is not just about providing construction workers with more holidays. It also involves improving productivity and making concerted efforts in implementing management reforms. As it's important to “support business partners' management reforms,” which we pointed out last year, the 6th Medium-term Management Plan focuses on “improving the productivity of *monozukuri* through cooperation with business partners.” Accordingly, efforts are underway to ensure sustainable development and create a worker-friendly business environment.

Our housing construction work is usually outsourced to relatively small partners adopting a so-called “boss system,” where a boss oversees several workers who are paid daily according to their performance.

This conventional system, however, is becoming unsustainable because young workers are hard to come by in an aging society with fewer children. Construction subcontractors should thus focus on business management with management awareness. At the same time, they should hire construction workers as full-time employees who are paid monthly, with a benefits package (including regular holidays) provided. Healthcare is also a key element while a worker-friendly environment is a prerequisite to hiring young workers.

Addressing serious challenges such as a lack of successors faced by business partners

We will continue to support business partners in reforming management, taking into account business circumstances both in urban and rural areas, with challenges identified and best solutions provided.

Nowadays, a growing number of elderly construction subcontractors are passing their businesses on to younger generations. We, therefore, offer management seminars to those who are in a transition phase to support management reforms. Establishing a management base and developing next-generation human resources are also key challenges to be addressed.

The conventional system tends to make job assignments inflexible, where, for example, carpenters and plasterers specialize in jobs they are assigned to. The key to sustainable management in the future, however, lies in versatile workers who are skilled in

carpentry, plastering, hanging wallpaper, etc. and thus contribute to sustainable management. Although the reality is not that easy, we will be monitoring feedback from construction sites to provide solutions.

We also offer a wage-subsidy program to construction subcontractors, where the daily wages for newly hired workers are partially subsidized until they become full-fledged workers. In addition, there is a system in place to certify technicians with years of service, each of whom is subsidized based on their certification levels.

Likewise, we provide an annual subsidy of over 50 million yen to the Confederation of Partner Companies to support its national convention and safety programs while sending young workers out on study tours abroad as an incentive.

Creating a comfortable work environment for female employees

Making construction sites comfortable is as important as reforming business contractors' management. The work environment, therefore, is being improved, taking into account opinions of female and young generation workers. For example, it's not easy to set up a changing room on a housing construction site due to spatial constraints while most female workers don't want to commute by train and bus with work clothes on, which leads to designing and developing fashionable, casual work clothes. We intend to develop such work clothes as early as possible, retrofitting them with protective equipment and fans (for heat attack prevention), and provide them to contracted workers and our employees.

Female workers also complain about carrying heavy materials at construction sites. Efforts are thus underway to introduce automatic carrying systems, some of which are being tested in large construction sites. Likewise, lifting equipment is being developed for use at housing construction sites to alleviate the burden of lifting heavy ceiling boards, with a prototype being reviewed in terms of cost and dimension.

Improving productivity on site is another challenge while information can be shared in a series of processes (from marketing to designing, material procurement and construction) through BIM (Building Information Modeling), which is attracting the industry's attention. Such ICT (Information Communication Technology), which enables sharing information on specification changes throughout the whole process, is also expected to alleviate the burden on construction workers.

Making construction sites safe and secure while promoting CSR procurement

ICT also plays a key role in “making construction sites safe and secure,” a key issue presented in the Social Medium-Term Plan.

Co-creating a Brighter Future with Our Business Partners

In fact, we have been dealing with industrial accident risks at construction sites.

For example, there is a system to raise an alarm under certain weather conditions to prevent heat attack. Likewise, workers are alerted when approached by heavy equipment, with an experimental automatic stop mechanism being tested at large construction sites for introduction into housing construction.

ICT, however, does not provide comprehensive solutions to potential problems at construction sites, including safety and security issues; a system that appeals to the hearts and minds of workers is needed for effective operations. To be sure, ICT comes in handy, but it often leads to businesslike communication. As a company outsourcing construction work, and from the viewpoint of “Co-creating a Brighter Future” with partners, therefore, ICT should not be used for our convenience.

As an increasing number of workers from other countries are entering the construction industry, meanwhile, multilingual signboards are put up on each construction site to facilitate communication with them.

The Social Medium-Term Plan, moreover, aims to “promote and streamline the group’s CSR procurement.” Accordingly, we are committed to complying with the CSR Procurement Guidelines when procuring construction materials while creating an appropriate management system through optimized operations.

“Technology and *monozukuri*” is a key element of our business model toward 2030, which inevitably involves “co-creating a brighter future” with our business partners including construction subcontractors, as mentioned earlier. Although many challenges have yet to be addressed, we are determined to be engaged in serious debate with all stakeholders to cooperate in providing solutions to each challenge. After all, our objective is to create a promising work environment for young workers who are entering the construction industry.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

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

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

Risks and opportunities for the Daiwa House Group and its responses

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

with our business partners in order to thoroughly manage the risks associated with safety, quality and compliance. It is especially important to eliminate industrial accidents.

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

Long-term social vision [Business partners]

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

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

[Priority issues]

Fair Competition

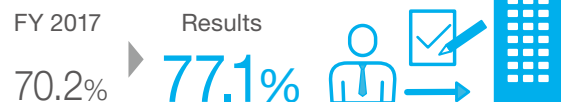
P105

Our fiscal 2018 target for resolving subcontractor claims within one month is 100%. We did that with 91.6% of the cases we received. As for questionnaire surveys sent to partners to survey the conduct of Daiwa House Industry employees, the targets for the response rate and the approval rate (i.e., no problem observed in the service) were set at 70% and 75%, respectively, both of which were overachieved in fiscal 2018 (77.1% and 75.7%, respectively). We will continue to make further improvements in performance.

Individual indices (Excerpted)	Results	FY 2018 targets
Questionnaire survey for business partners about Daiwa House Industry employees' conduct		
① Rate of response	① 77.1%	① 70%
② Percentage of respondents who stated “no problem” with regard to our employees' conduct	② 75.7%	② 75%

■ Questionnaire survey for business partners about Daiwa House Industry employees' conduct

① Rate of response



② Percentage of respondents who stated “no problem” with regard to our employees' conduct



[The most important priority issues]

Encouraging Business Partners in CSR Efforts

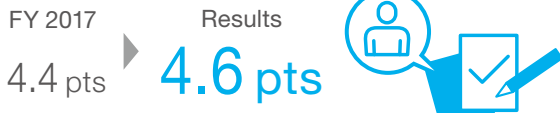
P106-109

Likewise, with respect to “in-house employee training,” the rates of participation in level-specific training for purchasing employees and general training for construction managers were targeted at 95% and 100%, respectively, for fiscal 2018, both of which were underachieved.

Moreover, we have set a target of 4.5 points or above for evaluation of business partners and purchasing work based on in-house criteria in fiscal 2018. The score was 4.6 points, achieving our target. Going forward, we will continue to strive for “Co-creating a Brighter Future” with our business partners.

Individual indices (Excerpted)	Results	FY 2018 targets
Evaluation of business partners and purchasing work based on in-house criteria	4.6 pts	4.5 pts or above

■ Evaluation of business partners and purchasing work based on in-house criteria



[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

P109-111

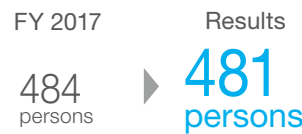
In our efforts to help our construction subcontractors secure worksite human resources, we set the “number of on-site

trainees” in fiscal 2018 to 500 persons for the housing segment and 330 persons for the construction segment. We allowed respectively 481 and 339 persons to train at our work sites. With regard to labor accidents, we set a target of 20% less accidents than the previous year for fiscal 2018. The number of accidents increased by 27.7% and consequently did not attain our target. Nevertheless, we are fully committed to improving this aspect of our business until reducing labor accidents at our construction sites to zero.

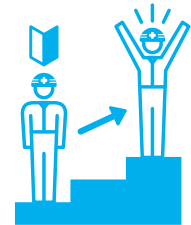
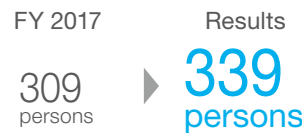
Individual indices (Excerpted)	Results	FY 2018 targets
Number of on-site trainees	① Housing segment: 481 persons ② Construction segment: 339 persons	① 500 persons ② 330 persons

■ Number of on-site trainees

① Housing segment



② Construction segment



➡ Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021	
Major priority issues	Major Key Goal Indicators (FY 2021)
Enforce safety/security at construction sites.	Frequency rate of industrial accidents at construction sites: 0.21 * The number of industrial accidents that have occurred involving worker injury or death per one million hours worked (4 or more days of missed work)
Improve productivity in manufacturing operations with the cooperation of business partners.	The achievement rate of “8 days-off over a 4-week period” at construction sites: 100% * Rate of construction holidays = Number of closed construction sites on designated holidays/Number of on-going construction sites on designated holidays
Promote and improve the efficiency of CSR procurement across the Group.	Response rate of self-assessment regarding CSR Procurement Guidelines at all partners: 70% * Driven by seven group companies (Partners of Daiwa House Industry, Fujita and Daiwa Lease are subject to KGI management.)

[Priority issues]

Fair Competition

Basic Policy and Concept

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

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

Related page P058-059 Corporate Ethics / Compliance
 P195-196 Principles of Corporate Ethics and Code of Conduct
 P198 CSR Procurement Guidelines Daiwa House Group Basic Procurement Policy

Management

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

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

Moreover, as a tool for solving problems between us and our business partners, we survey members of the Confederation of Partner Companies once a year, where each Daiwa House Industry employee is checked based on evaluation by partners whether they comply with the "Principles of Corporate Ethics and Code of Conduct" while problems identified are shared among branch offices for improvement purposes. The Partner Hotline System is also in place to help partners blow whistle while all problems reported are dealt with appropriately. To check 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.

Related page P052-058 Risk Management

Main approach

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 2018 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 2016	FY 2017	FY 2018
Rate of response	68.4%	70.2%	77.1%
Percentage of respondents who stated "no problem" with regard to our employees' conduct	72.0%	78.6%	75.7%

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

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 2018 are listed below. In addition, business partners are regularly visited to make mutual improvements, promote management reforms and create a better relationship while 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?

[The most important priority issues]

Encouraging Business Partners in CSR Efforts

Basic Policy and Concept

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

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

CSR Procurement Guidelines

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

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

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 P198–200 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 two guidelines below:
1) Chemical Substance Management Guidelines [Basics]
2) Biodiversity Guidelines [Timber Procurement] |
|--|

Related page P153–154 Supply Chain Management (Environment)

Management

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

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

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

Cooperating with trailblazing organizations in CSR procurement

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.

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment/
Data Section

[The Supply Chain Subcommittee]

- Ideal CSR activities in a supply chain
 - CSR procurement manual – Implementation of CSR in a supply chain
 - CSR procurement self-assessment tool set
- Knowledge obtained from the subcommittee is reflected in the Daiwa House Group's CSR programs.

Registering with EcoVadis

Daiwa House Industry registered with EcoVadis from the fiscal 2019 as a supplier and started to disclose required information. EcoVadis, a global platform that provides suppliers' business sustainability ratings, helps the material procurement departments of over 200 major multinational businesses ensure "responsible procurement" when selecting suppliers. It also functions as a third-party sustainability auditor.

Related page EcoVadis Japan
<https://www.ecovadis.com/ja/>

Application of the CSR Procurement Guidelines

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

As part and parcel to doing business with us, we require business partners to analyze and report the chemical substances found in the parts and materials we purchase from them for use in single-family houses and low-rise rental housing. We use our "Chemical Substance Management Guidelines [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]. 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.

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

Related page P167-168 Preserving biodiversity in our procurement and business activities

Member organizations in our supply chains

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

The Confederation of Partner Companies (4,640 companies)

* As of May 1, 2019

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 have been enhancing their mutual trust by promoting the sharing of information through the information site "WEB Ren."

The Trillion Club (241 companies) * As of March 31, 2019

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

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

The Setsuwa Club (159 companies) * As of May 1, 2019

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

Managing business partners in terms of QCDMSE

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

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

In selecting new 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. And, in fiscal 2017, we implemented having business partners from those we obtain a letter of consent conduct self-assessments based on our “CSR Procurement Guidelines” so that we could confirm that the guidelines were being followed. In fiscal 2018, moreover, 259 representatives from 151 companies participated in an event hosted by a partners’ association called the “Trillion Club,” where an external expert delivered a lecture on “sustainable procurement, followed by presentations by the Environment Department (on environmental activities in supply chains, efforts underway at Daiwa House Industry, and case studies on supply chains and trailblazing companies) and the Sustainability Planning Department (on self-assessment practices based on the “CSR Procurement Guidelines”). These are all designed to reduce environmental loads in cooperation with partners.

Explaining our CSR Procurement Guidelines to our employees

As part of our efforts to promote CSR procurement, we launched a CSR Procurement Subcommittee of persons in charge of procurement, construction and product development in 2010 and built a system for working with the persons in charge of ordering at each branch. This subcommittee shares environmental and social issues related to procurement, audits procurement practices of the entire Group and implements measures for solving issues.

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

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

Much to our pleasure, there were no reports of human rights abuses prohibited in our “CSR Procurement Guidelines” (child labor, forced labor and harassment) in fiscal 2018.

Related page P049 Assessment of business partners human rights risks
P167–168 Preserving biodiversity in our procurement and business activities

Checking our supply chains for ESG issues

To identify risk factors in our supply chain, we periodically check and monitor the work progress of all primary subcontractors at construction sites and plants, using a checklist prepared by us that includes such items as workplace safety, labor relations, and waste disposal. 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.

Monitoring business partners for ESG issues

We had our business partners conduct self-assessments in April – May 2017 against the “CSR Procurement Guidelines” we adopted in 2015, as a mechanism for each business to gauge how well they adhere to the guidelines. Also, to ensure none of our business partners are procuring illegally felled 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” (3,862 businesses)
- Companies that replied: 586 (15.1% response rate)

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

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 from fiscal 2018 are shown below.

Assessment result of used timber

	FY 2017	FY 2018
Rank S	84.2%	94.9%
Rank A	11.4%	1.9%
Rank B	2.0%	1.1%
Rank C	2.4%	2.1%

Related page P165–170 Harmony with the Natural Environment (Preservation of Biodiversity)

Action taken with business partners with marked ESG risks

In fiscal 2018, there were no reports of human rights abuses (child labor, forced labor or harassment) espoused in our “CSR Procurement Guidelines.” With regard to work safety violations, appropriate corrective measures are taken at construction sites and the related data is compiled and analyzed by Head Office’s departments.

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

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

While four partners were rated “C” by 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 P167 Conducting procurement of timber survey at our suppliers
 P180 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.

[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

Basic Policy and Concept

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 human rights and labor conditions important matters to us. Reason being that providing them a job environment where they can safely engage in work over extended periods of time helps the subcontractor secure and retain the necessary human resources. We also believe that good workplace environments are critical for passing down skills and providing customers with high quality products.

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

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

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

There are also programs to fully comply with the Minimum Wage Act, certify qualified technicians and support training of technicians to develop human resources and guarantee living wages as much as possible. Obviously, we emphasize not only technical training but also financial support.

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

Related page P089–092 Providing a Safe and Healthy Work Environment

Management

Safety guidance in construction sites

At Daiwa House Industry, we are continually making improvements to construction site working conditions as a collaborative effort of the Safety Management, 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.

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, 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

Risk assessments of construction site health and safety

In fiscal 2018, 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 2019

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 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.

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Construction site accidents	48	47	34	35	39

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Frequency rate	0.33	0.32	0.22	0.21	0.23

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

Deaths amongst business partner personnel

■ Number of construction sites deaths

	FY 2016	FY 2017	FY 2018
Incidents	0	2	2

Support for issues faced by partner subcontractors



Building skills contest

Assistance in human resources training

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

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

The “Qualification and Certification System for Chief Engineers and Technicians” for housing construction, meanwhile, was integrated last year into the “Certification System for Skilled Engineers and Technicians,” which is designed to strengthen the on-site construction system, improve plant business partners’ production systems/services and motivate technicians. The integrated system is transparent both to business partners and to their technicians who are motivated further by recognition.

As for housing construction, a total of 2,254 technicians at 42 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.)

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 was among the first to participate in this system, which is supported by the Ministry of Land, Infrastructure, Transport and Tourism as part of work style reforms, while efforts are underway to promote its introduction to the construction industry. In addition, Daiwa House Industry is the only housing manufacturer participating in its “limited operation,” which was launched by the government in January prior to the “full-scale operation” scheduled in April. We have already made requests for the framework and operation of the system for promotional purposes.

Support for issues faced by plant business partners

Support for improving safety, quality and compliance

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

Passing on skills and employee retention

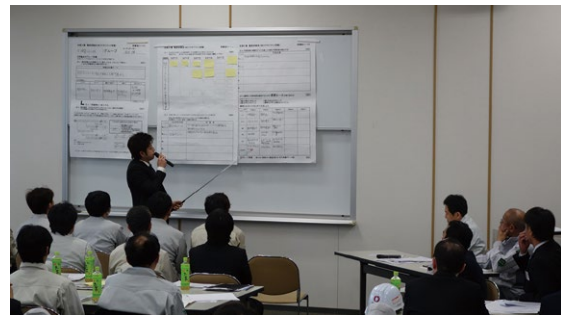
[Nationwide building skills contest]

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 2018, we added painting skills and crane operation on welding skills “skill challenge” and “open” events and forklift operation events. The contest was held on November 1 – 2, 2018 at our Tohoku Plant (Osaki, Miyagi) with about 120 participants between 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 discussed possible solutions. The purpose was to improve their motivation and make them conscious of participating in management as supervisors, by honing their floor management abilities and teaching them ways to develop subordinates and demonstrate leadership. In fiscal 2018, 90 supervisors from across Japan (38 in East Japan; 52 in West Japan) took part in separate 2-day programs that were organized for East and West Japan. Because of the interacting they do with supervisors from other plants, the participants discover a lot of new things about safety, quality, developing subordinates and more.

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



Supervisor training

Co-creating a Brighter Future with Local Communities

Collaboration with NPOs and NGOs

44.2%



No. of cases of education support

189



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Koji Harano

Senior Executive Officer
General Manager
Urban Development Department
Head of Urban Development

We are looking at the issues in our changing communities and will bring together the collective strengths of our Group to solve them.

Commitment from the Executive Officer in Charge

We are working toward a solution toward the unoccupied houses issue that is getting more serious

Japan is currently entering a period of an aging society facing population decline. Coupled with that, unoccupied houses are increasing and becoming a large societal problem. In areas where management cannot properly handle the number of ever-increasing unoccupied houses, problems like theft, prevention of disaster, economy, scenery and hygiene are becoming a malady in regional areas. It can be said that going forward, the increase of unoccupied houses will cause the loss of vitality across entire

regions. Currently, governments and organizations from all over Japan are working toward a solution for the unoccupied house issue but a valid solution has yet to emerge.

At Daiwa House Industry, we have built countless houses since our establishment. In a time where the unoccupied house issue has become evident, it would fulfill our societal responsibility to simply continue building new houses. Instead, it is vital to adequately manage and make use of already completed houses. Coming from a standpoint of community development with the future in mind, we believe that it is necessary to use all of the Group's available resources to develop of a solution for this new societal problem.

With that in mind, we have established a new residential

Contribution to SDGs



stock business, “Livness.” This business will start with the acquisition of existing houses and condominiums and any renovations that accompany the purchasing and selling of real estate. This business will use the network of Daiwa House Group and offer solutions to housing related issues that customers may have. Furthermore, we believe that the Livness business will help to fulfill our calling to act on societal issues facing local areas such as the unoccupied house issue.

Our duty to provide the dream of “your own home” to customers

Along with the construction of single-family houses, we have worked toward community development throughout Japan. Until now we have developed Suburban Housing Complexes, called “Neopolis,” in 61 areas throughout Japan with over 60,000 blocks of space. However, since the majority of these were developed more than 40 years ago, the problems mentioned before of declining population and aging society, along with the unoccupied house issue, are apparent

Neopolis was designed around the concept of being a “commuter town with a residential environment located on the outskirts of the metropolitan area.” Countless customers have lived in these houses until now. With these customers and residents in regional areas in mind, we plan to produce a new appeal by working toward “re-cultivating” the regional society as a way to fulfill our duty to society.

During the economic growth period of Japan, having “your own home” was a dream of many people. Our company has been fulfilling this dream for customers by offering single-family houses. Taking that mission into account, it is absolutely necessary to continue making that dream into a reality to fulfill our duty to society. The Livness business will start a so-called “Chapter 2 of the Dream” for customers and will also display our company stance toward societal issues.

Toward revitalizing residential areas where population decline and aging is progressing

From this year we have started the “Livness Town Project” as a part of the Livness business. This project aims to do town building that provides a new value to the “Neopolis” so that residents can continue living with security. Within this, the “Kamigo Neopolis” of Yokohama City in Kanagawa Prefecture and the “Midorigaoka Neopolis” of Miki City in Hyogo Prefecture are 2 cases that have been included in the 5th Medium-Term Management Plan.

“Kamigo Neopolis” is a suburban housing complex that opened for sales in 1972. Almost half a century after its development, the shopping street that thrived is almost all closed down; there is an abundance of people who cannot fulfill their basic shopping needs and elderly persons who live alone are losing their connection to the region, among other problems. In order to break through this impasse, we have been collecting opinions with residents from 2014 and have been cooperating with industry-academic-government entities to work toward a

town building effort that will allow residents to live happily and with security for duration of their lives.

After that, a volunteer committee of residents called “Kamigo Neopolis Community Development Committee” was formed and takes part in our monthly Community Development Committee. In 2016, we signed the “Agreement for Financing the Various Activities for Sustainable Community Development (Community Development Agreement).” In 2017 we implemented a questionnaire survey for all residents in order to discover the needs of the residents related to their lifestyles. With the opinions of residents in mind, our Group has taken measures to implement solutions with our strength as an integrated life industry. For example, we have created a community spaces and convenience stores within the residential complex that serve as regional activity support and community hubs in order to revitalize the area.

Creating a place to work within the residential area to promote economic growth

On the other hand, “Midorigaoka Neopolis” was created as a commuter town for the cities of Osaka and Kobe in 1971, at almost the same time as the “Kamigo Neopolis.” However, due to the aging of the residents and the decline in population, this area was selected as a candidate “city at risk of disappearing” in 2014. With that, in 2015 we established the “Suburban Housing Complex Lifestyle Study Group” in cooperation with Miki City and created an industry-academic-government cooperation system. In 2016 we established the Town Promotion Mechanism Association of Active Life, Miki City and are working mainly on efforts to “re-cultivate” the housing complex. Last year we established a satellite office called “Midorin” with the hopes of created a “Living Lab” where opinions amongst residents can be shared and various types of counseling can be tested. Furthermore, we have started to promote the local economy that cultivates orchids. Through this we have created a place for physically handicapped and elderly people to work with the goal of creating a local environment that can continue forever from an economic standpoint. Going forward, based on the idea of open innovation, we intend to work on regional revitalization through wide-ranging collaboration with industry, government, academia and people to try our hand at community development that looks toward the future.

Aiming to create towns where people can live with security

The 6th Medium-Term Management Plan that started in 2019 includes a business strategy that utilizes the Livness Business to “increase added value for customers” and offers the Livness Town Project Promotion to re-cultivate suburban housing complexes. Also, as a key issue in the Social Medium-Term Plan, we have included the “promotion of social inclusion in real estate development.” This entails the creation of a company system that can design and perform area management from a long-term perspective in hope to increase the value of cities and real estate properties as mentioned before in the representative cases of town “re-cultivation” that happened in Kamigo Neopolis and Midorigaoka Neopolis. Conventionally, Daiwa House Industry has been a company that focused on *monozukuri* through construction, but from now through including the ideals of the service industry we will answer to the lifestyle issues of people living in regional areas.

Furthermore, in regard to community development we have introduced the concept of inclusive design to address the diversification of people living and residing in cities along with the issue of our aging society. This introduces the design concept of both hardware and software that will allow various types of people, such as the elderly and physically disabled, to live safely and comfortably in developed houses and facilities.

We believe that these efforts will not only increase the value of regional societies but also become an opportunity for sustainable growth. We are of the opinion that, although these efforts have just begun, our Group can utilize the know-how developed over the years to contribute to finding a solution to various societal issues such as the unoccupied house issue.

In the SDGs put forth by the United Nations, number 11 says “make cities and human settlements inclusive, safe, resilient and sustainable.” We are proud to say that the community development that Daiwa House Industry has worked toward for many years had already included this SDG goal. Going forward, we will heed the voices of regional residents and try our hand at community development that meets the needs of this era in order to fulfill our social responsibility as a corporation.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

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

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

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

Risks and opportunities for the Daiwa House Group and its responses

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

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

Long-term social vision [Community residents]

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

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

[The most important priority issues]

Proactive relations and coordination as the basis of local community development

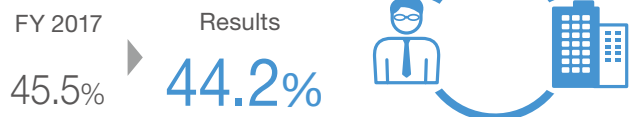
P125–131

The fiscal 2018 target for “NPO-NGO Collaboration Opportunity” is 50%, while the result stood at 44.2%. The fiscal 2018 target for “Endless Donations Program” membership rate is 25%, while the result stood at 30.9%, which means that targets were achieved for the second year in a row.

With regard to “Monetary Value of Worksites’ Community Co-creation Activities,” the fiscal 2018 target is 300 million yen, but the result stood at 219,889,000 yen. We are going to participate in community co-creation activities more actively.

Individual indices (Excerpted)	Results	FY 2018 targets
Collaboration with NPOs and NGOs	44.2%	50% or above

■ Collaboration with NPOs and NGOs



[Priority issues]

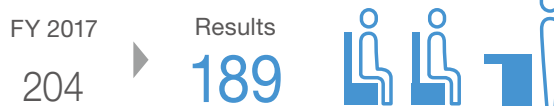
Contributing to the community by sharing business knowledge gleaned through experience

P125-131

In regard to the “Number of cases of workshops (D’s School: Disaster, Environment),” the target in 2018 was to hold 20 workshops but we were able to exceed that target and hold 32 workshops. Furthermore, the “Number of cases of education support programs (Carrier Education, Employee Instructors, Work Experience etc.)” was set at 70 for the year of 2018 but was far exceeded with a total of 189 programs.

Individual indices (Excerpted)	Results	FY 2018 targets
No. of cases of education support	189	70

■ No. of cases of education support



 Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021	
Major priority issues	Major Key Goal Indicators (FY 2021)
Promote social inclusion in real-estate development	The development percentage of large scale properties in each department that adhere to the community development guidelines is 70%
Upgrade corporate communications	Japan’s Best Domestic Brand Brand monetary value is 1 billion USD Nikkei Corporate Perception Survey ①Favorability (individuals) 70% ②First-class evaluation (businesspeople) 90%

Supporting Community Development Through the Construction Business

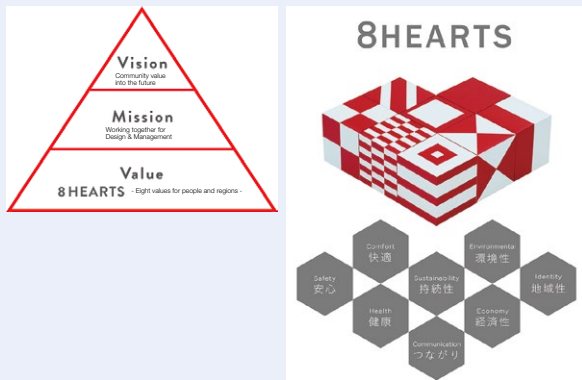
Basic Policy and Concept

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

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

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

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



Related page ▶ Our Group official website
 Daiwa House Group's community development
<https://www.daiwahouse.com/English/about/community/P197> Community Development Vision of the Daiwa House Group

Management

The Daiwa House Group has built an effective system for creating pioneering communities. It begins with the Sustainable Community Development Promotion Committee that is headed up by Director and Managing Executive Officer and works closely with related departments and Group companies.

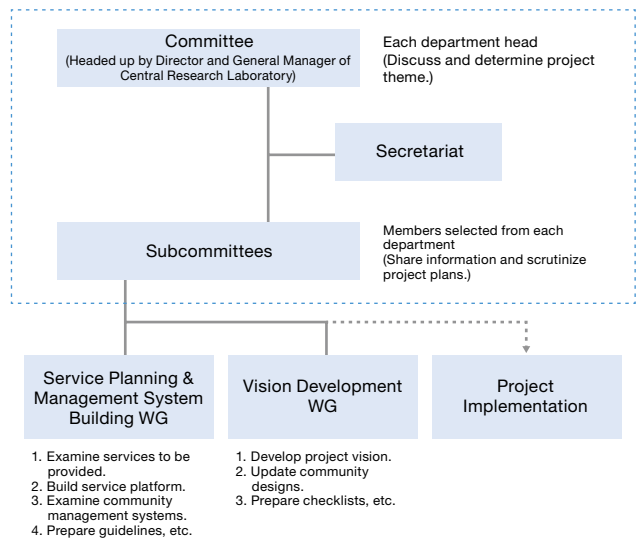
The Sustainable Community Development Promotion Committee has arranged and presented a relationship between their Community Development Vision and indicator 17 of the SDGs to Group companies. Additionally, we set out to build a system that allows us to check the status of conformity to the Community Development Vision by cooperating with the Real Estate Investment Committee. By creating this system, it will be possible to evaluate the social impact of the real estate development business.

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, re-cultivating (restoring) housing complexes and rebuilding relations amongst owners of forest-side towns.

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

■ Sustainable Community Development Promotion Committee

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



■ Managing relationship-building with local communities in redevelopment projects

As our redevelopment projects, in many cases, go hand in hand with the Land Readjustment Project and the Urban Redevelopment Project as our business method, we need to 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 for access to public transportation in our urban development projects

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

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

Main approach

Building relations with local communities in community development projects

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

Starting with the first-ever ZET (Net Zero Energy Town) in Japan "SMA-ECO Town Harumidai," we have constructed four ZETs. In "SMA-ECO Town Hidamari-no-Oka," proceeds from a solar power plant of some 100kW shared by the residents are utilized for the town management such as sharing of ultracompact mobility*, operations of security lighting and security cameras. In addition, the town offers life support services to each household and has a system in place that allows each household to save money for maintenance. In "SECUREA Toyota Kakimoto," electricity is interchanged among a solar power plant and a civic hall, both of which are shared by the residents, and three single-family houses to promote self-sufficient use of energy.

In "SECUREA Toyota Honmachi," as Toyama City's PPP (Public Private Partnership) project, we constructed an adjacent community hall, a district center, a branch library, and a net zero energy housing complex equipped with a park with anti-disaster functions. When constructing public facilities, we incorporated the local community's opinions through dialogue with Toyama City and built for them environment-friendly buildings that would promote efficient use of energy and energy reduction. To develop the town, we held dialogues with the local community about the launch of the community association and the managing system of the snow melting facilities in the housing area and provided cooperation to the management of existing snow melting facilities in the community.

These 4 ZETs compose the condominium association that the local residents use to manage the town. Upon its founding, we coordinated with local governments, the condominium association and the residents association so that they can co-exist and manage efficiently. Furthermore, we participated in the management of the associations for a few years from the time they were founded until the residents can manage them smoothly.

Along with the management support provided by our Group, we are continuously working to support housing management and communicate with the residents.

"SECUREA Garden Hibarigaoka" is scheduled as part of the remodeling project of the Hibarigaoka Housing Complex, which was constructed in 1959. The project is promoting "Area Management," which allows the residents and neighboring people to build a community or the residents to take the lead in enhancing the local environment and the community value. "SECUREA Garden Hibarigaoka" residents also participate in the project to contribute to building a better community. In addition, the community center "Hibari Terrace 118," the hub for the project, is operating. In the adjacent area is constructed a pedestrian path with indigenous plants, creating interaction space endlessly.

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

At SECUREA City Fujisawa Tsubasa-no-Oka, which is being developed on the site of a former school, we have constructed an "Exchange Center" for not only people living in the developed property but also for a wide range of citizens to gather. Furthermore, to pass on the history of the school that once stood here, we will install commemorative stone monuments and stone monuments with the school song inscribed. Through dialogue with graduates of the school, we will repurpose the wood floors and doors, artwork, interior design, school items and trees that belonged to the school.



Full view of Harumidai



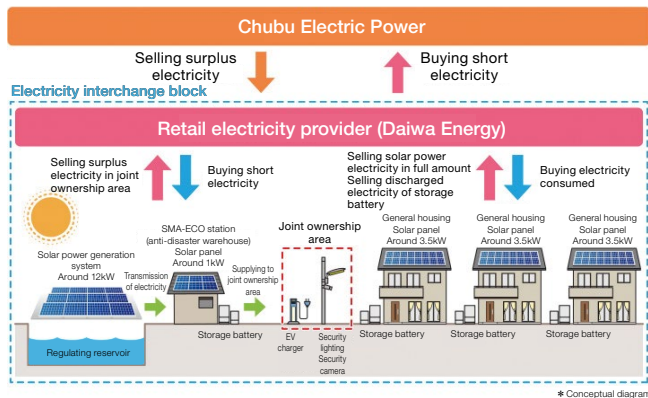
Solar power plant in Hidamari-no-Oka



Tsubasa-no-Oka Exchange Center

Co-creating a Brighter Future with Local Communities

Scheme of the "Power Interchange Block" (Toyota Kakimoto Power Interchange Block)



Management support for condominium association



Hibirigaoka

ESG Management Policy for Real Estate Properties in our portfolio

Our Group has the idea of "Creating Dreams, Building Hearts" as our fundamental stance and as a Group that co-creates value for individuals, communities, and people's lifestyles we will create a trust-based relationship with stakeholders and contribute to society through our businesses. Meanwhile, we are aiming to be a sustainable company and reduce our environmental footprint to zero. Daiwa House REIT Investment Corporation, which operates Daiwa House REIT Investment Corporation, shares the fundamental stance of our Group and 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, a Sustainability Policy has also been formulated and real estate investments will be implemented based on said policy.

In order to promote consideration for ESG based on the Sustainability Policy, 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.

Furthermore, Daiwa House Asset Management operates all of the real estate owned by Daiwa House REIT Investment Corporation in accordance with the EMS Operation Manual that outlines the details of policies regarding energy efficiency, greenhouse gas reduction, water conservation, waste management etc., and is working toward continued reductions in said environmental impacts through the formulation of environmental targets (PLAN), identification of results (DO), preliminary analysis (CHECK) and implementation and improvement (ACT).

Furthermore, we comply with environmental laws and

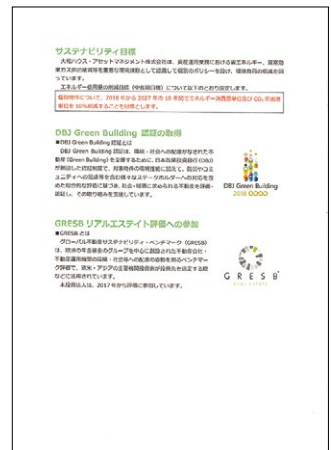
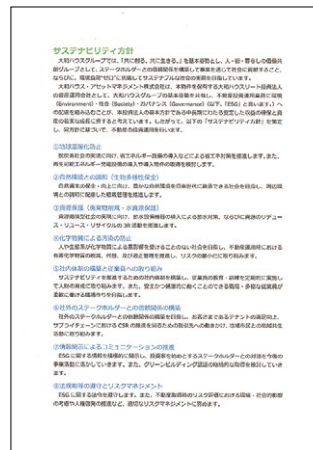
regulations along with other environmental matters when operating our environmental management system.

Related page Daiwa House REIT Investment Corporation website Sustainability Policy <https://www.daiwahouse-reit.co.jp/en/sustainability/index.html>

About 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 the efforts for sustainability listed below.

- With the goal of increasing the environmental functionality of held properties through cooperation with tenants we have implemented green leases* from both operation and facility improvement areas. We are also promoting the change of all lights to LED and the introduction of solar power generation systems.
- * Green lease means that a building owner and tenants work together and voluntarily decide on the reduction of environmental impacts such as energy efficiency of real estate and the improvement of the working environment by contracts and memorandums etc., and that the agreed upon contents are put into practice.
- 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 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.



Sustainability Guide

Efforts toward the housing complex re-cultivation (restoration) project

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

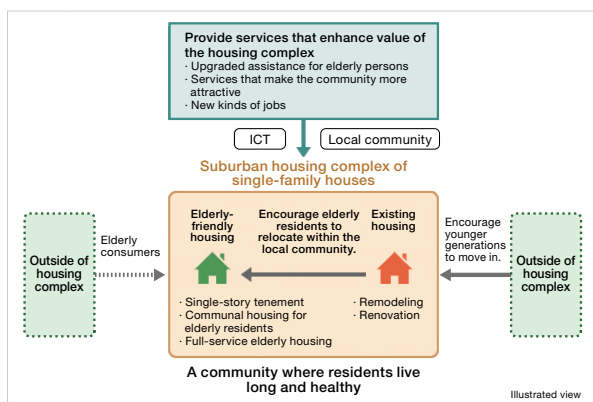
In March 2017, following the launch of the “Suburban Housing Complex Lifestyle Study Group” as a collaborative effort of industry, government, academia and consumers to exchange opinions with local residents, we founded the “Town Promotion Mechanism Association of Active Life, Miki City” as a collaborative effort of industry, government, academia and consumers. Government and the Daiwa House Industry are mainly running the organization in cooperation with universities and private companies to promote the organization’s activities. In addition, we have organized a management council for the organization consisting of local community associations and NPOs, sharing and checking the organization’s activities with the local community.

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

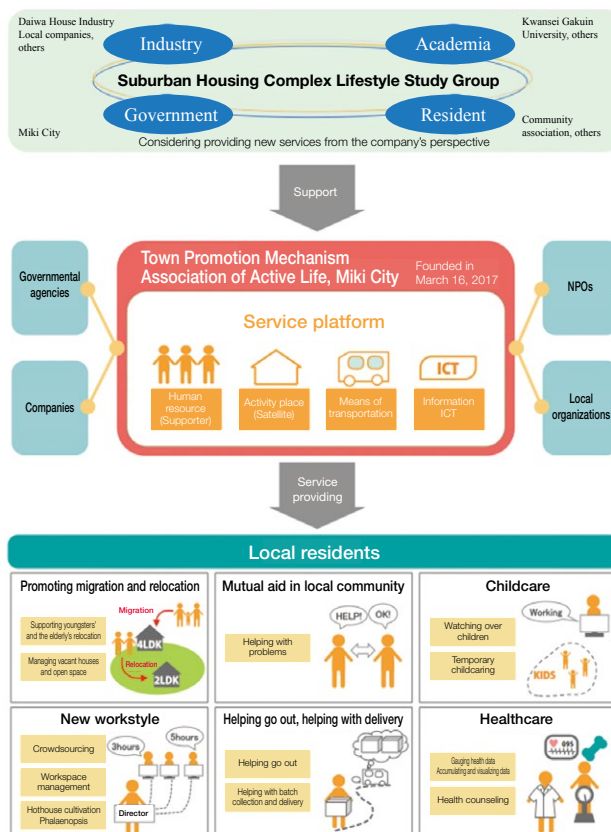
Re-cultivation (restoration) of the housing complex is required to improve the attractiveness of the area. For that purpose, we are cooperating with the government and worked on creating a platform for providing community services. In response to the adoption of the support project by the Ministry of Internal Affairs and Communications, we have implemented a “Lifelong Achievement” promotion business through the “IoT X Satellite” platform and demonstrated a method to support the health of the elderly. Also, within the “Strategic Innovation Program (SIP) Phase 2 / Automated Driving (Expansion of Systems and Services)” projects of the Cabinet Office and the Ministry of Land, Infrastructure, Transport and Tourism, our properties were selected as a demonstration and experimentation area for the “Survey on Environmental Improvements for Practical Use of Mobile Transportation Services by Automatic Driving in the New Town Region” managed by NEDO. This aims to secure means of transportation for people who cannot access transportation such as elderly people. We worked closely with the local residents to build relationships. In addition, after receiving the “Smart Wellness Housing etc. Promotion Model Business (Housing Complex Revitalization Department)” designation from the Ministry of Land, Infrastructure, Transport and Tourism, we have worked on creating a platform to provide community services such as satellite maintenance utilizing unoccupied houses as well as creating a support system for crowdsourcing, provision of fulfilling employee and health management for elderly people in agricultural facilities.

Related page Our Group official website News Release (February 2019)
<https://www.daiwahouse.com/about/release/house/20190215094613.html>

Business model used in housing complex re-cultivation (restoration)



Business model used in housing complex restoration



Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment/ Data Section

Local revitalization through land readjustment projects

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

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

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

Property name	Location	Development size	Purpose of use	Date of construction completion
Land readjustment project for Innai green area, Funabashi City	Funabashi City, Chiba	2.5 ha	For housing	September 2000
Land readjustment project for Gyoda green area, Funabashi City	Funabashi City, Chiba	1.7 ha	For housing	September 2000
Land readjustment project for Saginumadai daiichi, Narashino City	Narashino City, Chiba	4.6 ha	For housing	June 2003
Land readjustment project for Kanegasakujinya-mae, Matsudo City	Matsudo City, Chiba	0.7 ha	For housing	November 2003
Land readjustment project for Shakuji-ida 6 chome	Nerima-ku, Tokyo	0.7 ha	For housing	November 2005
Land readjustment project for Kawarazuka Miyanouchi, Matsudo City	Matsudo City, Chiba	2.2 ha	For housing	October 2006
Land readjustment project for Yachiyodaminami 2 chome, Yachiyo City	Yachiyo City, Chiba	1.3 ha	For housing	March 2008
Land readjustment project for Nakaofudoya Komamae, Saitama City	Saitama City, Saitama	5.6 ha	For housing, commercial facility	December 2009
Land readjustment project for Muraokahigashi, Fujisawa City	Fujisawa City, Kanagawa	3.8 ha	For housing	December 2013
Land readjustment project for Kokuryokitaura, Chofu City	Chofu City, Tokyo	1.0 ha	For housing	February 2014
Land readjustment project for Oizumigakuen-cho 2 chome	Nerima-ku, Tokyo	0.6 ha	For housing	September 2015
Land readjustment project for Wakokita Interchange area	Wako City, Saitama	18.2 ha	For industry	October 2015
SECUREA Narashino Saginumadai III, land readjustment project for Saginumadai 2 chome, Narashino City	Narashino City, Chiba	1.8 ha	For housing	August 2018
SECUREA Minami Machida Grandberry Park, land readjustment project for Shimotsuruma Sanyaminami, Yamato City	Yamato City, Kanagawa	3.9 ha	For housing	March 2019
Land readjustment project for Kitajimahigashi, Kadoma City	Kadoma City, Osaka	7.5 ha	For industry	March 2019
Land readjustment project for Kawamuko-cho Minamikochi area	Yokohama City, Kanagawa	20.7 ha	For industry	In progress
Land readjustment project for Sakaikoga Interchange area	Sashima-gun, Ibaraki	23.0 ha	For industry	In progress
Land readjustment project for Nariai Minami, Takatsuki City	Takatsuki City, Osaka	9.9 ha	For housing	Looking for tenants

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

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

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

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

Community engagement in urban development

From fiscal 2016 to 2018, we implemented community engagement programs for 22* urban development projects that, in terms of area, accounted for a total of 803,016 m². As key components of these community engagement programs, we formulated landscaping guidelines, assisted residents in forming and activating administrative organizations, built assembly halls and supported interactive events amongst residents and neighbors, and built systems to finance community management with proceeds made from renewable energy sales. These projects are described in the following table.

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

Subdivision	Location	Developed area	Lots	Noteworthy measures
SECUREA City Tsukuba Kenkyu Gakuen	Tsukuba City, Ibaraki	73,246 m ²	171	<ul style="list-style-type: none"> Establishing a gathering center that can be a base for exchange and disaster prevention in the middle of the community. Agreed to the Tsukuba city resident lead initiative "Sustainable Community" that makes the Tsukuba Environment Style "SMILe" a reality. Also, we have shared data on the growing environmental consciousness of the residents, validation experiments for small-scale mobility sharing in Tsukuba City, low-carbon lifestyle creation and overall energy data for "total community visualization" on built-for-sale land. Residents formed a condominium association and formulate management systems based on management rules in the shared facilities within the complex such as gathering centers etc. Created an Urban Landscapes Agreement and, for the sake of management and administration of shared green space and the landscape by the residents, an Urban Landscape Committee was established and has our support for initial operations. Established the Community Development Guidelines to supplement the rules of the Urban Landscapes Agreement. Formulated a Management Association with adjacent built-for-sale condominiums and existing single-family houses to promote community building with neighbors and reciprocal use of gathering centers.
SECUREA City Lake Town Miku-no-mori	Koshigaya City, Saitama	43,603 m ²	145	<ul style="list-style-type: none"> Built an assembly hall at the heart of the community, assisted residents in forming an administrative organization and built a system where that organization manages the assembly hall, etc. Nasta Co., Ltd., Japan Post Co., Ltd., and Daiwa House Industry worked together to publicize a new delivery locker to single-family houses.
Bloom Square Sakado	Sakado City, Saitama	15,972 m ²	78	<ul style="list-style-type: none"> Purchased the grounds and buildings of the district's junior high school at the proposal of the municipal government, invited alumni and nearby residents to a "farewell party" prior to demolition, and gave away memorabilia and flowers to those who wanted them. Created a park around a lone cherry tree, erected a stone monument to the former junior high school and a sign telling the school's history in the park, and built shareable flowerbeds for owners and members of the neighborhood association to use. Built a new building to house the neighborhood association in the project area to replace the previous one that was outside the district. Also, assisted the association in establishing (incorporating) the authorized territorial bond group.
Bloom Square Shiki/Niiza	Niiza City, Saitama	8,352 m ²	45	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines" and landscaping covenants.
SECUREA Garden Hibarigaoka	Nishitokyo City, Tokyo	14,503 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.
Tokyo Shin Toshin Tama New Town Higashiyama	Hachioji City, Tokyo	322,102 m ²	342	<ul style="list-style-type: none"> Showed great consideration for biodiversity because preliminary environmental surveys found a rich wildlife habitat that included some rare species, e.g., preserved 30% plus of the green tracts within the project area as park area, relocated trees, built animal corridors and took other measures to protect the wildlife. Set "Landscaping Guidelines" in order to create an esthetically unified landscape. Concluded an agreement on landscaping that preserved a considerable amount of greenery by requiring a 1 m-wide buffer zone as green tract between houses and principal roads. Built an assembly hall at the center of the subdivision that doubles as emergency infrastructure in times of disaster. Supported the establishment and operation of the Higashiyama Agri Club (rental farm land and orchards).
SECUREA Garden Takao SAKULa CITY	Hachioji City, Tokyo	15,543 m ²	83	<ul style="list-style-type: none"> Created an administrative organization to manage security cameras, greenery buffer zones and other matters in the zone with single-family houses. The council for the entire community consisting of single-family houses, condominiums, and commercial facilities is organized, promoting information sharing and various events. Visualization of energy in single-family houses, condominiums, and commercial facilities is established and cool share by Daiwa House One Heart Card (point added) is promoted.
Seaforesta Inage Seaside Park	Chiba City, Chiba	9,786 m ²	42	<ul style="list-style-type: none"> There are only two access points to the town block. The street design makes it difficult for an outsider to enter the town as well as a car to go through it. At the entrance to the town are installed a granite gatepost, a wrought-iron gate wall, and a 3.5 meter-high gate tree.

Co-creating a Brighter Future with Local Communities

Managerial Philosophy and Overall Picture	SECUREA Sagamihara Yokoyama	Sagamihara City, Kanagawa	5,993 m ²	48	<ul style="list-style-type: none"> Cul-de-sac (dead end) roads are going to be constructed in some zones to clarify community boundaries. By this a better community can be fostered.
Foundation of CSR Management	SECUREA Yokohama Hiyoshi 1st stage, 2nd stage and 3rd stage	Kohoku Ward Yokohama City, Kanagawa	7,720 m ²	46	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines."
Customers	SECUREA Shinyokohama	Kohoku Ward Yokohama City, Kanagawa	12,608 m ²	66	<ul style="list-style-type: none"> Worked with the local authorities to convert a private road outside the project area into a public road. Developed the community in consideration of the local environment by preserving the original terrain in land development plans, planting trees native to the area, using the original topsoil, etc. Created a unified landscape by crafting Community Development Guidelines on planting and maintaining greenery within home lots.
Employees	SECUREA Garden Fuchinobe	Chuo Ward Sagamihara City, Kanagawa	21,401 m ²	79	<ul style="list-style-type: none"> Introduced "AzMama" as a "community child-raising" service and staged interactive events for residents such as child-raising workshops, etc. Assisted residents in forming an administrative organization and built a system where that organization manages the security cameras, garbage collection points, landscaping, etc. Assisted the administrative organization in launching their "Sumai Support Net" website as a means for residents to share information.
Business Partners	SECUREA Toyota Honmachi	Toyama City, Toyama	6,139 m ²	21	<p>With a view to realizing a "Town where you are part of an advanced lifestyle and local community," the following measures have been taken.</p> <ul style="list-style-type: none"> By developing a building that contains three public facilities, a library branch, the city hall satellite, and a community hall and a housing area together, community development based on the public-private partnership was realized. A solar power system shared by residents was installed in a public parking lot. In addition, a park equipped with anti-disaster pergolas, toilet stools, anti-disaster warehouse, lithium ion batteries was developed, functioning as a residents' activity hub and communication spot in the event of a disaster. The condominium management association was founded, constructing an organizational structure to manage solar power system shared by residents, anti-disaster warehouses, lithium ion batteries, and planted zones installed in housing areas. By equipping all single-family houses with a solar power system, lithium ion batteries, and fuel cells, electricity was diversified. Realizing ZET utilizing the solar power system shared by residents is the next goal. Through visualization of energy in the entire housing area an effort is being made to increase residents' awareness of the environment. In order to realize a good living environment and landscapes, the no power pole policy is promoted and planted zones are developed. By issuing a construction agreement, the framework to maintain landscapes in the future is established.
Local Communities	xevo Square Naruko-kita	Nagoya City, Aichi	11,976 m ²	37	<ul style="list-style-type: none"> Built a 3 m-tall retaining wall 50 cm back from the road in order to reduce the slope on the northern end, and created a buffer zone by planting vegetation.
Shareholders	xevo Square Toyota Inoue-cho	Toyota City, Aichi	10,166 m ²	31	<ul style="list-style-type: none"> Cooperated with administration and local governments that take over control within the park in order to establish a flower bed area that regional residents can manage to contribute to community building among residents. By expanding the connecting road's width to 6.5 m, traffic safety for cars, local residents and children was improved.
Environment	SMA-ECO Town Toyota Kakimoto	Toyota City, Aichi	6,910 m ²	23	<ul style="list-style-type: none"> A SMA-ECO station used as a local residents' communication spot, an activity hub in the event of disaster, and a charging space for next-generation vehicles (EV including ultra-compact mobility) was constructed, equipped with a meeting hall, an anti-disaster warehouse, and EV chargers. Assisted residents in forming an administrative organization for the housing complex and built a system where that organization manages the assembly hall, electric vehicle chargers and security cameras. Adopted landscaping covenants and Community Development Guidelines to keep the living environment and landscape in good condition over time. By making all single-family houses ZEH-based (no energy balance) for their construction, ZET was realized throughout the town. In addition, through visualization of energy an effort is being made to increase residents' awareness of the environment. Introduced a simple power interchanging system for the "3 zones and assembly hall" in order to efficiently use the electric power generated by solar power systems and stored in batteries. Built 1 house to be energy self-sufficient by using solar power and storage batteries, and reducing energy consumption by controlling exposure to sunlight, ensuring ventilation by the wind, etc.
Third-Party Assessment / Data Section	SECUREA Toyonaka Honmachi	Toyonaka City, Osaka	1,433 m ²	10	<ul style="list-style-type: none"> Because existing private roads were narrow and steep under administrative control of several development zones, they were made less steep with their width expanded to 2.5 m and put under administrative control to improve peripheral people's safety and comfort.
	SECUREA Maitamon	Kobe City, Hyogo	23,153 m ²	114	<ul style="list-style-type: none"> Set "Community Development Guidelines" in order to create an esthetically unified landscape.
	Hofu Techno Town	Hofu City, Yamaguchi	141,926 m ²	10	<ul style="list-style-type: none"> By signing a cooperation agreement with local government to form the public-private partnership, we engaged in sales activities and the development of the industrial complex to create employment and revitalize the town. We installed a park with some 4,000-square-meter multipurpose square on the seaside of the development zone. Equipped with benches and health appliances, the park functions as a place of relief for local residents and locally operating companies' employees.
	SECUREA Hanahata	Fukuoka City, Fukuoka	16,002 m ²	Single-family houses: 36 Apartments: 2 Commercial facilities: 1	<ul style="list-style-type: none"> The management association was founded to revitalize the local community as well as manage and effectively utilize joint ownership areas. Set "Community Development Guidelines" in order to create an orderly beautiful town.

SECUREA Kuzuharahonmachi Kokochi-no-Machi	Kitakyushu City, Fukuoka Prefecture	7,067 m ²	31	<ul style="list-style-type: none"> Established "Community Development Guidelines" to realize a beautiful cityscape with a sense of unity.
SECUREA City Fujisawa Tsubasa-no-Oka	Fujisawa City, Kanagawa	26,797 m ²	114	<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 an 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. These efforts have been evaluated and 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. 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. As our first Smart Wellness City, we plan to particularly focus on health to make a city where various generations can live. 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.
Total	22	803,016 m ²	1,651	

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 2018, we hired 159 mid-career recruits as full-timers (among them 42 recruits are locally-based). By allowing career-track employees to choose to work either nationally or locally, we respect their intention about their places of work, contributing to the creation of local employment.

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

[Related page](#) P098-099 Providing Employment Opportunities for Exceptional Human Resources

■ Newly hired university graduates' starting salary (fiscal 2019 data)

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

Local procurement

Ever since our founding, we have grown in concert with our 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. As of May 1, 2019, the CPC had 4,640 member companies and was conducting business activities in 13 blocks across Japan via 86 branches, 3 working groups for business promotion and 4 working groups for functional enhancement.

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

[Related page](#) P107 Member organizations in our supply chains

[The most important priority issues]*

Community Co-creation Activities

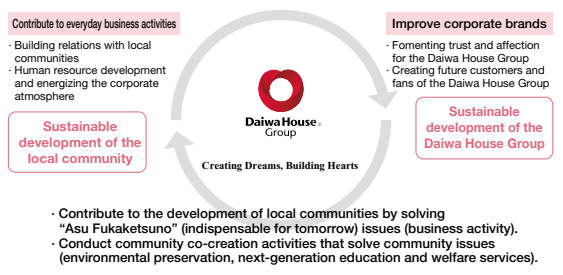
Basic Policy and Concept

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

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

Principles of Community Co-creation Activities

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



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

Management

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

At Daiwa House Industry, planning and implementation of community co-creation activities are conducted mainly by the Community Co-Creation Committee appointed at branch offices. 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 regional 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-quarter, 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. In addition, the results of the community co-creation activities are incorporated in the Evaluation of Business Management Soundness and we have built a system to evaluate and encourage employee volunteer activities.

Related page P065 Management soundness assessment of worksites

Numerical targets for community co-creation activities

Daiwa House Industry has established specific numerical targets for community co-creation activities in our proprietary CSR Self-Assessment Indices. Within that we have established “active involvement in, and collaboration with other parties for local community development” and “contributing to the community by sharing business knowledge gleaned through experience” as 2 priority issues, the former with 3 indicators and the latter with 2. In addition, regarding the cost of community co-creation activities, we have set the target monetary amount within the “Financial Conversions for Community Co-creation Activities at Branch Offices” indicator within the CSR Self-Assessment Indices. Since joining the “1% Club (currently Keidanren 1% Club)” established by the Japan Business Federation, we 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.

Main approach

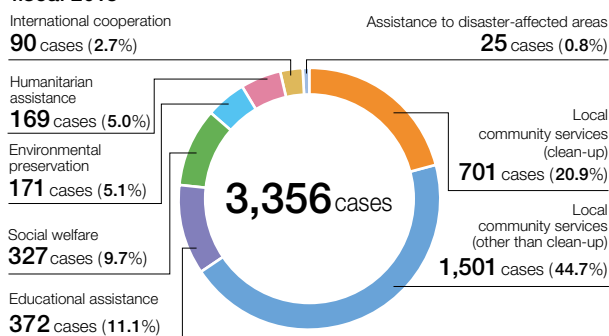
Number of community co-creation activities

The number of activities conducted by the Daiwa House Group in 2018 increased 5.8% from the previous fiscal year to 3,356, and the number of those implemented by Daiwa House Industry increased by 2% from the previous fiscal year to 2,592.

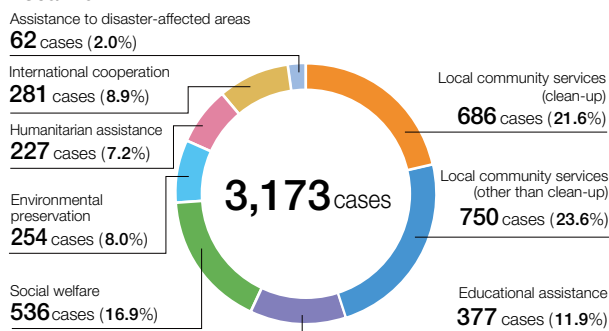
In addition to emphasizing dialogue with local governments, NPOs and local citizens in order to solve social issues based on the philosophy of community co-creation, we also cooperate with NPOs and NGOs to implement activities (in fiscal 2018: 147 cases). In addition, we aim to enhance the contents of 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 year 2015, and we have created an environment that allows employees to acquire leave days more easily.

■ Daiwa House Group's community co-creation activities in fiscal 2018



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



		FY 2016 results	FY 2017 results	FY 2018 results
Number of cases of community co-creation activities	Daiwa House Industry branch offices	2,206 cases	2,475 cases	2,504 cases
	Daiwa House Industry Head Office	86 cases	67 cases	88 cases
	Daiwa House Group companies	979 cases	631 cases	764 cases
	Total	3,271 cases	3,173 cases	3,356 cases
Leave obtained for volunteerism		4,371 days	4,803 days	4,904 days
Rate of obtainment of leave for volunteerism*		29.2%	28.9%	31.0%

* 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

■ Spending target for community co-creation activities

Daiwa House Industry has, since joining the 1% Club which was established by the Japan Business Federation for the promotion and awareness of social contribution activities, worked toward using an estimated 1% of ordinary income for activities that will contribute to the community.

The expenditure amount is calculated by year and we respond to surveys by the Japan Business Federation. The total expenditures for fiscal 2018 was 2,529,374 thousand yen.

■ Impact of community co-creation activities done at branch offices

The expenditures for fiscal 2018 based on labor cost and donation amount for community co-creation activities carried out by branch offices was 219,889 thousand yen. In addition, we have categorized this amount as "active involvement in, and collaboration with other parties for local community development" within the CSR Self-Assessment Indices.

Related page P205-206 CSR Self-Assessment Indices Fiscal 2018 results
Community residents
"Active involvement in, and collaboration with other parties for local community development"

Endless Donations Program and Heart Donations Program

■ 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. From 2017, we have endeavored to expand such donations and the donation collecting system has been introduced to 20 member companies of the Daiwa House Group.

■ Endless Donations Program

The system automatically collects the registered donation amount from the salary every month. From fiscal 2018, in addition to the "Reserve for Publicly Selected Organizations" that raises funds from organizations trying to solve social issues, we have established "Reserve for Recommended Organizations" to raise funds from organizations working on a global scale allowing us to support a wide range.

■ Results of Endless Donations Program (Fiscal 2018)

Supported Organizations		Total Amount of Donations
General Corporation	Human Work Association	¥1,000,000 for each (4 organizations)
NPO Corporation	Tabete Kataro Kai	
Authorized NPO Corporation	Women's Net Kobe	
NPO Corporation	Youth Community	
Public Corporation	A Dream A Day in Tokyo	¥960,000
Authorized NPO Corporation	Japan Committee, Vaccines for the World's Children	¥1,658,000 for each (9 organizations)
Authorized NPO Corporation	Médecins Sans Frontières Japan	
Authorized NPO Corporation	Japan Association for the World Food Programme	
Public Interest Incorporated Association	World Wildlife Federation Japan	
Public Corporation	National Land Afforestation Promotion Organization	
Public Interest Incorporated Association	OISCA	
NPO Corporation	Children Without Borders	
NPO Corporation	Japan Team of Young Human Power	
Public Corporation	Save the Children Japan	
Total		¥19,882,000

■ Heart Donations program

Emergency donations are collected from employees following an event that has caused serious damage to society.

■ Results of Heart Donations program (Last 3 Years)

Fiscal year	Disaster	Beneficiary	Donation by Daiwa House Group
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 Rain Disaster	Japanese Red Cross Society	¥8,583,788
2016	Earthquake in Kumamoto	Japanese Red Cross Society	¥31,052,000

Related subject Our Group official website Endless Heart Donations (Japanese text only)
<https://www.daiwahouse.com/sustainable/social/contribution/funds/index.html>

■ Support for the West Japan Heavy Rain Disaster

Our Group raised relief money from all employees in response to the Western Japan Heavy Rainfall Disaster which struck Western Japan extensively in 2018 from July 6 to the dawn of the 10th.

The relief money collected from employees was donated to Kurashiki City, which was the most affective area, and the Japanese Red Cross Society. In addition, employees at branch offices located in the Chugoku region went directly to areas affected by the disaster and conducted volunteer activities such as removing debris, earth and sand under the direction of the volunteer center.

Some of the participants said that “after seeing more than 50 cm of accumulated sediment we were overwhelmed by the magnitude of the damage but, if we were able to inspire even a little hope and courage then we are glad.”

Educational support for the next generation

■ Quest Education

Since 2007, we have cooperated for the Quest Education Program as career education support for junior and senior high school students (sponsored by Educa & Quest).

This program allows them to experience company internship as a school curriculum. As teams, they explore real social issues and future-oriented missions offered by companies as homework

over one year and propose their answers.

Students from some 140 schools, as interns, access our company's mechanism and philosophy through our employees. Embracing the philosophy under which we have promoted business, they, as our “employees,” work in teams to seriously face the questions for which there is no absolutely right answer and propose their own final answers to us (367 teams of 2,847 teams in total proposed their own answers in fiscal 2018).

Finally, as the compilation of learning, the “Quest Cup Japan” is held and participating teams present respective proposals to various companies.

In fiscal 2018, Hiroo Gakuen (Tokyo Prefecture), our intern, won the second grand prize. Some comments from participating students: “Coming up with an answer by ourselves was difficult, but we worked together and the experience of going through with it will be useful in the future;” and “Having businesspeople directly evaluate ideas that we thought of was an experience we have never had and will be very helpful for us.” A student who did not participate in this fiscal year cup said: “I was able to learn that when it comes to learning, there are no limits.” As shown in these comments, we could enhance their motivation for learning and create an opportunity for further learning leading to another stage.

Our employees visit nationwide schools and send to students their own candid messages about the significance of working for society or attitude to work, helping them deepen their understanding through active communication.



Hiroo Gakuen Junior High School students who have won the second grand prize

■ 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.

■ 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.

■ “Challenged Visit” sports experience class for handicapped persons

Daiwa House Industry has, toward the goal of realizing an inclusive society, cooperated in the “Challenged Visit” sports experience classes aimed at handicapped elementary school students since fiscal 2017. (host: Asahi Shimbun)

This program has handicapped sports athletes that are performing on the front lines visit elementary schools all over Japan to host workshops. During the workshop, there is a competition demonstration done by the athletes and then the students can try

out the competition wheelchairs and eye-masks and try out kicking the soccer ball for blind soccer and experience the appeal of competition in a fun way. After, the athletes give various talks in order to deepen understanding. We received various feedback from participants such as “Seeing the athletes work toward a goal was really cool. I’ll try to work toward a goal too” and “If I see someone who is having trouble, I’ll try to help them.”

In the future we will use this program to not only convey the appeal of sports for handicapped people to the children but also convey the importance of striving to overcome difficulties as well as providing an opportunity to think about an inclusive society.



[Challenged Visit Activity Report](#)

[Search](#)

Implementation of “Construction Site Art” (Let’s Paint at the Construction Site! Project)

Our company began implementing Construction Site Art after learning that children rarely have the opportunity to show pictures that they have painted to people in the community. We thought that we need to place more emphasis on community relationships with construction sites. This activity entails creating a temporary enclosure sheet that not only decorates the construction sites with children’s pictures, but also creates a chance for many people to see the skills of the children as educational support.

As it wishes to make its construction sites deeply connected with neighboring residents as places where it attaches more importance to relations with members of local communities, it implemented this project at 64 sites in the country in this fiscal year (an increase by 22 sites over the result in the preceding fiscal year). Our Company has been told not only by children that it has become enjoyable for them to see pictures every day on the way to and from schools but also by members of local communities that streets have become brighter.



Temporary enclosure for works drawn by children

Support for “handicapped artists”

We support societal participation and improving income levels for handicapped persons in various ways. One of these ways is by using the art made by handicapped artists for human rights slogan posters within the company and on the cover of this report, we are helping to make their dreams come true through art.

Environmental preservation

Forest preservation activity in “Calm Forest” in Mt. Rokko

The South Hyogo Prefecture Earthquake that occurred on January 17, 1995 has caused landslides of slopes and cracks of the ground everywhere in mountains surrounding Mt. Rokko in Hyogo Prefecture. The ground softened by the earthquake is exposed to the risk of causing disasters with mudslides due to heavy rains, etc. in the future. Therefore, the “Mt. Rokko-Related Green Belt Improvement Project” has been started and endeavors have been implemented to protect and grow the forest belts in Mt. Rokko and neighboring areas to improve the safety measures against disasters such as mudslides and maintain the urban environment and landscape rich in green trees from a viewpoint of conserving and developing the ecology system and the diversity of species.

Our Group has agreed to such project and engaged in the growth of the forest in Mt. Rokko. Fiscal 2018 marked the 11th anniversary of its activity. A total of more than 300 employees and their family members of the Group have participated in the project so far. They mainly plant young trees, cut grass on the ground and thin out the forest in cooperation with NPO Corporation Japan Forest-Volunteer Association. They also engage in the activity of planning plant observation assemblies, planning woodworking experiences etc. to teach the beauty of the forest and the importance of nature through their above-mentioned activity.

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



View of cutting grass on ground



View of attaching nameplates to grown trees

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment/
Data Section

Welfare services

■ Sponsorship of “LIVES TOKYO 2018”

“LIVES TOKYO 2018” is an event with the goal of “reforming the awareness in society through more involvement with handicapped people and people connected to them” that was planned and implemented by the NPO Corporation Hands-On Tokyo.

Within Japan there is an increasing interest in how to interact with handicapped people and many companies and organizations are taking on various efforts regarding the relationship between handicapped and non-handicapped people. We respect the values of all people and also believes that co-creating a brighter society with various people is absolutely necessary. For that reason, we co-sponsored “LIVES TOKYO 2018” last year to strengthen the “connection” between our company and handicapped people and the people connected to them.

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.

In the future, we will continue to promote these kinds of support activities for the sake of social contribution through business activities.



View of Event on That Day



■ “Social Inclusion Program” was launched throughout the country

Our company has been implementing the “Social Inclusion Program” as part of community co-creation activities in the field of welfare services since April of 2018. (Implemented 14 times with 1,708 participants)

This program consists of 3 things: learn, feel, act. In training, we learn directly from handicapped instructors; through community co-creation activities we feel barriers (handicaps) and provide direct support when implementing the actual activities.

In the “learn” stage, we aim to learn how to communicate with handicapped people by listening to the “real” voices of handicapped instructors. Furthermore, in the “feel” stage, employees themselves use wheelchairs and elderly person experience kits (a full-body harness that mimics the body of senior citizens) to investigate barrier free situations in local restaurants and various facilities. Finally, in the “act” stage, we cooperate with the administration of information booths at events held throughout the country, such as sports events and concerts, to provide explanations and guidance at the venue for elderly and handicapped people who come to the event.

Through participating in training and these activities, not only can we increase the quality of customer service, but we can also have the opportunity to take another look at buildings and cities from all perspectives, which leads to the improvement of our universal manners. By caring for people, knowing the city and carrying out activities that improve lifestyles, we contribute to the community as a Group that co-creates value for individuals, communities, and people’s lifestyles.

Additionally, with the goal of increasing social fortune for barrier-free in mind in line with the Tokyo 2020 Olympics and Paralympics,

Tokyo Head Office was registered as a “Support company for ‘barrier-free mind’ in Tokyo” for the sake of awareness-raising.



Employee experiencing visual handicaps



Employee experiencing barriers (handicaps) in community



Employee supporting handicapped person

■ Cooperation for Bmaps*

One of the issues that needs to be solved for people who feel anxious when leaving the house such as handicapped people, elderly people and people using strollers etc. is the “information wall.” With Bmaps users can easily search if the “place they want to go” is a “place they can go” with the large amount of barrier free related information regarding lodging facilities, restaurants and more accumulated by our employees. The goal of Bmaps is to create a society where handicapped people, elderly people and people using strollers etc. can leave the house with peace of mind.

We have agreed with the ideals of Bmaps and have been cooperating since 2018. Through supporting Bmaps we can strive for an increase in awareness toward being barrier free in society as well as support various people when they leave the home.

* 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

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/](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.”



Landscape of Mt. Yoshino viewed from Nakasembon

Preserving the cherry trees on Mt. Yoshino

In fiscal 2018, a total of 160 Group employees and their families participated in activities six times, picking up sakuranbo (cherry seeds) and planting trees. As in 2017, we invited soil specialists to conduct soil improvement of the cherry tree growing environment in Taikohanamizuka, where we have focused our efforts. As a result of continued soil improvement, the hardness of the topsoil has improved, the plants and trees that were growing in sparingly are now crowding and the environment is changing little by little in a positive direction, as seen in the reduction of lichen growing on the cherry trees.

Additionally, we held briefing sessions for these activities for the local citizens around Mt. Yoshino in March of 2019 and we set up a donation box for cherry trees mainly at Japanese inns and restaurants and we also implemented fund-raising activities to allocate to the young trees growing project.

With the aim of regenerating and maintaining the cherry trees on Mt. Yoshino, we will reinforce the cooperation system with local residents and continue providing long-term support.



Picture of picking up sakuranbo (cherry seeds) and the fruits



Soil improvement work at Hanamizuka



Picture of blooming cherry blossom trees that were planted in Hanamizuka in 2013

Music and Planting Project

While continuing the activity to preserve cherry trees in Mt. Yoshino, our Company has learned that more and more cherry trees are coming near to the end of their lives throughout the country. Therefore, it has carried out the Music and Planting Project mainly with elementary schools throughout the country since fiscal 2010 under the slogan “Let’s transmit cherry trees” in order to transmit cherry trees to the future generations.

A total of 6,692 children participated in 23 locations in fiscal 2018 and planted a total of 52 cherry trees. Until now a total of 83,310 children have participated at 284 locations to plant 692

cherry trees. The Project, which was implemented on July 6, 2018 at Nogi Elementary School in Matsue City of Shimane Prefecture, was implemented in all 47 prefectures.



As of July 6, 2018, we have completed the Project at all 47 prefectures

Our Company has introduced a new program since fiscal 2017 to make children more willing to grow cherry trees by themselves by appointing them as “Cherry Tree Guards” of schools. In planting young trees, they cover their roots with earth while shouting “Cherry trees, grow bigger and bigger.” When such event is concluded, the Cherry Tree Guarding Handbook showing how to grow them, etc. is given to every child.

Our Company will help children becoming leaders in the future to feel the greatness and beauty of the Japanese culture through “experiences of touching real things” and, at the same time, transmit the importance of the natural environment and lives to them by causing them to grow cherry trees carefully. In addition, the “Cherry Observation Meeting” was launched in FY 2018 for children to look consciously at the cherry trees and have an opportunity to experience their growth.



The observation sheet drawn by children at the cherry blossom observation event



Overview of planted trees

According to the questionnaire survey conducted in fiscal 2018 for teachers and staff members of schools (144 persons responded), 97.2% of them agreed to the purpose of the activity, and 95.1% of them were satisfied with the result of such activity.

In addition, our Company has carried out regular inspections of young trees having been continuously planted since the implementation of the project in fiscal 2015 (visits of planting workmen based on the responses to the questionnaire survey). According to the regular inspection carried out in fiscal 2018, all cherry trees planted by 84.6% of schools responding to the questionnaire survey have grown healthily, and 15.4% of schools responding to the questionnaire survey said that the cherry trees had been dead or partially dead. Planting workmen visited those schools and improved the environment for enabling cherry trees to grow by replanting them, spreading fertilizer, improving soil and so on.

Our Company will keep an eye on the growth of cherry trees as well as the growth of children and improve the system for the transmission to the next generation.

Result of Regular Inspections in Music and Planting Project

Year	FY 2016		FY 2017		FY 2018	
	Location	%	Location	%	Location	%
Inspections	143	—	153	—	130	—
Replies (%)	104	72.7	136	88.9	130	100
Replies that trees were doing fine	75	72.1	103	75.7	110	84.6
Replies that trees needed attention	29	27.9	33	24.3	20	15.4

Charity concert

Information on the Daiwa Sakura Aid program is being proactively shared to make the activities more widely known and to create opportunities to preserve and hand down cherry trees to future generation and to experience Japanese culture.

One product of those efforts is a series of charity concerts performed by artists who agree with the project's activities. In fiscal 2017, concerts were held in 19 locations in and around Greater Tokyo and the Kansai. And, donations for preserving cherry trees were solicited during the concerts and collected a total of 1.0638 million yen.

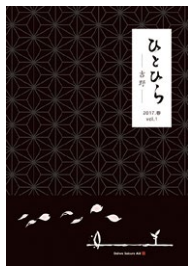
In addition to that, the significance of the cherry tree in Japanese culture was reiterated by collecting donations and staging photo exhibitions in Yoshino, publishing pamphlets and other activities intended to spur interest in this iconic tree's protection and preservation.



Overview of fund-raising at a charity concert



Implementation of fund-raising for cherry blossoms that bloom every spring in Mt. Yoshino



Pamphlets that introduce the beauty of cherry blossoms all throughout Japan
Photo collection "Sakura" and small pamphlet "Hito Hira"

Cooperation with branch offices, worksites and Group companies

Daiwa House Industry is improving the system in cooperation with its branch offices, worksites and Group companies throughout the country for enabling even employees and customers unable to directly participate in the cherry tree preservation activity in Mt. Yoshino itself to participate in such activity elsewhere.

Our Company allots part of the profits earned with automatic vending machines installed in its branch offices, worksites, plants and construction sites to the cherry tree preservation activity and donated ¥1,560,492 to that activity in fiscal 2018. Furthermore, our Group companies implement various fund-raising. At Daiwa Resort Co., Ltd., one yen is donated for every cup of coffee, and clothes collected at commercial facilities operated by Daiwa Lease Co., Ltd. are donated at 5 yen per kilogram. At Osaka Maru Building, one yen is donated for every guest room sold.



Overview of clothes collection activities at buildings operated by Daiwa Lease Co., Ltd.



Automatic vending machine with donation function installed in the Nara Plant

Interaction with local communities at plants

It is important for the sustainable operation of a plant to consider a local community and engage in the active communication activity. The "Own Plant Construction and Reconstruction Manual" showing the standards for improving plants requires the planning of outer structures of parking lots by taking traffic of neighboring residents into consideration, the installation of shields made of planted trees or walls against noises and exhaust fumes emitted by large vehicles and headlights at night, the securing of tree-planted spaces providing a sense of the seasons and the selection of kinds of such trees. In addition, it requires the designing by taking the use by neighboring residents in disasters into consideration.

In addition, our Company promotes the community co-creation activities in the plants for establishing good relations with neighboring residents. Main activities are the cleaning activity, the participation in community events, the Music and Planting Project (mentioned above) and the acceptances of internships. It provides opportunities to think about manufacturing worksites, meaning of work and future occupations through the acceptances of plant tours and internships from elementary schools and junior high schools in local communities.

Major donations and sponsorships as a corporate citizen

Official sponsor of the 2020 Tokyo Olympics and Paralympics

Daiwa House Industry believes in promoting sports that entertain and excite those watching, therefore we are signed on as an Official Sponsor of the 2020 Tokyo Olympics and Paralympics and will use our business activities in the "construction and housing development" field to show the world what a proud host Tokyo is and contribute to the success of the games.

Support for the Osaka Symphony Orchestra

Daiwa House Industry has been a proud sponsor of the Osaka Symphony Orchestra since fiscal 2006. Our Head Office is located in Osaka and we feel both obligated and capable of contributing to life in the city by supporting the hometown orchestra.

Hosting cultural forums at the Nobuo Ishibashi Memorial Museum

We opened the Nobuo Ishibashi Memorial Museum in 2007 as a tribute to the achievements of our founder Nobuo Ishibashi and to introduce our corporate history. In 2008, we began hosting a cultural forum with a colorful panel of persons who discuss the future presence and policies of Japan in retrospect of Ishibashi's entrepreneurial spirit, wisdom and leadership. The forum has been staged for 11 years straight and attended by people from all across Japan.

Sponsorship and Participation in Osaka Marathon

Our Company has supported the "Osaka Marathon" as an official sponsor since the first event held in 2011. In addition, the entire Group has sponsored and participated in such events in various manners such as participating in "the Osaka Marathon 'Cleanup' Operation" and exhibiting its products in the booths in the expositions and as water-supply volunteers and runners.

Related page ▶ Our Group official website Advertising & Sponsorship Activities (Japanese text only)
<https://www.daiwahouse.com/ad/sponsor>

Co-creating a Brighter Future with Our Shareholders

Status of GRI-handling of
ESG disclosure information

97.7%



Stakeholders' Meeting
(attendants'
satisfaction)



① Percentage of those who found the
meeting ambiance conducive to
frank discussions

80.0%

② Percentage of those who found our
information easy to understand

55.0%

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Yuji Yamada

Managing Executive Officer
General Manager, Finance Department
Manager, IR Department
Management Administration
Headquarters

With increasing corporate value as our principle management value, we would like to strengthen our communication with shareholders more than ever before in regard to financial and non-financial matters.

Commitment from the Executive Officer in Charge

We are recognizing anew our responsibility about the important capital we have received from our shareholders

Daiwa House Industry was able to update our revenue and profits to the greatest level they have ever been in March 2019, final year of the 5th Medium-Term Management Plan because of the support of our shareholders and investors. Furthermore, as of April 2019 the Daiwa House Group consists of 387 companies and the executives and employees have grown to be more than 67,000 people.

Contrarily, one of our affiliated companies in China was found to be participating in illicit activities in March, and in April non-compliant to the building standards in regard to single-family housing and rental housing was revealed. We have worried investors in our company with the fear of a drop in stock value and for that we would like to apologize deeply for inviting such a risk and causing a loss of faith.

In regard to this event, of course we have received stern opinions from various entities. We are firmly aware that we must, from the position of having responsibility for finance and all-around IR, sincerely head the opinions we have received and quickly collect and report accurate information in regard to these

various problems. Furthermore, as we are responsible to take care of the valuable capital you have invested and operate appropriately, we are keenly aware of the serious necessity to respond to said opinions.

We have dedicated ourselves to the development of even more sincere IR activities

In regard to Co-creating a Brighter Future with Our Shareholders that can be found in our 5th Medium-Term Management Plan, we have worked hard to pursue management transparency in line with the Corporate Governance Guidelines as well as provide useful information that can be used to guide investments. In addition, we believe that we have made large steps toward creating sustainable economic value in the medium- to long-term based on integrated thinking that includes business related financial information as well as ESG (Environment, Society and Governance) related non-financial information.

As for concrete activities within IR (Investor Relations), along with periodic financial results briefing sessions and management briefing sessions, we have also held theme based small meetings for dialogue as well as IR conferences aimed at analysts and institutional investors, study tours of each office building in order to further deepen the understanding of our business details and management style, published integrated reports and held individual meetings aimed at individual investors through “online briefing sessions” among other things.

Currently our Group has single-family housing and rental housing, condominiums, existing home business, commercial facilities and office buildings as our core businesses but we also have developed home centers, urban hotels, resort hotels, sports related facilities and other various areas of business. For that reason, it goes without saying that we must create good relationships with both personal and corporate clients. For IR as well, we believe it is our duty to provide information fairly and impartially for both institutional investors and personal shareholders alike. We would like to humbly ask to understand our Group, and we will make every effort possible to increase the number of shareholders.

Toward the era where our company stance on ESG will be under close watch

Regarding information disclosure and communication for building long-term trust relationships with shareholders and investors, we practice not only legal disclosure but also provide information like management policies, financial information, business efforts and the factors / business environment behind them, etc., to guide investments. However, Daiwa House Industry is also conscious of the importance of transparency for non-financial value that is the foundation that supports these investments. That is why the words of the founder, “Don’t do things because they will make a profit, but because they will be of service to society” are always first on our minds. Our Group will provide detailed financial and non-

financial information that will help to illustrate why we take on a business, what our competitive superiority is from a standpoint of business growth, how we will contribute to society through business and how our efforts will increase our corporate value.

Furthermore, in recent years we are receiving more questions and opinions from our shareholders and investors from a standpoint of ESG. In the past, efforts toward environmental and societal problems were not often questioned but with the broadening knowledge about SDGs (Sustainable Development Goals), questioning a company’s stance on these issues is becoming more common.

In that regard, since its establishment our Group has continued the founder’s principle that “The company is a public institution of society” and we operate from a standpoint where contributing to societal issues is important. Going forward it will be expected of us to continue creating financial and societal value through our businesses, so we would like to proceed with a management style that gains sympathy from all of our shareholders and explain the situation.

We pass along all shareholder voices to the management level

Along with the importance of passing along financial and non-financial information to all shareholders and investors, we also believe it is an important duty to share all opinions from all shareholders and investors as feedback within the company.

As one of the fundamental efforts of our company, we periodically pass along all comments and desires from all shareholders and investors to our Board of Directors. Also, we provide reports biannually to external directors, auditors and independent directors. In these kinds of situations, we can share non-financial information along with financial information between all directors.

Furthermore, we relay accurate and quickly any information relating to business risks, including latent risks, to the management level of the company in order to understand, prevent and minimize risks. Apart from this, as an overseas road show, the top management team is focusing as much as possible on foreign markets and along with explaining our Group’s policies and efforts to institutional investors and other parties within each country, we also make sure that the top level of management personally hears frank opinions as to help with their decision making.

We will relay both financial and non-financial information

In the Sustaining Management Efficiency and Sound Finance capital strategy within the 6th Medium-Term Management Plan, which will finish in the end of March 2022, we have set the ROE (Return on Equity) goal of 13% or more, which surpasses our capital costs, to enhance shareholder value. Also, for securing a solid financial foundation that can steadily raise growth investment capital, we have set our D/E ratio (debt-to-equity ratio) to 0.5 times to develop an adequate capital structure. Regarding the dividend payment ratio, we are thinking to keep it at more than 30% and operate with a performance-based profit redistribution and flexible treasury stock acquisition.

Going forward, the expansion of our overseas business as a new growth stage can be seen as an issue. We understand that disclosure of information regarding the finances of overseas business is an important issue. We will, in the same fashion as our domestic business, quickly and accurately grasp opportunity and risk and disclose information as necessary.

With that, regarding the Medium-Term Management Plan, because our Group is heralding efforts for the environment and society, we will more than ever put efforts into disclosing both financial and non-financial information from the perspective of ESG and SDGs.

Strengthening IR activities for sustainable development and medium- to long-term increases in corporate value

Integration of financial and non-financial communication and system reinforcement remains as a priority issue for Social Medium-Term Plan. This entails efforts toward reinforcing the system for integrated communication regarding financial and non-financial matters starting with the management level but also including the Head Office's departments and branch offices. Particularly, in regard to information disclosure, we aim to create an efficient system with the disclosure of non-financial information on a consolidated basis and we also have the diversification of reports and submission locations, such as stock exchanges in mind.

Daiwa House Group has always worked for communication between the management level, shareholders and investors. Going forward, the Finance Department and Sustainability Planning Department, among others, will work together closely to reinforce the system for financial and non-financial communication Groupwide. While the management level confirms, in their own words, both short-term and medium- to long-term opportunities and risks, they will focus on creating a structure that talks about our long-term vision and strategy that integrates business and ESG.

Within that, we are also considering hosting small meetings regarding management based on integrated thinking among institutional investors that are highly interested. Through these kinds of activities, we can work toward constructive dialogue with our shareholders and investors, and also increasing the quality of our management with the goal of sustainable growth and medium- to long-term increases of corporate value for our Group.

Promoting understanding of management amongst employees through strengthening internal IR

In addition, one more initiative for this fiscal year is the strengthening of internal IR that is worth mentioning. Our company is striving toward employee stock ownership through our Employee Stock Ownership Plan. As a result, more than 90% of our employees are enrolled. On top of that, the number of employees who are concerned about the details within the integrated reports has also increased.

With this situation in mind, last fiscal year we held 2 briefing sessions for employees as an opportunity to share the business situation and issues. Going forward we will reinforce financial and non-financial communication with employees. Following that we would like to connect the promotion of understanding of management among employees and connect that to increasing corporate value.

Each department in the company will work together for new issues to carry out the mission. By working toward IR that continuously resonates emotionally we will proceed with Co-creating a Brighter Future with shareholders and investors.

Concept and outcomes of Social Medium-Term Plan (FY 2016–FY 2018)

Social issues

In recent years, companies have been evaluated by investors not only on short term performance but also on whether the company can sustain medium- to long-term growth. The reason for this is that, along with the actual business, there is the necessity of clarifying and explaining to shareholders and investors the ESG and non-financial aspects, or in other words, the primary corporate value.

Furthermore, excessive short-termism (short-term profit orientation) can be seen as an obstruction to good relationships between stockholders and investors and thus it is important to develop a business environment that can sustainably grow for medium- to long-term. For that reason, we believe that along with planned investments in human resources, equipment and research and development, creation of good relationships with customers, business partners, employees, citizens and stakeholders is vital.

Additionally, ESG related information disclosure and engagement are stuck at the trial and error stage, and opportunities for information disclosure etc. are still limited. We believe that going forward, pursuing sustainable growth as a social issue should be emphasized with active information disclosure and the accumulation of constructive dialogue with stockholders and investors.

Risks and opportunities for the Daiwa House Group and its responses

Changes to the condition for stakeholders, such as employees and business partners due to societal changes such as population decline in Japan, can manifest as a risk to Daiwa House Industry in various forms such as shortage of personnel and more.

In addition to the above, we must make careful decisions concerning risks involved in concentrated investments, because we are making proactive investments into logistics facilities and other growing areas following the business expansion of the Daiwa House Group. This is also the case with overseas businesses. Risks of variation in foreign exchange rates must also be securely handled.

We believe that it is important to increase business opportunities that will lead to sustainable growth, by accurately identifying risks related to the enhancement of corporate value, and having dialogues with shareholders and investors, as described above.

Long-term social vision [Shareholders]

In the spirit of the company's Management Vision, "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

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

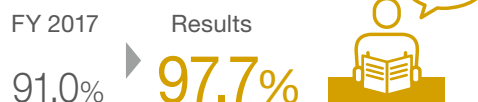
Transparency

Regarding "External Evaluations for ESG Information Disclosures," using the fiscal 2015 FTSE4Good rating of 2.0 as a benchmark, our target for fiscal 2018 is 4.0. Regarding this, our result for fiscal 2018 was a score of 3.9. For fiscal 2019 we achieved a score of 4.1 (as of June 24, 2019).

Furthermore, using our fiscal 2015 result of 68.4% for "GRI Responsiveness of ESG Information Disclosures" as a benchmark, we have set our fiscal 2018 target at 80%. In fiscal 2018 our result was 97.7%, achieving our target.

Individual indices (Excerpted)	Results	FY 2018 targets
Status of GRI-handling of ESG disclosure information	97.7%	80%

■ Status of GRI-handling of ESG disclosure information



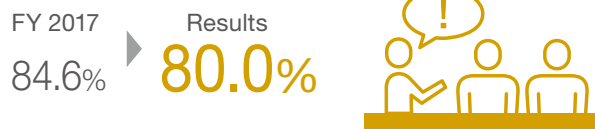
Stakeholder engagement

As for "Attendants' satisfaction with Stakeholders' Meeting," we have set a target of achieving 100% in fiscal 2018. Toward this target, our result was 80.0% for the percentage of those who found the meeting ambiance conducive to frank discussions, and 55.0% for the percentage of those who found our information easy to understand. We will continuously promote proactive engagements with stakeholders.

Individual indices (Excerpted)	Results	FY 2018 targets
Stakeholders' Meeting (attendants' satisfaction)		
① Percentage of those who found the meeting ambiance conducive to frank discussions	80.0%	100%
② Percentage of those who found our information easy to understand	55.0%	100%

■ Stakeholders' Meeting (attendants' satisfaction)

- ① Percentage of those who found the meeting ambiance conducive to frank discussions



- ② Percentage of those who found our information easy to understand



Toward the 6th Medium-Term Management Plan

Social Medium-Term Plan Endless Social Program 2021

Major priority issues	Major Key Goal Indicators (FY 2021)
Integrate and upgrade financial and nonfinancial communications	Establishment of the system and structure of financial and non-financial communication and promotion of understanding for integrated management Will be formulated by the end of FY 2021

Increasing Shareholder Value in the Medium-to-Long Term and Investor Relations

Policy and Concept

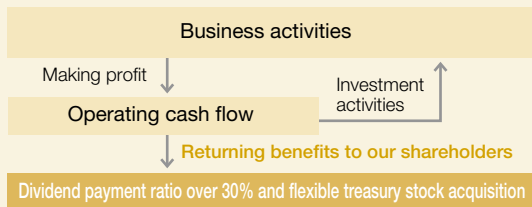
Daiwa House Industry returns part of the profit it makes from its business activities to its shareholders. In so doing, the company's basic policy is to strive to increase shareholder value by improving earnings per share (EPS), by maximizing medium- to long-term corporate value through such measures as investment in real estate, overseas business expansion, mergers and acquisitions, and investment in research and development, plant and equipment, and other growth-oriented targets.

We strive to maintain a stable dividend payment, setting our target dividend payment ratio at 30% or above of the current term net profit that is attributable to the parent company's shareholders, and remunerating our shareholders in line with the company's business performance. Our approach to acquiring our own shares is to take action at an appropriate timing in consideration of the market situation, capital efficiency, and other factors.

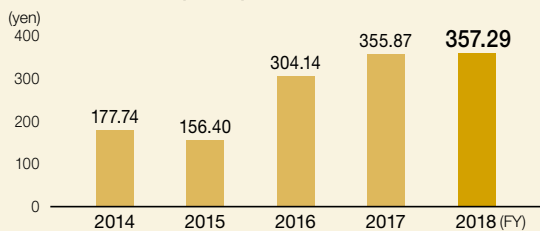
In order to build a relationship of trust over the long term with all stakeholders, including shareholders and investors in and outside Japan, we communicate information necessary for their investment decisions such as the management policy, finances and business initiatives as well as background factors, non-financial information and the business environment, in addition to disclosures required by law, in a quick, accurate, fair and impartial manner, in accordance with our basic policy on information disclosure.

In the spirit of "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

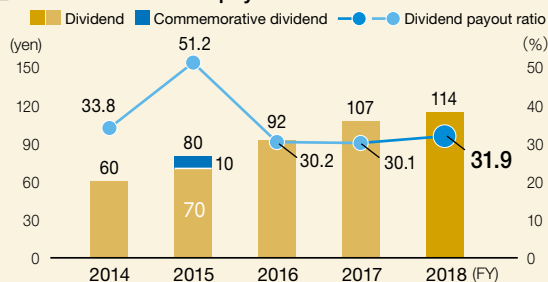
Concepts of profit sharing



Current term net profit per share



Dividend & dividend payout ratio



* As for FY 2015, the 60th anniversary commemorative dividend of 10 yen per share is included.

Management

To contribute to the company's sustainable growth and increase in medium- to long-term corporate value, the management team and executive officers in charge of IR see our company's IR activities as one of our basic policies. To realize constructive dialogue, we have organized the company in a way that each department within the company can cooperate and we are working to make our management strategy and management plan more understandable. Furthermore, we have organized the structure in a way that we can accumulate and provide data to external corporate assessment agencies, which provide data to investors. In addition, we are working towards having constructive dialogue with shareholders and investors on both financial and non-financial aspects from the perspective of sustainably increasing the corporate value.

As for information disclosure that is used to judge corporate value, along with one-on-one interviews, we also have management briefing sessions, facility study tours, IR tools, the website, SNS and other media which we use to actively broadcast information.

Furthermore, along with working towards information disclosure, we periodically present the comments and desires received through our dialogue with stockholders and investors to the management team and executives. We also hold reporting sessions for external directions twice a year and share our awareness of issues from an objective and independent perspective.

Through IR activities, along with working toward receiving evaluations that properly assess our corporate value, we provide timely and relevant feedback of all comments and desires to the management team to make better management decisions for the further enhancement of corporate value.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment/Data Section

Main approach

Major IR Activities for FY 2018

	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 meeting	●			
• Small meetings organized by securities firms	●			
• Proactive participation in an IR conference organized by securities firms	●			
• Facility tours for institutional investors	●			
Activities for individual investors				
• Online company briefing sessions				●
Provide feedback about opinions received through IR activities to the departments within the company				
• Report IR activities at board of directors meetings				●
• Report IR activities to external directors			●	
• Exchange opinions on business performance and market trends with the business division		●		



Scenes from the management briefing session

Information disclosed to investors

Daiwa House Industry is working to use the official website for timely and relevant information disclosure to all stakeholders as well as institutional investors and stockholders.

We publish timely information, not limited to the disclosure of monthly order amounts, qualitative quarterly reports and performance highlights, but also including explanations about financial summary briefings, financial presentations with both English and Japanese voice recordings, to the website.

Furthermore, regarding our company's management policies and business efforts, we are publishing top message, business explanations, policies about returning benefits to our shareholders, capital policies and more on almost all pages in both English and Japanese to provide better understanding for all shareholders and investors both domestic and abroad. Separately from this, the videos used in management briefing sessions and individual investor briefing sessions given by the management team are also uploaded to the website in our efforts to provide various types of information disclosure.

Related page P189–190 Inclusion of Daiwa House Industry in ESG indices
 Our Group official website Investor Relations
<https://www.daiwahouse.com/English/ir/>

Dialogues and communications with institutional investors

Through small meetings, personal and telephone interviews, we were able to open dialogue with institutional investors and analysts from more than 751 companies. In regard to overseas IR, our COO, CFO and officers in charge of IR were able to open dialogue with investors from 25 companies through visits to Europe, North America, Hong Kong and Singapore. Also, our company holds business briefing sessions that focus on business segments that investors are interested in. In fiscal 2018 we held study tours and briefing sessions of distribution facilities as well as briefing sessions on overseas business strategy and briefings on growth strategies and promises of each business.

Finally, in August of 2018 we published the Integrated Report 2018, which was the third report to date, as a communication tool for with investors. Within this report, in addition to listing the 3 management platforms (human resource platform, customer platform, technological and *monozukuri* platform) that are invaluable to "The Daiwa House Group's value creation" and our strengths (compound business proposal capability), we also introduce our medium- to long-term process of creating value from a perspective that integrates environment, society and governance as well as explain our Group's efforts and growth.

At the same time, in recent years we have been putting effort in dialogue relating to ESG and in December of 2018 we held an ESG small meeting. 28 investors joined on the day of the meeting and it was a lively exchange of opinions. Along with ESG related questions from investors such as "how will efforts for ESG affect the sustainable growth of the company," "how will you revise materiality going forward," and "can you explain the current director composition," we also received questions regarding the details of the integrated report such as "how is your management goal of 'Becoming a corporate group with 10 trillion yen annual net sales by our 100th anniversary of the foundation' connected?" during the meeting.

Dialogues and communications with individual investors

In October of 2018 we hosted an online briefing session using the internet aimed at individual investors and 509 people participated.

This was the 5th time for said session and within the session we gave business briefings focused on segments that investors are interested in, explained our medium- to long-term growth strategies based on the 2018 integrated report and provided answers to questions from participants in real time. We received various opinions from investors that participated such as "we get the feeling that your all-encompassing business expertise that starts with infrastructure contributes to your management stability," and "this has been a valuable information source for regional shareholders."

Co-creating a Brighter Future with the Environment



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Kazuto Tsuchida

Director and Senior Managing Executive Officer
Head of Future Co-creating Center
Head of Environment

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

**Monozukuri*: A Japanese term that means business activities to build, manufacture and develop products

Commitment from the Executive Officer in Charge

Promoting greenhouse gas emissions reduction with “slowing and adapting to climate change” made the top priority issue

Each country has increased its efforts to address climate change according to the Paris Agreement, which was adopted in December 2015 and the movement is being accelerated in response to the Special Report on Global Warming of 1.5°C released by the IPCC* last year. In addition, frequent extreme weather such as torrential rainfall, severe heat, and typhoons has spread awareness about

climate change as a matter of urgency, which is urging various actions in the country as well. As SDGs, another global environmental initiative comparable to the Paris Agreement, includes climate change as a matter to be addressed, it is a matter of importance closely related to other matters.

The Daiwa House Group, as a corporate citizen, recognizes how important these issues are, working on them actively and systematically.

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,”

Contribution to SDGs



“prevention of chemical pollution” as well as the top priority issue “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.

In EGP 2018 (fiscal 2016 to 2018), we took our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

At the same time, we acquired the 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.

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 which was completed in 2018 and has been fully powered by renewable energy on a trial basis since then.

Regarding housing products, in addition to expanding ZEH, we are promoting advanced community development by applying such technologies as energy self-sufficient housing, electricity interchanging, and ZET to SECUREA Toyota Kakimoto (Aichi), Takao SAKULa CITY (Tokyo), and Toyama City Safe and Smart Model City Block (Toyama). For construction-related products, we have worked on performance improvement in D’s SMART series including environmentally-friendly office “D’s SMART OFFICE” and environmentally-friendly factory “D’s SMART FACTORY,” winning many customers’ favor. In addition, in fiscal 2018, we declared further engagement in such environmental activities, and were certified by the Ministry of the Environment as an Eco First Company by being an environmentally-advanced company in the housing and construction industry.

* IPCC (Intergovernmental Panel on Climate Change): An organization that was founded by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) and provides reports on scientific findings about climate change.

The new Action Plan for the Environment accelerates integrated “decarbonization” within our Group and globally

EGP2021 (fiscal 2019 to 2021), a new Action Plan for the Environment that is launched this year, is going to further promote “Zero Carbon” in terms of products and *monozukuri* to achieve SBT, EP100, and RE100.

In addition to promoting ZEH in housing products and ZEB in construction-related products, we are going to engage in new types of community development based on the combined form of energy saving, creation, and accumulation for the combined development for which our Group capitalizes on our strength of having a wide



ZEH-standard xevo Σ PREMIUM



Electricity self-sufficient office “Daiwa House Saga Building”



“Eco First Company” certification ceremony

Co-creating a Brighter Future with the Environment

range of business domains. 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, a new “Livness” brand, trying to contribute to the environment, reinforce business competitiveness, and increase sales.

We are going to promote “carbon-free” in our Group worksites, factories, and facilities as well. While promoting continuous and thorough energy efficiency in existing 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. Through these efforts, we aim to achieve a 35% greenhouse gas emissions reduction (per unit of sales) in fiscal 2021 from the fiscal 2015 level.

In addition, 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.

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.



DREAM Solar Yamagata Mogami



BIVI Senriyama

Enhancing adaptation policies to climate change and realizing corporate profitability coexisting with environmental sustainability

With extreme weather becoming more frequent across the world in recent times, climate change is a matter of urgency, not of the future. As illustrated in supply chains being broken by heavy rain and snow and the heatstroke risk rising in construction sites owing to fierce heat, it has already become a big threat to our business. In adding resilience to supply chains, introducing IT-based WEATHERY Environmental Sensors to construction sites, and marketing a single-family housing product “Anti-Disaster House,” our Group is engaging in adaptation policies to climate change.

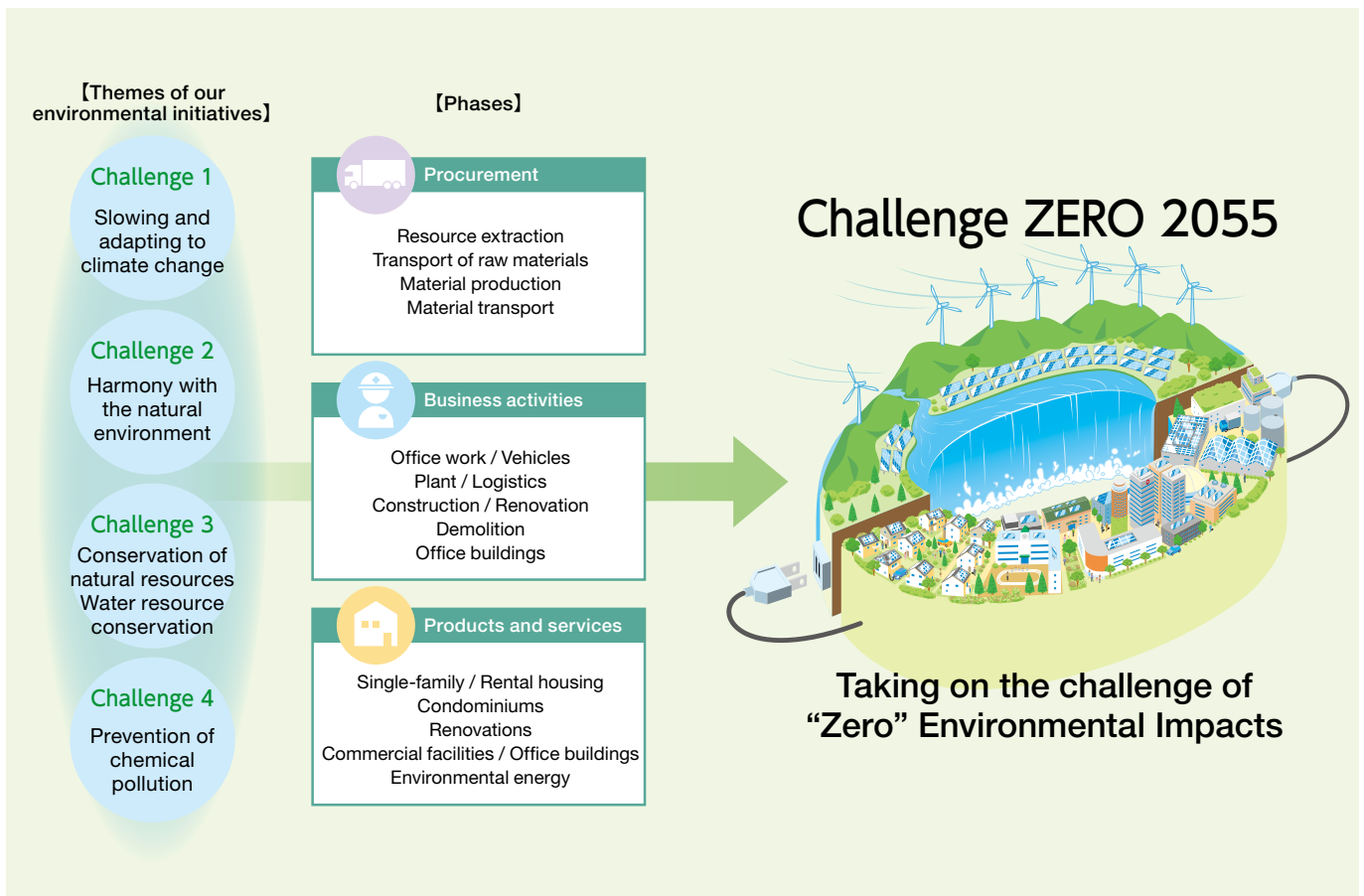
Besides, having announced our support for TCFD last September, we are going to discuss how to deal with climate-related financial disclosures recommended by TCFD in its final report.

On the other hand, our Group regards national and international trends in environmental challenges including climate change as big business opportunities. The construction-related business, which accounts for more than 80% of our Group’s sales, is closely linked to the climate change issue in terms of energy consumption. Increased awareness about environmental challenges and tightening of laws and regulations encourage the introduction of buildings of high environmental performance, therefore, we aim to ensure business superiority by actively working on products of high environmental performance. In addition, given that climate change is a globally shared issue, products of high environmental performance and environment-conscious real estate development can be key “weapons” for our overseas business. By improving our environmental brand through the promotion of such actions and the pursuit of international initiatives such as SBT, EP100, RE100, and TCFD, we aim to realize corporate profitability coexisting with environmental sustainability and contribute to our management vision “Build a world in which people can lead fulfilled lives.”

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).



Long-Term Environmental Vision

Slowing and adapting to climate change
(Prevention of global warming / energy)

Challenge 1

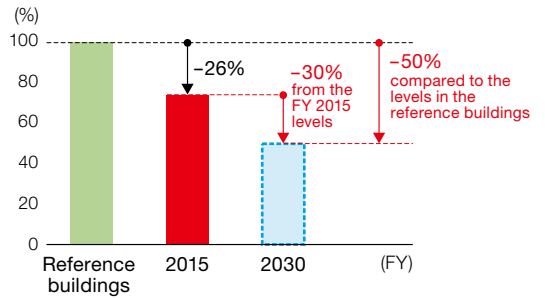
We aim for **zero CO₂ emissions throughout the product life cycle** through uncompromising pursuit of energy saving and utilization of renewable energy in order to achieve a carbon-free society.

Action 1



By achieving 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.

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



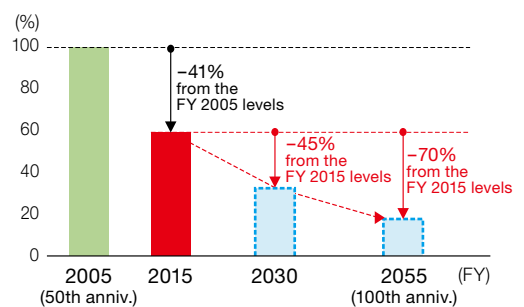
Action 2



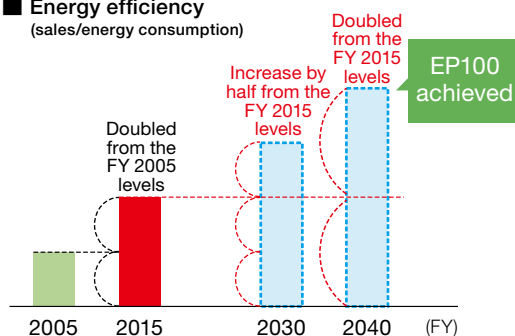
We aim to reduce greenhouse gas emissions in all facilities and all business processes (per sales unit) by 45% by 2030 and by 70% by 2055 from the fiscal 2015 levels.

- By further promoting energy saving for existing facilities and achieving ZEB for facilities to be newly constructed, we aim to increase the Groupwide energy efficiency (sales unit per consumed energy) by half by 2030 and double it by 2040 from the fiscal 2015 levels. [EP100]
- We aim to expand renewable energy and raise the ratio of renewable energy-based power generation (including sales of electricity) to the Groupwide use of electricity up to 100% by 2030 and fully cover it with renewable energy by 2040. [RE100]
(EP100: Energy Productivity, RE100: Renewable Energy)

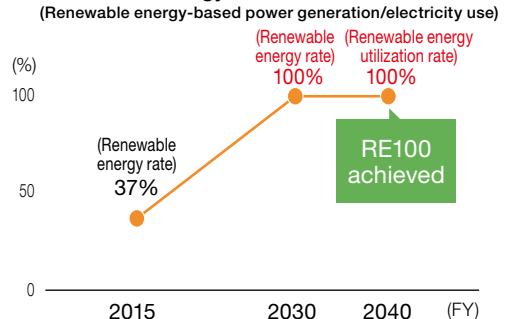
Greenhouse gas emissions per sales unit



Energy efficiency (sales/energy consumption)



Renewable energy rate



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.



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 (Longer durability / Waste reduction / Water resource conservation)

Challenge 3

In a bid to realize a resource-recycling society, we aim for **sustainable utilization of resources** through an increase in durability of housing and buildings, zero waste emissions, and a sound water cycle.

Action 1



We aim to extend the durability and increase the variability of our new houses and buildings. In addition, in order to have property asset values of high-quality houses and buildings maintained for a long term, we are going to renovate or remodel existing houses and buildings in an optimal way and create the market in which they will be appropriately evaluated and circulated.

Action 2



We aim to realize zero waste emissions (recycling and reuse) throughout the life cycle of houses and buildings by 2030 and through the other businesses by 2055.

Action 3



In a bid to minimize (ultimately to zero) water risk, we are going to reduce water consumption and manage waste water thoroughly throughout the life cycle.

Prevention of chemical pollution

Challenge 4

We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings to **minimize the risk (ultimately to zero)** of adverse impacts on the health of people and ecosystems.

Action 1



Identify the risk of chemical substances in the life cycle of houses and buildings, employ substitutes, promote reduced use of toxic chemicals, and appropriately manage chemical substances with using a precautionary approach. Continue to minimize the risk (ultimately to zero).

Action 2



Continue working on minimization of the risk (ultimately to zero) through strict management of soil contamination risk, including conducting investigations and applying countermeasures from initial land transaction through the construction process, employing the same standard to the company's own land holdings.

Related page ▶ P219-220 Environmental Data Progress in the long-term goal

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment / Data Section

Action Plan for the Environment (Endless Green Program)

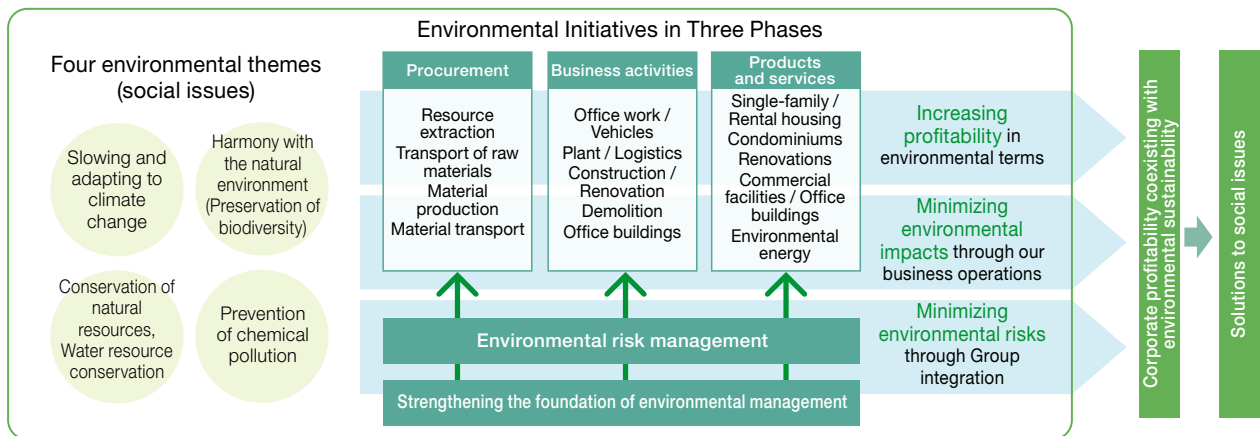
Calculating backward from the long-term environmental vision, we have set 2025 to 2030 as a milestone for achieving the vision. We formulate concrete targets and plans as the Endless Green Program (EGP) nearly every three years in accord with the period of a medium-term management plan to promote it.

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)

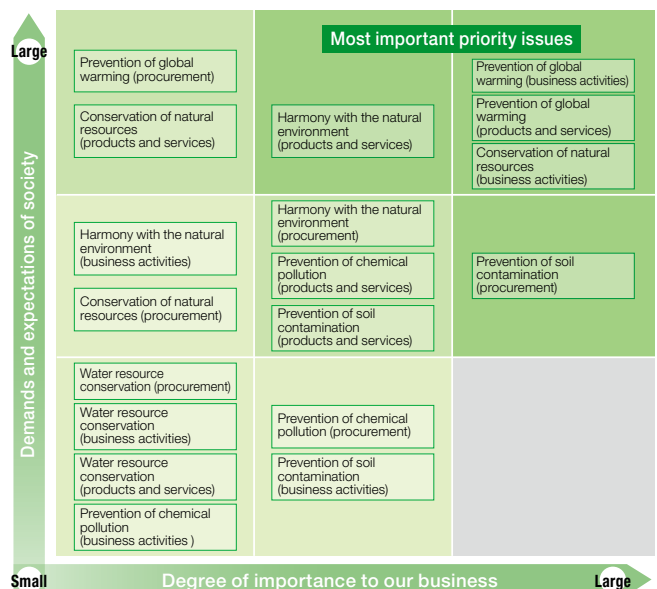
We have extracted priority issues for our Group’s environmental initiatives in terms of degree of importance to our business and the demands and expectations of society. Materiality has been identified through experts’ validation.

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 → P019–020 Materiality (Priority Issues) of the Daiwa House Group

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 2018)

In the Endless Green Program 2018 (fiscal 2016 to 2018), which expanded the scope of application to all the domestic Group companies, we promoted environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that profitability can coexist with environmental sustainability.

Policies of Endless Green Program 2018

Environmental theme	Phase	Degree of improvement	Policies	
Prevention of global warming	Procurement	Implementation	Supporting energy efficiency among suppliers and formulating a certification system for energy-efficient building materials	See pp. 155–164 for more details
	Business activities	Continuous improvement	Incorporating smart innovations in new facilities Continuing improvements to energy-efficient operations in existing facilities and the systematic updating of facilities	
	Products and services	Priority improvement	Promoting the construction of zero energy houses, buildings and towns Expanding the power generation business by adopting renewable energy (wind, sun, water, biomass)	
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Continuous improvement	Promoting sustainable timber procurement	See pp. 165–170 for more details
	Business activities	Maintenance and management	Promoting environmental greenery in Daiwa House Industry and its Group facilities	
	Products and services	Priority improvement	Promoting the preservation and creation of green spaces in development and town planning	
Conservation of natural resources, Water resource conservation	Procurement	Implementation	Identifying risks to resources and water from primary building materials	See pp. 171–176 for more details
	Business activities	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the application of the “3Rs” (reduce, reuse and recycle) to construction waste Promoting the adoption of water-saving devices	
	Products and services	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources) Promoting reproduction building materials Promoting the adoption of water-saving devices	
Prevention of chemical pollution, Prevention of soil contamination	Procurement	Maintenance and management (chemicals) Continuous improvement (soil)	Strengthening the management of chemical substances in the procurement of building materials Strengthening the management of soil contamination risks during land purchases	See pp. 177–180 for more details
	Business activities	Maintenance and management	Reducing the release and transfer of PRTR-listed hazardous chemicals during the production stage; reducing VOC emissions	
	Products and services	Continuous improvement	Further improving indoor air quality in residential facilities Expanding the response and solution to soil contamination incidents	
Strengthening the foundation of environmental management / Environmental risk management			Improving the reliability of environmental performance data within the Group and globally Devising and implementing an environmental law management system within the entire Group	See pp. 151–152 for more details

* For the targets, results, and self-assessments of the Endless Green Program 2018 (EGP2018), see pages 209–210.

Review of the Endless Green Program 2018 (fiscal 2016 to 2018)

Results

Enhanced initiatives toward “carbon-free” and engagement in supply chain, promotion of information disclosure and communication

Issues

Enhancement of global environmental management, environmental risk reduction in supply chain

2016 was the year when EGP2018 was launched and each country started to sign the Paris Agreement, which had been adopted at COP21. When attending COP23 the next year, we witnessed the world begin to shift to decarbonization, reaffirming our determination to accelerate our efforts to realize a carbon-free society.

Amid such a global trend, one notable accomplishment of EGP2018 was to position “carbon-free” as one of the key management issues, promoting a long-term goal for it internally and externally. This goal allowed us to acquire the SBT certification as an ambitious greenhouse gas emissions reduction target that was consistent with the Paris Agreement’s 2°C temperature target. We set a long-term goal for energy saving and renewable energy as well, joining EP100 and RE100 simultaneously as the first-ever company in the world from the housing and construction industry. Besides, as environmental products, we developed energy self-sufficient houses and power self-sufficient offices, engaging in validation experiments for them. As another accomplishment of ESG, continued due diligence and supplier engagement for the legality and sustainability of timber our Group procures are being established as a means of addressing escalating deforesting risks. As for information disclosure and communication, in order to have it known that commitment to ESG would improve corporate value, we started to issue an integrated report to make the sustainability report more substantial and engaged in active communication with institutional investors. Consequently, in addition to being ranked the highest A in the CDP Climate Change Report 2018, we received the Environmental Communication Awards for the fifth straight year.

In the EGP2021, which is launched in fiscal 2019 and positioned as an action phase for achieving the targets of SBT, EP100, and RE100, we are going to accelerate our efforts for “carbon-free” both in terms of products and *monozukuri** and enhance cooperation with our business partners. We are also going to strengthen our overseas environmental management, which currently remains at the data tabulation phase.

* A Japanese term that means business activities to build, manufacture and develop products



Katsuhiko Koyama
Manager of Environment Department
Technology Headquarters
Daiwa House Industry



Electricity self-sufficient building
(Daiwa House Saga Building)

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 with emphasis on efforts for “carbon-free.”

Key policies of Endless Green Program 2021

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

Promoting ZEH, ZEB, Green Building certification



- Standardizing ZEH specifications for single-family houses
- Improving solar power generation systems installation rate
- Hosting public-private partnership ZEB seminars and study tours
- Recommending BELS☆4 or higher in our development projects

*A Japanese term that means business activities to build, manufacture and develop products

Making the company's facilities energy-saving and introducing renewable energy



- Promoting ZEB for new facilities
- Making existing facilities energy-saving and switching to energy-saving equipment
- Expanding the power generation business by adopting renewable energy
- Procuring renewable energy-based power

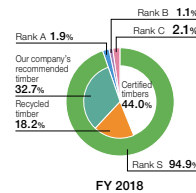
② Promoting win-win cooperation for reducing environmental risks in supply chains

Enhancing efforts for carbon-free



- Helping principal business partners reduce greenhouse gas emissions
- Hosting briefing meetings on environmental policies and study meetings
- Conducting energy saving diagnosis of principal business partners' factories

Promoting sustainable timber procurement



- Expanding S-ranked timber (promoting the procurement of certified timber, making obtaining a legality confirmation document compulsory)
- Eliminating C-ranked timber (prohibition of procuring high-risk timber)

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

Developing and disseminating environmentally conscious products and services



- Housing ZEH renovation for energy reduction (single-family housing, rental housing, condominiums, etc.)



- Business ZEB renovation for energy reduction (commercial facilities, office buildings, etc.)



- Energy Sales of renewable energy-based power, etc.



- Greening, etc. Greening business, eco-car lease business, etc.

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

Improving ESG assessment



- Expanding the content of the Sustainability Report, the integration report, and responses to external questionnaire surveys
- Communicating with institutional investors and ESG assessment agencies
- Improving environmental initiatives in response to more demanding requests from outside the company

Establishing environmental brand



- Enhancing customer relations through the environment (building a variety of relations with customers at the Group level)
- Enhancing environmental appeals for consumers (using Eco First certification, etc.)

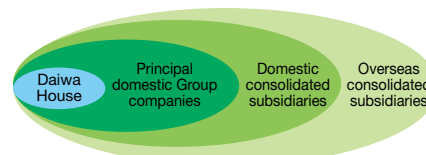
⑤ Enhancing integrated environmental management within the Group and globally for advancing environmental management

Enhancing the management of principal domestic companies



- Enhancing a top-down approach (environmental management training seminar, enhancing management review)
- Environmental education (structural reinforcement, promoting position- or job-specific training)
- Environmental regulation management system (establishing an IT-based law and regulation management system)

Expanding the scope of application of the Action Plan for the Environment overseas



- Expanding the scope of application of target management to overseas consolidated subsidiaries
- Establishing environmental management for three principal overseas companies with significant environmental impacts

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	Policies
General	Products and services	▶ 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	▶ Provide important suppliers with support in setting targets and promoting efforts.
	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).
	Products and services	▶ Promote ZEH, ZEB and Green Building certification.
Harmony with the natural environment Preservation of biodiversity	Procurement	▶ Promote sustainable timber procurement.
	Business activities	▶ Promote greening at our and Group company facilities.
	Products and services	▶ Promote the preservation and creation of green spaces in projects and community development.
Conservation of natural resources	Procurement	▶ Reduce resource consumption.
	Business activities	▶ Promote 3R activities with construction waste and plastics at service centers.
	Products and services	▶ Develop and diffuse recyclable products (high durability, long lasting, less use of resources).
Water resource conservation	Procurement, business activities, products and services	▶ Identify and mitigate water risks.
Prevention of chemical pollution	Procurement	▶ Increase controls of chemicals used in procured construction materials.
	Business activities	▶ Reduce the use of chemicals in production stages.
	Products and services	▶ Further improve indoor air quality of residential houses and facilities.
Strengthening the foundation of environmental management	Environmental risk management	▶ Put into practice autonomous Group compliance against environmental laws and regulations.
	Environmental education	▶ Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce.
	Management	▶ Integrate environmental management across the Group and globally.
	Communication	▶ Promote environmental communication including strategic and effective information disclosures.

Goals of Endless Green Program 2021

Based on policies of Endless Green Program 2021, targets are set by theme and item

Focal themes	Phase	Management indicators	Results for 2018	Targets for 2021
General	Products and services	Sales of environmental contribution business	1,160 billion yen	1,500 billion yen
Slowing and adapting to climate change	Procurement	Setting rate of principal business partners' greenhouse gas emissions reduction target SBT	54%	90%
		Greenhouse gas emissions (per unit of sales) from fiscal 2015* SBT	-27%	-35%
	Business activities	Energy efficiency (sales per energy consumption) from fiscal 2015 EP100	1.27 times higher	1.4 times higher
		Renewable energy usage rate RE100	0.23%	3%
		Renewable energy rate (including sales of power)	85%	85%
	Products and services	Greenhouse gas emissions derived from using products (per area) from fiscal 2015 SBT	+20%	-6%
		ZEH sales rate	29%	60%
ZEB sales rate		22%	30%	
		Green building certification rate in development projects	15%	70%
Harmony with the natural environment Preservation of biodiversity	Procurement	S-ranked timber ratio / C-ranked timber ratio	94.9% / 2.1%	97% / 0%
	Business activities	Development of the company's facilities filled with greenery (cumulative)	4 facilities	8 facilities
	Products and services	In-house criteria compliance rate for biodiversity protection	100%	100%
Conservation of natural resources	Business activities	Production Amount of construction waste (per unit of sales)	62 kg/million yen	62 kg/million yen or less
		Construction Amount of construction waste (per area)	19 kg/m ²	19 kg/m² or less
		Construction waste recycling rate	96.6%	97% or more
		Waste plastics recycling rate	90.1%	90% or more
		Purchase volume of plastic shopping bag from fiscal 2017	—	-5%
Water resource conservation	Business activities	Water consumption (per unit of sales) from fiscal 2012	-31.1%	-34%
	Products and services	Water-saving equipment adoption rate	94%	97%
Prevention of chemical pollution	Business activities	Release and transfer of PRTR-listed hazardous substances (per unit of sales) from fiscal 2012	-49.9%	-50% or more
		VOC emissions (per unit of sales) from fiscal 2013	-20.4%	-21% or more
	Products and services	In-house criteria compliance rate for indoor air quality	100%	100%
Strengthening the foundation of environmental management		Number of those who acquired the Eco Test certification	4,402	10,000
		Green purchasing rate	—	95% or more

* As for greenhouse gas emissions, with the SBT certification acquired, EGP2021 publishes the rate from fiscal 2015, expands the scope of application to overseas subsidiaries, and changes CO₂ emission coefficient. For progress status of the long-term environmental vision, see pages 219-220.

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 this basic policy subject to the business performance assessment to work on the PDCA cycle.

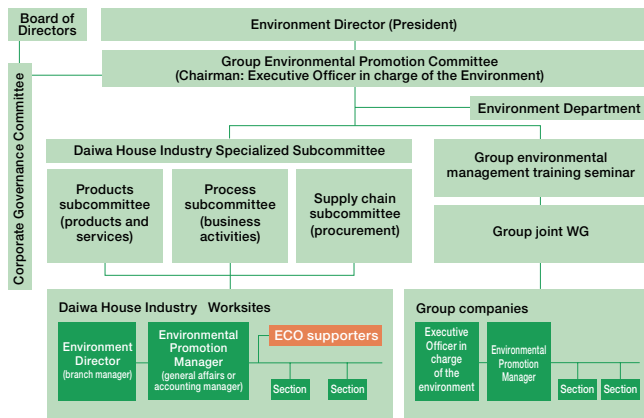
Promoting Environmental Management

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 2018, the Group Environmental Promotion Committee formulated the key policies and targets of a New Action Plan for the Environment, “Endless Green Program 2021,” which were discussed and approved at the Corporate Governance Committee before being reported to the joint board.

■ Environmental management organization



Related page → P041 Corporate governance system
P043 Corporate Governance Committee

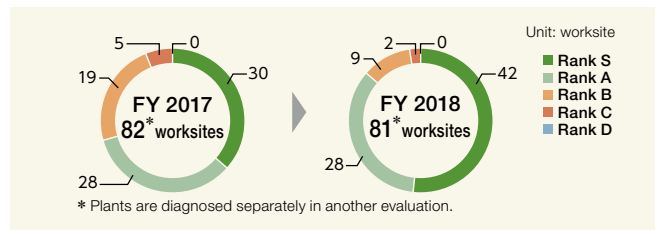
Reflect achievements in environmental activities at branch offices in business performance assessment

Our worksites formulate an environmental improvement plan “My Worksite ECO Plan” at the beginning of a fiscal term and undertake respective improvement activities systematically. 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 disclosed quarterly and 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.

In fiscal 2018, 42 worksites were awarded the highest level of rank S, while none was ranked D. In fiscal 2019, we are going to elevate assessment criteria for the items that will be used continuously and add new items to further improve the level of environmental activities.

■ Results from “Your Worksite ECO Diagnosis”

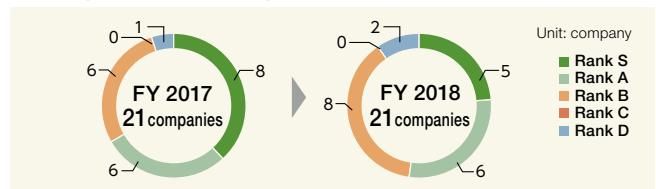


Reflect environmental management results of main Group companies in business performance assessment

In fiscal 2016, we expanded the scope of our environmental management to all of our Group companies including sub-subsidiaries. For those located in Japan among them, we set numerical targets and encourage them to further their efforts. For our 21 main Group companies with a large environmental impact, we have incorporated “environmental management” in our business performance assessment of them, evaluating the progress of environmental activities according to the five ranks of A through D and S.

In fiscal 2018, we held a joint working session on energy saving and chemicals with Group companies included. Participant companies engaged in horizontal application of improvement examples and specialized education. Consequently, five companies were ranked the highest S with two ranked D. In fiscal 2019, we are going to continue these efforts, and enhance environmental information dissemination to the Executive Officer in charge of the Environment in each company in a bid to raise environmental awareness.

■ Group’s environmental performance assessment results



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

We have 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 the fiscal 2018 session, after an expert spoke under the theme “Trends in environmental issues and company strategies,” participants discussed their own companies’ opportunities and risks for environmental issues and shared respective success examples and unfinished tasks.

In fiscal 2019, we are going to make the seminar more fruitful and develop it into an opportunity to review each company’s environmental management condition.



Scene of group discussion



Scene of presenting success example

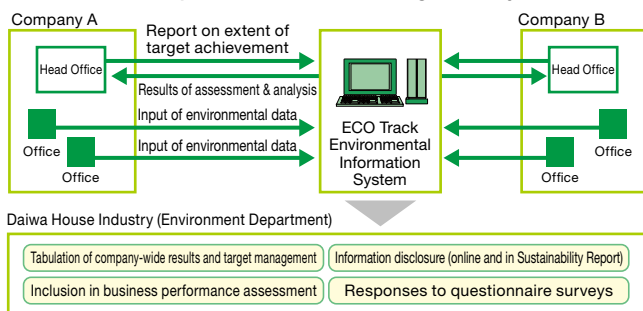
Reinforcing the foundation of environmental management with information technology

[Environmental performance data management system]

In fiscal 2016, our Group introduced the ECO Track Environmental Information System. Each Group company or branch enters its environmental performance data into this system on a monthly basis. As a result, CO₂ emissions and waste emissions are tallied, which allows for quarterly monitoring of target achievement status. The introduction of the ECO Track has encouraged us to consolidate data, improve tally precision, and make the tallying process more efficient. In fiscal 2018, we added another function that would enable us to manage each worksite’s targets and analyze its numerical figures in a short time.

In fiscal 2019, in addition to making the aggregation and management of overseas sites data more efficient, we are going to identify 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.

■ Environmental performance data management system



[System to comply with environmental laws and regulations]

Our Group introduced the environmental regulation management system “Compliance Manager”* in fiscal 2016 and has had in place the integrated environmental law management system within our Group ever since.

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, grasping the extent to which each company complies with laws and regulations, it is responsible for unified management of the Group’s risks.

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

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

Acquisition of ISO 14001 and implementation of environmental audits

The Daiwa House Group has succeeded in acquiring certification of registration with ISO 14001, the international standard for environmental management systems, and we continue to update and maintain our registration status. Moreover, the segment in charge uses the manual made by each company to periodically implement environmental audits and provides instruction and confirmation regarding the operation status of the environmental management system in addition to details of environmental performance, regulatory compliance, and risk avoidance.

As well, the results of the audits are reported to the management as material for management reviews and are utilized to promote continuous improvement.

Related page P211 Environmental Data ISO 14001 certification
Environmental Data Sites that have the ISO 14001 certification

Environmental accidents and complaints (fiscal 2018)

In fiscal 2018, we were not involved in any serious violations or litigation regarding environmental laws.

Related page P053 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.

Promoting environmental education and qualification acquisition, and the President’s Award for outstanding environmental activities

We offer specialized education to each department with emphasis on the main environmental risks including waste and soil contamination, while providing general education focusing on social trends of the environment, our policies, and outstanding environmental activities.

In order to disseminate the policy, the Environment Department conducts 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, each worksite holds a “Worksite ECO training seminar” biannually so that its members can share its own challenges and measures against them to boost environmental activities.

Since fiscal 2008, we have hosted “Challenge! We Build ECO Contest,” which commends environmental activities that each branch undertakes. With 203 applications accepted in fiscal 2018, outstanding activities were commended in each of the categories of ECO Products, ECO Process, and ECO Communication and the most outstanding activity was honored with the President’s Award. These outstanding activities are disclosed on the intranet and in the corporate newsletter, and disseminated to the worksites across Japan.

In fiscal 2019, we are going to make the Group companies eligible for the contest as well and outstanding activities are going to be shared by our Group to boost environmental initiatives. In addition, we are going to enhance position- or job-specific environmental education and continue to help employees acquire environmental qualifications so that they will increase their own environmental awareness and knowledge.

Related page P211 Environmental Data Environmental education provided
Environmental Data Employees with main environmental qualifications

Supply Chain Management (Environment)

Policy

The Daiwa House Group has been influencing the global environment as well as diverse stakeholders throughout the supply chain as it procures materials and undertakes construction work. It also has an influence on personnel who work in the material-producing countries and processing sites, suppliers and their employees as well as local communities situated close to construction sites. Therefore, we believe that collaboration with suppliers is indispensable to reducing any negative environmental impacts, and we promote cooperation in all phases of our operations through monitoring, training, and collaborative development.

In July 2015, we established our Basic Procurement Policy and our CSR Procurement Guidelines. Applicable to our Group, our Basic Procurement Policy is intended to advance procurement with consideration for Quality, Cost, and Delivery — or “QCD” — as well as society and the environment. Moreover, the scope of our CSR Procurement Guidelines includes all primary suppliers and stipulates comprehensive social and environmental standards, including human rights, work safety, and environmental protection. As for management of chemical substances and timber procurement in particular, we have established specific guidelines and assessment criteria, and have implemented continual monitoring.

CSR Procurement Guidelines (Excerpt of environmental portion only)

(1) Business Partner Code of Conduct		
5) Environmental Protection		By contributing to the emergence of a society and lifestyles that allow people to live with a sense of enrichment in harmony with their environment, we are taking steps to reduce our environmental impact from two perspectives: business processes as well as products and services.
(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 ▶ P199–200 CSR Procurement Guidelines

Management

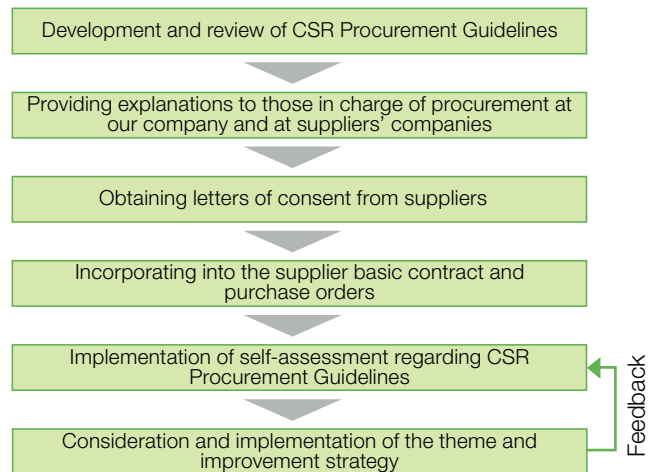
Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the “Business Partner Code of Conduct” of our CSR Procurement Guidelines. We collaborate on environmental work through our three supply chain organizations: The Trillion Club supplies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

Increasing suppliers’ awareness of our environmental policy

After holding a briefing on CSR Procurement Guidelines for suppliers in fiscal 2015, we did the same for five Group companies (Royal Home Center Co., Ltd, DesignArc Co., Ltd, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.) and Daiwa House Reform Co., Ltd. in fiscal 2016 and 2018, respectively, inclusive of respective suppliers. 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 collection rate was 98% as of December 2018 (4,952 suppliers).

In order for the suppliers to assess their engagement in CSR Procurement Guidelines and resulting progress, they can conduct self-assessment on the website*. Regarding the environment, they can assess the extent to which they comply with environmental laws and regulations and respond to climate change. Suppliers’ self-assessments are conducted every other year and the response rate was no more than 15% (586 suppliers) as of May 2017. In fiscal 2019, however, we are going to review the question and set a target for improving the self-assessment rate, calling for them to participate in it.

* Eligible are material suppliers (Trillion Club), suppliers of machinery and equipment (Setsuwa Club), and production and partner subcontractors (Confederation of Partner Companies)



Related page ▶ P106 Encouraging Business Partners in CSR Efforts

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section

Monitoring of supply chain

In order to promote environmental efforts and discover risks in supply chains, 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 business partners.

Since fiscal 2017, we have conducted a questionnaire survey of principal suppliers including the primary suppliers and some secondary ones to check greenhouse gas emissions reduction targets, implementation results, and achieved numerical figures, all of which could not be grasped with the traditional self-assessment. In fiscal 2018, a questionnaire survey of 250 principal suppliers showed that 54% of them (all were suppliers of Daiwa House Industry, Daiwa Lease, Co., Ltd., and Fujita Corporation) 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.

In order to prepare for future water risks, from fiscal 2018 on, we have water risk-related questions added in our survey such as those on suppliers' water intake and emissions and watershed areas where overseas factories are built, in a bid to keep track of actual conditions.

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 supervise. This survey conducts monitoring of timber legality and sustainability and in fiscal 2018, we interviewed nine timber suppliers that had supplied substandard timber and asked them to take corrective actions.

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 results of self-assessment and each survey and raise environmental activities through reciprocal audits and information sharing based on the cooperation between our Group and suppliers.

Principal actions by supplier organizations

	Supplier (organization's name)	Membership	Main approach
Procurement	Materials suppliers (Trillion Club)	241 companies	Plant energy saving diagnosis, equipment updating, joint energy-saving project
	Equipment manufacturers (Setsuwa Club)	159 companies	Joint development of eco-friendly technology, organization of technology exhibitions/seminars
Manufacturing/construction	Manufacturing and partner subcontractors (Confederation of Partner Companies)	4,640 companies	Improvement projects at manufacturing and construction sites, awards for outstanding cases

(as of May 1, 2019)

Setting rate of suppliers' greenhouse gas emissions reduction targets (fiscal 2018)

	Number of principal suppliers	Setting rate of greenhouse gas emissions reduction targets	
		FY 2018 results	FY 2021 targets
Daiwa House Industry	217 companies	54%	90% or more
Daiwa Lease	27 companies		
Fujita	6 companies		

(as of March 31, 2019)

Related page P167 Conducting procurement of timber survey at our suppliers
P180 Implementation of the Chemical Substance Management Guidelines
P219 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. In fiscal 2018, it hosted a lecture meeting by an expert under the theme of sustainable procurement in supply chains, with the importance of an entire supply chain's engagement in reduction in environmental impacts shared.

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.



Scene of the Setsuwa Club's product technology exhibition



Scene of the Trillion Club's training and education activity

Cooperation with Global Compact member companies for the dissemination of CSR procurement to supply chains

As a member of the Global Compact Network Japan since fiscal 2018, we are part of multiple subcommittees. In the supply chain subcommittee in particular, we are engaging in the dissemination of CSR procurement in supply chains with other member companies. In the process, we are preparing a manual that enables suppliers to understand how important CSR procurement is and promoting and updating a common SAQ*, an information sharing platform for advancing information sharing with suppliers.

* CSR procurement self-assessment questionnaire

Related page P183 Cooperating with Third Parties

Focal theme **1**

Prevention of Global Warming (Energy / Climate Change)

Challenge ZERO 2055

We aim for zero CO₂ emissions throughout the achieve a carbon-free society.

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"*

2055 (ultimate goal)	2030 (milestone)
70% reduction in greenhouse gas emissions per unit of sales from the fiscal 2015 level	45% reduction in greenhouse gas emissions per unit of sales from the fiscal 2015 level
Renewable energy utilization rate 100% (2040) (Renewable energy utilization amount/ electricity use)	Renewable energy rate 100% (Renewable energy-based power generation/electricity use)
Construction of zero greenhouse gas emission houses, buildings and towns	30% reduction in greenhouse gas emissions (per m ²) when using houses and buildings from the fiscal 2015 level

* For progress status of the long-term environmental vision, see pages 219-220.

Endless Green Program 2018

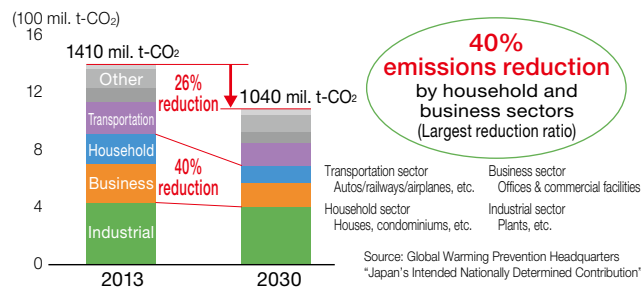
Management indicator	FY 2018 targets
CO ₂ emissions per unit of sales (compared with the fiscal 2005 level)	-60%
CO ₂ emissions (after offset by renewable energy power generation) (compared with the fiscal 2005 level)	-43%
The percentage of renewable energy power generation in electric power purchased	65%
Contribution to CO ₂ reduction	5,150,000 t-CO ₂

Policy and Concept

Social issues

Recently, abnormal weather events have been increasing in frequency in various parts of Japan and around the world and it is thought that such events may be caused by global warming. In order to counter this trend, at the United Nations Framework Convention on Climate Change known as COP 21, it was agreed to limit the global average temperature increase to well below 2.0°C above pre-industrial levels ("2°C 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%.

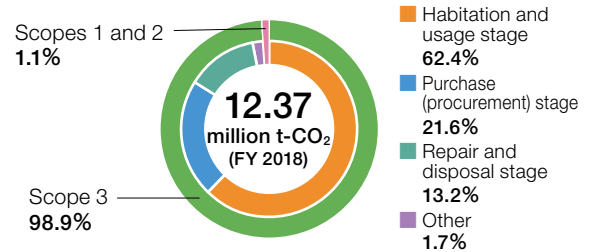
Japan's greenhouse gas reduction targets (2030)



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 CO₂ emissions in our value chain



Related page P217 Environmental Data Reducing CO₂ emissions in the value chain

Our response to the risks and opportunities facing our Group

In Japan, in order to achieve the 2030 targets, the government has been tightening the energy-efficiency regulations on houses and buildings by, for example, introducing the Building Energy Efficiency Act, and an incentive program is being prepared for advanced energy-efficient structures such as ZEH 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 P163-164 Cooperation with 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 1.1% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions from sources other than our company) account for the majority of 98.9%.

In particular, GHG emissions generated in the "habitation and usage stage" of houses and buildings which tend to be used over a long period of time account for about 60%. To tackle this issue, we are reducing the GHG emissions from our own facilities to start with, and by applying the knowhow that we acquire through these efforts to increase the share of our energy-efficient, energy-

product life cycle through uncompromising pursuit of energy saving and utilization of renewable energy in order to

Self-assessment of the Main Targets and Results of "Endless Green Program 2018"

😊: Target for fiscal 2018 achieved 🙄: Target for fiscal 2018 not achieved (improved from the previous year) 😞: Target for fiscal 2018 not achieved (worsened from the previous year)

Reduction targets achieved through Groupwide energy-efficiency initiatives

In fiscal 2018, 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 promoting 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 CO₂ emissions reduction in business activities.

Renewable energy-based power generation accounted for 88% of purchased electricity and the target was achieved

In fiscal 2018, our Group's purchased electricity stood at 465,041 MWh, down 2.5% from fiscal 2017 while renewable energy-based power generation increased to 408,831 MWh, up 1.35 times from fiscal 2017. Consequently, the ratio of power generation using renewable energy sources to purchased power became 88% and the target was achieved.

We launched 36 new solar power plants and one hydroelectric power station in fiscal 2018, bringing the total number of operating plants to 217 across our Group, which are capable of generating 298 MW of power in total.

While anticipating business expansion, we are going to curb an increase in purchased electricity and promote generation of more renewable energy-based electricity than purchased electricity.

With contribution to overall CO₂ reduction through the provision of products and services waning, the target was not achieved

In fiscal 2018, there was a significant decrease in the introduction of solar power generation in the environmental energy business and contribution to overall CO₂ reduction ended in 4.13 million t-CO₂, down about 20% from fiscal 2017, with the result that the target was not achieved.

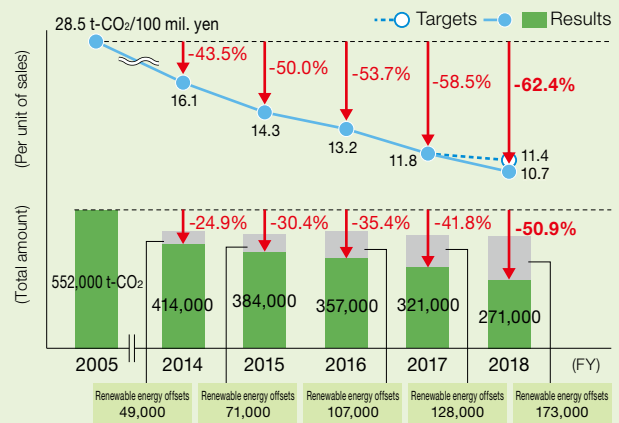
In addition to promoting ZEH and ZEB, we are going to increase contribution to overall CO₂ reduction through energy-saving renovations and the installation of solar power generation systems.

● Contribution to CO₂ reduction

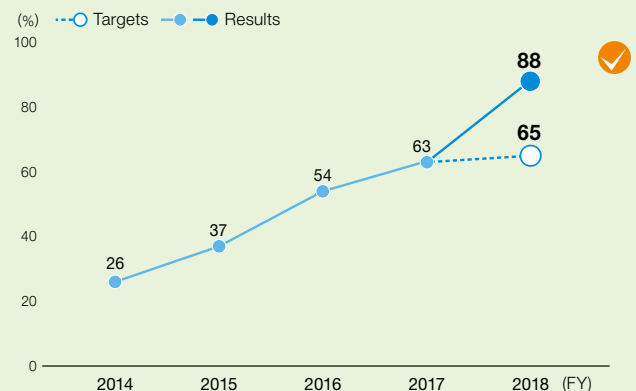
A numerical value representing how much we contributed to reduction of CO₂ emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions.

[Related page](#) P216 Calculation method and scope of coverage of environmental data Contribution to CO₂ reduction

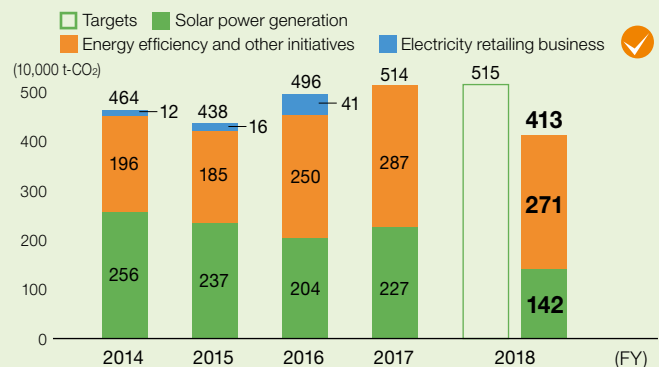
CO₂ emissions



Ratio of power generation using renewable energy sources to purchased power



Contribution to CO₂ reduction



Implementation report on the Endless Green Program 2018

Focal theme

1

Prevention of Global Warming (Energy / Climate Change)

Greenhouse gas emissions reduction in our procurement and business activities

Basic Policy

Support suppliers in their efforts in energy saving and establish the Energy-Efficient Building Materials Recognition System

In order to reduce greenhouse gas emissions in the procurement stage, the Daiwa House Group grasps the current situation and the targets regarding our suppliers' energy-saving efforts and the energy efficiency of their products and is discussing how we should be collaborating with them in this regard.

CSR Procurement Guidelines (Excerpt from "Responding to climate change")

5-2 Responding to climate change Promote the reduction of greenhouse gas emissions and energy savings through our products and services as well as business activities (procurement and processing, etc.) and work to utilize natural energy.

Related page P199-200 CSR Procurement Guidelines

Smart innovations of new facilities in business activities, operational improvements of energy efficiency and equipment updating in existing facilities

The Daiwa House Group is helping to realize a carbon-free society by reducing GHG emissions from our business activities while promoting its renewable energy generation business.

In particular, by using the technology and the knowhow that we have acquired in the construction industry, our Group is working to reduce energy consumption by introducing leading-edge energy-efficient technology in new construction as well as extensive operational improvements and systematic updating of equipment in existing buildings.

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.

Management

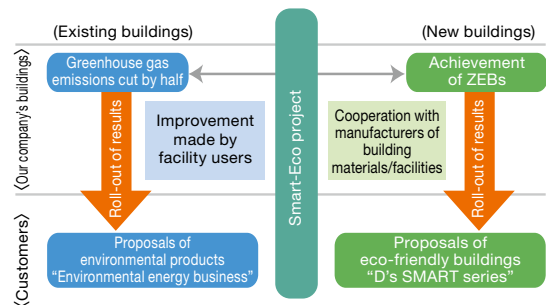
Energy Management Organization

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.

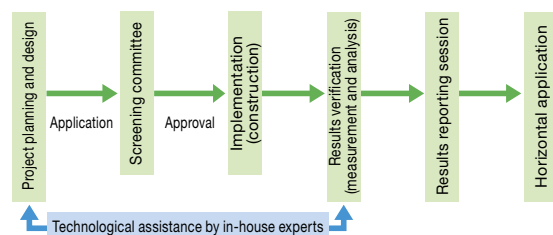
Employing Our Environmental Management Budget System to develop examples of leading-edge technologies

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.

Smart-Eco project



Operational flow of the Environmental Management Budget System



Plan for introducing renewable energy

As one of the efforts to reduce greenhouse gas emissions, our Group introduces renewable energy at our new company facilities such as offices, commercial buildings, sports and nursing care facilities and promotes the self-consumption of electricity that we

Managerial Philosophy and Overall Picture
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Third-Party Assessment/ Data Section

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 98.9% of our greenhouse gas emissions attributed to the value chain can be classified as Scope 3 emissions (indirect emissions from sources other than our company). Among these Scope 3 emissions, 21.6% are attributable to purchased products and services. Because this represents the second largest portion, followed by use of sold products, emissions from this procurement stage are considered a very important category.

As a result, we formulated our CSR Procurement Guidelines in fiscal 2015 and are encouraging our suppliers to address climate change together with us. In fiscal 2016, we established a mechanism that enables our suppliers to self-assess how they set their GHG emissions targets and how well they understand their GHG emissions in the production stage.

In fiscal 2018, we carried out a more detailed questionnaire survey of principal suppliers with a view to grasping setting the status of their greenhouse gas emissions reduction targets and concrete implementation results and setting the status of some secondary suppliers' targets. We are going to identify suppliers of high importance from the survey result and work with them to raise the greenhouse gas emissions reduction target level.

Related page P153 Increasing suppliers' awareness of our environmental policy
P217 Environmental Data Reducing CO₂ 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's. In fiscal 2018, we constructed our Daiwa House Saga Building as a renewable energy self-sufficient office beyond ZEB.

Daiwa House Saga Building received the EcoPro Awards, the Global Environment Awards, and the Japan Resilience Awards for its renewable energy self-sufficiency.

Continuing improvements to energy-efficient operations in existing facilities and the systematic updating of equipment

In fiscal 2018, we conducted the Group Energy Saving Joint Working sessions twice for 13 principal Group companies. In the working sessions, we invited an outside lecturer to promote the advancement of knowledge about energy-saving technology intended for air conditioners, which accounts for much of the energy consumption. One result of the working session is that an air conditioning control technology was introduced in our company offices and air-conditioners' power consumption was reduced by some 19%.

Moreover, using the Energy Conservation Check Sheet, which we originally developed as a compass for operational improvements, we devised 56 remedial measures in total for 10 principal facilities by building usage and they are shared among Group companies, and put into action in a series.

In addition, we made a 1.3 billion yen energy-saving investment, equivalent to around 17% of energy costs in fiscal 2018, forecasting that it will reduce greenhouse gas emissions by some 5,700 t-CO₂/

year. We are going to engage in support for energy-saving equipment updating systematically, based on the Energy-Efficient Facilities Investment Guidelines.

Related page P212 Environmental Data Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (existing)

World's first in the construction/housing industry to join EP100 and RE100 RE100 was achieved with our Tokyo Training Center

In March 2018, Daiwa House Group joined EP100 and RE100, both of which are international initiatives operated by the Climate Group, an international NPO, with the former committed to improving energy efficiency and the latter to promoting use of renewable energy. We became the world's first company in the construction/housing industry to join these initiatives.

As part of EP100, we have set a target of improving the energy efficiency* in our Group business activities 1.5 times higher by fiscal 2030 and doubling it by fiscal 2040 from the fiscal 2015. In fiscal 2018, we set energy consumption reduction targets by company, sector, and main base and thorough energy-saving activities were rolled out, which enabled us to improve energy efficiency, up 1.27 times from fiscal 2015.

As part of RE100, we aim to supply more renewable energy-based electricity (including selling electricity) than consumed electricity by fiscal 2030 and, with renewable energy-based electricity switched to self-consumption in a series, fully cover our Group's electricity with renewable energy by fiscal 2040. In addition to promoting the installation of solar power generation systems in our new company facilities, we are considering procuring non-fossil fuel energy certificate-based electricity derived from renewable energy for existing facilities in which the systems cannot be installed. In fiscal 2018, as part of the Ministry of Economy, Trade and Industry's validation experiment on the sale of non-fossil fuel energy certificates with tracking information, we used one certificate designed for electricity generated at a small hydro power plant in Hida, Gifu developed by us for our Tokyo Training Center to successfully achieve RE100.

Our Group is going to promote further energy-saving investment, operational improvements and work efficiency, and renewable energy in a bid to achieve these two long-term international initiatives' goals.

* Energy efficiency: Sales per energy consumption



Related page P219 Environmental Data Progress in the long-term goal

● EP100 and RE100

With an aim to achieve the targets stipulated in the Paris Agreement adopted at the 21st session of the Conference of the Parties to the Framework Convention on Climate Change known as COP 21, the Climate Group operates these international initiatives to promote more productive use of energy, adaption to climate changes and others. EP100 brings together a group of companies aiming to double their energy productivity by introducing highly energy-efficient technology and initiatives while RE100 brings together a group of companies aiming to procure 100% of electricity required for business operations with renewal energy.

Implementation report on the Endless Green Program 2018

Focal theme

1

Prevention of Global Warming (Energy / Climate Change)

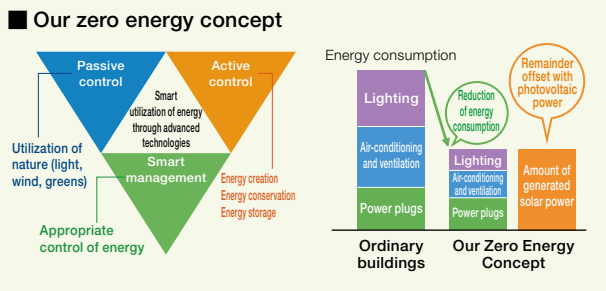
Helping to reduce greenhouse gas emissions through our products and services

Basic Policy

Promoting the development of zero-energy homes, buildings and communities

The Daiwa House Group is supporting the emergence of carbon-free society by promoting the development of zero-energy-loss towns across Japan. While energy consumption can be minimized through the smart use of natural wind and sunlight, we are also generating renewable energy with the objective of achieving a balance between the amount of energy generated and the amount consumed throughout the year.

Moreover, our goal is not only to maintain a zero energy balance; we are also working to develop energy self-sufficient houses, buildings, and communities. We remain dedicated to providing society with added value that contributes to new lifestyles.



Expanding the business of energy generation from renewable sources (wind, sun, water and biomass)

The Daiwa House Group is promoting the introduction of wind and solar power generation systems in our own facilities and on idle land with the intention of generating the amount of electricity required for our business activities from these renewable energy sources by 2030 and of supplying 100% of Groupwide electricity with renewable energy by 2040.

Management

Single-family housing: ZEH-compatible “xevo Σ” and environmental brand “For Nature” to make more proposals for environmentally-friendly houses

We at Daiwa House Industry released in October 2018 “xevo Σ PREMIUM,” which, as the top model of our flagship single-family housing product “xevo Σ” (pronounced “zevo sigma”), has insulation performance that meets the net Zero Energy House (ZEH) standards despite the operation area 1.6 times wider than previous models. Besides, we are working on a single-family housing environmental brand “For Nature,” promoting the installation of such environmental items as Ene Farm (household fuel cell system), solar power generation systems, and external thermal ventilation walls to contribute to reduction in greenhouse gas emissions. We are also pushing forward “For Nature PLUS” to further disseminate ZEH.



Rental housing: Promoting acquisition of energy-efficient housing certifications and its diffusion into society

In our rental housing business, we are facilitating the use of the Building-Housing Energy-efficiency Labeling System (BELS)* as a way to get owners and residents interested in energy-efficient housing.

In order to promote these efforts, we are standardizing certified specifications and any certifications that have been issued are displayed on the rental housing search sites managed by our Group.

* A third-party assessment agency evaluates and certifies the energy-efficiency of new and existing buildings. The efficiency levels are shown with ☆ in five ranks.

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

In our commercial and office building segment, we follow the Guidelines for Design for the Environment that we first adopted in 2009. Specifically, during a design review, we use the Design for Environment Assessment Sheet to check whether the design fulfills the concept of environment-friendly D’s SMART Series buildings and others to conduct quantitative assessments on the environmental-friendliness. Through these mechanisms, we utilize the technology and knowhow that we have gained in validation tests of our own facilities for customers’ building proposals. The same assessment methods are also employed by Daiwa Lease Co., Ltd. and Fujita Corporation in our Group.

Community development: Developing and operating the Designing for Community Development into the Future - community development guidelines

Our Group developed the Designing for Community Development into the Future as community development guidelines in 2016 and established the eight core values including the environment that we would like to provide to people and community.

In fiscal 2018, we revised the Designing for Community Development into the Future Handbook that had been developed together with Designing for Community Development into the Future. This gives specific ideas for increasing the eight values and these ideas are disclosed on the intranet. We are facilitating the development of a comfortable community for people to live by rolling out these initiatives across the country.

- Related page P023 Feature “Community Development” the Way the Daiwa House Group Sees It
- P117 Supporting Community Development Through the Construction Business

Promoting renewable energy

In order to accelerate the introduction of renewable energy across the Group, the Daiwa House Group launched the DREAM* Project. Under the concept of Wind, Sun and Water, we are launching wind power, solar power and hydroelectric power generation systems on our unused land as well as idle land owned by local governments and companies.

* D: Daiwa House Group, R: Renewable, E: Energy, A: Asset, M: Management

Main approach

Single-family housing: Further increasing the number of ZEHs

We are working to make our single-family housing energy self-sufficient in 2020.

Xevo Σ, a leading single-family housing product, characterized by the unique external thermal ventilation wall, offers high-energy efficiency. In addition, we provide a standardized ZEH with solar power generation systems, high-efficiency boilers, energy-saving equipment, and Home Energy Management System (HEMS) combined.

We are going to recommend ZEH to customers for their new single-family house to pursue further reduction in environmental impacts and promote use of storage batteries for realizing energy self-sufficient housing.



Appearance of xevo Σ

Rental housing: Promoting acquisition of BELS certifications – Leading the industry with one of the highest number of certified buildings

In our rental housing business, we are promoting the acquisition of the BELS certification with a view to improving energy-saving performance in buildings. Regarding our rental houses in fiscal 2018, of the 996 units certified, the number of properties that merited a five-star rating [BEI* ≤ 0.8], a standard for ZEH-M, amounted to 935.

We are going to work on the BELS certification acquisition and promote ZEH-M, making environmental appeals to customers.

* Building Energy Index. Designed primary energy consumption / standard primary energy consumption (excluding consumption by home appliances and OA equipment).



BELS certification mark

Related page P161 Topics

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

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

Starting with D's SMART OFFICE in fiscal 2011, we have developed five other applications, STORE, FACTORY, LOGISTICS, SILVER, and MEDICAL. In fiscal 2018, using subsidies, we constructed 117* ZEB-oriented buildings (including ZEB Ready and Nearly ZEB).

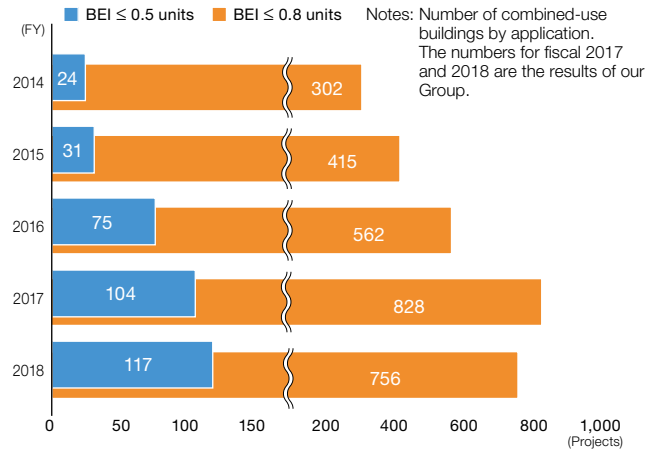
We are going to commit ourselves to further advancement of ZEB technology and new technological development, providing the public with ZEBs and energy self-sufficient buildings.

* Counted by usage. When counted by unit, the figure is 61 (three Group companies' total figures)



Daiwa House Saga Building

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.

Community development: Further increasing the number of evolved ZETs

After developing Japan's first Net Zero Energy Town (ZET) in 2013, our Group created four* ZETs in Japan, including the SECUREA Toyota Kakimoto (Aichi prefecture) for which we significantly reduced costs by adopting the passive design for efficient use of natural energy and energy-efficient designs and the SMA-ECO Town Hidamari-no Oka (Mie prefecture) for which we provide services to the residents using revenues made from solar power plants in the town shared by them. Through these efforts, we are working to create new values in the towns, not just only achieving zero-energy communities. Our Group is making efforts to realize even more advanced ZETs through the creation of these new values.

* 65 houses in Sakai city, Osaka (2013), 66 houses in Kuwana city, Mie prefecture (2014), 21 houses in Toyota city, Aichi prefecture (2015) and 21 houses in Toyama city, Toyama prefecture (2016)

Promoting acquisition of Green Building Certifications

The Group is promoting acquisition of green building certifications. In the preceding fiscal year, we acquired certifications for long-term quality housing and BELS certifications (energy efficiency star ratings that demonstrate a specific superior level of energy efficiency).

■ Status of acquisition of Green Building Certifications (fiscal 2018)

Long-life quality housing	7,237 buildings (single-family houses)
BELS certification	1,686 units (single-family houses, rental houses, commercial and business facilities)

Related page P215 Environmental Data Status of certification and acquisition of Green Building Certifications

Actively introducing renewable energy

In fiscal 2018, we started the operation of 36 new solar power plants including DREAM Solar Ryugasaki in Ibaraki prefecture, bringing the total number of operating renewable power plants to 217 across our Group. As of the end of fiscal 2018, the total output of the renewable power plants operated by the Daiwa House Group was 298 MW. The annual power generation of these facilities totaled 409 GWh, which represents 88% of our Group's electricity purchases of 465 GWh. In 2019, we plan to operate the second wind-power plant in Seiyo, Ehime prefecture.

Related page P214 Environmental Data Renewable energy

Prevention of Global Warming (Energy / Climate Change)

Topics

Example Extending the ZEH campaign to rental houses and condominiums (ZEH-M)

A newly defined ZEH-M by the government in fiscal 2018 assesses external insulation performance and energy-saving performance of the overall dwelling unit including individual ownership areas where tenants live and joint ownership ones, and rental buildings and condominiums are classified into “ZEH-M,” “Nearly ZEH-M,” “ZEH-M Ready,” or “ZEH-M Oriented” according to energy conservation achievement with renewable energy taken into account. For Daiwa House Industry, single-family houses (used as rental ones as well), rental houses, and high-rise condominiums are eligible for ZEH-M and we have launched a ZEH-M campaign for them. In May 2018, in addition, we got registered with “ZEH Developer System,” a system newly founded in parallel with ZEH-M and declared our commitment to ZEH-M as a company.

In fiscal 2018, participating in the Ministry of the Environment’s “ZEH-M promotion project for low- and middle-rise buildings” and the Ministry of Economy, Trade and Industry’s “ZEH-M support project for high-rise buildings,” we engaged in designing and construction of 10 buildings in total (three of them continued into fiscal 2019).

We are going to promote ZEH-M in rental houses and condominiums as well as ZEH in single-family houses, carrying on pursuing decarbonization.



Condominium “PREMIST Inagawa” in Shizuoka (ZEH-M Oriented)



Example Environmentally-friendly community development with living and shopping integrated “Takao SAKULa City” (Tokyo)

We purchased an old factory site in Hachioji, Tokyo, in December 2013, where we, taking advantage of the natural environment created by a scattering of many cherry trees, completed “Takao SAKULa City,” a town with living and shopping integrated, in June 2017. With Daiwa House Industry’s total power, we constructed 83 single-family houses, a condominium housing with 416 units, and one large commercial facility in a development space of 94,315 m² (equivalent to two Tokyo Domes) with sustainable community development through a town-wide visualization of energy use taken into account. With the data of each energy management system (BEMS, MEMS, D-HEMS)*1 mounted in the commercial facility, the condominium, and the single-family houses aggregated at the town level, electricity usage is visualized on the website. At midsummer, a campaign for cool share*2 is promoted at joint ownership areas in the condominium or through D-HEMS, while those who have made a purchase above a certain amount with the HeartOne Card (our Group credit card) in the commercial facility are granted points. The purpose is to lead people to go out to shop there, which can curb each household’s electricity consumption.

*1 System that supports energy management in commercial buildings, condominiums, and single-family houses using ICT technology. D-HEMS is our original HEMS.

*2 Attempt to lead people to share cooling in a public facility to reduce per capita air conditioner usage



Overall view of Takao SAKULa City



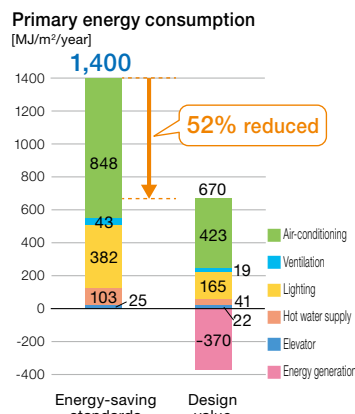
Visualization of energy in the entire town

Example Developing ZEB office pursuing a pleasant working environment and energy saving simultaneously

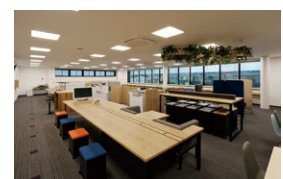
We constructed the Gifu Branch of Ricoh Japan Corporation, which commits itself to the realization of a decarbonized society and the achievement of RE100, as a “Nearly ZEB” building.

As an office simultaneously pursuing a pleasant working environment and energy saving, the office, in addition to pursuing energy-saving performance, includes not only a system that enables effective self-consumption using renewable energy and storage batteries but also another that automatically controls pleasant indoor space with lighting and air conditioners powered by natural energy. Available as emergency power in case of disaster, these systems can be of help for Business Continuity Plan (BCP) as well.

Ricoh Japan Corporation is going to promote such an environmental effort nationwide and make its own newly-constructed facilities and a whole building rented by the company “ZEB Ready” or higher. We, as a RE100 company, are going to support this movement, contributing to the realization of a carbon-free society.



Ricoh Japan Gifu Branch



Office with natural ventilation and natural light

Topics

Example Developing the company's first-ever hydroelectric power plant (Gifu)

Our company founded the joint venture DTS Hida Hydroelectric Power Plant Corporation with Sigma Holdings and Sakamoto Civil Engineering in December 2014. With Suganuma Hydroelectric Power Plant No.1 (970 kW power output) and No.2 (999.5 kW) completed in October 2017 and October 2018, respectively, Suganuma Hydroelectric Power Plant (2 MW approx.) came into operation in October 2018.

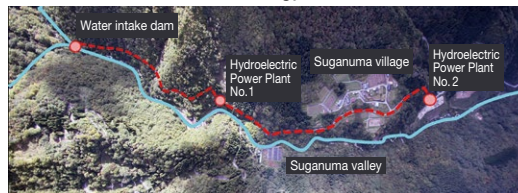
The power plant is located in a place rich in nature surrounded by Okuhida Sugonagareha Prefectural Natural Park. When constructing it, we tried to minimize deforestation and development by constructing facilities (the plants, iron pipe conduits, grit chambers) as close to forest roads as possible.

In addition, we buried underground a large part of the power transmission equipment between the plants and between the plants and the substation. Consequently, we minimized cutting of trees along the power transmission routes, successfully making the equipment resistant to wind, snow, storms, and the effects of fallen trees by these factors with the natural landscape maintained.

As for generated electricity, using the Feed-in Tariff for renewable energy, we, as a PPS*1, are to fully purchase and sell it to other companies as electricity of the power retailing business over 20 years from November 2017. The output is expected to amount to 12,060 MWh annually, equivalent to electricity for some 2,700 households if electricity consumption per household stands at 4,432 kWh per year.*2

*1 Power Producer and Supplier

*2 Source: Energy Efficiency Performance Catalog issued by Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry



Overall layout



Hydroelectric Power Plant No.1

Related page P158 RE100 was achieved with our Tokyo Training Center

Example Adapting to climate change – Anti-Disaster House

Fiscal 2018 witnessed serious damage caused by frequent earthquakes, torrential rains, and typhoons. In April 2019, we released the disaster-resistant housing “Anti-Disaster House,” which is resistant to primary damage (direct damage such as collapse by earthquakes, breakage by windstorm and floods, and inundation) and secondary damage (damage that disturbs life after disasters such as power outage) in the case of earthquakes or typhoons.

This product is featured with: All-Weather Three Battery Linking System*1 which can secure power supply, heating, and hot-water supply for some 10 days even when it is raining; “xevo Σ s + (zevo sigma s plus)”*2 which can curb building shaking in 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 incoming objects by strong winds such as typhoons.

We are going to pursue safe and secure housing for customers, eliminating anxieties about disasters, while engaging in adapting 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 .”



Newly developed load-bearing wall “Kyurek”

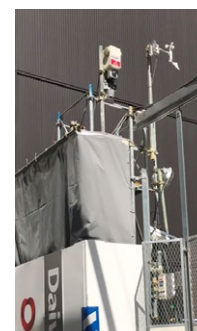


Photovoltaic (PV) system Storage batteries Ene-Farm batteries
All-Weather Three Battery Linking System

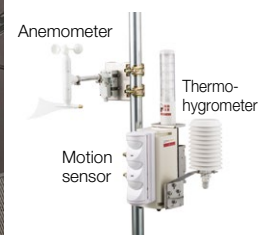
Example Adapting to climate change – How to prevent heatstroke on construction sites

In recent years, global warming has been increasing the number of extremely hot days, and we are at a greater risk for heat stroke. In particular, on construction sites, where workers work outdoors, it is extremely important to prevent heatstroke in response to climate change.

As ways to prevent heatstroke, Daiwa House Industry and the Confederation of Partner Companies set up rest areas on construction sites where workers can rest in the shade, supply water and other drinks at all times and provide educational programs aimed at preventing heatstroke. In fiscal 2016, we developed the WEATHERY environmental sensor in cooperation with its manufacturer. It incorporates three sensors: motion, wind speed, and temperature & humidity. When it detects a temperature, humidity, or wind speed exceeding a reference value, it notifies the administrator by 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 2018, we installed up to 1,227 units in August. We are going to promote the product.



Scene of installation



WEATHERY Environmental Sensor

Cooperation with TCFD

Announcing support for TCFD (Task Force on Climate-related Financial Disclosures) recommendations



With the effects of climate change more and more serious year by year, extreme weather and natural disasters, of which climate change is thought to be one of the instigators, are becoming more frequent, and housing space and safety and peace of mind in living, the foundation of the value we offer, are being threatened. On the other hand, countries and governments across the world have taken a drastic turn to decarbonization after the adoption of the Paris Agreement and the role the private sectors including us play is also significantly changing.

However as external environmental changes accompanied by climate change are highly uncertain, we find it important to pursue appropriate handling of risks and business opportunities simultaneously with multiple scenarios taken into account.

We are going to use the items “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets,” of which the TCFD recommends the disclosures, as a tool to verify the validity of our engagement in climate change and pave the way to constructive communication with investors through active information disclosures.

Keeping with this notion, we announced support for the TCFD recommendations in September 2018 and have been part of the TCFD consortium, which was founded in May 2019.

Items of which TCFD recommends disclosures

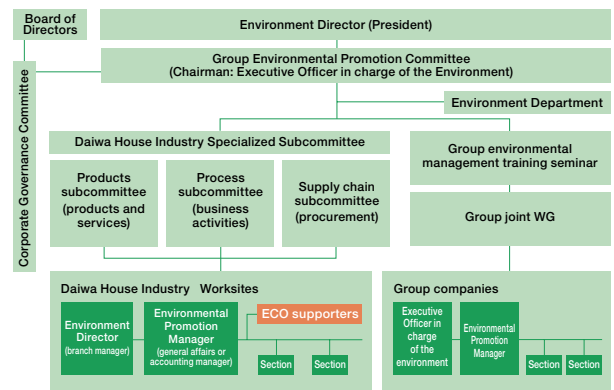
Governance	Organization’s governance of climate-related risks and opportunities Board of directors’ governance of risks and opportunities, management’s role in assessing and managing risks and opportunities
Strategy	Impacts on an organization’s business, strategy, and finance Short-, medium- to long-term risks and opportunities, impacts on business, strategy, and finance, and resilience of strategy based on climate scenarios
Risk Management	Status of identification, assessment, and management of climate-related risks Status of integration of process of risk identification and assessment, and process of risk management into the entire organization’s risk management
Metrics and Targets	Metrics and targets used to assess and manage climate-related risks and opportunities Metrics used by an organization to assess and manage risks, targets and results for risk and opportunity management

Governance

Our Group positions “slowing and adapting to climate change” as one of the important management issues and has appointed a Senior Managing Executive Officer as Executive Officer in charge of the Environment, who is responsible for implementing a climate change strategy, with the Group Environmental Promotion Committee chaired by an Executive Officer in charge of the Environment. The committee, which is convened biannually, discusses and makes decisions on basic matters about our Group’s environmental initiatives including climate change-related ones and risks and opportunities, managing the Group’s environmental initiatives.

“Endless Green Program,” an Action Plan for the Environment which is formulated every three years in accordance with a Medium-Term Management Plan, contains the Group’s strategies for climate change, performance targets, plans, and risk management policies, all of which are discussed at the Corporate Governance Committee as important items for environmental management before being reported to the board of directors. During the period of the program, the Executive Officer in charge of the Environment reports the progress of the program to the board of directors once a year in line with the aggregation of final management indices, with possible reviews of strategies, targets, plans, etc.

Related page ▶ P151 Environmental Management



Conference body	Principal members	Principal roles in handling climate change	Conference frequencies
Board of Directors	Director, External Director	Supervision of climate change strategy	Annually
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 our climate change strategy and adopting the final text, managing the progress of the Group management indicators	Biannually
Daiwa House Industry Specialized Subcommittee	Relevant Division Manager, Promotion Manager	Implementing our climate change strategy, managing the progress of individual management indicators	Quarterly
Group environmental management training seminar	Group Executive Officer in charge of the Environment	Promoting climate change strategy across the Group	Annually

Strategy

Climate change-related risks and opportunities can result from two factors: “transitions” derived from tightening of regulations, technological advancement, and changes in market environment accompanied by a shift to a decarbonized society; and “physical changes” such as acute extreme weather and chronic temperature rise as a result of global warming. Some effects of climate change may not last long, but others can have medium- or long-term consequences. Classifying the factors of various external environmental changes accompanied by climate change into “transitions” and “physical changes,” we assess possible financial impacts facing us on a scale of large, medium, and small with affected periods assumed, trying to identify important risks and opportunities.

In addition, based on such risks and opportunities, in order to devise business strategies that flexibly respond to external environmental changes in the future, we assess the degree of impact on our business by using multiple scenarios. When analyzing them, we refer to Nationally Determined Contribution (NDC) for the scenario in which “transitions” progress, and Representative Concentration Pathways (RCP) 8.5 for the scenario in which extreme “physical changes” progress to verify the validity of our business strategies.

A recent simplified scenario analysis has shown that our net zero energy housing and buildings and environmental greening businesses are forecast to grow with the profit increase likely to cover negative financial impacts under any scenarios, which has made us reaffirm the validity of our risk management and the importance of active pursuit of opportunities. Note that this analysis, as the first steps, is simplified only for important risks and opportunities for the housing, commercial and office building businesses in particular.

In addition to targeting more businesses, we are going to improve completeness of risks and opportunities and refine scenario analysis.

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment/ Data Section

Principal risks and opportunities related to climate change

Short term (0 to 3years), medium term (3 to 10 years), long term (10 to 30 years)

Types		Content	Affected periods	Degree of financial impacts
Risks	Transitions	◆ Tightening of Building Energy Efficiency Act With the scope of application of compliance with the Building Energy Efficiency Act expanded or energy efficiency standards elevated, the number of businesses or properties to be regulated can balloon, which can increase workloads and costs of houses and buildings we offer.	Short-term	Medium
		◆ Carbon tax hike and expansion of emissions trading With the carbon tax significantly raised or emissions trading expanded, a significant increase in operational costs or additional business tasks out of regulations will be needed, which can result in reduced work efficiency.	Medium-term	Small
	Physical changes	◆ Maximum temperature in summer rising With the maximum temperature in summer rising, workers in construction sites where outside work is common can be at higher risk for heatstroke, which can lead to delay in construction periods or reduced productivity in construction sites.	Short-term	Small
Opportunities	Transitions	◆ Demand for houses and buildings with fewer greenhouse gas emissions growing We have a domestic policy target of "making newly-constructed houses and buildings zero energy-oriented by 2030." With support for achieving the goal continued and expanded, demand for ZEH and ZEB, products with high unit price per building, can grow.	Present time	Large
		◆ Creation of carbon credits through the supply of low-carbon houses and buildings With emissions trading introduced nationwide, demand for carbon credits will grow, which can promote the creation and acquisition of the credits through the supply of low-carbon houses and buildings and generate additional profits through their sale.	Medium-term	Medium
	Physical changes	◆ Expansion of the environmental greening business beneficial to heat-island phenomenon control With urban heat-island phenomenon becoming severer accompanied by maximum temperature in summer rising, there can be a growing need for the temperature adjusting function by greening, which can expand the greening business.	Medium-term	Small

Summary of the result of scenario analysis

External scenario	Reason for choice	Result of analysis	Application to policies and strategies
Nationally Determined Contribution (NDC)	Most viable as the future of domestic business, which accounts for much of our business. The scenario is of high precision.	A possible increase in operational costs due to tightening of regulations can be covered by an increase in sales of ZEH and ZEB as well as revenues out of the creation of credit.	Under the policy of "maximizing sales increase and minimizing profit decrease with early development of ZEH and ZEB, and cost reduction pushed forward," we performed monitoring of the growth of sales rate of ZEH and ZEB as important management indicators, both indicators reflected in our business strategies.
Representative Concentration Pathway (RCP8.5)	The scenario that foresees the greatest physical impact was chosen to simulate the most extreme situation.	Possible additional costs such as construction delayed damages due to increased extremely hot days can be covered by an increase in sales of products that can mitigate the heat island phenomenon.	Under the policy of "thoroughgoing measures against heatstroke in construction sites" and "demonstration of group synergy in the environmental greening business," we performed monitoring of the number of heatstroke cases and the company facilities with greenery development projects as important management indicators, both indicators reflected in our business strategies.

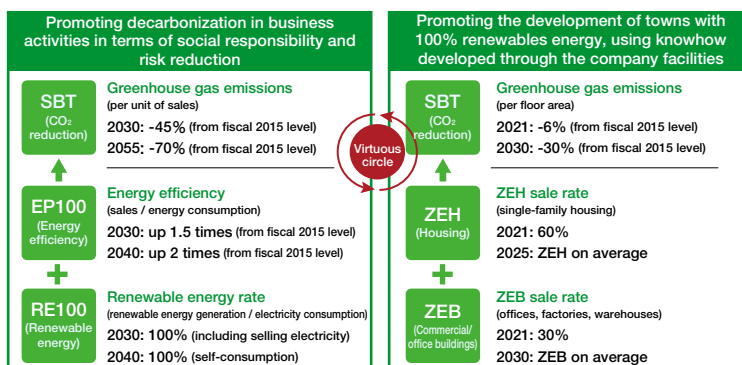
Risk management

We recognize that the climate change risk is one of the risks that have significant impacts in the medium and long run and integrate it in the Groupwide risk management process. We carefully identify and assess risks and opportunities nearly every three years, their identification and assessment used to identify priority issues in a Medium-Term Management Plan, which is formulated every three years, and an Action Plan for the Environment or reflected in major policies and target levels in these plans. In response to the Environment Department's identification of "external environmental changes" accompanied by a shift to a decarbonized society and "physical changes" derived from global warming, we assess important risks and opportunities from the likelihood of these changes and possible financial impacts when they have become realized. With identified important risks and opportunities discussed by each department for its concrete measures, the Group, each department, and each worksite set important management indicators and targets in an Action Plan for the Environment, trying to meet them. For progress monitoring, the Group convenes the Group Environmental Promotion Committee biannually, while there are a quarterly subcommittee review for each department and a biannual worksite ECO diagnosis/training for each worksite.

Related page ▶ P151 Environmental Management

Metrics and targets

Aiming to minimize risks and maximize opportunities accompanied by climate change, we have set short-, medium- and long-term targets as below.



Dialogue with a financial institution

Details to be disclosed in the 2019 integrated report issued on August 31, 2019

Talked about climate change-related risks and opportunities, cooperation with TCFD



Mr. Takegahara from Development Bank of Japan (left) and Koyama, Manager of Environment Department, Daiwa House Industry (right)

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Challenge ZERO 2055

In order to preserve and improve our natural procurement and by developing communities

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"

2055 (ultimate goal)

2030 (milestone)

Zero deforestation arising from material procurement for all business segments	Zero deforestation resulting from 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
	Determining quantity of green space lost

Endless Green Program 2018

Management indicator

FY 2018 targets

Ratio of C-ranked timber in procured timber	0%
Surface area of green spaces	800,000 m ²
Compliance rate with voluntary standards for biodiversity conservation (development)	100%

Policy and Concept

Social issues

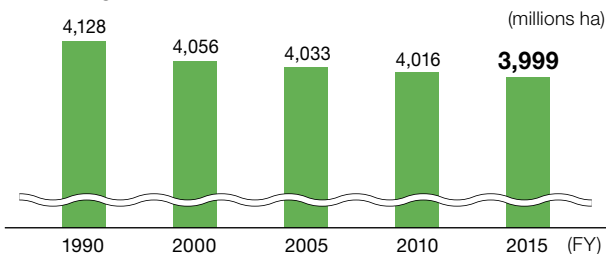
The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 tells us that it was realized again that our daily lives are supported by various natural blessings (known collectively as "ecosystem services") and that, to ensure we will receive these benefits sustainably well into the future, it is important to conserve the forests, oceans, and other ecosystems that produce these benefits. However, biodiversity in Japan remains on a downward trend*1 as a result of development and other human activities.

Globally, forests currently account for about 4 billion hectares, or about 31% of the total land area, but they continue to recede*2. The deforestation and deterioration of forests are having serious impacts on global warming and loss of biodiversity; therefore, we must take steps to implement sustainable forest management while eliminating illegal logging, one of the aggravating factors.

*1 Source: Ministry of the Environment "Comprehensive Assessment of Biodiversity and Ecosystem Services" (JBO 2)

*2 Source: Forests and Forestry White Paper, 2016 edition

Trend in global forested area



Source: United Nations Food and Agriculture Organization (FAO) "World Forest Resource Assessment (FRA) 2015"

Our Group's effect on society and the environment

The 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.

Moreover, in our external structural plans related to the construction of houses and buildings, we greatly help the formation of local ecosystem networks by planting trees, mostly local native species.X

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 317,000 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.

Our response to the risks and opportunities facing our Group

In the event that a development project contributes to the loss of a local ecosystem, we face the risk of a loss of business opportunities or the cost of restoring the ecosystem. As we procure 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.

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

Self-assessment of the Main Targets and Results of “Endless Green Program 2018”

😊 : Target for fiscal 2018 achieved 🙄 : Target for fiscal 2018 not achieved (improved from the previous year) 😞 : Target for fiscal 2018 not achieved (worsened from the previous year)

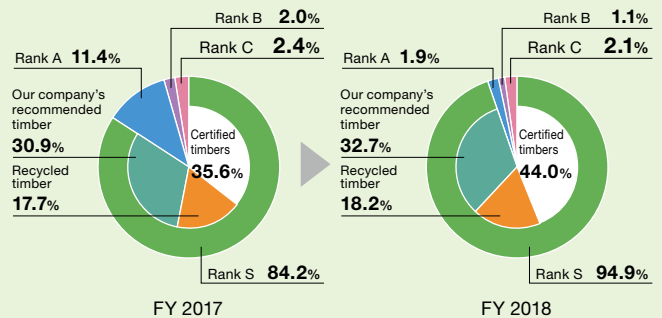
The percentage of C-ranked timber with sustainability issues was reduced to 2.2% but the target was not reached.

In fiscal 2018, we shared our procurement standards with our suppliers through our CSR Procurement Guidelines to increase the percentage of S-ranked timber use while improving the situation regarding C-ranked timber.

As a result of this initiative, in fiscal 2018, our use of S-ranked timber saw an over 10% increase year on year (94.9%) while the percentage of C-ranked timber use was 2.1%, which was a 0.3% improvement year on year but failed to reach the target. We will continue to work to improve the situation by sourcing timber from low-risk areas and thoroughly checking timber-legality certifications in order to use more S-ranked timber and reach “zero C-ranked timber” at the earliest possible time.

Ratio of C-ranked timber in procured timber 🙄

Assessment result of procured timber

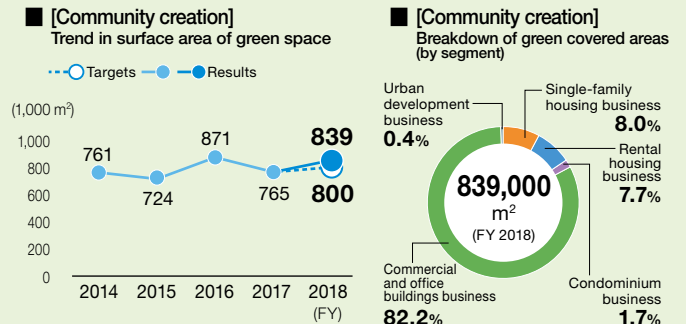


The green-covered area totaled 839,000 m² for the fiscal year, equivalent to 18 Tokyo Domes, reaching the target

In fiscal 2018, the green-covered area created by all the businesses saw an increase of 9.6% year on year, totaling 839,000 m² and reached the target. This is because of the increased orders of large-scale projects in the commercial and office building businesses for which it is relatively easy to have green-covered areas. We will work to increase the percentage of the green-covered area in the external structure area and encourage the relevant employees to include green spaces in the initial proposals.

From fiscal 2019 onwards, we will work to improve the quality, in addition to increasing the green area coverage.

Surface area of green space 😊



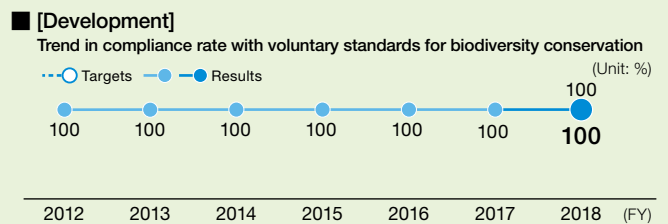
The target reached by maintaining and continuing compliance with voluntary standards for biodiversity conservation on large development projects

In fiscal 2018, the total area of sites developed by our development segment expanded by 42,000 m² from the previous year and reached 133,000 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.

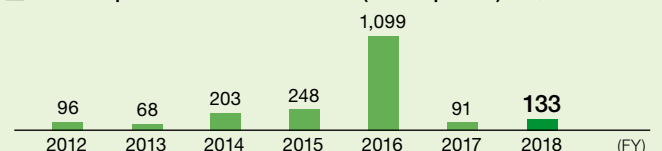
From fiscal 2019 onwards, we will utilize our Biodiversity Guidelines that have been reviewed referring to official assessment criteria for biodiversity-friendly developments and stay in compliance with the voluntary standards.

* For our large-scale development projects, our evaluation tool comprising 30 independently determined and self-evaluated items applied a rank of B or higher regarding our compliance with our voluntary standards. These evaluations are performed by the individuals in charge of the respective projects, and the state of compliance with standards is determined by the various departments of the Head Office.

Compliance rate with voluntary standards for biodiversity conservation (development) 😊



Trend in performance of site area (development) (Unit: 1,000 m²)



Implementation report on the Endless Green Program 2018

Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

Preserving biodiversity in our procurement and business activities

Basic Policy

Promoting sustainable 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 P199-200 CSR Procurement Guidelines
P200 Biodiversity Guidelines [Timber Procurement]

Expanding the business of energy generation from renewable sources (wind, sun, water and biomass)

The Daiwa House Group is promoting the introduction of wind and solar power generation systems in our own facilities and on idle land with the intention of generating the amount of electricity required for our business activities from these renewable energy sources by 2030 and of supplying 100% of Groupwide electricity with renewal energy by 2040.

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, CSR, and environmental segments of our Group. To ensure implementation of CSR procurement in our various companies, we constructed our system in cooperation with purchasing and construction personnel in charge of branch offices. Moreover, we promoted procurement according to these guidelines and instituted the PDCA cycle.

Related page P106 Encouraging Business Partners in CSR Efforts

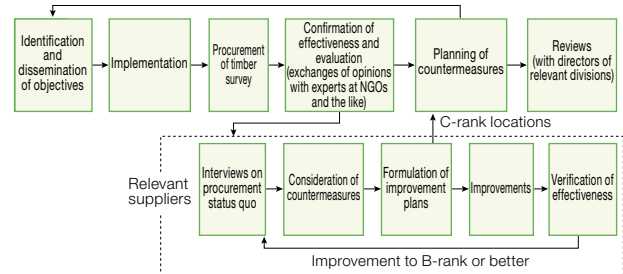
Conducting procurement of timber survey at our suppliers

In line with our Biodiversity Guidelines [Timber Procurement], we conduct the annual procurement of timber survey* starting from

2011. In this survey, we request our suppliers to check the legality and sustainability of the timber that we procured from them during the preceding year, and we evaluate and categorize them into S, A, B or C based on the survey results. We also call for suppliers providing C-ranked timber (unacceptable sustainability) to work on the improvement. We disclose the survey results outside the Group and report them to our stakeholders including environmental NGOs with whom we collaborate to receive guidance and advice from a professional point of view.

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

Flow of Procurement of Timber Survey



Survey results evaluated according to timber procurement assessment criteria

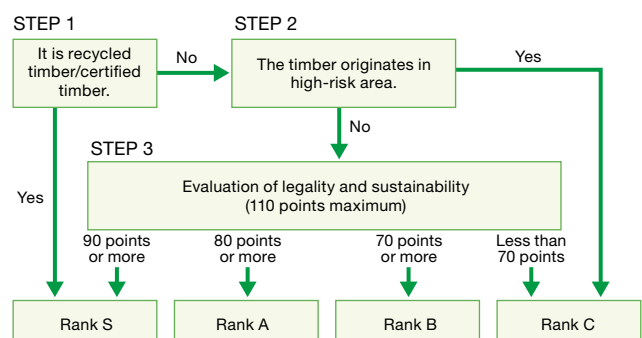
Using the results of the procurement of timber survey, our Group evaluates and categorizes procured timber according to the timber procurement assessment criteria into four ranks: S, A, B, and C. First, recycled timber and timber certified by one of the three forest management certification bodies (FSC, PEFC or SGEO)*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



Main approach

Expanding the implementation of the Biodiversity Guidelines [Timber Procurement]

In keeping with our Biodiversity Guidelines [Timber Procurement], we are promoting the sustainable use of timber construction materials in our different business segments, including single-family and rental housing, condominiums, and commercial facilities. In 2013, the first survey to understand the actual situation of timber procurement was conducted at one of the Group companies, and currently the survey is conducted at a total of 7 Group companies including Daiwa House Reform that joined in fiscal 2018.

Since fiscal 2008, as part of our commitment to sustainable procurement, all our Group companies have been ensuring that the paper used in our offices qualifies as Forest Cultivation Paper™.*

* A collective name for various kinds of paper that meet our company's own environmental standards, including paper certified by Forest Certification Systems

■ Increase in the number of companies participating in the Procurement of Timber Survey

* Number of companies represent cumulative totals

From FY 2010	1 company Daiwa House Industry Co., Ltd.
From FY 2014	3 companies Royal Home Center Co., Ltd., DesignArc Co., Ltd.
From FY 2015	6 companies Daiwa Lease Co., Ltd., Fujita Corporation, Cosmos Initia Co., Ltd. (sample survey only)
From FY 2018	7 companies Daiwa House Reform Co., Ltd.

The percentage of C-ranked timber reduced by changing suppliers

The fiscal 2018 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 2018 indicate that 94.9% of the timber used, including certified and recycled timber, was S-ranked, showing an over 10% increase from the previous fiscal year (84.2%). Meanwhile, our use of C-ranked timber decreased to 2.1% from 2.4% in the preceding fiscal year. 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 the previous year, 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.

Efforts to preserve biodiversity in the workplace

At our Mie Plant, it was discovered that there was a habitat of a near-threatened freshwater mussel in a regulating reservoir of approx. 6,000 m² in the plant premises, so we have been making efforts to protect this species since 2012.

Our efforts include reservoir draining for cleaning, installation of fishways, and publication of the Biodiversity Research Report. Every year, we hold a workshop "Ikimono Kansatsu-kai" (aquatic

animal observation), where we invite a lecturer with the cooperation of a local NPO, and collect, classify and observe aquatic animals together with community residents including elementary school students. Approximately 200 people have participated in this event.

In fiscal 2017, we signed the Mie Biodiversity Partnership Agreement, which is one of the biodiversity conservation activities promoted by the prefecture, together with the prefecture, Azuma Industry and an NPO, Chotto Shizen. We have been mutually cooperating and exchanging information to conserve the local ecosystem with the other three parties. The activities in fiscal 2018 include Tombo-Ike Fukkatsu Daisakusen (reservoir draining for cleaning) in the Forest Park of Mie Prefecture, Ikimono Kansatsukai at reservoirs (in summer and autumn), activity pamphlet publication and posting of information on our websites.

We will enhance the network with administrative and external environmental organizations and the communities and continue the efforts in collaboration with many people.



Ikimono Kansatsu-kai (aquatic animal observation) at a reservoir



Tombo-Ike Fukkatsu Daisakusen (reservoir draining for cleaning) in the Forest Park of Mie Prefecture

Efforts to conserve biodiversity in Fern Bay in New South Wales, Australia

A Group company in Australia, Rawson Group, organized a team of external advisors and ecologists aiming for biodiversity conservation in the Fern Bay development project in New South Wales (370 single-family houses, two commercial areas and one community area). The team conducted research on animals and plants on the site prior to the development and moved them to the biodiversity conservation areas on the site after the development.

For the development, the team conducted an environmental assessment in compliance with the environmental protection standards set by the Federal and State Governments which are said to be among the strictest in the world, such as the EPBC Act, and developed a management plan based on the results.

When the Fern Bay development team cut down 1,132 trees on the development site with permission from the State, it was found that 211 trees had nests and the like on them, so they carefully cut the other trees on the site so as not to cause damage to the animals. After cutting down the trees, they waited for some time enabling the animals living there to move to undeveloped areas before carrying them out. Furthermore, they record and protect animals and plants found on the site, and move them to hutches built in the biodiversity conservation areas on the site, to provide them a new place to live. Now that the development has completed, they still monitor animals and plants within the target areas.



Trees on which nests, etc. were found (indicated by yellow dots)



Brushtail possums living on the trees

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment / Data Section

Implementation report on the Endless Green Program 2018

Focal theme 2 **Harmony with the Natural Environment (Preservation of Biodiversity)**

Preserving biodiversity through our products and services

Basic Policy

Promoting the preservation and creation of greenery in development and community development

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. Moreover, we are seeking greater harmony with nature in our business operations and are promoting communities filled with greenery.

Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry, acknowledging the importance of contributing to the creation of a rich network of ecosystems, remains committed to minimizing its impact on biodiversity through its construction of large-scale real estate developments, housing and buildings in urban areas. We are now promoting initiatives in keeping with the six points in our guidelines.

Biodiversity Guidelines [Development & Community Creation]

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve a sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

Related page ▶ P223 Environmental Data Biodiversity Guidelines

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 addition, we will enhance our greenery proposals for development and made-to-order projects and work to increase the green coverage and create green communities. In this way, we have been improving the quality of greenery in addition to increasing its amount. Through these efforts, we are aiming to create an environment where animals can live and grow utilizing green spaces that our Group is creating as an ecological network.

Promotion of the environmental greening business

Daiwa Lease, our Group company, makes proposals for comprehensive greening mainly through wall greening and indoor greening under the theme of “Greening will change communities.” For wall greening, we started selling a new product, D’s Green Pallet living wall system in April 2018. This thin planter that can be installed on walls was jointly developed with our Central Research Laboratory. While it is thinner and lighter (approx. 30 kg/m² when it is wet) than our conventional models, its unique water holding mechanism can keep the water level constant across the planting surface for healthy plant growth. These lightweight panel systems are easy to install, which reduces the burden for builders. As a result of these efforts, the green rooftop and wall surface area achieved by Daiwa Lease in fiscal 2018 totaled 55,300 m² (46,100 m² in fiscal 2017).

In addition, we offer an office space service called VERDENIA. People in a VERDENIA space can experience relaxing effects from plants, sounds and scents through five senses. Experiments conducted by our Central Research Laboratory show that staying in a VERDENIA room calms the sympathetic nervous system and reduces the stress level compared to an ordinary rest area. We will create a relaxing space that facilitates communications by incorporating plants and respond to work-style reforms.

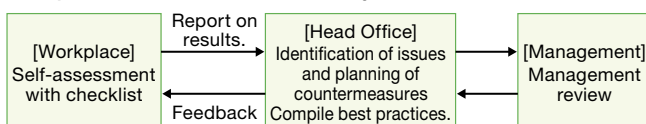
We will make further efforts to expand our greening business to create green lifestyles and spaces.

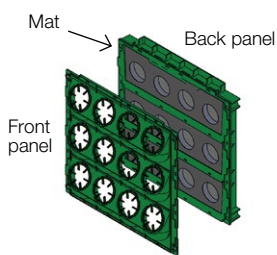
Management

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



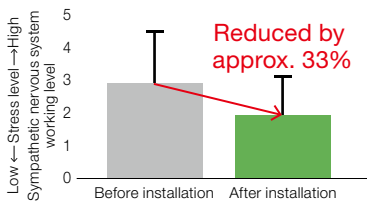


D's Green Pallet's product drawing



D's Green Pallets installed at Frespo Okegawa commercial complex (Saitama Prefecture)

■ Sympathetic nervous system working levels with and without VERDENIA



*Periods: May 30 through June 28, 2018 (before installation) and July 20 through Sept 20, 2018 (after installation)
 *Place: Central Research Laboratory, Daiwa House Industry
 *Subjects: 33 persons
 Supervised by Tomohiro Umeda, DMS& Research Professor, Nara Medical University MBT Research Institute



VERDENIA model house (Tokyo)

Implementation of an ongoing monitoring survey

In preserving biodiversity, we believe that environmental surveys are important not only when a development is being pursued but also thereafter. Particularly in areas where valuable species have been confirmed to exist, we conduct ongoing monitoring in collaboration with government agencies and other stakeholders.

Project	Business type	Start of project (FY)	Location	Area	Surrounding environment	Activity / status report
Tama New Town	Development	2009	Hachioji, Tokyo	322,102 m ²	Residential area with artificial hill	Monitoring to continue after development. Survey results compiled into a list (not disclosed).
Hokusetsu Sanda Techno Park District	Development	2010	Sanda, Hyogo prefecture	971,289 m ²	Industrial complex (marsh in project area)	Monitoring to continue after development. Control transferred to Sanda after fiscal 2013 (survey to continue).
Construction of a new electric equipment assembly plant	Contract	2016	Fujisawa, Kanagawa prefecture	4,003 m ²	Industrial area	Report on survey result issued by City of Fujisawa (not disclosed).

Topics

Example PREMIST Shonan Tsujido in Kanagawa prefecture certified by the Association for Business Innovation in harmony with Nature and the Community (ABINC) for the first time as our condominium

For our condominium PREMIST Shonan Tsujido, we conducted 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. The green area was divided into several zones and plants and habitats were designed for the small creatures to be invited into each of the zones.

In addition, to encourage the condo residents to help maintain and conserve the rich greenery and ecosystem, we organized environmental learning programs for them such as nature observation and monitoring events and also introduced health promotion services based on AI technology such as automatic measurements for runners on the outer perimeter road of the site. These initiatives have been devised to increase opportunities for the residents to experience nature in a fun way.

In recognition of these efforts, PREMIST Shonan Tsujido was certified by the Association for Business Innovation in harmony with Nature and the Community (ABINC) as the first condominium of our company. The condominium is creating a lot of green spaces, with 38.65% of its space covered by green.

■ Targets concerning the impact on biodiversity

Main items	Target	Result
The ratio of the area that contributes to biodiversity to the site area	25% or more	27.6%
Volume of greenery	To secure a certain volume of greenery in three dimensions	Green spaces were designed separately for layers of different heights (tree layer, bush layer, and herb layer) so that tree crowns continue over an area of 10 m × 10 m.



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

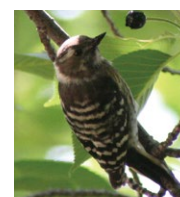


PREMIST Shonan Tsujido

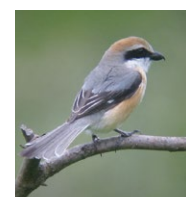
■ Examples of the indicator organisms



Small copper



Pygmy woodpecker



Shrike

Focal theme **3**

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

Challenge ZERO 2055

**With the aim of contributing to the emergence
the service life of houses and buildings and**

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"

2055 (ultimate goal) 2030 (milestone)

<p>Zero waste emissions across all business segments</p>	<p>Zero waste emissions during the life cycle of houses and buildings</p>
<p>Globally managing water risks throughout the supply chain</p>	
<p>Extending the service life of houses and buildings</p>	

Endless Green Program 2018

Management indicator	FY 2018 targets
Construction waste emissions (manufacturing; compared with fiscal 2012 level)	-0.6%
Construction waste emissions (new construction; compared with fiscal 2012 level)	-20%
Recycling rate	Manufacturing
	New construction
	Civil engineering
	Demolition
	Renovation
	≥95%
	≥85%
Water consumption per unit of sales (compared with fiscal 2012 level)	-26.0%
Ratio of houses certified under the Long-Life Quality Housing Certification System	90%
Adoption rate of system construction	31%

Policy and Concept

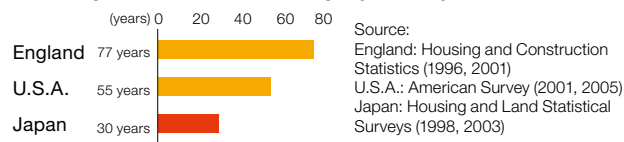
Social issues

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



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.

Our response to the risks and opportunities facing our Group

Improper handling of waste remains a risk if there is a lack of mechanisms for properly managing and recycling the construction waste discharged from the tens of thousands of construction sites created every year. Concerns have also arisen about the potential for future increases in management costs due to stringent regulations on waste and water resources as well as increased processing costs due to the shortage of industrial waste disposal sites. In response, we at Daiwa House Industry have strengthened our management system by assigning waste management specialists to each district and conducting evaluations on all of the waste disposal companies. We have also established a system for collecting construction by-products generated at housing construction sites and recycling them within our own plants. We have thus reduced the risk of improper handling and improved the recycling rate at the same time. Meanwhile, we recognize a business opportunity in markets for houses and buildings with a long service life. In our proposals for new construction, we emphasize that customers can receive tax benefits by acquiring a "long-life quality housing certification," and we expect to obtain higher unit prices reflecting the higher added value of such housing. Therefore, we are seeking to publicize the ratio of certified long-life quality housing we provide as a standard specification; we have obtained certifications for about 80% of our single-family houses. We have also established a long-term warranty system and are marketing our renovation and maintenance services through inspection opportunities and the like, leading to an increase in orders for home renovations. Moreover, seven of our Group companies have established a system for properly evaluating and marketing existing houses. We are focused on improving our rate of acquisition of brokerage contracts when people make plans to move.




Our Group's effect on society and the environment

When one looks at the life cycle of a house or building from the perspective of resource conservation, it is evident that a new building uses many resources, some of which are discarded as scrap during the construction process. Moreover, after being used for many years, the structure must be demolished after it has served its purpose, with all components finally discarded as waste. Clearly, a policy of conservation of these natural

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of a society committed to recycling, our Group is pursuing the sustainable use of resources by extending working toward zero emissions of waste.

Self-assessment of the Main Targets and Results of “Endless Green Program 2018”

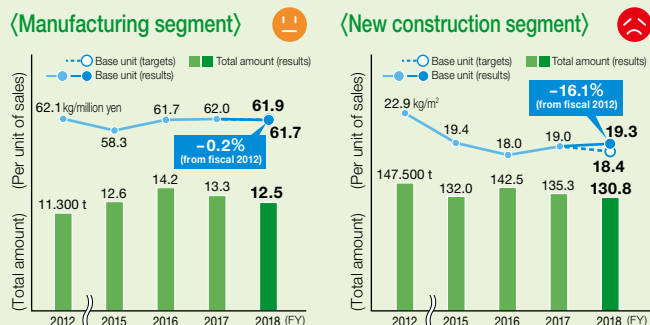
 : Target for fiscal 2018 achieved  : Target for fiscal 2018 not achieved (improved from the previous year)  : Target for fiscal 2018 not achieved (worsened from the previous year)

Targets failed to achieve due to the increased amount of waste caused by the changes in the external environment and received orders

In fiscal 2018, the amount of waste we generated during the production process per sales unit saw a 0.2% decrease from fiscal 2012, but the target was not achieved. One of the reasons is that the cross-sectional areas of exterior wall surface materials and timbers expanded, which resulted in the increased weight of scrap. In the future, we will work to reduce materials we use through the unification of the cross-sections of some materials and other methods.

The amount of waste we generated for new buildings and houses per construction site surface area unit dropped 16.1% from fiscal 2012, but the target was not achieved. This is because the percentage of hotels and the like, which usually have larger wall surface areas, increased. We will aim to cut down the amount of waste we generate by properly managing the quantities of materials used on the construction sites.

Construction waste emissions



High recycling rates maintained across all departments, achieving the targets except for the renovation department

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 2018, we continued to successfully maintain our high recycling rates and in some instances improved it further, not only in our manufacturing and new construction businesses but also in the renovation and demolition of existing houses. For some worksites with a low recycling rate, we will continue to work to improve the recycling rate in cooperation with the external waste disposers to which we entrust waste treatment.

Recycling rates

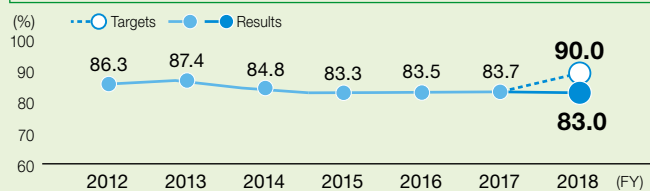
	FY 2015 results	FY 2016 results	FY 2017 results	FY 2018 targets	FY 2018 results
Manufacturing	98.7%	98.6%	97.6%	95%	99.9%
New construction	93.5%	97.7%	98.1%	95%	98.0%
Civil engineering	99.3%	99.8%	98.5%	95%	99.2%
Renovation	78.7%	80.0%	81.8%	85%	83.1%
Demolition	96.5%	96.0%	96.6%	95%	96.3%

A high certification rate for long-life quality housing maintained but the target failed to achieve

In our housing business, we have been seeking to obtain long-life quality housing certifications under the terms of the Act on the Promotion of Popularization of Long-life Quality Housing.

In fiscal 2018, although we were able to maintain our consistently high level of certification at 83%, we failed to achieve our target. We will continue to seek such certifications in the future.

Rate of houses certified under the long-life quality housing certification system



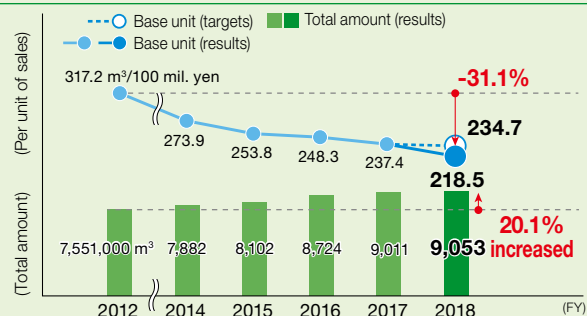
Water consumption significantly reduced by the use of water-saving fixtures and devices, and the target achieved

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

In fiscal 2018, the opening of new hotels increased water consumption, but the installation of water-saving fixtures and devices such as flow control bathtub faucets, waterless toilets, water-saving faucets and showerheads as well as water meters at offices, hotels, and resort/sports facilities decreased Groupwide water consumption per sales unit by 31.1% compared to the fiscal 2012 level, achieving the target.

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

Trend in total water consumption and unit consumption



Implementation report on the Endless Green Program 2018

Focal theme

3

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

Waste reduction and zero emissions at production and construction sites

Basic Policy

Promoting the application of the “3Rs” (reduce, reuse, and recycle) to construction waste

The Daiwa House Group 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.

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 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 construction sites by separating the waste into 19 categories in accordance with our voluntary standards that are more stringent than legal standards, which require separation of waste into five categories.

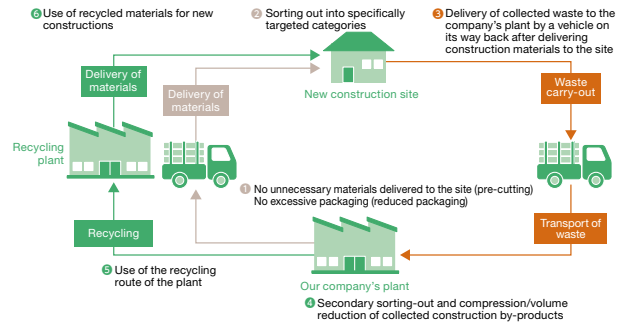
As part of our efforts to use recycled construction materials in general construction, in 2008 we established an initiative to promote the adoption of “green procurement items” (30 check items). A supplier that meets at least 10 of these 30 items is recognized as a “green procurement site.”

Related page ▶ P225 Environmental Data 30 green procurement items

Improving the recycling rate with our Plant Depo

At our residential new construction sites, we at Daiwa House Industry have introduced a system we call Plant Depo that is intended to reduce the improper treatment of waste while promoting the recycling of construction waste. Through this system, we collect construction waste at the construction site and truck it to the plant using the same truck used to transport materials to the construction site. There, it undergoes secondary sorting and is compressed to reduce its volume. By using this plant recycling route, we have achieved zero emission of waste.

Plant Depo System



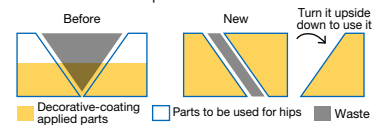
Main approach

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%. Therefore, in fiscal 2018, we started using slate roofing tiles with coatings applied on the entire surfaces for roof hips of our single-family houses as standard in western Japan.



We will start using these slate roofing tiles for our houses in the other regions across Japan as soon as the local suppliers are ready to manufacture them.



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. In fiscal 2018, the adoption rate of system construction products for Priority applications* was 27.3% (30.3% for the previous year).

* Priority applications: Convenience stores, drug stores, nursing care facilities



Daiwa KOMFORT (our Ryugasaki Plant Office Building)

Basic Policy

Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources)

Houses and buildings are constructed with a large amount of resources and used for residential and other purposes over many years. Therefore, the reduction of the materials and parts used for them to the minimum level required to ensure the necessary performance, as well as the extension of the service life of the buildings, can be ideal resource conservation measures. In addition to designing and developing houses and buildings with an extended service life, we believe that proper maintenance can extend the useful life of a structure. Accordingly, we have established our own support services and long-term warranty system.

We are also focusing on developing a system for evaluating and distributing existing houses in order to maintain high-quality housing stock properly over a long period.

Promoting the adoption of recycled building materials

As a wide variety of construction materials are procured for the construction of houses and buildings, it is important to adopt recycled materials in addition to new materials from the perspective of the conservation of natural resources. Our housing products accordingly use materials such as particle boards, gypsum boards and slates made from recycled scrap as standard materials under strict quality controls.

Management

Reviewing the quantity of resources used throughout the life cycle and utilizing housing stock

In addition to the development of houses where customers live for many years, we are committed to the reduction of resources used for housing products. Our Product Development Department, Central Research Laboratory, Production Department, and Procurement Department have established a cross-segment “base strengthening” working group to reduce the amount.

We also set up the Provision of Quality Housing Stock Association jointly with other companies in the same industry for proper evaluation and distribution of quality stock that has been created, which has formed a market that creates new value. Our Group has also launched “Livness,” a brand under which seven Group companies jointly opened general contact points concerning the housing stock business in January 2018. We offer a one-stop service to make proposals on renovation and purchase/resale that are suitable for the circumstances of customers.

Main approach

Promoting long-life quality housing with a long service life

In Japan, where the social life of buildings is relatively short in comparison with those in Europe and the United States, the extension of the service life of houses to allow families to continuously live in them over multiple generations will lead to fewer opportunities to demolish buildings and generate waste, and

thus help conserve natural resources. Therefore, in addition to ensuring the basic performance of our housing products in such areas as durability and seismic resistance, our company considers versatility to respond to changes in family structure and ease of upkeep and maintenance in order to develop houses where a family can live for many years. For example, in the area of durability, we are using the electrodeposition painting method for major structures, which results in a service life exceeding 75 years.* In line with this approach, we worked to promote and disseminate Japan’s “Long-Life Quality Housing Certification System,” which raised the recognition rate for fiscal 2018 to 83.0%. In addition, our earthquake-resistant houses have fewer pillars, enabling flexible layout designs and future renovations.

We will continue to promote the effort to extend the service life of housing.

* According to Japanese housing performance labeling standards, the highest rating is accorded to houses whose structural framework has been evaluated as being able to last three generations (75–90 years).

Creating a housing stock business brand “Livness”

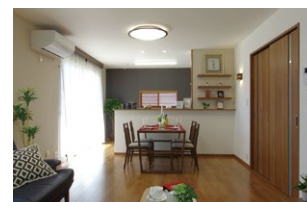
With the aims to promote the most appropriate renovations of existing buildings and to create a market where renovated buildings are properly evaluated and distributed, we established Daiwa House Renew, a home renovation company, in 2003 (current Daiwa House Reform Co., Ltd.) and also made Nihon Jyutaku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

In fiscal 2017, to further expand the housing stock business, seven of our Group companies jointly started up Livness to serve as the general contact point for the business. It is a one-stop place for any services related to single-family houses and condominiums such as brokerage, purchase, resale, renovation and searching for existing houses and condo units. In fiscal 2018, it bought and re-sold 603 properties (including 371 single-family houses and condominiums) and engaged in 82,361 renovations across the country.

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



Before a renovation (single-family house)



After a renovation (single-family house)



Implementation report on the Endless Green Program 2018

Focal theme

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

Water resource conservation

Basic Policy

Identifying risks to water resources and promoting the adoption of water-saving devices to reduce water consumption in our company facilities as well as houses and buildings

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

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 risks at the points of origin of timber and other materials that we procure and 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 water consumption across the Group, thoroughly manage wastewater at plants, and reduce water consumed in houses and 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. In fiscal 2017, we conducted water risk assessment in the countries that produce the timber used by our Group as main raw materials (this assessment is conducted every other year). In fiscal 2018, we conducted investigations of how each supplier is managing to reduce their water consumption and risks concerning water resources at each plant. In fiscal 2019, we are going to make further efforts in managing water risks throughout the supply chain by identifying water consumption for each raw material type in the upstream supply chain with LCA tools.

Related page P227 Environmental Data Water risk assessment results in timber-producing countries

Efforts in managing water risks at our company facilities, houses and buildings

As part of Our Group's water risk management initiatives, we assess risks concerning water resources at our facilities using analysis tools, as well as working to reduce water consumption across the Group and managing wastewater at plants.

It is said that domestic water use accounts for 70% of water consumption in Japan. Therefore, our single-family housing and rental housing segments are installing water-saving fixtures and devices in the buildings that we sell to our customers at every possible opportunity as a way to reduce water consumption in their lives.

In addition, we have been voluntarily participating in the CDP Water program from fiscal 2017. This program encourages companies to disclose data on their water-related risk management and resource conservation and analyze collected data. We were awarded Grade A- for both fiscal 2017 and 2018.

Main approach

Water risk assessment at suppliers' plants

In fiscal 2018, we conducted surveys to ask our major supplier about their water intakes, volumes of discharged wastewater, water-related issues, capital investment, compliance and existence of any water-related targets, as well as thorough investigations of water risks at suppliers' plants. Based on the results, we check measures such as use of multiple suppliers.

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, hotels, and resort/sports facilities, 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 WWF-DEG 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 31, 2018 are mentioned. We aim to conduct the assessment again in two years.
- *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) ←	→ (High)		
		1	2	3	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

The Group's water consumption per sales unit in fiscal 2018 saw a decrease of 31.1% compared to fiscal 2012 and reached the target. We are achieving a significant reduction in water consumption thanks to water-saving measures being implemented at facilities with high water use, and water-saving showers installed at sports facilities and hotels. In addition, for new sports facilities and hotels, we include water-saving fixtures and devices such as water-saving showers and toilets and water volume regulating faucets in the design phase and install them.

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 further water-conservation efforts across the Group.

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■ Water-saving measures at individual facilities

Segment	Company name	Scale	Water-saving measures
Resort facilities	Daiwa Resort	4 hotels	Installing water-saving showers
	Nishiwaki Royal Hotel	11 rooms	Replace regular shower heads with water-saving ones
		7 rooms	Replace faucets in guest rooms with single lever types
Sports facilities	Sports Club NAS	1 new location	Installing waterless toilets
		2 new locations	Installing water-saving showers
	Daiwa Royal Golf	5 golf courses	Replace regular faucets with water-saving ones
		5 golf courses	Replace regular shower heads with water-saving ones
		3 golf courses	Install new water supply and drainage pipes (to prevent water leaks)
Hotels	Daiwa Royal	6 new hotels	Install water volume regulating faucets in bathrooms
	Osaka Marubiru	156 rooms	Replace regular shower heads with water-saving ones
Commercial buildings	Daiwa House Industry	1 location	Install water-saving devices for toilets and faucets

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.

Furthermore, at two resort hotels in our Group, wastewater from the kitchens and bathrooms, and water treated in septic tanks are used for toilet flushing and green 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.

Related page P215 Environmental Data Status of certification and acquisition of Green Building Certifications

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 newly built single-family and low-rise rental houses.

As a result, we installed water-saving devices in bathrooms in all of the newly built single-family houses (100%) in fiscal 2018 as we did in the preceding fiscal year, and in 87% of bathrooms in newly built low-rise rental houses.

From fiscal 2019 onwards, we will set targets for medium- to high-rise rental houses, condominiums, renovation, hotels, and home centers to install water-saving fixtures and devices across the Group.

Topics

Example The world's first hotel that uses low-carbon hydrogen energy converted from plastic waste

The District A which is part of the King Skyfront that Daiwa House Industry has been developing in cooperation with Kawasaki City opened in May 2018, and the Kawasaki King Skyfront Tokyu REI Hotel in the District designed and constructed by us have started operations.

This advanced facility is the world's first hotel that utilizes hydrogen fuel converted from plastic waste, which was achieved through the FY 2015 Regional Cooperation and Low-carbon Hydrogen Technology Demonstration Project of the Ministry of the Environment. Plastic waste is converted into hydrogen at the Kawasaki Plant of Showa Denko K.K. to be supplied to the hotel through a pipeline. Approx. 30% of energy used at the hotel is made by converting the hydrogen into heat and electricity using a pure hydrogen fuel cell system. In addition, an experiment to verify that plastic toothbrushes and combs used at the hotel are also recycled to be converted into hydrogen.



Kawasaki King Skyfront Tokyu REI Hotel

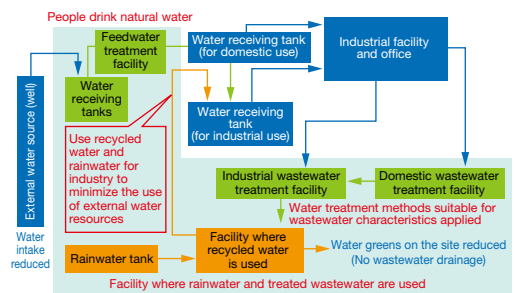


A pure hydrogen fuel cell system (Toshiba Energy Systems & Solutions Corp.)

Example No wastewater drainage & water recycling technology to be used overseas developed by Fujita Corp.

Many Japanese companies are operating in Mexico, however many areas in the country lack sufficient available water resources and could run out of water including well water. As a countermeasure against the situation, a national government organization controls water use and tariffs and has been raising the tariffs.

For our clients who are planning to open their offices or plants in these areas, Fujita, one of our Group companies, has developed a Comprehensive Wastewater Reuse & Rainwater Use System that enables the reuse of wastewater and the use of rainwater to control water consumption and reduce wastewater discharge to almost zero, and proposes the system to such clients. It consists of the Water Treatment Planning & Design Methods based on which wastewater and rain water are recycled into water with quality levels required for uses such as industrial water and green watering, and the Water Use Plan which describes how recycled water is distributed so that it can be used in the best possible ways for each water use. We will continue to propose this system to our clients at every opportunity.



Concept of Comprehensive Wastewater Reuse & Rainwater Use System

Focal theme

4

Prevention of Chemical Pollution

Challenge ZERO 2055

We shall institute appropriate management of to zero) of adverse impacts on the health of

A Road Map for the Long-Term Environmental Vision

Long-Term Environmental Vision "Challenge ZERO 2055"
2055 (ultimate goal) 2030 (milestone)

Chemical pollution: Minimizing the risk (ultimately to zero)
Soil contamination: Minimizing the risk (ultimately to zero)

Endless Green Program 2018

Management indicator	FY 2018 targets
Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)	-40%
Reduction of VOC emissions per unit of sales (compared with fiscal 2013 levels)	-10%
Compliance rate with voluntary standards for indoor air quality of residential facilities	≥100%
Serious risks of soil contamination during land purchases	Zero

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. In addition, the increase in brownfields that cannot be sold or reused due to the presence or potential presence of contaminated soil has become a social issue.

- *1 The Toxic Substances Control Act is a regulation on toxic substances that took effect in the U.S.A. in 1977.
- *2 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007
- *3 RoHS (Restriction on Hazardous Substances): An EU Directive on the restriction of hazardous substances in electric and electronic equipment, which prohibit the use of these substances
- *4 The Pollutant Release and Transfer Register (PRTR) and SDS system have underpinned the law aimed at promoting voluntary improvement of chemical substance usage by business operators and are preventing obstacles to environmental protection.
- *5 A law aimed at controlling environmental pollution by introducing a preliminary examination of new chemical substances and applying regulations appropriate for the properties of the chemical substances

Our Group's effect on society and the environment

The plants and construction sites of our Group utilize various chemical substances that can affect the surrounding environment when discharged into the air and water. For this reason, we undertake thorough and appropriate management of these chemical substances and minimize their impact by seeking to reduce their use or by adopting substitutes for hazardous chemical substances in the interests of prevention.

Regarding the use of our housing and buildings after delivery, while there are growing concerns about the health effects of volatile organic compounds (VOCs) emitted from building materials, we are seeking to reduce risks by collaborating with suppliers to develop and popularize low-VOC building materials and by providing appropriate information.

The majority of our construction projects — some several thousand annually — involve drilling, thus we are always faced with the risk of spreading soil contamination. Therefore, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately. Additionally, we provide solutions entailing appropriate and reliable soil contamination countermeasures, and we support the commercialization of brownfields in order to promote the proactive use of such land. In this way, we are contributing to the treatment of long-neglected pollutants while preventing the spread of new pollutants.

Our response to the risks and opportunities facing our Group




In the event human health is affected by so-called sick house syndrome caused by building materials that emit harmful chemical substances in the houses and buildings developed by our company, we would be exposed to the risks of lost credibility in the marketplace, onerous costs associated with remediating the problems, and tarnishing of our brand image. In response, we have established Chemical Substance Management Guidelines and have shared them with our suppliers. We confirm the details of any restrictions on the use of substances and the quantity of emissions stipulated in the Guidelines. Regarding indoor air quality, we also set voluntary standards that are more stringent than the maximum values established by the government. Every year, we implement improvements to a given number of properties after measuring and assessing the measured values. Furthermore, by responding to requirements related to health considerations for houses and buildings, we can improve our competitiveness and increase our market share. Toward that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials and are promoting the development and popularization of health-conscious specifications with more emphasis on the indoor air environment.

Meanwhile, apart from compliance with all relevant laws and regulations, we face the risks that soil contamination could be discovered after a land purchase, making it difficult to commercialize, or that soil contamination detected after development and sale would cause a considerable decline in asset value. Therefore, before purchasing a site for a project, we conduct surveys of the topography and land history before buying any property as a matter of principle. If any risk of soil contamination is present, we conduct soil inspections. Should soil contamination be detected, we take appropriate contamination countermeasures. In recent years, the need to make use of land such as vacant lots at factory sites and gas stations has been increasing. Our ability to respond to these needs has given us a competitive advantage, and our orders are growing. We have therefore strengthened our ability to deal with complicated soil contamination projects by building a strong network of land surveyors and remediation companies in addition to developing our own remediation technology.

Managerial Philosophy and Overall Picture
Foundation of CSR Management
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chemical substances throughout the life cycle of houses and buildings in addition to minimizing the risk (ultimately people and ecosystems).

Self-assessment of the Main Targets and Results of “Endless Green Program 2018”

 : Target for fiscal 2018 achieved  : Target for fiscal 2018 not achieved (improved from the previous year)  : Target for fiscal 2018 not achieved (worsened from the previous year)

Targets achieved as a result of reducing the use of chemicals by changing the processes and by lowering the concentrations of solvents in paints

The Group endeavors to bring about improvement by aiming at reducing emissions and transfers of the PRTR-listed hazardous chemicals and emissions of VOC* by attaching importance to the painting process.

We reached the target in fiscal 2018 since the emissions and transfers of the PRTR-listed hazardous chemicals per sales unit were reduced by 49.9% in comparison with those in fiscal 2012. We also reached the target since the emissions of VOC per sales unit were reduced by 20.4% in comparison with those in fiscal 2012.

In fiscal 2018, our housing plants and construction plants started reducing the concentrations of solvents in thinners for cleaning painting machines and of solvents in anticorrosive paints, and steel paints and thinners for some products respectively. In addition, our Group company, Daiwa Lease Company began the use of water-borne panel-repairing paints, and another Group company, DesignArc Company started reducing the concentrations of solvents in cleaning agents of urethane foam nozzles and changed their method for painting large materials from air blow painting to electrostatic painting, and thus reduced the amount of paint used.

We will further work to reduce the amount of paint we use as a whole Group by reducing the concentrations of solvents in anticorrosive paints and thinners and by reviewing our painting methods.

* VOC (Volatile Organic Compounds)

Achieving our targets by exceeding the national guideline values

The Group has set a target more stringent than the guiding value prescribed by the national government for residential facilities and measures the indoor air quality at fixed times a year.

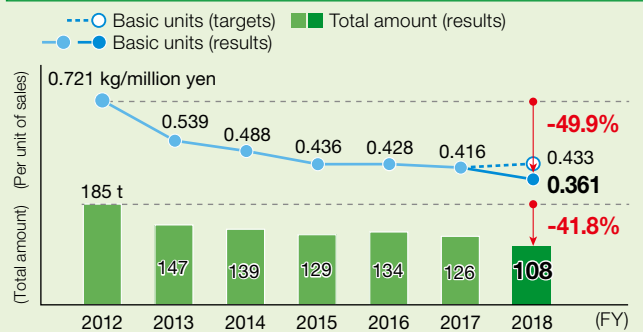
Every sector of the Group reached the voluntary target in fiscal 2018. The residential housing related sectors advanced the shift to low-formaldehyde emitting construction materials, and other sectors than the residential housing related sectors took measures such as thorough ventilation at the time of building. The Group will keep and continue such efforts.

Target achieved – another year not purchasing land with serious risk of soil contamination

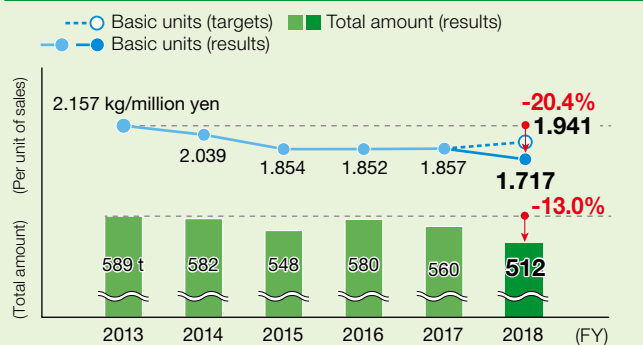
We have adopted a basic policy on soil contamination and have established a dedicated department to examine soil contamination risks and provide support.

In fiscal 2018, again we did not purchase any plot of land for sale with serious risk of soil contamination following the previous year and achieved the target. In principle, when purchasing land, we conduct a survey before purchasing any property. For purchased land, if it is determined that a risk of contamination exists, we sell it only after conducting soil inspections and implementing soil contamination countermeasures.

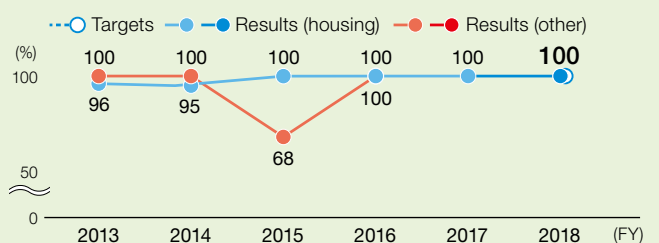
Release and transfer of PRTR-listed chemicals



VOC emissions



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



Serious risks of soil contamination during land purchases

FY 2016 results	FY 2017 results	FY 2018 results
Zero	Zero	Zero

Implementation report on the Endless Green Program 2018

Focal theme

4

Prevention of Chemical Pollution

Reducing chemical substances in our procurement and business activities

Basic Policy

Reinforcement of control of chemicals contained in procured construction materials and reduction in hazardous chemicals in production stage

In order to minimize the risk of chemical substances in our plants, the Daiwa House Group is focusing on those chemicals targeted by the PRTR* and is prioritizing those exhibiting especially high toxicities such as carcinogenicity, reproductive toxicity, and mutagenesis. These are the chemicals whose use we seek to reduce. Furthermore, in an effort to control air pollution, we are taking steps to reduce the amounts of VOCs present in paints.

* PRTR (Pollutant Release and Transfer Register): A system that requires business operators to report the release and transfer of chemical substances once a year to the government, which then tabulates and publicizes the collected data.

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

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

Promotion system implemented through a cross-segment working group

In order to further reduce the amount of chemical substances handled in our plants, we hold periodic meetings of a cross-segment working group jointly with the development and production segments and discuss related issues. Our development segment, as part of its commitment to continuous improvement, investigates ways to substitute less toxic alternatives for current materials, using reports on the status of chemical substance usage in our plants, as well as this segment selects new materials with low toxicity when setting materials. Moreover, our Group companies are collaborating to share information and promote improvement initiatives.

Preventing air pollution and water pollution

In addition to having taken preventive steps by performing measurements and inspections according to the terms of the Air Pollution Control Law and Water Pollution Control Law at all of our plants, we at Daiwa House Industry have strengthened our management system and are continuing to comply with emissions standards regarding soot and drainage.

With regard to wastewater in particular, we perform ongoing maintenance and are more stringently monitoring the discharge from the wastewater treatment facility for the electrodeposition coating apparatus, which is the main source of discharge to public waters (coastal bodies of water and waterways). In addition, our plants in Kyushu, Nara, and Ryugasaki introduced D's FEMS* and are monitoring for abnormalities with the drainage facilities. We will continue to take steps to prevent air and water pollution.

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.

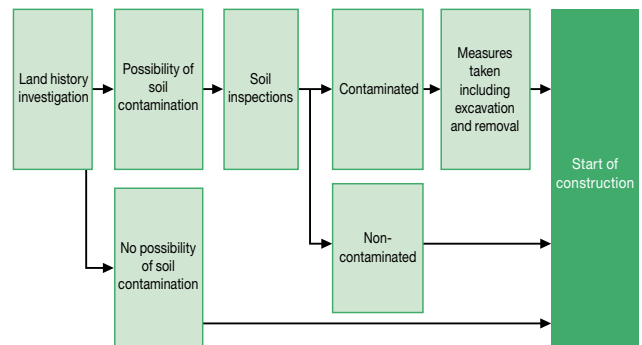
* Our unique plant energy management system

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



Main approach

Amount of paint used reduced through painting method change

Our Group company, DesignArc Company 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 spray gun



Electrostatic device

Focal theme 4 **Prevention of Chemical Pollution**

Reduction in toxic chemicals in our products and services

Basic Policy

Improvement in the indoor air quality of residential facilities

To minimize (ultimately zero) the risk of chemical substances, it is important to reduce the use of toxic chemicals and substitute them with benign alternatives at the development and planning phases of our houses and buildings and to confirm that no indoor air quality problems are present after construction. At Daiwa House Industry, we are taking steps to improve indoor air quality in residential housing by enforcing countermeasures against the sick house phenomenon by using industry-leading building materials and by constructing houses to healthy specifications that meet standards for the presence of VOCs.

Chemical Substance Management Guidelines

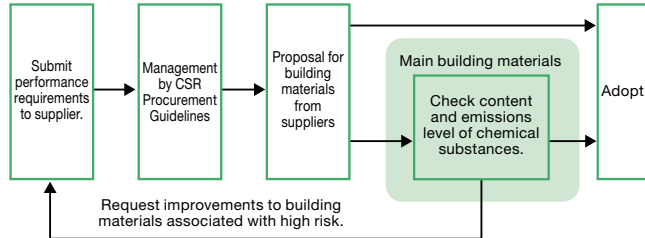
In 2010, we formulated our Chemical Substance Management Guidelines and put them into effect. We did so in an effort to minimize the chemical substances present in our products, share this information with our suppliers, and minimize the use of high-risk materials so as to provide products with little impact on the health of stakeholders and the environment. These Guidelines are being applied mainly to our housing products (single-family, low-rise rental housing). In fiscal 2016, we positioned these Guidelines as part of our CSR Procurement Guidelines. Regarding the use of prohibited substances and restricted substances, we have adopted the goal of extending the targets to encompass all products we procure. In these new guidelines, we have designated about 480 types of managed substances, with each assigned coverage under one of the three levels of management: “use prohibited;” “control required / use restricted;” and “monitoring required.”

Management levels under the Chemical Substance Management Guidelines

Management level	Target
Level 1 <Use prohibited> Substances and substance groups that are prohibited to be used in all products	All procured products
Level 2 <Control required / Use restricted> Substances and substance groups for which the status of use in major construction materials should be identified. (Some materials have restrictions on their use.)	
Level 3 <Monitoring required> Substances and substance groups for which the status of use in major construction materials should be identified.	Housing products (single-family, low-rise rental housing)

Related page ▶ P199–200 CSR Procurement Guidelines
P153 Supply Chain Management (Environment)

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

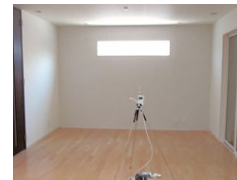
Main approach

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

Daiwa House Industry as well as our Group companies Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd. 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. In 2014, 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.



Measuring indoor air quality concentrations

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

Developing and publicizing health-oriented specifications

Since fiscal 2015, we have been testing and evaluating our main 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 adhering to health-oriented specifications that focus on the indoor air environment, and are providing housing that considers the air environment even more.

* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials

Management

Implementation of the Chemical Substance Management Guidelines

Through the use of these Guidelines, we identified the chemical substances used in our building materials and took steps to minimize the risk of these substances by monitoring for their presence or absence as well as the amounts contained and emitted. In fiscal 2016, as part of our CSR Procurement Guidelines, the scope of these Guidelines was extended to include Daiwa Lease Co., Ltd., DesignArc Co., Ltd., and Cosmos Initia Co., Ltd. in addition to Daiwa House Industry; and in fiscal 2018 Daiwa House Reform Co., Ltd. was included.

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

Talks with experts and institutional investors

At Daiwa House Industry, we have talks with experts, NGO members and 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 evaluation organizations. In response to this situation, in fiscal 2018, we further improved the quality and increased the amount of information we disclose in the sustainability report and others. We also participated in the Environmental Reporting Platform Development Pilot Project by the Ministry of the Environment as in the previous years, and through the platform of this project, we disclosed our ESG (Environment, Society and Governance) information and exchanged views with five institutional investors who are highly interested in ESG. In addition, we held opinion exchange meetings with each institutional investor to gain a better mutual understanding of general ESG matters. We will continue to hold these meetings.

We also 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.

Through talks with various stakeholders, we will have them understand better about our Group and ensure the transparency of our discussion processes, as well as incorporating opinions from a wide perspective and based on the latest knowledge into our activities for their improved effectiveness.

Related page P019 Materiality (Priority Issues) of the Daiwa House Group
 P183 Cooperating with External Organizations
 Our Group official website ESG small meetings
<https://www.daiwahouse.com/English/ir/events/>

Strengthening information dissemination through our environmental website

The Group releases information about the environment in our company through the websites, the sustainability reports, the exhibitions, the environmental education for children, etc. Among other things, we consider the websites to be important as the media to be used by various stakeholders and endeavor to enrich their contents.

Our environmental website “Efforts for the Environment” displays the contents such as the short movies describing our long-term environmental vision “Challenge ZERO 2055,” the introduction to environmentally conscious products and their examples and the “Environmentally Symbiotic Residential Houses in the World” showing residential houses in the world meeting local characteristics. In addition, we regularly distribute the web magazine *SUSTAINABLE*

JOURNEY to general public. We inform as many people as possible of smart cities and sustainable ways of living in the world and enable them to serve as references for the environment-conscience lifestyle. Moreover, we continue to enlarge and improve the websites in English for overseas stakeholders and to enrich their contents further.

In fiscal 2018, we created leaflets to introduce our Group’s environmental initiatives in an easy-to-understand way using figures and illustrations and gave them to attendees of our lectures and our clients during business meetings.



Environmental website



Environmental leaflet

Efforts in raising environmental awareness and promoting environmental activities through internal bulletins and events

The Group issues the internal environmental bulletin “We Build ECO Press” (bimonthly) for introducing our leading-edge environmental examples and ecological activities performed by employees to raise the awareness of our employees. In addition, we promote the company-wide and Groupwide environmental initiatives by explaining the “Endless Green Program 2021,” publishing materials for the environmental education, making environmental events thoroughly known through the in-house intranet.

In fiscal 2018, we regularly distributed Environmental Management News via email to the executives to provide environmental information such as social trends, case examples of other companies and environmental laws, with the aim to improve our environmental management and to encourage the executives to understand the influences of environmental issues on our business and lead the promotion of our environmental activities.

In addition, 22 Group companies and 91 branch offices of Daiwa House Industry participated in COOL CHOICE Challenge held by the Ministry of the Environment and engaged in various environmental activities such as turning off lights when they were not needed and sending out messages to help raise environmental awareness.

We will encourage our employees to participate in these events in order to raise their environmental awareness and have them engage in environmental activities.



Internal environmental bulletin “We Build ECO Press”



COOL CHOICE Challenge posters to encourage employees to turn off air conditioners and lights when they are not needed (Fukushima Branch)

Third-Party Assessment / Data Section

FTSE ESG Rating

FY 2015 FY 2019
2.0 ▶ 4.1

Included in the FTSE4Good Index Series

MSCI ESG Rating

From 2013 to 2018

AA for 6 consecutive years

Included in the MSCI World ESG Leaders Index

S&P/JPX CARBON EFFICIENT INDEX

In the real estate sector

Within the top 10%
(highest evaluation)

DJSI Asia Pacific

Included for 6 years consecutively
(real estate sector)

CDP Climate Change 2018

Certified as A-list

■ Cooperating with Third Parties and Their Assessment

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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.

Cooperation in the International Initiative

Our Group is working together with companies that have similar goals by actively joining the International Initiative to combat international issues.

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.

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



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 2018, our group efforts were listed in the "Climate Change Information Platform," "Taranoa Dialogue," and "Plastic Smart Campaign" of the Ministry of the Environment as reference materials. This in turn contributes to the efforts for the environment, resource protection and recycling by companies in the public sector. We have also been involved in the Environmental Information Disclosure Infrastructure Project of the Ministry of the Environment since fiscal 2013. We are continuously providing feedback on the development of information disclosure infrastructure that facilitates the use of environmental information disclosed by companies by investors and others concerned.

Major programs the Group participates in

Organizer	Program
Ministry of Economy, Trade and Industry	<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
Ministry of Land, Infrastructure, Transport and Tourism	Leading-edge CO ₂ saving project for houses and buildings
Ministry of the Environment	<ul style="list-style-type: none"> Green Value Chain Platform 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 Taranoa Dialogue Model Business for Renewable Energy CO₂ Reduction Value Creation that uses blockchain technology/Issue Investigation Committee Committee for the change to ZEB buildings and promotion measures for energy efficiency starting with tenants Eco First Program Promotion Council
Financial Services Agency	TCFD Consortium of Japan

Related page P163-164 Cooperation with 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	<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	<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.

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.

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.)
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
Eco First Program Promotion Council	Fulfillment of environment protection activities that are advanced and unique, strengthening of collaboration among Eco First companies

Third-Party Assessment (FY 2018 results)

Certified as a Climate Change A-list Company

CDP Climate Change is a survey given to roughly 7,000 companies worldwide by CDP, an international NPO. Companies that are particularly adept with their responses and strategies regarding climate change are certified as "Climate Change A-list" companies. In fiscal 2018, 139 companies (including 20 Japanese companies) were selected as "Climate Change A-list."

This time around, Daiwa House Industry was determined be a "Climate Change A-list" company for our efforts toward the issue of climate change as well as our globally high level information disclosures.

At the same time, we received an A⁺ ranking for the simultaneously implemented survey, CDP Water 2018, that focuses on management of water resources and we received a B ranking for CDP Forest 2018, which focuses on the protection of forest resources.



CDP 2018 Climate Change Japan Report

Recognized as an Eco First Company

Daiwa House Group is promoting environmental management together as a global group for the purpose of realizing zero environmental impacts by the 100th anniversary of our establishment in 2055, as is stated in our Long-Term Environmental Vision Challenge ZERO 2055. In fiscal 2018, we promoted these efforts as our Eco-first Promise and we were recognized as an environmentally advanced company in the housing and construction industry.



Eco First Company's certification ceremony

Related page Our Group official website Certified as an Eco First Company (Japanese text only)
https://www.daiwahouse.com/sustainable/eco/eco_first/

Received Gold at the PRIDE Index 2018

The voluntary group “work with Pride (wwP)” focuses on the promotion and establishment of diversity management for sexual minorities such as LGBT in companies so they can work without discrimination in the framework of companies or groups. At Pride Index 2018, which is the index created by wwP to evaluate the above, we were awarded with Gold, which is the highest rank.



Going forward, we will continue to reinforce diversity management so various human resources can participate in corporate management from a multi-faceted perspective.

Related page work with Pride website
<https://workwithpride.jp/>

Ranked 31st in the CSR Corporate Ranking

The CSR Company Ranking is a list of 1,501 companies (1,456 listed/45 unlisted) contained in the 2019 edition of the CSR Corporate Directory (Employment/Human Capital Utilization Edition and ESG Edition) made by Toyo Keizai Inc. Companies inside the list are given scores for CSR areas like human resource utilization (max. 100 points), environment (max. 100 points), corporate governance and sociality (max. 100 points total) and finance (profitability, stability, scale: max. 100 points each) for a total of 600 points.

Ranked 31st (2nd in the construction business) with a score of 547 points out of 600 in the latest edition (dated February 16, 2019).

■ Fundamental CSR evaluation

Fundamentals
AA
73.8

■ CSR evaluation

Human resources	Environment	Corporate governance	Impact on society
AAA	AAA	AAA	AAA
84.5	97.3	95.8	96.3

■ Financial evaluation

Growth	Profitability	Safety	Scale
AAA	AA	AAA	AAA
84.3	77.5	91.1	100.0

Major Awards Received (Environment)

Minister of Land, Infrastructure, Transport and Tourism Award at the 1st EcoPro Awards
 Award of Excellence at Japan Resilience Awards 2019
 Japan Business Federation President's Award at the 28th Global Environment Awards

Daiwa House Saga Building was completed in February 2018 and is an office building that is being used as a verification test of self-sufficient supply of power using renewable energy. The verification experiments gauge the effectiveness of independent power systems made from the mix of a solar power generation system (83.2 kW) and a lithium-ion fuel cell system (105 kWh) as well as energy saving equipment that uses natural energy like well water, a solar thermal hybrid air conditioning system and light ducts. We will accumulate the know-how obtained in these validation experiments for the promotion of energy self-sufficient offices.

In these efforts, our attitude and technological development working toward reduction of the environmental impact and our contribution of the business continuity plan (BCP) are recognized.



Daiwa House Saga Building



EcoPro Award Ceremony

Received an Award of Excellence at the Environmental Communication Awards

Our Group's Sustainability Report 2018 was awarded with the “Environmental Report Category Sustainability Report Excellence Award” at the 22nd Environmental Communication Awards. This is the 5th consecutive year we have participated and the 7th award.

This award evaluates the active participation in international initiatives on renewable energy and energy efficiency, the transparency of treatment of foreign workers, the awareness of human rights issues in overseas raw material procurement sites etc. and our report has been evaluated that it clearly shows that we are trying to be leaders in such areas in the industry.



Related page Our Group official website Press Release (February 21, 2019)
<https://www.daiwahouse.com/about/release/house/20190221115757.html>

Received an Award of Excellence at the COOL CHOICE LEADERS AWARD 2018

We were awarded an Award of Excellence in the Action Leader Division of the Ministry of the Environment's COOL CHOICE LEADERS AWARD 2018 for our "Light Down" efforts during the COOL CHOICE* national campaign that promotes smart choices that contribute to countermeasures for global warming.

Since June of 2008, Daiwa House Industry has implemented "Light Down" once a month at the Head Offices (Osaka and Tokyo) and branch offices including plants throughout Japan as a work life balance effort in order to increase environmental awareness among employees and reduce water and utility cost. Specifically, once a month, all employees leave the office within one hour after work finishes and all lights and external billboards are turned off on 8:00 p.m..

Many of the branch offices have implemented this effort and there have been various merits since starting this effort more than 10 years ago such as increased internal exchange and smooth business.

* National movement promoting activities that will achieve Japan's national targets based on the Paris Agreement

Related page [COOL CHOICE LEADERS AWARD 2018
https://ondankataisaku.env.go.jp/coolchoice/award/result/excellence10.html](https://ondankataisaku.env.go.jp/coolchoice/award/result/excellence10.html)

Major Awards Received (Society)

Evaluations for our "2018 Integrated Report"

Daiwa House Industry's Integrated Report 2018 which was published in August of 2018 has received the following evaluations.

Selected as a "Excellent Integrated Report" and a "Most Improved Integrated Report" by GPIF's domestic stock management institutions

Domestic stock management institutions operated by the Government Pension Investment Fund (GPIF) selected our report as both a "Excellent Integrated Report" and a "Most Improved Integrated Report," as well as giving a high evaluation.

[Reason for selection]

- It is easy to understand, as the philosophy and message from the president are consistent with the future directions.
- While many other companies depict imaginary value creation stories, this report sets itself as a good example for other companies, as it thoroughly explains the relationship with financial matters and provides substantial content on MD&A (Management Discussion & Analysis).

Grand Prix 2nd Place Winner of the Nikkei Annual Report Award 2018

We were the Grand Prix 2nd Place Winner at the 21st Nikkei Annual Report Award 2018 where Nihon Keizai Shimbun confers awards for superior annual reports of Japanese businesses.

[Reason for selection]

The integrated report is ambitious and appeals to long-term investors and is one of the highest level reports of the fiscal year. In particular, the CFO's review and analysis of financial and business results (MD&A) are highly persuasive and are a good model for other companies. The overall composition is good and even a first-time investor can understand the company with this one booklet.

Received the Integrated Report Excellent Company Award at the 6th Integrated Report Excellent Company Awards

Received the Integrated Report Excellent Company Award at the 6th Integrated Report Excellent Company Awards hosted by the WICI Japan (The World Intellectual Capital Initiative).

[Reason for selection]

- Impactful CEO message
- Originality can be felt in the corporate philosophy
- Hard work and enthusiasm can be felt in the details. The link with the sustainability report was strong.



Received the IR Improvement Company Award at the IR Excellent Company Awards 2018

Received the IR Improvement Company Award at the IR Excellent Company Awards hosted by the Japan Investor Relations Association. Of the companies eligible for the award, we received the highest evaluation



Received the Tokyo Governor's Award at the Corporate Governance of the Year 2018 Awards

The Corporate Governance of the Year is an award system that was launched in fiscal 2015 by the Japan Association of Corporate Directors with the aim of supporting companies that have achieved sound growth over the medium- to long-term using corporate governance. This time, Daiwa House Industry was awarded the Tokyo Governor Award for our excellent activities for ESG, promotion of female empowerment, reduction of environmental impact, diversity and work style reform.

Using this award as encouragement, we will continue to strengthen our corporate governance with the aim to increase corporate value and achieve sustainable growth.

Related page [Our Group official website Press Release \(February 22, 2019\)
https://www.daiwahouse.com/about/release/house/20190222092041.html](https://www.daiwahouse.com/about/release/house/20190222092041.html)

Received the Grand Prix at the Ikumen Company Awards 2018

The Ikumen Company Award is a project hosted by the Ministry of Health, Labour and Welfare to support male "Ikumen" who are active in childcare and also to promote male childcare leave acquisition. We were awarded the first Grand Prix for the housing, construction and real estate industry in the Promotion of Understanding Division for our proposed single-family "Housework Share House" that aims to reduce the time and psychological burden of housework for double-income households.

The Promotion of Understanding Division was newly established this fiscal year and commends external efforts by companies that encourage men to actively and routinely participate in housework and childcare.

Related page [Our Group official website Press Release \(October 19, 2018\)
https://www.daiwahouse.com/about/release/house/20181019145442.html](https://www.daiwahouse.com/about/release/house/20181019145442.html)



Awards and Evaluations for Group Companies

Received the Japan Policy Investment Bank Award at the Town-Planning Awards 2018 (Daiwa Lease)

In November 2018, Daiwa Lease, participated as an area management partner in Ofunato City of Iwate Prefecture. The community development company Kyassen Ofunato, which Daiwa Lease cooperated to establish, was awarded the Japan Policy Investment Bank Award at the Town-Planning Awards 2018.

The Town-Planning Awards is hosted by the Ministry of Land, Infrastructure and Transport to encourage cooperation and exchange that will lead community creation activities. Implemented since fiscal 1984, the awards have been given to outstanding examples with remarkable achievements in unique community creation activities that make use of creativity and skill.

Received the Inspection Chief Award at the 7th Community Development Company Minister of Land, Infrastructure, Transport and Tourism Awards (Daiwa Lease)

In May of 2018, commercial facilities developed and operated by Daiwa Lease were awarded the Inspection Chief Award at the 7th Community Development Company Minister of Land, Infrastructure, Transport and Tourism Awards for its NPO Community Development Spot which is a base for activities of regional exchanged promoted by local communities and NPOs.

The Community Development Company Minister of Land, Infrastructure, Transport and Tourism award is given to corporations that the Ministry of Land, Infrastructure, Transport and Tourism has found to make efforts to solve urban issues and maintain and improve the environment and regional value. This system was created in fiscal 2012 with the goal of promoting initiatives for community development by widely introducing good examples.

Cosmos Initia implemented SMBC Work Style Innovation Financing offered by Sumitomo Mitsui Banking Corporation

SMBC Work Style Innovation Financing is one of the financing products offered by Sumitomo Mitsui Banking Corporation. When applying for the loan, the status of the company's Work Style Innovation promotion efforts are "visualized" according to proprietary standards and the current state is analyzed, future issues and examples of how to solve said issues are provided.

This time Cosmos Initia was evaluated against the top management's specific target setting and efforts to promote work style innovation. The company was recognized as "a company with a strong driving force that can steadily achieve its targets and as a company where further changes to work style innovation can be expected."

Financing was secured for Cosmos Initia according to DBJ Health Management Ranking from the Development Bank of Japan

DBJ Health Management Ranking financing is a proprietary evaluation system from the Development Bank of Japan. This is the first financing system that has adopted a health management rating specialization method that evaluates and selects companies with excellent employee health-consciousness efforts and sets loan



conditions according to the evaluation. This time, Cosmos Initia was evaluated on the following points and financing was secured.

[Evaluation Point]

- ① Work Style Innovation is part of the Medium-Term Management Plan and efforts are made to improve hourly productivity and work environment to establish a work style that is unique to the company that will continue to realize a systematic and constant "new value creation."
- ② Share the meaning and goal of Work Style Innovation with employees in off-site meetings; create a system to support various styles of work from the standpoint of the employees and spontaneous career advancement; and make efforts for improvement to job satisfaction
- ③ Efforts for solving social issues that come with the diversification of lifestyles through businesses that can respond to the needs of the child-rearing and active senior generations

Received the Good Design Award

Three of the companies in our Group applied for the 2018 Good Design Award sponsored by the Japan Institute of Design Promotion and won seven awards in four categories: “medium to large scale apartments,” “shared housing,” “construction, space and sign system for commerce,” “regional and community creation.” Among the award-winning works was the restored public housing in Kamaishi City, which Daiwa House Industry Iwate Branch helped with. It was chosen as one of the Best 100, recognized particularly excellent and to be a future design standard, and awarded the special Good Focus Award (Disaster Recovery Design).

Category	Application details	Awarded company and branch
Good Design Award		
Medium to large scale apartments	Premist Hibarigaoka / HIBARIDO, Condominium for sale	Daiwa House Industry Cosmos Initia
	Initia Katsuraohashi, Condominium for sale	Cosmos Initia
Shared housing	Initia Setagaya Shoinjinjamae, Condominium for sale	Cosmos Initia
Construction, space and sign system for commerce	APARTMENT HOTEL MIMARU	Cosmos Initia
	Capsule Hotel 9h (9 Hours) Takebashi	Cosmos Initia
Regional and community creation	ichi, sandwich café with childcare services	Cosmosmore
Good Design Best 100 and Good Focus Award [Disaster Recovery Design]		
Medium to large scale apartments	Shared housing (disaster public housing) Kamaishi City Restored Public Housing Omachi Restored Housing Lot 1, Tenjin Restored Housing	Daiwa House Industry Iwate Branch



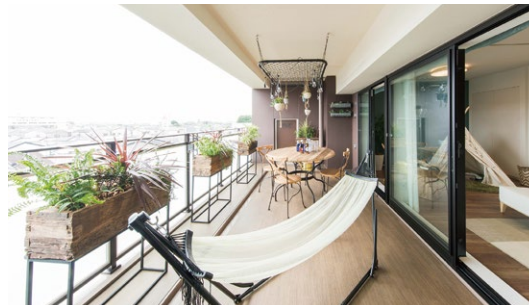
Omachi Restored Housing Lot 1



MIMARU Kyoto Horikawarokkaku



Tenjin Restored Housing



Initia Katsuraohashi



HIBARIDO
















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■ ESG related awards

Awarded category	Award name	Organizer	Reason for the award	
Environmental management	CDP Climate Change 2018 A (highest evaluation)	CDP	Efforts for excellent response and strategy to combat climate change	
	CDP Water Report 2018 A ⁻		Promotion of water resource management	
	CDP Forest 2018 B		Forest resources conservation	
ECO process	COOL CHOICE LEADERS AWARD	Ministry of the Environment	"Light Down" efforts	
	Biodiversity Action Award	Japan Committee for UNDB (UNDB-J)	Animal and plant conservation activities in construction work utilizing online GIS	
ECO products	EcoPro Awards	Japan Environmental Management Association for Industry	Electricity self-sufficient building (Daiwa House Saga Building)	
	Global Environment Awards	Fujisankei Communications Group		
	Japan Resilience Awards	Association for Resilience Japan		
ECO communication	Highest Prize at the 22nd Environmental Communication Awards	Ministry of the Environment, Global Environmental Forum	Daiwa House Group Sustainability Report 2018	
	Honorable mention at Environmental Human Resources Building Corporate Award 2018	Ministry of the Environment, Environmental Consortium for Leadership Development (EcoLeaD)	<ul style="list-style-type: none"> Appointment of an officer in charge of the environment, human resource training SBT Certification acquisition, environmental management according to the RE100 membership 	
			<ul style="list-style-type: none"> Human resource training for future strategy, promotion of acquisition of Eco Test certification Social contribution activities where commercial facilities, tenants and customers work together as one 	
	Kids Design Award	Kids Design Association	Community co-creation activities where flowers are planted together with kids	
Public relations	Grand Prix and Special Prize from the 2018 PR Award Grand Prix	Public Relations Society of Japan	PR activities for the single-family "Housework Share House" that aims to reduce the time and psychological burden of housework on double-income households	

Inclusion of Daiwa House Industry 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) * Current as of June 24, 2019	Worldwide 1,034 companies In Japan 175 companies
 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.		In Japan 179 companies
 2018 Constituent MSCI ESG Leaders Indexes	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 top 25% of incorporated Japanese companies * Current as of June 29, 2018	World ESG Leaders Index Worldwide 844 companies World SRI Index Worldwide 398 companies
 2018 Constituent MSCI Japan ESG Select Leaders Index	MSCI Japan ESG Select Leaders Index The GPIF uses this as an investment target as it is an index that includes Japanese companies. For an explanation about the logo, please check the following link. https://www.daiwahouse.com/English/sustainable/csr/esg/evaluation/index.html		In Japan 251 companies

 <p>Member 2016/2017</p>	<p>STOXX® Global ESG Leaders</p> <p>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>* This is an ESG Survey and data provider from Holland. Has been ranked as the "Best Independent Socially Responsible Investing Research Firm" for three years (From fiscal 2013 to 2015 according to IRR)</p>	<p>Score is undisclosed</p>	
 <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	<p>Dow Jones Sustainability Indices</p> <p>An ESG index that was co-created with the American publishing company S&P Dow Jones Indices and the Swiss survey and rating firm Robeco SAM. Our company has been classified to the real estate sector and we have been incorporated into the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) since fiscal 2013.</p>	<p>Total score: 58 points (out of 100)</p> <p>* Current as of September 2018 * Within the top 30% for the sectors and regions on the left</p>	
	<p>S&P/JPX Carbon Efficient Index</p> <p>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>Real Estate Within the top 10% (highest evaluation)</p>	
 <p>G R E S B G R E S B PUBLIC DISCLOSURE 2018 REAL ESTATE</p>	<p>GRESB</p> <p>Real Estate Company and REIT's Rating Company. More than 90 institutional investors and 225 real estate companies and operations institutions are members.</p> <p>Daiwa House Industry received the Information Disclosure ranking and Daiwa House Reit Investment Corporation received the Information Disclosure Ranking and Real Estate Evaluation.</p>	<p>Information Disclosure (Daiwa House Industry, Daiwa House Reit Investment Company) A Ranking</p>	<p>Worldwide 453 companies</p> <p>Real Estate Evaluation (Daiwa House Reit Investment Company) 2 Star / Green Star ranking</p> <p>Worldwide 903 companies</p>
	<p>Ethibel EXCELLENCE</p> <p>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 Sense in sustainability</p>	<p>ECPI</p> <p>An investment management company headquartered in Luxembourg and Milan that has created various ESG indices separated by business type, region and theme. Our company has been incorporated since fiscal 2016.</p>		
	<p>Bloomberg Gender-Equality Index was developed in 2016 by the American communications company Bloomberg. The index is applied to companies that have excellent gender-equality related action plans, policies, human resource systems, and product development and information disclosure. This fiscal year, 230 companies (14 Japanese companies) in 36 countries were selected for the index.</p>		
	<p>Nadeshiko Brand (METI/TSE) award</p> <p>A program jointly created by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that introduces companies, by business type, that are actively taking efforts to promote the careers of female employees and create an environment where females will continue working and designates them as a publicly-listed company with good female empowerment practices (for TSE first section, TSE second section, TSE Mothers and JASDAQ). Since designated companies also have "management ability that promotes diverse human resources" and "adaptability to environmental changes," these companies can be thought of as "companies with potential for growth." Our company has been chosen for five years consecutively since 2015.</p>		
	<p>New Diversity Management Selection 100 (METI) award</p> <p>A program created by the Ministry of Economy, Trade and Industry that evaluates companies on their innovation, productivity growth and results that are achieved through the maximum utilization of female, elderly, foreign, disabled, diverse career persons. In addition, our company was the first in the housing/buildings industry to receive both the Nadeshiko Brand award and the New Diversity Management Selection 100 award at the same time in March 2016.</p>		
 <p>攻めのIT経営銘柄2019 Competitive IT Strategy Company</p>	<p>Competitive IT Strategy Company</p> <p>The Competitive IT Strategy company is a co-started endeavor from the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that not only introduces desirable companies to investors from the perspective of increase in corporate value in the medium- to long-term, but also promotes efforts that companies take for "Competitive IT Management." Companies are chosen from publicly-listed companies (TSE first section, TSE second section, TSE Mothers and JASDAQ) based on IT efforts that bring about increases in productivity, earnings, management innovation and new value creation. Our company has been chosen for the 3rd consecutive year in 2018.</p>		

Summary of the Daiwa House Group

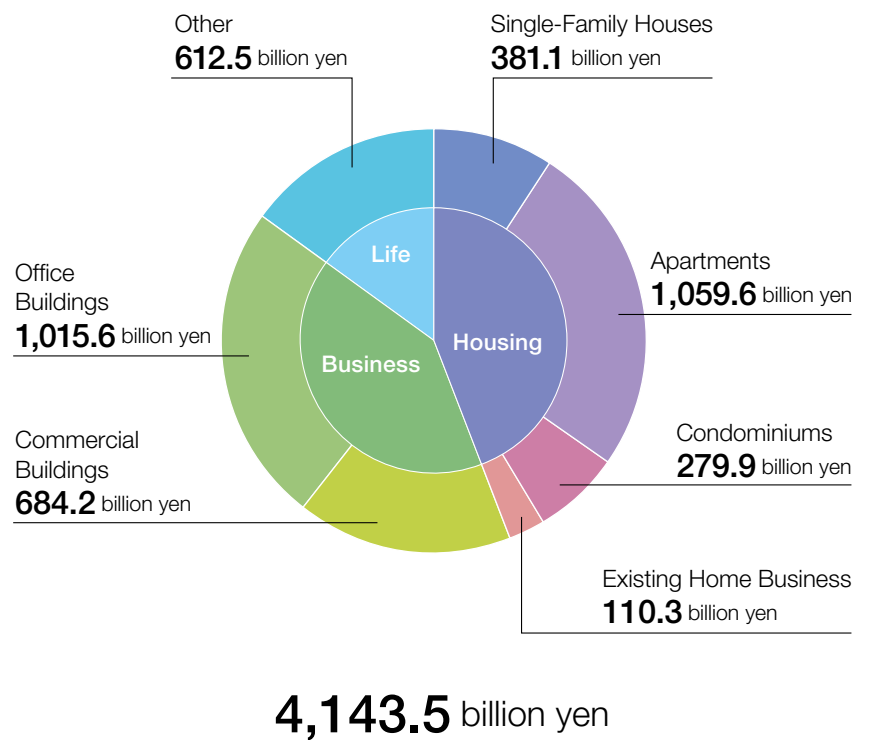
■ Company Summary (as of March 31, 2019)

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	81 locations (including Head Branch and overseas subsidiaries)
Plants	9 locations in Japan
Research Center	Central Research Laboratory (Nara City)
Training Centers	Osaka, Tokyo, Nara
Net Sales	Non-consolidated: 1,925,518 million yen Consolidated: 4,143,505 million yen

Data Section

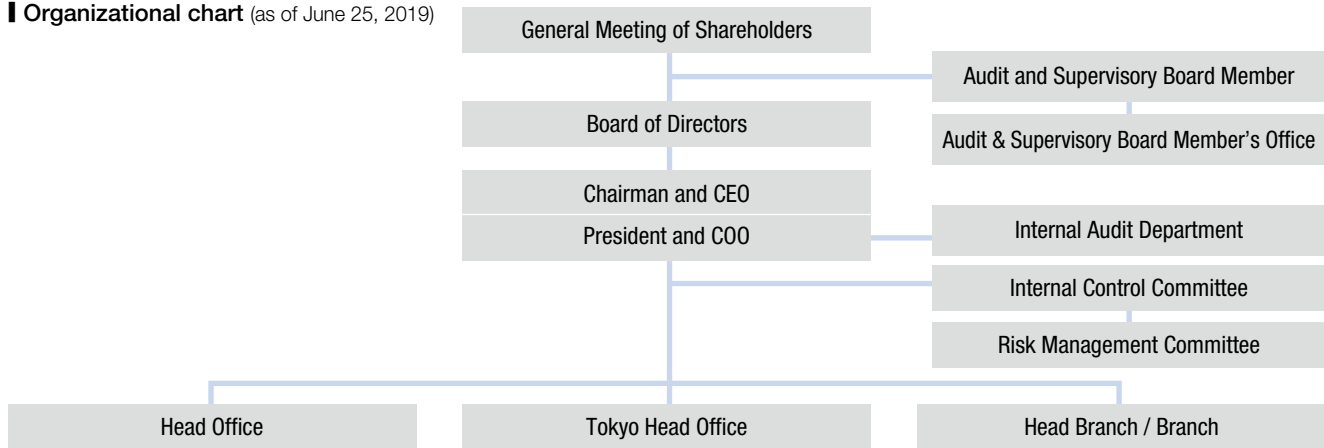
■ Sales (for the fiscal year ending in March 2019)

(Note: Percentage after subtracting transactions within the Group)



Organization

Organizational chart (as of June 25, 2019)



Marketing Headquarters

- Marketing Support Department
- Human Care Department
- Livness Business Promotion Department
- Business Management Department

Technology Headquarters

Technology Division

- Technology Department
- BIM Promotion Department
- Planning, Development and Design Department
- Central Research Laboratory
- Safety Management Department
- Environment Department
- Restoration Support Department
- Overseas Engineering & Construction Management Department

Production and Procurement Department

- Production Department
- Production Planning Department
- Manufacturing Technology Center
- Procurement Department
- Purchasing Promotion Department

Quality Assurance Headquarters

- Quality Assurance Department
- Conformance in Specifications Department

Management Administration Headquarters

- Corporate Strategy Planning Department
- Sustainability Planning Department
- Secretariat
- Defined Contribution Plan Management Department
- Human Resources Training Center
- Human Resources Department
- General Affairs Department
- Legal Department
- Property Management Department
- Accounting Department
- Finance Department
- J-SOX Department
- IR Department
- Group Management and Administration Department
- Business Development Department
- Corporate Communications Department
- Advertising Department
- External Relations Department

Information Systems Headquarters

- Information Systems Department
- Product Development Systems Department

Urban Development Headquarters

- Tokyo Urban Development Department
- Osaka Urban Development Department
- Forest Housing Business Promotion Office

CS Headquarters

- CS Planning Department
- CS Promotion Department

Next Generation Innovation Department

- Future Co-creation Center

Single Family Housing Promotion Division

- Marketing Department
- Design and Construction Department
- M&E Department
- Urban Housing Technology Department
- Single Family Housing Design Department
- Production Operation Center

Apartment Promotion Division

- Marketing Department
- Design and Construction Department
- Mid to High-Rise Property Technology Center
- Integration Center
- Production Design and Construction Material QS Department
- Project Construction Department

Commercial Construction Promotion Division

- Marketing Department
- Shopping Center Department
- Design and Construction Department
- Planning, Development and Design Department
- Cost Estimation Department

General Construction Promotion Division

- Marketing Department
- Design and Construction Department
- Planning, Development and Design Department
- Cost Estimation Department

Condominium Promotion Division

- Planning Department
- Marketing Department
- Construction Department
- Business Planning Development Department
- Overseas Condominium Business Development Department

Environment and Energy Promotion Division

Overseas Headquarters

- Overseas Division

Head Branch and branches (39 in Japan)

- Single Family Housing Division
- Apartment Division
- Commercial Construction Division
- General Construction Division
- Condominium Division
- Environment and Energy Division

Branches (41 in Japan, 1 overseas)

- Single Family Housing Sales Office
- Apartment Sales Office
- Commercial Construction Sales Office
- General Construction Sales Office
- Condominium Sales Office
- Environment and Energy Sales Office

Managerial Philosophy and Overall Picture

Foundation of CSR Management

Customers

Employees

Business Partners

Local Communities

Shareholders

Environment

Third-Party Assessment / Data Section

Major Group Companies (as of June 1, 2019)

Japan

Housing

- **Single-Family Houses**
Daiwa House Industry Co., Ltd.
- **Rental Housing**
Daiwa House Industry Co., Ltd.
Daiwa Living Management Co., Ltd.
Daiwa Living Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
- **Condominiums**
Daiwa House Industry Co., Ltd.
Cosmos Initia Co., Ltd.
Daiwa LifeNext Co., Ltd.
Global Community Co., Ltd.
- **Existing Home Business**
Daiwa House Industry Co., Ltd.
Daiwa House Reform Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.

Business

- **Commercial Buildings**
Daiwa House Industry Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa Information Service Co., Ltd.
Daiwa Royal Co., Ltd.
Daiwa LifeNext Co., Ltd.
- **Office Buildings**
Daiwa House Industry Co., Ltd.
Fujita Corporation
Daiwa Lease Co., Ltd.

Life

- Daiwa House Industry Co., Ltd.
- Royal Home Center Co., Ltd.
- Daiwa Logistics Co., Ltd.
- DesignArc Co., Ltd.
- Daiwa Resort Co., Ltd.
- Daiwa Royal Golf Co., Ltd.
- Daiwa Royal Co., Ltd.
- Osaka Marubiru Co., Ltd.
- Daiwa Lease Co., Ltd.
- Daiwa House Insurance Co., Ltd.
- Daiwa House Financial Co., Ltd.

Overseas

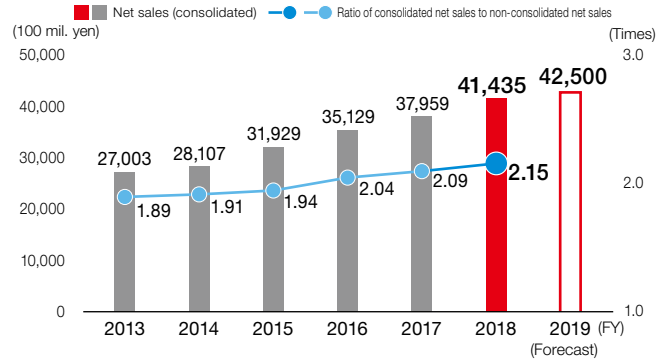
- DH (Dalian) Administrative Management Consulting Center Co., Ltd.
 - Business process outsourcing (BPO)
- Dalian Dahezongsheng Estate Co., Ltd.
 - Real estate development
- Dalian Yihe Property Management Co., Ltd.
 - Real estate management
- Dalian Civil Aviation Hotel Co., Ltd.
 - Management & operation of hotels
- Tianjin Jiuh International Villa Co., Ltd.
 - Management of serviced apartments
- Daiwa House (Wuxi) Real Estate Development Co., Ltd.
 - Real estate development
- Daiwa House (Changzhou) Real Estate Development Co., Ltd.
 - Real estate development
- Daiwa Baoye (Wuxi) Property Management Co., Ltd.
 - Real estate management
- Daiwa Baoye (Nantong) Real Estate Development Co., Ltd.
 - Real estate development
- Shanghai Hebao Property Service Co., Ltd.
 - Real estate management
- Baoye Daiwa Industrialized House Manufacturing Co., Ltd.
 - Production & sale of industrialized housing parts and materials
- Daiwa (Taiwan) Industrial Development Co., Ltd.
 - Construction accounting/Construction materials wholesale/Real estate transactions/Leasing/Parking lot management
- Daiwa House California Inc.
 - Real estate development
- Daiwa House Texas Inc.
 - Real estate development
- Daiwa House Guam Co., Ltd.
 - Construction
- Daiwa House Australia Pty Ltd
 - Real estate development
- Daiwa House Vietnam Co., Ltd.
 - Industrial park development/Business process outsourcing (BPO)
- DT Development Vietnam LCC.
 - Real estate development/Management of serviced apartments
- Daiwa House Industry India Pvt Ltd
 - Real estate market research
- Daiwa House Real Estate Development Co., Ltd.
 - Rental factories
- DH Logistic Property Vietnam Co., Ltd.
 - Warehouse rental business
- PT Daiwa House Indonesia
 - Business administration in Indonesia
- PT. Diana Join Indonesia
 - Real estate development
- PT Daiwa Manunggal Logistik Properti
 - Development, operation & management of logistics facilities
- PT Daiwa Tetra Manunggal Konstruksi
 - Construction
- Daiwa House Industry (Thailand) Co., Ltd.
 - Distribution facility development/Single-family housing business
- Daiwa House Malaysia Sdn. Bhd.
 - R&D of single-family houses and industrialized methods
- KD Living, Inc.
 - Rental housing
- Daiwa Living California Inc.
 - Rental housing
- Daiwa Living Australia Pty Ltd
 - Management of serviced apartments
- Daiwa Living Vietnam Co., Ltd.
 - Management of serviced apartments
- Daiwa Living Waldorf Holdings Pty Ltd
 - Management of serviced apartments
- Fujita (China) Construction Co., Ltd.
 - Construction
- Fujita Americas, Inc.
 - Research into overseas construction technology
- Fujita Corporation Vietnam
 - Construction/Real estate development
- Fujita Philippines Construction and Development, Inc.
 - Construction
- Fujita Engineering India Pvt., Ltd.
 - Construction
- Fujita Corporation Singapore Pte. Ltd.
 - Investment business
- Fujita Corporation (M) Sdn. Bhd.
 - Construction
- Fujita Integral Mexico S.A. de C.V.
 - Construction/Environmental business/Real estate development
- Fujita Corporation (Thailand) Ltd.
 - Construction
- Cosmos Australia Pty Ltd
 - Real estate development/Tourism
- Stanley-Martin Communities, LCC
 - Single-family housing business
- Rawson Group Pty Ltd
 - Single-family housing business

Note: Listed above are major affiliate companies affecting the sales of the Daiwa House Group.

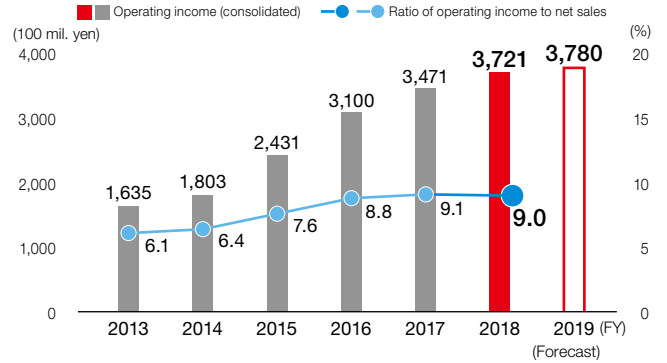
Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment / Data Section

Highlight of Financial Results and Consolidated Financial Indicators

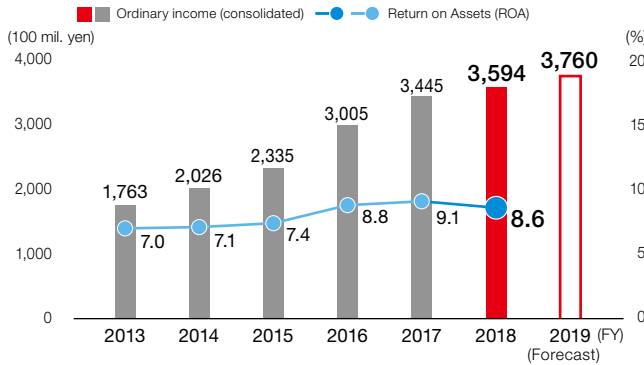
Net sales (consolidated)/Ratio of consolidated net sales to non-consolidated net sales



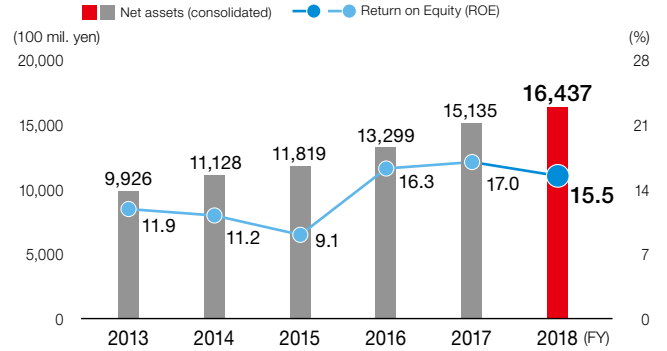
Operating income (consolidated)/Ratio of operating income to net sales



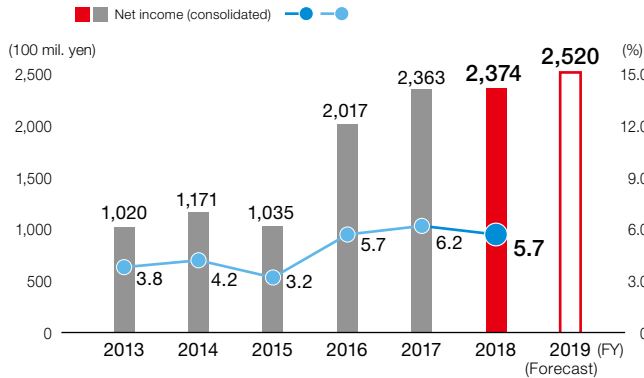
Ordinary income (consolidated)/Return on Assets (ROA)



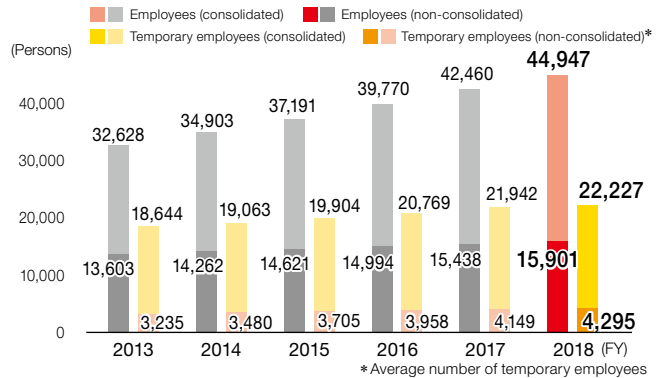
Net assets (consolidated)/Return on Equity (ROE)



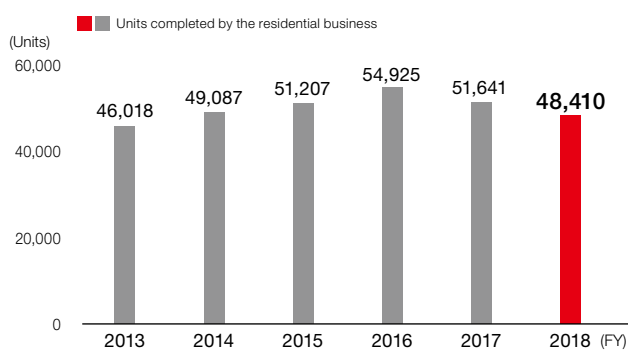
Net income (consolidated)/Ratio of net income to net sales



Number of employees (consolidated/non-consolidated)



Units completed by the residential business (Total of single-family houses, condominiums, and apartments)



Principles of Corporate Ethics and Code of Conduct

The Principles of Corporate Ethics serve to clarify in written form our code of behavior which is the basis for realization of our management principles and policies – including the corporate philosophy of our founder Nobuo Ishibashi (as set out in the Company’s creed). Its main long-term purpose is to ensure that the Daiwa House Group continues to be regarded as a trustworthy organization by society as a whole.

April 1, 2004 (revised on April 1, 2014)

Principles of Corporate Ethics | With our customers

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

Code of Conduct | 1-1 | Sincere communication

We shall be sincere and honest in our communications with anyone we meet in any situation. We shall do our best to fulfill any promises made on a daily basis however small they are. In addition, we shall provide immediate and sincere responses to customers’ various requests.

Code of Conduct | 1-2 | Consideration for customers’ personal information

We shall not only protect occupationally-learned customers’ privacy information but also handle it with care as personal information when collecting, using, providing, and managing it.

Code of Conduct | 1-3 | Accountability

We shall provide customers with an exact and clear explanation about what should be explained. Not adhering to statutory minimum explanations, we shall try to provide sufficient information for customers to make a decision.

Code of Conduct | 1-4 | Attitude towards unreasonable requests

We shall reject any requests for illegal or unethical acts from customers during business meetings with them and try to propose appropriate alternative ideas while not saying what is illegal but is not good for them.

Code of Conduct | 1-5 | Limitation on gift-giving

When having a dinner party or social gathering with business partners with a view to constructing trust or promoting friendship between them and us, we shall try not to depart from social norms, respecting their respective internal rules. In addition to keeping summer and year-end gift-giving to the minimum necessary, we shall not forget to conform to social norms when inviting them for travel or a round of golf.

Principles of Corporate Ethics | With the compliance

Not being satisfied with merely following the letter of the law, we also act in conformity with the highest ethical standards so as to meet the expectations of our wide range of stakeholders.

Code of Conduct | 2-1 | Compliance with laws

We shall comply with all laws, not to mention ones related to each business. Even if there are no written rules, we shall understand what is required of us and behave with the highest ethical standards maintained.

Code of Conduct | 2-2 | Sensible behavior

In addition to complying with laws, we shall try to behave sensibly in accordance with social norms as a member of the Daiwa House Group. We shall in particular deal with money accurately and strictly.

Code of Conduct | 2-3 | Handling of confidential information

We shall pay attention to the management of the company’s confidential information and personal information and handle such information with care so that it will not be leaked even after employees have left the company. We shall not use it personally, strictly refraining from insider or speculative trading.

Code of Conduct | 2-4 | Complying with internal standards

We shall respect and take internal standards for granted and try to report and record things as they are. We shall not personally use the company’s tangible and intangible assets including equipment, supplies, money, and know-how.

Code of Conduct | 2-5 | Disciplined private life

In addition to establishing our life environment as part of our company life, we shall try to behave sensibly in our private lives as members of society as well. We shall stay away from acts that have negative effects on the company’s business as well as illegal acts.

Code of Conduct | 2-6 | Non-involvement with antisocial forces

We shall stay away from anti-social forces under all circumstances and face off against them organizationally in an uncompromising fashion.

Principles of Corporate Ethics | With an ideal work environment

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

Code of Conduct | 3-1 | Workplace of openness

We shall respect individual character and personality as work peers and make arrangements so that they can engage in work with high motivation. We shall try to improve ourselves through active mutual criticism as well as mutual trust and cooperation.

Code of Conduct | 3-2 | Development of human resources

Recognizing that a company’s sustainable development depends on people, we shall engage in human resources development in terms of a medium- to long-term vision. Each of us shall aim for personal development, engaging in self-improvement.

Code of Conduct | 3-3 | Consideration for safety and health

In order to commit ourselves to accident prevention and health management, we shall create a disciplined workplace that secures physical and mental health.

Code of Conduct | 3-4 | Development of ethical manners in the workplace

We shall develop ethical manners in the workplace so that we can work as a unified organization. In addition, we shall make a distinction between public and private matters, not taking advantage of job responsibilities or positions in the workplace to engage in such acts as in-house gift-giving and entertainment for personal gain.

Code of Conduct | 3-5 | No religious or political activities

We shall not promote political activities or religious activities for any particular religion under the name of the company. Nor shall we use the name of the company even when personally participating in such activities outside the company.

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Principles of Corporate Ethics | With business partners

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

Code of Conduct | 4-1 | Good relations with our business partners

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

Code of Conduct | 4-2 | Refusal to use a dominant bargaining position

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

Code of Conduct | 4-3 | Business activities based on ethics of business

We shall provide appropriate information based on facts when giving the description of products, not speaking ill of other competitive companies.

Code of Conduct | 4-4 | Fair and free competition

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

Code of Conduct | 4-5 | Respect for intellectual property

We shall recognize the importance of intellectual property, respect a third party's intellectual property rights (copyright, design right, patent right, etc.), and stay away from acts that can infringe on them.

Code of Conduct | 4-6 | Appropriate relations with government

We shall not offer bribes to politicians, civil service officials, or local government officials. With regard to legal fund-raising parties or simple social gatherings, we shall stay away from acts that can be suspected of anticipating governmental licenses in return.

Principles of Corporate Ethics | With the environment

In line with our belief that environmental issues are a matter of concern for the whole world, we work to protect the natural environment and to bring about a society where people can live in harmony with nature.

Code of Conduct | 5-1 | Complying with environmental laws

We shall comply with all laws and local bylaws that are applicable to countries and regions we do business in.

Code of Conduct | 5-2 | Reduction in environmental impacts in business activities

We shall offer products and services that can help reduce environmental impacts. In addition, we shall adhere to reduction in environmental impacts for business processes that culminate in their provision as well.

Code of Conduct | 5-3 | Proactive environmental actions

We shall recognize that individual environmental actions can significantly help realize a sustainable society and engage in proactive environmental actions in every situation including everyday life.

Code of Conduct | 5-4 | Protecting biodiversity

We shall treasure the blessings of nature, promote business activities considerate of biodiversity, and contribute to co-creating a brighter future by people and nature.

Principles of Corporate Ethics | With the communities

We respect the culture and customs of each region, and support the sustainable development of local communities through our business activities and social contributions.

Code of Conduct | 6-1 | Actions that win the trust of local community

We, as a member of a local community, shall treat the community sincerely to win its trust. We shall stay away from behavior short of consideration of the neighborhood in particular.

Code of Conduct | 6-2 | Contribution to regional development

We shall actively promote harmony with the community and contribute to sustainable economic, environmental, and social development of the community through our daily activities.

Code of Conduct | 6-3 | Initiatives for the resolution of regional issues

We shall focus on the community's issues through communication and contribute to issue resolution through our business and community co-creation activities.

Principles of Corporate Ethics | Respect for human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.

Code of Conduct | 7-1 | Creating an environment that respects human rights

We will strive to deepen understanding by participating in human rights awareness-raising activities. We will bear that in mind in our words and behavior to respect the personality and individuality of each person and to create an environment that respects human rights.

Code of Conduct | 7-2 | Fair recruiting activity

Based on the concept of fair recruitment and selection, we will only judge and select applicants based on aptitude and capability.

Code of Conduct | 7-3 | Elimination of discriminatory business conduct

We will not discriminate in our business activities, or perform acts to contribute to discrimination.

Code of Conduct | 7-4 | Reception of diversity

We will build up a corporate culture that can make use of perspectives and ideas of people varying in values, gender, generation, ethnicity, language, culture, and lifestyles.

Code of Conduct | 7-5 | Dealing with undue pressure on corporations using buraku discrimination

We will deal organizationally against undue pressure on corporations using buraku discrimination with a dauntless attitude and will never accept unreasonable demands.

Community Development Vision of the Daiwa House Group (Established on October 2015)

Vision Community value into the future

Our development of a community does not end when infrastructure and buildings are built. Development of a community where happiness is presented to every human and other living things related to this community. Rather than thinking of communities as something with asset value, we create new values that will lead us to a new stage towards the future. That is the type of community development we are aiming for.

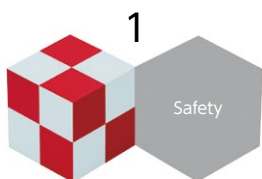


Mission Design & Management

Our basic philosophy is “Co-creating a Brighter Future.” This does not change even when developing communities. We engage in building a bridge between people and working together to lead the value of the community to the future. And to enrich the lives of every person who lives in this community. That is our mission and our challenge.

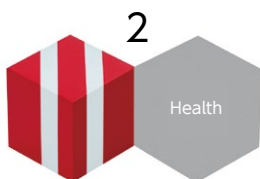
Value 8 HEARTS —Eight values for people and regions—

In our community development, there always are eight values (hearts) for people and regions that continue indefinitely at the core. How can we provide people with a safe, comfortable and healthy lifestyle? How can we improve to the maximum the regional economy, environmental friendliness and identity? With “Co-creating a Brighter Future” as the basic philosophy, we at Daiwa House Group aim to develop a community connecting to the future that connects people with people, and people with the region.



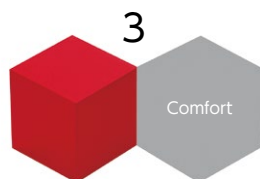
1 Giving consideration to safety to create a “secure environment”, where people smile.

- Crime prevention and monitoring measures
- Security towards the future
- Countermeasure and response to disasters (resilience)
- Consideration to safety



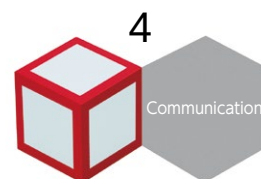
2 To a community where people can stay “with a healthy heart and body” for many years to come.

- Health maintenance and improvement
- Creation of a purpose in life
- Health and living support (medical and nursing care collaboration)



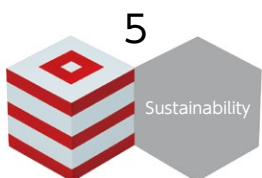
3 Create a convenient “comfortable daily life” for an enriched lifestyle.

- Improvement of usability
- Formation and maintenance of a comfortable space
- Providing lifestyle functions and services
- Responding to various lifestyles



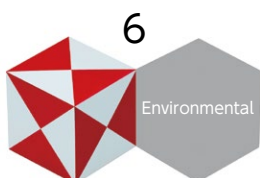
4 Make more “communication” between people and people, people and the community for a more fostered community.

- Communication between people and people
- Communication between people and the community
- Communication between communities



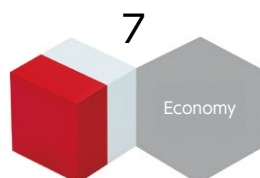
5 To a community that will be a “sustainable” society asset in the future as well.

- Flexible response to change
- Sustainable future plan
- Community independence
- Education and development of human resources who will be responsible for the next generation



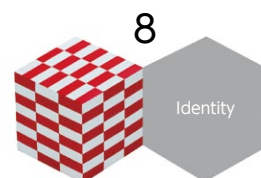
6 For a community “coexisting with the environment”, living together with nature and making smart use of limited resources.

- Effective utilization of resources
- Efficient use of energy
- Harmony with the natural environment
- Consideration for the local environment



7 For a community that becomes the center of a region to revitalize “economy”.

- Formation and maintenance of asset value
- Revitalizing regional economy
- Creating regional employment
- Maximizing business efficiency
- Solving administrative issues



8 To respect the history and culture, for a community that harmonizes with the “uniqueness” of the region.

- Conservation of traditional culture
- Harmony with regional characteristics
- Solving regional issues (cooperation with the region and administration)

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Daiwa House Group Basic Procurement Policy (Established on July 1, 2015)

This policy provides the basis for procurement activities conducted by all employees of the Daiwa House Group. It underscores procurement practices with a good balance amongst QCDMSE (Quality, Cost, Delivery, Moral, Safety and Environment).

- 1 We shall focus on QCD (quality, cost and delivery) in order to meet the needs of end users.
- 2 We shall establish a fairness hotline for all business partners and shall conduct transactions according to the principles of competition and high ethical standards.
- 3 We shall strictly manage and use personal information and confidential information related to transactions.
- 4 We shall comply with all domestic and foreign laws and regulations and conduct fair transactions based on compliance.
- 5 We shall consider the health and safety of all people involved in a transaction.
- 6 We shall engage our suppliers in a spirit of mutual prosperity and build appropriate relationships.
- 7 We shall regard environmental concerns as global issues and shall contribute to environmental preservation in all transactions while reducing our environmental impact.
- 8 We shall recognize the impact of transactions on the local community and shall strive to give this issue due consideration.
- 9 We shall respect the dignity and fundamental human rights of everyone involved in our transactions and shall endeavor to avoid complicity in human rights violations.
- 10 We shall promote CSR procurement throughout the supply chain.

CSR Procurement Guidelines (Established on July 1, 2015, Revised on July 1, 2018)

These guidelines define the procurement activities the Daiwa House Group requires of its business partners. They not only establish “social” requirements related to human rights and safety that business partners must observe but also “environmental” requirements on biodiversity, chemical substances, etc.

* “Procurement” means not only the act of a business partner purchasing and delivering building materials and the like to Daiwa House Industry but also a broader range of corporate activities including the construction of real property and the transfer thereof to Daiwa House Industry.

■ Purpose

- (1) Prepare for a diversity of risks that originate with business partners and properly respond to problems that occur.
- (2) Continue business between Daiwa House Industry and business partners of a nature and means approved by society.

■ Scope of Application

All business partners who do business with the Daiwa House Group (Primary suppliers, primary subcontractors, etc.)

■ Composition

- (1) Business Partner Code of Conduct: 7 principles that underline the social and environmental responsibilities we expect of our business partners
- (2) Corporate Activity Guidelines: 20 more articulately defined social and environmental requirements for our business partners
- (3) Guidelines for Products: Social and environmental controls on products purchased by business partners and delivered to Daiwa House Industry, specifically:
 - ① Chemical Substance Management Guidelines [Basics]: Regarding the chemical substances contained in construction materials
 - ② Biodiversity Guidelines [Timber Procurement]: Regarding recommended types of timber to procure

CSR Procurement Guidelines

1 Business Partner Code of Conduct		2 Corporate Activity Guidelines	
1) Establish a relationship of trust with customers	Make the best effort to satisfy and earn the trust of customers (end-users) by supplying good quality products and services, and being sincere in communications with them.	1-1 Procurement information disclosure	
2) Secure legal compliance	Not only observe laws and regulations but also act with high ethical standards in order to meet the expectations of stakeholders.	1-2 Considerations for personal information	
		2-1 Acting in full compliance with laws and regulations, and high ethical standards	
		2-2 Management of confidential information	
3) Considerations for occupational safety and health	Show due consideration for employee and supplier health and safety, and create workplace environments that are open-minded and fair.	2-3 Non-involvement with antisocial forces	
		3-1 Managing work safety and health	
4) Fair business activities	Value the partnership shared with suppliers and build proper relations with them. Promote the healthy development of the industry as a whole in line with the principles of competition of a free and open market.	3-2 Establishment of a business continuity plan	
		4-1 Prohibited use of superior bargaining position against suppliers	
		4-2 Promotion of fair free trade	
		4-3 Respect for intellectual property rights	
5) Environmental conservation	Strive to reduce the environmental load of both "business processes" and "products and services" in order to help create a world where people can lead an affluent way of life in harmony with the environment.	4-4 Prevention of corruption	
		5-1 Complying with environmental laws and regulations and responding to the demands of society	
		5-2 Responding to climate change	
		5-3 Promoting resource conservation	
		5-4 Managing chemical substances	
6) Co-creating a Brighter Future with local communities	Respect the culture and customs of areas where conducting business, and contribute to the sustainable development of local communities through one's business activities, etc.	5-5 Protecting biodiversity	
		6-1 Considerations for and contributions to local residents and communities where doing business	
7) Respect for human rights	Respect all persons involved in business activities and the basic human rights of all by not committing any acts that might infringe on those rights.	7-1 Elimination of all forms of forced or compulsory labor	
		7-2 Abolition of child labor	
		7-3 Abolition of any form of harassment	

3 Guidelines for Products

① Chemical Substance Management Guidelines [Basics]

Control level	Controlled substances
Level 1 (Prohibited use) Substances and substance groups that are prohibited from use in all products	Substances prohibited under the laws of the country where doing business
Level 2 (Control required / Restricted use) Substances and substance groups for which the status of use in major construction materials should be identified (Some materials have restrictions on their use.)	Substances indexed and regulated by the Ministry of Health, Labour and Welfare, and some SVHC in REACH*1

*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): New directive on chemical substances enforced by the European Commission in June 2007

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	Collect and make available for disclosure, as needed, information on product origins and the suppliers who processed or procured those products.
	Collect, manage, use and provide the personal information of customers, suppliers and others with utmost care.
	Observe laws and regulations in one's own country and abroad, understand the demands and expectations of the international community, and act with high ethical standards.
	Carefully manage confidential information and do not use such information for insider trading or conducting speculative acts that might invite suspicion thereof.
	Resolutely oppose and address any involvement with antisocial forces.
	Create well-ordered workplaces that safeguard workers against on-the-job accidents, carefully manage occupational hygiene and maintain the physical and mental health of workers.
	Develop and implement plans that ensure safety and enable business to continue in the event of natural disasters and other unforeseeable circumstances.
	Properly construe contracts with suppliers, being careful not to use one's superior bargaining position to low-ball prices, force unreasonable business terms and conditions on counterparts, or otherwise treat counterparts unfairly. Moreover, do not make unreasonable requests of suppliers, or accept or provide gifts or entertainment above and beyond socially accepted norms.
	Do not commit acts of collusion, cartelization or that otherwise undermine the principles of free fair trade, or share information, attend meetings or make contacts that might invite suspicion thereof.
	Recognize the importance of intellectual property rights (copyrights, utility designs, patents, etc.), and respect the intellectual property rights of third parties by not committing any acts that might infringe upon those rights.
	Do not bribe government officials or politicians on any level, or commit any acts that might invite suspicion thereof.
	Complying with domestic and international environmental laws and regulations, we are striving to reduce our environmental impact by meeting the demands of the global community and our stakeholders.
	Promoting energy efficiency and reduction of greenhouse gas (GHG) emissions in our products and services as well as in our business processes (such as procurement and processing), we are focused on utilizing natural sources of energy.
	Promote the "reduction, reuse and recycling of materials" across the lifecycle (production, use and discard) of products in order to conserve resources, and protect water resources by thoroughly reducing consumption and managing risks.
	Providing our suppliers with information on the chemical substances in our products and reducing the use of substances associated with higher risks, we offer products with little impact on our stakeholders' health and the natural environment.
	Promoting forest preservation through sustainable timber procurement, we are striving to develop towns in harmony with green spaces and designed with harmony with their local environment.
	Be open and honest with local communities, and work to earn their trust. Do not commit any act without considering how it might impact local residents.
	Do not make employees work against their will by unreasonably binding them mentally or physically.
	Do not employ children below the minimum working age (the minimum working age is 15 years old in principle, and labor that has possibility to impair their health, safety, and morality will be 18 years old) provided in the law of each country.
	Respect the individuality of employees and do not perform behaviors or harassment that deny their individuality. Do not perform sexual harassment.

② Biodiversity Guidelines [Timber Procurement]

- 1) **Certified timber:** Timber that has been certified by various organizations
- 2) **Recycled timber:** Timber recycled from construction scrap
- 3) **Timber recommended by Daiwa House Industry:** Timber other than the above that clears 11 check items
(Three legality items and eight sustainability items)

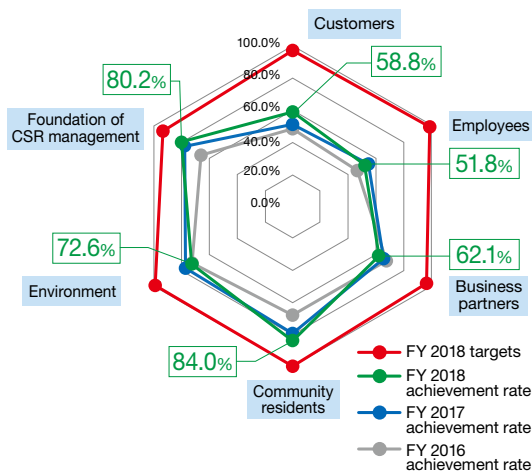
(July 1, 2018 2nd Edition)

CSR Self-Assessment Indices
Fiscal 2018 results

In fiscal 2006, the Daiwa House Group introduced a CSR self-assessment index to measure and “visualize” CSR activity results. This has been beneficial in making improvements to CSR activities.

Along with the start of the 5th Medium-Term Management Plan, we formulated a Medium-Term CSR Plan aimed at strengthening our management foundation. Progress is managed annually by related departments using assessment indices that were revised according to the plan (implementation period: fiscal 2016 to fiscal 2018), with the goal of achieving performance objectives and strengthening management foundations.

In our self-assessment in fiscal 2018, the final fiscal year of the implementation period, we scored 765 points on the 26 priority issues and 49 indices, against the fiscal 2018 target of 1,145 points and the achievement rate was 66.8%.



Social

Customers (full points: 175)

Priority issues	Indices	Individual indices	Point allotment	FY 2018			FY 2017			
				Targets	Results	Points	Results	Points		
Provide high quality products	No-charge after-service index within one-year of handover	Rate of long-life quality housing (Single Family Housing)	25 pts	90% or above	84.0%	24 pts	21 pts	83.7%	18 pts	20 pts
		No-charge after-service index within one-year of handover (Apartment)		Below 10 pts	0.72 pts		25 pts	4.46 pts		25 pts
		No-charge after-service index within one-year of handover (General Construction)		Below 10 pts	3.9 pts		25 pts	12.2 pts		20 pts
		No-charge after-service index within one-year of handover (Commercial Construction)		Below 10 pts	7.1 pts		25 pts	32.5 pts		10 pts
	Percentage of implementation of special inspection regarding product performance and specifications	Percentage of implementation of special inspection (Single Family Housing)	25 pts	100%	91.1%	17 pts	15 pts	90.4%	12 pts	15 pts
		Percentage of implementation of special inspection (Apartment)		100%	98.3%		20 pts	88.4%		10 pts
Proper communication with customers	Improved skill for communicating with customers	Rate of participation in new employee training (Single Family Housing)	25 pts	100%	100%	14 pts	25 pts	100%	14 pts	25 pts
		Rate of participation in new employee training (Apartment)		100%	100%		25 pts	100%		25 pts
		Rate of employee participation in training for each level, and local seminars (General Construction)		95%	80.3%		5 pts	79.4%		0 pts
		Rate of participation of beginner employees (new employees - third year) training, and tax training for all employees (Commercial Construction)		100%	85.0%		5 pts	89.2%		5 pts
		Rate of participation in role-playing competitions for sales employees within two years of joining the company (Condominium)		100%	94.2%		10 pts	97.2%		15 pts
	No. of complaints made to the Head Office	Degree of satisfaction, during construction and post-contract follow-up period, in one-month questionnaire survey (Single Family Housing)	25 pts	80% or above	68.5%	3 pts	15 pts	67.3%	3 pts	15 pts
		No. of complaints made directly to the Head Office (Apartment)		0	157		0 pts	168		0 pts
		No. of complaints made directly to the Head Office (General Construction)		0	26		0 pts	22		0 pts
		No. of complaints made directly to the Head Office (Commercial Construction)		0	58		0 pts	47		0 pts
		No. of complaints made directly to the Head Office (Condominium)		0	41		0 pts	43		0 pts
Long-term efforts to earn trust ★	Customer (owner) satisfaction	Degree of satisfaction in one-month questionnaire survey (Single Family Housing)	25 pts	80% or above	67.8%	15 pts	15 pts	67.4%	15 pts	15 pts
		Intention of recommendations in resident questionnaire survey and owner questionnaire survey (Apartment)		80% or above	30.4%		5 pts	29.5%		0 pts
		Degree of satisfaction in handover questionnaire survey by customer (General Construction)		80% or above	93.1%		25 pts	95.9%		25 pts
		Degree of satisfaction in relationship DM with existing owners (Commercial Construction)		80% or above	67.6%		15 pts	71.3%		20 pts
		Degree of satisfaction right before taking residence till three months afterward (Condominium)		1.25 pts	1.26 pts		15 pts	1.23 pts		15 pts

■ Points and achievement rate by stakeholder

Target stakeholder	Priority issues (The most important priority issues)	Indices	Points					Achievement rate			
			Full points	FY 2018 targets	FY 2018 results	FY 2017 results	FY 2016 results	FY 2018 targets	FY 2018 achievement rate	FY 2017 achievement rate	FY 2016 achievement rate
Customers	3 (1)	7	175	170	100	87	83	97.1%	58.8%	51.1%	48.8%
Employees	4 (2)	10	250	247	128	133	113	98.8%	51.8%	53.8%	45.7%
Business partners	3 (2)	8	200	193	120	126	130	96.5%	62.1%	65.2%	67.3%
Community residents	2 (1)	5	125	125	105	100	85	100.0%	84.0%	80.0%	68.0%
Environment	6 (-)	11	225	223	162	171	163	99.1%	72.6%	76.6%	73.0%
Foundation of CSR management	8 (-)	8	200	187	150	149	123	93.5%	80.2%	79.6%	65.7%
Total	26	49	1,175	1,145	765	766	697	97.4%	66.8%	66.8%	60.8%

* Results were rounded off to 3 significant digits and 2 places below the decimal.
 * Some of the data for FY 2016 was revised by dropping fractions instead of rounding them up/down.
 * There are two priority issues. Of which, for the most important priority issues (★), three indices are set to implement weighted scoring.
 * Underlined figures in the Assessment method denote points obtained in fiscal 2018.
 * Figures are changed from fiscal 2017 owing to partial modification of the calculation method.

(Reference) FY 2016		Assessment method	
Results	Points		
83.4%	21 pts	20 pts	Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25 pts.
1.05 pts		25 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, <u>Below 10 pts: 25 pts</u>
12.5 pts		20 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, <u>Below 10 pts: 25 pts</u>
15.6 pts		20 pts	60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, <u>Below 10 pts: 25 pts</u>
92.8%	10 pts	15 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, <u>90%–below 95%: 15 pts</u> , 95%–below 100%: 20 pts, 100% or 0 inspections: 25 pts
83.3%		5 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, <u>95%–below 100%: 20 pts</u> , 100%: 25 pts
100%	13 pts	25 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, <u>100%: 25 pts</u>
98.2%		20 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, <u>100%: 25 pts</u>
79.7%		0 pts	Below 80%: 0 pts, <u>80%–below 85%: 5 pts</u> , 85%–below 90%: 10 pts, 90%–below 92%: 15 pts, 92%–below 95%: 20 pts, 95% or above: 25 pts
94.1%		10 pts	Below 80%: 0 pts, <u>80%–below 90%: 5 pts</u> , 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts
93.0%		10 pts	Below 80%: 0 pts, 80%–below 90%: 5 pts, <u>90%–below 95%: 10 pts</u> , 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts
68.2%	3 pts	15 pts	Percentage of highest evaluations of sales' post-agreement support and reporting and contact during construction in the one-month CS questionnaire survey Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, <u>60%–below 70%: 15 pts</u> , 70%–below 80%: 20 pts, 80% or above: 25 pts
193 pts		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to Head Office reception
14		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to Head Office reception
54		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to Head Office reception
26		0 pts	<u>5 or above: 0 pts</u> , 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to Head Office reception
68.2%	13 pts	15 pts	Percentage of total occupied by "I'm happy I used your company" and "Very good" evaluation in Overall Handling in the one-month CS questionnaire survey Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, <u>60%–below 70%: 15 pts</u> , 70%–below 80%: 20 pts, 80% or above: 25 pts
28.2%		0 pts	Below 30%: 0 pts, <u>30%–below 50%: 5 pts</u> , 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts
95.0%		25 pts	Ratio of "Very satisfactory" and "Satisfactory" as total assessment in handover questionnaire survey by customer Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, <u>80% or above: 25 pts</u>
69.2%		15 pts	Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, <u>60%–below 70%: 15 pts</u> , 70%–below 80%: 20 pts, 80% or above: 25 pts
1.18 pts		14 pts	Converted the average (Very Satisfied = 2; Satisfied = 1; Dissatisfied = -1; and Very Dissatisfied = -2) of seven items (Handling from site visit to agreement, Handling of residents explanatory meeting, Handling of private viewings, Post-agreement support, After-care support, Handling of 3-month inspection, and Degree of purchasing satisfaction) to a scale of 25.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
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 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section

Data Section

Managerial Philosophy and Overall Picture
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Priority issues	Indices	Individual indices	Point allotment	FY 2018			FY 2017			
				Targets	Results	Points	Results	Points		
Long-term efforts to earn trust ★	Long-term viewpoint evaluations	Degree of total satisfaction in ten-year inspection questionnaire survey (Single Family Housing)	25 pts	100%	96.4%	18 pts	20 pts	17 pts	20 pts	
		Repeat orders rate by existing owners (Apartment)		20% or above	44.5%		25 pts		39.5%	25 pts
		Increase/decrease in re-ordering rate to total amount of orders (General Construction)		20% or above	11.7%		15 pts		-0.79%	0 pts
		Rate of reordering by existing owners (Commercial Construction)		30% or above	29.5%		20 pts		33.3%	25 pts
		Degree of total satisfaction in condominium association's board of directors questionnaire survey after 10 years (Condominium)		80% or above	57.9%		14 pts		64.0%	16 pts
	Questionnaire survey evaluation after taking residence	Rate of highest evaluation concerning referral intention in one-month questionnaire survey (Single Family Housing)	25 pts	70% or above	60.6%	9 pts	20 pts	8 pts	15 pts	
		Referral intention in questionnaire survey evaluation after taking residence (Apartment)		65% or above	29.8%		0 pts		29.6%	0 pts
		Rate of orders from introductions by owner member (Commercial Construction)		5% or above	0.18%		0 pts		0.25%	0 pts
		Degree of recommendations to friends and acquaintances (Condominium)		95% or above	75.1%		18 pts		79.8%	19 pts

■ Employees (full points: 250)

Priority issues	Indices	Individual indices	Point allotment	FY 2018			FY 2017		
				Targets	Results	Points	Results	Points	
Provide a safe and healthy work environment	Rate of obtainment of paid holidays		25 pts	70%	56.5%	15 pts	55.0%	15 pts	
	Diagnosis (living practices) score in the health analysis score		25 pts	70 pts	52.7 pts	5 pts	55.2 pts	10 pts	
Develop human resources ★	Degree of satisfaction of employees to overall human resources training		25 pts	85 pts	56 pts	5 pts	67 pts	10 pts	
	Evaluation of OJT (Total for ① + ②)	① Degree of satisfaction of new employees	25 pts	80%	85.4%	23 pts	15 pts	23 pts	15 pts
		② Percentage of self-assessments conducted by elder employees		80%	76.5%		8 pts		71.8%
	Rate of acquisition of professional qualifications by young employees (Total for ① + ②)	① Percentage of employees newly licensed as a real estate broker	25 pts	20%	15.2%	20 pts	10 pts	20 pts	10 pts
② Percentage of employees newly licensed as a class 2 architect		25%		49.5%	10 pts		34.5%		10 pts
Create work environments and systems where a diverse range of employees can work flexibly ★	Acquisition rate of male absence from work for child-rearing		25 pts	50%	32.9%	5 pts	34.1%	5 pts	
	No. of female managers		25 pts	160	137	10 pts	123	5 pts	
	Rate of employees with disabilities		25 pts	2.30%	2.39%	25 pts	2.33%	25 pts	
Provide employment opportunities for exceptional human resources	Rate of hiring of new graduate females (general employees)		25 pts	30%	24.6%	10 pts	24.3%	10 pts	
	No. of hirings of qualified engineers		25 pts	150	124	10 pts	128	10 pts	

■ Business partners (full points: 200)

Priority issues	Indices	Individual indices	Point allotment	FY 2018			FY 2017		
				Targets	Results	Points	Results	Points	
Fair competition	Rate of conflict resolution within one month from reporting by business partners with regard to subcontracting law		25 pts	100%	91.6%	22 pts	93.3%	23 pts	
	Responsible action toward all business partners	① Response rate to questionnaire survey about Daiwa House Industry employees' conduct by business partners	25 pts	70%	77.1%	20 pts	19 pts	18 pts	18 pts
		② Percentage of business partners that responded there was "No problem" in how Daiwa House Industry employees conducted themselves		75%	75.7%		78.6%		18 pts
		③ Appropriateness of duties contracted to business partners based on in-house criteria		80% or above	87.2%		21 pts		74.0%
Encourage business partners in CSR efforts ★	Education of in-house employees	① Rate of participation in level-based training by purchasing employees	25 pts	95%	78.1%	11 pts	5 pts	24 pts	25 pts
		② Rate of participation in level-based training by construction managers		100%	92.5%		18 pts		97.9%
	Evaluation of business partners and purchasing work based on in-house criteria		25 pts	4.5 pts or above	4.6 pts	25 pts	4.4 pts	20 pts	
	Rate of response of self-checks based on the Business Partner Code of Conduct		25 pts	70%	—	0 pts	15.1%	0 pts	
Improve labor conditions and ensure human resources for construction subcontractors ★	No. of employees trained on-site	① Housing-related: Number of trainees from subcontractor	25 pts	①500	481	23 pts	22 pts	22 pts	23 pts
		② Construction-related: Number of persons newly certified as skilled engineers/technicians		②330	339		25 pts		309
	No. of labor accidents		25 pts	-20% (compared with the previous year)	+27.7%	0 pts	+5.67%	0 pts	
	No. of support company members		25 pts	4,800	4,670	19 pts	4,654	19 pts	

		(Reference) FY 2016		Assessment method
		Results	Points	
	96.4%	13 pts	20 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts , 100%: 25 pts
	36.1%		25 pts	Below 0%: 0 pts, 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts
	-4.39%		0 pts	Below 0%: 0 pts, 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts , 15%–below 20%: 20 pts, 20% or above: 25 pts
	26.4%		10 pts	Below 25%: 0 pts, 25%–below 26%: 5 pts, 26%–below 27%: 10 pts, 27%–below 28%: 15 pts, 28%–below 29%: 15 pts, 29%–below 30%: 20 pts , 30% or above: 25 pts
	58.1%		14 pts	Converted the percentage “Very Satisfied” or “Satisfied” selected amongst the 7 levels of Overall Satisfaction in a questionnaire survey conducted by Daiwa LifeNext, a Group company, to a scale of 25.
	62.2%	10 pts	20 pts	Below 20%: 0 pts, 20%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts, 60%–below 70%: 20 pts , 70% or above: 25 pts
	27.7%		0 pts	Below 30%: 0 pts , 30%–below 35%: 5 pts, 35%–below 45%: 10 pts, 45%–below 55%: 15 pts, 55%–below 65%: 20 pts, 65% or above: 25 pts
	0.60%		0 pts	Below 1%: 0 pts , 1%–below 2%: 5 pts, 2%–below 3%: 10 pts, 3%–below 4%: 15 pts, 4%–below 5%: 20 pts, 5% or above: 25 pts
	91.4%		22 pts	Converted rate to a scale of 25 pts.

		FY 2016		Assessment method
		Results	Points	
	53.5%		15 pts	Below 30%: 0 pts, 30%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts , 60%–below 70%: 20 pts, 70% or above: 25 pts
	53.8 pts		5 pts	Below 50 pts: 0 pts, 50 pts–below 55 pts: 5 pts , 55 pts–below 60 pts: 10 pts, 60 pts–below 65 pts: 15 pts, 65 pts–below 70 pts: 20 pts, 70 pts or above: 25 pts
	67 pts		10 pts	Below 50 pts: 0 pts, 50 pts–59 pts: 5 pts , 60 pts–69 pts: 10 pts, 70 pts–79 pts: 15 pts, 80 pts–89 pts: 20 pts, 90 pts or above: 25 pts
	85.9%	23 pts	15 pts	Below 60%: 0 pts, 60%–69%: 5 pts, 70%–79%: 10 pts, 80% or above: 15 pts
	73.5%		8 pts	Below 60%: 0 pts, 60%–69%: 4 pts, 70%–79%: 8 pts , 80% or above: 10 pts
	14.8%	15 pts	5 pts	Below 10%: 0 pts, 10%–below 15%: 5 pts, 15%–below 20%: 10 pts , 20% or above: 15 pts
	40.5%		10 pts	Below 15%: 0 pts, 15%–below 20%: 4 pts, 20%–below 25%: 8 pts, 25% or above: 10 pts
	32.9%		5 pts	Below 30%: 0 pts, 30%–below 35%: 5 pts , 35%–below 40%: 10 pts, 40%–below 45%: 15 pts, 45%–below 50%: 20 pts, 50% or above: 25 pts
	108		0 pts	Below 120: 0 pts, 120 or above: 5 pts, 130 or above: 10 pts , 140 or above: 15 pts, 150 or above: 20 pts, 160 or above: 25 pts
	2.19%		10 pts	Below 2.10%: 0 pts, 2.10%–below 2.15%: 5 pts, 2.15%–below 2.20%: 10 pts, 2.20%–below 2.25%: 15 pts, 2.25%–below 2.30%: 20 pts, 2.30% or above: 25 pts
	23.2%		5 pts	Below 22%: 0 pts, 22%–below 24%: 5 pts, 24%–below 26%: 10 pts , 26%–below 28%: 15 pts, 28%–below 30%: 20 pts, 30% or above: 25 pts
	151		25 pts	Below 110: 0 pts, 110–below 120: 5pts, 120–below 130: 10pts , 130–below 140: 15pts, 140–below 150: 20pts, 150 or above: 25 pts

		FY 2016		Assessment method
		Results	Points	
	87.5%		21 pts	Converted rate to a scale of 25 pts.
	68.4%	17 pts	17 pts	Converted rate to a scale of 25 pts.
	72.0%			Converted rate to a scale of 25 pts.
	72.9%		18 pts	Of the quantitative assessment items, the ratio of “Ordinary” is converted to a scale of 25 pts.
	95.2%	21 pts	25 pts	Below 75%: 0 pts, 75%–below 80%: 5 pts , 80%–below 85%: 10 pts, 85%–below 90%: 15 pts, 90%–below 95%: 20 pts, 95% or above: 25 pts
	91.0%		17 pts	Evaluating point = (participation rate - 86%) × 12/14 + 13 * Average rate of participation in training by construction employees over 3-year period ending in FY 2015 = 86%
	4.2 pts		20 pts	Nationwide average scores for the quantitative assessment items Below 2.5 pts: 0 pts, 2.5 pts–below 3 pts: 5 pts, 3 pts–below 3.5 pts: 10 pts, 3.5 pts–below 4 pts: 15 pts, 4 pts–below 4.5 pts: 20 pts, 4.5 pts or above: 25 pts .
	—		0 pts	Evaluated every other year, therefore there are no results for FY 2018. Below 50%: 0 pts , 50%–below 54%: 5 pts, 55%–below 60%: 10 pts, 60%–below 65%: 15 pts, 65%–below 70%: 20 pts, 70% or above: 25 pts
	214	7 pts	0 pts	①Housing: Evaluation points for no. of construction shop trainees = (no. of trainees - 400) × 12/100 + 13 * Average no. of construction shop trainees over 3-year period ending in FY 2015 = 400
	267		15 pts	②Architecture: Evaluation points for no. of persons newly certified as skilled engineers/technicians = (no. of certifications - 250) × 12/80 + 13 * No. of certified persons at the end of FY 2015 = 250
	-20.5%		25 pts	Rate of decrease from the previous FY in the number of labor (on-site) accidents Number of accidents increased: 0 pts , 0%–above -5%: 5 pts, -5%–above -10%: 10 pts, -10%–above -15%: 15 pts, -15%–above -20%: 20 pts, -20% or less: 25 pts
	4,658		19 pts	Evaluation points = (no. of members - 4,500) × 12/300 + 13 * Average no. of members over 5-year period ending in FY 2015 = 4,500

Community residents (full points: 125)

Priority issues	Indices	Point allotment	FY 2018			FY 2017	
			Targets	Results	Points	Results	Points
Active involvement in, and collaboration with other parties for local community development ★	Collaboration with NPOs and NGOs	25 pts	50%	44.2%	15 pts	45.5%	20 pts
	Participation rate in Endless Donations Program	25 pts	25%	30.9%	25 pts	35.5%	25 pts
	Amount conversion of community co-creation activities by branch offices	25 pts	300 million yen	219.889 million yen	15 pts	171.876 million yen	10 pts
Contribute to the community by sharing business knowledge gleaned through experience	No. of classes given by dispatched instructors (D's School: Risk reduction, living environment)	25 pts	20	32	25 pts	19	20 pts
	No. of cases of education support (Career education, member of society instructor, on-site experience, and others)	25 pts	70	189	25 pts	204	25 pts

Environment

Environment (full points: 225)

Priority issues	Indices	Point allotment	FY 2018			FY 2017			
			Targets <small>The number within the parenthesis was the target until fiscal 2017</small>	Results	Points	Results	Points*1		
Prevention of global warming	Business activities	Rate of decrease from the fiscal 2005 figure in CO ₂ emissions per unit of sales (%)	25 pts	60% reduction*1 (55% reduction)	62.4% reduction	25 pts	58.5% reduction	25 pts	
	Products and services	Contribution to CO ₂ reduction (10,000 t-CO ₂)	25 pts	5,150,000 t-CO ₂ *1 (4,700,000 t-CO ₂)	4,133,000 t-CO ₂	0 pts	5140,000 t-CO ₂	25 pts	
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Ratio of C-ranked timber (%)	25 pts	0%	2.1%	14 pts	2.4%	12 pts	
	Products and services	Surface area of green spaces (m ²)	25 pts	800,000 m ² *1 (910,000 m ²)	839,000 m ²	25 pts	765,000 m ²	5 pts	
Conservation of natural resources	Business activities	Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials (%) [Manufacturing, new construction]	25 pts	Manufacturing: 0.6% reduction*1 (4.0% reduction) New construction: 20.0% reduction*1 (27.0% reduction)	13 pts	4 pts	Manufacturing: 0.2% reduction New construction: 17.4% reduction	11 pts	0 pts
		Recycling rate (%) [Manufacturing, new construction, civil engineering, demolition, renovation]		Manufacturing: 99.9% New construction: 98.0% Civil engineering: 99.2% Demolition: 96.3% Renovation: 83.1%			Manufacturing: 97.6% New construction: 98.1% Civil engineering: 98.5% Demolition: 96.6% Renovation: 81.8%		
	Products and services	Ratio of houses certified under the Long-Life Quality Housing Certification System (%)	25 pts	90%	83.0%	11 pts	20 pts	83.7%	18 pts
		System construction adoption rate (%)	25 pts	31%*1 (32%)	27.3%	2 pts	30.3%	16 pts	
Water resource conservation	Business activities	Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales (%)	25 pts	26% reduction*1 (24% reduction)	31.1% reduction	25 pts	25.2% reduction	25 pts	
Prevention of chemical pollution	Business activities	Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances (%)	25 pts	40% reduction	49.9% reduction	25 pts	42.2% reduction	25 pts	
Prevention of soil contamination	Procurement	Serious risks of soil contamination during land purchases	25 pts	0	0	25 pts	0	25 pts	

*1 The evaluation for the fiscal 2016 to 2017 was based on the pre-revision target for fiscal 2018 (at that time).

Governance

Foundation of CSR management (full points: 200)

Priority issues	Indices	Individual indices	Point allotment	FY 2018			FY 2017		
				Targets	Results	Points	Results	Points	
Transparency	External assessment of ESG information disclosures	① FTSE4Good Rating	25 pts	① 4.0	3.9	24 pts	23 pts	3.7	21 pts
		② Compliance with GRI Standards on ESG information disclosures		② 80%	97.7%		25 pts		
Ethical conduct	In-house CSR awareness survey		25 pts	80 pts	76.8 pts	20 pts	77.8 pts	20 pts	
Stakeholder engagement	Attendants' satisfaction with Stakeholders' Meeting	① Percentage of total who found "meeting ambiance conducive to frank discussion"	25 pts	100%	80.0%	16 pts	20 pts	84.6%	21 pts
		② Percentage of total who found "our information easy to understand"		100%	55.0%		13 pts		
Creation of a CSR mindset	No. of branch offices visited for CSR training		25 pts	83 worksites	85 worksites	25 pts	74 worksites*2	25 pts*2	
Risk management	Incidence rate of risks specified to be handled with priority		25 pts	50% reduction	6.9% reduction	1 pts	28.5% reduction	7 pts	
Safety	Safe driving management		25 pts	20% or more reduction	30% reduction	25 pts	19.8% reduction	20 pts	
Human rights awareness-raising	Human rights awareness-raising	Participation rate in human rights awareness-raising training ① Individual	25 pts	① 200%	189.9%	24 pts	23 pts	186.7%	23 pts
		Participation rate in human rights awareness-raising training ② 31 Group companies		② 100%	147.7%		25 pts		
Handle human rights issues	Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)		25 pts	100%	91.9%	15 pts	88.4%	10 pts	

*2 As the score was calculated based on the cumulative total of each worksite's score, it is different from the one in the 2018 Sustainability Report.

FY 2016		Assessment method
Results	Points	
42.6%	15 pts	Below 30%: 0 pts, 30%–below 35%: 5 pts, 35%–below 40%: 10 pts, 40%–below 45%: 15 pts , 45%–below 50%: 20 pts, 50% or above: 25 pts
36.9%	25 pts	Below 20%: 0 pts, 20%–below 22%: 5 pts, 22%–below 23%: 10 pts, 23%–below 24%: 15 pts, 24%–below 25%: 20 pts, 25% or above: 25 pts
148.334 million yen	5 pts	Below 100 mil. yen: 0 pts, 100 mil. yen–below 150 mil. yen: 5 pts, 150 mil. yen–below 200 mil. yen: 10 pts, 200 mil. yen–below 250 mil. yen: 15 pts , 250 mil. yen–below 300 mil. yen: 20 pts, 300 mil. yen or above: 25 pts
10	15 pts	Below 5: 0 pts, 5–below 10: 10 pts, 10– below 15: 15 pts, 15– below 20: 20 pts, 20 or above: 25 pts
245	25 pts	Below 10: 0 pts, 10–30: 5 pts, 30–50: 10 pts, 50–60: 15 pts, 60–70: 20 pts, 70 or above: 25 pts

FY 2016		Assessment method
Results	Points*1	
53.7% reduction	18 pts	Using 50% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of down 60% converted to a scale of 25
4,960,000 t-CO ₂	25 pts	Using 4,380,000 t-CO ₂ (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 5,150,000 t-CO ₂ converted to a scale of 25
2.5%	11 pts	Using 4.7% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 0% converted to a scale of 25
871,000 m ²	19 pts	Using 724,000 m ² (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 800,000 m ² converted to a scale of 25
Manufacturing: 0.5% reduction New construction: 20.9% reduction	3 pts	[Manufacturing] Using 0% as a benchmark, the rate of progress against fiscal 2018 target of "down 0.6%" converted to a scale of 25 [New construction] Using down 18.9% (fiscal 2015 results) as a benchmark, the rate of progress against fiscal 2018 targets of "down 20%" converted to a scale of 25
Manufacturing: 98.6% New construction: 97.7% Civil engineering: 99.8% Demolition: 96.0% Renovation: 80.0%	12 pts 21 pts	[Manufacturing, new construction, civil engineering, demolition] Using 90% as a benchmark, rate of progress against fiscal 2018 targets of 95% converted to a scale of 25 [Renovation] Using 78.7% as a benchmark, rate of progress against fiscal 2018 targets of 85% converted to a scale of 25
83.5%	18 pts	20 pts Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25
30.4%		17 pts Using 27% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 31% converted to a scale of 25
21.7% reduction	10 pts	Using 20% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of down 26% converted to a scale of 25
40.6%	25 pts	Using 35% as a benchmark, rate of progress against fiscal 2018 targets of down 40% converted to a scale of 25
0	25 pts	0: 25 pts, 1 or above: 0 pts

FY 2016		Assessment method
Results	Points	
3.2	15 pts	15 pts Using 2.0 for the FTSE4Good rating in fiscal 2015 as a benchmark, 4.0 is converted to a scale of 25
75.5%		15 pts Using 68.4% for the extent to which ESG disclosure information is compliant with GRI in fiscal 2015 as a benchmark, 80% is converted to a scale of 25
76.1 pts	20 pts	Below 50 pts: 0 pts, 50 pts–below 70 pts: 10 pts, 70 pts–below 75 pts: 15 pts, 75 pts–below 80 pts: 20 pts , 80 pts or above: 25 pts
68.0%	20 pts	17 pts Ratio of "Discussion was open"
92.0%		23 pts Ratio of "Our explanation was clear"
38 worksites*2	25 pts*2	FY 2016: 0 worksites: 0 pts, 1–20 worksites: 10 pts, 21–25 worksites: 15 pts, 26–29 worksites: 20 pts, 30 or above worksites: 25 pts FY 2017: Below 30 worksites: 0 pts, 31–50 worksites: 10 pts, 51–55 worksites: 15 pts, 56–59 worksites: 20 pts, 60 or above worksites: 25 pts FY 2018: 60 worksites or less: 0 pts, 61–80 worksites: 10 pts, 81–82 worksites: 20 pts, 83 or above worksites: 25 pts
0.3% reduction	0 pts	Converted the rate of reduction to a scale of 25 pts.
10.2% reduction	15 pts	Below 1%: 0 pts, 1%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts The number of cases of accidents in fiscal 2015 is set as a benchmark
182.9%	23 pts	22 pts Converted rate to a scale of 25 pts.
122.3%		25 pts Converted rate to a scale of 25 pts.
84.66%	5 pts	Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts , 95%–below 100%: 20 pts, 100%: 25 pts

Environmental Data

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Calculation and Reporting of Environmental Data

Basics

- ◇ **Report period:** April 1, 2018 to March 31, 2019 Reference: Number of consolidated subsidiaries: 340 (135 in Japan, 205 outside Japan)
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. and its consolidated subsidiaries in Japan (As of March 31, 2019)

The scope of these environmental data encompasses the domestic business operations of Daiwa House Industry and its consolidated subsidiaries, which are the target organization of Endless Green Program 2018, our Environmental Action Plan.

Excluded from the data, however, are smaller companies that impart no environmental impact for each indicator.

The coverage rate of the target companies is estimated at 93%.

Regarding the environmental impact of sites outside Japan that are excluded from the data, we report only CO₂ emissions and water consumption on pages 212 and 227 of Materials and Data Section because sales of our businesses outside Japan represent only 7% of consolidated net sales.

In addition, in the event of a change in the number of consolidated subsidiaries subject to environmental management, the following measures are undertaken in order to facilitate the comparison of any such change.

[When the number of relevant organizations decreases during the term (due to a sale, etc.)]

Data 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
- “Guidelines on Calculation Method for Greenhouse Gas Emissions for Business Operators” by the Ministry of the Environment
- “Basic Guidelines on Calculating Greenhouse Gas Emissions through Supply Chain Ver. 2.4” by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- “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.

CO₂ emission factor

As a general rule, our Group uses fixed values during the period covered by the Environmental Action Plan (three years) in order to ascertain accurately the improvement status of the Company itself.

Regarding fuel, etc., we use values based on the Energy Efficiency Act (Act on the Rational Use of Energy) and the Act on Promotion of Global Warming Countermeasures. Regarding purchased electric power, we use the actual values (average of each member company) released by the Federation of Electric Power Companies of Japan in fiscal 2005. The same emission factor used for purchased electric power is used in calculating the offset of renewable energy (power sales).

• Purchasing power	0.423 t-CO ₂ /MWh	• Kerosene	2.489 t-CO ₂ /kl
• Gasoline	2.322 t-CO ₂ /kl	• City gas	2.234 t-CO ₂ /1,000m ³ (N)
• Light oil	2.585 t-CO ₂ /kl	• LP gas	2.999 t-CO ₂ /t
• No. 2 fuel oil	2.710 t-CO ₂ /kl	• Cold, Warm Water	0.057 t-CO ₂ /GJ

The calculation of CO₂ is affected by inherent uncertainty resulting from the incomplete scientific knowledge used to determine emission factors and numerical data.

Heat quantity conversion factor

In the Daiwa House Group, energy consumption is calculated using the Joule (J), a derived unit of energy in the International System of Units (SI), and the following heat quantity conversion factors are used for each energy type. Regarding renewable energy (consumed in-house), it is assumed that electric power purchases have been reduced by its use; therefore, the same heat quantity conversion factor used for purchased electric power is used.

• Purchasing power	9.76 GJ/MWh	• Kerosene	36.7 GJ/kl
• Gasoline	34.6 GJ/kl	• City gas	44.8 GJ/1,000m ³ (N)
• Light oil	37.7 GJ/kl	• LP gas	50.8 GJ/t
• No. 2 fuel oil	39.1 GJ/kl	• Cold, Warm Water	1.36 GJ/GJ

Results and Self-Assessment of the Environmental Action Plan (Endless Green Program 2018)

Of the 25 items in the KPI related to the focal themes of each activity, 16 of the items have been accomplished and, compared to the results for the preceding fiscal year, five have gotten worse.




■ Environmental initiatives





















Environmental theme	Focal theme		Management indicator		Scope	FY 2016 Results	FY 2017 Results	FY 2018 Targets	FY 2018 Results
Prevention of global warming	Business operations	Reducing CO ₂ emissions associated with business operations	CO ₂ emissions per unit of sales (compared with fiscal 2005 level)		Daiwa House Group	53.7% reduction	58.5% reduction	60% reduction	62.4% reduction
			CO ₂ emissions (compared with fiscal 2005 level) (after offset by power generation using renewable energy sources)			35.4% reduction	41.8% reduction	43% reduction	50.9% reduction
			The composition of power generated through reusable energy for purchased electricity		Daiwa House Group	54%	63%	65%	88%
	Products and services	Expanding our contribution to CO ₂ reduction by popularizing ECO products and services	Contribution to CO ₂ reduction		Daiwa House Group	4,960,000 t	5,140,000 t	5,150,000 t	4,130,000 t
Harmony with the natural environment	Procurement	Promoting sustainable timber procurement	Ratio of C-ranked timber in procured timber		Daiwa House Group	2.5%	2.4%	0%	2.1%
	Products and services	Promoting the preservation and creation of green spaces in development and community development	Surface area of green spaces		Daiwa House Group	871,000 m ²	765,000 m ²	800,000 m ²	839,000 m ²
Compliance rate with voluntary standards for biodiversity conservation			Daiwa House Industry	100%	100%	100%	100%		
Conservation of natural resources	Business operations	Reducing waste at the production/construction stages	Manufacturing	Construction waste emissions per unit of sales (compared with fiscal 2012 level)	Daiwa House Group	0.6% reduction	0.2% reduction	0.6% reduction	0.2% reduction
			New construction	Construction waste emissions per construction site surface area (compared with fiscal 2012 level)	Daiwa House Group	20.9% reduction	17.4% reduction	20% reduction	16.1% reduction
		Promoting recycling of construction waste	Manufacturing	Recycling rate	Daiwa House Group	98.6%	97.6%	≥95%	99.9%
			New construction	Recycling rate	Daiwa House Group	97.7%	98.1%	≥95%	98.0%
			Civil engineering	Recycling rate	Daiwa House Group	99.8%	98.5%	≥95%	99.2%
			Demolition	Recycling rate	Daiwa House Group	96.0%	96.6%	≥95%	96.3%
	Products and services	Popularizing housing and buildings that conserve natural resources and promote recycling	Housing	Ratio of houses certified under the Long-Life Quality Housing Certification System	Daiwa House Industry	83.5%	83.7%	90%	83.0%
			Building	Adoption rate of system construction* (floor space)	Daiwa House Industry	30.0%	30.3%	31%	27.3%
	Business operations	Reducing water consumption associated with business operations	Water consumption per unit of sales (compared with fiscal 2012 level)		Daiwa House Group	21.7% reduction	25.2% reduction	26% reduction	31.1% reduction
	Prevention of chemical pollution	Business operations	Suppressing the use of chemical substances at the production stage	Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)		Daiwa House Group	40.6% reduction	42.2% reduction	40% reduction
Reduction of VOC (volatile organic compounds) emissions per unit of sales (compared with fiscal 2013 levels)				Daiwa House Group	12.6% reduction	13.9% reduction	10% reduction	20.4% reduction	
Products and services		Improving indoor air quality in residential facilities	Completion of in-house criteria for indoor air quality		Daiwa House Group	Achieved in all segments	Achieved in all segments	≥100%	Achieved in all segments






■ Basics of environmental management

Basic policy	Focal theme	Management indicator		Scope	FY 2016 Results	FY 2017 Results	FY 2018 Targets	FY 2018 Results
Basics of environmental management	Expand environmental activities globally to business partners.	Understanding environmental impacts at operation sites outside Japan		Daiwa House Group	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan
		Environmental activities through business partner organizations		Daiwa House Industry	Introduction to 5 Group companies	Currently implementing self-assessments for CSR Procurement Guidelines	Surveys for suppliers about greenhouse gas emissions reduction	Approaching Daiwa House Reform Co., Ltd., conducting a greenhouse gas emissions reduction survey
	Raise all employees' awareness of participation in environmental management.	Formulation and implementation of environmental performance assessment system	Number of companies below Rank D	Daiwa House Group	2 companies	1 company	0 out of 21 companies	2 companies
Number of worksites below Rank D			Daiwa House Industry	2 worksites	0 worksites	0 worksites	0 worksites	
Implementation rate of worksite ECO training		Daiwa House Industry	95%	99%	100%	99%		

* Scope of application: Convenience stores, drug stores, nursing care facilities

-  : Target for fiscal 2018 achieved
-  : Target for fiscal 2018 not achieved (improved from the previous year)
-  : Target for fiscal 2018 not achieved (worsened from the previous year)

Self-Assessment		Related page
	We promoted ZEB for newly-constructed facilities of the company, while advancing operational improvements using the check sheet by usage and making active energy-saving investment in high-efficiency air conditioners, water heaters, and LED lighting for existing facilities. As a result of promoting such energy-saving efforts for our facilities, the targets were achieved. In next fiscal year, we are going to carry on promoting energy-saving activities, as illustrated in the introduction of renewable energy in our facilities such as the solar power generation system and the development of new technologies.	P156, 212, 213
		
	We promoted the mega-solar business smoothly mainly through the Groupwide dream solar project and had 287MW, 9MW, and 2MW generated by solar power, wind power, and hydro power, respectively. With annual electricity generated 1.35 times more than the level one fiscal year earlier, the target was achieved.	P156, 214
	As sales of the commercial and office building-related business grew, contribution by insulating/energy-saving equipment expanded smoothly. Contribution by solar power generation, however, fell significantly in the environmental energy business and the renovation business as Feed-in-Tariff dropped, with the result that the target was not achieved. From next fiscal year on, we are going to promote ZEH and ZEB, and expand the energy creation business to increase contribution to overall CO ₂ reduction.	P156, 215, 216
	For C-ranked timber subject to a survey carried out last fiscal year, we took corrective actions such as switching to procurement from lower risk areas, which resulted in a 0.3 points decrease in the ratio of C-ranked timber. However as it takes time to complete the switch, the target was not achieved. In next fiscal year, in addition to completing the switch, we are going to further promote the switch to procurement from lower risk areas to reduce C-ranked timber to zero.	P166, 221, 222
	While a decrease in house sales in the housing business led to a decrease in green spaces, an increase in large projects in the construction-related business expanded green spaces, with the result that the target was achieved. From next fiscal year on, we are going to pursue more green spaces, particularly stressing greening in nursing facilities.	
	With all properties based on development and town planning that are compliant with self-standards, the target was achieved.	
	Thick external wall surface elements and products with large timber sections were heavily used as in fiscal 2017 and the weight of timber waste with materials cut off became heavier. Consequently, the target was not achieved. In next fiscal year, we are going to promote effective utilization of materials by reducing timber waste with the sections of some timber members uniform.	P172, 224–226
	In the construction-related business, the construction of buildings whose wall construction surface area per floor space was large increased waste emissions, with the result that the target was not achieved. In next fiscal year, we are going to promote the standard adoption of roofing materials that generate less waste for housing products, reducing waste emissions per floor space.	
	We promoted construction waste sorting and maintained a high recycling rate, with the result that most of the targets were achieved. While the target was not achieved in renovations, we improved the recycling rate from one fiscal year earlier by reviewing the waste disposal route. From next fiscal year on, we are going to select waste disposal routes that facilitate recycling to keep the recycling rate high.	P172, 224, 226
		
		
		
		
	Although we maintained high standards in promoting the popularization of housing satisfying the requirements of long-life quality housing certifications, we were not able to achieve our targets.	P172, 228
	While our attempt to improve products and productivity increased the ratio of system construction in convenience stores, it was seen to decrease in drug stores and nursing facilities, with the result that the target was not achieved. We are going to improve the adoption rate of system construction by familiarizing tenants with it and providing training seminars on it to sales and designing staff.	
	In addition to introducing water-saving devices in hotels, resort/sports facilities, and commercial facilities, we implemented countermeasures against water leakage such as water supply and drainage pipes updating, with the result that the target was achieved.	P172, 227, 228
	The targets were achieved by: changing thinners for cleaning painting machines into weak solvent; changing primer paints and thinners for steel frames into weak solvent; changing anticorrosive paints into weak solvent; making panel refinish paints waterborne; switching between foaming machine cleaners; and promoting a switch to another painting method.	P178, 229
		
	The target was achieved in all segments by promoting a switch to low emission construction materials.	P178

Self-Assessment		Related page
	In addition to promoting environmental policies to overseas sites and overseas consolidated subsidiaries, we conducted an environmental impact survey of all segments, with the result that the target was achieved.	P151, 167, 168, 212, 227
	We provided an explanation about the Daiwa House Group CSR Procurement Guidelines to Daiwa House Reform Company's suppliers and collected an agreement from them. In addition, we conducted a questionnaire survey of Daiwa House Industry's, Fujita Corporation's, and Daiwa Lease Company's respective principal suppliers on whether greenhouse gas emissions reduction targets would be met. From next fiscal year on, we are going to promote an environmental approach to them based on the questionnaire survey result.	P153, 154
	While managing processes at our Group companies and worksites, we promoted environmental activities and conducted follow-up in an effort to achieve our targets, but some companies and each branch could not achieve their targets.	P151
		
	In order to promote the ECO training seminar to all worksites, we appointed assistant ECO supporters to raise the seminar implementation rate, with the result that the target was not achieved. In next fiscal year, we are going to work closely with the Environmental Promotion Manager in each worksite in a bid to hold the seminar in all worksites.	P152, 211

Prevention of Global Warming

Environmental Management

ISO 14001 certification

Company name	Scope certified by ISO 14001	Figures in parentheses indicate rate of acquisition
Daiwa House Industry	Production and Procurement Headquarters (excluding Procurement 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, 2019)

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				
	Mie 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, 2019)

Environmental education provided (fiscal 2018)

Category	Contents	Form	Number of participants and frequency
Specialized education	Waste management	e-learning	103 participants per course
	Environmental regulation management	Auditing	16 companies
	Soil contamination countermeasures	Training	376 participants
	Environmentally conscious design	Training	336 participants
General education	Environmental management	Training	82 participants
	ECO supporters	Training	Once a year (82 participants)
	Eco training at worksites	Training	At each branch, biannually
	General training for new employees	Training	392 participants
	Group environmental management training	Training	35 participants from 23 companies
	Plant environmental managers training seminar	Training	Twice a year (37 participants)
	ESG procurement training seminar	Training	114 companies

(as of March 31, 2019)

Employees with main environmental qualifications (Daiwa House Industry)

Qualification	Number of acquirers (cumulative total)
Eco Test	1,709
CASBEE Assessor for Home (Detached House)	4,402*
CASBEE Assessor for Building	321
Healthy Housing Advisor	297
Energy Manager	893
House Energy Saving Expert	17
House Energy Saving Expert	29
Building Energy Saving Expert	5

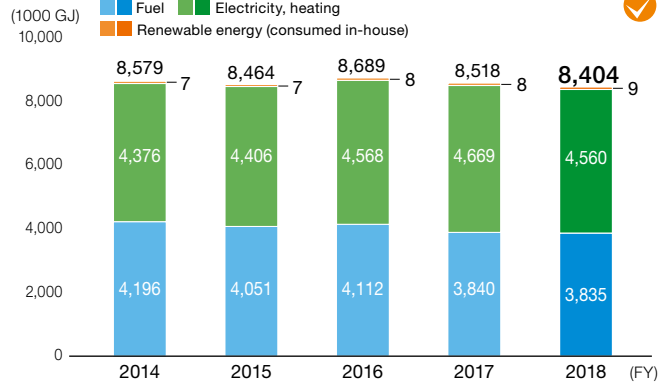
* Daiwa House Group

(as of March 31, 2019)

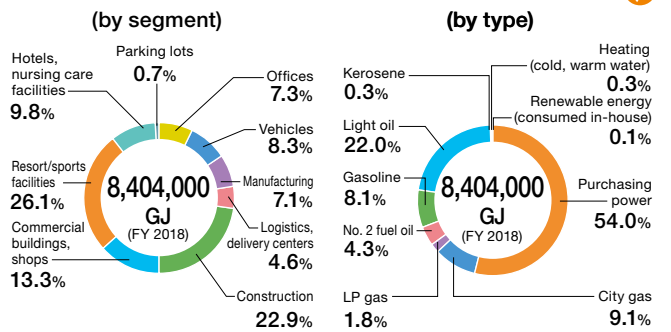
Business activities

Energy consumption

Energy consumption



Breakdown of energy consumption



Energy consumption (by segment)

Unit: 1000 GJ

	2014	2015	2016	2017	2018
Offices	607	582	589	613	609
Vehicles	826	812	742	715	700
Manufacturing	577	599	612	606	593
Logistics, delivery centers	382	372	381	375	386
Construction	2,282	2,128	2,181	1,897	1,924
Commercial buildings, shops	1,232	1,178	1,226	1,234	1,117
Resort/sports facilities	2,108	2,204	2,266	2,271	2,193
Hotels, nursing care facilities	548	541	640	743	821
Parking lots	17	47	53	63	62

Energy consumption (by type)

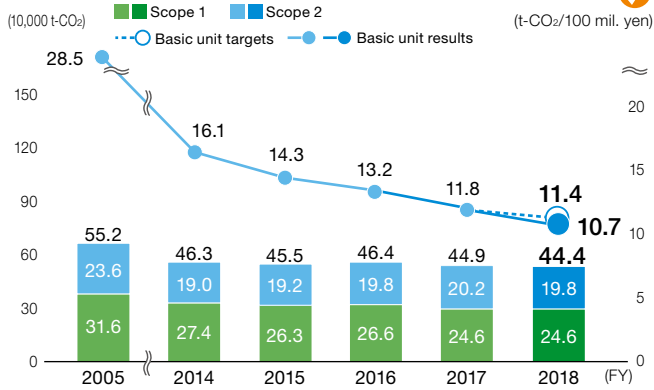
Unit: 1000 GJ

	2014	2015	2016	2017	2018
Purchasing power	4,376	4,406	4,568	4,654	4,539
City gas	621	675	747	787	767
LP gas	148	137	134	155	148
No. 2 fuel oil	386	365	384	368	358
Gasoline	830	808	738	706	683
Light oil	2,136	1,990	2,030	1,776	1,851
Kerosene	76	76	79	48	28
Heating (cold, warm water)	—	—	—	15	21
Renewable energy (consumed in-house)	7	7	8	8	9

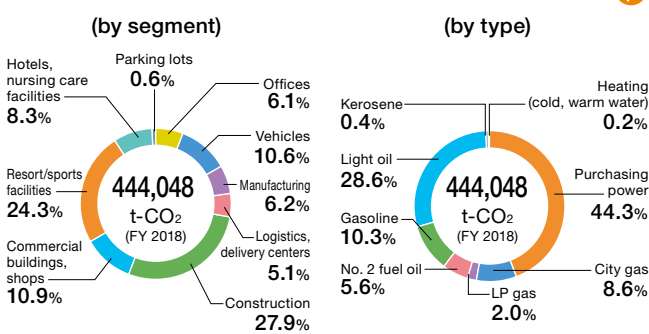
Business activities

CO₂ emissions

CO₂ emissions and basic unit



Breakdown of CO₂ emissions



CO₂ emissions (by segment)

	2014	2015	2016	2017	2018
Offices	27,285	26,723	26,129	27,213	26,941
Vehicles	55,415	54,940	49,850	48,008	46,984
Manufacturing	27,581	28,536	28,823	28,314	27,530
Logistics, delivery centers	23,048	22,294	22,641	22,155	22,642
Construction	145,599	135,661	139,900	120,925	123,688
Commercial buildings, shops	53,820	51,568	53,553	53,772	48,561
Resort/sports facilities	105,322	109,057	112,024	112,075	108,035
Hotels, nursing care facilities	24,555	24,286	28,675	33,484	36,992
Parking lots	739	2,038	2,281	2,715	2,674

CO₂ emissions (by type)

	2014	2015	2016	2017	2018
Scope 2					
Purchasing power	189,034	191,841	197,996	201,702	196,712
Heating	—	—	—	620	900
Scope 1					
City gas	31,577	33,644	37,238	39,259	38,223
LP gas	8,732	8,096	7,927	9,147	8,737
No. 2 fuel oil	26,756	25,313	26,612	25,514	24,807
Gasoline	55,694	54,620	49,555	47,390	45,815
Light oil	146,426	136,424	139,180	121,793	126,950
Kerosene	5,144	5,168	5,369	3,235	1,903

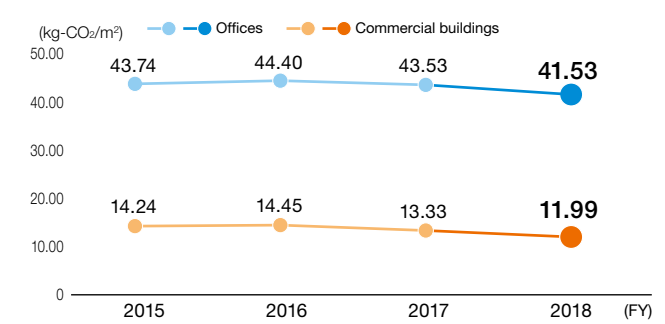
CO₂ emissions from operating sites outside Japan (reference)

	2015	2016	2017	2018
Offices	1,127	2,798	3,716	3,268
Vehicles	1,858	2,001	2,181	2,225
Manufacturing	—	—	—	713
Construction	—	—	—	10,164
Resort facilities	4,682	4,897	4,767	1,232
Total	7,668	9,696	10,664	17,603

(by territory)

	2015	2016	2017	2018
Asia	1,506	3,243	4,004	9,827
Middle East	260	232	50	44
North America	33	61	432	2,281
Central and South America	15	108	108	2,068
Oceania	5,853	6,052	6,071	3,378
Africa	—	—	—	6
Total	7,668	9,696	10,664	17,603

CO₂ emissions per gross floor space



Leading-edge CO₂ saving project

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (new construction)

Project	Date completed	Application	Total area	Number of stories	Environmental performance
Daiwa House Industry Kyushu Plant (office building)	March 2019	Offices	2,453 m ²	Two floors above ground	Wall greening (D's frame) Solar power generation system: 24 kW CASBEE: rank S
Daiwa House Industry Niigata Plant (office building)	December 2018	Offices	2,228 m ²	Two floors above ground	Indoor greening CASBEE: rank A
Daiwa House Industry Kyoto Branch	October 2010	Offices	6,251 m ²	Four floors above ground	Roof greening Solar power generation system: 4 kW Lithium-ion storage batteries CASBEE: rank A (Kyoto version)
Sports Club NAS Nishikasai	April 2018	Sports facilities	3,643 m ²	One floor below ground, five floors above ground	Solar power generation system: 10.8 kW Cogeneration system Equipped with inverter BEI: 0.45
Sports Club NAS Shinozaki	August 2018	Sports facilities	3,699 m ²	One floor below ground, six floors above ground	Solar power generation system: 15 kW Cogeneration system Equipped with inverter BEI: 0.45

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (existing)

Buildings	Uses	Standard year	CO ₂ reduction ratio (Base year ratio)			
			FY 2015 results	FY 2016 results	FY 2017 results	FY 2018 results
Daiwa House Osaka Building	Offices	2005	39.0%	37.9%	38.1%	40.5%
Daiwa House Tokyo Building		2005	29.7%	29.7%	34.6%	37.0%
Iias Tsukuba	Commercial buildings	2010	14.2%	-4.7%	8.5%	55.5%
Combox Komyoike		2009	44.3%	42.8%	36.5%	40.1%
Shonan Mall FILL		2007	41.8%	42.4%	46.7%	51.2%
Royal Home Center Nishinomiya Branch	Resort hotels	2005	43.2%	46.8%	53.2%	58.4%
THE HAMANAKO		2007	36.3%	33.8%	33.8%	36.8%
Hotel & Resorts ISE-SHIMA		2007	37.8%	36.9%	33.3%	35.2%
Hotel & Resorts KYOTO-MIYAZU	Plants	2009	38.5%	34.7%	33.0%	41.7%
Kyushu Plant, Daiwa House Industry			2005	62.1%	65.3%	65.9%

<Calculation method and scope of coverage of environmental data>

■ CO₂ emissions / Energy consumption

◇ Overview

"CO₂ emissions" refers only to CO₂ emissions originating from energy, and energy consumption is calculated on a heat quantity basis. Note that CO₂ emissions from offices outside Japan are excluded because they are reference values only. The emissions are calculated by multiplying the CO₂ emission factor and heat quantity conversion factor for each type of energy based on purchasing data for electricity and fuel, respectively. It also includes a partial estimate for the construction segment.

◇ Calculation formula

$$\text{CO}_2 \text{ emissions (t)} = \sum \{ (\text{Annual consumption of electricity and fuel}) \times (\text{CO}_2 \text{ emission factor for each type of energy}) \}$$

$$\text{Energy consumption (J)} = \sum \{ (\text{Annual consumption of electricity and fuel}) \times (\text{Energy conversion factor for each type of energy}) \}$$

◇ Scope and calculation criteria

Segment	Target	Scope (Number of locations as of March 31, 2018)		Calculation criteria		
Offices	Daiwa House Group	All offices (Head Office, affiliates, branches and sales offices), research labs, training centers and housing exhibition	Total	962 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	711 locations		
			Research laboratories	2 locations		
			Training centers	5 locations		
			Housing exhibition	244 locations		
Vehicles	Daiwa House Group	All company vehicles and privately owned permitted vehicles	Total	13,478 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	546 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	63 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*	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total	6,793,000 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	2,844,000 m ²		
			Building construction	3,949,000 m ²		
			Civil engineering	169 projects		
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company	Total	511 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. <small>Note: Excludes the tenants' portion. (However, some tenant portions are included in facilities where such inclusion is required under the Energy Efficiency Act.)</small>	
			Commercial buildings	453 locations		
			Home improvement centers	58 locations		
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total	116 locations	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	72 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	73 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	63 locations		
			Nursing care facilities	10 locations		
Parking lots	Daiwa House Group	Parking lots operated by our company	Total	2,524 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.	

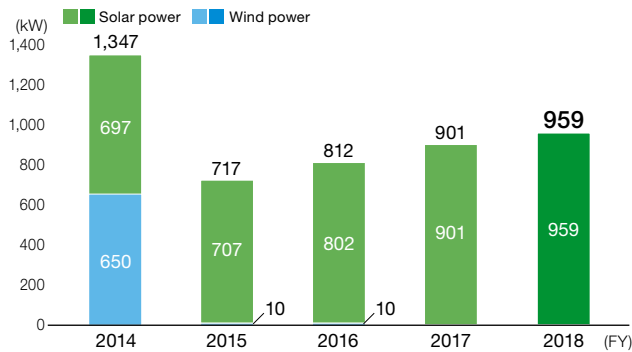
* Beginning in fiscal 2016, we identify the energy consumption of sample units for each application in some segments and review this value every year. Further, the preceding year's data is calculated with the same method.

Sites outside Japan (Reference)

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* and multiply it by the respective CO ₂ emission factor. *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 grasp the amount of gasoline used from invoice data or receipts issued at the time of fueling and multiply it by the CO ₂ emission factor.
Construction	Daiwa House Group	Construction sites for new houses and buildings (excluding demolition/renovation)	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 facilities	Daiwa House Group	Resort hotels operated by our Group	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).
			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.

Renewable energy

Installed generation capacity of renewable energy (consumed in-house)

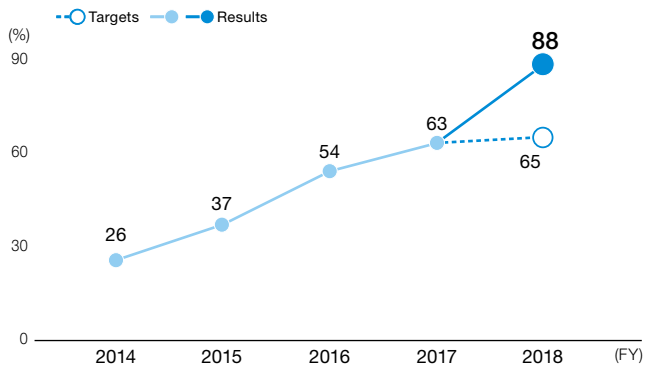


Installed generation capacity of renewable energy (consumed in-house) (by segment)

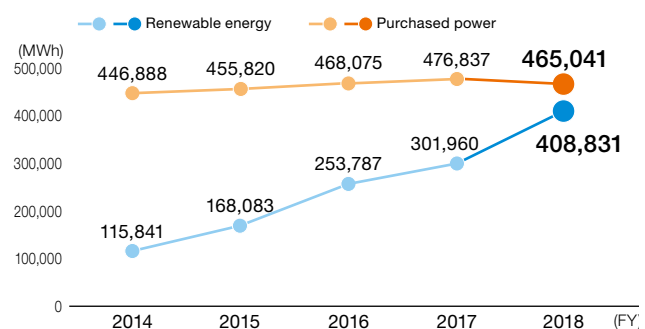


	2014	2015	2016	2017	2018
Offices	152	191	277	375	397
Manufacturing	176	166	165	155	155
Logistics, delivery centers	128	81	81	81	81
Commercial buildings, shops	128	128	128	128	148
Resort/sports facilities	726	121	131	132	147
Hotels, nursing care facilities	30	30	30	30	30
Parking lots	7	—	—	—	—

Ratio of renewable energy generated (total power sales) to electric power purchased



Electric power purchased and renewable energy generated (total power sales)



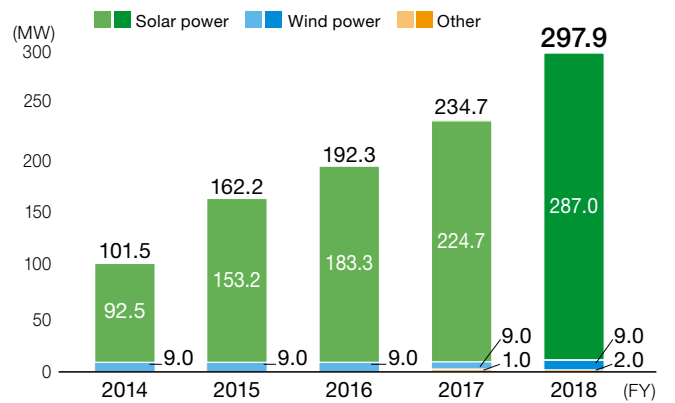
Breakdown of renewable energy generated (total power sales)



Unit: MWh

	2014	2015	2016	2017	2018
Wind power generated	26,926	26,549	28,344	27,340	30,484
Solar power generated	88,914	141,534	225,443	273,078	373,454
Hydropower generated	—	—	—	1,542	4,893

Installed generation capacity of renewable energy (total power sales)



<Calculation method and scope of coverage of environmental data>

Installed generation capacity of renewable energy (consumed in-house)

Overview

The capacity of renewable power generation facilities (such as wind power and photovoltaic power generating facilities) owned and operated by our Group indicates the amount of power being consumed in-house as of the end of the fiscal year.

Scope and calculation criteria

Same as those for CO₂ emissions; however, segments of vehicles, transportation, and construction are excluded.

Installed generation capacity of renewable energy (total power sales)

Overview

The capacity of power generation facilities indicates the capacity of renewable power generation facilities (wind power generation, photovoltaic power generation, hydroelectric power generation, etc.) that our Group manages (and operates) as a power producer as of the end of the fiscal year. In calculating the capacity of these power generation facilities, only the total amount of electricity sales is used, as in-house consumption is excluded. Moreover, the power generation facilities operated by Eneserve Corporation, which sells electricity as a specific Power Producer and Supplier (PPS), are excluded.

Ratio of renewable energy generated (total power sales) to electric power purchased

Overview

The ratio of renewable energy generated (total power sales) to electric power purchased indicates the ratio of sales to the electric power system of electricity from renewable energy power generation facilities operated by our Group to purchases of electricity of our Group. A ratio of 100% or larger can indicate that indirect CO₂ emissions from purchased electric power are net zero.

Calculation formula

Ratio of renewable energy generated (total power sales) to electric power purchased (%)

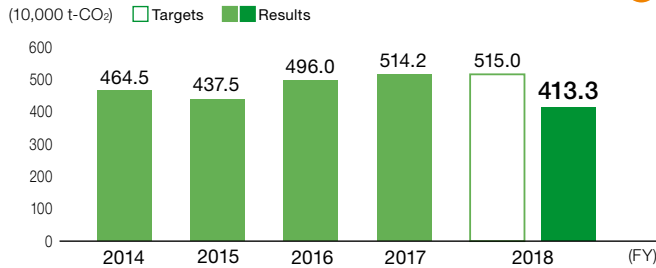
$$= \frac{\Sigma (\text{Sales of renewable energy (total power sales) from power generation facilities (MWh)})}{\Sigma (\text{Purchased power (MWh)})}$$

Prevention of Global Warming

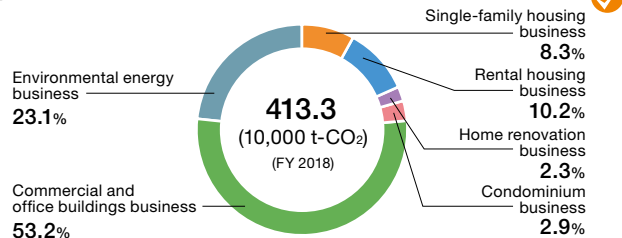
Products and services

Contribution to CO₂ reduction

Contribution to CO₂ reduction



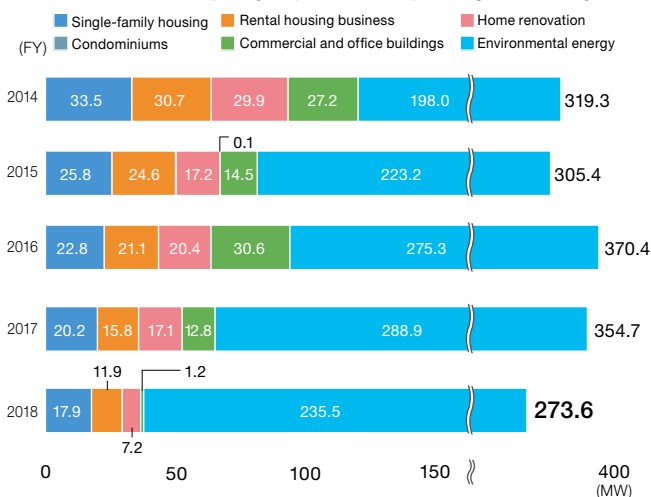
Breakdown of contribution to CO₂ reduction



Contribution to CO₂ reduction (by segment)

Segment	2014	2015	2016	2017	2018
Single-family housing business	42.1	38.1	34.7	33.5	34.2
Rental housing business	48.2	42.7	46.7	45.9	42.2
Home renovation business	28.1	17.7	21.1	18.4	9.6
Condominium business	15.7	12.7	18.0	9.2	11.8
Commercial and office buildings business	164.2	143.4	208.4	234.1	219.9
Environmental energy business	166.1	182.9	167.0	173.2	95.7

Trend in installed capacity of photovoltaic power generation systems



Trend in installed capacity of photovoltaic power generation systems (by segment)

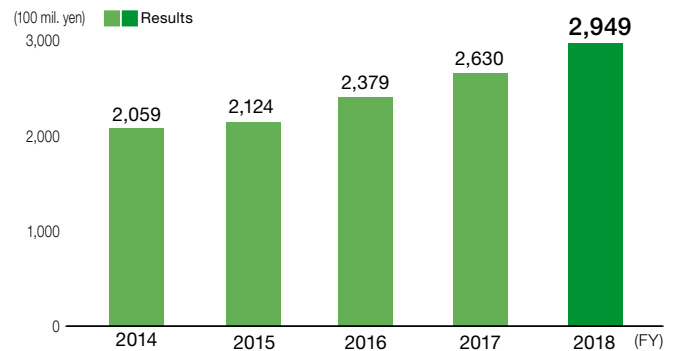
Segment	2014	2015	2016	2017	2018
Single-family housing business	33,539	25,817	22,808	20,188	17,932
Rental housing business	30,719	24,631	21,123	15,782	11,921
Home renovation business	29,855	17,220	20,442	17,068	7,152
Condominium business	22	69	45	5	3
Commercial and office buildings business	27,207	14,469	30,629	12,781	1,176
Environmental energy business	198,002	223,235	275,338	288,906	235,456

Status of certification and acquisition of Green Building Certifications

Name of certification	Segment	Unit	2015	2016	2017	2018
Long-life quality housing	Single-family housing business	Units	7,640	7,530	7,486	7,237
Low-carbon building certification	—	Units	—	1,877	205	0
BELS certification	—	Units	—	2,045	1,567	1,688
LEED certification	Office	—	—	Platinum certification (Daiwa House Tokyo Head Office Building)	—	—

Environmental businesses

Sales of environmental businesses



Sales of environmental businesses (by segment)

	2014	2015	2016	2017	2018
Environmental energy business	720	807	921	1,218	1,353
Existing home business	798	813	875	864	1,022
Leasing business	523	474	523	492	511
Environmental greening business	15	25	45	49	57
Environmental engineering business	3	5	15	7	6

<Calculation method and scope of coverage of environmental data>

Sales of environmental businesses

Overview

Apart from the environmental considerations of construction contracting, which is the core business of the Daiwa House Group, projects that are undertaken as diversified businesses themselves contribute to the emergence of a low-carbon society, a society committed to recycling, and a society in harmony with nature are termed "environmental businesses" and their progress is evaluated in terms of sales.

Scope of coverage

The table below shows the calculation range of the five relevant businesses operated by Daiwa House Industry and its Group companies.

Segment	Scope	Scope of calculation
Environmental energy business	Daiwa House Industry	Total sales of environmental energy business
	Daiwa Energy	Total sales
	Eneserve	Total sales
Existing home business	Daiwa House Industry	Total sales of existing home business
	Daiwa House Reform	Total sales
	Nihon Jyutaku Ryutu	Total sales of existing home business
Leasing business	Daiwa Lease	Total sales of distribution and construction leasing business (excluding distribution and construction)
Environmental greening business	Daiwa Lease	Total sales of environmental greening business
Environmental engineering business	Fujita	Total sales of environmental engineering business

Calculation method and scope of coverage of environmental data

Contribution to CO₂ reduction

Overview

"Contribution to CO₂ reduction" is a numerical value representing how much we contributed to reduction of CO₂ emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions. Using flow-based calculations, our Group calculates CO₂ emissions at the use and operation stages for products (housing, buildings, photovoltaic power generation, etc.) in use up to the end of their service life for the relevant fiscal year. We then calculate the contributed reduction in CO₂ emissions by subtracting the result from the CO₂ emissions generated by a comparable equivalent product. As for the contributed reduction of an ESCO*, the value is calculated by the existing home base method, and the annual CO₂ emissions of all facilities subject to ESCO services during the fiscal year (cumulative amount for an existing house) are calculated. We calculate the contributed reduction by deducting it from the CO₂ emissions of a comparable facility.

* Initialism for "energy service company," a business that reduces the costs of its customers' utilities and water and is compensated for any reduction achieved.

Calculation formula

[Example of flow base method]

- Method ① (New houses): contribution to CO₂ reduction (t) = [(Annual CO₂ emissions per house (t/house · year) in the usage or operation stages of the products being compared) - (Annual average CO₂ emissions per house (t/unit · year) in the usage or operation stage of products offered during the fiscal year)] × Number of houses sold in current fiscal year × Number of assumed years of use
- Method ② (New buildings): contribution to CO₂ reduction (t) = ∑ [Total floor area (m²) × Annual energy consumption per unit of floor area by application or scale (MJ/m² · year) × Energy reduction rate (%) × CO₂ emission factor (t/MJ) × Estimated number of years of use]
Note: Energy reduction rate (%) = 1 - BEI* * Design energy consumption (MJ/year) ÷ Reference energy consumption (MJ/year)
- Method ③ (Energy generation facility): contribution to CO₂ reduction (t) = ∑ [Annual renewable energy generated (kWh/year) × CO₂ emission factor (t/kWh) × Estimated number of years of use]
Note: Includes power sales.
- Method ④ (Energy efficiency improvement): contribution to CO₂ reduction (t) = ∑ [(Annual CO₂ emissions (t/year) before energy-efficiency retrofits - Annual CO₂ emissions (t/year) after energy-efficiency retrofits) × Estimated number of years of use]
- Method ⑤ (Electricity retailing): contribution to CO₂ reduction (t) = ∑ [(Adjusted emission factor of general electric power supplier (t-CO₂/kWh) - Adjusted CO₂ emission factor in current fiscal year (t-CO₂/kWh)) × Supplied electric energy (kWh)]

[Example of base method for existing home]

$$\text{Contribution to CO}_2 \text{ reduction (t/year)} = \sum \{(\text{Annual CO}_2 \text{ emissions (t/year) of comparable facilities}) - (\text{Annual CO}_2 \text{ emissions (t/year) of equipment subject to ESCO services provided during year})\}$$

Scope and calculation criteria

Segment	Scope	Calculation criteria			
		Calculation methods and calculation tools	Comparison	Estimated number of years of use*	
Daiwa House Industry	Single-family housing business	[Calculation method] Flow base method ① [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.)	[Single-family house] Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 m ² [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 generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility	Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Photovoltaic power generation: 20 years
Daiwa Lease	Commercial and office buildings business	All construction starts of the commercial and office buildings business (excluding lease items)	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	Store, warehouse, 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 generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility	Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Transformers: 15 years Photovoltaic power generation: 20 years

* In fiscal 2016, the estimated number of years of use was changed to the durable life indicated in CASBEE - Buildings (new construction) 2016 edition. Data for previous fiscal years is calculated the same way.

Green Building Certifications

Overview

In order to promote the emergence of zero energy houses and buildings, our Group is obtaining certification with accreditation systems that require a certain level of energy efficiency.

Long-Life Quality Housing Certification

See p. 228: Conservation of natural resources, Long-life quality housing certification rate

Low-carbon building certification

Buildings and housing that contribute to reduced CO₂ emissions and are certified by competent administrative agencies.

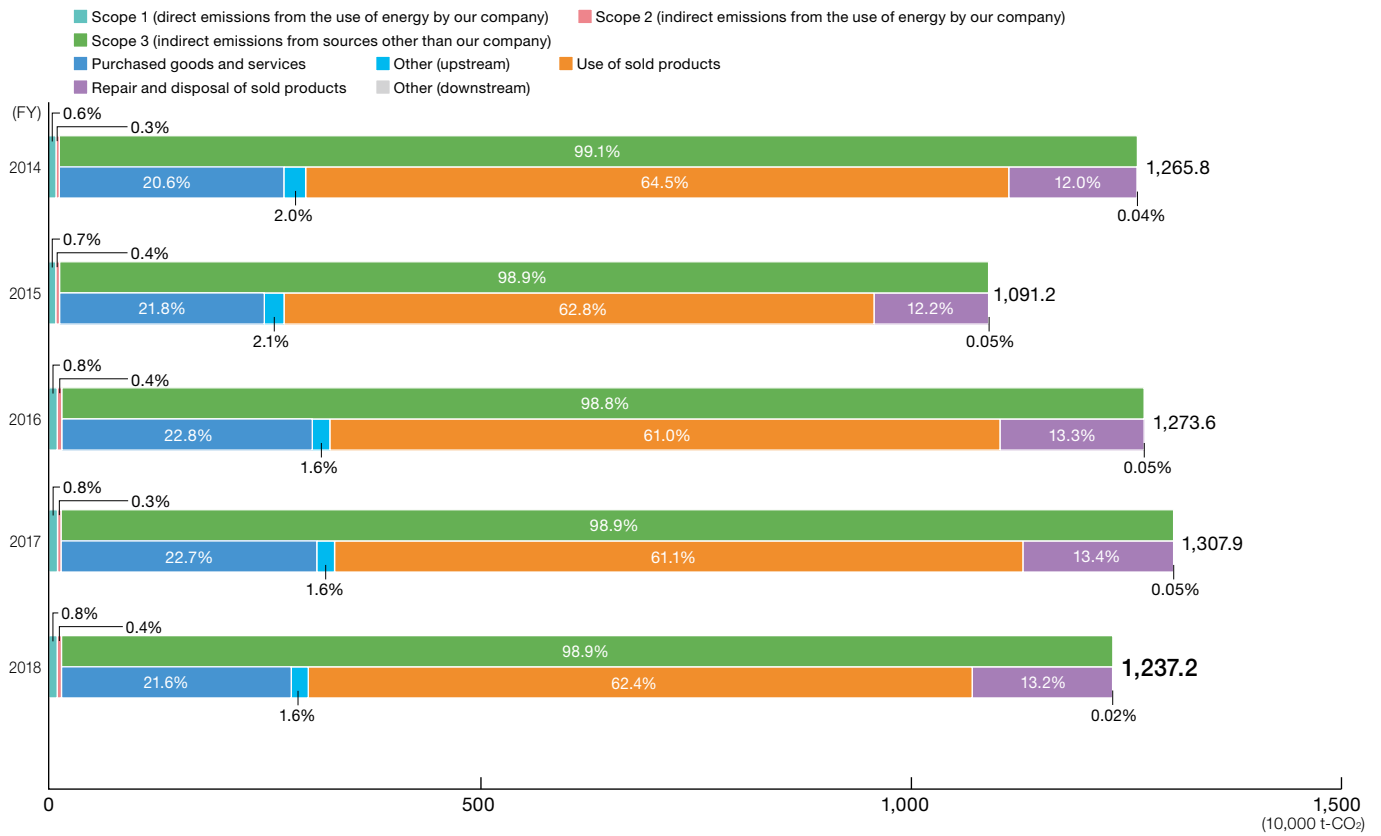
BELS certification

This is the abbreviation for Building-Housing Energy-efficiency Labeling System, a system whereby third-party 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 (☆☆).

Prevention of Global Warming

Reducing CO₂ emissions in the value chain

Scope 1, 2 & 3 CO₂ emissions



Unit: 10,000 t-CO₂

Category	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Percentage of total		
Scope 1	7.2	7.4	10.6	9.9	9.4	0.8%		
Scope 2	4.3	4.4	4.7	4.6	4.6	0.4%		
Scope 3	1,254.2	1,079.4	1,258.2	1,293.5	1,223.2	98.9%		
Upstream	Purchased goods and services	260.2	237.7	290.7	296.8	267.2	21.6%	
	Capital goods	14.4	10.7	5.4	6.9	5.7	0.5%	
	Fuel- and energy-related activities (not included in scope 1 or scope 2)	1.2	1.2	1.4	1.4	1.4	0.1%	
	Upstream transportation and distribution	4.2	4.6	4.5	4.3	4.1	0.3%	
	Waste generated in operations	4.4	5.2	8.4	7.9	7.7	0.6%	
	Business travel	0.4	0.5	0.5	0.5	0.6	0.05%	
	Employee commuting	0.6	0.5	0.5	0.6	0.6	0.05%	
	Upstream leased assets	0.02	0.02	0.02	0.02	0.02	0.001%	
	Downstream	Downstream transportation and distribution	—	—	—	—	—	(Not applicable)
		Processing of sold products	—	—	—	—	—	(Not applicable)
Use of sold products		816.6	684.8	776.7	799.1	772.1	62.4%	
End-of-life treatment of sold products		151.7	133.5	169.3	175.4	163.5	13.2%	
Downstream leased assets		0.5	0.5	0.6	0.6	0.3	0.02%	
Franchises		—	—	—	—	—	(Not applicable)	
Investments	—	—	—	—	—	(Not applicable)		
Total	1,265.8	1,091.2	1,273.6	1,307.9	1,237.2	100.0%		

◀ Calculation method and scope of coverage of environmental data ▶

■ Reducing CO₂ emissions in the value chain

◇ Target

Daiwa House Industry (Non-consolidated)

◇ Overview

For Scope 1 and 2, see p. 212 (Some calculation methods have been changed, but we have not made retroactive adjustments.)
Scope 3 is calculated with the calculation formula shown at right; primary data based on our actual results is used, and secondary data of high reliability is used for CO₂ emissions per amount of activity. For secondary data, we use the latest version available every year; we have not made any retroactive adjustments.

◇ Calculation formula

CO₂ emissions (t) = \sum {(Amount of activity) × (CO₂ emissions per amount of activity)}

◇ Source (Secondary data used)

- ① Emission basic unit database (ver. 2.6, 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

Prevention of Global Warming

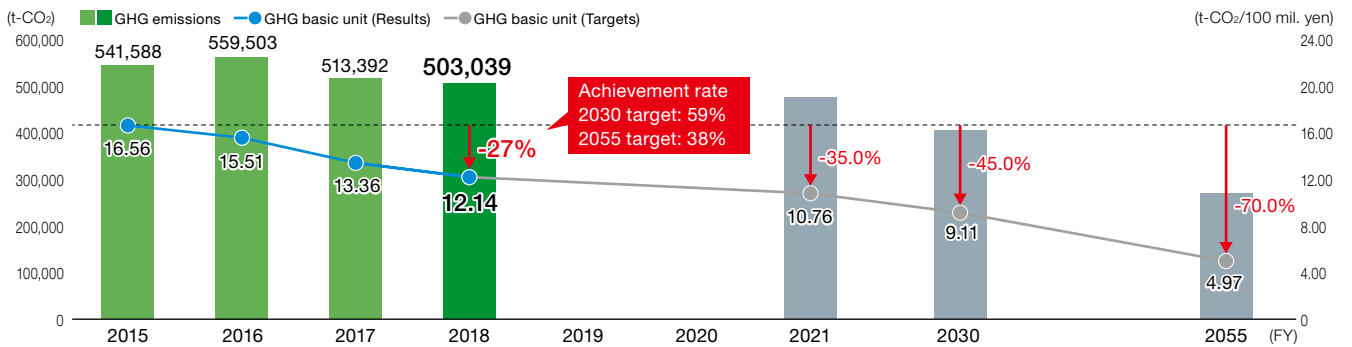
Progress in the long-term goal

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)

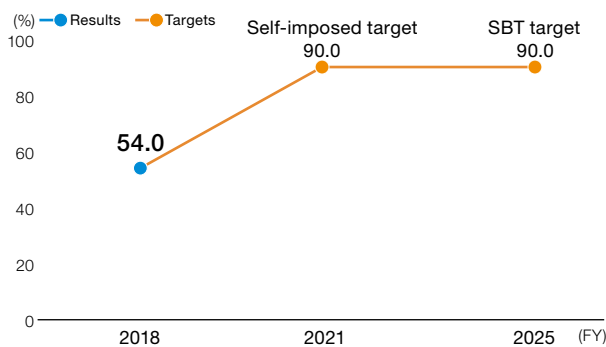


		Results				Targets							
		2015	2016	2017	2018	2021	2030	2040	2055				
SBT	GHG emissions	Basic unit from the fiscal 2015 level (per unit of sales)				-	-6%	-19%	-27%	-35%	-45%	-	-70%
		Total amount				541,588 tons	559,503 tons	513,392 tons	503,039 tons	Down 9.6% from the fiscal 2015 level	Down 22.5% from the fiscal 2015 level	-	Down 43.6% from the fiscal 2015 level
Energy efficiency from the fiscal 2015 level		-	Up 1.07 times	Up 1.15 times	Up 1.27 times	Up 1.4 times	Up 1.5 times	Up 2 times					
Renewable energy rate (including selling electricity)		37%	54%	63%	85%	85%	100%						
Renewable energy utilization rate		0.15%	0.17%	0.18%	0.23%	3%	10%	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

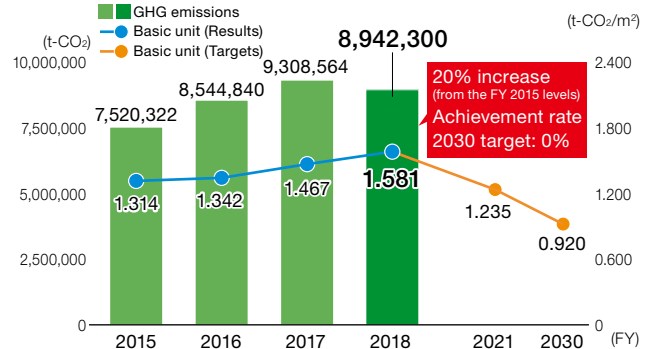


		Results		Targets	
		2017	2018	2021	2025
SBT	Principal suppliers' GHG emissions reduction target setting rate	-	Self-imposed target 54%	Self-imposed target 90%	SBT target 90%

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)

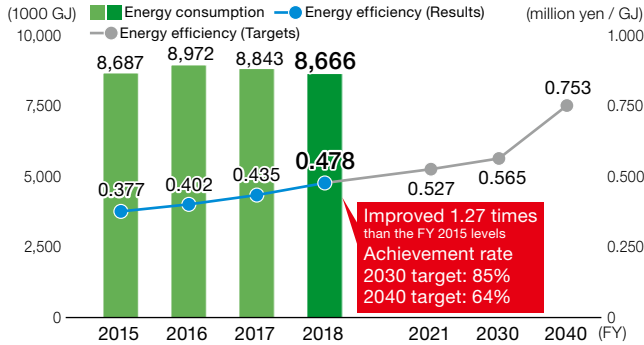


		Results				Targets	
		2015	2016	2017	2018	2021	2030
SBT	GHG emissions derived from use of products	-	+2%	+12%	+20%	-6%	-30%
	Compared to reference buildings	-25.9%	-27.5%	-27.8%	-27.6%	-30%	-50%

Energy efficiency improvement (EP100)

Long-term goal Doubling energy efficiency by 2040

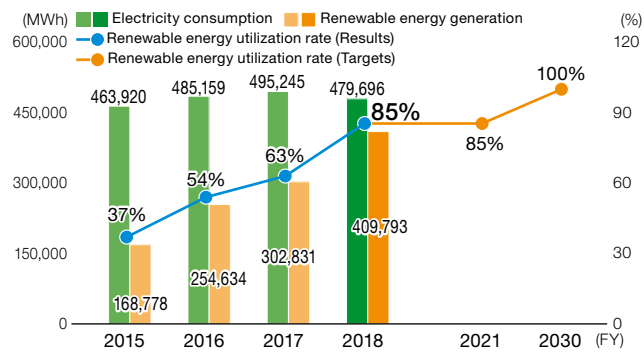
Trend in energy consumption and energy efficiency



Spread of renewable energy

Long-term goal 100% renewable energy-based electricity (including selling electricity) by 2030

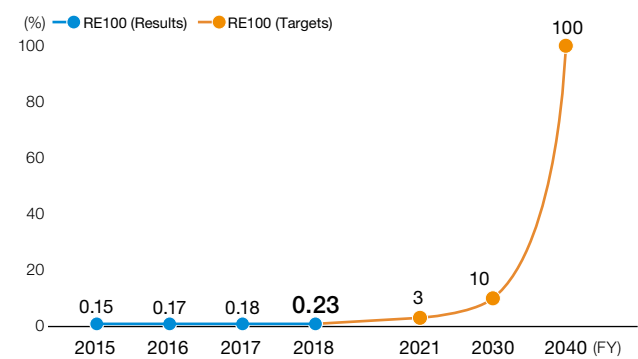
Trend in renewable energy rate (including selling electricity) <renewable energy generation / electricity consumption>



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 and scope of coverage of environmental data>

Reducing CO₂ emissions in the value chain

◇ **Report period:** April 1, 2018 to March 31, 2019

◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. and its consolidated subsidiaries

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 domestically-purchased electric power, we use the alternative values to power supplier emission factor based on the GHG emissions calculation, report, and disclosure initiative, while using each country's emission factor for electric power purchased from outside the country (GHG protocol or IEA CO₂ emissions from fuel combustion).

• Purchasing power	0.512 t-CO ₂ /MWh (in Japan)	• 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

* Greenhouse gases other than CO₂ were confirmed to be so minimal that they are not included in the environmental data.

Calculation formula

EP100 (Energy efficiency) = Consolidated net sales (million yen) ÷ Σ(Energy consumption [GJ])

Renewable energy rate (including selling electricity) = $\frac{\Sigma[\text{Renewable energy (sale of full electricity and generation by self-consumption generation equipment)}] [\text{MWh}] + \Sigma(\text{Purchased amount of RE100 electricity} [\text{MWh}])}{\Sigma[\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] [\text{MWh}]}$

Renewable energy utilization rate (RE100) = $\frac{\Sigma[\text{Renewable energy (generation by self-consumption generation equipment)}] [\text{MWh}] + \Sigma(\text{Purchased amount of RE100 electricity} [\text{MWh}])}{\Sigma[\text{Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)}] [\text{MWh}]}$

GHG emissions derived from use of products per square meter

GHG emissions per square meter = $\frac{\Sigma(\text{GHG emissions that sold products released during their lifetime} [\text{t-CO}_2^*])}{\Sigma(\text{Floor space sold} [\text{m}^2])}$

* The calculation method is adopted that is applicable to Scope 3 category 11. Targeted companies are Daiwa House Industry, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.

Reference: Number of consolidated subsidiaries: 340 (135 in Japan, 205 outside Japan)

Heat quantity conversion factor

We calculate energy consumption both in and outside Japan in joules (J), and SI for the amount of heat, using the heat amount conversion factors listed below for each energy type.

When it comes to renewable energy (self-consumption), we regard its use as a decrease in purchased electricity, using the heat amount conversion factor that is applicable to purchased electricity.

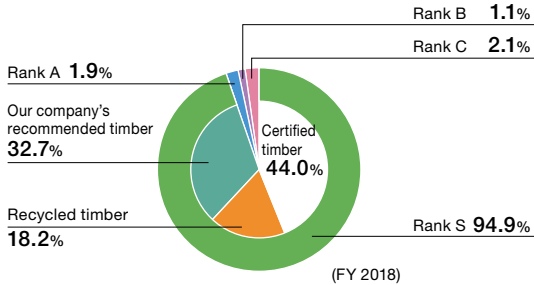
• Purchasing power	9.76 GJ/MWh	• Kerosene	36.7 GJ/kl
• Gasoline	34.6 GJ/kl	• City gas	44.8 GJ/1,000m ³ (N)
• Light oil	37.7 GJ/kl	• LP gas	50.8 GJ/t
• No. 2 fuel oil	39.1 GJ/kl	• Cold, Warm Water	1.36 GJ/GJ

Harmony with the Natural Environment

Procurement

Eco-friendly timber procurement

Assessment result of procured timber



Assessment result of procured timber

[Overall]

	2014	2015	2016	2017	2018
Rank S	81.5%	87.6%	86.5%	84.2%	94.9%
Rank A	7.4%	5.6%	7.9%	11.4%	1.9%
Rank B	3.8%	2.2%	3.1%	2.0%	1.1%
Rank C	7.3%	4.7%	2.5%	2.4%	2.1%

[Within Rank S]

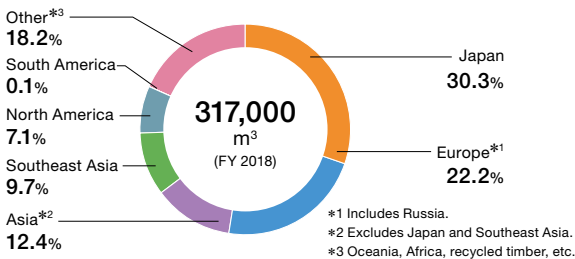
	2014	2015	2016	2017	2018
Certified timber	66.7%	43.9%	40.3%	35.6%	44.0%
Recycled timber	7.9%	23.0%	21.6%	17.7%	18.2%
Our company's recommended timber	6.9%	20.7%	24.6%	30.9%	32.7%

Volume of timber procured in segments to be evaluated

Unit: m³

	2014	2015	2016	2017	2018
Daiwa House Industry	207,836	254,132	246,277	342,291	268,867
Royal Home Center	30,263	25,723	27,509	37,237	36,763
DesignArc	1,037	1,726	2,854	3,510	3,011
Daiwa Lease	—	6,073	5,963	3,733	5,052
Fujita	—	5,185	9,443	1,919	2,629
Cosmos Initia	—	140	91	147	1,076
Total	239,136	292,979	292,137	388,837	317,398

Ratio of procured timber by logging area

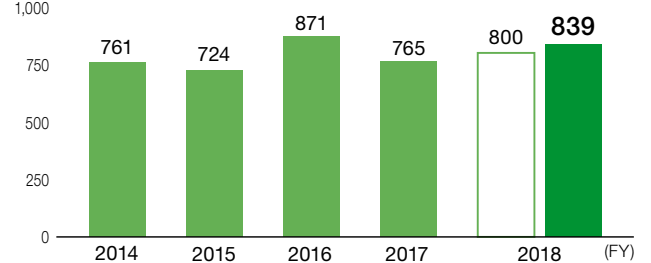


Products and services

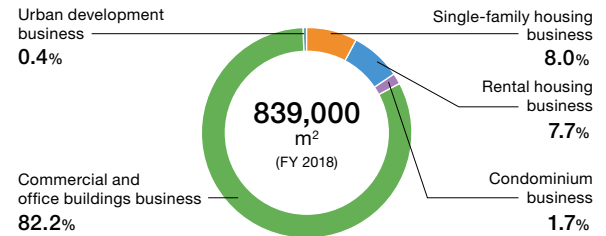
Preserving biodiversity in relation to development and town planning

Surface area of green space

(1,000 m²) Targets Results



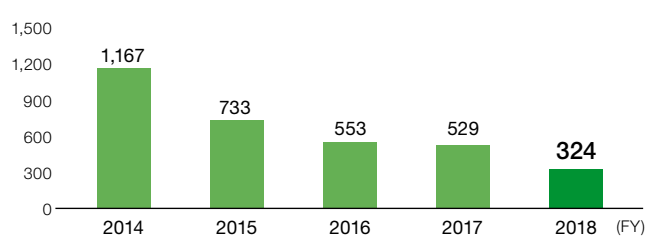
Breakdown of green covered areas



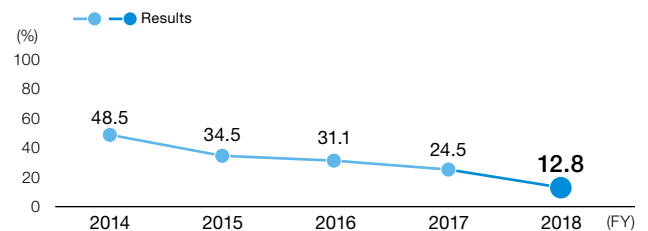
Environmentally symbiotic housing

Number of certified environmentally symbiotic housing

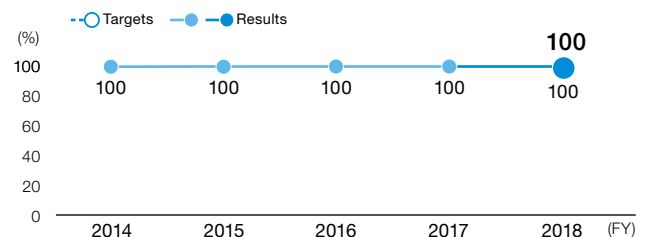
(house) Single-family housing business



Certification rate of environmentally symbiotic housing (only built-for-sale houses)



Compliance rate with voluntary standards for biodiversity conservation (Development)



◁ Calculation method and scope of coverage of environmental data ▷

■ 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

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	Single-family houses constructed (steel frame/wooden construction)
Rental housing business	Daiwa House Industry	Industrialized rental housing constructed (steel frame)
Condominium business	Daiwa House Industry, Cosmos Initia	Condominiums sold (Sample units)
Commercial and office buildings business	Daiwa House Industry, Daiwa Lease, Fujita	Wooden buildings, medical/nursing care & residential buildings constructed
	Royal Home Center	Timber products sold
Other	DesignArc	Wooden building materials manufactured

* Target materials: Includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

■ [Community creation] Surface area of green space

◇ Overview

"Surface area of green space" refers to the total green area created by the Daiwa House Group and construction contractors as part of external construction work undertaken in relation to the sale of built-for-sale houses.

Note: The building area is the horizontal projected area of the building. However, for single-family houses, we use the assumed building area (site area × legal building-to-land ratio).

◇ Calculation formula

Surface area of green space (m²) = $\sum (\text{Surface area of green space (m}^2\text{) of target units in each project})$

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All unit sales of built-for-sale houses
Rental housing business	Daiwa House Industry	[With greening regulations] All new buildings [Without greening regulations] Site area of at least 1,000 m ²
Condominium business	Daiwa House Industry	All construction starts (excluding JV non-managed units)
Commercial and office buildings business	Daiwa House Industry	[With greening regulations] All construction starts [Without greening regulations] Site area of at least 3,000 m ²
	Daiwa Lease	[With greening regulations] All construction starts
	Fujita	[With greening regulations] All construction starts
Urban development business	Daiwa House Industry	All construction starts

■ Environmentally symbiotic housing certification

◇ Overview

In promoting community development in harmony with nature, we utilize the environmentally symbiotic housing certification system implemented by the Institute for Building Environment & Energy Conservation as an indicator to measure progress. Certification is based on system supply type accreditation (Certificate Nos. CS2011-3, CS2011-4) for single-family houses. In developing large-scale housing complexes and the like, we use mainly the parallel complex supply type; for condominiums, we mainly use the individual supply type.

◇ Calculation formula

Certification rate of environmentally symbiotic housing (%) = $\frac{\sum (\text{Number of certified dwellings as built-for-sale houses})}{\sum (\text{Number of dwellings sold as built-for-sale houses})}$

◇ Scope

Segment	Target	Scope	
		Number of certified houses	Certification rate
Single-family housing business	Daiwa House Industry	All housing sales	All sales of built-for-sale houses
Condominium business	Daiwa House Industry	All housing sales	

■ [Development] Compliance rate with voluntary standards for biodiversity conservation

◇ Overview

Our voluntary standards for biodiversity preservation [Development] are based on our Biodiversity Guidelines [Development & Community Creation]. In the evaluation tool comprising 30 items uniquely determined by Daiwa House Industry for large-scale development projects, the evaluation rank must be Rank B or better. The evaluation is conducted by the persons in charge of each unit, and the status of compliance with the standards is confirmed by our Head Office.

◇ Calculation formula

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

Segment	Target	Scope
Development	Daiwa House Industry	Our company-developed projects with a development area exceeding 3,000 m ²

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

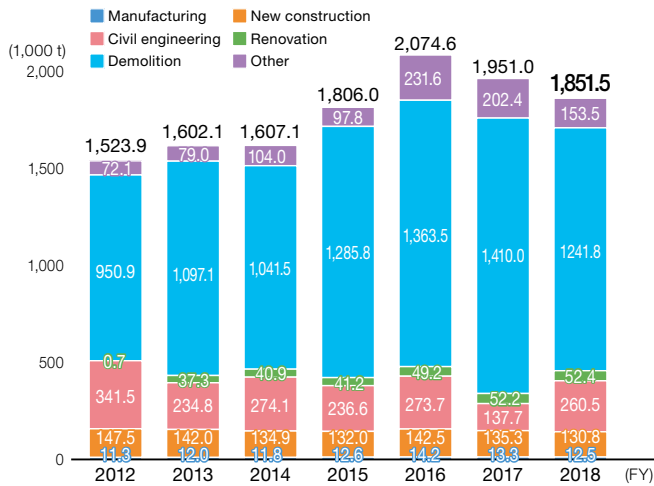
In order to maintain a good biological environment, we will plan and propose facilities and management policies necessary for maintaining and managing green spaces.

Conservation of Natural Resources

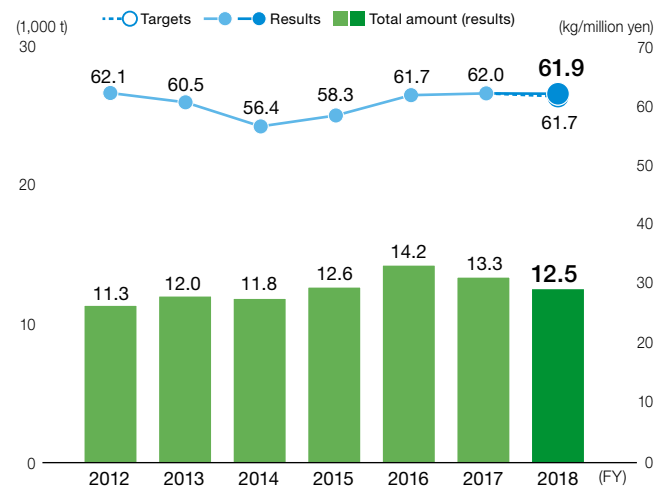
Business activities

Waste emissions

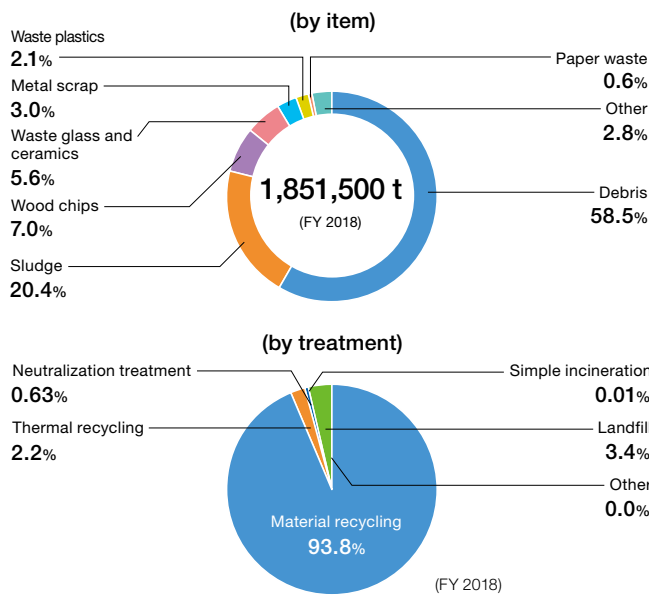
■ [Overall] Construction/demolition waste emissions



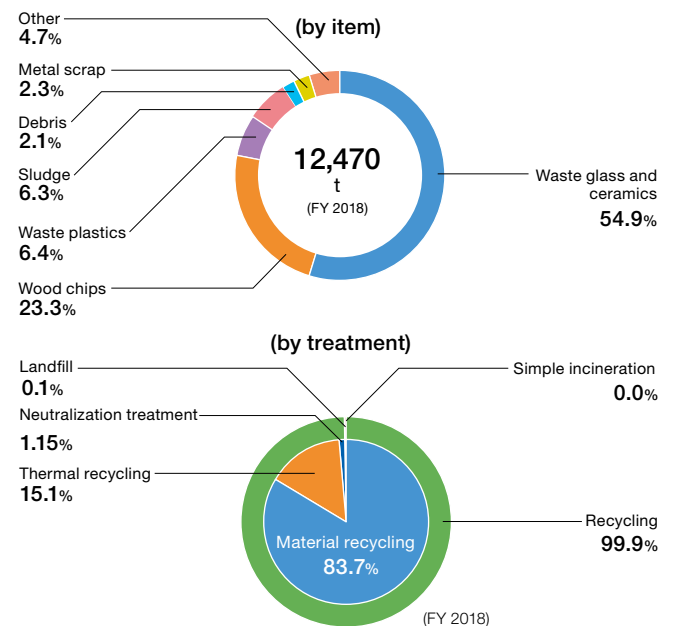
■ [Manufacturing] Waste emissions and basic unit



■ [Overall] Breakdown of construction/demolition waste emissions



■ [Manufacturing] Breakdown of waste emissions



■ [Overall] Breakdown of construction/demolition waste emissions (by treatment)

		2012	2013	2014	2015	2016	2017	2018
Recycling	Material recycling	95.4	93.8	93.2	93.7	94.5	94.6	93.8
	Thermal recycling	2.0	2.2	2.8	2.3	2.0	2.1	2.2
	Neutralization treatment	—	—	0.01	0.03	0.05	0.1	0.6
	Simple incineration	0.07	0.04	0.03	0.03	0.05	0.0	0.0
Final disposal	Landfill	2.6	3.8	3.9	3.7	3.4	3.2	3.4
	Other	0.05	0.13	0.12	0.17	0.05	0.0	0.0

■ [Manufacturing] Waste emissions (by company/segment)

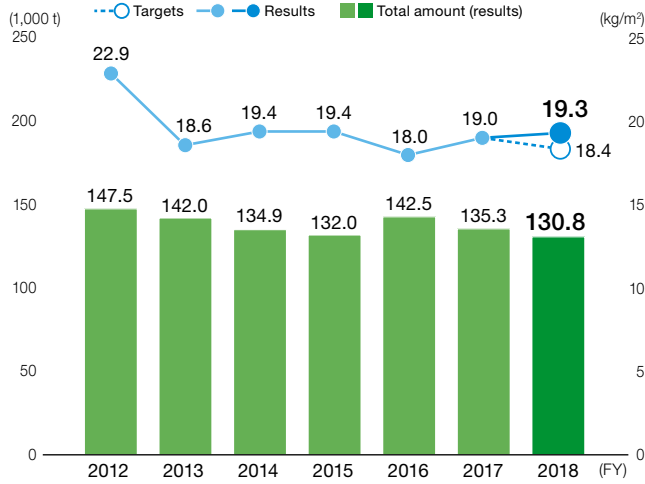
	2012	2013	2014	2015	2016	2017	2018
Daiwa House Industry	10,495	11,184	11,047	11,712	13,333	12,798	11,912
Daiwa Lease	216	205	188	246	218	125	138
DesignArc	593	582	546	593	601	401	420

■ [Overall] Trend in recycling rates (by segment)

	2012	2013	2014	2015	2016	2017	2018
Manufacturing	97.6	98.6	98.8	98.7	98.6	97.6	99.9
New construction	93.4	96.3	96.5	93.5	97.7	98.1	98.0
Civil engineering	99.8	99.8	98.8	99.3	99.8	98.5	99.2
Renovation	77.4	75.9	77.4	78.7	80.0	81.8	83.1
Demolition	96.9	95.4	95.8	96.5	96.0	96.6	96.3

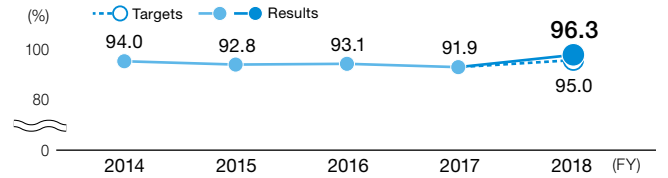
Conservation of Natural Resources

■ [New construction] Waste emissions and basic unit

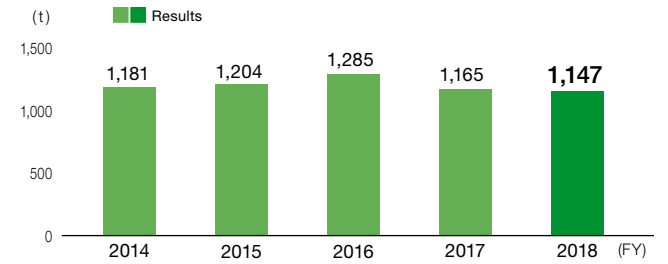


Green purchasing ratio, paper consumption, and steel consumption

■ Green purchasing ratio



■ Paper consumption

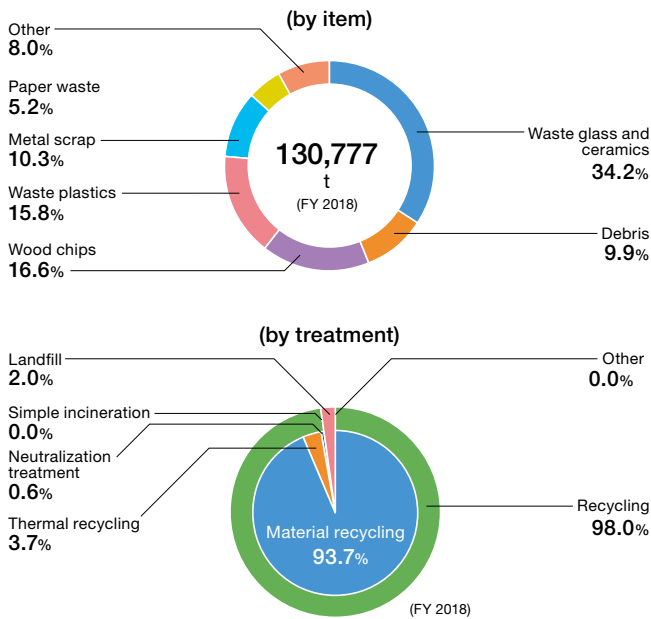


■ Steel consumption

	2014	2015	2016	2017	2018
Daiwa House Industry	210,171	204,826	209,793	224,863	186,794

Unit: t

■ [New construction] Breakdown of waste emissions



■ 30 green procurement items

Classification	No.	Item	Classification	No.	Item
Temporary installation	1	Soil conditioner	Preparation	16	Lumber
	2	Mesh sheeting		17	Plywood
	3	Alternative formwork		18	Free access floors
Concrete	4	Mixed cement	Finishing	19	Glass
	5	Eco-cement & concrete products		20	Tile
	6	Recycled asphalt concrete		21	Aqueous paint
	7	Recycled stone		22	Tile carpet
Paving, etc.	8	Blocks	23	Flooring	
	9	Permeable pavement	24	Vinyl floor coverings	
	10	Rooftop greenery	25	Eco wall coverings	
Steel	11	Recycled steel	26	Fabric blinds	
	12	Recycled wood panels	27	Air conditioners	
Preparation	13	Gypsum board	Facilities	28	Gas heat pump air conditioners
	14	Rockwool acoustic insulation panels		29	Transformers
	15	Thermal and acoustic insulation materials		30	Fluorescent lighting fixtures, lamps

■ [New construction] Waste emissions (by company/segment)

	2012	2013	2014	2015	2016	2017	2018
Daiwa House Industry (housing)	18,441	21,243	19,105	18,995	17,920	17,534	16,757
Daiwa House Industry (architecture)	59,106	61,662	70,914	64,798	70,759	72,861	74,591
Daiwa Lease	16,745	19,265	18,350	25,124	26,471	23,052	16,778
Fujita	53,219	39,807	26,553	23,059	22,403	21,870	22,651

Unit: t

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section

<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)

$$= \sum (\text{Construction byproducts generated (t)}) - \sum (\text{Sales of valuable resources (t)})$$

 [New construction] Construction waste emissions (t)

$$= \sum (\text{Construction byproducts generated (t)}) - \sum (\text{Sales of valuable resources (t)}) - \sum (\text{Construction sludge generated (t)})$$

 [Common] Recycling rates of construction waste (%)

$$= \frac{\sum \{(\text{Amount of material recycled (t)}) + (\text{Amount thermally recycled (t)})\}}{\sum (\text{Construction waste emissions (t)})}$$

Note: Construction sludge is included in the calculation of the recycling rate.

◇ Scope of coverage

Segment	Target	Scope
Manufacturing	Daiwa House Group	All production sites
New construction	Daiwa House Group	All new construction sites
Civil engineering	Fujita	All civil engineering sites
Renovation	Daiwa House Group	All renovation sites (except for some small-scale sites)
Demolition	Daiwa House Group	All demolition sites

■ Green purchasing standards

Classification	Main Items	Standards
Paper	Catalogs, etc.	It must be made with Forest Certified Paper.
	Copy paper, forms	It must satisfy one or more of the following conditions i-iii: i) It must be an Eco Mark* ¹ certified product. ii) It must comply with the Green Purchasing Law. iii) It must be listed in the GPN database* ² .
Stationery	Office supplies	
Office furniture	Chairs, desks, shelves, storage fixtures (other than shelves), low partitions, etc.	It must be a product recommended by the Japan Office Institutional Furniture Association (JOIFA) as an environmental product (compliant with the Green Purchasing Law).
Office equipment	Copiers, multifunction machine, fax machines, etc.	It must meet one or more of the following conditions i-ii. i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo* ³ .
	Personal computers, printers, etc.	It must meet one or more of the following conditions i-iii. i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo* ³ . iii) It is certified under the PC Green Label System* ⁴ .

*1 An environmental label attached to products recognized as contributing to environmental preservation following a review by the Japan Environmental Association

*2 A database of environmental products managed by the Green Purchasing Network (GPN)

*3 A logo mark displayed on office equipment that meets energy efficiency standards set by the International Energy Star Program

*4 A labeling system for eco-friendly personal computer products operated by the PC 3R Promotion Center

■ Paper consumption & green purchasing ratio

◇ Overview

Regarding our paper consumption, we calculate the actual value of the paper purchased (m²) using the weight conversion method. We have adopted our own Green Purchasing Standards for the main items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in our offices. In calculating our green purchasing ratio, we use the following formula on a monetary basis.

◇ Calculation formula

Paper consumption (t)

$$= \sum (\text{Purchased paper (m}^2\text{)} \times \text{weight per unit area (t/m}^2\text{)})$$

 Green purchasing ratio (%)

$$= \frac{\sum (\text{Amount of Green Purchasing Standards-compliant goods purchased (yen)})}{\sum (\text{Total purchase price of target items (yen)})}$$

◇ Scope of coverage

Segment	Target	Scope (Number of locations as of March 31, 2019)	
Office work	Daiwa House Industry	All offices (Head Office, affiliates, branches, sales offices) and research labs	219 locations in total

30 green procurement items

◇ Overview

Established in 2008 to promote utilization of recycled building materials in our commercial facility business. Properties* that incorporate more than 10 of the 30 items are referred to as "green procurement sites."

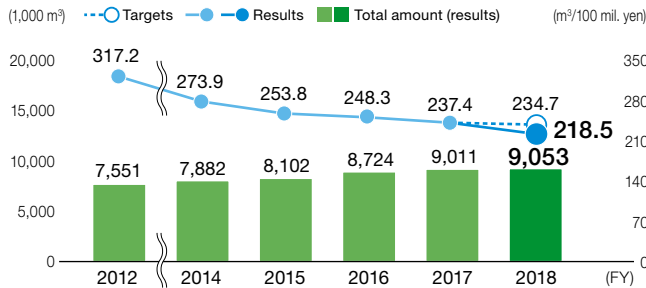
* Apply to new construction sites with a floor area of at least 2,000 m².

Conservation of Natural Resources

Business activities

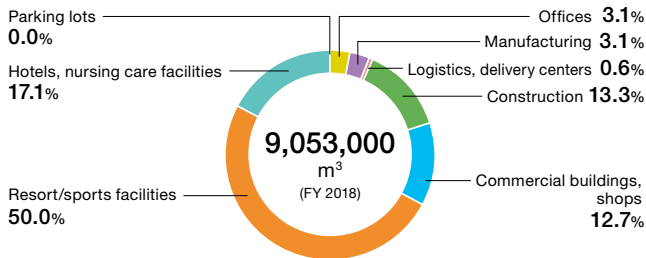
Water consumption

Trend in water consumption (water intake) and basic unit

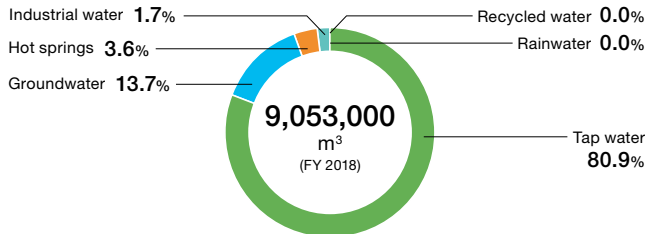


Breakdown of water consumption (water intake)

(by segment)



(by type)



Water risk assessment results in timber-producing countries

Country	Procurement ratio	Risk level			
		Present	2020	2030	2040
Japan	25%	3.1	2.31	2.31	2.24
Finland	18%	1.0	1.45	1.72	1.86
China	18%	2.9	3.3	3.29	3.30
Other 17 countries	9%	Less than 3			
Canada	7%	1.2	1.04	1.13	1.26
Other 6 countries	5%	3 or more			
Unknown (recycled materials, etc.)	18%				

Risk levels 0-1: low, 1-2: low to medium, 2-3: medium to high, 4-5: very high
Source: WRI-Aqueduct Country and River Basin Rankings, Aqueduct Projected Water Stress Country Rankings

Water consumption (water intake) (by segment)

Unit: 1,000 m³

	2014	2015	2016	2017	2018
Offices	285	271	282	294	283
Manufacturing	372	346	307	305	285
Logistics, delivery centers	53	54	55	53	52
Construction	1,423	1,473	1,626	1,496	1,206
Commercial buildings, shops	642	637	680	908	1,146
Resort/sports facilities	4,087	4,261	4,606	4,537	4,530
Hotels, nursing care facilities	1,020	1,061	1,167	1,416	1,552
Parking lots	0.1	0.3	0.3	0.3	0.3

Water consumption (water intake) (by type)

Unit: 1,000 m³

	2014	2015	2016	2017	2018
Tap water	6,380	6,371	6,948	6,825	7,328
Groundwater	1,185	1,405	1,280	1,566	1,240
Hot springs	307	316	327	341	328
Industrial water	0	0	158	163	152
Recycled water	9	10	11	114	1
Rainwater				3	3

Drainage discharge (by point of discharge)

Unit: 1,000 m³

	2016	2017	2018
Rivers and lakes	1,242	1,088	963
Brackish water intake source/sea	621	602	456
Sewer system	5,172	5,228	6,109
Total	7,036	6,917	7,528

Water consumption (water intake) at worksites outside Japan (by territory)

Unit: 1,000 m³

	2016	2017	2018
Asia	121	96	519
Middle East	56.8	0.003	0
North America	0.1	0.1	0
Central and South America	0	0.1	0
Oceania	135	120	56
Total	313	216	575

Water consumption (water intake) at worksites outside Japan (by segment)

Unit: 1,000 m³

	2016	2017	2018
Offices	178	96	27
Manufacturing			16
Construction			500
Resort facilities	135	120	32
Total	313	216	575

Water consumption at worksites outside Japan (by type)

Unit: 1,000 m³

	2016	2017	2018
Tap water	178	95	317
Groundwater	135	120	32
Industrial water			16
Recycled water			209
Total	313	215	575

Water drainage discharge at worksites outside Japan (by point of discharge)

Unit: 1,000 m³

	2016	2017	2018
Brackish water intake source/sea	60	57	13
Sewer system	178	96	63
Discharge to other areas	12	13	4
Total	250	166	80

Water-saving measures at individual facilities

Segment	Company name	Scale	Water-saving measures
Resort facilities	Daiwa Resort	4 hotels	Installing water-saving showers
	Nishiwaki Royal Hotel	11 rooms	Replace regular shower heads with water-saving ones
		7 rooms	Replace faucets in guest rooms with single lever types
Sports facilities	Sports Club NAS	1 new location	Installing waterless toilets
		2 new locations	Installing water-saving showers
	Daiwa Royal Golf	5 golf courses	Replace regular faucets with water-saving ones
		5 golf courses	Replace regular shower heads with water-saving ones
		3 golf courses	Install new water supply and drainage pipes (to prevent water leaks)
Hotels	Daiwa Royal	6 new hotels	Install water volume regulating faucets in bathrooms
	Osaka Marubiru	156 rooms	Replace regular shower heads with water-saving ones
Commercial buildings	Daiwa House Industry	1 location	Install water-saving devices for toilets and faucets

Water recycling in each facility

Facility name	Recycling method	Recycled water volume (Recycling rate)
Osaka Head Office Building of Daiwa House Industry	Reusing waste water from air conditioners, etc. and rainwater for washing toilets after treating them for recycling.	5,451 m ³ (12%)
Tokyo Head Office Building of Daiwa House Industry	Producing recycled water from that fed to a cooling tower or used inside restaurants or buildings and using such water for washing toilets.	8,678 m ³ (16%)
Hotel & Resorts MINAMIWAJII	Using miscellaneous waste water for washing toilets and for being sprayed.	Approx. 30 m ³ (0.03%)
Royal Hotel OKINAWA ZANPAMISAKI	Using water treated in a purification tank for being sprayed after filtering and sterilizing it.	Approx. 30 m ³ (0.01%)

<Calculation method and scope of coverage of environmental data>

Water consumption

◇ Overview

This represents the total annual water consumption from the water supply, groundwater, and hot springs and is calculated from purchasing data at each location.

For the construction segment, we estimate the total consumption by multiplying the water usage for the sales floor area as determined by a sample survey of the sales floor area during the counting period.

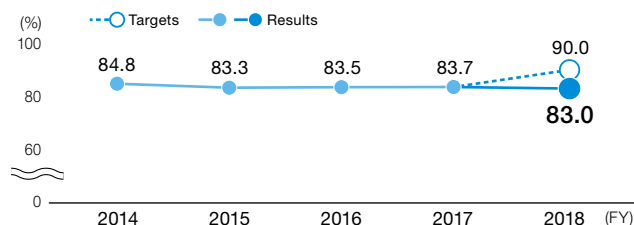
◇ Scope

Segment	Target	Scope (Number of locations as of March 31, 2019)
Offices	Daiwa House Group	All offices (Head Office, affiliates, branches and sales offices), research labs, training centers, housing exhibition and model houses Total 962 locations
	Daiwa House Group	All production sites Total 33 locations
Logistics, delivery centers	Daiwa House Group	All delivery centers required for transporting materials (our company operations only) Total 63 locations
Construction	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation) New construction: Total 6,793,000 m ² Civil engineering: Total 169 projects
	Daiwa House Group	Commercial buildings and shops operated by our company (In principle, tenants are excluded) Total 511 locations
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company Total 116 locations
Hotels, nursing care facilities	Daiwa House Group	Urban hotels and nursing care facilities operated by our company Total 73 locations
Offices outside Japan (Reference)	Offices	Daiwa House Group Offices Total 63 locations
	Resort facilities	Daiwa House Group Resort hotels managed by our Group Total 1 location
	Manufacturing	Daiwa House Group Plants managed by our Group Total 1 location
	Construction	Daiwa House Group Construction sites for new houses and buildings Total 108 Companies

Products and services

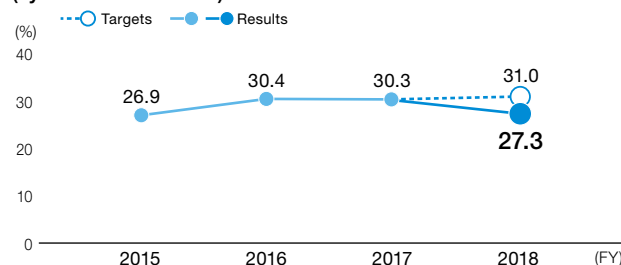
Ratio of houses certified under the Long-Life Quality Housing Certification System

Ratio of houses certified under the Long-Life Quality Housing Certification System



Building products utilizing recycled resources

Adoption rate of building products utilizing recycled resources (system construction)



<Calculation method and scope of coverage of environmental data>

Ratio of houses certified under the Long-Life Quality Housing Certification System

◇ Overview

In promoting the effective use of resources, we utilize the Long-Life Quality Housing Certification System under the terms of the "Act on the Promotion of Popularization of Long-Life Quality Housing" as an index to measure progress. In the certification system, requirements are also stipulated including resistance to deterioration involving structural frameworks, seismic resistance, versatility, ease of maintenance and renewal, features to accommodate the elderly, energy-efficiency measures, housing sizes exceeding a certain level, and ensuring good landscaping.

◇ Calculation formula

Ratio of houses certified under the Long-Life Quality Housing Certification System (%) = $\frac{\sum (\text{Number of long-life quality housing certified buildings})}{\sum (\text{Number of buildings sold})}$

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All buildings sold

Building products utilizing recycled resources

◇ Overview

System construction feature standardized structural frameworks and outer walls and are manufactured in plants. These building products are designed to minimize the generation of waste at the construction site while allowing for easier separation and disassembly. System construction products are defined as "building products utilizing recycled resources." Currently, six kinds of system construction products are available — Daiwa FLEST, Daiwa KOMFORT, D's OPT, D's REAID, D's WOOD, and D's Saju — with a focus on convenience stores, drugstores, and nursing care facilities.

◇ Calculation formula

Adoption rate of system construction for priority applications (%) = $\frac{\sum (\text{surface area of priority properties using system construction})}{\sum (\text{surface area of priority properties})}$

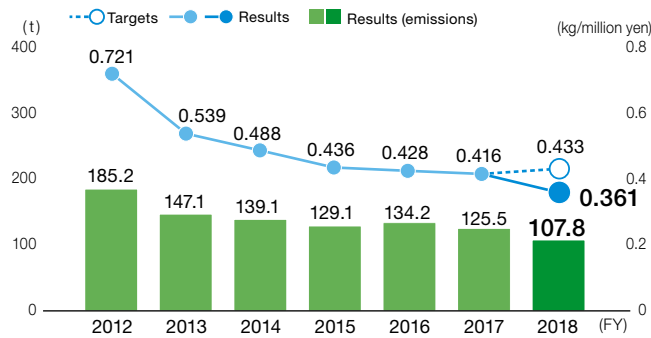
◇ Scope

Segment	Target	Scope
Commercial and office buildings business	Daiwa House Industry	[Number of buildings] All construction (steel frame) [Priority applications] Convenience stores, drugstores, nursing care facilities

Prevention of Chemical Pollution

Procurement and business activities

Release and transfer of PRTR-listed substances and basic unit



Change in release of PRTR-listed substances (by company/segment)

Breakdown by segment	2012	2013	2014	2015	2016	2017	2018
Daiwa House Industry (housing)	39.3	36.2	35.9	32.1	32.6	31.4	26.7
Daiwa House Industry (architecture)	17.9	16.2	22.9	26.8	18.9	18.2	19.3
Daiwa Lease	111.7	77.4	62.5	52.0	63.7	57.8	44.9
DesignArc	4.2	4.9	5.0	5.1	4.2	3.8	3.1

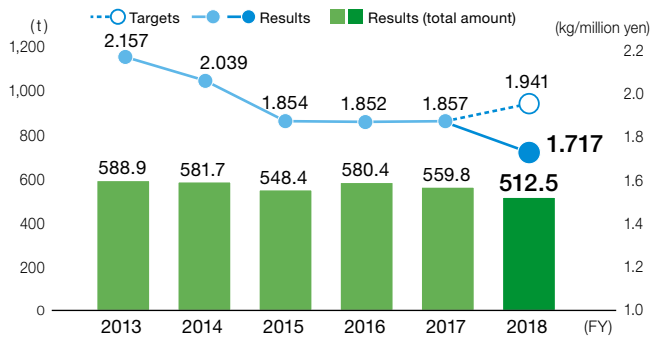
Change in transfer of PRTR-listed substances (by company/segment)

Breakdown by segment	2012	2013	2014	2015	2016	2017	2018
Daiwa House Industry (housing)	7.0	8.0	8.0	8.2	9.6	9.1	8.9
Daiwa House Industry (architecture)	2.4	3.0	3.7	4.0	4.0	4.3	4.1
Daiwa Lease	2.5	1.4	1.2	0.9	1.1	1.0	0.7
DesignArc	0.0	0.0	0.0	0.0	0.0	0.0	0.1

NOx and SOx emissions in the manufacturing phase

	2017	2018
NOx emissions	0.38	1.16
SOx emissions	0.03	0.08

VOC emissions and basic unit



Change in VOC emissions (by segment)

Breakdown by segment	2013	2014	2015	2016	2017	2018
Daiwa House Industry (housing)	229.4	245.6	224.4	250.7	235.0	195.7
Daiwa House Industry (architecture)	134.9	134.4	127.9	112.3	106.6	103.5
Daiwa Lease	219.4	196.6	190.9	213.1	214.1	209.9
DesignArc	5.1	5.1	5.2	4.4	4.1	3.4

Note: For VOC emission data between FY 2013 and FY 2016 for Daiwa House Industry (housing) and VOC emission data in 2016 for Daiwa House Industry (architecture), we modify the number we published in the 2016 Environmental Report in accordance with the corrected emission factor.

Soil contamination countermeasures at our holdings

Target area	Detected substance	Unit	Reference value	Maximum concentration	Response status
Nara Plant (Plant No. 4)	Fluorine (elution amount)	mg/L	0.8	2.3	Although the site was designated as an area that requires notification to prefectural government when the soil is to be moved or modified, the designation was removed on June 25, 2018 after we implemented the contaminated soil removal projects.
	Arsenic (elution amount)	mg/L	0.01	0.025	
	Hexavalent chromium (elution amount)	mg/L	0.05	0.13	
	Lead (content)	mg/kg	150	480	

<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

Overview

Calculated based on "Environmental Report Guidelines (2018 edition)" by the Ministry of the Environment.

SOx emissions

Overview

Calculated based on "Environmental Report Guidelines (2018 edition)" by the Ministry of the Environment.

Scope

Segment	Target	Scope	
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

Segment	Target	Scope	
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

Segment	Target	Scope	
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

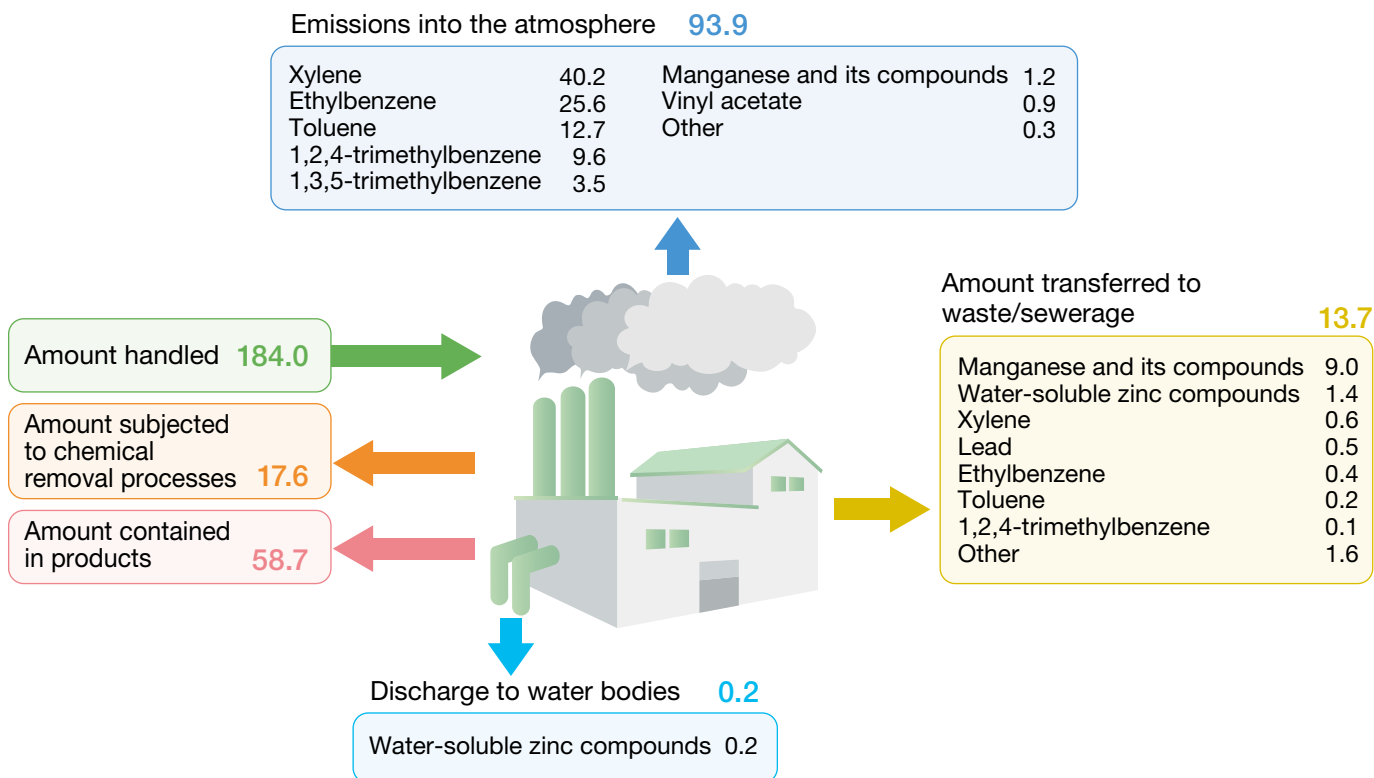
Scope

Segment	Target	Scope	
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

Material balance of chemical substances subject to PRTR

Unit: t



PRTR survey results

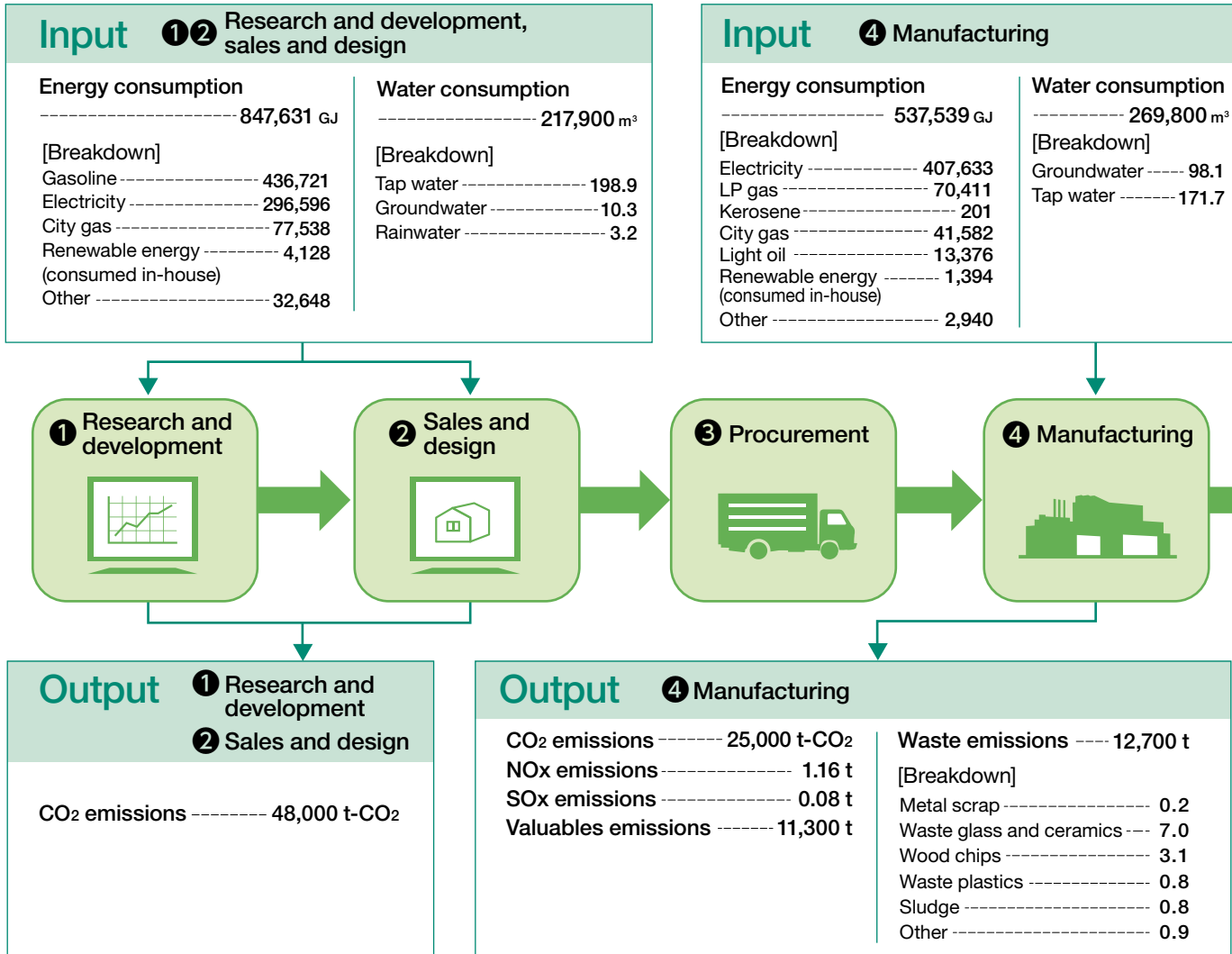
Unit: kg

Substance number	Name of target chemical substance	Amount handled	Amount consumed	Amount transferred			Emissions			Amount subjected to chemical removal processes
				Total transferred to sewer	Amount of (waste) transferred out of our worksites	Total amount transferred	Emissions into the atmosphere	Discharged to public water bodies	Total emissions	
80	Xylene	40,835	0	0	596	596	40,166	0	40,166	72
412	Manganese and its compounds	34,789	24,604	0	8,993	8,993	1,192	0	1,192	0
53	Ethylbenzene	25,990	0	0	381	381	25,603	0	25,603	6
448	Methylenebis (4,1-phenylene) = diisocyanate	26,625	26,523	0	102	102	0	0	0	0
300	Toluene	12,929	0	0	173	173	12,704	0	12,704	52
71	Ferric chloride	16,850	0	0	0	0	0	0	0	16,850
296	1,2,4-trimethylbenzene	9,746	0	0	146	146	9,584	0	9,584	16
1	Water-soluble zinc compounds	6,911	5,388	15	1,356	1,370	0	152	152	0
297	1,3,5-trimethylbenzene	3,518	0	0	52	52	3,466	0	3,466	0
304	Lead	1,133	670	0	464	464	0	0	0	0
134	Vinyl acetate	867	0	0	13	13	854	0	854	0
	37 other substances	3,826	1,521	0	1,403	1,403	292	0	292	610
	Grand total	184,020	58,706	15	13,678	13,693	93,862	152	94,014	17,606

Related page P199-200 CSR Procurement Guidelines

Flow of Materials Imparting Environmental Load and Environmental Accounting

Flow of materials imparting environmental load



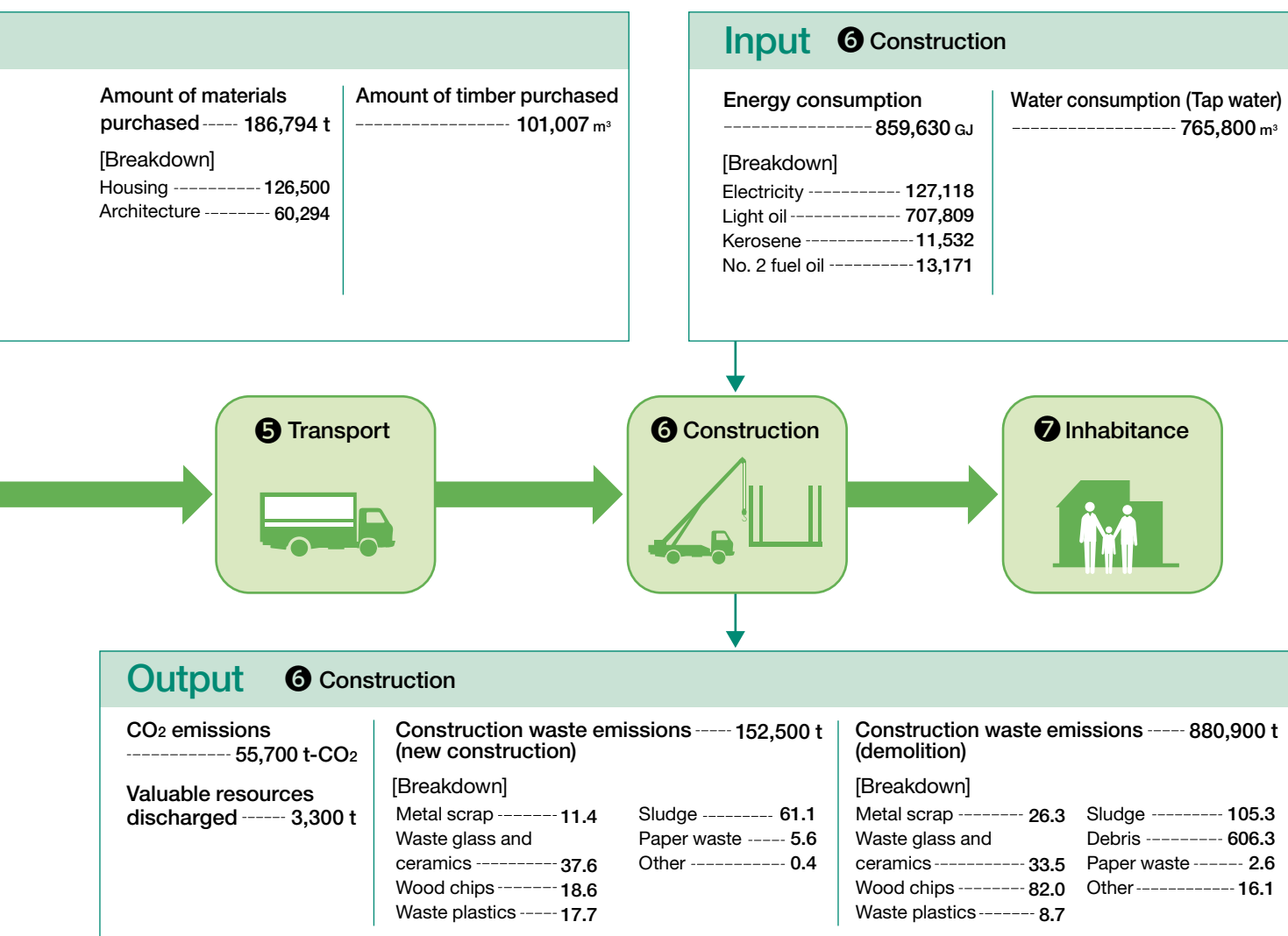
Environmental accounting

① Environmental preservation costs

Item	Major content	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
		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	3,089	18,895	5,637	7,623	4,654
	Cost of prevention of global warming (energy efficiency)	75,754	50,478	65,548	237,228	37,344
	Cost of waste reduction measures	654	2,088	0	0	156
	Cost of reducing water consumption	508	2,029	5,124	2,450	1,317
Upstream/downstream costs	Green purchasing fees, cost of purchasing returnable boxes	6,644	2,019	5,397	7,212	3,298
Administrative costs	Environmental education costs, EMS maintenance expenses, etc.	502	455	624	653	595
Total		87,151	75,964	82,330	255,165	47,364

② Environmental preservation effect

Effect		Item	Unit	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Business area	Effect on input resources	Energy consumption, crude oil equivalent (production system)	GJ	521,614	552,770	563,228	552,654	537,539
		Energy consumption, crude oil equivalent (distribution system)	GJ	619,095	628,155	656,001	620,421	603,890
Business area	Effect on environmental load and waste	Waste generated	t	11,047	11,712	13,333	13,008	12,680
		CO ₂ emissions (production systems)	t-CO ₂	25,016	26,180	26,418	25,888	25,032
		CO ₂ emissions (distribution system)	t-CO ₂	42,453	43,074	44,983	42,544	41,384
		Water resource consumption	m ³	356,730	330,447	292,074	289,956	269,781



③ Economic effects of environmental preservation

Unit: 1,000 yen

Item		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenue	Sales of valuable resources*	42,715	1,106	1,696	39,552	233
	Cost savings from energy-efficiency efforts	16,957	16,774	11,025	83,606	5,613
Cost savings	Cost savings from waste-reduction efforts	50,739	27,830	22,715	6,907	5,309
	Cost savings from water resource reduction efforts	—	—	—	16,066	0
Total		110,411	45,710	35,436	106,579	11,155

* Revenue obtained from effects of environmental conservation implemented during the fiscal year

〈Calculation method and scope of coverage of environmental data〉

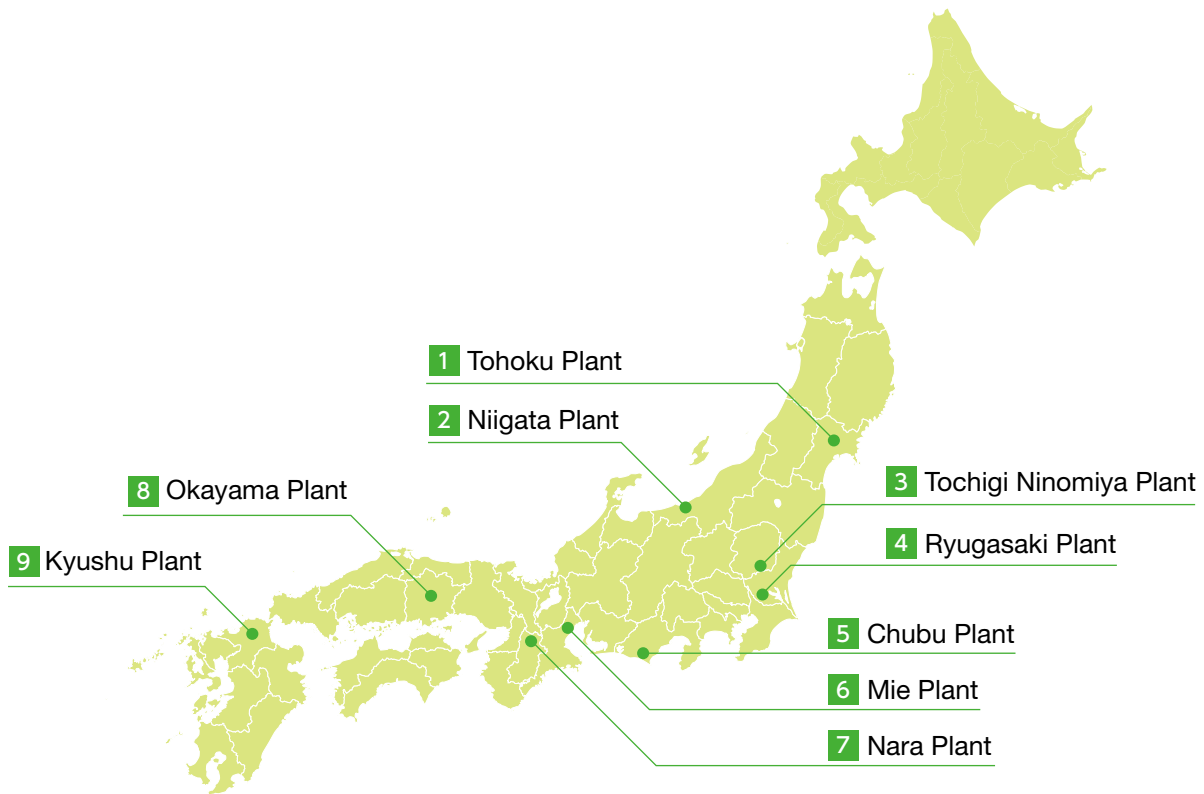
■ Flow of materials imparting environmental load

- ◇ **Report period:** April 1, 2018 to March 31, 2019
- ◇ **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
 - ④ Manufacturing: All production sites
 - ⑥ Construction (energy & water): Construction sites of housing/buildings (new construction)
 - Construction (construction waste): Construction sites of housing/buildings (new construction/demolition)
- ◇ **Calculation criteria:**
 In addition to "Calculation and Reporting of Environmental Data" on p. 208 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 2018.

■ Environmental accounting

- ◇ **Report period:** April 1, 2018 to March 31, 2019
- ◇ **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
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section



1 Tohoku Plant

About the plant

Address..... 133 Ebisawa, Furukawa-Kono, Miyagi Prefecture
 Employees..... Daiwa House Industry: 35
 Business partners: 241
 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 2016		FY 2017		FY 2018	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions* ¹	t-CO ₂	2,918	0.16	2,516	0.17	2,401	0.19
Water consumption* ¹	m ³	19,955	1.12	17,582	1.21	32,230	2.50
Waste emissions* ¹	t	795	0.045	615	0.04	493	0.04
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	2,662	0.16	2,246	0.17	1,929	0.18
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	1,204	0.17	1,981	0.25	2,286	0.29
VOC emissions (residential)* ¹	kg	17,295	1.07	15,577	1.18	10,416	0.97
VOC emissions (buildings)* ²	kg	7,524	1.09	9,557	1.23	14,445	1.83

*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 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	—	20	1.8	3.4	4
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	160	—	20	6.0	6.4	4
Floating substance (SS)	mg/L	Final discharge port	200	—	100	2.8	6.0	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	0.2	0.2	4
Phosphorous content (T-P)	mg/L	Final discharge port	16	—	—	0.5	0.9	4
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.2	1.8	4

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 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 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	55	—	—	54	54	1
		Evening	South side	50	—	—	46	46	1
		Nighttime	South side	45	—	—	44	44	1
Vibration	dB	Daytime	South side	60	—	—	26	26	1
		Nighttime	South side	55	—	—	16	16	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, 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: 33
Business partners: 204
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 2016		FY 2017		FY 2018	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	1,942	0.12	1,630	0.12	1,595	0.13
Water consumption	m ³	18,507	1.15	15,613	1.13	16,976	1.38
Waste emissions	t	711	0.04	603	0.04	544	0.04
Release and transfer of PRTR-listed hazardous substances	kg	5,799	0.36	5,330	0.38	3,086	0.25
VOC emissions	kg	27,329	1.70	22,588	1.63	19,522	1.59

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	—	20	2.4	3.1	12
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	—	—	20	6.3	10.0	12
Floating substance (SS)	mg/L	Final discharge port	150	—	100	3.3	7.0	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	0.2	11
Phosphorous content (T-P)	mg/L	Final discharge port	—	—	—	0.8	1.3	2
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	4.4	4.4	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	13.0	19	2
Particulate matter	g/Nm ³	Drying oven	0.2	—	—	ND	ND	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	South side	65	—	—	54	54	1
		Evening	South side	60	—	—	47	47	1
Vibration	dB	Daytime	South side	65	—	—	32	32	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 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, 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: 66
Business partners: 630
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 2016		FY 2017		FY 2018	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions*1	t-CO ₂	4,897	0.12	4,999	0.13	4,562	0.14
Water consumption*1	m ³	77,485	1.98	78,591	2.09	75,606	2.39
Waste emissions*1	t	2,896	0.074	2,615	0.07	2,046	0.06
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	4,498	0.14	5,567	0.19	4,823	0.21
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	10,176	0.35	8,118	0.25	8,923	0.25
VOC emissions (residential)*1	kg	24,266	0.76	30,220	1.01	22,077	0.94
VOC emissions (buildings)*2	kg	35,595	1.23	29,478	0.92	29,691	0.82

*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 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	160	25	—	1.3	2.6	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	160	25	—	6.1	8.5	2
Floating substance (SS)	mg/L	Final discharge port	200	50	—	1.8	3.6	2
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	ND	ND	2
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.1	0.2	2
Phosphorous content (T-P)	mg/L	Final discharge port	16	2	—	0.5	0.7	2
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	ND	ND	2

There are no applicable facilities.

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	65	—	—	48	48	1
		Evening	East side	60	—	—	49	49	1
		Nighttime	East side	50	—	—	46	46	1
Vibration	dB	Daytime	East side	65	—	—	30	30	1
		Nighttime	East side	60	—	—	30	30	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.

4 Ryugasaki Plant

About the plant

Address 393-1 Itabashimachi, Ryugasaki City
 Employees Daiwa House Industry: 60
 Business partners: 556
 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 2016		FY 2017		FY 2018	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	4,229	0.12	4,050	0.13	4,238	0.14
Water consumption	m ³	29,299	0.82	26,485	0.84	15,214	0.49
Waste emissions	t	3,266	0.09	3,002	0.10	2,742	0.09
Release and transfer of PRTR-listed hazardous substances	kg	8,005	0.23	6,630	0.21	6,838	0.22
VOC emissions	kg	37,465	1.05	30,369	0.96	31,811	1.02

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Hydrogen ion indicator	pH	Final sewage discharge port	Between 5.0 and 9.0			8.4	8.6	2
Biochemical Oxygen Demand (BOD)	mg/L	Final sewage discharge port	600	600	—	185.0	260.0	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final sewage discharge port	—	—	—	104.5	150.0	2
Floating substance (SS)	mg/L	Final sewage discharge port	600	600	—	94.5	130.0	2
Normal-hexane extraction (mineral oil)	mg/L	Final sewage discharge port	5	5	—	1.0	1.0	2
Normal-hexane extraction amount (animal and plant oil)	mg/L	Final sewage discharge port	30	30	—	14.6	26.0	2
Phenol content	mg/L	Final sewage discharge port	5	5	—	0.1	0.2	2
Zinc (Zn) content	mg/L	Final sewage discharge port	2	2	—	0.3	0.6	2
Soluble iron content (S-Fe)	mg/L	Final sewage discharge port	10	10	—	0.2	0.4	2
Soluble manganese content (S-Mn)	mg/L	Final sewage discharge port	10	10	—	0.0	0.0	2
Total nitrogen content (T-N)	mg/L	Final sewage discharge port	—	240	—	90.0	110.0	2
Phosphorous content (T-P)	mg/L	Final sewage discharge port	—	32	—	8.5	12.0	2
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final sewage discharge port	380	380	—	25.5	35.6	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Boiler No. 1	150	—	—	24.0	33	2
NOx (Nitrogen oxide)	ppm	Boiler No. 2	150	—	—	25.0	35	2
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	12.5	16	2
Particulate matter	g/m ³ (N)	Drying oven	0.2	—	—	0.008	0.008	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	West side	65	—	—	45	47	2
		Evening	West side	60	—	—	40	40	2
		Nighttime	West side	50	—	—	36	37	2
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 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, 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: 43
 Business partners: 164
 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 2016		FY 2017		FY 2018	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	663	0.19	672	0.15	674	0.16
Water consumption	m ³	3,620	1.05	3,284	0.75	3,795	0.93
Waste emissions	t	89	0.026	94	0.02	96	0.02
Release and transfer of PRTR-listed hazardous substances	kg	6,832	0.51	6,885	0.48	5,801	0.37
VOC emissions	kg	32,773	2.44	34,056	2.36	31,426	2.03

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	—	—	—	—	—	0

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 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 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	55	—	—	54	54	1
		Daytime	South side	55	—	—	53	53	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 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.

6 Mie Plant

Environmental performance data

About the plant

Address 3997-1 Takenari, Komono-cho, Mie-gun, Mie Prefecture
 Employees Daiwa House Industry: 53
 Business partners: 513
 Business content Production of housing materials
 Main products Single-family and rental housing materials

	Unit	FY 2016		FY 2017		FY 2018	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	3,227	0.10	3,299	0.12	3,139	0.12
Water consumption	m ³	32,682	1.06	30,985	1.10	29,608	1.12
Waste emissions	t	1,605	0.052	1,641	0.06	1,838	0.07
Release and transfer of PRTR-listed hazardous substances	kg	4,059	0.13	4,263	0.15	4,193	0.16
VOC emissions	kg	28,755	0.93	29,323	1.04	25,564	0.97

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	—	—	2.0	4.0	6
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	—	—	1.5	3.0	6
Floating substance (SS)	mg/L	Final discharge port	150	—	—	1.3	2.0	6
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	5	—	—	ND	ND	6
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.1	0.2	6
Phosphorous content (T-P)	mg/L	Final discharge port	8	—	—	0.2	0.5	6
Boron and its compounds	mg/L	Final discharge port	10	—	—	0.0	0.0	6
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.6	2.1	6

There are no applicable facilities.

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)

There is no measurement result for fiscal 2018 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 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.

7 Nara Plant

Environmental performance data

About the plant

Address 4-2-2 Saikjuo-cho, Nara City, Nara Prefecture
 Employees Daiwa House Industry: 72
 Business partners: 444
 Business content Production of housing materials and transport of component materials to building sites
 (From October 2017, production of housing materials and transport of component materials to building sites in place of the Sakai Plant)
 Main products Steel frame materials, exterior wall panels, and wooden panels

	Unit	FY 2016		FY 2017		FY 2018	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions*1	t-CO ₂	2,931	0.10	3,327	0.11	3,446	0.11
Water consumption*1	m ³	25,986	0.93	30,732	1.06	31,407	1.04
Waste emissions*1	t	1,154	0.041	1,447	0.05	1,473	0.05
Release and transfer of PRTR-listed hazardous substances (residential)*1	kg	9,369	0.33	9,072	0.33	7,451	0.28
Release and transfer of PRTR-listed hazardous substances (buildings)*2	kg	—	—	978	0.11	2,485	0.13
VOC emissions (residential)*1	kg	65,535	2.34	59,999	2.26	46,387	1.75
VOC emissions (buildings)*2	kg	—	—	6,602	0.75	17,249	0.94

*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 2018 average value	FY 2018 max. value	Frequency (times/year)
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	600	600	—	34.0	52.0	2
Floating substance (SS)	mg/L	Final discharge port	600	600	—	77.1	150.0	2
Total nitrogen content (T-N)	mg/L	Final discharge port	240	240	—	27.0	30.0	2
Phosphorous content (T-P)	mg/L	Final discharge port	32	32	—	6.8	13.0	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
NOx (Nitrogen oxide)	ppm	Drying oven	230	—	—	8.0	10	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	—	—	5.0	5	2
NOx (Nitrogen oxide)	ppm	Generator	950	—	—	235.0	290	2
Particulate matter	g/m ³ (N)	Generator	0.1	—	—	0.009	0.011	2

<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
				Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Noise	dB	Daytime	East side	70	—	—	66	66	1
			South side	65	—	—	47	47	1
		Evening	East side	70	—	—	68	68	1
			South side	65	—	—	53	53	1
		Daytime	North side	70	—	—	57	57	1
			North side	65	—	—	48	48	1
Vibration	dB	Daytime	East side	65	—	—	46	46	1
			East side	60	—	—	30	30	1
		Daytime	South side	65	—	—	32	32	1
			South side	60	—	—	30	30	1
		Daytime	North side	65	—	—	30	30	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 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.

8 Okayama Plant

About the plant

Address.....2056 Taga, Akaiwa City, Okayama Prefecture
 Employees.....Daiwa House Industry: 2
 Business partners: 280
 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 2016		FY 2017		FY 2018	
		Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)	Total amount	Basic unit (/million yen)
CO ₂ emissions	t-CO ₂	2,455	0.15	2,621	0.16	2,536	0.16
Water consumption	m ³	30,900	1.87	39,370	2.47	18,458	1.16
Waste emissions	t	1,399	0.085	1,322	0.08	1,450	0.09
Release and transfer of PRTR-listed hazardous substances	kg	3,779	0.23	3,570	0.22	3,254	0.20
VOC emissions	kg	47,702	1.36	21,545	1.35	18,365	1.15

Adherence to environmental laws and regulations

<Results of water quality measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.7	7.8	12
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	20	—	0.7	0.7	2
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	20	16	1.1	2.0	12
Floating substance (SS)	mg/L	Final discharge port	150	40	20	2.0	3.0	12
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.1	0.2	2
Soluble iron content (S-Fe)	mg/L	Final discharge port	10	—	—	0.0	0.0	2
Soluble manganese content (S-Mn)	mg/L	Final discharge port	10	—	—	—	—	2
Number of coliform bacilli	counts/cm ³	Final discharge port	3000	—	—	1.5	3.0	2
Total nitrogen content (T-N)	mg/L	Final discharge port	60	60	30	1.5	3.0	12
Phosphorous content (T-P)	mg/L	Final discharge port	8	8	2	0.1	0.4	12
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	3.2	3.8	2
Ammonia, Ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	1.2	2.3	2

<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements		
			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 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 2018 average value	FY 2018 max. value	Frequency (times/year)
There are no applicable facilities.									

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
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 Environment
 Third-Party Assessment / Data Section

9 Kyushu Plant

About the plant

Address 448-8 Ninobu, Kurate-machi, Kurate-gun, Fukuoka Prefecture
 Employees Daiwa House Industry: 60
 Business partners: 335
 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 2016		FY 2017		FY 2018	
		Total amount	Basic unit	Total amount	Basic unit	Total amount	Basic unit
CO ₂ emissions* ¹	t-CO ₂	2,519	0.10	2,479	0.10	2,440	0.11
Water consumption* ¹	m ³	49,425	2.02	45,135	1.84	46,488	2.14
Waste emissions* ¹	t	1,373	0.06	1,430	0.06	1,221	0.06
Release and transfer of PRTR-listed hazardous substances (residential)* ¹	kg	4,032	0.18	3,775	0.18	4,049	0.21
Release and transfer of PRTR-listed hazardous substances (buildings)* ²	kg	3,211	0.41	3,582	0.42	3,902	0.46
VOC emissions (residential)* ¹	kg	30,801	1.37	25,380	1.20	21,529	1.09
VOC emissions (buildings)* ²	kg	16,800	2.17	16,671	1.97	10,721	1.26

*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 2018 average value	FY 2018 max. value	Frequency (times/year)	
Hydrogen ion indicator	pH	Final discharge port	Between 5.8 and 8.6			7.6	7.8	6	
Biochemical Oxygen Demand (BOD)	mg/L	Final discharge port	120	90	—	1.7	4.1	6	
Chemical Oxygen Demand (COD_Mn)	mg/L	Final discharge port	120	90	—	4.5	6.4	6	
Floating substance (SS)	mg/L	Final discharge port	150	120	—	2.0	3.0	6	
Normal-hexane extraction (mineral oil)	mg/L	Final discharge port	30	—	—	—	—	0	
Zinc (Zn) content	mg/L	Final discharge port	2	—	—	0.3	0.9	6	
Soluble iron content (S-Fe)	mg/L	Final discharge port	10	—	—	0.5	0.5	6	
Soluble manganese content (S-Mn)	mg/L	Final discharge port	10	—	—	0.5	0.5	6	
Number of coliform bacilli	counts/cm ²	Final discharge port	3000	—	—	64.4	243.3	6	
Total nitrogen content (T-N)	mg/L	Final discharge port	60	—	—	16.2	19.0	6	
Phosphorous content (T-P)	mg/L	Final discharge port	8	—	—	0.6	1.0	6	
Fluorine and its compounds	mg/L	Final discharge port	8	—	—	1.8	2.0	6	
Ammonia, ammonium compounds, nitrous acid compounds, nitrous compounds	mg/L	Final discharge port	100	—	—	13.5	14.0	6	
<Results of soot and smoke measurements>	Unit	Measurement locations	Control standard value			Measurements			
There are no applicable facilities.			Laws/ordinances	Bylaws	Accords/agreements	FY 2018 average value	FY 2018 max. value	Frequency (times/year)	
<Noise and vibration>	Unit	Period	Measurement location	Control standard value			Measurements		
Noise	dB	Daytime	South side	60	—	—	44	44	1
		Evening	South side	50	—	—	44	44	1
Vibration	dB	Daytime	South side	60	—	—	25	25	1

Note: Statutory values are control values required by laws, bylaws and accords.

About exceeding the control value for laws and bylaws

In FY 2018, we exceeded no control values for related laws and bylaws.

About other administrative instructions

In FY 2018, we received no orders for disposal or improvements from administrative organs.



Hidemi Tomita

Executive Director
Lloyd's Register Japan KK

Served as the CSR Administrator at Sony Corp. for about 10 years from the CSR Department's inception. Went to work for Lloyd's Register in quality assurance where becoming an Executive Director at Lloyd's Register Japan in 2016. Has been a part of establishing many standards in Japan and abroad, including ISO 26000, GRI Standards and the Sustainable Sourcing Code for the Tokyo 2020 Olympic and Paralympic Games.

The Daiwa House Group engaged my services as an outside expert to hear my thoughts and opinions of the content disclosed in the Sustainability Report 2019 and particularly matters that they view as important. I have summarized my thoughts below.

■ Medium-terms sustainability plans

This report discloses medium-term goals for social and environmental action programs that have been newly set based on materiality analyses conducted from multiple angles. And, since Key Goal Indicators (KGI) have also been defined for each action program, credit is duly deserved from the point of future progress management. However, it was unclear to me in what shape and form these plans would generate added-value for business. Moreover, these plans are reportedly "tied" to SDGs, but, being just three years-long, the "contribution" thereto is not guaranteed. I would like the Daiwa House Group to more closely scrutinize the content and attainment strategy of their goals.

■ The improprieties

It is regrettable that several serious improprieties occurred. The Daiwa House Group should nonetheless be credited for having outside interests weighing in on the matter and explaining the situation in this report. But, when improprieties like these occur almost simultaneously in unrelated fields, there is no denying the possibility of problems in governance and corporate culture. Not only must the causes be identified but where the responsibilities lie should also be tracked down and corrective measures that prevent any possible reoccurrence should be taken.

From the perspective of governance, the very least to be expected in terms of corrective measures would be to clearly tie management's remuneration to these improprieties and ESG matters, such as the degree to which social/environmental action programs attain their goals.

In regards to corporate culture, the chapter in this report on employees – for example – places emphasis on human resource

development but does not refer to ethics and compliance education for employees. This is understandably a priority issue with regards to personnel, but it reads as though everything is about improving skills and securing quality human resources. The Daiwa House Group may need to review their programs as to whether or not they are developing highly skilled human resources that are also well-rounded in terms of ethics, compliance and their understanding of sustainability.

■ Due diligence with regard to human rights

Like many other nations, Japan is currently crafting a national action plan (NAP) based on the UN's Guiding Principles on Business and Human Rights, which explains just how pressing of an issue it is for businesses to address their human rights risks. This report states that a human rights policy was established in January 2018 and that efforts in due diligence with regard to human rights are underway.

However, the results from evaluations that the Daiwa House Group conducted into the risks posed to human rights by their business operations have not been made clear. Since a number of human rights risks have been cited with regards to foreign labor at job sites and the procurement of lumber as issues common to the construction industry, going forward, the Daiwa House Group will be expected to identify specific human resource risks and disclose their countermeasures thereto and the results thereof in detail, including their efforts in CSR procurement.

■ Environmental efforts

I highly commend the Daiwa House Group for participating in forerunner initiatives like SBT, EP100 and RE100, and very clearly indicating their medium- to long-term intentions particularly in regards to how they are addressing climate change. Moreover, their attainment scenarios, such as, in the power generation field, to have large renewable energy resources within their company, have been carefully prepared, which speaks to the strategy-level planning they put into them. However, with the outcome of the Paris Agreement hanging on a limb, it is highly possible that additional and more challenging action of them may be demanded in the future.

I also consider the Daiwa House Group ahead of the times for basing their disclosures in this report on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, but they did not adequately develop the content of the risks and opportunities contained herein. As the name suggests, these recommendations encourage businesses to disclose "financial information" in relation to climate change, which implies unto itself that attention should be to the risks associated with inadequate disclosures as well.

■ This report in general

In terms of the volume of information, this report is loaded and can be said to meet the expectations of sustainability experts and ESG evaluating organizations. However, the information is generally presented along the line of sight of the department in charge, which leaves me thinking that, in parts where "analysis and review" are expected, there is room for improvement with regards to organically connecting the whole picture.

Moreover, similar to the disclosure obligations of countries and stock exchanges, the comparability of sustainability information is being increasingly advocated around the world. Therefore, the Daiwa House Group should begin thinking about using data that complies with international disclosure standards like GRI standards.

In response to the third-party opinions of our Sustainability Report 2019

On behalf of the Daiwa House Group, I would like to express my gratitude and appreciation to Mr. Tomita for once again sharing his opinions of our ESG policies and actions as he did for our Sustainability Report 2018.

■ Medium-terms sustainability plans

Knowing that we should reflect the thinking and aspirations for a sustainable world espoused in ESG advocations of late and SDGs in Group management, we incorporated them into our 6th Medium-Term Management Plan that we just launched as priority issues and Key Goal Indicators (KGI) of social and environmental nature.

With regard to those priority issues, we analyzed their impacts on our value chains in the construction industry and identified their correlations to SDGs. Going forward, we will track and manage our progress and attainment of these KGIs every year as a part of regular management operations.

With regard to visualizing the added-values of the social contributions we make through business, we will discuss the subject as a management topic of upcoming concern.

■ The improprieties

The matters cited by Mr. Tomita are currently being investigated and analyzed, but because of our obligations to provide our stakeholders with an explanation, we reported herein what we could at this point in time. There is no denying that decisions made by certain personnel on the ground and the imperfections of local operating processes are partly to blame, but we also recognize the inadequacies of our risk management, and, therefore, our corporate governance and internal controls, as the biggest cause.

Let me reassure our stakeholders that we will continue to address their concerns and the inconveniences we caused them, and will promptly announce and implement thorough improvement measures just as soon as the details are finalized. Moreover, we will be exploring ways to introduce ESG perspectives and particularly the aspects having to do with ethics and compliance into employee evaluations and reviews company-wide as a part of those measures.

■ Due diligence with regard to human rights

In line with the Daiwa House Group Policy on Human Rights, we conduct business with the intention of not infringing on the human rights of anyone. But, we recognize the practices used to employ foreign labor at work sites and the degree of safety secured in those work site environments are issues of general concern as was pointed out by Mr. Tomita. We also sense the need to strengthen our CSR procurement efforts across the entire Group, which could include forming a working group, in order prevent the possibility of human rights infringements in our lumber procurement and processing practices. We have additionally raised our due diligence with regard to human rights as a priority issue in our Social Medium-Term Plan, because we are determined to continue to do our due diligence and resolve any human rights issues across our value chains.



Tamio Ishibashi

Executive Vice President
Head of Sustainability

■ Environmental efforts

I thank Mr. Tomita for his high evaluation of the importance we place on climate change measures as an environmental theme. As he pointed out, the problems stemming from climate change are getting worse to the point that the increasing threat to the safety and security rooted in the homes and lifestyle values we provide is loud and clear. For that reason, we will take a second look at our targets and consider setting them higher and implementing additional measures in line with the IPCC's Special Report on Global Warming of 1.5°C.


Also, in regards to extracting risks and opportunities based on TCFD and analyzing scenarios, we acknowledge that we have not done enough. Therefore, going forward, we will broaden the scope of target business in order to extract a wider range of risks and opportunities, and further hone our analyses thereof. Parallel to that, we will be proactive and forthcoming in our communications with investors in order to gain their understanding of the current limitations of our analyses, and tune our information disclosures closer to what they need.

■ This report in general

This is the third year since we redesigned our previous CSR Report as a Sustainability Report. Of the three purpose behind the makeover, we have improved what we have done to ① “accomplish accountability” and ② “acquire appropriate third-party evaluations” with each new edition but admittedly our ③ “utilization of these third-part opinions for improvements in management” is still a work in progress. We will, therefore, increase the use of analyses and reviews at the core of our business management practices and improve our reporting of sustainability information including to disclose what we are doing with respect to the various guidelines that affect us.

Third-Party Assurance Report

Managerial Philosophy and Overall Picture
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This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2019. 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 241 of the Japanese-language edition of the Sustainability Report 2019 for a third-party assurance report.)



Cover: Paralym Art artwork

“The Scenery in Yakena”
(Painted by Tetsuya Koja)

I worked for a year under supervision of master and senior carpenters who were demanding in training, but also very thoughtful and encouraging. They let me help build houses.

I worked on this painting reflecting my memories of working at construction sites as an apprentice carpenter.

“Paralym 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 Paralym Art, helping people with disabilities make their dreams come true by promoting their artworks.



GRI Standards Cross-Reference Table

GRI 102: General Disclosures 2016

1. Organizational profile

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-1 Name of the organization	a. Name of the organization.	Sustainability Report 2019 / Summary of the Daiwa House Group (P191)
102-2 Activities, brands, products, and services	a. A description of the organization's activities. b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	Business Fields https://www.daiwahouse.com/English/businessfield/ Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Business operations (URL) (Japanese text only) https://www.daiwahouse.com/ir/shouken/pdf/80yuuhou.pdf
102-3 Location of headquarters	a. Location of the organization's headquarters.	Sustainability Report 2019 / Summary of the Daiwa House Group (P191)
102-4 Location of operations	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	Sustainability Report 2019 / Major Group Companies (P193)
102-5 Ownership and legal form	a. Nature of ownership and legal form.	Sustainability Report 2019 / Major Group Companies (P193)
102-6 Markets served	a. Markets served, including: i. geographic locations where products and services are offered; ii. sectors served; iii. types of customers and beneficiaries.	Sustainability Report 2019 / Major Group Companies (P193) Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Business operations
102-7 Scale of the organization	a. Scale of the organization, including: i. total number of employees; ii. total number of operations; iii. net sales (for private sector organizations) or net revenues (for public sector organizations); iv. total capitalization (for private sector organizations) broken down in terms of debt and equity; v. quantity of products or services provided.	Sustainability Report 2019 / Summary of the Daiwa House Group (P191) Sustainability Report 2019 / Highlight of Financial Results and Consolidated Financial Indicators (P194) Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Consolidated financial statements
102-8 Information on employees and other workers	a. Total number of employees by employment contract (permanent and temporary), by gender. b. Total number of employees by employment contract (permanent and temporary), by region. c. Total number of employees by employment type (full-time and part-time), by gender. d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries). f. An explanation of how the data have been compiled, including any assumptions made.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P95) Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P98)
102-9 Supply chain	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Commitment from the Executive Officer in Charge (P101-103) Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P106-109) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Supply Chain Management (Environment) (P153)
102-10 Significant changes to the organization and its supply chain	a. Significant changes to the organization's size, structure, ownership, or supply chain, including: i. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.	<Reasons / explanations for omission> Not applicable: No significant changes
102-11 Precautionary Principle or approach	a. Whether and how the organization applies the Precautionary Principle or approach.	Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-53) Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P71-76) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P177-180)
102-12 External initiatives	a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	Sustainability Report 2019 / Editorial Policy (P3) Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P46-47) Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89) Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Creating Work Environments and Systems Where a Diverse Range of Employees Can Work Flexibly (P95) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Supply Chain Management (Environment) (P154) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (Energy / Climate Change) (P158, P163-164) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183-184)
102-13 Membership of associations	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P47-48) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183-184)

2. Strategy

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-14 Statement from senior decision-maker	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	Sustainability Report 2019 / Message from the Chairman (P7-10) Sustainability Report 2019 / Message from the President (P11-14) Integrated Report 2018 / Message from the CEO (P9-11) Integrated Report 2018 / Message from the COO (P13-14)
102-15 Key impacts, risks, and opportunities	a. A description of key impacts, risks, and opportunities.	Integrated Report 2018 / Changes in the Operating Environment - Opportunities and Risks (P33-34) Sustainability Report 2019 / Framework for Management Implementation (P15-22) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (Energy / Climate Change) (P163-164) * For impacts, risks and opportunities to stakeholders, see commitment from individual executive officers in charge in Sustainability Report 2019 (P39, 69, 87, 103, 115, 135, 155, 165, 171, 177)

3. Ethics and integrity

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-16 Values, principles, standards, and norms of behavior	a. A description of the organization's values, principles, standards, and norms of behavior.	Sustainability Report 2019 / Business Philosophy Guided by Our Founder's Spirit / Origins of the Daiwa House Group (P1-2) Sustainability Report 2019 / Business Philosophy Guided by Our Founder's Spirit / Message from the Chairman (P7-10) Sustainability Report 2019 / Foundation of CSR Management / Corporate Ethics / Compliance (P58-59) Sustainability Report 2019 / Data Section / Principles of Corporate Ethics and Code of Conduct (P195-196) Principles of Corporate Ethics (URL) https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html
102-17 Mechanisms for advice and concerns about ethics	a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behavior, and organizational integrity; ii. reporting concerns about unethical or unlawful behavior, and organizational integrity.	Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-56)

4. Governance

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-18 Governance structure	a. Governance structure of the organization, including committees of the highest governance body. b. Committees responsible for decision-making on economic, environmental, and social topics.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Basic Policy and Guidelines regarding Corporate Governance / Guidelines (URL) https://www.daiwahouse.com/English/ir/governance/
102-19 Delegating authority	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P151)
102-20 Executive-level responsibility for economic, environmental, and social topics	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics. b. Whether post holders report directly to the highest governance body.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P151) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (Energy / Climate Change) (P163-164)
102-21 Consulting stakeholders on economic, environmental, and social topics	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P151) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (Energy / Climate Change) (P163-164)
102-22 Composition of the highest governance body and its committees	a. Composition of the highest governance body and its committees by: i. executive or non-executive; ii. independence; iii. tenure on the governance body; iv. number of each individual's other significant positions and commitments, and the nature of the commitments; v. gender; vi. membership of under-represented social groups; vii. competencies relating to economic, environmental, and social topics; viii. stakeholder representation.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Integrated Report 2018 / Corporate governance system (P81-83) Corporate governance report / Organizational structure and matters concerning organizational management Corporate governance report / Status of efforts related to respect for stakeholders' positions * Corporate governance report (URL) (Japanese text only) https://www.daiwahouse.com/ir/governance/pdf/governance_report.pdf
102-23 Chair of the highest governance body	a. Whether the chair of the highest governance body is also an executive officer in the organization. b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Integrated Report 2018 / Corporate governance system (P81-83)
102-24 Nominating and selecting the highest governance body	a. Nomination and selection processes for the highest governance body and its committees. b. Criteria used for nominating and selecting highest governance body members, including whether and how: i. stakeholders (including shareholders) are involved; ii. diversity is considered; iii. independence is considered; iv. expertise and experience relating to economic, environmental, and social topics are considered.	Information Disclosure in accordance to the Corporate Governance Code, Corporate governance report / Nomination policy and procedures Information Disclosure in accordance to the Corporate Governance Code, Corporate Governance report / Approach to Board of Directors' overall balance, diversity and scale / Diversity of Board of Directors including internationality * Information Disclosure in accordance to the Corporate Governance Code (URL) (Japanese text only) https://www.daiwahouse.com/ir/governance/pdf/governance_kaiji.pdf

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-25 Conflicts of interest	a. Processes for the highest governance body to ensure conflicts of interest are avoided b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: i. Cross-board membership; ii. Cross-shareholding with suppliers and other stakeholders; iii. Existence of controlling shareholder; iv. Related party disclosures.	Corporate governance report / Items related to organizational structure and organizational management Information Disclosure in accordance to the Corporate Governance Code / Status of concurrently held director and auditor positions Information Disclosure in accordance to the Corporate Governance Code, Corporate governance report / Strategically held shares Corporate governance report / Major stockholders
102-26 Role of highest governance body in setting purpose, values, and strategy	a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.	Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Corporate governance report / Matters related to functions such as business execution, auditing and supervision, nominations, remuneration decisions, etc. Corporate governance report / Reasons for selecting the current corporate governance system
102-27 Collective knowledge of highest governance body	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	Corporate governance report / Matters related to business execution, auditing and supervision, nominations, remuneration decisions, etc. Corporate governance report / Policy on training directors and auditors
102-28 Evaluating the highest governance body's performance	a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. b. Whether such evaluation is independent or not, and its frequency. c. Whether such evaluation is a self-assessment. d. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	Corporate governance report / Summary of Board of Directors' evaluation results Integrated Report 2018 / Evaluation on Effectiveness of Board of Directors (P86)
102-29 Identifying and managing economic, environmental, and social impacts	a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities – including its role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics and their impacts, risks, and opportunities.	Sustainability Report 2019 / Framework for Management Implementation / Materiality (Priority Issues) of the Daiwa House Group (P19-20) Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-57) Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Corporate governance report / Basic approach regarding internal control system and status of system
102-30 Effectiveness of risk management processes	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-53) Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65) Corporate governance report / Basic approach regarding internal control system and status of system Corporate governance report / Summary of Board of Directors' evaluation results
102-31 Review of economic, environmental, and social topics	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P41-44) Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-53) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P151)
102-32 Highest governance body's role in sustainability reporting	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.	Reported to the CEO and all representative directors.
102-33 Communicating critical concerns	a. Process for communicating critical concerns to the highest governance body.	Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-53) Corporate governance report / Matters related to functions such as business execution, auditing and supervision, nominations, remuneration decisions, etc.
102-34 Nature and total number of critical concerns	a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns.	Sustainability Report 2019 / Foundation of CSR Management / Risk Management (P52-58) * "Irregularities at our joint venture in China" and "Off-specification components in and remedial work on Daiwa House single-family house and apartments" have been reported to the Board of Directors and response is being deliberated.
102-35 Remuneration policies	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: i. Fixed pay and variable pay, including performance-based pay, equity-based pay, bonuses, and deferred or vested shares; ii. Sign-on bonuses or recruitment incentive payments; iii. Termination payments; iv. Clawbacks; v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P43, 45) Corporate governance report / Board of Directors' policy and procedures that apply to decisions on remuneration for executives and directors Corporate governance report / Incentives Corporate governance report / Director remunerations
102-36 Process for determining remuneration	a. Process for determining remuneration. b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. c. Any other relationships that the remuneration consultants have with the organization.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P43, 45) Corporate governance report / Board of Directors' policy and procedures that apply to decisions on remuneration for executives and directors * No remuneration consultant participated
102-37 Stakeholders' involvement in remuneration	a. How stakeholders' views are sought and taken into account regarding remuneration. b. If applicable, the results of votes on remuneration policies and proposals.	Sustainability Report 2019 / Foundation of CSR Management / Corporate Governance (P43, 45) Corporate governance report / Incentives Corporate governance report / Director remunerations Notice of the 80th Ordinary General Meeting of Shareholders / Proposal 4: Payment of Bonuses for Directors and Audit & Supervisory Board Members https://www.daiwahouse.com/English/ir/stockholder/pdf/Notice_of_the_80th_Ordinary_General_Meeting_of_Shareholders.pdf

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-38 Annual total compensation ratio	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment. Employee salary and director compensation are disclosed below. Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Employee salary and director compensation
102-39 Percentage increase in annual total compensation ratio	a. Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment. Employee salary and director compensation are disclosed below. Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Employee salary and director compensation

5. Stakeholder engagement

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-40 List of stakeholder groups	a. A list of stakeholder groups engaged by the organization.	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P51) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183-184) Co-creating a brighter future with our stakeholders: Communicating with our stakeholders https://www.daiwahouse.com/English/sustainable/csr/vision/stakeholders/index.html
102-41 Collective bargaining agreements	a. Percentage of total employees covered by collective bargaining agreements.	<Reasons / explanations for omission> Not applicable: The company permits "freedom of association" as stipulated by law but there is no union.
102-42 Identifying and selecting stakeholders	a. The basis for identifying and selecting stakeholders with whom to engage	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P46) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P117-118) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183) Co-creating a brighter future with our stakeholders: Communicating with our stakeholders https://www.daiwahouse.com/English/sustainable/csr/vision/stakeholders/index.html
102-43 Approach to stakeholder engagement	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P49-52) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P117-124) Sustainability Report 2019 / Co-creating a Brighter Future with Our Shareholders / Increasing Shareholder Value in the Medium-to-Long Term and Investor Relations (P137-139) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Eco Communication (P181) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183-184) Integrated Report 2018 / Management structure / Dialogue with shareholders and investors (P89) Co-creating a brighter future with our stakeholders: Communicating with our stakeholders https://www.daiwahouse.com/English/sustainable/csr/vision/stakeholders/index.html
102-44 Key topics and concerns raised	a. Key topics and concerns that have been raised through stakeholder engagement, including: i. how the organization has responded to those key topics and concerns, including through its reporting; ii. the stakeholder groups that raised each of the key topics and concerns.	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P49-52) Sustainability Report 2019 / Co-creating a Brighter Future with Our Shareholders / Commitment from the Executive Officer in Charge (P133-134) Sustainability Report 2019 / Co-creating a Brighter Future with Our Shareholders (P139) Integrated Report 2018 / Management structure / Dialogue with shareholders and investors (P89) Stakeholders' meeting (Japanese text only) https://www.daiwahouse.com/sustainable/csr/stakeholder/

6. Reporting practice

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
102-45 Entities included in the consolidated financial statements	<ul style="list-style-type: none"> a. A list of all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. 	Sustainability Report 2019 / Editorial Policy (P3) Sustainability Report 2019 / Summary of the Daiwa House Group (P191) Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Status of associated companies
102-46 Defining report content and topic Boundaries	<ul style="list-style-type: none"> a. An explanation of the process for defining the report content and the topic Boundaries. b. An explanation of how the organization has implemented the Reporting Principles for defining report content. 	Sustainability Report 2019 / Framework for Management Implementation (P15-22)
102-47 List of material topics	<ul style="list-style-type: none"> a. A list of the material topics identified in the process for defining report content. 	Sustainability Report 2019 / Framework for Management Implementation (P15-22)
102-48 Restatements of information	<ul style="list-style-type: none"> a. The effect of any restatements of information given in previous reports, and the reasons for such restatements. 	Explanations are provided for revisions made on the following pages. Sustainability Report 2019 / CSR Self-Assessment Indices Fiscal 2018 results (P201-206)
102-49 Changes in reporting	<ul style="list-style-type: none"> a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries. 	<Reasons / explanations for omission> Not applicable: No significant changes in Boundaries
102-50 Reporting period	<ul style="list-style-type: none"> a. Reporting period for the information provided. 	Sustainability Report 2019 / Editorial Policy (P3)
102-51 Date of most recent report	<ul style="list-style-type: none"> a. If applicable, the date of the most recent previous report. 	Sustainability Report 2019 / Editorial Policy (P3)
102-52 Reporting cycle	<ul style="list-style-type: none"> a. Reporting cycle. 	Sustainability Report 2019 / Editorial Policy (P3)
102-53 Contact point for questions regarding the report	<ul style="list-style-type: none"> a. The contact point for questions regarding the report or its contents. 	Sustainability Report 2019 / Back cover
102-54 Claims of reporting in accordance with the GRI Standards	<ul style="list-style-type: none"> a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: <ul style="list-style-type: none"> i. "This report has been prepared in accordance with the GRI Standards: Core option"; ii. "This report has been prepared in accordance with the GRI Standards: Comprehensive option". 	GRI Standards Cross-Reference Table [this table] *This report has been prepared in accordance with the GRI Standards: Core option
102-55 GRI content index	<ul style="list-style-type: none"> a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report. b. For each disclosure, the content index shall include: <ul style="list-style-type: none"> i. the number of the disclosure (for disclosures covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either within the report or in other published materials; iii. if applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made. 	GRI Standards Cross-Reference Table [this table]
102-56 External assurance	<ul style="list-style-type: none"> a. A description of the organization's policy and current practice with regard to seeking external assurance for the report. b. If the report has been externally assured: <ul style="list-style-type: none"> i. A reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. The relationship between the organization and the assurance provider; iii. Whether and how the highest governance body or senior executives are involved in seeking external assurance for the organization's sustainability report. 	Sustainability Report 2019 / Third-Party Assurance Report (P241)

GRI 103: Management Approach

Our Group recognizes the following ten material issues in regard to GRI 103.

- ① Co-creating a Brighter Future with Our Customers
- ② Co-creating a Brighter Future with Our Employees
- ③ Co-creating a Brighter Future with Our Business Partners
- ④ Co-creating a Brighter Future with Local Communities
- ⑤ Co-creating a Brighter Future with Our Shareholders
- ⑥ Prevention of Global Warming (Energy / Climate Change)
- ⑦ Harmony with the Natural Environment (Preservation of Biodiversity)
- ⑧ Conservation of Natural Resources (Longer Durability / Waste Reduction / Water Resource Conservation)
- ⑨ Prevention of Chemical Pollution
- ⑩ Foundation of CSR Management

* The 2019 Sustainability Report follows the outline of the former plan (Medium-Term CSR Plan for fiscal 2016-2018) and thus defines above as material issues. Therefore, these differ from the material issues listed on P17-22 of this report according to the new plan (fiscal 2019-2021.)

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
103-1 Explanation of the material topic and its Boundary	<p>a. An explanation of why the topic is material.</p> <p>b. The Boundary for the material topic, which includes a description of:</p> <ol style="list-style-type: none"> i. where the impacts occur; ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships. <p>c. Any specific limitation regarding the topic Boundary.</p>	<p>Sustainability Report 2019 / Message from the Chairman (P7-10)</p> <p>Sustainability Report 2019 / Message from the President (P11-14)</p> <p>Sustainability Report 2019 / Framework for Management Implementation (P19-22)</p> <p>Sustainability Report 2019 / Implementation Report (P29-30)</p> <p>Sustainability Report 2019 / Commitment from the Executive Officer in Charge:</p> <p>Foundation of CSR Management (P39-40), Customers (P69-70), Employees (P87-88), Business Partners (P103-104), Local Communities (P115-116), Shareholders (P135-136), The Environment (P141-143)</p> <p>Sustainability Report 2019 / The Environment:</p> <p>Long-Term Environmental Vision (P144-146), Action Plan for the Environment (Endless Green Program) (P147), Prevention of Global Warming (P155), Harmony with the Natural Environment (P165), Conservation of Natural Resources (P171), Prevention of Chemical Pollution (P177)</p>
103-2 The management approach and its components	<p>a. An explanation of how the organization manages the topic.</p> <p>b. A statement of the purpose of the management approach.</p> <p>c. A description of the following, if the management approach includes that component:</p> <ol style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives 	<p>Sustainability Report 2019 / Framework for Management Implementation (P15-19)</p> <p>Sustainability Report 2019 / Implementation Report (P29-34)</p> <p>Sustainability Report 2019 / Commitment from the Executive Officer in Charge:</p> <p>Foundation of CSR Management (P39-40), Customers (P69-70), Employees (P87-88), Business Partners (P103-104), Local Communities (P115-116), Shareholders (P135-136), The Environment (P141-143)</p> <p>Sustainability Report 2019 / Foundation of CSR Management / CSR Management (P63-65)</p> <p>Sustainability Report 2019 / The Environment:</p> <p>Long-Term Environmental Vision (P144-146), Action Plan for the Environment (Endless Green Program) (P147-150), Environmental Management (P151-152), Cooperation with TCFD (P163-164), Supply Chain Management (Environment) (P153-154), Prevention of Global Warming (P155-160), Harmony with the Natural Environment (P165-170), Conservation of Natural Resources (P171-176), Prevention of Chemical Pollution (P177-180)</p>
103-3 Evaluation of the management approach	<p>a. An explanation of how the organization evaluates the management approach, including:</p> <ol style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach. 	<p>Sustainability Report 2019 / Commitment from the Executive Officer in Charge:</p> <p>Foundation of CSR Management (P39-40), Customers (P70), Employees (P87-88), Business Partners (P103-104), Local Communities (P115-116), Shareholders (P135-136), The Environment (P141-143)</p> <p>Sustainability Report 2019 / The Environment:</p> <p>Action Plan for the Environment (Endless Green Program 2018) (P148), Environmental Management (P151), Prevention of Global Warming (P156), Harmony with the Natural Environment (P166), Conservation of Natural Resources (P172), Prevention of Chemical Pollution (P178)</p> <p>Sustainability Report 2019 / Data Section / Third-Party Assessment (FY 2018 results) (P184-190)</p> <p>Sustainability Report 2019 / Data Section / CSR Self-Assessment Indices: Fiscal 2018 results (P201-206)</p> <p>Sustainability Report 2019 / Data Section / Results and Self-Assessment of the Environmental Action Plan (Endless Green Program 2018) (P209-210)</p> <p>Sustainability Report 2019 / Data Section / Third-Party Assurance Report (P241)</p>

GRI 201: Economic Performance 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
201-1 Direct economic value generated and distributed	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Consolidated financial statements
201-2 Financial implications and other risks and opportunities due to climate change	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity.	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Commitment from the Executive Officer in Charge (P141-143) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Long-Term Environmental Vision, Action Plan for the Environment (Endless Green Program 2018, 2021) (P144-150) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (Energy / Climate Change) (P155, P163-164) Sustainability Report 2019 / Flow of Materials Imparting Environmental Load and Environmental Accounting / Environmental accounting (P231-232)
201-3 Defined benefit plan obligations and other retirement plans	a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities. b. If a separate fund exists to pay the plan's pension liabilities: i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. the basis on which that estimate has been arrived at; iii. when that estimate was made. c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Percentage of salary contributed by employee or employer. e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.	Summary of Financial Results for the Fiscal Year Ended March 31, 2019 / Consolidated financial statements
201-4 Financial assistance received from government	a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including: i. tax relief and tax credits; ii. subsidies; iii. investment grants, research and development grants, and other relevant types of grant; iv. awards; v. royalty holidays; vi. financial assistance from Export Credit Agencies (ECAs); vii. financial incentives; viii. other financial benefits received or receivable from any government for any operation. b. The information in 201-4-a by country. c. Whether, and the extent to which, any government is present in the shareholding structure.	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment.

GRI 202: Market Presence 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	a. When a significant proportion of employees are compensated based on wages subject to minimum wage rules, report the relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. When a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules, describe the actions taken to determine whether these workers are paid above the minimum wage. c. Whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums can be used as a reference, report which minimum wage is being used. d. The definition used for 'significant locations of operation'.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Paying fair wages (P97) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Hiring locally in Japan and overseas (P124)
202-2 Proportion of senior management hired from the local community	a. Percentage of senior management at significant locations of operation that are hired from the local community. b. The definition used for 'senior management'. c. The organization's geographical definition of 'local'. d. The definition used for 'significant locations of operation'.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P98) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Hiring locally in Japan and overseas (P124)

GRI 203: Indirect Economic Impacts 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
203-1 Infrastructure investments and services supported	<ul style="list-style-type: none"> a. Extent of development of significant infrastructure investments and services supported. b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. c. Whether these investments and services are commercial, in-kind, or pro bono engagements. 	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P117-124)
203-2 Significant indirect economic impacts	<ul style="list-style-type: none"> a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas. 	Sustainability Report 2019 / Feature (P23-26) Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P117-124)

GRI 204: Procurement Practices 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
204-1 Proportion of spending on local suppliers	<ul style="list-style-type: none"> a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally). b. The organization's geographical definition of 'local'. c. The definition used for 'significant locations of operation'. 	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P106-109) Sustainability Report 2019 / Data Section / CSR Procurement Guidelines (P198-200)

GRI 205: Anti-corruption 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
205-1 Operations assessed for risks related to corruption	<ul style="list-style-type: none"> a. Total number and percentage of operations assessed for risks related to corruption. b. Significant risks related to corruption identified through the risk assessment. 	Sustainability Report 2019 / Foundation of CSR Management / Anti-corruption / Fair Trade (P60-62)
205-2 Communication and training about anti-corruption policies and procedures	<ul style="list-style-type: none"> a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region. b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations. d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region. e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region. 	Sustainability Report 2019 / Foundation of CSR Management / Anti-corruption / Fair Trade (P60-62)
205-3 Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> a. Total number and nature of confirmed incidents of corruption. b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases. 	Sustainability Report 2019 / Foundation of CSR Management / Cease and desist order issued by Japan Fair Trade Commission to Fujita Corporation (P61) Sustainability Report 2019 / Foundation of CSR Management / Regarding criminal punishment (summary order) on Fujita Corporation's employee (P61)

GRI 206: Anti-competitive Behavior 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<ul style="list-style-type: none"> a. Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant. b. Main outcomes of completed legal actions, including any decisions or judgments. 	Sustainability Report 2019 / Foundation of CSR Management / Risk assessment of corruption (P61)

GRI 301: Materials 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
301-1 Materials used by weight or volume	<ul style="list-style-type: none"> a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by: <ul style="list-style-type: none"> i. non-renewable materials used; ii. renewable materials used. 	Sustainability Report 2019 / Data Section / Harmony with the Natural Environment (P221-222) Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P225-226) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232)
301-2 Recycled input materials used	<ul style="list-style-type: none"> a. Percentage of recycled input materials used to manufacture the organization's primary products and services. 	Sustainability Report 2019 / Data Section / Harmony with the Natural Environment (P221-222)
301-3 Reclaimed products and their packaging materials	<ul style="list-style-type: none"> a. Percentage of reclaimed products and their packaging materials for each product category. b. How the data for this disclosure have been collected. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources (P172-173) Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P224-226)

Managerial Philosophy and Overall Picture
 Foundation of CSR Management
 Customers
 Employees
 Business Partners
 Local Communities
 Shareholders
 Environment
 Third-Party Assessment / Data Section

GRI 302: Energy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
302-1 Energy consumption within the organization	a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used. b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used. c. In joules, watt-hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption d. In joules, watt-hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold e. Total energy consumption within the organization, in joules or multiples. f. Standards, methodologies, assumptions, and/or calculation tools used. g. Source of the conversion factors used.	Sustainability Report 2019 / Data Section / Calculation and Reporting of Environmental Data (P208) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P211-216, P220) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232)
302-2 Energy consumption outside of the organization	a. Energy consumption outside of the organization, in joules or multiples. b. Standards, methodologies, assumptions, and/or calculation tools used. c. Source of the conversion factors used.	<Reasons / explanations for omission> Energy consumption is converted into and disclosed as CO ₂ emission. Relevant pages: Sustainability Report 2019 / Data Section / Calculation and Reporting of Environmental Data (P208) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P211)
302-3 Energy intensity	a. Energy intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all. d. Whether the ratio uses energy consumption within the organization, outside of it, or both.	Sustainability Report 2019 / Data Section / Prevention of Global Warming (P211, P213, P220)
302-4 Reduction of energy consumption	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all. c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. d. Standards, methodologies, assumptions, and/or calculation tools used.	Sustainability Report 2019 / Data Section / Prevention of Global Warming (P211, P213, P220)
302-5 Reductions in energy requirements of products and services	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it. c. Standards, methodologies, assumptions, and/or calculation tools used.	<Reasons / explanations for omission> Energy consumption is converted into and disclosed as CO ₂ emission. Relevant pages: Sustainability Report 2019 / Data Section / Prevention of Global Warming (P219-220)

GRI 303: Water and Effluents 2018

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
303-1 Interactions with water as a shared resource	a. A description of how the organization interacts with water, including how and where water is withdrawn, consumed, and discharged, and the water-related impacts caused or contributed to, or directly linked to the organization's activities, products or services by a business relationship (e.g., impacts caused by runoff). b. A description of the approach used to identify water-related impacts, including the scope of assessments, their timeframe, and any tools or methodologies used. c. A description of how water-related impacts are addressed, including how the organization works with stakeholders to steward water as a shared resource, and how it engages with suppliers or customers with significant water-related impacts. d. An explanation of the process for setting any water-related goals and targets that are part of the organization's management approach, and how they relate to public policy and the local context of each area with water stress.	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources (P172, P175-176) Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P227) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232)
303-2 Management of water discharge-related impacts	a. A description of any minimum standards set for the quality of effluent discharge, and how these minimum standards were determined, including: i. how standards for facilities operating in locations with no local discharge requirements were determined; ii. any internally developed water quality standards or guidelines; iii. any sector-specific standards considered; iv. whether the profile of the receiving waterbody was considered.	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P177, P179) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)
303-3 Water withdrawal	a. Total water withdrawal from all areas in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water. b. Total water withdrawal from all areas with water stress in megaliters, and a breakdown of this total by the following sources, if applicable: i. Surface water; ii. Groundwater; iii. Seawater; iv. Produced water; v. Third-party water, and a breakdown of this total by the withdrawal sources listed in i-iv. c. A breakdown of total water withdrawal from each of the sources listed in Disclosures 303-3-a and 303-3-b in megaliters by the following categories: i. Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ($> 1,000$ mg/L Total Dissolved Solids). d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P227-228)

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
303-4 Water discharge	<p>a. Total water discharge to all areas in megaliters, and a breakdown of this total by the following types of destination, if applicable:</p> <ul style="list-style-type: none"> i. Surface water; ii. Groundwater; iii. Seawater; iv. Third-party water, and the volume of this total sent for use to other organizations, if applicable. <p>b. A breakdown of total water discharge to all areas in megaliters by the following categories:</p> <ul style="list-style-type: none"> i. Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ($> 1,000$ mg/L Total Dissolved Solids). <p>c. Total water discharge to all areas with water stress in megaliters, and a breakdown of this total by the following categories:</p> <ul style="list-style-type: none"> i. Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids); ii. Other water ($> 1,000$ mg/L Total Dissolved Solids). <p>d. Priority substances of concern for which discharges are treated, including:</p> <ul style="list-style-type: none"> i. how priority substances of concern were defined, and any international standard, authoritative list, or criteria used; ii. the approach for setting discharge limits for priority substances of concern; iii. number of incidents of non-compliance with discharge limits. <p>e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.</p>	Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P227-228)
303-5 Water consumption	<p>a. Total water consumption from all areas in megaliters.</p> <p>b. Total water consumption from all areas with water stress in megaliters.</p> <p>c. Change in water storage in megaliters, if water storage has been identified as having a significant water-related impact.</p> <p>d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modeled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.</p>	<Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at this moment.

GRI 304: Biodiversity 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<p>a. For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information:</p> <ul style="list-style-type: none"> i. Geographic location; ii. Subsurface and underground land that may be owned, leased, or managed by the organization; iii. Position in relation to the protected area (in the area, adjacent to, or containing portions of the protected area) or the high biodiversity value area outside protected areas; iv. Type of operation (office, manufacturing or production, or extractive); v. Size of operational site in km² (or another unit, if appropriate); vi. Biodiversity value characterized by the attribute of the protected area or area of high biodiversity value outside the protected area (terrestrial, freshwater, or maritime ecosystem); vii. Biodiversity value characterized by listing of protected status (such as IUCN Protected Area Management Categories, Ramsar Convention, national legislation). 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P168, 170)
304-2 Significant impacts of activities, products, and services on biodiversity	<p>a. Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following:</p> <ul style="list-style-type: none"> i. Construction or use of manufacturing plants, mines, and transport infrastructure; ii. Pollution (introduction of substances that do not naturally occur in the habitat from point and non-point sources); iii. Introduction of invasive species, pests, and pathogens; iv. Reduction of species; v. Habitat conversion; vi. Changes in ecological processes outside the natural range of variation (such as salinity or changes in groundwater level). <p>b. Significant direct and indirect positive and negative impacts with reference to the following:</p> <ul style="list-style-type: none"> i. Species affected; ii. Extent of areas impacted; iii. Duration of impacts; iv. Reversibility or irreversibility of the impacts. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P165-166, 168, 169-170)
304-3 Habitats protected or restored	<p>a. Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals.</p> <p>b. Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures.</p> <p>c. Status of each area based on its condition at the close of the reporting period.</p> <p>d. Standards, methodologies, and assumptions used.</p>	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P168, 170) Sustainability Report 2019 / Cooperating with Third Parties and Their Assessment (P183-184)
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	<p>a. Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk:</p> <ul style="list-style-type: none"> i. Critically endangered ii. Endangered iii. Vulnerable iv. Near threatened v. Least concern 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P168)

GRI 305: Emissions 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
305-1 Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> a. Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent. b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent. d. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P155-156) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P208, 212-213, 217-220) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232)
305-2 Energy indirect (Scope 2) GHG emissions	<ul style="list-style-type: none"> a. Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent. b. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ equivalent. c. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. d. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. f. Consolidation approach for emissions; whether equity share, financial control, or operational control. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P155-156) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P208, 212-213, 217-220) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232)
305-3 Other indirect (Scope 3) GHG emissions	<ul style="list-style-type: none"> a. Gross other indirect (Scope 3) GHG emissions in metric tons of CO₂ equivalent. b. If available, the gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent. d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation. e. Base year for the calculation, if applicable, including: <ul style="list-style-type: none"> i. the rationale for choosing it; ii. emissions in the base year; iii. the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source. g. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P155) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P208, 217-218)
305-4 GHG emissions intensity	<ul style="list-style-type: none"> a. GHG emissions intensity ratio for the organization. b. Organization-specific metric (the denominator) chosen to calculate the ratio. c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). d. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P156-157) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P208, 212-213, 219-220)
305-5 Reduction of GHG emissions	<ul style="list-style-type: none"> a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO₂ equivalent. b. Gases included in the calculation; whether CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, or all. c. Base year or baseline, including the rationale for choosing it. d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3). e. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P156-157) Sustainability Report 2019 / Data Section / Prevention of Global Warming (P208, 212-213, 217-218, 219-220)
305-6 Emissions of ozone-depleting substances (ODS)	<ul style="list-style-type: none"> a. Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent. b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used. 	<Reasons / explanations for omission> Target setting and performance management of fluorocarbon is excluded as our Group does not produce, import, or export these substances.
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	<ul style="list-style-type: none"> a. Significant air emissions, in kilograms or multiples, for each of the following: <ul style="list-style-type: none"> i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations b. Source of the emission factors used. c. Standards, methodologies, assumptions, and/or calculation tools used. 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P178) Sustainability Report 2019 / Data Section / Prevention of Chemical Pollution (P229-230) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)

Managerial Philosophy and Overall Picture
Foundation of CSR Management
Customers
Employees
Business Partners
Local Communities
Shareholders
Environment
Third-Party Assessment / Data Section

GRI 306: Effluents and Waste 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
306-1 Water discharge by quality and destination	<p>a. Total volume of planned and unplanned water discharges by:</p> <ul style="list-style-type: none"> i. destination; ii. quality of the water, including treatment method; iii. whether the water was reused by another organization. <p>b. Standards, methodologies, and assumptions used.</p>	Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P227-228) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)
306-2 Waste by type and disposal method	<p>a. Total weight of hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) <p>b. Total weight of non-hazardous waste, with a breakdown by the following disposal methods where applicable:</p> <ul style="list-style-type: none"> i. Reuse ii. Recycling iii. Composting iv. Recovery, including energy recovery v. Incineration (mass burn) vi. Deep well injection vii. Landfill viii. On-site storage ix. Other (to be specified by the organization) <p>c. How the waste disposal method has been determined:</p> <ul style="list-style-type: none"> i. Disposed of directly by the organization, or otherwise directly confirmed ii. Information provided by the waste disposal contractor iii. Organizational defaults of the waste disposal contractor 	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Conservation of Natural Resources (P172) Sustainability Report 2019 / Data Section / Conservation of Natural Resources (P224-226) Sustainability Report 2019 / Data Section / Flow of Materials Imparting Environmental Load and Environmental Accounting (P231-232) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)
306-3 Significant spills	<p>a. Total number and total volume of recorded significant spills.</p> <p>b. The following additional information for each spill that was reported in the organization's financial statements:</p> <ul style="list-style-type: none"> i. Location of spill; ii. Volume of spill; iii. Material of spill, categorized by: oil spills (soil or water surfaces), fuel spills (soil or water surfaces), spills of wastes (soil or water surfaces), spills of chemicals (mostly soil or water surfaces), and other (to be specified by the organization). <p>c. Impacts of significant spills.</p>	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P152) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Chemical Pollution (P177-179) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)
306-4 Transport of hazardous waste	<p>a. Total weight for each of the following:</p> <ul style="list-style-type: none"> i. Hazardous waste transported ii. Hazardous waste imported iii. Hazardous waste exported iv. Hazardous waste treated <p>b. Percentage of hazardous waste shipped internationally.</p> <p>c. Standards, methodologies, and assumptions used.</p>	Sustainability Report 2019 / Data Section / Material balance of chemical substances subject to PRTR (P230)
306-5 Water bodies affected by water discharges and/or runoff	<p>a. Water bodies and related habitats that are significantly affected by water discharges and/or runoff, including information on:</p> <ul style="list-style-type: none"> i. the size of the water body and related habitat; ii. whether the water body and related habitat is designated as a nationally or internationally protected area; iii. the biodiversity value, such as total number of protected species. 	<Reasons / explanations for omission> Information unavailable: Due to the extensive number of offices.

GRI 307: Environmental Compliance 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
307-1 Non-compliance with environmental laws and regulations	<p>a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of:</p> <ul style="list-style-type: none"> i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. <p>b. If the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.</p>	Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Environmental Management (P152) Sustainability Report 2019 / Data Section / Daiwa House Industry Site Report (P233-238)

GRI 308: Supplier Environmental Assessment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
308-1 New suppliers that were screened using environmental criteria	<p>a. Percentage of new suppliers that were screened using environmental criteria.</p>	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P107-108) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Supply Chain Management (Environment) (P153-154)
308-2 Negative environmental impacts in the supply chain and actions taken	<p>a. Number of suppliers assessed for environmental impacts.</p> <p>b. Number of suppliers identified as having significant actual and potential negative environmental impacts.</p> <p>c. Significant actual and potential negative environmental impacts identified in the supply chain.</p> <p>d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.</p> <p>e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.</p>	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P108-109) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Supply Chain Management (Environment) (P153-154) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P167-168) Sustainability Report 2019 / Data Section / Harmony with the Natural Environment (P221)

GRI 401: Employment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
401-1 New employee hires and employee turnover	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P98)
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: <ol style="list-style-type: none"> i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. b. The definition used for 'significant locations of operation'.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Various types of welfare programs (P97)
401-3 Parental leave	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Taking of childcare leave and returning to positions (P97)

GRI 402: Labor/Management Relations 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
402-1 Minimum notice periods regarding operational changes	a. Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Regarding notification of personnel in the event of important business changes (P98)

GRI 403: Occupational Health and Safety 2018

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
403-1 Occupational health and safety management system	a. A statement of whether an occupational health and safety management system has been implemented, including whether: <ol style="list-style-type: none"> i. the system has been implemented because of legal requirements and, if so, a list of the requirements; ii. the system has been implemented based on recognized risk management and/or management system standards/guidelines and, if so, a list of the standards/guidelines. b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92) The company establishes and operates a Safety and Health Committee and Safety and Health Council, which the larger majority is comprised of general staff.
403-2 Hazard identification, risk assessment, and incident investigation	a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: <ol style="list-style-type: none"> i. how the organization ensures the quality of these processes, including the competency of persons who carry them out; ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system. b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals. c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals. d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)
403-3 Occupational health services	a. A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)
403-4 Worker participation, consultation, and communication on occupational health and safety	a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers. b. Where formal joint management-worker safety and health committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92) The company permits "freedom of association" as stipulated by law but there is no union. The company establishes and operates a Safety and Health Committee and Safety and Health Council, which the larger majority is comprised of general staff.
403-5 Worker training on occupational health and safety	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)
403-6 Promotion of worker health	a. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided. b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	a. A description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)
403-8 Workers covered by an occupational health and safety management system	a. If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines: <ul style="list-style-type: none"> i. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system; ii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been internally audited; iii. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system that has been audited or certified by an external party. b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. c. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92) Sustainability Report 2019 / Summary of the Daiwa House Group (P191) The company establishes and operates a Safety and Health Committee and Safety and Health Council, which the larger majority is comprised of general staff and all employees are subject to the Occupational Health and Safety Management System.
403-9 Work-related injuries	a. For all employees: <ul style="list-style-type: none"> i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: <ul style="list-style-type: none"> i. The number and rate of fatalities as a result of work-related injury; ii. The number and rate of high-consequence work-related injuries (excluding fatalities); iii. The number and rate of recordable work-related injuries; iv. The main types of work-related injury; v. The number of hours worked. c. The work-related hazards that pose a risk of high-consequence injury, including: <ul style="list-style-type: none"> i. how these hazards have been determined; ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls. e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked. f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)
403-10 Work-related ill health	a. For all employees: <ul style="list-style-type: none"> i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. b. For all workers who are not employees but whose work and/or workplace is controlled by the organization: <ul style="list-style-type: none"> i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. c. The work-related hazards that pose a risk of ill health, including: <ul style="list-style-type: none"> i. how these hazards have been determined; ii. which of these hazards have caused or contributed to cases of ill health during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls. d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded. e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing a Safe and Healthy Work Environment (P89-92)

GRI 404: Training and Education 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
404-1 Average hours of training per year per employee	a. Average hours of training that the organization's employees have undertaken during the reporting period, by: i. gender; ii. employee category.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Average annual hours spent on human resources development through Off-JT (P95)
404-2 Programs for upgrading employee skills and transition assistance programs	a. Type and scope of programs implemented and assistance provided to upgrade employee skills. b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Developing Human Resources (P92-95) Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P98-99)
404-3 Percentage of employees receiving regular performance and career development reviews	a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Proportion of employees evaluated (P93) *All employees of the company receive a periodic HR assessment regardless of gender or position.

GRI 405: Diversity and Equal Opportunity 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
405-1 Diversity of governance bodies and employees	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups). b. Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	Integrated Report 2018 / Management Structure / Corporate Governance System (P81-84) Notice of the 80th Ordinary General Meeting of Shareholders / Election of Sixteen (16) Directors (P6-12) (URL) https://www.daiwahouse.com/English/ir/stockholder/
405-2 Ratio of basic salary and remuneration of women to men	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. The definition used for 'significant locations of operation'.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Paying fair wages (P97)

GRI 406: Non-discrimination 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
406-1 Incidents of discrimination and corrective actions taken	a. Total number of incidents of discrimination during the reporting period. b. Status of the incidents and actions taken with reference to the following: i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action.	Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P48-52)

GRI 407: Freedom of Association and Collective Bargaining 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. b. Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining.	Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P49-51) Sustainability Report 2019 / Co-creating a Brighter Future with Our Employees / Providing Employment Opportunities for Exceptional Human Resources (P98) The company permits "freedom of association" as stipulated by law but there is no union. Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Action taken with business partners with marked ESG risks (P109)

GRI 408: Child Labor 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
408-1 Operations and suppliers at significant risk for incidents of child labor	a. Operations and suppliers considered to have significant risk for incidents of: i. child labor; ii. young workers exposed to hazardous work. b. Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. c. Measures taken by the organization in the reporting period intended to contribute to the effective abolition of child labor.	Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P49-51) Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P108)

GRI 409: Forced or Compulsory Labor 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	<p>a. Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:</p> <ul style="list-style-type: none"> i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk. <p>b. Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor.</p>	<p>Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P49-51) Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P108)</p>

GRI 410: Security Practices 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
410-1 Security personnel trained in human rights policies or procedures	<p>a. Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.</p> <p>b. Whether training requirements also apply to third-party organizations providing security personnel.</p>	<p><Reasons / explanations for omission> Information unavailable: Information regarding this item is unavailable at the moment as security personnel are outsourced. At processing facilities in Japan and overseas, security personnel are notified and provided guidance mainly by the supervisor so as to ensure that adequate response is provided to nearby residents and other stakeholders.</p> <p>Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P108)</p>

GRI 411: Rights of Indigenous Peoples 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
411-1 Incidents of violations involving rights of indigenous peoples	<p>a. Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.</p> <p>b. Status of the incidents and actions taken with reference to the following:</p> <ul style="list-style-type: none"> i. Incident reviewed by the organization; ii. Remediation plans being implemented; iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes; iv. Incident no longer subject to action. 	<p>Sustainability Report 2019 / Foundation of CSR Management / Response to rights of indigenous people (P52)</p>

GRI 412: Human Rights Assessment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
412-1 Operations that have been subject to human rights reviews or impact assessments	<p>a. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.</p>	<p>Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P47-51)</p>
412-2 Employee training on human rights policies or procedures	<p>a. Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.</p> <p>b. Percentage of employees trained during the reporting period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.</p>	<p>Sustainability Report 2019 / Foundation of CSR Management / Human Rights Management (P51)</p>
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<p>a. Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.</p> <p>b. The definition used for 'significant investment agreements'.</p>	<p><Reasons / explanations for omission> Not applicable: No items apply.</p>

GRI 413: Local Communities 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
413-1 Operations with local community engagement, impact assessments, and development programs	<p>a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:</p> <ul style="list-style-type: none"> i. social impact assessments, including gender impact assessments, based on participatory processes; ii. environmental impact assessments and ongoing monitoring; iii. public disclosure of results of environmental and social impact assessments; iv. local community development programs based on local communities' needs; v. stakeholder engagement plans based on stakeholder mapping; vi. broad based local community consultation committees and processes that include vulnerable groups; vii. works councils, occupational safety and health committees and other worker representation bodies to deal with impacts; viii. formal local community grievance processes. 	<p>Sustainability Report 2019 / Co-creating a Brighter Future with Local Communities / Supporting Community Development Through the Construction Business (P122-124)</p>
413-2 Operations with significant actual and potential negative impacts on local communities	<p>a. Operations with significant actual and potential negative impacts on local communities, including:</p> <ul style="list-style-type: none"> i. the location of the operations; ii. the significant actual and potential negative impacts of operations. 	<p><Reasons / explanations for omission> Not applicable: No items apply.</p>

GRI 414: Supplier Social Assessment 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
414-1 New suppliers that were screened using social criteria	a. Percentage of new suppliers that were screened using social criteria.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P107-108)
414-2 Negative social impacts in the supply chain and actions taken	a. Number of suppliers assessed for social impacts. b. Number of suppliers identified as having significant actual and potential negative social impacts. c. Significant actual and potential negative social impacts identified in the supply chain. d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment. e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Business Partners / Encouraging Business Partners in CSR Efforts (P108-109) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Supply Chain Management (Environment) (P153-154) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P167-168)

GRI 415: Public Policy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
415-1 Political contributions	a. Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary. b. If applicable, how the monetary value of in-kind contributions was estimated.	<Reasons / explanations for omission> Confidentiality constraints: This information is considered to have the risk of containing confidential material.

GRI 416: Customer Health and Safety 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
416-1 Assessment of the health and safety impacts of product and service categories	a. Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P72)
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: <ol style="list-style-type: none"> i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Off-specification components in and remedial work on Daiwa House single-family house and apartments (P73-74)

GRI 417: Marketing and Labeling 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
417-1 Requirements for product and service information and labeling	a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling: <ol style="list-style-type: none"> i. The sourcing of components of the product or service; ii. Content, particularly with regard to substances that might produce an environmental or social impact; iii. Safe use of the product or service; iv. Disposal of the product and environmental or social impacts; v. Other (explain). b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Providing High Quality Products (P72) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Prevention of Global Warming (P159-160) Sustainability Report 2019 / Co-creating a Brighter Future with the Environment / Harmony with the Natural Environment (P170)
417-2 Incidents of non-compliance concerning product and service information and labeling	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling, by: <ol style="list-style-type: none"> i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Off-specification components in and remedial work on Daiwa House single-family house and apartments (P73-74)
417-3 Incidents of non-compliance concerning marketing communications	a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: <ol style="list-style-type: none"> i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Proper Communication with Customers (P78)

GRI 418: Customer Privacy 2016

Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<p>a. Total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> i. complaints received from outside parties and substantiated by the organization; ii. complaints from regulatory bodies. <p>b. Total number of identified leaks, thefts, or losses of customer data.</p> <p>c. If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p>	<p><Reasons / explanations for omission> Not applicable: There have been no appeals made to our company in regards to customer privacy.</p>

GRI 419: Socioeconomic Compliance 2016

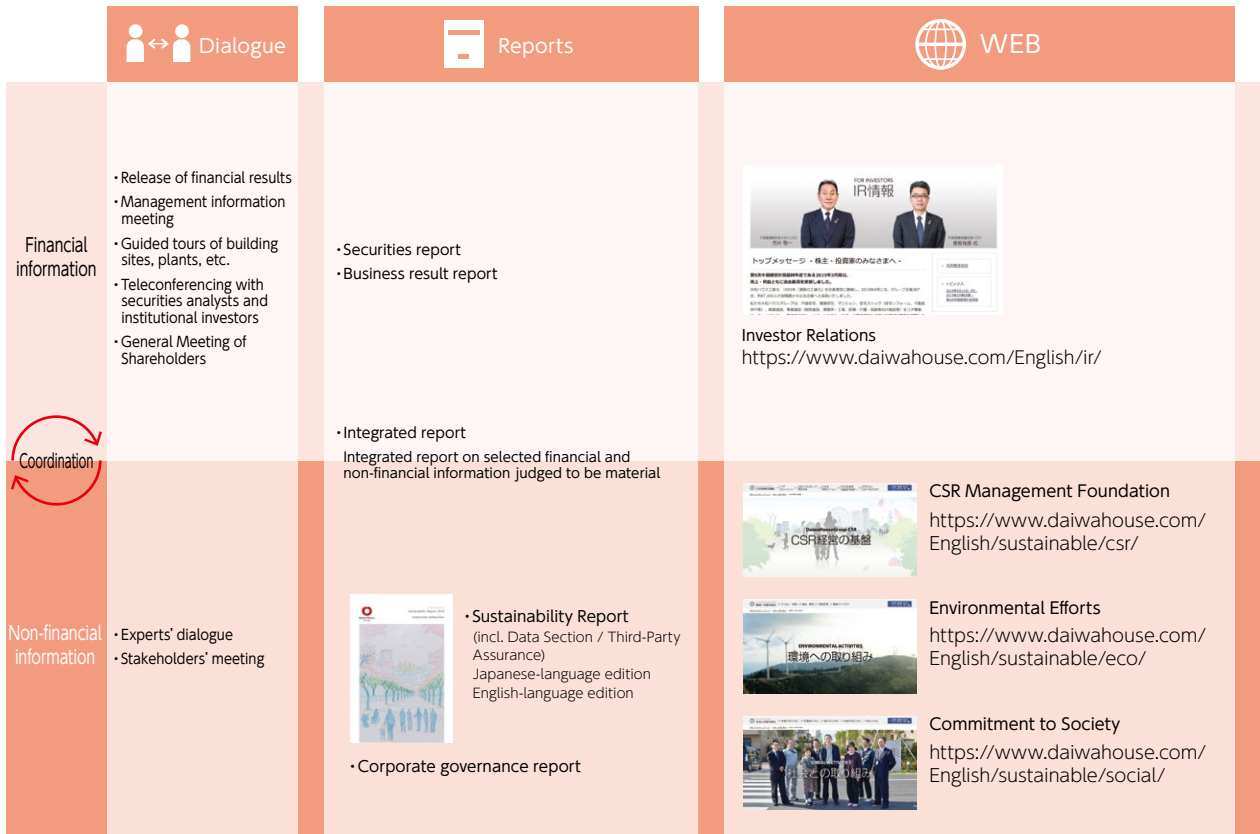
Disclosure Number	Disclosure Title	Relevant pages (or reasons / explanations for omission)
419-1 Non-compliance with laws and regulations in the social and economic area	<p>a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:</p> <ul style="list-style-type: none"> i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. <p>b. If the organization has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient.</p> <p>c. The context against which significant fines and non-monetary sanctions were incurred.</p>	<p>Sustainability Report 2019 / Co-creating a Brighter Future with Our Customers / Off-specification components in and remedial work on Daiwa House single-family house and apartments (P73-74)</p>

Glossary

	Terms	Definition
Managerial Philosophy and Overall Picture	A Active (control)	In housing and construction design, Active, as opposed to Passive, is a design method that positively takes advantage of machines and facilities to control and promote energy creation and conservation, upon making use of nature in design.
Foundation of CSR Management	B 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.
Customers	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.
Employees	C 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.
Business Partners	E Existing home	Refers to existing houses that were domestically built.
Local Communities	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.
Shareholders	G Green procurement / Green purchase	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. Our Group uses terms differently: "green procurement" for building materials and "green purchase" for stationery for routine tasks.
Environment	L Life cycle	Refers to a large-scale photovoltaic power generation plant that has a minimum output capacity of 1 megawatt (1,000 kilowatts).
Third-Party Assessment / Data Section	M Mega-solar (power plant)	Refers to a large solar power generator that generates more than 1 megawatt (more than 1,000 kilowatts) of electricity.
	P Passive (control)	In housing and construction design, Passive is a design philosophy and method that takes advantage of nature such as the sun's heat, light, wind and greenery to create pleasant architectural space, minimizing use of machines such as air conditioners.
	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.

	Terms	Definition
	SDGs	Abbreviation for Sustainable Development Goals, which, adopted at the 2015 United Nations Sustainable Development Summit, consist of 17 goals and 169 targets.
	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.
S	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.
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.
	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," and "ZEB Ready" by rank.
Z	ZEH (Net Zero Energy House)	Refers to a house 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 "ZEH" and "Nearly ZEH" 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 sub-zero by renewable energy. Classified into "ZEH-M," "Nearly ZEH-M," "ZEH-M Ready," and "ZEH-M Oriented" by rank.
	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.

Our Communications at a Glance



Daiwa House Industry supports “Fun to Share,” the climate change campaign for building a low-carbon society through “zero-energy” homes, buildings and communities.

Daiwa House Industry Co.,Ltd.

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“Endless Heart,” which represents the vision of the Daiwa House Group, is a registered trademark or trademark of Daiwa House Industry Co., Ltd. in Japan and other countries.



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.