



# Creating Dreams, Building Hearts

Daiwa House Group  
CSR Report 2015

English Edition



Daiwa House Industry Co., Ltd.

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Daiwa House Industry supports "Fun to Share," the climate change campaign for building a low-carbon society through "zero-energy" homes, buildings and communities.

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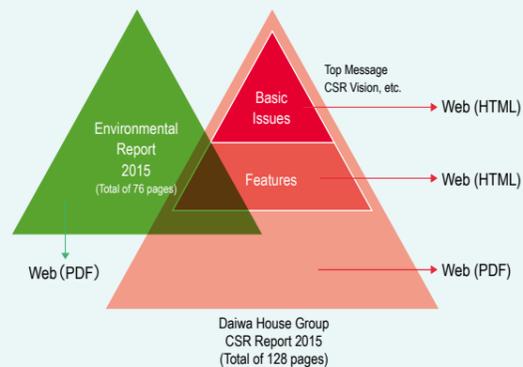


# Editorial Policy

The Daiwa House Group CSR Report was revised in fiscal 2015 in such a way as to meet the core subjects and issues that are addressed in ISO 26000, an international standard for social responsibility of the International Organization for Standardization (ISO), in order to disclose information about the Group's CSR activities according to international standards. Our efforts have been made to further improve the CSR management of our company mainly based on the Group's Indicators for Self-Assessment of CSR Activities (CSR indicators), a tool developed and implemented in line with ISO 26000.

In preparing the CSR Report, we consulted, as in the past, the Sustainability Reporting Guidelines 4th Edition developed by the Global Reporting Initiatives (GRI), which are intended to serve as the principles for reporting CSR activities. In particular, we included four efforts (information about materiality) that the Group considers important in the Features section of this report.

As CSR Report-related tools, we have published this CSR Report, the Environmental Report, the Site Report, the CSR Report <Group Company Edition> and the CSR Report <English Edition>.



## Contents

**History of 60 Years**  
—From Its Foundation to Sustainability Management— 003

**Top Message (Chairman and CEO)** 009

**Top Message (President and COO)** 011

**CSR Vision of the Daiwa House Group** 013

**Feature① Social contributions through our business activities [Fu: *FUKushi* (Welfare)]** 019

**Feature② Social contributions through our business activities [Ka: *KANkyo* (Environment)]** 023

**Feature③ Co-creating a brighter future with stakeholders [Employees]** 029

**Feature④ Co-creating a brighter future with stakeholders [Regional residents]** 033

**Stakeholders' Meeting** 037

## ISO 26000-based CSR Activities (KPI)

Reinforcing the Foundation of CSR Management 039

CSR Promotion Organization Structure 039

Identification of Core Themes (Materiality) 039

Indices for Self-Assessment of CSR Activities (CSR Indicators) 040

## Organizational Governance

Corporate Governance 045

Risk Management and Compliance 047

Management of Intellectual Property Rights 048

Returning Benefits to Our Shareholders and Investor Relations 049

### Target Readers

Our report is targeted toward a wide range of stakeholders, including customers, shareholders & investors, business partners, employees, local community, NPO & NGO, and government organizations.

### Reporting Organizations

The report provides information on the Daiwa House Group overall (as of March 31, 2015, 119 consolidated subsidiaries and 22 equity method affiliate companies) with a focus on Daiwa House Industry Co., Ltd.

## Human Rights

Respect for Human Rights 053

Protecting Employees' Rights 055

## Labor Practices

Employment Security and Fair Evaluation 057

Human Resource Development 059

Promoting Diversity 060

Consideration of Diverse Ways of Working 061

## Fair Operating Practices

Fair Competition and Trade 063

Promoting Corporate Social Responsibility (CSR) in the Supply Chain 064

## Consumer Issues

Commitment to Quality 067

Sustainable Consumption 070

Enhancing Customer Satisfaction 071

Long-Term Guarantee and After-Sales Support 072

Relationship with Customers 074

Response to Consumer Risk 075

## Community Involvement and Development

Community Co-Creation Activities 077

Support for Community Building 082

Contribution to Society through Businesses "Asu Fukaketsuno" businesses 083

## Environment

Environment Vision/Medium- to Long-Term Environment Vision 2020 089

Action Plan for the Environment (Endless Green Program 2015) 091

Environmental Management and Supply Chain Management 095

Environmental Risk Management 097

Global Warming Prevention (Energy/Climate Change) 099

Harmony with the Natural Environment (Preservation of Biodiversity) 107

Conservation of Natural Resources (Waste Reduction/Water Resource Conservation) 111

Prevention of Chemical Pollution 115

ECO Technology (Development of Environmentally Conscious Technology) 119

ECO Communication 121

## Summary of the Daiwa House Group 125

## Highlight of Financial Results and Consolidated Financial Indicators 126

## Major Awards the Daiwa House Group Received in Fiscal 2014 127

## Third-Party Opinion (for the Daiwa House Group's CSR Activities) 128

### Report Period

As a rule, the period covered in this report is the year of fiscal 2014 (April 1, 2014 to March 31, 2015), with mentions of activities before and after this fiscal period as necessary.

### Referential Guidelines

"Environmental Report Guideline (2012 Edition)" issued by the Ministry of the Environment, "Sustainability Reporting Guideline 4th Edition" by the GRI (Global Reporting Initiative), ISO26000

### Issued

July 2015 (Next issue scheduled for: July 2016)

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- Environmental Department Tel: 81-6-6342-1346

At the Daiwa House Group, we treasure above all else standing hand in hand with society through our business operations, with people through our products and services.

Daiwa House Industry Co., Ltd. marks the 60th anniversary of its founding.

We have spent the last six decades exploring and perfecting the spirit of corporate founding. We now continue operating in the same spirit, faithful to our original ideal of pursuing business while maintaining harmony, thereby contributing to society. In this spirit and with our sustainable business operation, we look forward to our 100th anniversary.

## Creating Dreams, Building Hearts

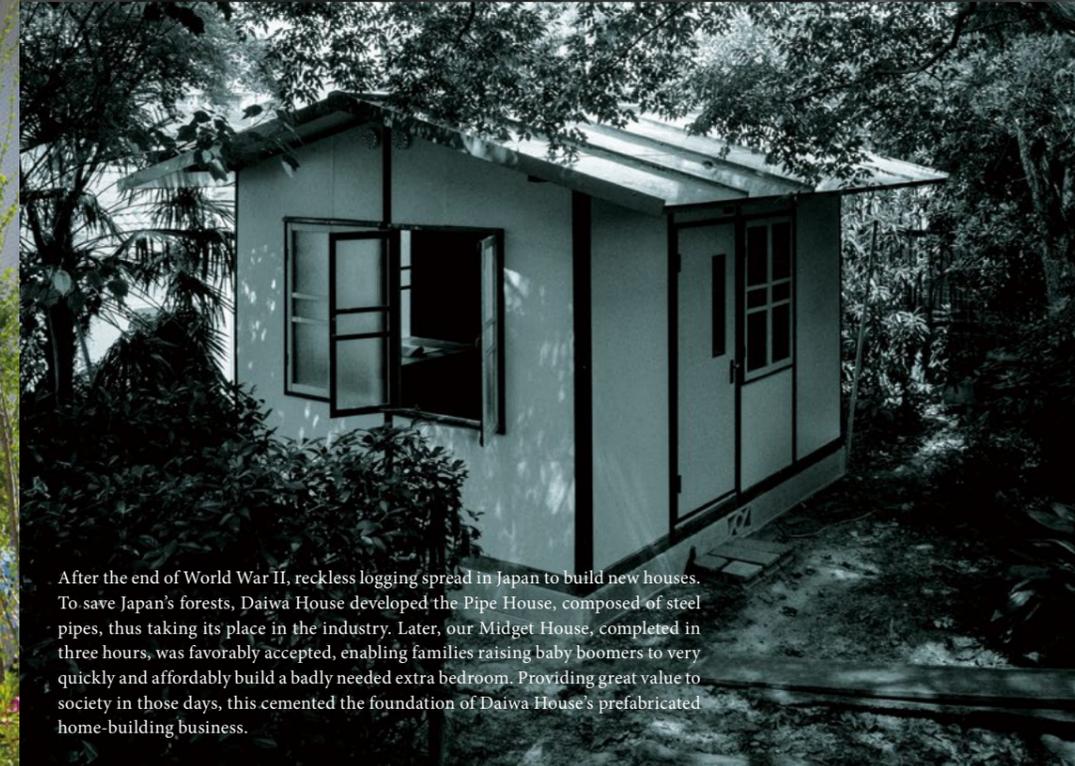
Help building a society in which every person can enjoy true abundance—this is what the Daiwa House Group strives to achieve through its broad range of business operations, as well as its CSR activities aimed at “Co-creating a Brighter Future.”



In our home building and community development projects, we strive to minimize environmental burdens generated in the life cycle of houses and buildings, toward our goal of zero energy loss. (This photo shows Smart Eco Town Harumidai, Japan's first totally energy self-sufficient town, in Sakai City, Osaka Prefecture.)



“Anticipate changes, far ahead of the times. Decide what to do next, focusing not on making profits, but on serving society’s future needs.”  
—the late corporate founder Nobuo Ishibashi



After the end of World War II, reckless logging spread in Japan to build new houses. To save Japan's forests, Daiwa House developed the Pipe House, composed of steel pipes, thus taking its place in the industry. Later, our Midget House, completed in three hours, was favorably accepted, enabling families raising baby boomers to very quickly and affordably build a badly needed extra bedroom. Providing great value to society in those days, this cemented the foundation of Daiwa House's prefabricated home-building business.

# “We will carry forward Japanese spirit of greater harmony to pursue businesses that contribute to society.”

**社 是**

「事業を通じて人を育てること。」  
 「企業の前進は先づ従業員の生活環境の確立に直結すること。」  
 「近代化設備と良心的に誠意にもとづく労働の生産商品は社会全般に貢献すること。」  
 「我々の企業は我々従業員全員が系を乱れざるに団結し、たゆまず努力し、たゆみなく発展すること。」  
 「我々は相互に信頼し協力すると共に常に深き反省と責任を重んじ積極的相互批判を通して生々発展への大道を邁往すること。」

終

The Corporate Creed of Daiwa House Industry

Since our founding in 1955, we at Daiwa House Industry have pursued business based on the spirit of our founder Nobuo Ishibashi: “Think ahead. Don't consider what would make money. Consider what is going to be necessary for society in the future.”

With “industrialized construction” as a starting point, we have developed a wide range of businesses as an “integrated life industry” player for more than half a century. We will continue to serve as a public organ of society by promoting business whose key phrase is Asu Fukaketsuno (indispensable for tomorrow) business.

We believe that it is people who act as a driving force for anticipating future developments and creating something helpful for society. Keeping in mind the spirit of “developing people through business,” as stated in the Company Philosophy (Corporate Creed), the Daiwa House Group is determined to make a concerted effort to continuously meet social demand and expectations, under the banner of the Endless Heart, a new Group symbol introduced in 2005 to mark the 50th anniversary of our founding.



1955

## The image of “Swaying Bamboo in the Wind” led to an invention that brought significant progress in the history of architecture in Japan

In September 1950, a strong typhoon struck the Kansai area, and about 20,000 houses were destroyed. However, rice plants in the paddy field and bamboos in the bamboo forest did not break, despite also being hit by this disaster. Why? Because the shoots and culms are cylindrical and hollow. Well then, is it possible to construct a firm and safe house using steel pipes? This is the history behind the creation of the Pipe House, which laid the foundation stone of today's industrialized construction methods. We create something useful in daily life by facing nature, paying respect to the forces of nature, and utilizing human wisdom and technology. The image of “swaying bamboo in the wind” is the starting point of the history of Daiwa House Industry.



Prefabricated “Pipe House”



1980

## “Integrated Life Industry” to respond to the diversification of society's needs

We strive to bring real affluence to people's lives by promoting our business in various areas of everyday life and society, ranging from housing development to store and building construction, town development, resort development, and home center business. Toward the new century, we aim to create an “Integrated Life Industry,” rather than just expanding our business, so that we can provide a wide variety of services to meet different needs at various life stages of our customers.

Noto Royal Hotel (Ishikawa Prefecture)



1994

## Daiwa House Industry's Central Research Laboratory that pursues the creation of the next generation of a comfortable environment

Daiwa House Industry's Central Research Laboratory was established in 1994. Based on the company's founding mission, “Industrialized construction,” the Laboratory has since engaged in research activities to meet the needs of the times by promoting broad cooperation with industry, government, academia and users. With a focus on “people and their lives” and “city and nature,” we will continue to conduct a wide range of research activities.

Central Research Laboratory (Nara City)

1963



Pedestrian overpass in front of Osaka Central Post Office (1963)

## Pedestrian overpass created from a passion for steel pipe structure

In April 1963, when the term “traffic war” was frequently making headlines in the newspapers, a large pedestrian overpass was constructed at the west entrance of Osaka Station. This is Japan's first crossing overpass made by welding steel and pipe. To keep children from traffic accidents, Daiwa House Industry donated this overpass. Upon finding distortion due to rapid economic growth, the company came up with measures to guard “lightweight” passersby in a motorized society. This Daiwa House Industry DNA has been inherited through time.

2011



Temporary housing units constructed after the Great East Japan Earthquake

## Daiwa House Group provides 11,051 temporary housing units in the wake of the Great East Japan Earthquake

After the Great East Japan Earthquake, with an epicenter off the Sanriku Coast, struck on March 11, 2011, we established a disaster countermeasures office later on the same day and quickly took various initial responses, ranging from confirming the safety of our customers, delivering relief goods, and collecting donations. To fulfill our mission of securing a dwelling environment for disaster victims, we, as a housing manufacturer, made Group-wide efforts to promote the provision of temporary housing units.



Daiwa House Industry at the time of founding

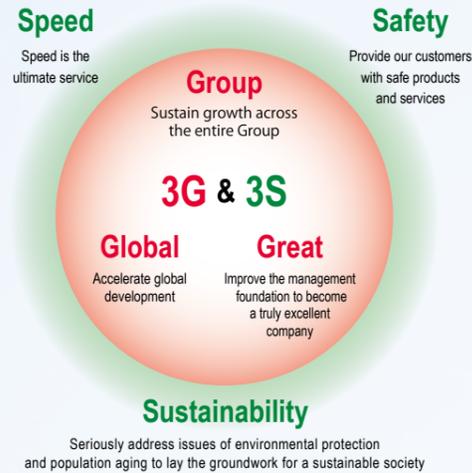
- **Daiwa House Industry Co., Ltd. established (1955)**
- Founding principle: Contribute to society through business
- Corporate mission: Industrialized construction
- 1955 ◦Our first product, the “Pipe House,” launched on the market.
- 1959 ◦“Midget House”—a pilot prefabricated house model—developed, enjoying great success as a study room that could be built within just three hours
- **Response to the diversification of customers' housing/lifestyles**
- 1962 ◦Daiwa Danchi's first housing complex “Habikino Neopolis” developed.
- The first housing loan product, combined with a “Housing Service Plan,” launched.

- 1965 ◦Nara Factory (Japan's first plant specializing in the production of prefabricated houses) opened
- 1976 ◦The private sector's largest housing complex “Okayama Neopolis” launched on the market (8,700 lots)
- 1978 ◦Noto Royal Hotel (the first Daiwa Royal Hotel) opened
- **“Integrated Life Industry” set as a new company vision**
- 1980 ◦The first Home Center (current Royal Home Center) opened in the city of Nara
- 1983 ◦32 full-scale prefabricated houses exported and constructed in Shanghai, China (a first for Japan)
- 1989 ◦Silver Age Research Center established (looking ahead to the coming aging society with fewer children)
- 1993 ◦Company-wide CS activity launched to further enhance customer satisfaction
- 1997 ◦Environment Technology Department newly established ◦Environmental Principles established
- 1999 ◦New office buildings, equipped with cutting-edge environment systems, constructed in Osaka and Tokyo

- **Working together to create next-generation houses and everyday life**
- 2000 ◦New energy project launched; No. 1 wind generator put into operation at Okinawa Zampa Cape Royal Hotel
- Single-family house product “Kankyo-Kobo” and rental housing product “Sejour RG Kankyo-Shubo” put on sale, both of which were designed on the theme of “harmonious coexistence with nature”
- 2001 ◦ISO 14001 accreditation gained by 13 plants in Japan and the Production and Procurement Department
- 2003 ◦Zero emissions achieved at all 13 plants (100% recycled)
- **New Group Management Vision established (2005)**
- 2004 ◦Group's CSR Guidelines established
- 2005 ◦Management Vision established ◦1st Medium-Term Management Plan developed
- CSR Office launched ◦Group's Environmental Vision established
- Group's corporate logo “Endless Heart” created
- New Management Vision “Connecting Hearts” launched; Toward a group that co-creates value for individuals, communities and people's lifestyles

- **Asu Fukaketsuno (indispensable for tomorrow) business launched**
- 2006 ◦“xevo,” a new brand of single-family houses, introduced (first new construction method adopted in 25 years)
- 2008 ◦Lease and sale of Robot Suit HAL® for welfare use commenced (with the cooperation of CYBERDYNE Inc.)
- 2011 ◦As part of efforts to provide support for recovery from the Great East Japan Earthquake, the Group provided emergency temporary housing (11,051 units).
- 2012 ◦The “Agri-cube” plant cultivation unit released
- **The 4th Medium-Term Management Plan “3G & 3S for the Next Step” launched**
- 2012 ◦Mega solar business launched: Hibiki International Logistics Center (Dream Solar Kitakyushu Hibikinada: Kitakyushu City, Fukuoka)
- Japan's first “net zero energy town” developed (SMA-ECO Town Harumidai)
- 2013 ◦Total sales of over 2.7 trillion yen posted for fiscal year 2013 ending on March 31, a record high level in Japan's construction industry

# The Daiwa House Group goes forward into the future while pursuing “management for sustainability.”



## Major Awards the Group Has Received in the Past Decade

### The Global Environment Award

Grand Prize (2009)  
Fujisankei Group Prize (2014)

Receiving a prize twice is a first in the industry.

### Nikkei Excellent Products and Services Awards

Nikkei Sangyo Shimbun Award for Outstanding Excellence (2014)  
Nikkei Sangyo Shimbun Award for Excellence (2000, 2008, and 2010)

### Japan Venture Awards

The Minister of Economy, Trade and Industry Award  
<Award for best startup/large corporation collaboration> (2015)

### Energy Conservation Awards

Minister's Prize, the Ministry of Economy, Trade and Industry, in Successful Case of Energy Conservation Category <CGO/corporate category> (2013 and 2014)  
Director-General's Prize, the Agency for Natural Resources and Energy, in Organization Category <CGO/corporate category> (2010)

### Stocks of Nadeshiko Brand

Selected as a company that is supportive of women in the workplace (2015)

### The Robot Award

Award for excellence in the service robot category (2014)

### Good Design Award

(2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014)

Multiple awards received by the Group

Sales target for fiscal 2015:  
**3 trillion yen**

Sales for 2012:  
over **2 trillion yen**

Sales for 1995:  
over **1 trillion yen**

2055, a year marking the 100th anniversary of our founding:  
**10 trillion yen**

With Daiwa House Industry DNA and a strong and consistent commitment to daily tasks, the Daiwa House Group will become a sustainable group of companies that continues to contribute to society.

### Dow Jones Sustainability Asia Pacific Index

Selected as a company that is expected to show sustainable growth (2013, 2014)

### Leading company in climate change performance

Selected as a leading company of the CDP Climate Performance Leadership Index 2014 (2014)

### Construction of Energy-saving and low-impacts houses

Acquires No. 1 position in the overall category for construction of Energy-saving and low-impacts houses (2004, 2005, 2007, 2008, 2009, 2010, 2011, 2012, 2013)

First place for 7th straight year (9 times)

### Eco-Products Awards

The Ministry of Land, Infrastructure, Transport and Tourism Award, in the Eco-Products Category (2013)

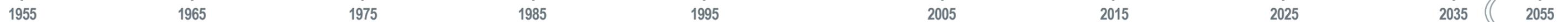
### Environmental Communication Awards

Prize of Excellence for Environmental Reporting on Global Warming Countermeasures in the Environmental Reporting Category <The Minister of the Environment Award> (2015)

## Fourth Medium-Term Management Plan “3G & 3S” for the Next Step (Fiscal 2013 to fiscal 2015)

We have added the 3S, which form the basis for implementation of the 3G strategy, to the 3G strategy that has supported the achievement of growth. By this means, we will ensure the Group's future growth.

**Sales: 2,800 billion yen**      **Operating income: 170 billion yen**  
**Net income: 100 billion yen**      **ROE: 10% or more**



The Daiwa House Group's 60-year history demonstrates a history of working together with its stakeholders.

# The Daiwa House Group has long maintained a basic stance of “co-creating a brighter future” with society at large.

## The Daiwa House Group in figures

\*1: As of March 31, 2015    \*2: As of April 1, 2015

• Sales\*1      • Number of Group companies\*1      • Number of Group employees\*2      • Business partners\*1

2,810.7 billion yen      145 companies      Approx. 56,000 persons      Approx. 4,800 companies

(The target of the 4th Medium-Term Management Plan was achieved a year ahead of schedule.)

• Cumulative number of single-family houses sold\*1  
**588,226 units**



• Cumulative number of rental housing units sold\*1  
**917,558 units**



• Cumulative number of condominium units sold\*1  
**83,857 units**



• Number of retail and wholesale facilities constructed\*1  
**38,118 units**



• Cumulative number of facilities for the elderly constructed\*1  
Approx. **6,000 units**



• Number of renewable energy power plants\*1  
Photovoltaic power station: **86 units (92.5 MW)**  
Wind power station: **1 units (9 MW)**



• Resort hotels\*1  
**28 hotels**  
<Number of users per year:  
**4,026,500 persons**>



• Fitness clubs\*1  
**69 units**  
Number of members:  
approx. **165,000 persons**



# Recalling the spirit of corporate founding on Serve society first, and take on new challenges

—As a business group firmly asserting its corporate DNA, let

# the occasion of our 60th anniversary: fearlessly

us strive to continue winning society's trust—

## Daiwa House Group's CSR: preserving the corporate DNA and responding to changes

Nobuo Ishibashi, the founder of Daiwa House Industry Co., Ltd., succeeded in expanding its business by focusing not on how to make profits but on how to please and be useful to people and society. He knew and was convinced of what made a company keep going—service to society—and left this spirit of CSR in Daiwa House's corporate DNA. We must take ownership of this corporate DNA and harness it to greater things so that Daiwa House continues being a sustainable corporation. We should not neglect to get in touch with this origin of the Daiwa House Group on the occasion of the 60th anniversary of its corporate founding this year.

As a company that claims to be involved in all aspects of life, the Daiwa House Group expresses its commitment to maintaining and reinforcing sustainability in the phrase "Asu Fukaketsuno," meaning "indispensable for tomorrow" in Japanese. The "a," "su," "fu," "ka," "ke," "tsu" and "no" are the first sounds of the Japanese words for safety/comfort, speed/stock, welfare, environment, health, information-communication technology, and agriculture, respectively, that is, the Company's principal business segments. In the environmental business segment, we have been promoting on a Group-wide scale the development of zero-energy-loss houses, buildings, and towns. In addition to the segments related to the sun and wind, we have also taken the first steps toward entering the segment related to water: hydroelectric power generation. The prediction that our corporate founder made in the 1990s that the sun, wind, and water would be key factors for 21st-century industry is now proving true. In the welfare and health segment, more specifically relating to nursing and medical care, we have been focusing our attention directly on the nursing staff shortage and other serious problems in the field, preparing to contribute to the best of our ability, while sharing ideas and visions with our trading partners and government authorities. We are designating companies that share our CSR philosophy and with which we can collaborate as special partners to serve society, hoping to link such alliances with opportunities for expanding our business and reinforcing our capabilities to find solutions to society's problems.

We are determined to make every possible effort to enhance and expand our contribution to society through our business operations.



*Takeo Higuchi*

**Takeo Higuchi**  
Chairman and CEO

## Human resource development in the work site—for those who are faithful in small things and dream big dreams

Nobuo Ishibashi attached the greatest importance on business in the work site. To sell Daiwa House's very first product, the Pipe House, he personally visited prospects in all the sections of the national railway network in those days. Fully aware that a corporation is able to exist thanks to people who make things work in the site, he passionately promoted human resource development. His method was thorough and unique: instead of detailed verbal instructions, employees were sent to the site to experience firsthand actual situations, challenges and obstacles included. Ishibashi believed that the ability to optimally respond to changes could be best cultivated by working in the ever-changing field. The philosophy behind this method is still alive in the Company's human resource development.

For example, Daiwa House Juku, a training facility for next-generation leaders now in its eighth year of existence, has produced 83 executives. It has also contributed to strengthening partnerships among Group companies. The diversification of human resources has been progressing, bringing about positive results: employees joining the Company have diverse backgrounds and characteristics, steadily making progress through training. In any of these cases of human resource development, the work site is still given the greatest importance. Employees recognized for their high motivation and competences are charged with important on-site assignments, which lead them to further individual progress.

I would like to see all employees discover the work site, identify challenges to overcome, and work on them to realize their dreams and aspirations. I am sure that, once they start tackling challenges, determined to realize their dreams, they will understand how important it is to thoroughly execute their ordinary work duties, that is, "being complete in small things," as the basis of their progress. Employees starting from this basis and growing to be proactive to chase their dreams, even enticing others around them to do likewise—when all employees become like this, they will have created an exemplary company, earning solid trustworthiness and great corporate brand value.

## Humbly and earnestly tackling challenges to be a truly sustainable corporation

Ishibashi left us the daring mission of developing Daiwa House into a corporation making 10 trillion yen in sales in its 100th anniversary (the year of 2055). This mission comes from his strong determination to develop Daiwa House into a company that is needed by society to such an extent, staying in business for 100 years and more.

The world's population is expected to reach 9.5 billion in 2060. The population increase, with likely resultant problems such as food shortages, environmental destruction, and social unrest, can provoke a grave crisis for humankind. Considering the future of our children and grandchildren, it is vitally important for us to continue on the right path as humans and as a corporation pursuing business activities that are useful in solving society's problems.

The Daiwa House Group has expanded its business operations always in response to the needs of the times, launching, for example, housing rentals at the turning point of land utilization, shopping mall development following the spread of private car ownership, and nursing services in line with the population aging. To provide complete products that bring about even greater benefits to society in the future, we are developing the business segment of assistant robots in anticipation of a serious manpower shortage in the health-care and nursing area, as well as venture businesses that handle power storage systems, indispensable for smart houses. In addition to these business endeavors, we are also carrying out community service activities that draw on our unique strengths, such as the campaign to preserve one of Japan's many treasures, the cherry trees on Mt. Yoshino in Nara Prefecture, the Daiwa House Group founder's hometown.

Nobuo Ishibashi once spoke of the Company's social responsibility when its sales reached one trillion yen, saying that on such a scale it should be considered as a public institution. As our sales near the three-trillion-yen mark toward our future goal of 10 trillion yen, we should become even more deeply aware of our social responsibility, humbly and earnestly tackling challenges facing society.

# Moving forward, spurred by a sense of crisis Moving on to the next phase, with greater —New value creation for greater benefits for society—

## The 60th anniversary: An occasion for bracing ourselves to solidify the foundation for the next phase

In fiscal year ending March 2015, the Daiwa House Group succeeded in achieving the sales goal of 2,800 billion yen for the final year of the Medium-Term Management Plan, one year ahead of schedule. Such favorable business results could well lead to arrogance and complacency. It is now time, at this milestone of the 60th anniversary of our corporate founding, to brace ourselves to renew our pledge to not succumb to “big company disease.” When a company expands its business activities, it’s possible to grow distant from customers, losing its ability to promptly respond to people’s needs. To avoid it, all employees must keep in mind that speed is the best service. Only when we are capable of speedy responses, can we solidify our business foundation to move up to the next phase, where new challenges await.

In our current situation, it is essential to run business offices in a manner deeply rooted in local communities. This is especially true for our core business segment, home building, in which our products are houses and buildings with their widely differing features and characteristics, and where virtually life-long after-sales follow-up is required. In this segment, we cannot progress without working hand in hand with each of our customers or communities concerned. To improve our performance in this segment, in which Daiwa House inaugurated its business, we are reviewing and correcting, in a further accelerated manner, wasteful or inefficient processes or operations that have set in over the years.

As the working population gradually dwindles in Japan, due to population aging and declining birth rate, we are required to strengthen our alliance with our support companies, suppliers, and on-site professionals, recognizing them as partners, clearing away the traditional contractor-subcontractor relationship. We are entering an “era of fellowship.” Therefore, since two years ago, we have been conducting a campaign to modify our consciousness in this regard and improve the on-site working environment. This campaign will be improved to ensure more precise and effective results.

## Working with a sense of mission, “going over and beyond,” for greater contribution to the environment

In further developing Daiwa House’s business, key phrase is “going over three trillion yen in sales and beyond.” All departments, including the administrative department with no specific numerical targets, are expected to discuss their future visions for the next phase, setting goals and sharing them and other information with other departments. As for business segments, we are currently encouraging ingenious idea generation toward the goal of creating two new business segments. With a daring enterprising spirit, we are exploring possible new segments to expand our business base toward the sales goal of four trillion yen, which is not easy to achieve with the existing business segments alone.

In the home building business segment, our urgent task is to expand our market share in anticipation of a decline in the number of new housing units to be built, due to the ongoing population aging and birth-rate drop. We are therefore far more vigorously promoting new product development. In January 2014, we launched “xevo  $\Sigma$  (sigma),” which employs a new building method. Studies on this product have already begun for further improvement.

Meanwhile, we continue to engage in projects for post-Great East Japan Earthquake support and reconstruction. To help those affected by the disaster resume a normal daily life at the earliest possible time, we are carrying out various support activities, including such lateral support as the construction of housing units for on-site workers to ensure a sufficient number of them and to expedite the reconstruction efforts.

Responding to environmental problems and contributing to environmental protection are our important business themes. We consider it our mission to work toward the goal of realizing zero energy loss in all our housing, building, and new town development projects. We are committed to steady efforts in this area to make achievements. We are also focusing our efforts on renewable energy-driven power generation. With hydro electric generation added to the already operating wind and solar energy-based power generation, we aim to increase our overall power generation to a scale that surpasses total power consumption by the Daiwa House Group.

# and a sense of duty corporate value

## Good governance for the industry’s best performer, to be a sustainable corporation

At present, the Daiwa House Group’s business performance is excellent. It is in times like these that every single employee should maintain a constructive sense of crisis, knowing that good business results could lead to arrogance and carelessness, and in turn irregularities and scandals. Such a turn of events must be avoided. All employees must be fully conscious of the Company’s top status in the industry and embrace modesty and dignity, adhering to the principle of executing ordinary tasks thoroughly and faithfully.

Executing ordinary tasks practicing thoroughly and faithfully includes working while putting importance on what actually takes place in the work site. Those in managerial positions must fully grasp the doings of those in positions one grade lower than them, pointing out problematic areas and issuing appropriate instructions, and making decisions based on direct customer feedback in some cases. They also must strive to maintain transparency in their organizational management, taking up even the smallest problems in discussions for improvement. Executing ordinary tasks thoroughly and faithfully in this manner is the very basis of corporate governance.

In the future, toward enhancing our corporate branding and non-financial assets, we intend to adopt a code of corporate governance to further improve our governance so as to minimize legal risks that could develop into litigation or scandals. Preserving and practicing the founding spirit of creating benefits for society resonates perfectly with the corporate value of sustainability.

As our business operations further expand and become globalized, obtaining excellent human resources becomes all the more important. In this regard, we are promoting the diversification of employees, recruiting them regardless of age, gender, nationality, absence or presence of disabilities, and more. We cherish and further improve our corporate culture in which every member of the organization can fully develop his or her abilities without hindrance.



*Naotake Ono*

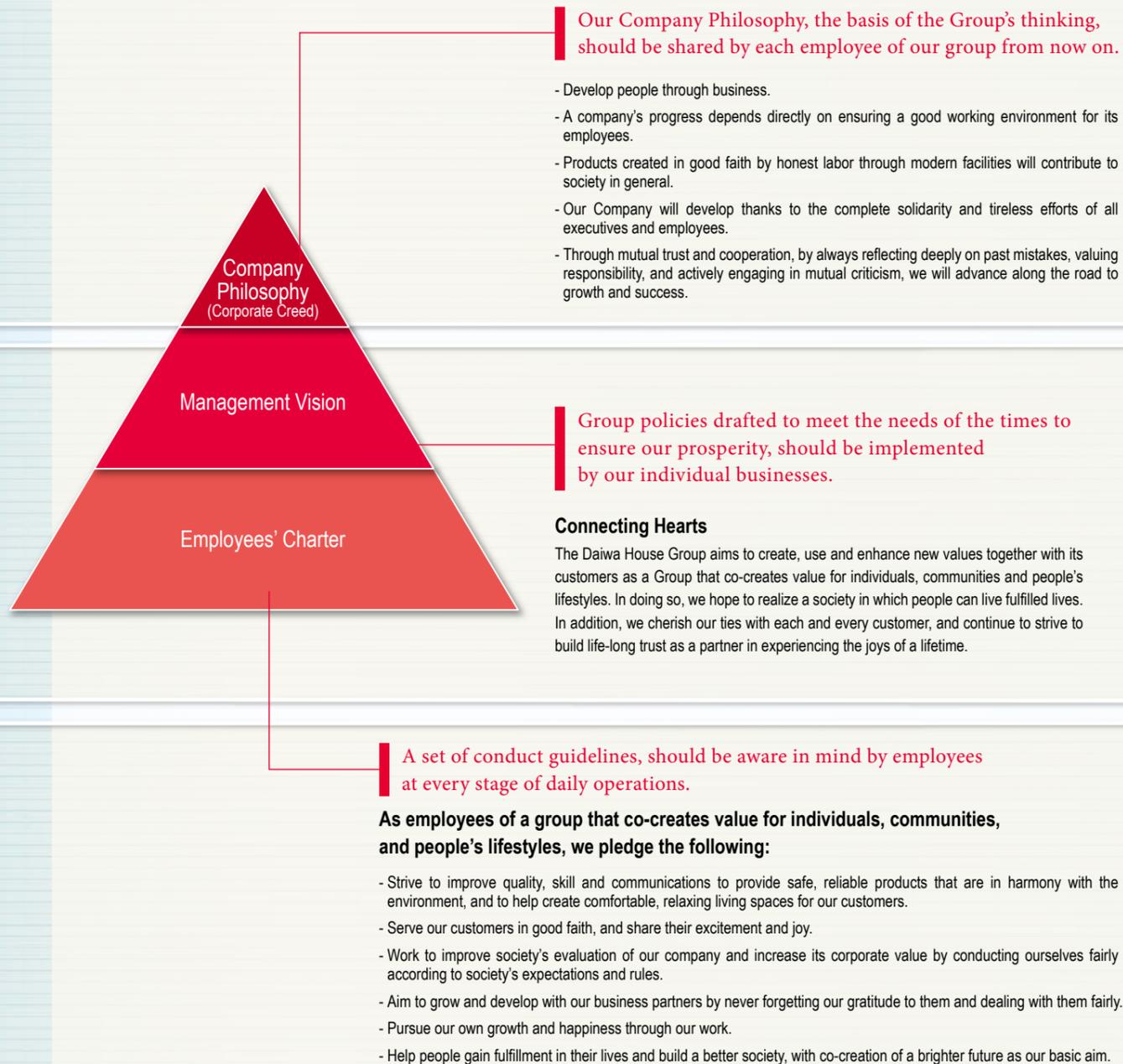
**Naotake Ono**  
President and COO

# CSR Vision of the Daiwa House Group



**Daiwa House**  
Group

The Daiwa House Group's corporate logo, "Endless Heart," symbolizes our Group's unceasing activities, growth and progress, as well as our core philosophy as we move forward to realize a sustainable future.



## Creating Dreams, Building Hearts

The Daiwa House Group stands hand in hand with society through its business operations and with people through its products and services.

We believe that "Co-creating a Brighter Future" and working together with society as a loyal partner are keys to our success.

### The Daiwa House Group's CSR Guidelines

While conducting our business activities in a balanced manner, taking into consideration the requirements of society, the environment, and the economy, we will deal in good faith with all our stakeholders and meet society's expectations of the Group as a corporate citizen.

#### 01 Contributing to society through business

We will utilize our unique technologies and know-how to pursue businesses that contribute to society.

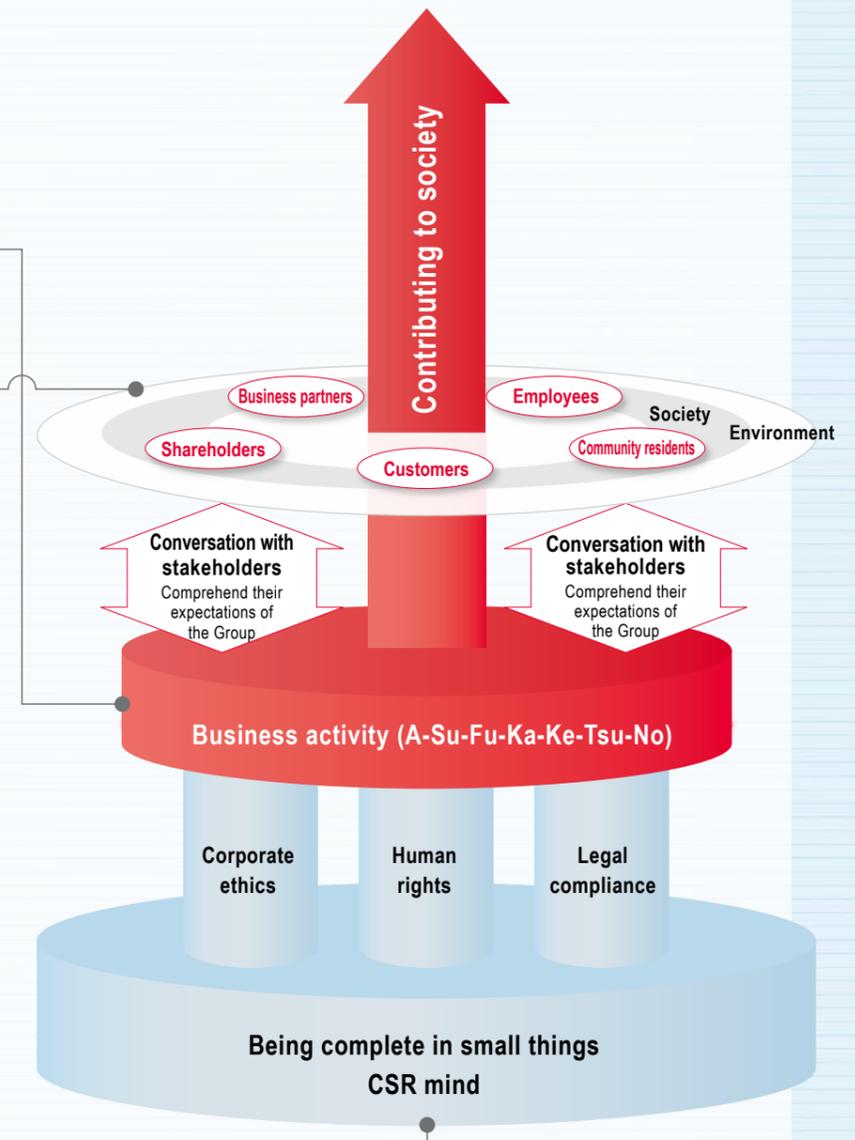
#### 02 Attitude toward stakeholders

Through our relationship and conversation with our stakeholders, we will do our best to comprehend their expectations of the Group, and fulfill our obligations as a corporate citizen by responding to them.

#### 03 Conduct of every single Group employee

We will work to ensure a high level of corporate ethics, human rights and legal compliance.

### Sustainability Management



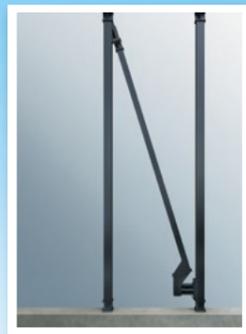
# 01 Contributing to society through business

Providing various solutions for social issues concerned in homebuilding, community development through our diverse portfolio of businesses

## Delivering Value Indispensable for Tomorrow through Our Businesses

The Daiwa House Group continually thinks about what exactly people and society need, not only today but also in the future. With a close eye on the many challenges and problems society faces, we develop and deliver the next-generation products and services that are indispensable for the lifestyles and industries of tomorrow.

Going forward, we will constantly create new value through our "Asu Fukaketsuno" businesses as part of our steadfast commitment to provide solutions to a host of issues faced by society.



### A: Anshin / Anzen Safety & Comfort

Our homes and communities can withstand earthquakes, typhoons and other natural disasters as well as fires and crime, ensuring residents live in comfort and peace of mind.



### Su

#### Su: Speed / Stock

To ensure buildings to stand the test of time, we have jointly developed a robot that checks for underfloor leaks and termite damage, enabling us to better monitor and visualize inspection work.



### Fu: Fukushi Welfare

We deliver safe and secure living environments for people from all walks of life and are implementing measures aimed at resolving a host of issues faced by our aging society.



### Fu

### Ka

#### Ke: Kenko Health

We are developing healthier homes and lifestyles, balancing both engineering and medicine, through the development and provision of many unique products and services.



### Ke

#### Ke: Kenko Health

We are developing healthier homes and lifestyles, balancing both engineering and medicine, through the development and provision of many unique products and services.



### Tsu

#### Tsu: Tsushin Information-Communication Technology

We seamlessly blend construction technologies, our expertise and cutting edge ICT to create new living environments that are more convenient and comfortable than ever before.



### No: Nogyo Agriculture

We are applying our industrializing techniques gained from construction to the industrialization of agriculture, which is helping to provide safer, more stable food supplies.



### No



## Business Segments

### 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.

### Rental Housing



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.

### 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 engage in a range of other business activities including integrated proposals relating to the environment and energy; the operation of home centers, hotels and resorts; consulting for building projects; and health maintenance and recreational businesses.

# 02 Co-creating a brighter future with stakeholders

Acquire an understanding of what is expected from our company through interactions and discussions with our stakeholders, and make efforts as a corporate citizen to meet these demands.

## ► Communication with our stakeholders

	Main responsibilities and issues	Communication methods
<p><b>Customers</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Honest communication</li> <li>Consideration toward the personal information of our customers</li> <li>Accountability</li> <li>Attitude toward inappropriate requests</li> <li>Restrictions on the provision of gifts</li> </ul>	<ul style="list-style-type: none"> <li>Exhibits, Machinaka-xevo</li> <li>Official website</li> <li>Social media</li> <li>Mail magazines</li> <li>Housing consultations and seminars</li> <li>(Existing customers)                             <ul style="list-style-type: none"> <li>Customer consultation counters</li> <li>Customer satisfaction questionnaires</li> <li>Resident surveys</li> <li>Daiwa Family Club</li> <li>okaeri</li> </ul> </li> </ul>
<p><b>Shareholders</b></p> <p>We seek to enhance our corporate value through our business, and also act proactively to disclose information. Such disclosure of information is provided in a manner that is easy to understand, fair, and at the appropriate timing.</p>	<ul style="list-style-type: none"> <li>Maintaining and enhancing the corporate value</li> <li>Fair return of profits</li> <li>Information disclosure at the right time in the right manner</li> <li>Dealing with socially responsible investments</li> </ul>	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Release of financial results, explanations on management policies</li> <li>IR briefings</li> <li>Annual reports</li> <li>IR information website</li> <li>Securities report</li> </ul>
<p><b>Business partners</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Establishing an appropriate relationship with our business partners</li> <li>Prohibiting inappropriate use of the position of superiority</li> <li>Business activity based on the ethics of business</li> <li>Practicing fair and free competition</li> <li>Respect for intellectual properties</li> <li>Appropriate relationships with the government and local administrations</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaire toward business partners</li> <li>Partners Hotline</li> <li>Safety and Health Council</li> <li>Announcement of examples of improvements</li> <li>Web REN</li> </ul>
<p><b>Employees</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>Creating a friendly and positive work atmosphere</li> <li>Development of human resources</li> <li>Consideration toward health management, safety, and hygiene</li> <li>Enhancing the morale and manners at the workplace</li> <li>Prohibiting political and religious activities</li> </ul>	<ul style="list-style-type: none"> <li>Internal newsletters</li> <li>Intranet</li> <li>Corporate Ethics and Human Rights Helpline</li> <li>Safety and Health Committee</li> <li>Various training programs</li> </ul>
<p><b>Local residents</b></p> <p>We respect the culture and customs of each region, and support the sustainable development of society through our business activities and social contributions. We work particularly with children in providing opportunities for them to think about the theme of our living environment.</p>	<ul style="list-style-type: none"> <li>Taking action that will win the trust of the local community</li> <li>Contributing toward the development of the local community</li> <li>Making efforts toward resolving local issues</li> <li>Supporting education of the next generation</li> </ul>	<ul style="list-style-type: none"> <li>Community co-creation activities</li> <li>CSR report</li> <li>Sakura Project</li> <li>Educational assistance activities</li> </ul>

# 03 Code of conduct for each and every employee in our Group

Striving to uphold corporate ethics, human rights, and compliance.

## ► Daiwa House Group's Principles of Corporate Ethics

### Believe One Heart

#### With the compliance

Not being satisfied with merely following the letter of the law, we also act in conformity with the highest ethical standards so as to meet the expectations of our wide range of stakeholders.

#### With 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.

#### 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.

#### With our customers

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

#### With an ideal work environment

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

#### With 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 realize a society where people can live in harmony with nature.

#### Respect for human rights

We respect basic human rights and dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, creed, or social status.

## CSR Guidelines

# 01 Social contributions through our business activities



[Feature 1] Fu FUKushi (Welfare)	Theme	[Feature 2] Ka KAnkyo (Environment)
<ul style="list-style-type: none"> <li>Diminishing shares from insufficient response to the demands for diversified functions from medical and nursing facilities.</li> <li>Suspension of reconstruction plans due to lack of funds by medical and nursing care businesses.</li> </ul>	Risks	<ul style="list-style-type: none"> <li>Increasing initial costs from strengthened regulations on energy conservation performance of housing and buildings.</li> <li>Reduced merits for customers due to changes in the various incentive systems.</li> </ul>
<ul style="list-style-type: none"> <li>Increasing demand for construction of medical and nursing care facilities due to the advancement of a super-aging society.</li> <li>Expanding needs for reconstruction of aging medical and nursing care facilities.</li> </ul>	Opportunities	<ul style="list-style-type: none"> <li>Higher added value in housing and buildings from answering customer demands for energy conservation and power saving.</li> <li>Expanding the recyclable energy generation business using company-owned land, etc.</li> </ul>

## CSR Guidelines

# 02 Co-creating a brighter future with stakeholders



[Feature 3] Employees	Stakeholders	[Feature 4] Regional residents
<ul style="list-style-type: none"> <li>Difficulty in acquiring human resources due to declining labor population</li> <li>Reduced productivity due to departure of career-oriented human resources</li> </ul>	Risks	<ul style="list-style-type: none"> <li>Deterioration of communities and public properties due to decline in regional societies</li> <li>Reduced shares from having lost the trust of regional societies</li> </ul>
<ul style="list-style-type: none"> <li>Emergence of innovative products created from diverse perspectives including that of women</li> <li>Increased motivation from enhanced and broadened career paths</li> </ul>	Opportunities	<ul style="list-style-type: none"> <li>Discovering new business needs through discussions with the regional societies</li> <li>Increased business opportunities from building trust with regional societies</li> </ul>

## Feature 1



Proposing medical and nursing care facilities that meet new standards which are needed in this super-aging society

Proposing new generational medical facilities, while providing total support from fund procurement to meeting changes in design standards

## Feature 2



Creating zero-energy-loss houses, buildings, and towns

Spreading our initiatives for zero energy loss from housing to buildings, and on to entire towns

## Feature 3



Development of a work environment that can make the most of diverse human resources

Establish the participation and promotion of women in the workforce under the three pillars of "increase, continue, utilize" as an important issue in diversity management

## Feature 4



Pass on the heritages of Japan to the next generation under the Japanese spirit of greater harmony

Under the principle of "Creating Dreams, Building Hearts," protect the cherry trees in various places around Japan to bequeath the Japanese spirit of being in harmony with nature

# Proposing medical and nursing care facilities that meet new standards which are needed in this super-aging society



## Social issues

Development of medical and nursing care facilities for the super-aging society

## The future that the Daiwa House Group seeks to achieve

Contributing to the super-aging society by enhancing the development of Japan's medical and nursing care environment

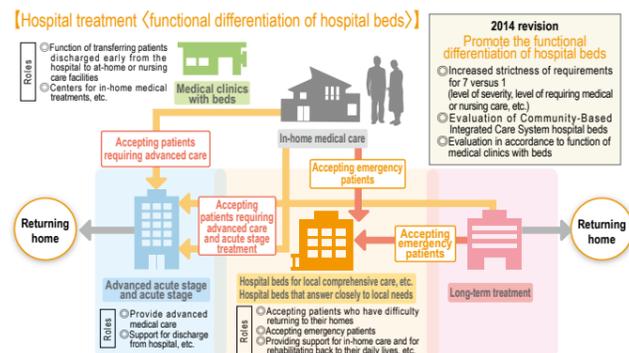
### Functionalization of medical institutions

One of the issues of the medical system in Japan is the inadequacy of functional differentiation of its medical institutions. When receiving hospital treatment, patients in the acute stages of their illness are mixed together with patients requiring long-term treatment. There are also few medical workers per hospital floor despite the fact that Japan has many hospital beds in relation to its population. Therefore, overall medical care is generally spread out in a manner that is broad but thin. As for outpatient care, people tend to flock to major hospitals, causing long wait times and other obstacles.

In this situation, what is required is to promote the functional differentiation of medical institutions, and to build a system that can provide high quality medical care that is appropriate to the needs of each and every patient in an effective and efficient manner.

### Promoting comprehensive care that works closely with the local community

With the advent of the super-aging society, an urgent issue is to develop an environment where people can live out their lives in a way that fits their lifestyle, in the local community where they are familiar with, even when they come under severe need for nursing care. In this situation the Ministry of Health, Labour and Welfare is taking the initiative in developing a comprehensive support and service system (Community-Based Integrated Care System) that provides residence, medical care, nursing care, preventative care, and living support to the local community by the year 2025, when the current baby boom generation numbering approximately 8 million reaches the age of 75 or above.



### Answering the changes to medical treatment costs in 2014

The Ministry of Health, Labour and Welfare revises the medical treatment costs every two years, and encourages medical institutions to realize functional differentiation. We provide appropriate advice to various medical institutions to help them to ascertain the approach that they wish to take and enable them to take early action toward achieving Japan's 2025 model.

### Meeting new facility standards that promote functional differentiation of hospital beds

With the revision of medical costs, a new facility standard has been established in accordance to the new categorization of hospital beds. Thus, this new standard will be enforced when expanding or renovating a facility. We provide a flexible design plan that is prepared for future changes in the standards.

### Meeting new facility standards that promote functional differentiation of hospital beds

With the revision of medical costs, a new facility standard has been established in accordance to the new categorization of hospital beds. Thus, this new standard will be enforced when expanding or renovating a facility. We provide a flexible design plan that is prepared for future changes in the standards.

[Structure and equipment standards]

Category	Hospital beds for recuperation	General hospital beds
Required facilities	Multiple functional training room, cafeteria, conversation room, and bathing facilities that are necessary for general hospital bed areas. There are also exceptions with regards to functional training rooms.	Surgery room, consultation room, laboratory test facilities, treatment room, X-ray equipment, dispensary, etc.
Effective hospital room area per patient	6.4 m <sup>2</sup> or more	Newly established (including overall renovation) 6.4 m <sup>2</sup> or more Existing facility 4.3 m <sup>2</sup> or more
Effective corridor width	Newly established (including overall renovation) 1.8 m or more (residential rooms on both sides of 2.7 m or more) Change from existing hospital beds 1.2 m or more (residential rooms on both sides of 1.6 m or more)	Newly established (including overall renovation) 1.8 m or more (residential rooms on both sides of 2.1 m or more) Existing facility 1.2 m or more (residential rooms on both sides of 1.6 m or more)

## Basic policy

We provide products and services that answer various views that are currently being conferred on medical and nursing care facilities.

Our basic policy in our medical and nursing care business is to provide products and services that meet various needs arising from different perspectives in establishing new buildings, as well as for relocations and renovations, based on an in-depth understanding of the management issues being faced by the medical and nursing care facilities.

In the medical and nursing care facilities for the elderly, which is the area that we specialize in, we combine both theory and practice, and offer high quality business proposals that will be a benefit to society, led by the highly developed know-how that has been cultivated by our Silver Age Research Center.

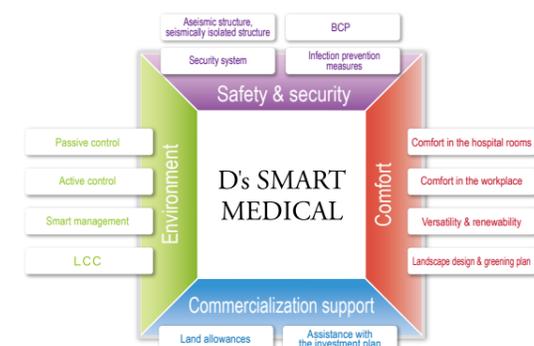
<b>Fulfilling the law promoting improvements to earthquake resistance</b> The revised law promoting improvements for earthquake resistance requires public buildings above a certain size to report its earthquake resistance level. Under this law, buildings that do not fulfill the earthquake resistance standards will have its name publicly announced. Therefore, many hospitals have an urgent need to meet the requirements of this law.	<b>Maintaining safety and security</b> Hospitals are strongly required to be in function in times of disaster. Thus, such buildings need to be prepared for earthquakes, and also have a pressing need to review its emergency power generation capacity and the storage of food and water based on a BCP (Business Continuity Plan).	<b>Providing a level of comfort</b> A major factor that comes into play when patients and medical staff choose the facility to visit or work in is the level of comfort provided by that facility. A building design that takes consideration toward providing pleasant atmospheres will also help improve the stability of the work force.	<b>Consideration toward the environment</b> These days, medical and nursing care facilities are also required to pay considerations toward environmental concerns. Eco-friendly measures are required not only through efforts made in their business operations; a variety of initiatives to reduce environmental burden are also required to be made in the buildings as well.	<b>Investment plan for the land and building</b> The situation surrounding medical and nursing care facilities differ for each facility, such as having difficulty in acquiring loans from banks, or being required to operate their business by lease. Thus, it is necessary to develop an appropriate investment plan for the land and building.
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## Execution theme

We offer proposals for medical facilities that answer next-generational needs based on the provision of safety & security, comfort, environmental considerations, and commercialization support.

Dramatic changes are expected to continue in the future regarding the environment surrounding medical and nursing care facilities. In such an era, what is required to be the chosen medical and nursing care facility is an ability to respond to changes.

Our Group utilizes the rich experience and high research and investigative abilities held by the Silver Age Research Center that serves as a think tank, as well as our experience from having provided assistance to medical and nursing care facilities, in our quest to develop facilities that meet next-generational needs. We offer the D's SMART MEDICAL facilities built on the four concepts of safety & security, comfort, environmental considerations, and commercialization support based on an understanding of the mission and issues held by the medical and nursing care facilities.



### Effective preparations to provide safety & security in times of emergency

We offer proposals not only on ways to meet the needs for earthquake resistance that many hospitals face, but also a broad range of measures to prepare for safety and security from a broad perspective, including BCP measures, infection prevention measures, and security systems. The aim is to create hospitals that are both safe and secure not only during normal times, but also in times of emergency.



### Providing a pleasant hospital environment for patients, and contributing to the level of satisfaction of the employees

We develop a pleasant hospital environment in order to be the chosen medical facility by the patients, and to improve recruitment of staff as well as to increase work force stability. The building is also designed with consideration toward versatility and renewability so that it will be able to adapt to future changes in the social environment.



### Reduction of energy costs from a long-term perspective

We provide ways to cut energy costs and reduce the burden on the environment through the latest items on energy conservation, energy creation, and energy storage combined with smart management that have been developed from our efforts to build zero-energy-loss buildings.



### Supporting investment plans for the land and building

We utilize our abundant information network to provide support toward commercialization that can only be provided by our Group, such as in suggesting appropriate sites for relocation or new constructions, proposing effective use of land after relocation, and business schemes utilizing medical type funds for those who do not have their own funds.



**Daiwa House Silver Age Research Center examines the various concerns surrounding Japan's aging society and nursing care. This is a research institute that specializes in conducting surveys and analysis on issues related to medical and nursing care facilities.**

The Silver Age Research Center operates based on our company's DNA of placing importance on being closely involved with what is truly taking place at the actual site. The Research Center uses the know-how acquired from on-site experience combined with theoretic to provide effective and high quality business proposals to society. This is based on the philosophy of environmental considerations, safety & health, barrier-free, and energy conservation. The Research Center provides total support, from consultation to the opening of the facility, regarding the planning, operation, and funding of the medical and nursing care business with an understanding of the latest trends.



## Creating next generational medical facilities together with medical corporations by providing total support, from fund procurement to meeting changes in the design standards

Mental Hospital Mt. Kamakura, Mori & Umi Medical Institution (Kamakura City, Kanagawa Prefecture)

While many hospitals have an urgent need to strengthen their earthquake resistance capabilities and to adapt to next-generational medical developments, there is a significant concern on procuring funds for rebuilding because of the difficulty in getting hold of government subsidies and in acquiring loans through existing means. Mental Hospital Mt. Kamakura is one such medical institution that faced these problems. It became absolutely necessary to rebuild, since their building had deteriorated from aging. However, due to various reasons, they were unable to procure the necessary funds. Daiwa House Industry learned of this situation, and decided to use a fund specializing in developments as one method for supporting the business—a first attempt of its kind. The company not only became responsible for the construction of the building, but also provided overall support that included procuring funds and meeting the changes in design standards. As a result, this psychiatry hospital with a long history was able to step into a new existence as an advanced mental hospital that provides safe, reliable, and comfortable service that is indispensable to the local community.



Mental Hospital Mt. Kamakura, Mori & Umi Medical Institution, was able to meet various medical needs of the future, such as the division of functions of the hospital beds, and contribute to the provision of comprehensive care to the local community.



Rest spaces were created in various places along the corridors for patients who take walks within the hospital. The use of curved designs gives it a softened look.



A sofa for taking rests is placed at the end of the hallway. It is placed away from the wall and designed with a curve, so that patients can move naturally on their walks circulating the hallway.



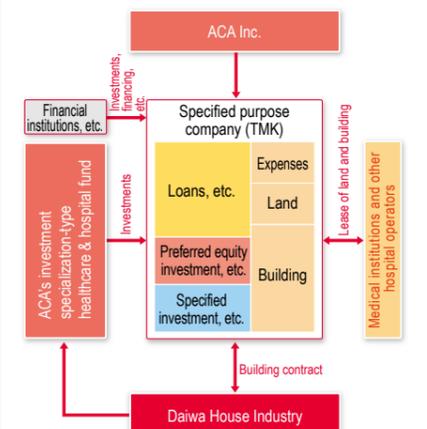
Calming color tones are used in common spaces such as hallways so that the patients can feel a sense of ease.



Hospital room that is simplistic, yet designed with care in the choice of colors. The room is created with careful consideration to give patients a sense of tranquility during their stay.

### Development specialization-type healthcare & hospital fund

This is a fund specializing in development created by ACA Inc. It determines investments to hospitals based not only on the credit of its existing business and the value of its real estate security, but also places importance on the profitability of its business plan and its level of feasibility. ACA establishes a specified purpose company (TMK) for each case. TMK then receives investments from the said fund or from financial institutions and constructs the building that is desired by the hospital operator, which it then leases. Our company was contracted by TMK to construct this building.



### Rebuilding plan runs aground after the Great East Japan Earthquake Decision to utilize the healthcare & hospital fund

The Great East Japan Earthquake occurred on the day after the ground-breaking ceremony for rebuilding the Mental Hospital Mt. Kamakura. Their government subsidies were cancelled in order to concentrate on the earthquake recovery effort, and so the rebuilding project was also put on hold. The President and the Executive Director, who are a husband-and-wife team, found out about the development specialization-type healthcare & hospital fund, in which our company also invests, while they were trying to find some means of moving forward with their plan, and wished to utilize this fund. For our company, it was a highly unusual case of taking over an interrupted construction project. However, during the process of three-party meetings with the couple and the company which formed the fund, we empathized with their strong desire to contribute toward the local healthcare, and led us toward the decision to make the investment.

### Difficult construction on a slope of a hill, while continuing to provide medical consultations at the old facility

Patients continued to be seen for medical consultations at the old building within the site, while construction was going on. What was originally a difficult project in itself, because the building was to be built on a hill, became an even more challenging project, as there were various restrictions in consideration toward the patients who were continuing to receive treatment. There was much pressure at the work site, every day. However, with extreme effort, we completed the building as scheduled in December 2013. The rebuilding project was completed without having to close the hospital for construction for even one day. And with the completion of the new Mental Hospital Mt. Kamakura, acquiring new workforce, which was once difficult, became much easier. The new facility has also helped to enhance the level of contribution to local healthcare needs through a strengthening in their system for treating dementia, among others.

### The existence of total support that we strongly desire to promote toward medical institutions who aim to provide medical services toward the future

Customer comment

Mika Kuroda, Executive Director  
Mental Hospital Mt. Kamakura,  
Mori & Umi Medical Institution



Daiwa House Industry decided to make the investment, after having acquired an understanding of our desire to conduct medical activities rooted to the local community with a focus on acute stage treatment, such as dementia treatment, and to enhance the provision of home visitation treatments. They also helped to create a system that allowed the construction company, with whom we first worked with, to be involved in this rebuilding project. They were well versed in medical and nursing care needs and dealt with everything with accuracy—so much so that we asked them to work as our consultant even after the building was completed. They also proposed building a new facility to better serve the local medical and nursing care needs in more depth. Now, they feel like a part of our family. This experience made me realize that in order to conduct business, it is important to not only follow your dreams, but to also incorporate the opinions of specialists. I truly wish to inform other medical institutions, who have visions for their future but are unable to implement them, of the existence of such a company that provides this level of support.

### Realization of a medical environment that provides value to the patients through enhanced pride and confidence

Staff comment

Hidetoshi Koie, General Manager  
Sales, Construction Business Division,  
Nagoya Branch (current)



It is a difficult project to build an RC building with 2 floors underground and 1 floor above ground on a slope of a hill. This time, we also had the responsibility of first constructing the new hospital building, and then taking down the old building after everything had been moved into the new building, so that medical services would continue to be provided without missing even one day. There was only one narrow road on top of the hill, so we had to bring up the building materials by dividing it into small amounts, while also taking note of the hours when children would use the road to commute to their schools. We also encountered a problem in acquiring material and workforce from the construction company that had been maintaining a long-standing relationship with our customer and was providing their support in this construction project. Amidst these problems, the head of the work site took the lead in bringing everyone together to give their persistent efforts into this project, and as a result, succeeded in finishing all procedures within the scheduled time. Moving the patients to the new building also went smoothly, without any adverse effects from the change of environment. Rather, it made me truly happy to hear that the patients' conditions had actually become more stable since the move.

### Continuing to learn, and learning together. Hoping to further enhance the service-side in providing support to the hospitals

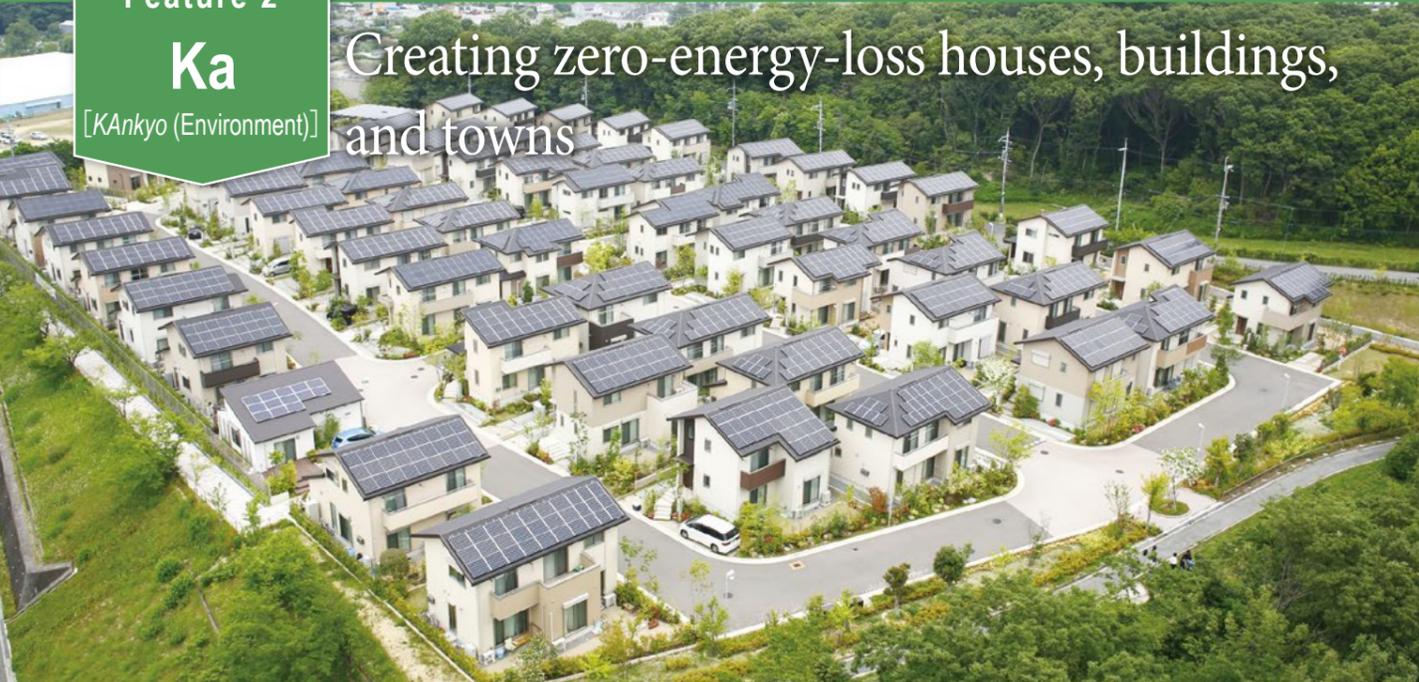
Staff comment

Akihisa Tomariguchi, Manager  
Construction Promotion Group,  
Sales Management Division  
Silver Age Research Center



Hospitals have a large social mission, and so their rebuilding project is also important for the society. However, there are almost no investors who are versed in hospital business management, and there are hardly any examples of funds that provide support. In this situation, we at the Silver Age Research Center began by convincing the people within our company about this project, and managed to bring about this fund to provide support for its rebuilding. This in itself is a know-how that other companies do not possess. This particular project was a first of its kind, and it also coincided with an unusual situation of taking over an interrupted construction, so we faced continuous and multiple difficulties. However, we were able to establish a scheme with a development specialization-type fund to provide support for the hospital. In the future, I will continue to hold discussions with doctors to further my own learning, and also to learn together with those around me. I hope to provide enhanced support, not only through such funds, but also in the service side, so that there will be more new discoveries for our doctors.

# Creating zero-energy-loss houses, buildings, and towns



## Social issues

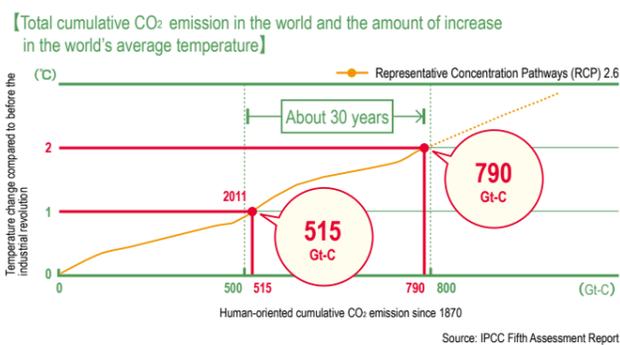
30 years from now, the average temperature may be up by 2°C  
Increasing CO<sub>2</sub> emission in Japan, at homes, businesses, etc.

## The future that the Daiwa House Group seeks to achieve

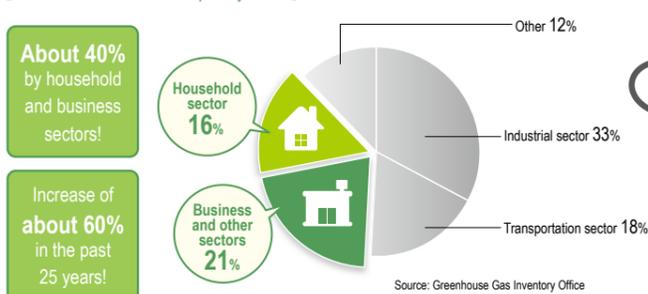
Realize a low-carbon society through the widespread development of zero-energy houses and buildings

According to the Fifth Assessment Report on climate change issued by the United Nations' Intergovernmental Panel on Climate Change (IPCC), in order to keep the rise in the world's average temperature within 2°C from what the temperature was before the industrial revolution, the cumulative CO<sub>2</sub> emission must be kept to a maximum of 790 Gt-C. However, the cumulative CO<sub>2</sub> emission at the point of 2011 was already 515 Gt-C. If the rate of CO<sub>2</sub> emission continues at this rate, the cumulative CO<sub>2</sub> emission of 790 Gt-C will be reached in about 30 years.

If we look at CO<sub>2</sub> emission in Japan by each sector, households and businesses account for approximately 40% of the entire amount. CO<sub>2</sub> emission in these sectors has increased by approximately 60% in the past quarter of a century. After the Great East Japan Earthquake, the issue of power supply has also become a prolonged problem.

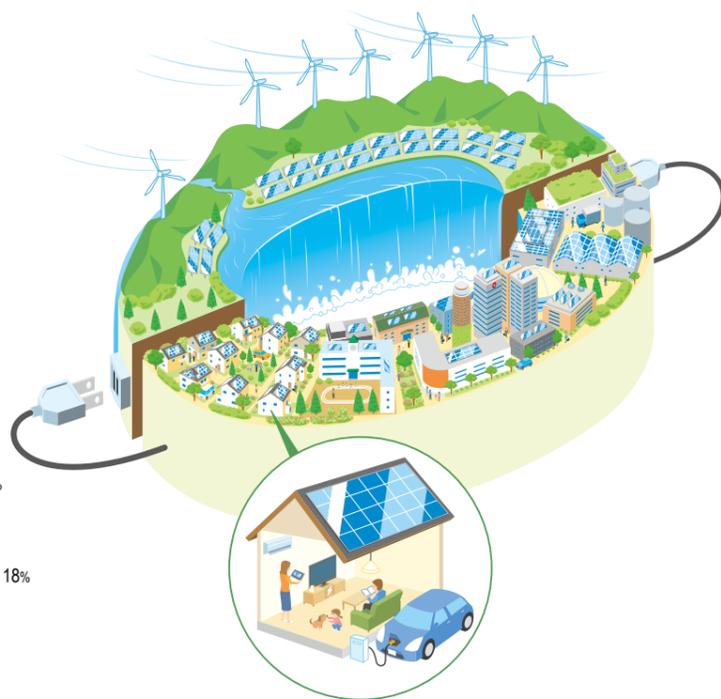


[Ratio of CO<sub>2</sub> emission in Japan by sector]



In order to realize a low-carbon society and the efficient use of energy, we are putting our efforts into creating zero-energy-loss houses, buildings, and towns. Houses and buildings are inhabited and used over a long period of time, and will have the highest CO<sub>2</sub> emission during this entire life cycle. Therefore, it will become even more important to promote energy-saving, energy-creating, and smart houses and buildings for those that are to be newly constructed. Furthermore, it is necessary to extend such efforts from individual buildings out toward the entire town, so that zero-energy-loss can be achieved more efficiently and in a broader area.

In addition, we will strive to find new ways of using energy and enjoying our lifestyles, such as by realizing self-supply of power within a local community through flexible power use between houses, buildings, and towns, as well as the means for sharing solar power among the local residents. By these efforts, we aim to help create towns that realize a better and more comfortable life for its residents.



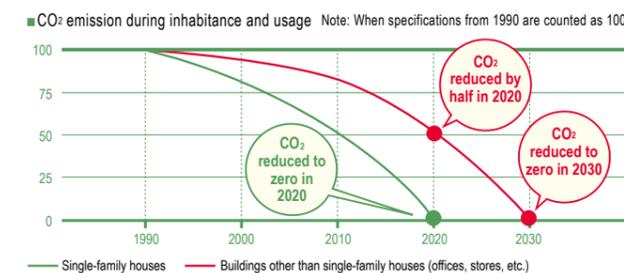
## Medium-to Long-Term Vision

We will achieve a balance of zero CO<sub>2</sub> emission\* during the inhabitation and usage of buildings by year 2020 for new houses, and by 2030 for all other new buildings.

\*Condition where the actual CO<sub>2</sub> emission from energy consumption totals zero by having power generation from recyclable energy surpass that of consumed energy.

With regards to houses and other buildings provided by Daiwa House Industry, we aim to realize zero CO<sub>2</sub> emission for newly built houses by the year 2020, and to achieve the same for all other buildings such as rental houses, condominiums, stores, and offices by the year 2030.

The Daiwa House Group is promoting three projects with an emphasis on single-family houses, which are at the foundation of our lives, and pushing efforts to realize zero energy loss at various places within our towns.



## Housing

### Development and widespread use of energy self-sufficient houses, Smart xevo Eco Project

We aim to realize houses that have energy self-sufficiency with zero CO<sub>2</sub> emission and zero energy expenses, while also enhancing the quality of our lifestyles.



## Construction

### Smart-Eco Project, a demonstration project within our facilities toward the realization of ZEB\*

We are utilizing what we have learned at the demonstration project within our facilities to develop D's SMART Series that offer environmentally friendly technology packages in buildings of diverse purposes.



## Town building

### Nationwide development of smart cities and towns with SMAxECO PROJECT

We will bring together the capabilities of our entire Group to offer new values to town, and seek to create towns where its value rises as the years pass.



## Goal and results

### Expanding the widespread construction of smart houses and smart buildings

Our Smart & Eco Products encompass environmentally friendly houses and buildings created under the concepts of: a passive design that utilizes nature; energy-saving by using energy efficiently; energy creation and storage by generating and storing energy; and energy management that makes the best use of all of the above.



Smart & Eco Product ratio\*



\*Ratio among newly built single-family houses, rental housings, condominiums, commercial facilities, and office facility buildings (weighted average by sales)



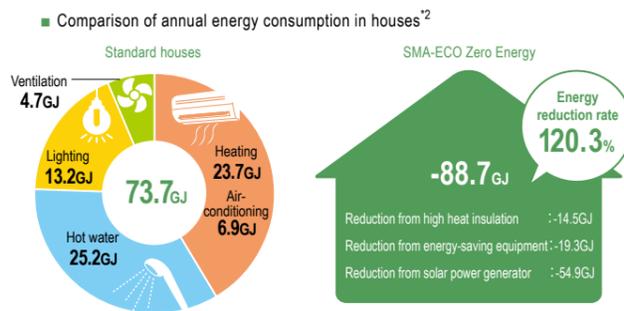
## Spread of smart houses and realization of net zero energy towns

### Housing Development and spread of smart houses

For single-family houses, Daiwa House Industry offers smart houses that have become standard-equipped since April 2014 with solar power generators and D-HEMS 3, a unique home energy management system. The company has also launched the SMA-ECO Zero Energy where the balance of energy becomes zero, and has also been promoting its widespread use.

SMA-ECO Zero Energy comes standard-equipped with D-HEMS 3 and solar power generation system, and the heat insulation specifications has been upgraded to cold-district specifications<sup>\*1</sup>. LED lights and other energy-saving equipment are used to reduce the amount of energy consumption, making it possible to realize a balance of zero energy.

\*1: Energy-saving standard (region II) specifications from 1999



\*2: Calculated value based on our own simulation and requirements

#### High insulation



Standard-equipped with exterior walls of high insulation specifications that answer to cold weather regions.

#### Energy-saving equipment



Offers proposals of using high-efficiency water heaters, LED lightings, etc.

#### Solar power generator



Solar power generation system which uses recyclable energy

#### HEMS (Home Energy Management System)



D-HEMS 3 that makes it possible to not only see the energy usage situation, but also makes it possible to control air-conditioning, lighting, etc.

### First in Japan, using the profits from the town's solar power generator for housing maintenance. SMA-ECO Town Hidamari-no-Oka (Kuwana City, Mie Prefecture)

At our smart-town, SMA-ECO Hidamari-no-Oka, all houses in the 66 zones are equipped with solar power generators, lithium-ion storage batteries for houses, and HEMS. Furthermore, the town has a solar power generator (approximately 100 kW) built on its southern slope, thus succeeding in realizing a net-zero energy town. Also, for the first time in Japan, this town implemented a system that utilizes the profits gained from the town's solar power generator toward the maintenance of houses, etc. This town also has a rental system of micro electric mobility vehicles\* that can be used by residents within

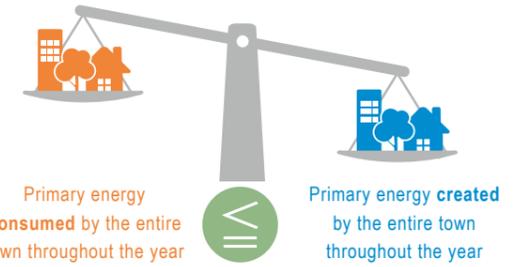
a predetermined time, and the potentials for utilizing such vehicles in getting around residential areas is being tested at this time.

A "town building guideline" has also been established to maintain a beautiful townscape and preserve it toward the future. A homeowners association will also be created not only to build a beautiful landscape but also for the sharing and management of the town's solar power generator.

\*A vehicle with high environmental performance that is smaller and more versatile than light automobiles. It seats about two persons and will serve as a easy way of getting around the area for the local residents.

### Town building Developing net-zero energy towns and spreading it nationwide

Net-zero energy towns not only strive to achieve zero energy loss at individual houses, but also create energy at the town's shared facilities to make enough power for operating the town's meeting area, etc., thereby aiming to achieve a balance of zero primary energy consumption throughout the year for the entire town. Our Group will develop such towns throughout Japan.



#### 1 Making even more energy

A large area of the southern side of the roof of each house, which has the best ability to generate power, are installed with solar panels, and the meeting rooms and other common areas are equipped with solar power generation systems. The entire town will raise the number of solar power generators to create even more energy.



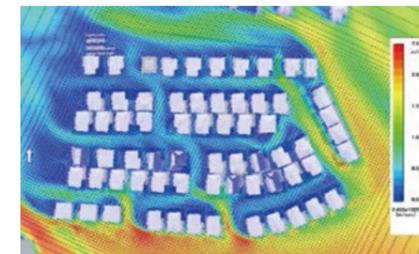
House with a large area on the southern side set up for generating solar power



Solar power generation system established in the common area (above the regulating reservoir)

#### 2 Utilizing nature: Passive design

By planning the placement of roads, houses, and common areas, the town is able to take advantage of the breezes that blows by the seasons, helping to reduce the energy needed for air-conditioning and other such equipment. The houses are also equipped with a heat insulation screen that shields heat while drawing in light, helping to maintain a comfortable environment within the homes.



Simulation of wind direction and velocity



Effect of installing the heat insulation screen

#### 3 Make it possible to visually see the energy usage throughout the entire town, and help support a lifestyle with low environmental burden

Data from the HEMS at each household is gathered into the SMAxECO Cloud, so that the level of energy used by the entire town can be seen. By this, residents will be able to see a history of their energy usage, as well as the rank of each household in their contribution toward saving energy. There is also a system that helps residents enjoy the process of practicing a lifestyle with as little environmental burden as possible by giving points depending on their energy-saving rank that can be used for car-sharing, etc.



SMAxECO Cloud



Electric vehicle for car-sharing



Lesson on caring for the plants



House cleaning service

### Customer comment Wishing to spread this first initiative in Japan, which started from a shared desire by Kuwana City and Daiwa House Industry, throughout the entire country.

SMA-ECO Town Hidamari-no-Oka, which is a first of its kind in Japan, was realized by the shared desire of Kuwana City and Daiwa House Industry. Kuwana City had been aiming to create safe and reliable towns that takes care of energy and has a high sense of self-sustenance, while also developing towns that are environmentally friendly and that can contribute to a recycling-oriented society. Daiwa House Industry was aiming to realize zero environmental burden and has been seeking to create sustainable houses and lifestyles. A system for utilizing the town's large-scale solar power generator and using this to enhance the services of the residents' lifestyles was a first of its kind in Japan. It is a town where many people have the opportunity to think about the environment and new lifestyles, and I hope to spread the idea for this type of advanced lifestyles throughout the rest of Japan.

Narutaka Ito, Mayor of Kuwana City

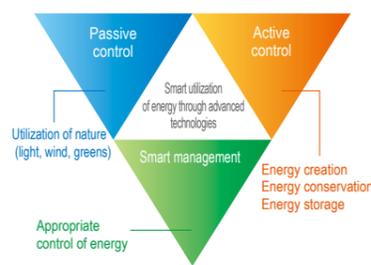




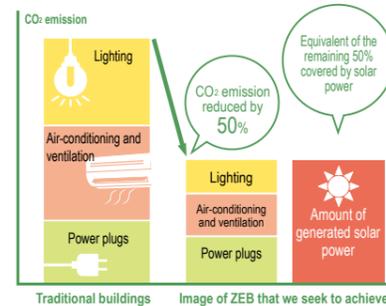
## Realizing a Net-Zero Energy Building (ZEB) Utilizing the know-how acquired from our own facilities

Under the concept of “utilizing energy smartly through advanced technologies,” Daiwa House Industry is promoting the Smart-Eco Project that seeks to realize ZEB by the year 2020 under the following three keywords: “passive control” that utilizes the forces of nature; “active control” that realizes energy creation and energy conservation; and “smart management” that achieves appropriate control of energy. We are conducting verification tests of our environmental technologies and designs at our company’s diverse facilities, and utilizing what we learned from such tests toward the development of next-generational environmentally friendly architecture called D’s SMART series for the benefit of our customers.

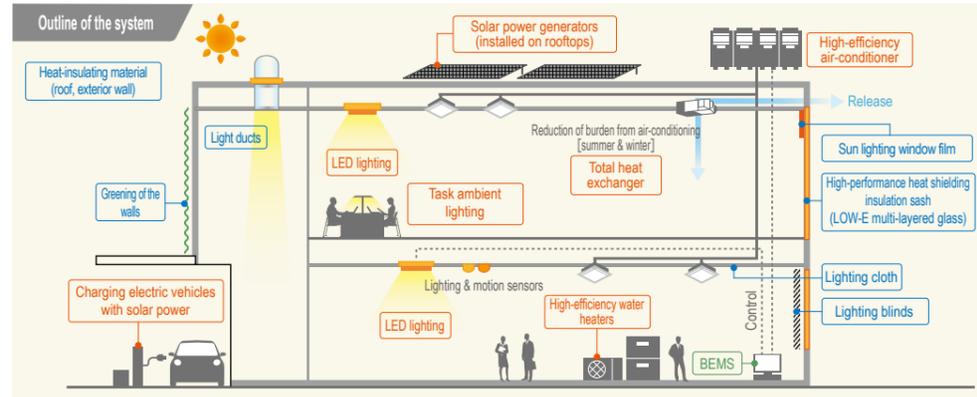
■ The concept of ZEB that we aim for



■ Simulation on reduction of CO<sub>2</sub> emission (image)



- D's SMART Series**
- D's SMART OFFICE (Office)
  - D's SMART STORE (Store)
  - D's SMART FACTORY (Factory)
  - D's SMART SILVER (Nursing facilities)
  - D's SMART LOGISTICS (Logistics center)
  - D's SMART MEDICAL (Medical facilities)



### Passive control that uses the natural forces of nature

#### Passive airflow windows

Airflow is produced between the window and screen by utilizing the ascending air current of solar radiation heat, and the heated air is taken out through the exhaust opening in the upper part of the room. And during the cool weathers, the upper windows can be opened for ventilation, serving not only to remove the air heated by humans, lights, and OA equipment, but also to bring in soft natural light.

[Related information] P.119 ECO technology

#### Lighting blinds

This is a special blind that lets natural light from the window pass through and disperse. Thus, the window serves in the place of a lighting equipment to brighten the room.

[Lighting blind]



<Past constructions: Daiwa House Aichi Kita Building, PF Automation, etc.>

### Active control with energy creation, energy conservation, and energy storage

We realize energy creation, energy conservation, and energy storage by combining solar power generators and storage batteries, as well as advanced technologies in lighting and air-conditioning. For example, lighting that uses LED light guide plates makes surface light emission possible using LED lights. Furthermore, they allow light emission from both the front and back sides, so that both the ceilings and the floors are lighted to ensure the same level of brightness in the room as before, but with low light intensity.



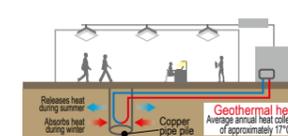
Solar power generation system established not only on the roofs but also on the ground



Lighting with LED light guide plates that emit light from both the upper and bottom sides to ensure brightness even at low light intensity

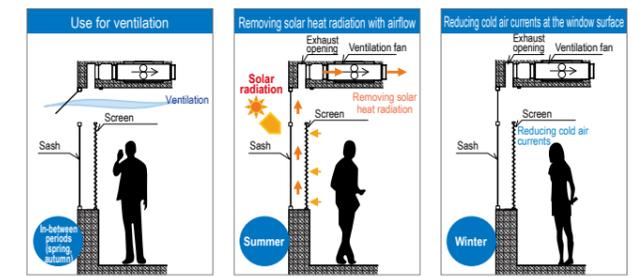


Lithium-ion storage batteries that can be used not only in times of emergency, but can also help reduce power demand



Geothermal air-conditioning system that uses geothermal heat which remains at a constant temperature throughout the year

[Our original passive airflow window]



<Past constructions: Daiwa House Fukushima Building>

#### Light ducts

The semi-circular light opening takes in solar light for a long period of time from early morning to the evening. This light is taken into the room using a high-efficiency light reflective duct that reflects 99.9% or more of the light. Incorporating natural light not only saves power for lighting, but also gives the impression of brightness to the people in the room.

[Light duct]



Light opening



Indoors

<Past constructions: Daiwa House Gifu Building, Kyoto Bank Higashi Nagaoka Branch Office>

### Smart management with appropriate control of energy

Building Energy Management System (BEMS) measures how much power is used for each purpose and by each floor, and makes this information visually available. It also makes power usage visible by setting up monitors at entrance halls and other places where customers will notice, thus serving to promote the company’s involvement in environmental issues to various stakeholders.

[Energy monitor set up at entrance halls, etc.]



## Office that actualized ZEB by utilizing the know-how cultivated at our facilities New company building for PF Automation Co., Ltd. (Toyama City)

Our Toyama Branch made the proposal to PF Automation, which is a company that places importance on environmental considerations, to build our eco-friendly D's SMART OFFICE for their new office building. This new building has become our second ZEB. We were able to gain a sense of trust from PF Automation on our proposal for the new building by having them take a detailed look at our office building (Daiwa House Toyama Building) from before the time we began designing their new building.

In order to realize ZEB at the new company building for PF Automation, we placed priority on implementing items with high cost-effectiveness, such as LED lighting,

task ambient lighting, and automated lighting control with motion sensors. We also set up solar power generators that can produce a total of 68 kW on the roofs of the office and parking structure. We also made active proposals for using items that would help enhance intellectual productivity, such as using soft lighting that uses natural light as well as natural ventilation that creates a comfortable and natural breeze. Our proposals were adopted by our customer. Of particular note is a light duct that was incorporated into the entrance hall, which creates a bright and airy space that is naturally lighted from early morning until the evening. This hall has been receiving positive comments from visitors to this company building.



**Customer comment** Highly satisfied at having achieved a wonderful ZEB that is better than the Toyama Branch that was shown to us as a showroom.

As we started our project to create a new office to deal with our business expansion, the external image of the initial proposal given to us by Daiwa House Industry was in a class of its own for its high appeal compared to those received from other companies. Daiwa House Industry also proposed implementing energy-saving equipment subsidies with a one-thirds subsidy rate, and later, they supported us in applying for ZEB with a two-thirds subsidy rate. ZEB not only makes environmental contributions, but also saves costs from the long-term perspective. After we were given a tour of their Toyama Branch, our minds were made up to go with ZEB. Our ambitions were also spurred by seeing its actual example at the Toyama Branch, and gave us the desire to create an even better building. The completed company building is spacious, bright, and comfortable. We are very happy with it, and are secretly convinced that it's actually better than their Toyama Branch building.

Yasuhiko Matsuda, Chairman & CEO, PF Automation (left)  
Naoki Okuno, President & CEO, PF Automation (right)



**Feature 3**  
Co-creation  
with our  
employees

# Development of a work environment that can make the most of diverse human resources



**Social issues**

Decreasing labor population and the provision of work opportunities

**The future that the Daiwa House Group seeks to achieve**

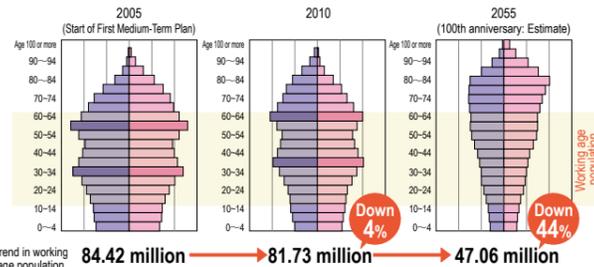
Strengthening the management base through dual efforts of acquiring and nurturing human resources (Fourth Medium-Term Management Plan)

**Working age population will continue to decline**

The population of working age people (ages 15 to 64) in Japan is continuously declining. According to an estimation done in January 2012 by a public research organization, by the time of Daiwa House Industry's 100th anniversary in the year 2055, the working age population will be down to 47.06 million (decline of 44% compared to 2005 when Daiwa House Group's First Medium-Term Management Plan was started).

Our Group is working together as one by sharing our founder's dream to become a corporate group with 10 trillion yen in sales by our 100th anniversary in 2055. We are continuing to challenge ourselves to achieve this goal. As part of this, efforts to both secure and nurture human resources have been included in our Fourth Medium-Term Management Plan. With regards to the promotion of utilizing women in the workforce, we have established a goal of having 500 female executives within our entire Group by the year 2020.

**[Trend and estimate of working age population]**



※Note: Working age population = Ages 15 to 64  
Source 1: Population estimates on the website of the Statistics Bureau  
Source 2: Value for 2055 is from an estimate by the National Institute of Population and Social Security Research (January 2012)

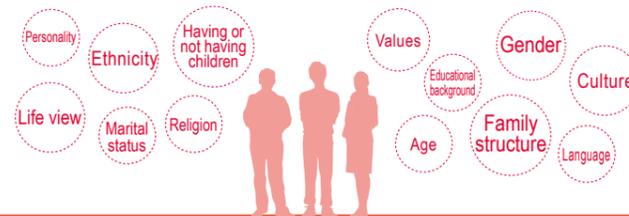
**Meanwhile, equal employment opportunities have not been achieved**

Meanwhile, there are invisible barriers to employment, such as by gender, age, nationality, and disabilities. For companies to do away such barriers and to provide fair and equal employment opportunities is an important social responsibility that relates to the protection of basic human rights. At the same time, an important issue is in securing highly skilled human resources at a time of declining working age population. In recent years, the importance of promoting equal employment opportunities and other such efforts is being advocated, also from the perspective of increasing diversity, which would help companies respond to diversifying market needs and to the changes in the business environment. The promotion of women in the workforce is an issue that is being particularly pushed by the government as an important factor in their growth strategy that will help increase diversity. As such, the government is deliberating on the law to promote the utilization of women, and is also calling out to various companies to enhance such efforts.



**Diversity management as one management strategy that utilizes diverse human resources**

By accepting diverse human resources, and accepting the differences and making use of such differences, we will be able to create an organization that can continuously generate creative ideas that is not confined to traditional thinking and practices. Our efforts to utilize diverse human resources as part of our management strategy, which started in 2005 with the promotion of women in the workforce, has now stepped into a new stage of development.



**Basic policy**

An important aspect required of a global company is its ability to make full utilization of diverse human resources. The promotion of women in the workforce is particularly required to achieve sustainable growth.

In order for our Group to grow into a corporate group that can make even more contributions to the world, we need to adapt to social changes and diversifying values so that we can discover latent market possibilities and draw out new values. For this to happen, we need to create a corporate atmosphere that can utilize the various perspectives and ideas from such differences in values, gender, generation, ethnicity, language, culture, lifestyles, and more—in other words, what is required is diversity. The promotion of women is a touchstone of such efforts, and is a necessary step to achieve sustainable growth.

To realize this, we created in 2005 a project for promoting the utilization of women, and started to help the growth of our female employees. A Wave Heart Promotion Section was created within our Personnel Department to change the thinking of the female employees themselves as well as their superiors, and to also create a comfortable environment for women to work in. In April 2015, this Wave Heart Promotion Section was renamed to the Diversity Promotion Section and is striving to expand and enhance its activities.

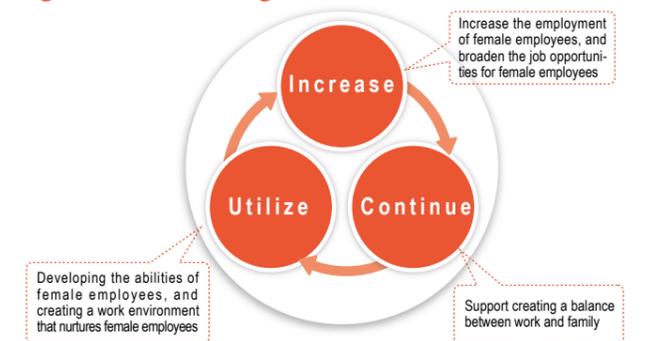
**Utilizing diverse human resources in business management = Diversity management**

- Promoting the utilization of women
- Promoting the utilization of senior-aged people
- Employing people with disabilities
- Promoting the utilization of non-Japanese persons
- Nurturing the younger aged employees

**Execution theme**

Promoting the cycle toward the utilization of women through the three pillars of increasing, continuing, and harnessing.

Women empowerment at our company started from a point of having many problems, especially because our industry is strongly reminiscent of a male society. The project's name of Wave Heart was developed from our desire to incorporate the following: WAVE to stand for women (W), ability (A), vitalize (V), energize (E); and Heart taken by combining the sounds from the words *hataraku* (work), *anatarashiku* (as you are), and *togirerukotonaku* (continuously). In order for everyone to be able to work in a manner that suits them, we created a practical theme based on a cycle of "increase, continue, and utilize." Ever since, this cycle has been continuing to revolve, and a new system is starting this spring.



**Increase**

We are increasing the recruitment of female employees and broadening their job opportunities. We are also broadening their job positions by increasing female employees particularly in job types where the ratio of women were small, such as in sales and construction. As a result, the ratio of women in the sales job category rose from 1.2% at the end of March 2006 to 7.1% by April 1, 2015. As for technical jobs, what was formerly a female employee ratio of 5.5% rose to 11.0%.



We are working to establish and nurture female employees even at our construction sites.

**Continue**

**Enhancing the system for supporting work-life balance**

At our company, we do not consider work-life balance to be something where you seek an equilibrium between "work" and "life" on a balance scale. Instead, we believe that each and every employee should be able to choose the weight that they wish to place on "work" and on "life" for their own personal growth. Even if they are in a situation where they need to prioritize their "life" aspect, they should still be able to achieve personal growth if they keep making the effort without giving up on their "work" aspect. And the company wishes to provide strong support toward such growth efforts of the individual.

**System for supporting work-life balance**

Category	Policy	Details
Birth and child-raising	Lump-sum payment for nurturing the next generation	1 million yen provided for the birth of each child
	Support program for employees taking child-raising leave to return to work	Encouraging communication with the superiors for a smooth return to work from a child-care leave
	Child-raising and career support system	Implemented from April 2015. Provides support for managing both child-raising and career
	Leave of absence before and after birth, and for child-raising	Available until the child turns <b>3 years old</b>
	Shortened work hours for child-raising	Available until the child enters <b>third grade of elementary school</b>
Nursing care	Nursing care leave for child and family	5 nursing care days per year for children under school age 5 nursing care days per year for taking care of the family (10 days per year if there are two or more children)
	Accumulated paid leave / Paid leave in hourly units	Able to accumulate up to 100 days of unused paid leave, which can then be used for child care, nursing care, and for their own illnesses and injuries / Also able to acquire <b>paid leave in units of one hour</b>
	Leave or temporary absence for nursing care	<b>No maximum in period of absence for nursing care</b> 5 days per year per person for nursing care leave (10 days for 2 persons or more)
	Shortened work hours for nursing care	Shortened work hours for the purpose of providing nursing care
	System to support taking care of parents	Implemented from April 2015. Provides subsidies to support the expenses needed for travel to provide nursing care to parents

**Utilize**

Even if women are strongly motivated in their work, many need to place their focus on their home and families, especially when they give birth to and are caring for children. In consideration of such situations, we are making efforts to create a work environment that draws out the abilities of our female employees and nurture their potentials, such as by aiming to establish a growth method that is different from that used for male employees. We provide common training for our entire company, while also offering specialized seminars by job type, in addition to hosting seminars geared to specific issues in a job rank or type for both female employees and their superiors.



Seminars held for both female employees and their superiors.



The pressure of having limited time has enhanced my attitude toward work.

Sales

**Arisa Yamamoto**

Sales Section, Shiga Condominium Sales Group, Shiga Branch  
Joined the company in 2008

Profile

Conducted sales of condominiums in the Kusatsu City area ever since she joined the company. Whereas most of the female sales staff are still in their fourth year or less at the company, she is already managing to continue work while raising two children. Although she entered her first child-birth leave at a time when she still did not have ample professional success, she still managed to continue with her work and build a way of working that is suited to her lifestyle.



The reason why I am where I am today is because I had a wonderful boss, and because I received the benefits of a wonderful support system.

Construction

**Junko Kusaka**

Chief, Condominium Construction Section 2, Yokohama Kita Branch  
Joined the company in 1997

Profile

Became the site foreman at a housing construction in Sendai City of Miyagi Prefecture, the city where she was born. She worked for three years in this position, before being transferred to residential design. She has become the site foreman for condominium construction sites at the Yokohama Kita Branch since 2007. She married within the company, and her husband has been transferred to Nagoya. Since she lives away from her husband and parents, she cannot rely on them for help, and yet she is raising her child in Yokohama by herself as she continues her work as a site foreman.



Set a goal that is a little higher. Keep doing that, and you're sure to achieve growth.

Accounting

**Naoko Morimoto**

Manager, Accounting Section, Administration Division, Hiroshima Branch  
Joined the company in 1995

Profile

Joined the company as a clerical staff, and has been mainly working in accounting in different branch offices. In 2008, with her promotion to the position of chief, she became a general employee and was transferred from her previous clerical position to being responsible for the sales division. Under the guidance of her superior, she expanded the business area under her responsibility, and in April 2015, she became the company's first female Accounting Manager.



I think there are many male-oriented jobs that are actually more suited for women.

Aftercare service

**Misono Fujiwara**

Customer Service Center, Housing Division, Yokohama Branch  
Joined the company in 2007

Profile

Started to work for the company as a temporary employee. She became a clerical staff after five years, and was responsible for answering phones and doing clerical jobs at the Customer Service Center. In 2013, at the time when the personnel management system was revised, she selected a position as a general employee instead of as a clerical staff. In the following year, with the internal job application system, she became responsible for after service operations. As a female after-service inspection staff, she has been receiving a warm welcome by the female customers that she visits.

Going around the area, looking for an appropriate site for building a condominium, finding out and creating a list of the land owners, and visiting these owners numerous times—these are the first steps involved in the sales of condominiums. The reason why I was able to continue this difficult work, even after the birth of my children, was because I had the encouragement of my boss and my seniors. Now that the time I have available is limited, it has given me a good sense of pressure, and the level of concentration that I put into my work during the time I have available has been greatly enhanced. Still, there would be some hiatus in receiving orders, so I was constantly working frantically. The wife of my current General Manager also works in sales of condominiums, and has three children. So he has been very understanding of my situation, and would give me advice on my proposals, and would also come with me on visits to the landowners. This really gave me the psychological support that I needed, and helped me to increase my motivation toward my work. I think I need to work hard to achieve figures that will earn me awards in order for me to advance further in my work.



When I first joined the company, it was much more of a male society than it is now, so things were difficult for me. But, my boss encouraged me by saying, "keep at it for three years, and you'll start to see the joys of this job." My seniors also gave me help, so that I was able to get through those difficult years. I don't want to have my boss's words go to waste, and so this is now serving as my motivation to continue with my work. After I returned from child-care leave, the expenses for babysitters were high and it was difficult, but I tried different ways to be more efficient at my job, such as concentrating my administrative tasks on a certain weekday when I had the babysitter look after my child. Through such efforts, I gradually learned how to pace myself with my work. Starting this spring, we are now allowed to work full-time with staggered office hours, and there are now more subsidies for the use of babysitters. My child, who is now four years old, is a great fan of Daiwa House. I feel like I can overcome anything as long as I have the support of my child.



The accounting division of branch offices is responsible for managing the numbers of the sales office. For me, after I joined the company, I slowly became drawn to the appeal of being able to change the sales office by providing numerical information in an appropriate manner. My superior guided me expertly into becoming responsible for the sales division, with an understanding for my hesitation that came from a lack of confidence. The accounting person responsible for the sales division serves as an important right-hand for the General Manager of sales. At the beginning, there were some people who expressed concern in having the position being taken by a woman, but later, when that same person said "thank you" to me, I said to myself, "I did it!"

The seminar for developing female executives that I attended a year before last was very meaningful. In particular, I received a lot of motivation from younger participants in the same job category who were filled with the spirit of taking on challenges. In the future, as a new Manager, I will challenge myself to take on new goals.



For many years, as an office staff at the Customer Service Center, I would answer the requests made from the call center and manage the inventory of parts, and send out after-service inspection staff to the sites. When I noticed that some of the inspection staff would go to the sites at an earlier time than was promised, without any regard for the customer's convenience, I felt the need for a women's perspective to be incorporated into such duties. With my clerical duties, I worked so that I would be able to give myself good marks for my job. Gradually, the desire in me to try working outside started to grow. And so, I was very lucky when I had the opportunity to change from general employee to inspection staff.

When I go on visits, the women of the household say that it is easier to ask me things, and my days are filled with a sense of satisfaction and joy. I work with Sato-san, the male inspection staff who is not good with conversation but is very good with inspections, drawing out the positive sides of each other as we go on visits. It makes me happy when people ask for the pair of us again for their next inspection visit.



### Support program for nurturing female sales staff

From 2007, we have been offering opportunities for female sales staff to exchange information or attend growth seminars, for the purpose of having them interact with their role models and to develop career life plans, as well as to develop a network of other female employees. Training is also being conducted toward male superiors, where they receive presentations on examples of sales conducted by women, as well as hold discussions on nurturing female staff.

### System providing child-raising and career support

Allowing employees to reduce the quantity and quality of their work under the name of providing support to manage both child-raising and career will actually deprive the employee from building their career. The new child-raising and career support system that was started in May 2015 aims to manage both child-raising, as well as career building. It supports employees who are raising children to also build their career by giving them subsidies for the use of babysitters so that they have the choice of taking steps to acquire enough hours for their work.

### Seminar for the development of female executive nominees

This is a seminar that was started in fiscal 2011, and is offered to those who have the desire to take on managerial positions, and whom their superiors are thinking of nominating for taking the managerial promotion test within the next two to three years. These nominees work together with their superiors for a period of half a year to make a conscious effort within their daily duties to develop the abilities required for managerial positions.

### Internal job application system, implemented for the purpose of broadening the opportunities of general administrative jobs with promotional opportunities

The personnel management system was revised in April 2013, and with this, female employees who entered the company as clerical staff were able to more clearly express their desire to develop their careers, thus transferring into general employee positions with promotional opportunities. By this, these employees were able to broaden their work opportunities by utilizing the specialized skills that they had cultivated so far. In September 2014, an internal job application system was conducted for the After-Service Division, which aimed to actively increase the placement of women in this job field.

## Promoting the participation of women in work

We will continue the cycle of our practical theme—*increase, continue, and utilize*. For efforts to increase female employees, we have taken the lead of other companies by actively placing women in the construction department, and a number of them are managing to work in this field while also raising children. We are also making efforts not only in the sales and technical divisions, but also in the clerical job categories, where 70% of the employees are women. With regards to providing support to manage both child-raising and the continu-

ation of work, we have already started to take steps beyond aiming for the coexistence of child-raising and work, and are now looking to give women a chance to build their careers while raising children. As for utilization, we are enhancing the level of systems related to career development, such as the job type selection system (FA system), and the internal job application system.

In combination with such efforts, we are also revolutionizing our evaluation system in order to develop a corporate culture that aims to promote

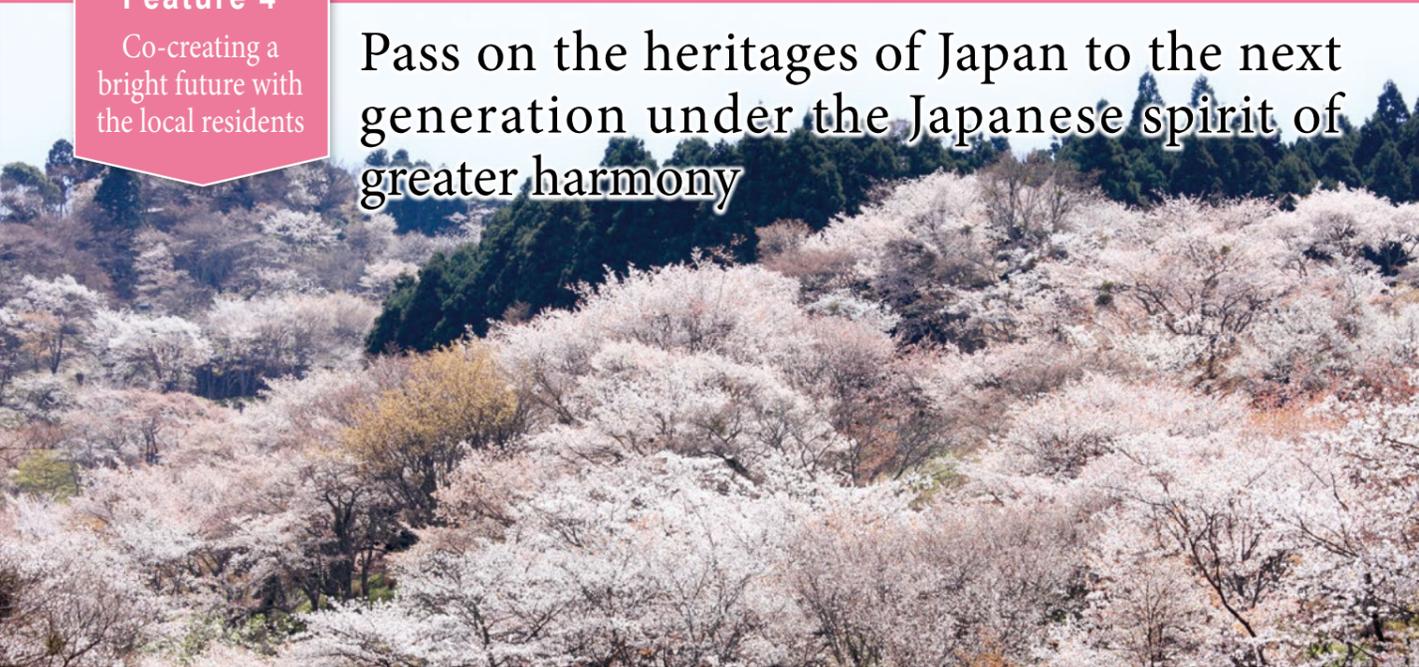
the participation of women. We added a section on supporting the participation of women in the goal management of our management-level employees. We have also added an "hourly productivity" category in the evaluation criteria of the office, with the aim of improving work methods and to enhance productivity. Also, forums and information exchange opportunities are provided with the Group, where numerical goals are shared amongst each other.

## Feature 4

Co-creating a bright future with the local residents

Co-creating a brighter future with stakeholders

# Pass on the heritages of Japan to the next generation under the Japanese spirit of greater harmony



### Social issues

Decline of cherry trees nationwide, including Mt. Yoshino

### The future that the Daiwa House Group seeks to achieve

Passing on the Japanese spirit together with the cherry trees

#### Decline of cherry trees at Mt. Yoshino in Nara Prefecture

We received a certain phone call at the end of March 2008. It was a request of the following content coming from Yoshino Town in Nara Prefecture: "The cherry trees of Mount Yoshino are losing their vitality. If we don't remove the dead trees and plant new seedlings, we will lose the cherry trees. Since the founder of Daiwa House Industry is from this Yoshino area, won't you give us your help?"

Mt. Yoshino in Nara Prefecture is famous for its cherry trees. It has approximately 30,000 cherry trees, mainly of the Shiroyamazakura variety, and was registered as a World Heritage in 2004. The cherry trees of Mt. Yoshino were donated in ancient times for use as lumber to build the main temple of Kimpusen-ji Temple, and has been cherished for more than 1,300 years as a sacred tree that appeases the spirits and brings down the gods. However, the cherry trees of Mount Yoshino are now in a dangerous situation, due to environmental changes of recent years and from the decline in the trees' vitality. As this area is the place of origin of our founder, Nobuo Ishibashi, we began activities starting fiscal 2008 to support the conservation and restoration of the cherry trees in Mt. Yoshino.

#### Decline of cherry trees nationwide

As we began activities to preserve the cherry trees of Mt. Yoshino, we learned that an increasing number of cherry trees in Japan were nearing the end of its life span. Many of the cherry trees that we see are the Someiyoshino variety, which has a life span of about 50 to 60 years. Thus, the many trees that were planted during the same period after World War II are coming to the end of their life span. We believe that this decline of cherry trees, which hold a dear part in the hearts of the Japanese people, is a serious problem for our society.

And thus, we gave thought to what we could do to help this situation, in our position as a business that holds offices at various locations nationwide, and that conducts business activities under the concept of living in harmony with the local community. As a result, we started the Sakura Project from 2010 together with the children who are our next generation under the slogan of "sakura wo tsunagu [let's pass on the cherry trees]."

#### Passing on the cherry trees to the next generation

Our founder, who grew up among the trees of Yoshino, loved nature more than anything, and also had a deep love for the Japanese spirit and culture. In order to pass down the cherry trees, whose flower is symbolic of Japan, to our future generations, as well as the beautiful landscape that had been cherished to this day, we are conducting research on the cherry trees of Mount Yoshino, as well as conducting volunteer activities at the site. Our volunteer activities involve collecting seeds from the mother tree of the Shiroyamazakura cherry trees, which has been growing in Yoshino since ancient times, and developing healthy saplings from these seeds to give rise to a new generation of cherry trees. We are working with the local people and providing long-term support in order to protect the beautiful landscape of Mount Yoshino, where the entire mountain becomes gorgeously painted with cherry tree blossoms during its flowering season.

#### Inheriting and passing down the Japanese spirit of greater harmony

Through our activities to protect the cherry trees of Mt. Yoshino, we learned that cherry trees cannot maintain its beauty without the help of human hands, and that it requires both time and effort. The cherry trees that we see before us right now exist because of the continuous efforts that were given to these trees by the people before us. In our long history, cherry trees have grown alongside the hearts of the Japanese people. Cherry trees that have been invested with the efforts and hopes of the people have a unique and mysterious appeal to us all.

We, who have been born and nurtured in Yoshino, will continue the baton that has been passed down from earlier generations. The DNA of our founder, that honor the spirit of the Japanese people, will be passed down to the future by our involvement in cherry trees through the Daiwa Sakura Aid. By passing down the cherry trees to the future, we will continue activities that will help pass down the culture and traditions that Japan should be proud of to the future generations.



### Philosophy of Daiwa Sakura Aid

Cherry trees that show their beauty every year with the coming of spring. For more than 1,000 years, these trees have brought us consolation, encouragement, and healing. There are no other trees that have blossomed alongside the hearts of the people.

Looking back, cherry trees have always been with us. In the country's major historic events, as well as in the lives of each and every person.

By learning about these blossoms, and their many stories from long ago, we touch upon something important. It gives birth to the great Japanese spirit, which we believe connects toward the development of an important sensibility. Time will continue to move forward, and the future will continue as before, together with new stories born closely connected with cherry trees.

We at Daiwa Sakura Aid will work with the spirit of "creating dreams, building hearts." We will protect the cherry trees, as well as the history, culture, art, and lifestyles they endow, and pass these on to future generations.



### Activities

## Daiwa Sakura Aid

This project links our projects to preserve the cherry trees of Mount Yoshino with our Daiwa Sakura Project, a project operating under the keyword of cherry trees [sakura] to give students in pre-schools and elementary schools the opportunity to come into touch with Japanese instruments and plant cherry trees. The activities help pass down the wonderful Japanese spirit that has been cherished by the people, such as in the environment, culture, history, and tradition, to future generations.



Charity concert

Donations for cherry trees are collected at the site.



CD production and sales

A part of the sales are used in activities to preserve cherry trees.



Cherry tree photo exhibit

Landscapes of Mount Yoshino are introduced through a photo exhibit.



Issuance of the pamphlets "Sakura" and "Sakura no Kyokasho"

These pamphlets are created with mainly visuals to share our deep sentiments toward the cherry trees.

#### Activities to preserve the cherry trees at Mount Yoshino

Efforts to protect the cherry trees in Yoshino of Nara Prefecture, which is the place of origin of our founder, Nobuo Ishibashi, was started in fiscal 2008 upon having received a request for support from the local people. A cherry tree development orchard was created in Mt. Yoshino by working together with the Yoshinoyama Hoshoukai. Efforts to grow Shiroyamazakura cherry tree saplings from seeds are being conducted six times a year with participation by our employees.

##### ■ Results of activities up to March 2015

Fiscal year	Frequency	Total participants
2010	5	115
2011	4	98
2012	5	91
2013	6	105
2014	6	130



#### Sakura Project

This project started in fiscal 2010. Most of the activities are held toward elementary schools and kindergartens nationwide, and provide students with an opportunity to perform and experience Japanese instruments, as well as to plant cherry trees. It gives the children of our future a chance to learn about the wonderful and beautiful aspects of the Japanese culture by giving them a real and hands-on experience, while also helping them to learn about the natural environment and the importance of life by nurturing the growth of cherry trees.

##### ■ Activities up to March 2015

[Locations]

**130** locations

[Number of children who participated]

**37,831**

[Number of cherry trees planted]

**325**



## Planting a memorial tree to commemorate the 60th anniversary.

The founder of Daiwa House Industry, Nobuo Ishibashi, was born in Kawakami Village in the Yoshino District of Nara Prefecture, and went on to establish our company in Osaka on April 5, 1955.

To commemorate the 60th anniversary of our company, a young cherry tree was planted in Kawakami Village, which is considered the place of origin not only for our activities to preserve the cherry trees at Mount Yoshino, but also the place of birth of our founder.

Yoshino Town, Nara Prefecture



Chairman Higuchi (photo right) received a letter of gratitude for the support that our company has provided over the years from Mayor Kitaoka of Yoshino Town (photo left).

Kawakami Village, Nara Prefecture



Our project of planting saplings that started in fiscal 2010 has now entered its sixth year, and the first sapling that our Group's employees nurtured from its seed has finally been returned to Mount Yoshino. A commemorative plate made of Akahada-yaki pottery was presented by the potter, Takaaki Takeda.



In cooperation with the Kawakami Village, our company is planting trees for the purpose of creating a beautiful landscape for the future in the residential area of what was formerly the Shiraya area, which was abandoned by the people after the landslide that occurred during dam construction work. Two Shiroyamazakura cherry trees were planted in a corner of this area.

### Together with our employees

The number of participants to the volunteer activities at the site are increasing every year, receiving support not only from our Group employees but also from their families in efforts to grow cherry tree saplings from seeds.

We learn that each and every step that we take during the one-year cycle is leading to the growth of the cherry trees, and we pay careful attention to each and every seedling with the hope that the cherry trees will grow to be healthy and strong.



### Together with our shareholders

Starting fiscal 2011, we have been receiving donations from our shareholders through our stockholder special benefit plan. In fiscal 2014, we received a total of 1,658,000 yen of support, which are being effectively used at the orchard for growing cherry trees for its preservation, management, and the healthy growth of tree saplings, as well as for the revitalization of the cherry trees of Mt. Yoshino.



### We have high expectations toward Daiwa House Industry's CSR activities

The people at the CSR division of Daiwa House Industry, who learned of the dangerous situation facing the cherry trees of Mount Yoshino, which is a place registered as a World Heritage, has been helping us to preserve and recover the cherry trees from a few years ago with the backing of the entire company, including their employees and shareholders. Thanks to their efforts, we have nearly completed our guideline for the recovery of the trees, and we have also received a visit from Chairman Higuchi this April to see the situation. Although we could never repay them for their efforts, I believe that the cherry trees of Yoshino serve as a definitive representation of the unique sensibilities that we, who live in Japan, possess.

It is with a heart filled with gratefulness, and with high expectations, that I hope that everyone associated with Daiwa House Industry, which is now expanding globally as it continues beyond its 60th anniversary, will have the Japanese spirit grounded securely within the depth of their hearts.

Ryomei Fukui, President  
Yoshinoyama Hoshoukai



## In commemoration of the 100th Sakura Project



On October 2, 2014, the Sakura Project welcomed a milestone with its 100th event.

For this event, we planted six different types of cherry trees at a corner of the grounds of the Nagatoro Elementary School, to commemorate the completion of their new building in August 2014. This school, located in Watari Town of Miyagi Prefecture, is where our company has been providing support together with SAP Japan as part of our efforts to assist in the recovery efforts from the Great East Japan Earthquake.

We planted the trees while saying with the children, "grow strong and big," with our hope that these cherry trees would be able to create new histories together with this new building of the Nagatoro Elementary School as it heads into the future. We will continue to use Japanese instruments and cherry trees as a means to communicate the wonderful aspects of the Japanese culture and traditions to elementary schools throughout Japan.

### Hoping to teach the children of our future about the importance of life

The Sakura Project, which started in fiscal 2010, has now been able to welcome its fifth year.

We have been visiting nearly 130 elementary schools in Japan to perform Japanese instruments and plant cherry trees.

When we plant the cherry trees, we voice our wishes not only toward the trees but also to the students. "Planting a cherry tree means to plant a life. Growing a tree means to grow a life. By taking care of the tree, you are also taking care of life. I hope that you will also take care of your own life as well as those of the others."

What looks now like a skinny cherry tree sapling will one day grow big and blossom with beautiful flowers.

It would be a beautiful thing if these elementary school students would one day grow to have a family, and bring their family to see this tree. I would also hope that they would think about this tree when they are feeling down and depressed.

And in such a time, our hope is that they will hear the tunes of the taiko drums, shamisen, and shino flute riding on the winds from some unknown place.

We hope that the Daiwa House Industry's Sakura Project will always remain in the hearts of the people. We will continue to communicate our desires to the children, who are the future generation of Japan.

### Ryohei & Kohei Inoue

AUN, Japanese musical instruments performers



## DSA charity concert



We are actively conducting activities to transmit the Japanese spirit to the next generation through our activities to protect and pass down our cherry trees. We are conducting charity concerts with music artists who share the same thought. In fiscal 2014, 11 concerts were held, mainly in the Tokyo Metropolitan Area and the Kansai area.

Also, to commemorate the 10th anniversary since Mount Yoshino was registered as a World Heritage, and the 60th anniversary since the founding of Daiwa House Industry, a charity concert was held on March 30, 2015 at the Bunkamura Orchard Hall in the Shibuya Ward of Tokyo. This concert was attended by 1,430 people.

We also collected donations to help preserve the cherry trees at each of DSA's concert venue, and collected a total of 588,309 yen donations in fiscal 2014.

Staff comment

### Inheriting everyone's sentiments on the cherry trees and connecting them toward the future

Cherry trees continue to enrich our hearts even today, just as they have done so in the past. We are able to continue on with our activities and continue to receive support because there is a strong desire within everyone—including the local residents, our employees, and the artists who agree to participate in our project—to keep the cherry trees into the future.

I will keep in mind these thoughts of everyone, as well as the desires of our founder, as I continue to give my best effort and work tirelessly to pass down the cherry trees to the next generation.

Maho Miyakawa, Social Communication Section, CSR Department





# Stakeholders' Meeting

## An outline of the 11th Stakeholders' Meeting

We invited 14 stakeholders, including corporate personnel and members of the general public who had responded to our open call, to hold discussions to examine Daiwa House Industry's communication of information in consideration of society's expectations and requirements, in compliance with the Daiwa House Group's CSR guidelines, which define our basic policy for enhancing the value of "Endless Heart." The stakeholders were divided into theme-specific groups to exchange frank opinions on how the Daiwa House Industry should communicate its information while enhancing the value of "Endless Heart" with regard to the themes assigned to the respective groups. The opinions expressed in the group and plenary discussions were studied at Daiwa House Industry at a later date, and the results were published on the company's official website.



- **Date and time:** Friday, March 13, 2015, 13:15–18:00
- **Venue:** Daiwa House Industry Co., Ltd. Head Office 2nd-floor conference room
- **Theme:** Communication of Information to enhance the value of "Endless Heart"
- **Participating stakeholders: 14 in total**
  - Corporate personnel of other companies: 5 persons
  - NPO/NGO representatives: 2 persons
  - Students: 3 persons
  - Daiwa House Industry employees: 2 persons
  - Others: 2 persons



■ **Facilitator:**  
**Dr. Yoshinari Koyama**  
 Vice President, Kanto Gakuin University

\* Details are viewable on Daiwa House Industry's website  
**The 11th Stakeholders' Meeting (outline)**  
<http://www.daiwahouse.co.jp/csr/stakeholder/>

### Group on integrated reports and reporting

#### 【Stakeholders】

Ms. Mizue Unno, President, So-Tech Consulting, Inc.  
 Mr. Hiroshi Komori, Stock Transfer Agency Business Advisory Dept., Sumitomo Mitsui Trust Bank, Ltd.  
 Corporate personnel of other company



#### 【Daiwa House Industry representatives】

Executive Director in charge of Financial Affairs and IR  
 1 member from the General Corporate Communication Dept.  
 1 member from the General Affairs Dept.  
 1 member from the CSR Dept.



#### ▼ Stakeholders' opinion (excerpt)

"What investors expect from corporate reporting is clear information disclosure explaining why a company expects to continue to maintain a high ROE. If Daiwa House Industry can demonstrate that its high ROE is a result of the practice of its corporate philosophy, the effective utilization of its strengths, and its efforts in its business operations, investors will then be convinced of Daiwa House Industry's sustainability and expect a great deal from its future business activities."



"The growth that Daiwa House Industry has achieved thus far is a result of our vigorous implementation of various activities aimed at generating value in the future, our efforts at enhancing our fundamental corporate value. As pointed out, our corporate reporting mainly consists of informing about the achievements we have already made, and we have not been able to provide more comprehensive information that is more closely linked to our medium- and long-term ROE prospects. We will try to provide such information in an accessible manner in the future."

### Group on Daiwa House's corporate image as viewed by students

#### 【Stakeholders】

Mr. Naoya Tokuda, SHL-Japan Ltd.  
 Ms. Natsuki Kato, Faculty of Safety Science, Kansai University  
 Mr. Tsukasa Yonemoto, Gakushuin University  
 Ms. Yuki Okajima



#### 【Daiwa House Industry representatives】

Executive Director in charge of Personnel Affairs  
 1 member from the Recruitment Group, Personnel Affairs Dept.  
 1 member from the Diversity Promotion Office, Personnel Affairs Dept.



#### ▼ Stakeholders' opinion (excerpt)

"The 'Profile of people we seek' on Daiwa House Industry's website is not enough for us to determine if this company is right for us. It would be easier to decide whether or not the company was right for us if something like 'Profiles of people we don't seek' was disclosed in informal or closed-door seminars."



"Our corporate principle of helping people's self-realization through work expresses our wish that each individual will become indispensable to society as he or she works. Daiwa House Industry's information (the 'Profile of people we seek') is not provided to help employment seekers decide whether Daiwa House Industry is right for them, nor is it our only recruitment criteria. The 'Profile of people we seek' also expresses what people should strive to achieve once they join the Daiwa House Group, which means that you do not need to already perfectly correspond to the profile when you apply. We would be happy if students engaging in employment search could focus more on whether or not they could achieve their personal development through working at Daiwa House Industry."

### Group on Daiwa House Industry's CSR

#### 【Stakeholders】

Mr. Makoto Haraguchi, InterRisk Research Institute & Consulting, Inc.  
 Ms. Maki Morishita, Kurashi Design Research Institute (NPO)  
 Mr. Masanori Nishimoto, Kyoto NPO Center (NPO)  
 Mr. Noriyasu Yokomizo, condominiums Business Dept., Saitama Branch, Daiwa House Industry Co., Ltd.



#### 【Daiwa House Industry representatives】

1 member from the Environment Dept.  
 2 members from the CSR Dept.



#### ▼ Stakeholders' opinion (excerpt)

"The company's reputation can be improved thanks to employees who personally engage in Community Co-Creation activities. The employees are the 'face' of the company, the most important media. I would like them to take part in such activities with a positive attitude and by aligning their perspective with that of local stakeholders, with a full awareness of the significance and objectives of their activities—Community Co-Creation and solving local problems."



"We carry out Community Co-Creation activities to find solutions to local problems and develop positive ties with local communities, as well as to encourage the loyalty and motivation of the employees participating in the activities. To ensure that they engage in the activities with a positive attitude, we will do our best to ensure that the intentions and objectives of the activities are well understood by all the employees so that Daiwa House Industry will be a presence that is loved and trusted by the local communities."

### Group on Advertising and Media Strategies

#### 【Stakeholders】

Ms. Kayo Miyazaki, Advertising and PR Group, Panasonic Corporation Eco Solutions Company  
 Mr. Shotaro Yamaga, Faculty of Safety Science, Kansai University  
 Mr. Motoharu Nakai, Wakayama Housing Sales Office, Wakayama Branch, Daiwa House Industry Co., Ltd.



#### 【Daiwa House Industry representatives】

Executive Director in charge of General Corporate Communication  
 2 members from the General Corporate Communication Dept.  
 1 member from the RP Planning Office



#### ▼ Stakeholders' opinion (excerpt)

"Many people do not know where they actually come into contact with the Daiwa House Group. So it would be a good idea to do more to make the general public aware that the Daiwa House Group has a wide range of business activities, including hotel business and fitness club operation. When the Group's facilities bring about great customer satisfaction, it can then reinforce the Group's status as a general lifestyle business."



"In the future, we plan to send out a clearer message that the Daiwa House Group is generally involved in businesses concerning individuals, communities, and lifestyles, by more effectively transmitting information via the website and other media. At present, the Group's related facilities bear the "Endless Heart" logo. In the future, in addition to this indication at the Group's primary points of contact with customers and the general public, we will make PR efforts, using on-site tools and signboards, so that facility users can obtain a better understanding of the Group's business activities."

# ISO 26000-based CSR Activities (KPI)

## Reinforcing the Foundation of CSR Management

At the Daiwa House Group, we use our original CSR management system including indices for self-assessment (CSR Indicators) to continuously improve our CSR activities so as to better contribute to the construction of a sustainable society.

At the Daiwa House Group, we carry out CSR activities under the slogan "Creating Dreams, Building Hearts." We monitor our CSR activities using our original management system including indices for self-assessment (CSR Indicators). We also organize a stakeholders' meeting each year to collect feedback from those representing various sectors of society. We then try to reflect their opinions and suggestions by continuously improving our CSR activities.

With regard to Daiwa House Group employees, we conduct an annual CSR awareness survey, using the occasion to reinforce our corporate governance and compliance.

In fiscal 2011, we introduced ISO 26000-based concepts into our CSR self-assessment system. In this manner, we constantly strive to reinforce the foundation of our CSR management.

## CSR Promotion Organization Structure

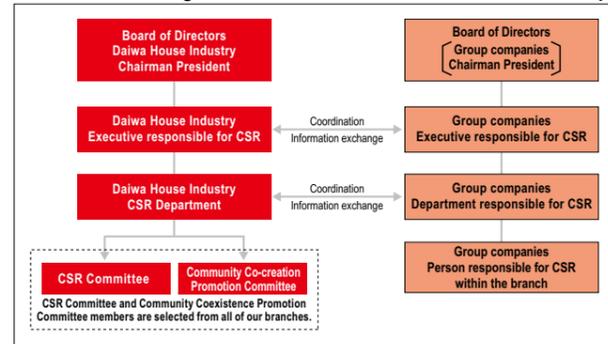
Policies, systems planning of measures to be implemented, and coordination with regards to CSR are handled by the CSR Department, and important issues are decided at the Board of Directors' Meeting.

Starting 2005, members of the CSR Committee have been selected from each of our branches in order to thoroughly spread awareness on corporate ethics and compliance. Moreover, Community Co-creation Promotion Committee members are also appointed from each of branches to plan and operate social contribution activities as well as to promote activities to increase awareness among employees.

Since 2005, all of the Group companies have also started to appoint a person responsible for CSR, and are building a system to promote CSR activities.

The CSR Department, each of the branches, and our Group companies will all work toward further advancing our corporate CSR through coordination and information sharing activities.

### CSR Promotion Organization Structure of the Daiwa House Group



## Identification of Core Themes (Materiality)

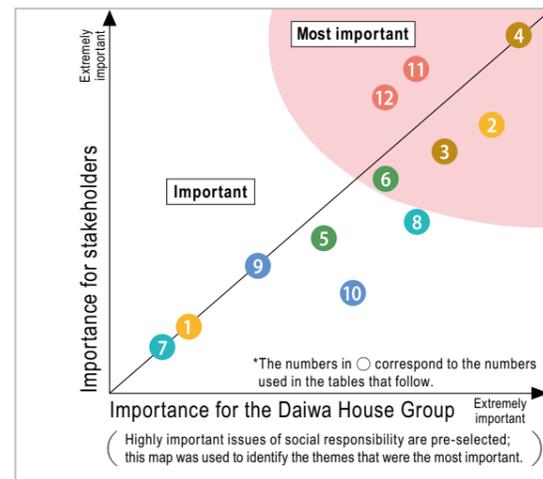
In 2011, we pre-selected 12 themes under six of the core subjects and issues of social responsibility (which were particularly pertinent for us) listed in ISO 26000. We then asked our stakeholders to rank the themes in the order in which they thought Daiwa House should work on them.

The order of priority was discussed at Daiwa House Industry, mainly among the Executive Directors in charge of the related duties. As a result, a materiality map was drawn up, which indicated themes that were recognized as highly important by both the stakeholders and Daiwa House Industry. The six most important core themes were thus identified.

### Ranking of the themes determined at the 8th Stakeholders' Meeting, fiscal 2011

1. **4** Human development (employee training)
2. **11** Active involvement in, and collaboration with other parties for, local community development
3. **12** Investment in local community development
4. **2** Elimination of discrimination and provision of equal opportunities
5. **3** Provision of a safe and healthy working environment
6. **6** Reduction of CO<sub>2</sub> emissions and addressing of global warming
7. **8** Responsible action toward all business partners and users
8. **5** Prevention of environmental pollution (water, air, soil, etc.)
9. **9** Guarantee of product safety during use
10. **10** Adequate after-sales service and appropriate handling of complaints
11. **1** Adequate resolution of grievances relating to human rights
12. **7** Fair competition

### Daiwa House Industry's priority order of core themes



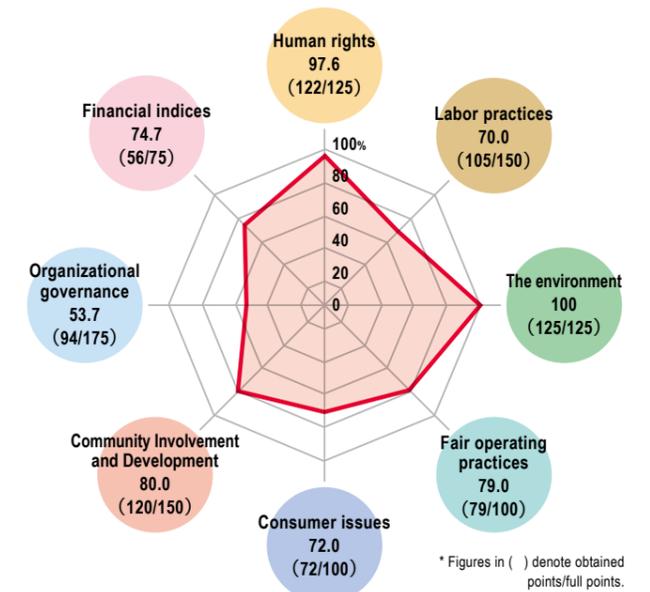
## Indices for Self-Assessment of CSR Activities (CSR Indicators)

In fiscal 2009, we conducted the first revision of our indices for self-assessment of CSR activities. In fiscal 2010, we expanded the scope of application of the indices to the entirety of the Daiwa House Group companies. In fiscal 2011, with reference to ISO 26000 and based on discussions held at the Stakeholders' Meeting and then within the Group, we selected eight core themes, 18 issues, and 40 indices (applicable to Daiwa House Industry only).

In fiscal 2014, in our self-assessment, we obtained 773 points out of 1,000 points on the eight themes and 40 indices, or 77.3% as a ratio of points obtained, up 25 points from our fiscal 2013 performance of 748 points or 74.8%.

Using these results as a basis for goal setting for fiscal 2015, we are continuing our efforts to promote and improve our CSR management.

Theme-by-theme points of CSR self-assessment, FY 2014



## Organizational governance

\* In the columns of yearly results and targets, the upper-column figures are actual numerical results, and the lower-column figures in ( ) are points calculated by the company's assessment method.

\* Of the FY 2014 results and FY 2015 targets, items under which numerical evaluation by points cannot be conducted are left blank, and the FY 2014 results are set at 15 points (60% of full points).

Issues of social responsibility	Concrete indices	Points for the indices	Assessment method (sections corresponding to FY 2014 results in red)	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Transparency	External assessment of the Annual Report	25pts	Rating by an external assessment organization Not ranked: 0, D: 12, C (C-, C, C+): 18, B or above (B-, B, B+, A-, A, A+): 25	B+ (AR2013) (25pts)	A+ (AR2014) (25pts)	
	External assessment of the CSR Report	25pts	External assessment of the CSR Report: points obtained converted to a scale of 25	— (15pts)	— (—)	External assessment system adopted in FY 2012 was discontinued. ⇒ Review concrete indices or the assessment method.
	External assessment of the IR website	25pts	External assessment of the IR website Below 4.5: 0, 4.5–below 5.0: 5, 5.0–below 5.5: 10, 5.5–below 6.0: 15, 6.0–below 6.5: 20, 6.5 or above: 25	Below 4.5 (0pts)	5.5pts (15pts)	
Ethical conduct	In-house CSR awareness survey	25pts	Points obtained in the annual in-house CSR awareness survey, converted to a scale of 25 [Group]	73.26pts (18pts)	75pts (—)	
Stakeholder engagement	Stakeholders' Meeting (attendants' satisfaction)	25pts	Questionnaire survey for Stakeholders' Meeting attendants: ① Percentage of those who found the meeting ambience conducive to frank discussions ② Percentage of those who found the company's information easy to understand Average of the above two converted to a scale of 25	① 64% (16pts) ② 64% (16pts)	① 90% (20pts) ② 70% (20pts)	
Respect of rule of law	Number of times of participation per employee in company-wide ethics and compliance training programs	25pts	The total annual number of training program attendants divided by the total number of employees at year-end Below 0.3: 0, 0.3–below 0.4: 5, 0.4–below 0.5: 10, 0.5–below 0.6: 15, 0.6–below 0.7: 20, 0.7 or above: 25 * Limited to training programs organized by the Legal Affairs Dept. or the CSR Dept. only	0.30 (5pts)	0.4 and above (10pts)	FY 2014 results Legal Affairs Dept.: 4,024 persons CSR Dept.: 299 persons Total number of employees at the year-end: 14,262 (As of March 31, 2015)
Understanding social responsibility	GRI Guideline responsiveness in the CSR Report	25pts	Disclosure rate in the CSR Report converted to a scale of 25	60.6% (15pts)	75% (19pts)	

# ISO 26000-based CSR Activities (KPI)

## Human Rights

Issues of social responsibility (★ = priority themes)	Concrete indices	Points for the indices	Assessment method (sections corresponding to FY 2014 results in red)	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Adequate resolution of grievances relating to human rights	Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)	25pts	Rate of conflict resolution within one month from reporting, converted to a scale of 25	86.2% (22pts)	80% or above (20pts)	
	Rate of recognition of the Corporate Ethics and Human Rights Helpline	25pts	Investigation at the same time as the in-house CSR awareness survey [Group] Percentage of employees who know how to access the Corporate Ethics and Human Rights Helpline Below 50%: 0, 50%–below 55%: 5, 55%–below 60%: 10, 60%–below 65%: 15, 65%–below 70%: 20, 70% or above: 25	77.5% (25pts)	80% or above (25pts)	
Elimination of discrimination and provision of equal opportunities (Discrimination and vulnerable groups)★	Human rights awareness-raising	25pts	① Rate of participation in human rights awareness-raising programs [non-consolidated] Percentage of employees who have participated in human rights awareness-raising programs ② Rate of implementation of human rights awareness-raising programs [28 Group companies] Average of the Group companies' percentages of employees who have participated in human rights awareness-raising programs Average of ① and ②, converted to a scale of 25	①108.5% ②116.2% (25pts)	①100% ②100% (25pts)	Target: program participation twice per year Total rate of participation 217.0% set as 100 Grade- or purpose-specific programs excluded [non-consolidated] Target: program participation once per year [Group]
	Rate of employees with disabilities	25pts	Percentage of employees with disabilities on April 1 in next FY Below 1.80%: 0, 1.80%–below 1.85%: 5, 1.85%–below 1.90%: 10, 1.90%–below 1.95%: 15, 1.95%–below 2.0%: 20, 2.0% or above: 25	2.15% (25pts)	2.2% (25pts)	
	Rate of female managers (rate of target achievement)	25pts	Rate of female managers (percentage of female managers out of the total managers) Rate of target achievement as of April 1 in the next FY, with the FY 2015 target of 1.5% set as 100, converted to a scale of 25	140% (25pts)	— (—)	Group-wide numerical target: 500 female managers by 2020

## Labor Practices

Issues of social responsibility (★ = priority themes)	Concrete indices	Points for the indices	Assessment method (sections corresponding to FY 2014 results in red)	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Provision of a safe and healthy working environment (Health and safety at work)★	Number of labor accidents (on-site) [Rate of decrease from previous FY]	25pts	Rate of decrease from the previous FY in the number of labor (on-site) accidents Below 0%: 0, 0%–below 5%: 5, 5%–below 10%: 10, 10%–below 15%: 15, 15%–below 20%: 20, 20% or above: 25	35.0% (0pts)	△30% (25pts)	
	Rate of obtainment of paid holidays	25pts	The number of paid holidays actually claimed within the fiscal year divided by the total number of claimable paid holidays Below 20%: 0, 20%–below 25%: 5, 25%–below 30%: 10, 30%–below 35%: 15, 35%–below 40%: 20, 40% or above: 25	36.2% (20pts)	40.0% (25pts)	
	Employee satisfaction survey	25pts	Investigation at the same time as the in-house CSR awareness survey [Group] Below 60%: 0, 60%–below 65%: 5, 65%–below 70%: 10, 70%–below 75%: 15, 75%–below 80%: 20, 80% or above: 25	75.48pts (20pts)	80pts (25pts)	Investigation reviewed in FY 2014, replaced by "Motivation for work"
Human development [employee training] (Human development and training in the workplace)★	Rate of acquisition of professional qualifications by young employees	25pts	① Rate of success in the Real Estate Business Director Qualifying Examination * Of the employees who joined the company within the last three years and passed the examination in the fiscal year 0%–below 5%: 0, 5%–below 10%: 5, 10%–below 15%: 10, 15% or above: 15 ② Rate of success in the Grade II Registered Architect Qualifying Examination * Of the employees who joined the company within the last three years and passed the examination in the fiscal year Below 15%: 0, 15%–below 20%: 4, 20%–below 25%: 8, 25% or above: 10 The sum of ① and ②	①19.2% ②32.2% (25pts)	①22% ②40% (25pts)	
	Number of times of participation in company-wide training programs per employee	25pts	The total annual number of participants in training programs divided by the total number of employees at year-end (annual actual) Below 0.6: 0, 0.6–below 0.7: 5, 0.7–below 0.8: 10, 0.8–below 0.9: 15, 0.9–below 1: 20, 1.0 or above: 25	1.16 times (25pts)	1.2 times (25pts)	
	External assessment of candidates for managerial posts	25pts	The number of employees who are ranked above a certain level in accordance with an external specialized organization's assessment criteria * Number of employees ranked at Grade 3 or above on a scale of five 0: 1, 1–3: 5, 4–6: 10, 7–9: 15, 10–12: 20, 13 or more: 25	— (15pts)	— (—)	Numerical target not disclosed due to system change in FY 2013 ⇒ review of concrete indices

## Fair Operating Practices

Issues of social responsibility	Concrete indices	Points for the indices	Assessment method	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Fair competition	Response to reporting by business partners with regard to subcontracting law (rate of problem-solving)	25pts	Rate of conflict resolution within one month from reporting, converted to a scale of 25	100% (25pts)	100% (25pts)	Corporate members of the Association of Business Partnership, the Trillion Group, the Setsuwa Group, and the Souwa Group.
	Questionnaire survey for business partners about Daiwa House Industry employees' conduct	25pts	① Rate of response ② Percentage of respondents who stated "no problem" with regard to Daiwa House employees Average of ① and ②, converted to a scale of 25	63% (16pts) ①54% ②72%	67.5% (17pts) ①60% ②75%	Corporate members of the Association of Business Partnership
Responsible action toward all business partners and users (Promoting social responsibility in the value chain)	State of management and improvement based on business partners' and Daiwa House Industry's criteria for purchasing duties	25pts	Supervision of purchasing duties handled by the Purchasing Department at offices across Japan (in-house criteria) National average points (full points: 70) under quantitative evaluation items, converted to a scale of 25	59.5pts (21pts)	65pts (23pts)	
	Appropriateness of duties contracted to business partners based on in-house criteria	25pts	Supervision of purchasing duties handled by the Purchasing Department at offices across Japan (in-house criteria) Percentage of offices evaluated "Fair" under qualitative evaluation items, converted to a scale of 25	67.55% (17pts)	72% (18pts)	

## Consumer Issues

Issues of social responsibility	Concrete indices	Points for the indices	Assessment method (sections corresponding to FY 2014 results in red)	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Guarantee of product safety during use (Protecting consumers' health and safety)	Anti-seismic performance (housing) [Rate of acquisition of the highest grade]	25pts	Percentage of housing units granted the highest grade for anti-seismic performance (with structural devices to prevent collapse) under the mandatory housing performance indication system The above percentage converted to a scale of 25 * Evaluation used the total corporate values shown in the reference material which specifies the values compiled for each region.	90.1% (23pts)	93.0% (23pts)	
	Percentage of implementation of special inspection regarding product performance and specifications	25pts	Rate of complete implementation: the number of cases of special inspection completed divided by the number of units requiring/entitled to special inspection Below 80%: 0, 80%–below 85%: 5, 85%–below 90%: 10, 90%–below 95%: 15, 95%–below 100%: 20, 100%: 25 (25 points if the number of units requiring or entitled to special inspection is 0) * Rate of complete implementation within the scheduled period from the time of notification of special inspection; only units on which special inspection is completed within the same fiscal year are taken into account.	89.2% (10pts)	100% (25pts)	
Adequate after-sales service and appropriate handling of complaints (Consumer service, support, and complaint and dispute resolution)	Customer (single-family house owner) satisfaction	25pts	Percentage of responses of "Excellent" and "Good" in a questionnaire survey for single-family house owners The above percentage converted to a scale of 25 * In the questionnaire survey, respondents were invited to choose from four responses, "Excellent," "Good," "Not very good," and "Poor," to the question, "How do you find your house?"	96.3% (24pts)	100% (25pts)	
	Customer (cluster housing owner) satisfaction	25pts	Percentage of satisfied respondents in a questionnaire survey for condominium owners The above percentage converted to a scale of 25 * In the questionnaire survey, respondents were invited to choose from four responses, "Satisfied," "Somewhat satisfied," "Not satisfied," and "Dissatisfied."	60.2% (15pts)	100% (25pts)	

# ISO 26000-based CSR Activities (KPI)

## Community Involvement and Development

Issues of social responsibility (★ = priority themes)	Concrete indices	Points for the indices	Assessment method (sections corresponding to FY 2014 results in red)	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Active involvement in, and collaboration with other parties for, local community development (Community involvement)★	Activities contributing to society (Head Office, branch offices)	25pts	① Number of cases by the Head Office Below 30: 0, 30–below 40: 5, 40–below 50: 8, 50 or above: 10 ② Rate of implementation by branch offices (twice a year or more) Below 60%: 0, 60%–below 65%: 5, 65%–below 70%: 10, 70% or above: 15 Sum of ① and ②	① Head Office: 98 cases ② Branch offices: 100% (25pts)	① Head Office: 75 cases ② Branch offices: 100% (25pts)	
	Collaboration with NPOs and NGOs (Head Office, branch offices)	25pts	① Number of cases by the Head Office 0 cases: 0, 1–below 10: 5, 10–below 20: 8, 20 or above: 10 ② Rate of implementation by branch offices (once a year or more) 0%: 0, above 0%–below 5%: 5, 5%–below 10%: 10, 10% or above: 15 Sum of ① and ②	① Head Office: 20 cases ② Branch offices: 27.8% (25pts)	① Head Office: 20 cases ② Branch offices: 30% (25pts)	
	Cooperation with local organizations (Head Office, branch offices)	25pts	① Number of cases by the Head Office 0 cases: 0, 1–below 15: 5, 15–below 30: 8, 30 or above: 10 ② Rate of implementation by branch offices (once a year or more) 0%: 0, above 0%–below 25%: 5, 25%–below 50%: 10, 50% or above: 15 Sum of ① and ②	① Head Office: 73 cases ② Branch offices: 78.7% (25pts)	① Head Office: 50 cases ② Branch offices: 75% (25pts)	
Investment in local community development (Social investment)★	Budget for social contribution	25pts	Percentage of social contribution budget in the ordinary profit (average of the five years up to the previous FY) Below 0.6%: 0, 0.6%–below 0.7%: 5, 0.7%–below 0.8%: 10, 0.8%–below 0.9%: 15, 0.9%–below 1.0%: 20, 1.0% or above: 25	1.86% (25pts)	1.0% and above (25pts)	
	Donations and fund-raising (Rate of employee involvement)	25pts	Rate of involvement obtained by dividing the number of employees subscribing to the Endless and Heart Donation programs by the total number of employees at the year-end Below 20%: 0, 20%–below 25%: 5, 25%–below 30%: 10, 30%–below 35%: 15, 35%–below 40%: 20, 40% or above: 25	23.3% (5pts)	25% (10pts)	
	Rate of obtainment of holidays for volunteerism	25pts	Rate obtained by dividing the number of holidays obtained by the total number of employees at the year-end Below 5%: 0, 5%–below 10%: 10, 10%–below 15%: 15, 15%–below 20%: 20, 20% or above: 25	14.0% (15pts)	20% (25pts)	

## Environment

Issues of social responsibility (★ = priority themes)	Concrete indices	Points for the indices	Assessment method	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
Prevention of environmental pollution [water, air, soil, etc.] (Prevention of pollution)	Rate of decrease (%) from the FY 2012 figure in the quantity of construction-derived waste materials per unit of sales [Production]	25pts	Rate of achievement of the FY 2014 target (2.0%) converted to a scale of 25 [3 Group companies]	△13.6% (25pts)	+1% (25pts)	
	Rate of decrease (%) from the FY 2012 figure in the quantity of construction-derived waste materials per unit of construction site surface area [Construction]	25pts	Rate of achievement of the FY 2014 target (2.0%) converted to a scale of 25 [3 Group companies]	△14.7% (25pts)	△13% (25pts)	
Reduction of CO <sub>2</sub> emissions and addressing of global warming (Mitigation of climate change and adaptation to climate change) (Protection of the environment, biodiversity and restoration of natural habitats)★	Contribution to overall CO <sub>2</sub> reduction (10,000 t-CO <sub>2</sub> )	25pts	Rate of achievement of the FY 2014 target (3.5 million t-CO <sub>2</sub> ) converted to a scale of 25 [5 Group companies]	3.902 million t-CO <sub>2</sub> (25pts)	4.2 million t (25pts)	
	Rate of decrease (%) from the FY 2005 figure in CO <sub>2</sub> emissions per unit of sales	25pts	Rate of achievement of the FY 2014 target (36.0%) converted to a scale of 25 [32 Group companies]	△43.6% (25pts)	△42% (25pts)	
	Rate of conformity (%) to in-house criteria for biodiversity protection (Development) Green space surface area (m <sup>2</sup> )	25pts	① Rate of conformity to the in-house criteria for biodiversity protection (Development) ② Green space surface area (m <sup>2</sup> ) Average of the rates of achievement of the FY 2014 targets, ① development: 95.0% and ② 705,000 m <sup>2</sup> , converted to a scale of 25 [① Daiwa House Industry Co., Ltd., ② 3 Group companies]	① 100% (25pts) ② 761,000 m <sup>2</sup> (25pts)	① 95% (25pts) ② 850,000 m <sup>2</sup> (25pts)	

## Financial Indices

Issues of social responsibility	Concrete indices	Points for the indices	Assessment method	FY 2014 results	FY 2015 targets	Remarks (related date, etc.)
	Profitability (Numerical index based on the operating profit ratio)	25pts	① Average of the return on total assets of the last three years ② Average of the ratios of operating profit to sales in the last three years Numerical indication based on ① and ② (on a scale of 100) then converted to a scale of 25	70pts (18pts)	75pts (19pts)	Published in the short-term financial report FY 2014 consolidated business results
	Growth (Numerical index based the growth rates of sales and operating CF)	25pts	① Average annual sales growth rate of the last three years ② Average annual operating CF growth rate of the last three years Numerical indication based on ① and ② (on a scale of 100) then converted to a scale of 25	50pts (13pts)	70pts (18pts)	Published in the short-term financial report FY 2014 consolidated business results
	Safety (Numerical index of resistance to the interest payment burden)	25pts	Rate of resistance to interest payment burden = (pre-tax profit + interest to pay) divided by interest to pay Numerical indication based on the above (on a scale of 100) then converted to a scale of 25	100pts (25pts)	100pts (25pts)	Published in the short-term financial report FY 2014 consolidated business results

# Organizational Governance

In compliance with the Corporate Governance Guidelines instituted in May 2015, we aim to achieve sound and sustainable development as a corporation needed in society and trusted by our shareholders and other stakeholders.

## Principal Assessment Indicators

Points in the in-house CSR awareness survey	73.26
Number of patents acquired	770
Dividend per share	60 <sub>yen</sub>
Number of meetings with institutional investors and analysts	825 <sub>firms</sub>

Corporate Governance	045
Risk Management and Compliance	047
Management of Intellectual Property Rights	048
Returning Benefits to Our Shareholders and Investor Relations	049

## Corporate Governance

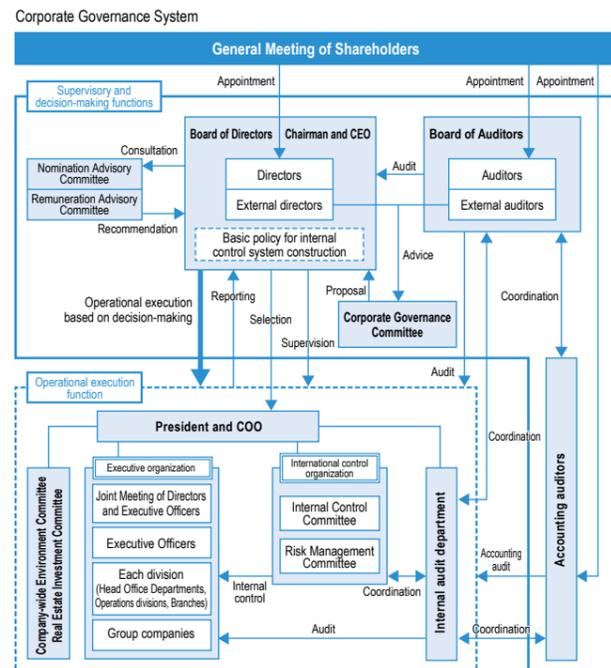
### Promoting Corporate Governance

#### Our basic concept of corporate governance

Daiwa House Industry Co., Ltd. considers corporate governance a key 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 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 business group committed to creating value for individuals, communities and people's lifestyles, as stated in our management vision; and the latter as a publicly listed corporation that provides stable economic value surpassing capital cost on a medium- to long-term basis.

#### Corporate governance system

Daiwa House Industry maintains an Audit and Supervisory Board structure and has a Board of Directors that has strong decision-making power over operational execution so as to enable accurate and swift deliberations and decision-making on how to respond to society's needs through our business operations. In this structure, we appoint independent external directors to increase transparency and soundness in our business management. The Board of Auditors, the majority of whose members are external auditors independent of the Board of Directors, regulates the Board of Directors. This organizational design enables the Directors who are also executive officers to fulfill their management functions, allowing independent external directors, auditors, and the Board of Auditors to play the central role in supervisory functions. To increase transparency in processes relating to the nomination of directors and officers and remuneration, we have a Nomination Advisory Committee and a Remuneration Advisory Committee, the majority of whose respective members are external directors headed also by an independent external director. In this manner, our corporate governance is placed within a hybrid structure with well-balanced operational execution and supervisory functions. We also have the Corporate Governance Committee to deliberate on overall management visions, strategies, and other subjects, so as to



effectively incorporate the knowledge and expertise of external directors into the company's management for sustainable growth and medium- to long-term corporate value enhancement.

#### Remuneration and incentives

At Daiwa House Industry, remuneration for Directors, reflective of their performance and constituting appropriate incentives for corporate value creation, is intended to produce and retain excellent managerial human resources and contribute to the company's sustainable development as a publicly listed corporation. As an incentive plan linked to medium- and long-term performance and shareholder value, a stock option (new stock reservation rights) is offered to managers that can be executed on the condition that the holders achieve their operating targets stated in the medium-term management plan.

To motivate employees to actively contribute to corporate value creation, they are encouraged to own the company's stocks through an employment stock ownership program. To activate this program, a monthly premium is provided. A long-term stock ownership incentive system has also been put in place in which the monthly premium is increased in stages in accordance with periods of contribution and ownership. These measures enable both directors and employees to become actively involved in sustained corporate value creation.

#### General Meeting of Shareholders and communication

Understanding that shareholders' voting rights at the General Meetings of Shareholders constitute their supreme means of communicating their opinions leading to the company's decision-making, we make sure to send out summons well in advance, about three weeks before the date of a vote, to provide for sufficient time to examine the agenda. We also make sure to make available accurate and ample information that aids the shareholders in their exercise of voting rights. We also take other measures to improve the shareholders' voting and decision-making environment, such as the use of an electronic voting system and the publication of summons in English translation. Needless to say, voting results are promptly disclosed.

#### Corporate Governance Guidelines

In full consideration of the spirit and intent of the Corporate Governance Code instituted on June 1, 2015 by the Tokyo Stock Exchange in compliance with its regulations, Daiwa House Industry established and published on May 27, 2015 its Corporate Governance Guidelines to clarify what the company should do and how we fulfill our fiduciary responsibility and accountability before our shareholders. We also publish other sets of information relating to corporate governance on the company's website (IR information page).

Related subject **Corporate governance**

### Directors' Remuneration

Directors' remuneration is composed of fixed salaries and performance-based annual bonuses that are linked to the company's profit, which is also the source of dividends for shareholders. The amounts of annual bonuses are submitted to the General Meeting of Shareholders every year to be examined and approved.

Information relating to remuneration, including the total amounts of remuneration and other payments, if any, to the directors, auditors, and external auditors, is disclosed in the company's securities reports and business result reports. In the securities reports, remuneration-related information is disclosed about individuals whose total remuneration is 100 million yen or more.

### Policy for Corporate Auditor Appointment

Considering the important role that accounting auditors play in the company's corporate governance, the company, particularly the Board of Auditors, sets criteria for the organizational management of corporate accounting auditors. Such criteria are used to evaluate the security of their independence and neutrality, as well as auditing quality control.

Evaluation results can lead to deliberation on matters that may determine the validation or invalidation of the appointment of a corporate accounting auditor. At present, however, the company has no plan to periodically change its accounting auditor.

### Thorough Enforcement of the Principles of Corporate Ethics and Code of Conduct

In April 2004, Daiwa House Industry adopted the Principles of Corporate Ethics and Action Guidelines, which defined the rules of conduct to serve as a basis for realizing our corporate philosophy and policies. In the same year, we produced an educational booklet titled "CASE BOOK," which described the Principles of Corporate Ethics, Action Guidelines, case studies, and a hotline for in-house breach notification ("whistle-blowing"). Copies of this booklet were distributed to all employees within the Daiwa House Group.

In 2014, we revised the Principles of Corporate Ethics and Action Guidelines to "Principles of Corporate Ethics and Code of Conduct," so that each and every employee may be able to act out the corporate philosophy and work on the mission expressed by the slogan "Co-creating a Brighter Future." In the same year, we also revised the "CASE BOOK" so that all Daiwa House Group employees may take action in their day-to-day work based on this same idea and these principles. The sixth edition of the revised CASE BOOK has already been published and has been actively used in the respective workplaces, where it is read out together in morning assemblies and on other occasions.



CASE BOOK

### CSR Awareness Survey for Proactive Improvement

Since fiscal 2014, the Daiwa House Group has been conducting an in-house CSR awareness survey to gauge the status of practice of the Principles of Corporate Ethics and Action Guidelines (later Code of Conduct) by employees in their respective workplaces. It is a completely original questionnaire survey conducted on the Group's intranet in which participants answer about 50 questions regarding their workplaces. The results are converted into numerical points, and average values are obtained. The results in a given year can be compared to those of the previous year, thus making it possible to self-assess CSR efforts on a group-wide basis (to confirm how the employees' CSR awareness has evolved overall from the previous year) and on a departmental basis (to identify areas in which one department's efforts are insufficient, as compared to the other departments). The results are also used by the respective workplaces to draw up their future improvement activities.

For example, in response to the finding (employees' observation) that

Daiwa House Group Principles of Corporate Ethics

Believe One Heart	
With our customers	
We are sincere in our communication with everyone, and put our full efforts into offering high-quality products and services, doing our best to satisfy our customers and win their trust.	
With the compliance	
Not being satisfied with merely following the letter of the law, we also act in conformity with the highest ethical standards so as to meet the expectations of our wide range of stakeholders.	
With an ideal work environment	
In addition to caring for the health and safety of our employees, we also strive to create an open and fair work environment, and to give every member of staff the opportunity for personal development.	
With business partners	
We value our collaboration and cooperation with 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.	
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 realize a society where people can live in harmony with nature.	
With the communities	
We respect the culture and customs of each region, and support the sustainable development of local communities through our business activities and social contributions.	
Respect for human rights	
We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, creed, or social status.	

## Risk Management and Compliance

### Risk Management System

In September 1999, Daiwa House Industry established the Risk Management Committee. This committee serves as a risk management structure covering the entire Group through various tasks: collecting risk-related information, deciding on specific countermeasures, deploying equal efforts throughout the company, examining improvements to be made in the company's operations, taking preventive measures against risk, and carrying out other measures.

In fiscal 2014, the Risk Management Committee met once a month to report on risk issues reported from the branch offices and group companies. To address particularly important issues, the Committee formed working groups to deliberate on measures to prevent recurrences and issue necessary directions to the branch offices, operating sites, and group companies, thus ensuring the same level of involvement throughout the group. The secretariat of the risk management committees at the group companies held two liaison meetings to discuss common issues and share information. Moreover, a management system has been set in place so that risk-related cases can be promptly communicated to and from the group companies located outside Japan.

We intend to further strengthen our risk management system centering on the Risk Management Committee, thereby constantly minimizing risk.

#### Organizational Chart for Communicating Risk Information



### Compliance Education

We are making constant efforts to enhance the employees' awareness and recognition of issues regarding risk management and compliance throughout the entire group. As concrete measures, we organize seminars on risk management and compliance as part of our training programs that are held for each employee grade, from new recruits to those in supervisory and managerial positions, and those organized for different job descriptions or departments.

In fiscal 2014, 82 such seminars were held, in which a total of 4,024 employees participated. During fiscal 2014, in addition to training programs organized by the Head Office, the branch offices and other operating sites were encouraged to hold their own programs handling issues relating to compliance, promoting the continuation of independent and proactive compliance-related activities.

### Reserves in Anticipation of Legal Irregularities 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 the current fiscal year, there were no significant reserves.

## Management of Intellectual Property Rights

### Basic Policy for Intellectual Properties

Daiwa House Industry's activities concerning intellectual properties are founded on the principles of ensuring our competitive superiority, maintaining order in competition, and making effective use of intellectual property rights.

Concretely, we strive to ensure our competitive superiority by promptly translating our fruits of technological development into IP rights, maintain order in competition by establishing a system of investigation about patents and trademarks to respect others' intellectual properties, and make effective use of IP rights by actively promoting licensing based on patents, that is, fruits of technological development.

Also, we organize an annual meeting to present excellent inventions, an invention contest and other events to present inventors with cash bonuses and raise directors' and employees' awareness of the significance of intellectual properties.

### Management System of Intellectual Property Rights

#### Intellectual Property Office

The Intellectual Property Office, which belongs to the Legal Department, works in coordination with the Engineering Department and other related departments for investigations about, and the acquisition and management of patents, design and trademark rights, copyrights, and other intellectual property rights, and also in cases of infringement of rights and litigation.

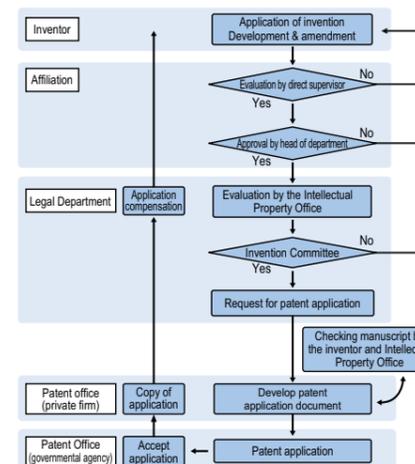
Since close and swift coordination with research and development-related departments is essential, the Intellectual Property Office staff members are permanently posted at the Central Research Laboratory, Daiwa House Industry's primary R&D center.

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. Moreover, 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.

#### Invention Committee

The Invention Committee makes decisions regarding applications for, maintenance of, and licensing of intellectual property rights, and cash bonuses for inventions. The Committee, comprised of the head of each of the departments involved in research and development, product development, and production, is chaired by the head of the Engineering Department.

#### Diagram of the Intellectual Property Rights Management System



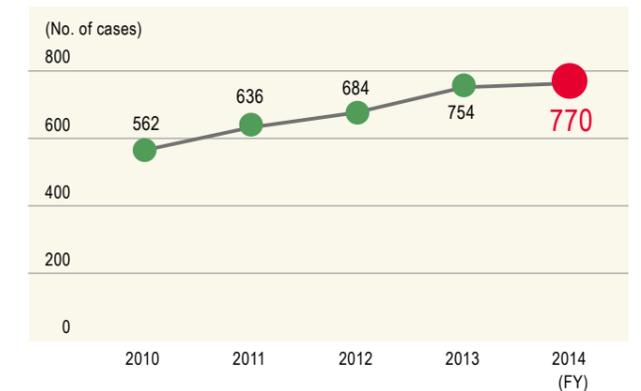
### Number of Patents Owned

The number of patents owned by Daiwa House Industry (including those acquired outside Japan) was 770 at the end of fiscal 2014, an increase of 16 from the end of fiscal 2013.

In fiscal 2013, we applied for 271 patents in Japan, an increase of 40 from fiscal 2012. The dominant area in which we have applied for patents is building construction, our pivotal business segment. In more recent years, our numbers of patent applications have been increasing in the fields of agriculture and electricity, 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



## Returning Benefits to Our Shareholders and Investor Relations

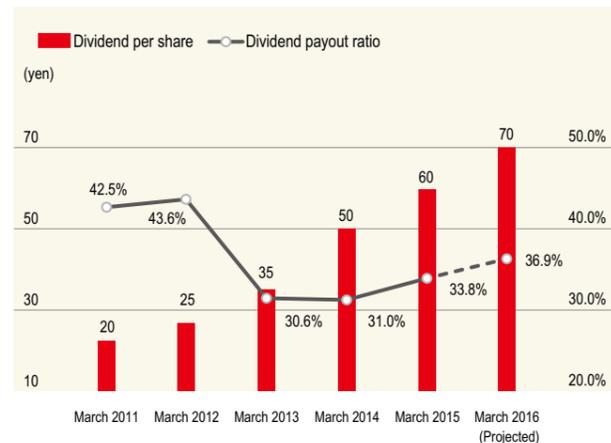
### Basic Policy

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, merger and acquisition, 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 payout ratio at 30% or above of the current term net profit 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.

### Dividend & dividend payout ratio



\* The March 2016 (projected) figure includes 10 yen as a special dividend distributed in commemoration of the company's 60th anniversary.

### Basic Policy for Investor Relations (IR)

In the spirit of the company's Management Vision, "Co-creating a Brighter Future (with our shareholders)," we maintain close two-way communication with our shareholders.

To ensure that the company's dialogue with its shareholders contributes most effectively to its sustainable growth and medium- to long-term corporate value enhancement, the company's management team and Directors in charge of IR usually represent Daiwa House Industry in person at meetings with shareholders, which we view as precious occasions for accurately and smoothly communicating the company's management strategies and plans.

Opinions, views, and requests that we receive from our shareholders during these meetings are transmitted to the rest of the management team and external directors, and are reflected in management decision-making. In this manner, the company and its shareholders can remain similarly conscious of the company's challenges and goals, enabling our efforts at maximizing corporate value to proceed effectively.

Major IR activities in FY 2014
Quarterly accounting information meeting for institutional investors and analysts by teleconferencing
Semiannual management information meeting for institutional investors and analysts by the top management team
Participation in an IR conference organized by a securities firm
Individual meetings with institutional investors in and outside Japan; reception of telephone interviews
On-line corporate information meeting for individual investors
Communication of Information via printed media introducing the preferred shareholders' system; contribution of articles to IR journals
Guided tours of project sites for institutional investors
Facility observation tours for individual investors
Provision of IR tools



Scenes from the management information meeting

### IR Page on the Website

We disclose IR information on our website simultaneously in Japanese and English. Such information includes legally mandatory information, summaries of financial results explaining the company's financial matters in detail, and monthly orders. Moreover, video clips of presentations of annual management policies and other conferences by the President and COO, as well as online corporate information meetings by the CFO, are also accessible from the website.

The objective of such efforts for communication of information in various manners is to serve all of our stakeholders through timely and appropriate information disclosure.



IR page on the website



### Communication with Institutional Investors

We accord special importance to constructive dialogue with institutional investors. In fiscal 2014, we held meetings with a total of 825 institutional investors and analysts. For our IR activities outside Japan, the top management team traveled to the UK, Europe, North America, Singapore, and Hong Kong to hold meetings with 63 institutional investors, who provided us with multifaceted feedback on our growth strategies and business diversification.

### Communication with Individual Investors

In fiscal 2014, as in the previous year, an online corporate presentation meeting was held for individual investors. A total of 254 participants logged in on the day of the event. They provided us with their opinions on a broad range of subjects from the company's growth drivers in major business segments and new businesses to human resource development, the promotion of female executives, and measures for returning benefits to shareholders. Thanks to their active participation and contribution, the online meeting served as a lively platform for opinion exchange.

Moreover, we organized guided facility tours to help individual shareholders to deepen their understanding of our business activities.

Date: Friday, March 20, 2015

Venues (Nara Prefecture):

- Central Research Laboratory
- Daiwa House Industry D-Room (rental housing simulation facility) Plaza Hall

The participants expressed their appreciation for the precious opportunity to "observe superb technologies" and "see, touch, and experience firsthand various technologies."

We intend to continue improving our IR activities in the future, incorporating feedback from our shareholders into our programs.



An observational tour of the Central Research Laboratory

## External Evaluation of Daiwa House Industry's IR

### Inclusion of Daiwa House Industry in SRS (sustainable and responsible or socially responsible investment) indices

 <p>MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM</p>	<p>In 2014, Daiwa House Industry was selected for the second consecutive year following 2013 to be in the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific). DJSI was jointly developed by the American publisher Dow Jones and the Swiss survey and rating firm Robeco SAM in 1999. Listed on the DJSI Asia Pacific are corporations in Japan, Asia, and Oceania selected for their economic, environmental, and social achievements analyzed under various items and thus for their sustainable growth potential. Daiwa House Industry was selected mainly because of its wide-ranging efforts for the environment through its business activities that were highly evaluated as sustainable.</p>
 <p>FTSE4Good</p>	<p>FTSE4Good is the SIR index developed in 2001 by the FTSE, a joint venture between Pearson (which owns the <i>Financial Times</i>) of the UK and the London Stock Exchange Group. The FTSE carries out its original negative screening (selection control) when setting up a listing, evaluating corporations in terms of environmental sustainability, social issues and relationship with stakeholders, and human rights.</p>
 <p>ETHIBEL EXCELLENCE</p>	<p>Since December 2012, Daiwa House Industry has been on the Ethibel Investment Register, the list of sustainable excellent stocks selected by Forum Ethibel.* To select stocks to be listed in the Ethibel Investment Register, Forum Ethibel commissions the SIR investigation firm Vigeo to examine candidate corporations in terms of six areas: human rights, human resources, the environment, business practices, corporate governance, and community impact.</p> <p><small>* Forum Ethibel was established in 1992, developing from a Belgium-based NGO that had been active in the fields of environmental protection, peace activism, and issues surrounding developing countries.</small></p>
 <p>MS-SRI モーニングスター社会的責任投資指標指数 Morningstar Socially Responsible Investment Index</p>	<p>MS-SRI is the Morningstar Socially Responsible Investment Index of Japanese corporations. It was developed by Morningstar Japan K.K. and the non-profit organization the Center for Public Resources Development. Since the index's publishing on July 22, 2003, Daiwa House Industry has continuously been one of its component issues.</p>

### Recognition by Other Major External Parties

<p><b>Ranked 60th in the CSR Corporate Ranking</b> Daiwa House Industry was ranked 60th in the latest edition (March 14, 2015 issue) of the CSR Corporate Ranking published by the Japanese economic journal <i>Toyo Keizai</i> every year. TOYO KEIZAI Inc. published this ranking after examining and assessing the 1,305 companies that were mentioned in the 2015 edition of <i>CRS Kigyo Soran</i> (CRS Compendium) in terms of the utilization of human resources, the environment, corporate governance, and impact on society.</p>
<p><b>Ranked 40th in NICES</b> Daiwa House Industry was ranked 40th in the latest edition (published on November 27, 2014) of NICES, which Japan's premier economic newspaper, <i>The Nikkei</i> (formerly <i>The Nihon Keizai Shimbun</i>), conducts every year. NICES is a comprehensive evaluation in which corporations are assessed from the stakeholders' perspectives under five items: investors, consumers/business partners, employees, society, and potential.</p>

# Human Rights

In the Daiwa House Group Principles of Corporate Ethics, we pledge to respect human rights. This requires all employees to correctly understand basic human rights and act and behave accordingly. To more clearly define our goals with regard to human rights, we have established "Our Vision on Human Rights Awareness-Raising." We carry out various activities toward this vision, so that all employees may act and behave in a fair and just manner at all times.

### Principal Assessment Indicators

Rate of conflict resolution by the Corporate Ethics and Human Rights Helpline	86.2%
Rate of participation in human rights training programs*	116.2%
Rate of response to human-rights fact-finding surveys*	67.5%

\* Including 25 Group companies

Respect for Human Rights	053
Protecting Employees' Rights	055

## Respect for Human Rights

### Basic Policy of Respect for Human Rights

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, creed, or social status."

Based on this principle, all Daiwa House Industry employees are required to participate in human rights training programs at least twice a year to acquire correct knowledge about related subjects.

Advocating the Universal Declaration of Human Rights, we pursue our business activities while respecting the dignity and human rights of our customers, business partners, employees, and all other stakeholders.

Conscious of our corporate responsibility for respect of human rights as mentioned in the "Guiding Principles on Business and Human Rights," the company issues each year, in the president's name, its policy for activities aimed at raising employees' awareness of human rights. All employees are expected to understand the significance and orientation of this policy and take action accordingly, fully understanding the roles they must play within the framework of the policy.

### Our Vision on Human Rights Awareness-Raising

All corporate entities are required to respect human rights. The Daiwa House Group has been constantly carrying out activities to raise the employees' awareness of human rights.

On the occasion of the 60th anniversary of Daiwa House Industry's founding, the employees expressed their wish to proactively take part in human rights awareness-raising activities, and adopted "Our Vision on Human Rights Awareness-Raising" to share their vision and orientation of action toward the future.

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000	Due diligence	★Discrimination and vulnerable groups
	Avoidance of complicity	

### System for Promoting Human Rights Awareness-Raising Activities

At Daiwa House Industry, we promote human rights awareness-raising under the system outlined below.

#### Organization of the Human Rights Awareness-Raising Committee



### Detecting Risks Relating to Human Rights

Every four years, we conduct a fact-finding survey to elicit the employees' awareness of human rights and situations surrounding human rights. In 2013, a survey was conducted among 28 Group companies, in which 14,814 respondents participated (response rate: 67.5%). The results were analyzed, and a feedback sheet was drawn up, indicating problems and challenges. The results were also discussed among the human rights awareness-raising promoters of the Group companies to examine measures to take. The survey serves as an effective system of due diligence on human rights issues.

### Human Rights Education

#### (1) Human-right-awareness training

At Daiwa House Industry, all the employees, currently numbering 16,562, undergo training programs aimed at raising their human rights awareness at least twice a year. The 96 branch offices located all over Japan conduct training programs on themes that they respectively select in accordance with their specific needs. After the training programs, all the participants submit reports, which are collected and checked by the Human Rights Office of the CSR Department at the Head Office. Questions and problematic ideas detected in the reports are handled on an individual basis to improve the employees' understanding. Training programs are continued on schedule and at different points of employee career development. Therefore, they include, for example, training programs for directors, employees in executive and supervisory positions, and new recruits, to enable employees to learn to fulfill their responsibilities commensurate with their positions.

#### (2) In-House Newsletter *Jinken-no Hiroba*

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 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.

#### (3) Human rights questionnaire survey at operational bases outside Japan

We have conducted a questionnaire survey at Daiwa House Industry's and Group companies' operating sites outside Japan with regard to local human rights issues. We have analyzed the survey results and identified overseas human rights risks. We are planning to carry out training programs in the future based on these findings.

### Guidelines for Land Use Surveys

Being in the business of building construction that is essentially linked with land use, Daiwa House Industry pays particularly close attention to avoid being party to *buraku* discrimination (also called the "dowa issue"), discrimination against the descendants of Japan's feudal-period outcasts historically associated with specific geographic locales. For this purpose, in 2011, we drew up anti-discrimination guidelines for our market research and other activities, along with a check sheet.

### Avoidance of Complicity

Daiwa House Industry conducts human rights education and other awareness-raising activities in a continuous manner and according to schedule so that employees will not have a hand in violating human rights.

In compliance with the Daiwa House Group Principles of Corporate Ethics, in which we declare that we take a firm attitude and collectively act and "cut off all ties with antisocial forces, regardless of the reason," all the executives and employees share the same commitment to not having any contact with antisocial forces (such as organized crime groups). For this purpose, we maintain regular contact with related external organizations including the police, lawyers, and the National Center for the Elimination of Boryokudan. 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.

### Respecting Human Rights of the Socially Vulnerable

To maintain and enhance the company's trustworthiness in society, we have adopted the Principles of Corporate Ethics and Code of Conduct. One of the Principles of Corporate Ethics is "Respect for human rights." Under the Code of Conduct, we declare the prohibition of discriminatory business practices, committing ourselves to not engaging in any form of discrimination in our business operations or any act that could encourage discrimination.

### Participating in Initiatives and Respecting the Rights of the Child

Daiwa House Industry 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 Corporate Federation for Dowa and Human Rights Issues, Osaka, and the Buraku Liberation and Human Rights Research Institute, attending seminars on the rights of the child and the violation of human rights, and purchasing publications on related subjects.

#### 【Principal organizations】

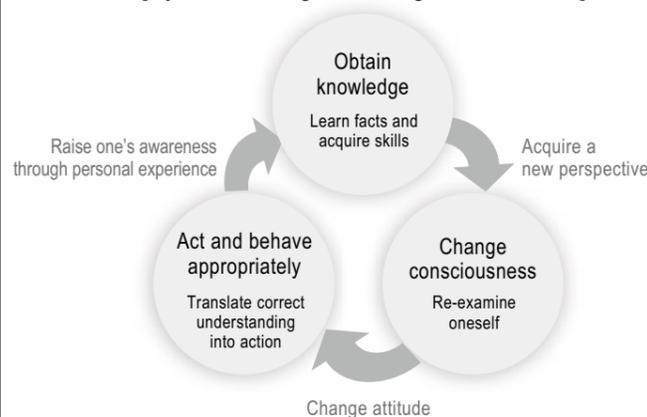
- Buraku Liberation and Human Rights Research Institute**  
This organization works toward the elimination of all forms of discrimination and the realization of a society in which all human rights are respected.
- Corporate Federation for Dowa and Human Rights Issues, Osaka**  
This organization is aimed at generalizing correct understanding and knowledge about *buraku* discrimination from the corporate CSR perspective in cooperation with local governments, based on the belief that the earliest resolution of the *dowa* issue is a task of national importance.
- Fair Recruitment and Human Rights Center**  
This organization was established to encourage proactive corporate initiatives for the establishment of fair recruitment criteria and the promotion of in-house human rights training programs.
- Association of Osaka City Corporations for Human Rights**  
This is an association of particularly socially influential Osaka-based corporations that engage in mutual improvement and awareness-raising to build a "brighter society."
- New Media Human Rights Organization**  
This non-profit organization (NPO) was established to contribute to solving a variety of human rights-related problems that occur on the Internet.
- Multi-Ethnic' Human Rights' Education Center for Pro-existence**  
This NPO was established to promote necessary changes for the realization of a society in which true harmony and solidarity exist between Japanese and non-Japanese, on the assumption that Japan will become a multi-ethnic society in the 21st century.
- Normalization Club**  
This social welfare corporation engages in social welfare projects and operates or manages social welfare facilities that support the daily lives of, and provide community-based welfare services for, the elderly and people with disabilities. The organization is aimed at realizing a society in which the human rights of all persons are respected, regardless of the presence or absence of disabilities.
- 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.

### - Our Vision on Human Rights Awareness-Raising -

## Just and fair response at all times

We pledge to learn proactively through human rights awareness-raising activities and various other opportunities to raise our awareness of human rights and get closer to our ideal selves.

#### [Cycle of raising human rights awareness]



As we strive to get closer to our ideal selves, we can impart a positive impact on our stakeholders.

- We provide products and services to people 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 local 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)

## Protecting Employees' Rights

### Preventing Harassment

At Daiwa House Industry, moral harassment, especially the kind bordering on power abuse, and sexual harassment are strictly forbidden as prescribed under the company regulations and communicated via in-house notices. Offenders are subjected to punishment.

Through seminars and educational booklets, we repeatedly impress upon employees the fact that moral harassment is more than just a problem for the persons concerned and that it should be viewed as an organizational problem that can lead to the lowering of morale in the workplace concerned. As for sexual harassment, considering the importance of early responses and easy access to advice, points of contact for reporting and consultation are put in place at the Head Office as well as all the branch offices. Since victims of sexual harassment are mostly women, both male and female consultants are appointed. Moreover, a mechanism has been put in place to reinforce coordination between the Head Office and branch offices in this regard. For example, branch offices are required to submit a report to the Head Office every three months, detailing preventive measures that they have devised, such as anti-harassment training programs and the diffusion of information on contact points, and also notifying the number of consultations.

In fiscal 2014, the total number of Corporate Ethics and Human Rights Helpline users reporting or seeking advice on harassment was 59, and the number has been declining in recent years.

### Corporate Ethics and Human Rights Helpline

Since 2004, the Daiwa House Group has been operating a hotline for internal breach notification ("whistle-blowing") and consultation services, while implementing regulations to protect whistle-blowers. The hotline is available, and the regulations are applicable, to all Group employees, regardless of their type of employment. In 2012, 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 fiscal 2014, the hotline received 175 reports and consultations, primarily with regard to problems in the work environment. In the process of working toward resolution, the wishes of the consultant are respected, and in some cases, hearings of the persons concerned are held to confirm the facts. Along with such actions, corrective measures are implemented with the issuance of punishments or direct disciplinary guidance to the offender. 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 branch offices and departments via the persons in charge of the hotline to raise general awareness of the risks. Training programs are also organized to draw attention to such issues.

At the Daiwa House Group, points of contacts for reporting and consultation have been put in place at the CSR, Legal, and Human Resource Departments,



### Respecting Civil and Political Rights

The Daiwa House Group Code of Conduct stipulates that we are committed to creating a corporate culture that respects human rights, so that all our speech and action respect individuals' personalities and characteristics. The Code of Conduct also states under the "Acceptance of Diversity" that we strive to create a corporate culture in which we can make positive use of the ideas and perspectives of diverse people with differences in value system, gender, age, ethnicity, language, culture, lifestyle, and

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000

- ★Resolving grievances
- Economic, social, and cultural rights
- Civil and political rights
- Fundamental principles and rights at work

more. We have the Corporate Ethics and Human Rights Helpline, which is accessible to all Group employees for internal breach notification and consultation.

### Respecting Economic, Social, and Cultural Rights

In the Daiwa House Group Code of Conduct, we state that we pay close attention to employee health and safety, and strive to create a workplace environment that is fair and conducive to open communication, while offering opportunities for individual employees' personal growth and development. Accordingly, we have developed a system that supports the physical and mental health of all the employees. Under this system, employees undergo a mandatory medical examination every year. For mental health, a consultation service provided by an external organization (E Partner) is made available to employees as well as their family members.

### Respecting Fundamental Principles and Rights at Work

At Daiwa House Industry, 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 reporting 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 reducing the physical and psychological burden on employees, and reviewing the way the company works in general. For example, we have adopted a "lock-out" system on a company-wide basis, under which all the offices are automatically closed at nine in the evening. Meanwhile, we have been making continuous efforts to streamline work and increase efficiency.

In fiscal 2011, the Human Resource Department commenced a periodic office inspection. In fiscal 2012, a new working hour control system was introduced. In this system, office computers can be made inaccessible outside regular working hours if their users have not undergone formalities to obtain approval for overtime work or working on holidays. In this manner, employees are protected from taking on excessive workloads by both motivational and systematized measures aimed at eliminating illegitimate overtime work.

### Prohibition of Forced or Compulsory Labor and Child Labor

Last year, no formal complaint was filed against Daiwa House Industry concerning forced or compulsory labor. At Daiwa House Industry, the entire class of executives is made thoroughly aware that appropriately regulating employees' working hours is the very least that we should observe in compliance with the labor law. Likewise, no formal complaint was filed against the company concerning child labor. Under the company's Code of Conduct, we declare our practice of fair recruitment. Not only do we naturally observe the legal prohibition of child labor under the Labor Standard Act of Japan, we also practice fair recruitment, as a corporate director of the Fair Recruitment and Human Rights Center.

### Respecting the Human Rights of Overseas Employees

At the Daiwa House Group's operating sites outside Japan, the recruitment and treatment of local employees strictly conforms to the regulations on the elimination of all forms of forced or compulsory labor and the abolition of child labor, as stated in the ILO Declaration on Fundamental Principles and Rights at Work, as well as applicable local laws and regulations. Moreover, we operate our overseas offices and sites in consideration of local cultural and religious backgrounds, while respecting local employees' basic human rights. We strive to maintain and improve a workplace environment in which employees can work together with a sense of ease, regardless of differences in race, nationality, ethnicity, gender, and creed.

# Labor Practices

To provide a workplace in which employees can work with *Anshin*, a sense of ease, we strive to constantly enhance the workplace environment in consideration of employee health and safety and based on sound employment relationships comprising, among others, fair evaluation. Believing that the company's greatest assets are its people, Daiwa House Industry offers education and training that are constantly undergoing improvement. At the same time, diversity is promoted among the employees, enabling them to work in diverse manners.

## Principal Assessment Indicators

Turnover rate	3.0%
Number of female executives	71
Rate of recruitment of employees with disabilities	2.15%

Employment Security and Fair Evaluation	057
Human Resource Development	059
Promoting Diversity	060
Consideration of Diverse Ways of Working	061

## Employment Security and Fair Evaluation

### Employment and Turnover

As of April 2015, Daiwa House Industry had 14,895 full-time regular employees. In fiscal 2014, the company newly hired 1,032 full-time regular employees (822 new graduates and 210 mid-career recruits). In April 2015, 685 new graduates (493 men [72.0%] and 192 women [28.0%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were 2.1% in fiscal 2012, 2.3% in fiscal 2013, and 3.0% in fiscal 2014.

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

### Limited-Term Contractual and Temporary Employees

As of April 2015, Daiwa House Industry had 894 limited-term contractual employees, 54 post-retirement specially commissioned employees, 69 employees on probation, and 650 part-time employees, that is, a total of 1,667 employees on a limited-term contract.

As of April 2015, 10.0% of the company's employee body including full-time regular employees (16,562) were limited-term contractual employees.

As of April 2014, the company had 778 limited-term contractual employees, 53 post-retirement specially commissioned employees, 160 employees on probation, and 607 part-time employees, that is, a total of 1,594 limited-term contractual employees. Their percentage of the total number of employees (15,973) was 10.0%, thus remaining almost unchanged from 2014 to 2015.

### Employee Performance Evaluation

All employees are evaluated under a goal management system and an assessment interview system. In the former system, employees are evaluated on the basis of attainment of the goals that they have set in consultation with their superiors. To keep evaluation from becoming excessively result-oriented, the employee's ability to execute duties and their processes of working toward goals are also taken into account (executives are evaluated more heavily based on results, while processes are given importance in the evaluation of employees in general posts). Under the latter system, evaluation results are disclosed to all the employees during interviews, thereby maintaining a high degree of transparency in the evaluation process.

### Remuneration

In fiscal 2014, the average amount of annual remuneration was 8,426,397 yen per employee. The Daiwa House Group (including Group companies outside Japan) adheres to the rule of remunerating its employees above the legally mandatory minimum wage prescribed by law in the respective countries.

### Employee Questionnaire Survey

At Daiwa House Industry, matters that require the signing of a labor-management agreement are subjected to preliminary deliberations between labor and management for decision-making.

To create a workplace environment in which every single employee can work in a spirited manner and to further increase employee satisfaction, the company organizes a questionnaire survey regularly to collect employees' opinions and reflect them in a range of personnel systems.

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000	Employment and employment relationships Social dialogue	★Health and safety at work
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### Mental Health Care

Daiwa House Industry promotes measures for different types of care in accordance with the company's mental health enhancement plan.

#### ■Self Care

In December 2011, we adopted a system that enables employees to self-evaluate their status of stress. We are planning to reinforce and modify the system within fiscal 2015 in anticipation of the enforcement of the revised Occupational Safety and Health Act of Japan in December 2015, which will make stress measurement within the corporate environment mandatory.

#### ■Line Care\*\*1

The company provides an educational program to newly appointed managers and supervisors in which they can obtain basic knowledge about line care, including the prevention of mental ill health, responses to mentally ill subordinates, and improvements in the workplace environment.

#### ■Professional Care in and outside the Workplace

To ensure the effective functioning of self care and line care, Daiwa House Industry works in collaboration with EAP\*\*2 organizations and occupational health physicians, as well as doctors treating the employees concerned, to improve the workplaces.

Under the Employee Assistance Program (EAP) introduced in May 2008, which fully protects the privacy of service users, employees can consult professional counselors (by telephone or in person) without the company finding out. The company also introduced counseling services by EAP organizations that visit the branch offices, enabling many employees to find out about the services available and thereby putting in place a system accessible to all.

For employees who are on leave due to mental ill health, we have established a program of assistance by the company, an occupational health physician, and an EAP organization working in collaboration. Employees can benefit from their support toward smooth resumption of work. Once they return to their workplace, they are allowed to work on reduced hours during a "warm-up" period, to eventually resume a normal working life under manageable conditions.

\*1 Line Care: A supervisor checks the stress level of his or her subordinates, checks if they are appropriately handling their stress, manages and instructs them, and makes considerations so that the subordinates can stay healthy both mentally and physically and remain capable of executing their work.

\*\*2 Employee Assistance Program (EAP): A set of initiatives in the workplace aimed at mental health maintenance.

### Periodic Medical Examination

In fiscal 2014, 97% of Daiwa House Group employees took a periodic medical examination. At Daiwa House Industry, we make company-wide efforts to attain a 100% coverage of employees in the medical examination. In fiscal 2013 and 2014, for two consecutive years, we attained 100%. As for follow-up on employees who received special remarks in the medical examination, 75% of them had a second examination in fiscal 2014.

In the future, we intend to continue making efforts to maintain and enhance employees' health, attaining a 100% coverage of Group employees in the periodic medical examination. Furthermore, we will aim for full coverage by a second examination of employees singled out for it, for early detection of disease, early commencement of treatment, and optimal management of health risks, which are the main objectives of the periodic medical examination.

In fiscal 2014, 98% of the employees took a specified medical examination. The company provides specified health instructions by organizing a health improvement program, encouraging the employees to proactively look after their physical health.

### 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 requires employees whose monthly total of overtime work and work on holidays exceeds 80 hours to have an interview with the occupational health physician and receive instruction to prevent health problems.

### Responses to Contagious Diseases

When the Ministry of Foreign Affairs of Japan releases information on contagious diseases, including advice against overseas trips, the company transmits the same information among the employees, repeating the same advice. For example, at the time of the SARS (severe acute respiratory syndrome) outbreak in 2003 and the H1N1 (new influenza) pdm09 outbreak in 2009, Daiwa House Industry employees were advised to not travel abroad.

The company's newsletter, *Jinken-no Hiroba*, has carried feature articles on HIV/AIDS to raise employees' awareness and eliminate discrimination and prejudice against people living with HIV/AIDS.

### Safety and Health Committee and Occupational Health Physician

Daiwa House Industry has not obtained OHSAS18001 certification. However, the company's branch offices hold a Safety and Health Committee meeting at least once a month, to transmit and share information on occupational safety and health.

A dedicated occupational health physician is stationed at the Head Office and the Tokyo Office, where a total of 1,000 employees work at all times.

### Industrial Accident

In the last three years, one employee has died of asbestosis. This case was recognized as an industrial accident.

### Crisis Management

The Daiwa House Group is making efforts to be a company that is resilient in the face of disaster. For example, the Group companies regularly share and exchange information within the Group on the BCP, and we store supplies that would be necessary in times of disaster.

In fiscal 2014, we installed IP radio equipment to reinforce our inter-office emergency communication system.

In September 2008, Daiwa House Industry installed an early earthquake warning system at the Head Office, branch offices, operating sites and plants in anticipation of a large-scale earthquake.

Enabling optimal initial responses upon the occurrence of an earthquake, this system ensures the safety of our customers and employees at the Head Office, branch offices, operating sites and plants.

To ensure that appropriate first moves can be made in an emergency, we conduct simulated drills twice a year, using the warning system to transmit signals.

Daiwa House Industry and 16 Group companies have introduced a safety confirmation system to check the safety status of employees following the occurrence of an earthquake.

This system is activated when an earthquake of a pre-registered seismic degree or larger has occurred, and sends email messages to the cell phones, personal computers, and other terminals of employees living in areas that are likely to be affected.

At the time of the Great East Japan Earthquake in March 2011, this system enabled the company to quickly and accurately account for the employees and their families in the affected areas and learn about the conditions of damage to our facilities.

Daiwa House Industry conducts two safety confirmation drills each year.

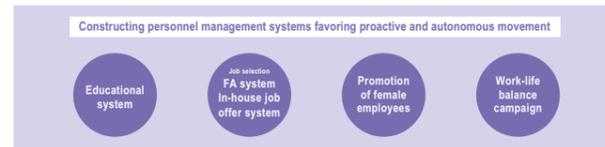
\* The warning may be delayed if the epicenter is near the location or if the earthquake occurs directly below the grounds of the site.

## Human Resource Development

### Basic Policy for Human Resource Development

As stated in its Corporate Creed, the Daiwa House Group aims to "develop people through business." We believe that human resources are the Group's greatest assets and therefore adopt advanced measures and organize various educational programs for the employees. This is to enable them to further develop their abilities and strengths so that they can proactively contribute to society through business.

Based on the idea that employees should be proactive and autonomous in their self-improvement, the company provides an environment that keeps them highly motivated and leads them to fully demonstrate their abilities. In other words, Daiwa House Industry's human resource development consists of encouraging individual growth through personnel management systems that invite proactive and autonomous movement. We also attach importance to diversity in the way individual employees work. Therefore, we provide systems capable of flexibly accommodating employees' different lifestyles, values, and modes of work, encouraging them individually to take on various challenges. In any case, the company's educational programs are never simply theoretical but are practice-oriented. The program curricula are designed in such a way that the employees are always led to make use of their learning in the field. We believe that such efforts will boost the company's vitality toward the future.



### Human Resource Development Structure

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 office managers Training for newly appointed managers	Daiwa House Juku Training for branch office manager candidates			
Mid-level supervisors and general posts		Training for reinforcing the ability to anticipate problems Training for OJT Elders Training for team leaders		Department/ job-specific specialized training	"Faithful in small things" and manner training	Foreign language courses Support for preparation for official qualification examinations Correspondence courses, etc.
Entry-level employees	Follow-up training On-site training Basic training					

### Education for New Recruits

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

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

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.  
36 issues of social responsibility addressed in ISO 26000 ★Human development and training in the workplace

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

\* Di-Q Examination: An in-house examination of practical abilities that employees are required to demonstrate in their respective posts; the examination enables confirmation of their levels of acquired skills.

### Leadership Education for Those in Mid-level and General Posts

Employees in mid-level and general posts who usually work on the frontline in the field are given job-specific training programs to reinforce their specialized knowledge and skills. Moreover, they receive their initial leadership education not only as trainees in the traditional sense of the term but also as instructors looking after young employees in practical situations (called "OJT Elders" at Daiwa House Industry).

### Training for Senior Executives and Future Presidents

In May 2008, Daiwa House Juku, a training facility for the Daiwa House Group's future leaders, commenced its Group-wide education. Its practical training in management skills consists of drawing up strategies to address actual management issues. Up to now, 83 of the Juku graduates have become Directors, and 12 of them have been appointed Group company presidents.

In fiscal 2005, the company commenced a special training program for branch office manager candidates who respond to an in-house open call. The purpose of this program is to find and train human resources for senior executive posts such as branch office managers, plant directors, and department heads. So far, 406 persons have completed this program.

In the future, the company hopes to increase the number of executive candidates dispatched to external training programs to nurture future leaders well-versed in a broad range of subjects.

### "Being Complete in Small Things" and Manner Training

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

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



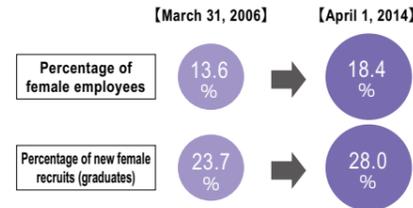
### Support for Career Development (FA System, In-house Job Offer System)

The company supports employees willing to take up new challenges, by instituting various systems that help them expand their horizons and work in a more motivating environment. Such systems include the FA ("free agent") system, in which employees independently select a department or post of their choice and recommend themselves; and the in-house job offer system. In the last five years, 34 of the 160 candidates have changed posts thanks to the FA system, while a total of 63 employees have changed departments in response to 37 in-house open calls for new members.

## Promoting Diversity

### Promoting Women

As of April 1, 2015, 18.4% of the company's employees were women. Their average length of employment was 9.4 years. In fiscal 2015, 28.0% of the employees newly hired immediately after graduation were women.



#### (1) Development of women managers

As of April 1, 2015, there were 71 female managers (2.1%, excluding those on loan) and 393 female section chiefs or group leaders (10.2%). Toward the goal of having 500 female managers by 2020 on a Group-wide basis, in fiscal 2014, 18 participants newly attended a training program for female executive candidates that Daiwa House Industry commenced in fiscal 2011.

#### Numbers of women in managerial and supervisory posts

Managers	71 women (2.1%)
Section chiefs/group leaders	393 women (10.2%)

Percentage out of the total employees in the same grade

#### (2) Expansion into Sales and Technical Divisions

As of April 1, 2015, women accounted for 7.1% of the Daiwa House Industry employees in sales posts (up 0.8% from the previous year), and 11.0% of those in technical posts (up 1.2% from the previous year). In the sales division, as programs for women in sales posts, training programs were organized as in the previous year for women in sales posts in different departments, as well as management training programs for managers to whom these sales women report. In the technical division, in addition to activities that had been conducted for some time, meetings were held in which women



At an opinion exchange meeting for young women in sales

#### (3) Selection as a Nadeshiko Brand company for Fiscal 2014

In March 2015, Daiwa House Industry was selected as one of the companies comprising the Nadeshiko Brand, a listing that the Ministry of Economy, Trade and Industry of Japan and the Tokyo Stock Exchange jointly publish of listed companies recognized as outstanding in their stance on promoting women's active participation. In fiscal 2014, 40 companies were selected to constitute the Nadeshiko Brand from among some 1,800 companies listed on the Tokyo Stock Exchange Section I, for their promotion of women's careers and their support for women's reconciliation of work with family life. Daiwa House Industry was recognized for its focus on support for women's career development as an important management element, as manifested in the carefully planned grade/job-specific measures for female employees and the inclusion of support for women as an evaluation item for managers.



\*Those marked with ★ are Daiwa House Industry's 12 priority issues.  
36 issues of social responsibility addressed in ISO 26000 ★Human development and training in the workplace

#### (4) The Second D's Women's Forum

The Daiwa House Group makes active efforts to nurture its corporate culture that encourages diversity. Continuing after the previous year, we organized the Second D's Women's Forum, which is aimed at encouraging women to play active roles throughout the Group. A total of 229 future female managers from 19 companies attended the forum. Moreover, the Group companies' information exchange meeting to promote diversity was held again as in the previous year. The meeting was attended by representatives from 29 companies, who shared information of cases in which special efforts had been made for more active women's roles within the Group.



#### Women in the Daiwa House Group

Managers	200 women
of which Directors	10 women

As of April 1, 2015

## Promoting Post-Retirement Re-hiring

Following the revision of the Act on Stabilization of Employment of Elderly Persons, Daiwa House Industry raised its mandatory retirement age from 60 to 65, starting in fiscal 2013. Under the company's previous post-retirement re-hiring system, re-hired employees were on a limited-term contract, with a fixed salary. The new mandatory retirement age alone has already brought about greater employment stability to elderly personnel. Still, the company has also adopted a new system in which the performance of individual re-hired employees is evaluated and reflected in their salaries. This system is expected to further motivate elderly employees to produce results commensurate with their remuneration. In fiscal 2015, the company launched the Active Aging Program for re-hiring personnel past the retirement age of 65. Promoted under the slogan, "Stay active all your life," this program enables elderly employees valued by the company to continue working on a renewable one-year contract without an age limit. It is believed that highly capable and motivated senior employees staying active in the company for a longer period will greatly contribute to the company's development, through their influence on and education of younger employees, transmission of skills and contacts, and in many other ways. The expanded employment of elderly personnel will not strain the employment situation of younger generations.

## Promoting the Employment of Persons with Disabilities

Daiwa House Industry's rate of employment of persons with disabilities was 2.15% (as of April 2015), above the legal mandatory rate (2.00%). Instead of assigning employees with disabilities to specific types of work, 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.

## Consideration of Diverse Ways of Working

36 issues of social responsibility addressed in ISO 26000

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

Conditions of work and social protection

### Promoting Work-Life Balance

As Daiwa House Industry proceeds on its way toward realizing the goals of its Medium-Term Management Plan, we are aware that it is necessary to secure and develop sufficient human resources, and it is therefore essential to assist employees in achieving a good work-life balance, by accommodating their diversifying ways of working.

The improvement of the company's various systems has lengthened the average period of employment of female employees, from 7.8 years at the end of March 2006 to 9.4 years on April 1, 2015. The difference between the genders in terms of the average period of employment has dwindled by about one year, from 6.3 years to 5.6 years.

To support the growth of future generations and their parents, the company has instituted a system of offering a one-time allowance of 1 million yen per child to employees, regardless of their gender, to whom a child is born in and after 2006. In fiscal 2014, 646 employees benefited from this system.

#### Child care-related support systems (examples)

- One-time allowance for child birth: 1 million yen per child
- Child care leave: Extended leave until the child reaches age 3
- Reduced working hours for child birth and care: Reduced working hours permitted until the child enters the third year of elementary school
- "Hello Papa" holidays: Five consecutive holidays to which male employees are entitled from the day of the child's birth
- Preferential re-hiring: Giving priority in the selection process to former employees who have resigned due to a major life event, in consideration of their wishes

#### Work-life balance promotion-related systems (examples)

- Paid holiday accumulation: Employees may use up their accumulated unused paid holidays, up to 100 days at one time.
- Hour-based paid holidays: Employees may claim annual paid holidays in hourly units.
- "Home Holidays": Use of annual paid holidays according to a schedule to spend more time with one's family at home, refresh oneself, or pursue self-improvement activities.

#### Utilization of the systems in fiscal 2014

Holidays (leave) relating to child care (e.g., child care leave)		281 employees	
Breakdown	Long-term (1 month or longer)	Male 2 employees	Female 120 employees
	Short-term (e.g. "Hello Papa" holidays)	Male 159 employees	Female —
Reduced working hours for child birth and care		394 employees	
Nursing care leave		2 employees	
Reduced working hours for nursing care		2 employees	
"Home Holidays"		13,495 employees	
Paid holiday accumulation		133 employees (4,944 days)	
Rate of obtainment of paid holidays		36.2%	

### Acquisition of the "Kurumin" Mark

In compliance with the Act on Advancement of Measures to Support Raising Next-Generation Children, in fiscal 2014 as in previous years, Daiwa House Industry carried out awareness-raising measures to assist employees' in achieving a work-life balance and encouraging diverse human resources to play active roles, following the General Business Operator's Action Plan.



### Elimination of Excessively Long Workdays

We strive to eliminate excessively long workdays by adopting various carefully designed measures that address individual employees. For example, we have introduced a system that visualizes hours of overtime work and sends warning signals to the computers of those who put in excessively long hours. Approval for overtime work must be obtained in advance. The Personnel Department staff visit the respective offices to meet with employees to talk and help their understanding about the need to eliminate excessively long workdays. Meanwhile, to realize flexible modes of working not restricted by place or time, we introduced in 2008 a presence/absence management system using mobile communication devices for those who work outside the offices as part of the promotion of a telework system. For employees who report to the offices, telecommuting has been introduced on a trial basis since fiscal 2014. As a result of these measures, the annual total hours actually worked per employee were 2,272 hours in fiscal 2014, and the annual non-prescribed working hours were 422 hours. To increase productivity by further improving the ways employees work, in fiscal 2014 we added "hourly productivity" as an evaluation item for the performance of the branch offices, thereby attempting to transform the corporate culture itself.

### Conditions of Work and Social Protection

The company guarantees that employees on long-term sick leave due to ill health or injury unrelated to their work receive a monetary gift from the company, a sickness allowance from Daiwa House Industry Health Insurance Union, and an allowance of the same amount as the standard prescribed salary of the recipient concerned from the Employees' Mutual Aid Association. Employees whose personal property is damaged due to fire, flooding, earthquake or other disaster also receive an allowance.

# Fair Operating Practices

The Daiwa House Group is committed to contributing to the healthy development of the industry as a whole, not only by adhering to laws and regulations, but also by conducting business activities that conform to high ethical standards and the principle of competition in a fair and free market. To this end, we have built a system that enables early detection and minimization of risks associated with our stakeholders, and have established and implemented group-wide policies that ensure fair operating practices.

### Principal Assessment Indicators

Response to reporting on compliance with the Subcontract Act from business partners	100%
Number of members of the Confederation of Partner Companies*	4,490 firms
Number of members of the Setsuwa Club*	136 firms

\*As of April 2015

Fair Competition and Trade	063
Promoting Corporate Social Responsibility (CSR) in the Supply Chain	064

## Fair Competition and Trade

### Preventing Corruption with Internal Audits

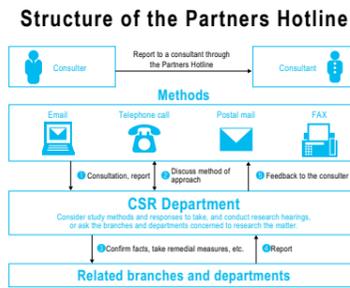
To ensure the transparency and justice of our business management, we at Daiwa House Industry conduct an internal audit to confirm the facts in accordance to our Principles of Corporate Ethics when receiving a request to look into corrupt or illegal dealings from the CSR or other related departments.

Although we do not have an anti-corruption committee, we have created a supervisory and auditing structure, under which internal audits are implemented by Auditors and the Internal Audit Office; internal control activities over financial reporting are conducted by the J-SOX Promotion Office; issues are presented to the Risk Management Committee; and the Corporate Ethics and Human Rights Helpline is operated. Based on the information collected through these means, we conduct corruption risk assessment.

### Operation of the Partner Hotline

A whistleblowing system for our business partners, called the Partner Hotline, was started at Daiwa House Industry in 2009, and within the entire Group since 2010, with the aim of realizing early exposure and the resolution of problems that may lead to the violation of laws by our Group employees in our relationships with our business partners. This system also serves as a hotline to report legal violations by business partners themselves.

In fiscal 2014, we received 15 complaints all of which have already been dealt with appropriately.



### Basic Policy on Fair Competition (Anti-corruption)

The Daiwa House Group's Principles of Corporate Ethics expressly prohibit bribes and other improper payments to politicians, public officials, or civil servants. It is also clarified that employees should refrain from behavior—including legal political contributions or get-together meetings—that might be construed as expectation of preferential treatment in terms of government approvals and licenses; that employees 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; and that when offering entertainment (meals, get-together meetings, etc.), consideration should be given it whether such entertainment is permitted under the other party's company rules and whether it lies within the scope of social norms. With these Principles of Corporate Ethics, all Group officers and employees share common awareness of appropriate relations with government and political institutions.

### Basic Policy on Fair Trade

We have created an educational pamphlet titled the CASE BOOK, which describes our Principles of Corporate Ethics, which make it clear that we will abide by the principle of competition of a fair and free market. As such, we educate our employees to act in compliance with such regulations as antitrust laws (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and laws regarding subcontracting (Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors).

In fiscal 2014, there were no major actions that went against the principle of competition, nor were there any violations regarding antitrust and monopolization.

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000

★Anti-corruption  
Responsible political involvement

★Fair competition  
Respect for property rights

### Implementation of a Fair Trade Contract

We have created a "Basic Subcontractor Agreement," in which basic contract details are specified in accordance with the Construction Industry Act and the Subcontract Act. The basic contract details include matters concerning construction methods for individual contracts and each construction work, liability for damages, defect warranty, subcontracting fee payment, damage compensation, termination of contracts, and securing of the implementation of the agreement. The sum for construction work paid to a subcontracting company is determined by the value of construction put in place, on which the person in charge of the site of construction makes an assessment. Payments are made to subcontractors according to the terms and conditions of payment set forth in the basic agreement or on the written order. We also send a "Notice of Payment" specifying the amount of each contract and each work to each subcontractor, so that both parties can confirm the payment details.

### Education on Fair Competition and Trade

To ensure that all the Group officers and employees can make a judgmental decision and act in accordance with the Principles of Corporate Ethics and the Code of Conduct, we have developed the CASE BOOK, an educational pamphlet featuring case studies (revised/updated on a regular basis) and distributed to all officers and employees within our Group. This pamphlet is being used and read together at morning meetings and other opportunities at various workplaces.

### Responsible Political Involvement

Daiwa House Industry belongs to such organizations as the Japan Federation of Housing Organizations and the Keidanren. Through such organizations, we participate actively and offer recommendations on the development of public policies and lobbying activities, for the purpose of promoting the growth of the Japanese economy and realizing an enriching residential environment.

In fiscal 2015, we are engaging in policy recommendation activity through the Japan Federation of Housing Organizations, with the aim of establishing a permanent arrangement for reducing financial burdens on people in housing acquisition.

### Policy Regarding Political Contributions

Daiwa House Industry has 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.

### Policy Regarding Taxation

Recognizing tax payments as a societal duty and obligation of a company, we file and pay taxes appropriately based on the Daiwa House Group Principles of Corporate Ethics. We are working to establish a system that enables the acquisition of legal knowledge necessary for the appropriate filing and payment of taxes, and that allows the central control of internal information concerning transactions. With appropriate tax payments as a matter of first priority, we also consider tax planning that contributes to enhancing our corporate value.

We have not disclosed our tax information on an area-by-area basis, since more than 90% 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.

## Promoting Corporate Social Responsibility (CSR) in the Supply Chain

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000

★Promoting social responsibility in the value chain

### Supply Chain Network

We have developed a network that supports the supply chain. Through this network, we have been providing support for the organizational operation of the supply chain that covers: companies from which the materials are procured; companies from which we acquire facilities and equipment; companies from which we procure office supplies and machines; and companies that work with us in construction work. This network also promotes issues concerning the environment, quality, safety, and other aspects within the supply chain. With regard to environmental issues, we have implemented a purchase guideline for chemical substances, and have acquired documents of agreement on the procurement of wood, taking biodiversity into consideration. With regard to quality, we have implemented a purchase standard, and also conduct tests and training on technical skills. With regard to safety, we conduct safety competitions and training, thus providing buildings that satisfy our customers. The largest organization within our supply chain network is the Confederation of Partner Companies (an organization of 4,490 partner subcontracting companies). For the Confederation members, we established the Code of Action for Business Partners in 2006. Through this, we have been gaining assent from our business partners to promote CSR from the perspectives of human rights, legal compliance, and environmental considerations. We will also call on them to give consent to the CSR Procurement Guidelines we established in July 2015.

Our supply chain network has bolstered our cooperative relationships with our business partners, enabling the high quality services we are committed to providing to our customers. Our supply chain network largely consists of construction subcontractors, material suppliers, and facilities/equipment suppliers. From the perspective of "With Business Partners" stated in the Daiwa House Group Principles of Corporate Ethics and the Code of Conducts, we have provided support to the operation of the three organizations independently managed by our business partners: the Trillion Clubs, the Confederation of Partner Companies, and the Setsuwa Club. Individual organizations have made consistent efforts to secure superior quality in accord with the spirit of co-existence and co-prosperity, by setting goals and addressing high priority issues to achieve the goals.

#### ■ The Trillion Clubs

The Trillion Clubs, organized separately in the east and west of Japan, were integrated into a new Trillion Club in 2014. Since then, the Club has promoted its activities effectively and smoothly by taking full advantage of regional characteristics and facilitating the sharing of information.

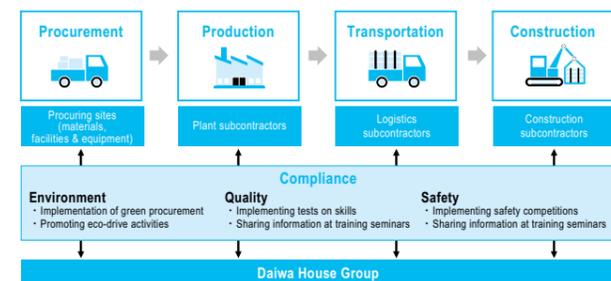
#### ■ Confederation of Partner Companies

The Confederation of Partner Companies, consisting of 83 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 Setsuwa Club

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, with four branches in the Kansai, Kanto, Chubu and Kyushu regions, has a membership of 136 companies, as of April 2015.

### Supply chain in the business activities of the Daiwa House Group



### Risk and Opportunities in the Supply Chain

To identify risk factors in our supply chain, we check and monitor primary subcontractors' work progress in construction sites and plants, using our checklist that includes such items as workplace safety, labor relations, and waste disposal. If there is any problem, we will take correction measures in a timely manner, and take action to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question. With regard to wood procurement, we conduct an annual monitoring survey of the business partners placed under the responsibility of the Purchase Department, which accounts for most of the wood procurement of Daiwa House Industry, the Product Development Department, the Design & Construction Promotion Department, the Rental Apartment Promotion Department, and three Group companies. For a business partner (subcontractor) that fails to satisfy our requirement standards, we conduct a research hearing and take corrective actions.

The use of domestic wood can reduce biodiversity risks, and quality local wood is best suited to Japan's climate conditions. However, we have a limitation in procurement of domestic timber due to its relatively high costs. In 2013, the Forestry Agency of Japan launched the Wood-Use Points Program that provides subsidies to new houses using local wood, presenting a huge opportunity to expand the use of domestic timber. In the same year, we developed a new wooden house product, called "xevo GranWood," which features a 100% local wood frame construction, thereby promoting the enhancement of the ratio of domestic wood material use. We are energetically working to promote the widespread proliferation of the product.

### Working with Business Partners

Toward our partner companies engaged in construction and installation (members of the Confederation of Partner Companies), we established the Code of Conduct for Business Partners in 2006, which sets out our basic policy on human rights, legal compliance and environment conservation. In 2010, we established the Guidelines for the Management of Chemical Substances and the Biodiversity Guidelines, and we have since facilitated the enforcement of these guidelines in our partner companies and suppliers. In July 2015, the Basic Procurement Policy and the CSR Procurement Guidelines were established. The Basic Procurement Policy sets out our requirements to ensure that our Group company employees promote procurement activities with due consideration of both QCD (quality, cost and delivery) and corporate social responsibility for environmental protection.

#### (1) Establishment of CSR Procurement Guidelines

The CSR Procurement Guidelines set out the comprehensive social and environmental standards—including those for human rights, work safety, and environmental protection—that all our primary suppliers are required to adhere to.

Chemical substance management and biodiversity conservation present a significant challenge to the entire value chain of the Daiwa House Group, a provider of residential housing constructed from wooden materials. We consider these two issues as our top priorities, and in 2010 we developed the CSR guidelines for chemical substance management and for biodiversity conservation separately, as references for our supplier's CSR activities. Based on these guidelines, we have set numerical targets for our suppliers, and make public the results achieved.

We have not received any reports so far on forced labor or child labor at our business partners or suppliers. In cases where there is any claim of forced labor or child labor, we will order the business partner/supplier concerned to take remedial action immediately, based on the CSR Procurement Guidelines.

#### (2) Criteria for Selecting Suppliers

We evaluate our business partners, based on our Criteria for Selecting Suppliers. For a new business partner, evaluations are made in terms of quality, pricing, delivery time, management, and environmental elements, based on our Material Supplier Management Policy. With regard to the business partners under contract, we make similar assessment of them.

Depending on the evaluation results, we conduct quality audits and order improvements, thereby ensuring a stable supply of materials of proper quality and fair price.

### (3) Implementation of monitoring and questionnaire surveys

We conduct monitoring and questionnaire surveys of business partners (primary subcontractors) engaged in construction at sites and plants to check the status of workplace safety, labor management, and waste disposal. In cases where there are any problems, we order the company concerned to take remedial action and measures to prevent recurrence. We also provide education to employees of our business partners to enhance their awareness of CSR activities. With regard to the procurement of wooden materials, we conduct an annual monitoring survey. In the event that a supplier fails to meet our requirements for wooden material procurement, we will conduct hearing research and take remedial action.

## Working with Construction Subcontractors

Since our founding, we have sought to create win-win relationships with our construction subcontractors. With the aim of enhancing the technical skills of our business partners, we established the Confederation of Partner Companies in 1986 to facilitate mutual study and friendly relations. With a membership of 4,490 companies (as of April 1), the Confederation comprises 83 branches nationwide, and has two working groups for business promotion and five working groups for functional enhancement.

### (1) Assistance in human resources training

We seek to reinforce our housing construction system by providing our business partners engaged in housing construction with subsidies for developing and securing engineers and other human resources. For this purpose, we have established guidelines for providing business partners engaged in housing construction with subsidies for nurturing human resources with specialized skills. We have also created an excellent engineer/technician certification system for our construction-related business partners, with the aim of ensuring a quality construction system.

### (2) Work safety in construction sites

#### ■ Safety patrols

To prevent industrial accidents and maintain and enhance work environments, we develop an annual plan to ensure the safety of both workers and equipment, based on which we patrol housing construction sites every month. Participants in patrols are business partner employees, our branch office manager, our sales office manager, and those responsible for construction.



Safety patrol

#### ■ Consultative meeting to promote occupational safety and health

After every safety patrol, we hold a consultative meeting to promote occupational safety and health, with the participation of business partners and their construction workers.

In the meeting, the findings of the safety patrol of the day are reported. In addition, reports by our Safety and Health Committee and patrol and other reports by our business partners engaged in construction are made to promote the safety of the work environment.



After patrol, information being shared regarding the status of work safety

#### ■ Safety education support

We develop an annual plan to promote safety education for our employees. Our safety education programs include position-based safety education, safety education for mid-career workers, training seminars to prevent scaffolding accidents, and training seminars to prevent heavy machinery-related accidents. To enhance our business partners' awareness of work safety, we also hold training seminars for business owners, and various other education programs, including those designed for construction workers, newcomers, forepersons, and safety supervisors.



Safety education and training

#### ■ Nationwide safety convention

In preparation for the National Safety Week (July 1 to 7), we hold a safety convention at business locations nationwide in June every year to enhance the safety awareness and knowledge of our Group employees and business partners, under the slogan: "Working together to identify and address potential risks to ensure a safe workplace." In the convention, lectures on safe work are provided, and awards are given to business partners, their employees, and Group employees who have provided a special distinguished service in terms of work safety.



Safety convention

#### ■ Industrial accident prevention

Under the "Basic Policy to Promote Safety and Health at Work" issued each fiscal year, a safety and health promotion plan is developed. Individual business locations throughout the nation set numerical targets for reducing potential risks at work in terms of health and safety, and promote improvement activities by reviewing the actual results each month. In fiscal 2014, however, serious work-related accidents occurred, including slips/falls and harm done by a third party. Deeply reflecting on these incidents resulting from failure to ensure thorough safety management, we have set safety targets for fiscal 2015.

Safety targets for fiscal 2015	(No. of incidents)
(1) Incidents resulting in death	0
(2) Incidents caused by a third party	0
(3) Heavy machinery-related incidents	0
(4) Slip/fall incidents resulting in an absence of at least four workdays	0
(5) Heat stroke incidents resulting in an absence of at least four workdays	0

As one of our key initiatives for fiscal 2015, moreover, we are planning to promptly provide our employees with training and education in order to develop personnel in charge of inspection of scaffolding installation and prevent heat stroke from occurring at work. We continuously strive to facilitate improvement activities for the prevention of recurrence by implementing the PDCA cycle based on a safety-and-health promotion plan and by making exhaustive investigations into the causes of incidents.



Sheltered resting area for the prevention of heat stroke at work

# Consumer Issues

The Daiwa House Group believes that our social mission is to contribute to society through our business operations. With "serving our customers in good faith and sharing their excitement and joy" as a philosophy enshrined in our Employees' Charter, we strive to maximize customer satisfaction and trust by engaging in sincere communication and providing quality products and services.

## Principal Assessment Indicators

Number of members of the Commercial Facility Owners Association	6,686
Satisfaction of single-family house owners	96.3%
Satisfaction of apartment/condominium owners	60.2%

Commitment to Quality	067
Sustainable Consumption	070
Enhancing Customer Satisfaction	071
Long-Term Guarantee and After-Sales Support	072
Relationship with Customers	074
Response to Consumer Risk	075

## Commitment to Quality

36 issues of social responsibility addressed in ISO 26000

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

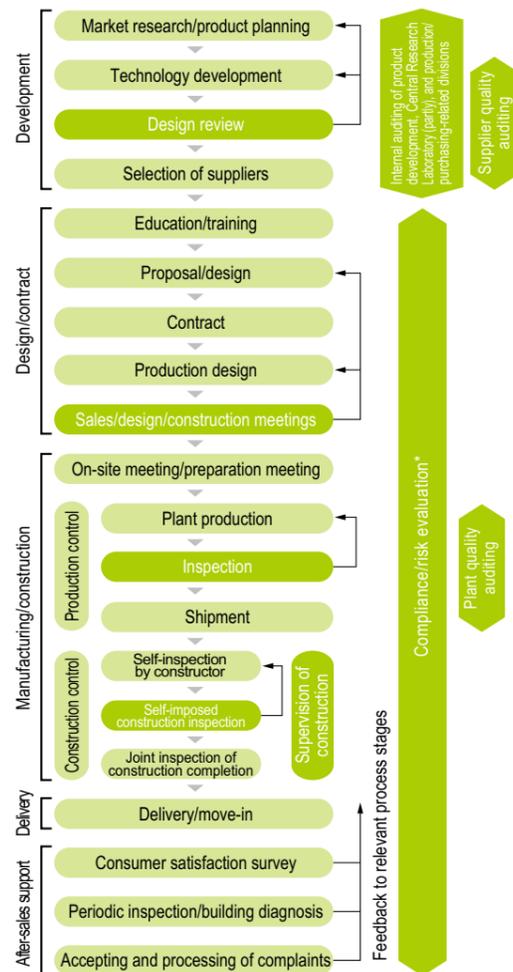
★Protecting consumers' health and safety

### Quality Assurance System

The Quality Assurance Department plays an important role in enhancing customer satisfaction by being in charge of quality control of the entire process: from product development to design, manufacturing, construction, and after-sales support.

Our quality assurance system flow is as follows:

#### Quality assurance system flow



\*\*Compliance/risk evaluation\* refers to quality auditing conducted of production technology-related divisions as a whole.

#### 1. Development design review

At the stage of product development, the Central Research Laboratory performs verification from various angles. For objective assessment, the Quality Assurance Department confirms verifications and conducts a development design review.

#### 2. Purchasing specifications review

For the purchase of standard goods, performance, specifications and quality control systems are examined and confirmed.

#### 3. Education/training for frontline workers

Education and training is provided for workers on a construction site. Important tasks are assigned only to those who have passed our trade skill tests.

#### 4. Inspection and construction supervision

In addition to voluntary inspection by the construction company's technicians and workers in charge, the Quality Assurance Department conducts inspection as a construction supervisor.

#### 5. Appointment of quality improvement committees

For product quality issues, a quality assurance meeting is held at the branch level, and a Quality Improvement Committee meeting is held at the head office, with emphasis on prompt responses to our customers and quality improvement.

#### 6. Compliance/risk evaluation

At the stages of design and construction by individual branches, evaluation is conducted in terms of safety, quality, cost, process flow, ethics, and waste management.

### 【Production Quality】 Implementation of the ISO 9001 Quality Management System Standards

Since its founding, Daiwa House Industry has actively pursued technology innovation, as a leading pioneer in industrialized housing, by conducting years of research on construction techniques and building components and materials. At plants located throughout the nation, we have established an integrated production system from component processing to assembly by promoting automatization, robotization and labor-saving to ensure the homogenization of quality. The Production and Procurement Division of the Head Office and plants nationwide 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.

To ensure process quality, we have facilitated the visualization of a "QC Process Chart" and an "Operating Procedure," both of which are very important in quality management. Our active efforts also include the promotion of activities to prevent defects in manual work, and the promotion of automatization for product accuracy confirmation and process monitoring.

From the perspective of customers, we have actively utilized an internal audit system, as a means to improve production quality. Thus, we are striving to pursue products that provide security and satisfaction to our customers, making full use of these systems.

### 【Design Quality】 Utilization of the Housing Performance Indication System and the Long-term Excellent House Recognition System

Daiwa House Industry has been seeking to obtain quality accreditation from third-party housing evaluation organizations. We are currently taking measures to respond to the following partial amendments to the Housing Quality Assurance Act of Japan, which shall be effective on April 1, 2015.

- (1) Revision of required and selectively-required evaluation items
- (2) Provision of information regarding liquefaction
- (3) Amendments in connection with the revised energy efficiency standards

The houses (with standard specifications) we provide to our customers satisfy the requirements for long-life, quality housing, which is certified under relevant laws. We will continue to make efforts to build a system to provide better quality housing to our customers.

### 【Construction Quality】 Ensuring Construction Quality by Triple Checking Functions

"Building construction" means to construct a building with the best possible methods, based on design documents.

To ensure the proper execution of construction work, we have established our own "technology standards." Execution errors can be prevented by using the Construction Manual Procedures and the QC Process Chart, prepared based on the technology standards.

Important work in construction is checked from different perspectives—those of the construction company, the construction manager, and the construction supervisor—to ensure the smooth flow of work procedures.

Prior to the start of construction work, branch staff members from the three departments of sales, design and construction meet to conduct design review based on contract documents.

Moreover, we have a policy of construction by personnel who have completed our education and training (on groundwork, construction and woodwork). To ensure construction quality, we have established a triple checking system, which consists of voluntary inspection by a business partner's technical experts, voluntary inspection by those in charge of construction work, and inspection by a supervisor of the Quality Assurance Department.

In April 2007, we introduced a photograph system as a part of self-inspections by business partners, in which construction companies are required to submit photos, together with self-inspection reports, for confirmation. This system enables the photographic recording of areas not visible after the completion of construction, thereby reinforcing the quality verification at the inspection stage. We review and improve these systems, as deemed appropriate, to improve the quality recording system and ensure better construction quality.



Steel framing inspection by employees

## 【Construction Quality】

### Working with Business Partners to Promote Quality Improvement Activities

Our business partners play a leading role at the site of construction. The job superintendent set priority issues for workers on the building site, from among various topics concerning safety, quality, cost, the construction schedule, the environment and ethics. We work together with business partners toward the targets set, and share information concerning areas for improvements with them.

The Confederation of Partner Companies has formed a "construction work committee" to actively address problems and improvements identified during the process of construction. The committee holds an annual conference to present improvement activities. Excellent cases are presented at a national convention and are included in a catalog issued by the Group company Royal Home Center Co., Ltd. in order to distribute and share information throughout the Group.



Presentation on improvement activities

## Proposing a Safe and Secure Food Production Facility Responding to Consumers' and Customers' Request

For food production companies, we offer the construction of facilities that meet various food safety and hygiene requirements, such as those of the Food Sanitation Act of Japan, HACCP (Hazard Analysis Critical Control Point) certification, ISO 22000 (food safety management system certification) and FSSC 22000 (food safety system certification). In fiscal 2014, we constructed more than 20 food factories and cold chain systems, thereby contributing to the provision and delivery of food, together with reliable quality and satisfaction, to consumers.



Co-op Foods (Head office and its second factory)

## Evolving "Industrialized Housing" with Our System Construction Technology

Our system construction, which enables integrated construction work by our skilled workers in the plant, delivers high quality and shortens the construction period at the site of construction.

Some customers, who are building owners, have chosen "Daiwa Frest II," a system construction that offers a broad product lineup of exterior walls and allows free design. We are proud of providing dry-type exterior wall tiles, a unique technology resulting from the fusion of our industrialized construction technology and customers' longing for the "real thing."

We will make continuing efforts to improve our system construction technology to respond to our customers' requests.



Exterior drywall panel (Production)



Exterior drywall panel (Installation)

## Sustainable Consumption

36 issues of social responsibility addressed in ISO 26000

★Sustainable consumption

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

### Widespread Proliferation of Housing that Meets the Requirements for a Housing Removal Support System

Japan Trans-housing Institute (JTI) has implemented a housing removal support program for the senior generation, wherein JTI rents a house from its owner aged 50 or over and leases it to a family with children. The advantages of this program are that the property owner can expect a stable house rent income for the rest of his/her life in the best case, and that the property user can rent a house at below market price.

Those who purchase our newly built single-family houses, regardless of age, are eligible to use this JTI program to lease their old or new houses. This program helps families raising children and senior retirees to change their residence or move from an urban area to the suburbs.

This program provides not only advantages to families raising children and seniors but also the social significance of effectively utilizing houses that no longer fit the residents' lifestyles, as societal property.

### Striving to Meet Global Needs

By 2055, when Daiwa House Industry will celebrate its 100th year in business, the global population is estimated to exceed 9 billion, with the world expected to face more serious issues, such as environmental problems and a super-aging society. As a total life service provider, we are committed to promoting our business on a global scale, from the standpoint of what is needed by society, free from the constraints of construction services.

### Ratio of Buildings that Meet "Social Integration Standards"

We are working to promote community-based town planning, aiming to realize a society in which people can live an enriched life. In developing properties and services, we place importance on friendliness (e.g., a barrier-free environment) to the elderly and the disabled as well as the ease of access to public transportation systems, hospitals and supermarkets. More than 80% of the shopping malls constructed by the Daiwa House Group have a community place, and every shopping mall is equipped with restrooms, ramps, and parking spaces for disabled people.

### Efforts Toward "Social Integration Standards"

The Daiwa House Group's core business is building houses. In this segment, we are seeking to expand our product lineups, in an effort to offer products and services at first-time home buyer-friendly prices, and reduce the lifecycle cost of a purchased house by enhancing energy saving and durability performance in both the process of construction and everyday life.

## Enhancing Customer Satisfaction

36 issues of social responsibility addressed in ISO 26000

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

★ Consumer service, support, and complaint and dispute resolution

### The Daiwa House Group's CS (Customer Satisfaction) Philosophy

#### ■ Making our customers smile

The Daiwa House Group engages in business activities, aiming to be a company that is held in special esteem and is trusted by customers.

To this end, we respond to customer expectations by listening to the voice of each customer and reflecting their views in our technology and services.

#### ■ From "customer orientation" to "each individual orientation"

It has been a long time since emphasis in business activity came to be placed on "customer orientation." However, it sometimes happens that customer satisfaction is understood from the perspective of enterprise value, ending up as mere gratification of the ego.

Through our CS (customer satisfaction) activities, we will reflect customer viewpoints in every aspect of our business activities. We go one step beyond "customer orientation" and put "each individual orientation" (thinking from the perspective of each customer) into actual practice.



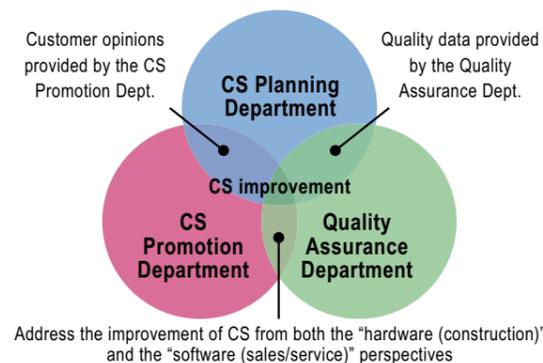
### Promotion of Improvement Activities by CS Committees

We have established customer satisfaction committees at the head office and all other places of business to reflect customer opinions toward the improvement of our products and services. Our company-wide efforts to improve customer satisfaction and conduct various community-based initiatives have received high evaluation from our customers. We strive to further enhance customer satisfaction by widely sharing our customers' opinions within the company and reflecting them in our business activities.



### Activities by the Customer Satisfaction Division

In an effort to further enhance customer satisfaction, we established the Customer Satisfaction Division in 2007. The CS Division, consisting of the three departments of CS planning, CS promotion and quality assurance promotion, has since promoted improvement activities from a customer perspective, based on customer opinions and quality data.



## Long-Term Guarantee and After-Sales Support

36 issues of social responsibility addressed in ISO 26000

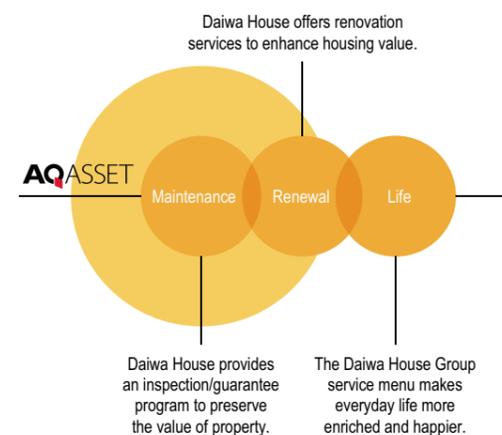
\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

★ Customer service, support, and complaint and dispute resolution  
Access to essential services

### 【Single-family Houses】 AQASSET

Daiwa House Industry considers housing to be an important asset, and provides a wide variety of maintenance services. We intend to further enhance the support system to protect housing value, ensure security, and provide customers with the pleasure of living in their houses.

As after-sales support for single-family house owners, we provide a package of support services called "AQASSET," covering areas from housing maintenance and reforms to brokerage services for the buying and selling of real estate in the future, and daily life-related services. We, together with Group companies, will provide continuing support in order to create deeper relationships with our customers.



### 【Rental Housing】 Total Support System "DAPS"

We offer our total support system "DAPS" for customers who have become owners of rental properties. As a reliable partner, we provide long-term and comprehensive support for stable management, including free housing inspection conducted every five years, a guarantee for up to 40 years, and consultation about buildings, management and property inheritance.

### 【Single-Family/Rental Housing】 Daiwa House Customer Center

We aim to build an endless partnership with our customers. To this end, we have opened a Customer Center as a concierge desk to handle various queries regarding houses and buildings. The Customer Center (toll-free/24-hour, 365-day operation), in cooperation with individual branches, 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 with the spirit of "together with our customers."



#### Column

### Post-disaster responses

Our housing products are all highly earthquake resistant. In past earthquake disasters, there were no reports of house collapses due to tremors. From shortly after the occurrence of an earthquake, we started to confirm the status of damage to houses by making phone calls or visiting our customers living in the affected areas. Inspections of houses were also conducted by our employees. We were praised by our customers for these post-disaster responses. Some house owners said that although their houses were hit by the earthquake, they were able to continue living there with a sense of security.

## 【Condominiums】 Proposing a Long-term Repair/Maintenance Plan

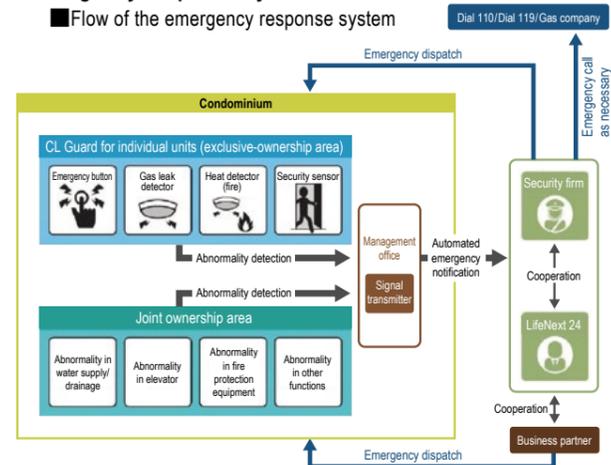
Appropriate maintenance and repair work is essential to maintaining the asset value of a condominium. The specialized staff of the Daiwa House Group's condominium management company design and propose a long-term repair/maintenance plan (maximum of 40 years) tailored to individual condominium units. We provide customers with comprehensive after-sales support through our condominium management company.

## 【Condominiums】 Emergency Response System "LifeNext 24"

We have established the "LifeNext 24," an emergency center operating 24 hours a day, 365 days a year.

### Emergency response system

■ Flow of the emergency response system



\*Monitoring items differ, depending on the specifications of the condominiums.

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

## 【Business/Corporate Facilities】 GR (Good Relationship) System

We have established the GR (Good Relationship) System to provide support and services to corporate customers. In fiscal 2014, the Building Maintenance Guide underwent a major redesign, which was sent to corporate customers, together with a periodical publication, to provide information necessary for the maintenance and management of buildings.

## 【Commercial Facilities】 24-hour Customer Service Call Center

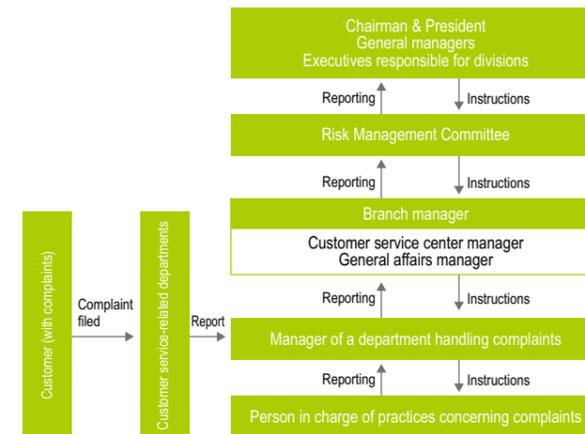
Our customer service call center provides after-sales support 24 hours a day, 365 days a year, so that after delivery, customers can use buildings in a more worry-free and comfortable manner. Based on the reports and complaints the call center receives, we will conduct improvement activities, information on which will be distributed to our customers. We also strive to enhance the call center's service functions.

## Relationship with Customers

36 issues of social responsibility addressed in ISO 26000 ★Consumer service, support, and complaint and dispute resolution Education and awareness

## Complaint Response System

Daiwa House Industry considers response to complaints from customers to be a top priority issue. We quickly share the complaints we receive from customers within the company and respond to them sincerely and promptly. We make company-wide efforts to respond in a responsible manner, as stipulated in our company rules that comply with ISO 10002 requirements.



## 【Single-family Houses】 Daiwa Family Club

Our Daiwa Family Club website is for the exclusive use of single-family house customers. It provides various information and advice to solve house-related questions and concerns.



Daiwa Family Club website

## 【Rental Housing】 Daiwa House Owners Clubs

Realizing the importance of our after-sales relationships with customers, we are broadening the activities of the Daiwa House Owners Clubs. Its activities targeted at rental house owners include the provision of new information, information exchange among members, and the promotion of friendship. In Japan, there are 89 Daiwa House Owners Clubs with a total membership of 29,059 as of March 2015.

## 【Commercial Facilities】 Owners Clubs

Owners Clubs established for the owners of commercial facilities hold a wide variety of events, including seminars regarding the effective use of real estate, and study tours to promote friendship among members. These events not only provide useful information on business development and property inheritance, but also serve as an opportunity to develop a network of connections.

In Japan, 64 Owners Clubs have been formed with a total membership of 6,686 as of the end of March, 2015. Through Owners Clubs, we will continue to develop endless partnerships with our customers.

## 【Commercial Facilities】 Relationships with Tenant Companies

We provide support for tenant companies in the retailing, restaurant, service, and other industries, by offering information on potential locations for opening up stores. To ensure that our customers can start business at desired locations in a timely manner, we take every opportunity to meet the person in charge for business negotiation of the company and hold consultation meetings in various areas. As a result, we have conducted transactions with approximately 4,000 companies (as of the end of March 2015).

To meet the needs of tenant companies, we also have held business meetings to invite companies to commercial facilities operated by the Daiwa House Group and to unoccupied properties that can be rented at relatively low cost.

## Response to Consumer Risk

### Risk Management for Advertising

In addition to government and industry regulations, Daiwa House Industry has imposed various self-restrictions on advertising, including consideration of human rights. As part of these efforts, we have established an advertising production system to provide templates to mitigate risk at the stage of creation in terms of expression. We also have set up a section to carry out final checks for advertisements, thereby devoting maximum efforts toward risk management.

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

36 issues of social responsibility addressed in ISO 26000

Fair marketing, factual and unbiased information and fair contractual practices  
Consumer data protection and privacy Education and awareness

### Preventing Leakage of Private Information

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 key areas of our social responsibility. From these perspectives, we have established our Privacy Policy and disclose it inside and outside the company. In accordance with the Privacy Policy, we have built and strengthened a company-wide management system, by developing company rules on the handling of personal information and assigning responsible persons. To ensure compliance with these policy and rules, we provide thorough education and training to employees.

We have introduced a corporate intranet protected by a firewall in order to protect our data from illegal access from outside, as well as from unauthorized access by employees. Terminals that allow access to company data can be identified, enabling the acquisition and checking of operation logs.

To reinforce our security management system, we have implemented physical and technical measures, such as enhanced network security, password setting and encryption for hard drives, and the storage of hardware in a locked place.

## TOPICS

### Product mislabeling by the Royal Home Center

Decorative gourd seedlings sold by the Royal Home Center, a Daiwa House Group company, were mislabeled for edible use. As a result, some customers suffered food poisoning from consuming the product. In response, we reported the incident to the authorities concerned, and conducted an internal investigation. As a result, it was found that before putting them on the market, no confirmation had been made regarding

whether the gourd seedlings in question were edible, and they had been sold with the wrong labels. We promptly disclosed these facts and apologized to the customers who had purchased the seedlings.

We will take steps to improve the management system and the employee education system to prevent any recurrences, so that we can regain the trust of our consumers.

### Column Lectures on consumer issues delivered at universities

Daiwa House Industry has cooperated in a donated lecture series, "Corporate Social Responsibilities and Consumer Education" sponsored by the Business Ethics Research Center. In fiscal 2014, our employees were sent to three universities in Japan to give lectures.

Under the theme of "consumer issues facing Daiwa House Industry," the lecturers spoke to students about the initiatives we are promoting to prevent fire incidents and make homes safe and secure, and about our initiatives toward an aging society. Students listened intensely to the lectures and learned that we are a company that not only provides housing products and services but also offers value to consumer life as a whole, from a broad perspective.



Lecture by a Daiwa House Industry employee at a university

# Community Involvement and Development

Committed to co-creating values for individuals, communities, and people's lifestyles with its stakeholders, the Daiwa House Group is closely involved in local community lives through its broad range of business operations. The Group's Principles of Corporate Ethics stipulate how its business operations and social contribution efforts should contribute to the sustainable development of local communities while respecting their cultures and customs. The Daiwa House Group accordingly carries out a diverse range of activities in various locations.

### Principal Assessment Indicators

Activities that contribute to society	2,046 cases
Rate of obtainment of holidays for volunteerism	14.0%
Total amount of donations by employees	10,521,326 yen

Community Co-Creation Activities	077
Support for Community Building	082
Contribution to Society through Businesses	
"Asu Fukaketsuno" businesses	083

## Community Co-Creation Activities

### Basic Policy

#### How we view our Community Co-creation activities

With branch offices located all over Japan, the Daiwa House Group is destined to form ties with the local communities already within the framework of its business operations. In other words, we cannot run our business without winning confidence from local communities. In view of this, we have defined our local social contribution activities as "Community Co-Creation" activities. In pursuing them, we comply with our Principles of Community Co-Creation Activities, which express our basic attitude and ideas about such activities. We carry out our Community Co-Creation Activities while engaging in dialogue with the local residents to identify local issues, to work together with them toward finding optimal solutions, and to ultimately win their lasting confidence. Our Community Co-Creation Activities are centered on three main pillars: environmental protection, next-generation education, and support for social welfare.

As Community Co-Creation activities that symbolize the spirit of "great harmony" mentioned in the Principles, we have launched the program "Daiwa Sakura Aid," aimed at preserving cherry trees on Mt. Yoshino in Nara Prefecture, the birthplace of Daiwa House's founder, and the Sakura Project, in which we organize performances of traditional Japanese musical instruments and tree-planting at elementary schools.

Related subject **Daiwa Sakura Aid**

#### Community Co-Creation activities in the three areas of environmental protection, next-generation education, and support for social welfare

The Daiwa House Group's principal business activities, housing construction and real estate management, are closely related to local community life. For this reason, we believe that the Daiwa House Group's sustainable development largely depends on the sustainable development of local communities. In view of this, we carry out our Community Co-Creation activities (our local community-level social contribution activities) with special focus on the above-mentioned three areas. Through discussions with local organizations, NPOs, and other parties concerned, we identify local issues and work with them to find solutions, in order to contribute to the sustainable development of local communities.

36 issues of social responsibility addressed in ISO 26000

\*Those marked with ★ are Daiwa House Industry's 12 priority issues.

★Community involvement Education and culture  
★Social investment

### 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.

## Systems for Community Co-Creation Activities

Daiwa House Industry Co., Ltd. has instituted various systems designed to form an in-house environment conducive to Community Co-Creation activities, thereby encouraging active employee participation. One such system is the President's commendation of branch offices and operating sites that have implemented particularly noteworthy Community Co-Creation activities while fulfilling specific criteria. The Sendai and Kumamoto Branch Offices, selected for their activities in fiscal 2014, were commended by the President in a ceremony held prior to his 2015 New Year's statement.

### Systems for Community Co-Creation Activities

System	Instituted in
Leave for volunteerism	April 2005
Employees' fund-raising	October 2005
Appointment of Community Co-Creation Committee members*	April 2006
President's commendation	September 2007
Activity cost-sharing	October 2008

\* Renamed in April 2014

## Community Co-Creation Activities: Targets and Achievements

In fiscal 2014, the total number of Community Co-Creation activities carried out within the Daiwa House Group was 2,046 cases, an increase of 62.6% from the previous year. Clean-up activities made up the largest part, accounting for 20.7% of the total.

The total number of Community Co-Creation activities carried out by Daiwa House Industry Co., Ltd. in fiscal 2014 was 1,258, an increase of 61.3% from the previous year. The company has made arrangements that encourage employees to voluntarily initiate activities. For example, the number of Community Co-Creation activities was newly added in fiscal 2014 as an evaluation item for the branch offices.

The total amount of donations by employees, 130,428 yen, dropped by 1.2% from the previous year (see page 79 for more details). The rate of obtainment of leave for volunteerism was 14.0%, an increase of 6.7 points from the previous year but still below the target of 20%.

We understand that our future efforts should be focused more on the contents of activities, rather than the mere number of activity cases. At Daiwa House Industry, we intend to further encourage such activities by deepening understanding of the objectives of the Community Co-Creation activities and sharing relevant know-how among the members of the Community Co-Creation Activity Committee (representing respective branch offices) at its meetings and on other occasions. Similarly, relevant information, such as previous success stories, will be actively shared among the Daiwa House Group company personnel in charge of CSR.

At Daiwa House Industry, we have set concrete numerical targets for our Community Co-Creation activities under the category of "Community Involvement and Development" among our original indices\* for self-assessment of CSR activities (CSR Indicators). We also review our achievements by following the PDCA cycle to continuously promote and improve our activities.

\* Refer to pages 40-43 for a detailed description of the indices.

With regard to our Community Co-Creation activity budget, we try to constantly set aside at least 1% of our ordinary income for our Community Co-Creation activities on an annual basis, especially since we joined the 1% Club, established by KEIDANREN (Japan Business Federation). In fiscal 2014, our expenses for Community Co-Creation activities amounted to 1.86% of ordinary income. We are determined to continue to promote our activities that contribute to society in a broad range of fields.

Based on the results in fiscal 2014, the Daiwa House Group intends to carry out its activities with special focus on the following three points:

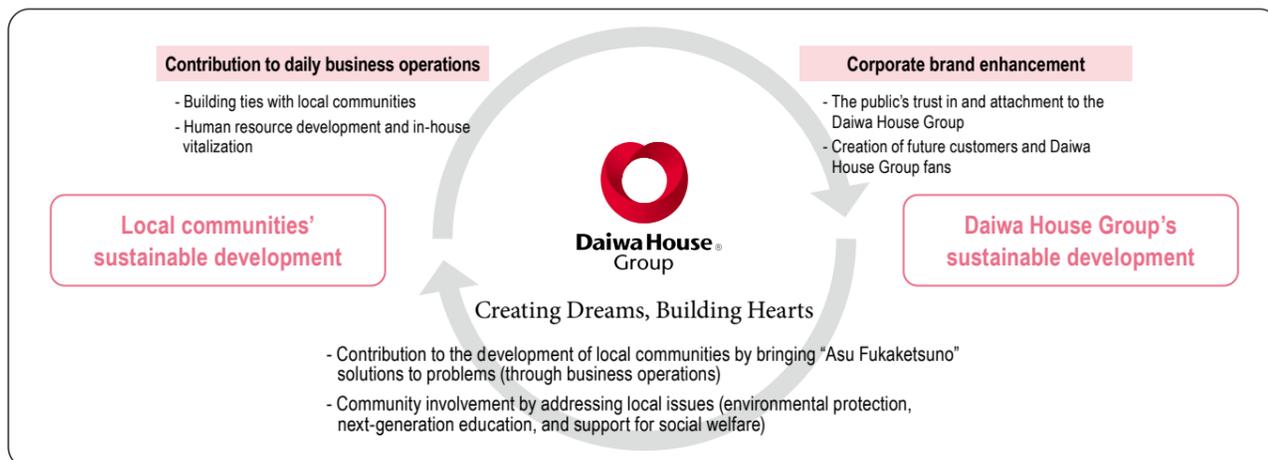
1. Considering Community Co-Creation activities as part of branch office administration, we will further deepen our dialogue with local communities and promote activities for more clearly defined objectives under the leadership of branch office and operating site heads.
2. The percentage of branch offices that conduct activities five or more times

per year will be increased, and collaboration with NPOs and NGOs will be promoted.

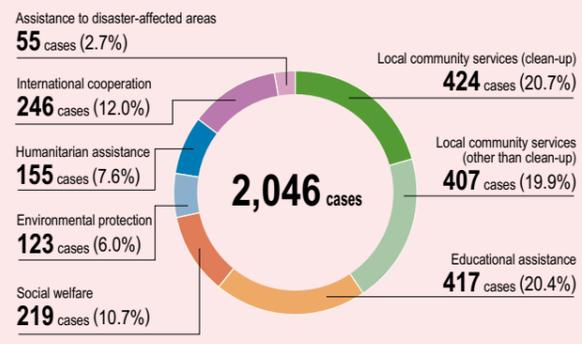
3. Branch office-based activities will be promoted, to further encourage Group-wide involvement and achieve a 20% obtainment rate of leave for volunteerism.



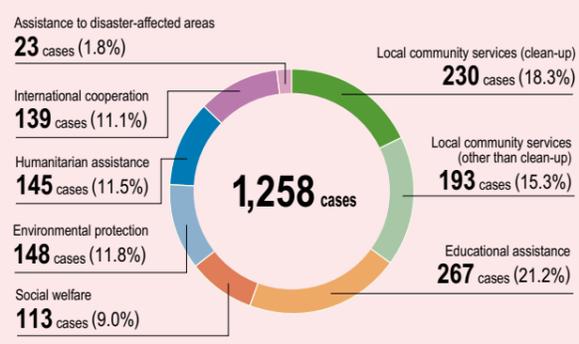
Community Co-Creation Committee, for better understanding of the objectives of activities and know-how and information sharing



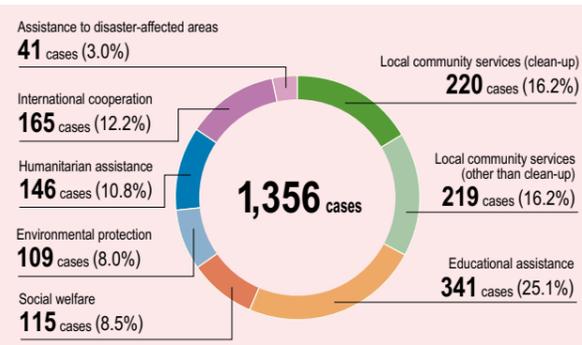
## Daiwa House Group's Community Co-Creation Activities in Fiscal 2014



## Fiscal 2013



## Fiscal 2012



Item	FY 2012 actual	FY 2013 actual	FY 2014 actual	
Number of cases of Community Co-Creation activities	Daiwa House Industry branch offices	573 cases	645 cases	1,160 cases
	Daiwa House Industry Head Office	102 cases	135 cases	98 cases
	Daiwa House Group companies	681 cases	478 cases	788 cases
	Total	1,356 cases	1,258 cases	2,046 cases
Leave obtained for volunteerism	1,038 days	991 days	2,001 days	
Rate of obtainment of leave for volunteerism*	7.7%	7.3%	14.0%	
Total amount of Endless Donations	¥10,797,017	¥10,651,754	¥10,521,326	

\* 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.

## Community Co-Creation Activities in the Area of Next-Generation Education

### Cooperation in Quest Education Program

Since fiscal 2007, Daiwa House Industry has been cooperating in the Quest Education Program (organized by Educa & Quest) as a career education support program for high school students. In this program, the participants, students from about 70 schools, experience an internship at a company as part of their school curriculum. They are divided into teams and work on a mission given by their host company (for example, new product development) for about 12 months and prepare proposals. They experience firsthand how companies think and operate, while working on an assignment—in which there is no correct answer—to put together quality proposals (in fiscal 2014, 147 teams submitted their proposals to Daiwa House Industry). Company staff members also visit schools across Japan to speak about the significance of work to secondary school students and provide clues for their missions, thereby supporting their learning.



A Daiwa House Industry staff member visiting a school (discussion with students)

### "Dreams Come True" School

Since fiscal 2008, Daiwa House Industry has been organizing the "Dreams Come True" School in cooperation with the non-profit organization (NPO) Japan Academy of Entrepreneurship (JAE). In fiscal 2014, we conducted this program in five schools. The "Dreams Come True" School consists of learning aimed at improving children's ability to detect problems in their surroundings, find solutions, and enhance their spirit of teamwork, based on the concept that children should be given opportunities to play a central role in finding solutions to society's problems. In the program, concretely, Daiwa House Industry staff members visit junior high schools to discuss with students the meaning and rewards of working in society, and hold lectures and comment on projects planned by students, encouraging their proactive learning.



Students attentively listening to a Daiwa House Industry staff member's orientation

## Community Co-Creation Activities in the Area of Social Welfare

### Support for and interactions with welfare facilities for adults and children with disabilities

In fiscal 2014, the Kagawa Branch held its fifth rice cake-pounding party, inviting guests from Takamatsu Volunteer Association, Rinrin-en (an activity/training center for adults with disabilities), and Tanpopo-en (a nursery school for children with disabilities). The Kagawa Branch has enjoyed a privileged relationship with Rinrin-en since 10 years ago, when the staff began collecting aluminum can pull tabs to donate to the welfare facility.

In a cheerful and spirited ambience, participants took turns to pound steamed rice into dough, which was then hand-shaped into rice cakes. The participants enjoyed rice cakes in sweet red bean soup, with the red bean paste placed inside the rice cake in the local specialty style, or with sweet and sour syrup. At the end, good-byes were exchanged, with the guests kindly rewarding the Daiwa House Industry staff with cries of "We'll be back next year!" and "Thanks for the great time!"

The Kagawa Branch plans to continue its activities with a special focus on warm interaction with children.



Rice cake-pounding in progress

### Cooperation in the local zoo's invitation of visitors with disabilities and their families

Since fiscal 2007, the Sapporo Branch has been cooperating every year with Sapporo Maruyama Zoo in its program named "Hearty Night." The program involves inviting persons with disabilities, who tend to seldom go out, and their family members and care givers to the zoo free of charge at night. In the last edition of the program, a Sapporo Branch staff member, clad in the costume of the zoo's mascot, Maruyaman, entertained the participants, taking photographs with the mental commitment robot Paro. On the day of the event, upon Maruyaman's appearance at the zoo's entrance, many excited children quickly gathered around him, the life and soul of the party. The children had a great time, playing with Maruyaman and taking photos with him.



Maruyaman with children

## TOPICS

### Unique Community Co-Creation activities (Sendai Branch)

The Sendai Branch carries out activities with heightened consciousness of their continuation, as manifested by a manual that the personnel have produced to share know-how regarding activities within the branch. The Sendai Branch's special focus is support for primary school education. The staff carries out unique activities that introduce Daiwa House Industry's business activities to students with an educational twist. For example, they give special lessons in school on various themes such as boring surveys and energy conservation. They also organize "on-site art" events in which local elementary school children are invited to draw pictures on signboards on Daiwa House Industry's construction sites.



An "on-site art" event by the Sendai Branch

## TOPICS

### The Kumamoto Branch organizes a range of activities backed by branch office-wide participation

For its once-a-month program supporting children in long-term hospital stays as well as their parents, staff members unable to participate on the days of activities take part in preparatory work. The activities are promoted from the standpoint of human resource development as well. In the internship program for local university students, which has entered its 14th year, younger staff members participate as instructors so that they can also make use of this opportunity to confirm their personal growth.



Internship at the Kumamoto Branch

## Community Co-Creation Activities in the Area of Environmental Protection

### Support for the regeneration of a satoyama on a university campus

The Toyama Branch engages in activities for forest preservation every year in collaboration with Toyama University of International Studies, to regenerate a satoyama (foothill kept in a sustainable condition by local residents through their adequate intervention) on the university's premises.

In June 2014, Toyama Branch personnel, the TUINS faculty, and Toyama City Hall staff worked together in good spirits, removing undergrowth and weeds from around the chestnut and konara oak trees that had been planted as part of the same program. This program contributes to land preservation, global warming mitigation, and the protection of local biodiversity. The seedlings planted in early 2009 have already grown, providing a natural playground for local kindergarten children every autumn.



Removing undergrowth

Group photo after the day's activity

## Donations and Fund-raising

### Donations

In 2005, Daiwa House Industry introduced a system that encourages donations from employees, enabling them to take part in the company's Community Co-Creation activities in a casual and continuous manner.

On the dedicated page of the company's intranet, employees can sign up for a monthly donation in the amount of their choice. The registered amount is then automatically transferred from their salary each month as a donation.

The company has two types of donations: "Endless Donation," in which employees contribute a fixed amount of money on a monthly basis, and "Heart Donation" collected following the occurrence of a disaster and sent to support affected areas. As of fiscal 2014, over 3,200 employees have registered as donors.

### Endless Donation

Previously, we selected beneficiary organizations of donations collected from employees based on employees' recommendations. In fiscal 2015, we started publicly calling for applications from candidate beneficiary organizations. In February 2015, the Endless Donation Committee (composed of outside experts and Daiwa House Industry employees) carried out final screening

and selected beneficiaries on the basis of the presentations of their projects and interviews between them and Daiwa House Industry. In the future, instead of simply giving out financial assistance, we hope to actively collaborate with beneficiary organizations in their projects aimed at improving the situations surrounding various societal issues.



The representative of a candidate beneficiary organization passionately presenting its project

### Endless Donations (actual amounts donated in FY 2014)

Category	Total amount	Beneficiary organizations
Social welfare	¥4,590,000	NPO Doctors without Borders NPO Association for Aid and Relief, Japan NPO Nanbyo Net Public-interest Corporation Japan Organ Transplant Network NPO Japan Association for the World Food Program (WFP) Public-interest Corporation Alzheimer's Association Japan NPO Monkey Magic
Environment	¥2,570,000	Public-interest Corporation WWF Japan NPO Green Earth Center Public-interest Corporation National Land Afforestation Promotion Organization NPO Solar Bear Foundation Public-interest Corporation Japan Environmental Education Forum
Education	¥3,360,000	Private Organization Ashinaga NPO Japan Academy of Entrepreneurship (JAE) NPO Association of Following Wind (Tokyo) NPO Children without Borders NPO ChildLine Support Center Japan Social Welfare Corporation Carillon Children Center NPO SEEDS Asia NPO Habitat for Humanity Japan
Total	¥10,520,000	



Related subject **Daiwa House Group CSR efforts**  
**Endless/Heart Donations**

### Heart Donation

Emergency donations are collected from employees following an event that has caused serious damage to society.

### Heart Donation (actual amount donated in FY 2014)

Event	Donation by Daiwa House Group	Total amount	Beneficiary
Mudslide in northern Hiroshima City	¥12,419,283	¥12,419,283	Hiroshima City
Total		¥12,419,283	



Osaka Symphony Orchestra in concert

## Support for Osaka Symphony Orchestra

Since 2006, Daiwa House Industry has been supporting Osaka Symphony Orchestra as its principal corporate sponsor. Established in 1980, Osaka Symphony Orchestra carries out various activities, including periodic concerts, theme-based concerts, and the production of original CDs. Daiwa House Industry's active mécénat is particularly centered on the orchestra's concerts.

## Support for Community Building

36 issues of social responsibility addressed in ISO 26000

★Community involvement

\*Those marked with ★ are Daiwa House's 12 priority issues.

### Events for Homeowners

In Hikarigaoka Eco Town in the Smart Eco City of Sagami-hara, the residents sign an agreement on townscape preservation, under which they are required to keep and care for trees and plants to maintain a green townscape. As the new town development promoter, Daiwa House Industry organizes gardening seminars on a permanent basis, hoping that the residents will enjoy gardening in general, in addition to their townscape-creating duty. We also carry out other regular environment-related events targeting homeowners, to help cultivate their sense of community and environment.



### Interactive Events at Disaster Relief Housing Estates

The Sendai Branch organized events supporting friendly interactions between old and new residents in Ishinomaki City, Miyagi Prefecture. In the hope of contributing to the formation of a sense of community between and among local residents and those who have newly arrived to live in the three disaster relief housing estates built by Daiwa House Industry, our local staff took the initiative in planning and implementing events such as a traditional bean-scattering ceremony, rice cake-pounding, and communal meals. We intend to continue to carry out similar events in the future.



### Community Building through the Production of a Hometown Folding Screen

In May 2015, Daiwa House Industry and two district associations of local residents in Hayama Town, Kanagawa Prefecture, completed a Hayama hometown folding screen. It depicts a local landscape and people's daily lives in Hayama in the 1950s, as recounted by the town's older residents. The folding screen was realized with the involvement of members of the Kikoba and Kamiyamaguchi District Associations, Kanto Gakuin University faculty members and students, and Daiwa House Industry employees. The production of the folding screen was pursued amid friendly inter-generational dialogues about lifestyles and cultural activities in the good old days.



Unveiling of the completed hometown folding screen

## Contribution to Society through Businesses

“Asu Fukaketsuno” businesses

### Contributing to Society through the “Asu Fukaketsuno” Businesses

Since its establishment, Daiwa House Industry Co., Ltd. has always cherished and adhered to the principle of serving society through business operations. As exemplified by its inaugural product, The Pipe House, born out of the desire to provide housing highly resistant to natural disasters, Daiwa House Industry, as a pioneering industrialized housing provider, has created numerous products that effectively respond to the challenges facing society. We continue to offer next-generation products and services that greatly contribute to the building of a sustainable society, squarely addressing such societal issues as population problems (population explosion in worldwide terms and birthrate decline and aging in developed countries), climate change, and disaster reduction.

“Asu Fukaketsuno (indispensable for tomorrow)” technologies and services for co-creating new values for individuals, communities, and people’s lifestyles

	<b>Su: Speed &amp; Stock</b>	<b>A: Anshin &amp; Anzen (Safety and Comfort)</b>	
Narrow-space inspection robot: Moogoo® *“Moogoo” is a registered trademark of Daiwa House Industry Co., Ltd.			
	<b>Fu: FUKUSHI (Welfare)</b>	<b>Fu: FUKUSHI (Welfare)</b>	
Self-support assistive robotic suit: Robot Suit HAL® (welfare type)			
	<b>Ka: KAnkyo (Environment)</b>	<b>Ke: KEnko (Health)</b>	
Ichihara Mega Solar		Joint research with Nara Medical University	
	<b>Tsu: TSUshin (Information-Communication Technology)</b>	<b>No: NOgyo (Agriculture)</b>	
Original ICT-based energy management system: D-HEMS		Launch in 2012 of agri-cube, a plant cultivation unit, to industrialize agriculture	

\*Those marked with ★ are Daiwa House’s 12 priority issues.  
36 issues of social responsibility addressed in ISO 26000  
Technology development and access  
Health  
Employment creation and skills development  
Wealth and income creation

### A: Anzen & Anshin (Safety and Comfort)

#### Energy-absorbing anti-seismic wall: D-NΣQST

D-NΣQST (pronounced “D-next”) is standard equipment in xevoΣ, Daiwa House’s highest-grade single-family house featuring sustained anti-seismic resistance, larger open interior spaces, and wider wall openings. The key to the wall’s sustained anti-seismic resistance is the built-in Σ-shaped device. The wall’s unique interior structure enables the wall to gently move vertically in response to strong vibrations, thereby effectively absorbing seismic energy. It is strong enough to withstand a series of earthquakes of level 7 on the Japanese seismic scale. It also alleviates the breadth of sways caused by an earthquake, containing the movement quickly and thereby minimizing damage to the outer walls and the building structure itself.



Related subject **xevoΣ concept**

#### Large-scale life-size simulation at “E Defense”

In 2006, Daiwa House Industry was the first private corporation to carry out a life-size seismic experiment of two xevo houses (a seismic-resistant house and a seismic-regulating house) simultaneously, using the 3-D Full-Scale Earthquake Testing Facility (popularly known as “E-Defense”) of the National Research Institute for Earth Science and Disaster Prevention (NIED) in Miki City, Hyogo Prefecture. In 2013, Daiwa House Industry conducted a life-size seismic experiment of xevoΣ, demonstrating the house’s safety in the face of repeated huge earthquakes.

Related subject **Lifestyles: Building Earthquake-resistant houses**

#### Small-diameter steel pipe pile: D-Tech Pile

Daiwa House Industry has developed the D-Tech Pile construction method, which realizes safety-assured construction on relatively soft ground. The D-Tech Pile has been approved to bear the “Eco” mark as an environmentally responsible product featuring safety and reduced waste soil generation.



#### Non-bendable D-Tech Brace

D-Tech Brace is an energy-absorbing construction brace that does not bend under the compressing power of an earthquake. It minimizes sways caused by repeated earthquakes, controlling damage to pillars, beams, and other structural parts, as well as internal and external walls, thereby enabling safety-assured long-term use.



Application example: D Project, Hachioji

#### Advanced complex-structured beam: D-Tech PC-Beam

The D-Tech PC-Beam is a complex structured beam combining factory-manufactured pressed concrete (PC) and a steel frame. It ensures the stable quality of factory manufacturing, on-site labor saving, shorter construction periods, and reduction in environmental burdens, while at the same time realizing a large open interior space.



Application example: D Project, Kita Hachioji, Building A (logistics facility)

#### Reinforcement of anti-crime performance and awareness

Based on the idea that anti-crime performance should be a basic feature of housing units, Daiwa House Industry has been working as a pioneer in the homebuilding industry in implementing tangible measures in that aspect. For example, ahead of the revision of the Housing Quality Assurance Act in April 2006 (the addition of an item concerning crime prevention to the mandatory indication of housing unit functionality), in May 2003, Daiwa House Industry adopted anti-crime specifications for all single-family houses it builds, actively using building components bearing the “CP” mark\*, proof of the high anti-crime performance required for the mention of crime prevention measures in the indication of housing unit functionality. The company is also active in raising the anti-crime awareness of house owners and tenants and in improving the anti-crime preparedness of communities by encouraging appropriate exterior designs.

\* Daiwa House Industry promotes the use of components bearing the “CP” mark especially for ground-floor openings, designated as sections for priority crime prevention measures. For example, components bearing the “CP” mark were used in 7,923 of the 9,135 sets of front doors of the single-family houses that Daiwa House Industry completed in fiscal 2014 (about 87%).



CP mark

#### Generalization of rental housing featuring reinforced anti-crime measures

In 2010, Daiwa House Industry commenced the sale of rental housing units featuring reinforced anti-crime measures, believing that high-level crime prevention performance should be a basic feature of housing units. At present, such rental housing units account for almost 90% of the total rental units built by Daiwa House Industry. By providing rental housing units with a home security system including emergency personal assistance, special anti-crime devices for front doors and windows, and more as standard equipment, Daiwa House Industry ensures safety and security in the living environment especially of women living alone, frequently absent double-income families, and children having to house-sit alone.



Rental apartment building featuring reinforced anti-crime measures, Sejour WIT-S

Related subject **Rental housing units featuring reinforced anti-crime measures**

## ■ Housing estate with high-level security assurance

The Smart Eco Town Harumidai, developed by Daiwa House Industry, has a town-wide security system to ensure high levels of security and comfort in community life. Five surveillance cameras are installed at the town's entrances. In addition to anti-crime LED streetlamps, the external lighting systems of individual housing units are linked with a timer, so that all the lighting apparatuses in the town automatically turn on at the same time. The estate remains safe at night.

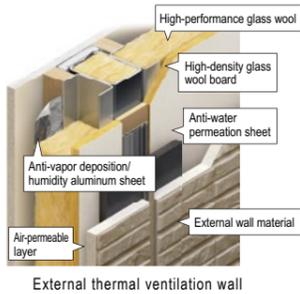


Smart Eco Town Harumidai

## ■ Su: Speed & Stock

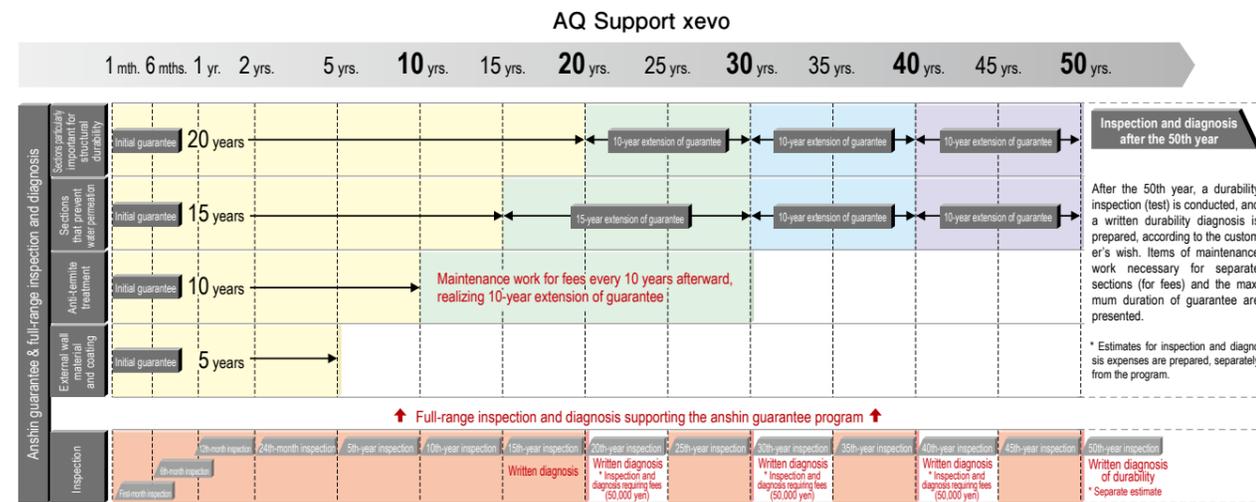
### ■ External thermal ventilation wall

This innovative external wall ensures the safety of a housing unit and maximizes its service life. The wall provides an external barrier, composed of a high-density fiber-based insulating material and an air-permeable layer, thereby minimizing the risk of condensation inside the wall and water leakage due to rainwater permeation. As a pioneer in the industry, Daiwa House Industry launched the sale of steel-frame single-family houses featuring this technology under the "xevo" brand in 2006, ahead of the introduction of the long-lasting high-grade housing certification system in Japan. The brand has since been Daiwa House Industry's main product in the single-family housing segment.



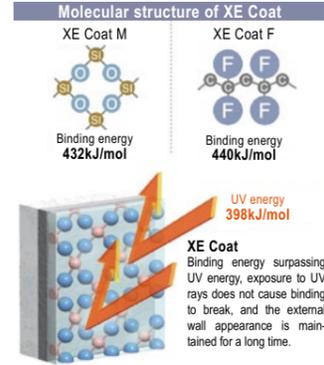
External thermal ventilation wall

### ● AQ Support xevo, an inspection and guarantee program



## ■ Building protection mechanism

Daiwa House Industry's original technologies reduce the need for housing maintenance, including the "XE Coat," which prevents the deterioration of external wall painting due to ultraviolet rays, and the external thermal ventilation wall, which mitigates structural deterioration. The AQ Support Program, which features periodic inspection and maintenance, provides long-term protection of housing units against deterioration.



## ■ Expansion of housing renovation business

Our housing renovation business, which commenced as Daiwa House Reform Co., Ltd. in April 2013, has entered its third year. The company's mission, expressed under the slogan "Heart One Reform," is to realize the evolution of each housing unit in the optimal manner at the time of its renovation project within the lifecycle of the occupants and the surrounding environment. The company promotes assured renovation centering on housing inspection and diagnosis.



Related subject [Daiwa House Reform Co., Ltd. website](#)

## ■ Fu: FUKUSHI (Welfare)

### ■ Friendly Design

"Friendly Design" is Daiwa House Industry's original concept of a universal design that is also aesthetically pleasing. A large number of items designed based on this concept have been adopted to furnish the "+ child first" House\* produced by Mr. Masato Ochi, a member of the team promoting the Ikumen Project (encouraging fathers to play an active role in child-rearing) of the Ministry of Health, Labour and Welfare of Japan. The house enchants and inspires visitors for its innovative originality.



\* + child first\* House

\* The "+ child first" house is a concept house that opened in the autumn of 2014 on a corner in the Smart Eco Town Yoshikawaminami in Saitama Prefecture.

Related subject [Opening of "+ child first" House \(news release\)](#)

### ■ Silver Age Research Center

Daiwa House Industry's Silver Age Research Center conducts specialized studies and investigations about health care and nursing facilities for the elderly. Drawing on Daiwa House Industry's achievements as the industry's best performer and homebuilding-related know-how accumulated over many years, the research center compiles proposals to respond to the needs of medical institutions, nursing care companies, and local communities. The center has been involved in the construction of 4,424 health care and nursing facilities (as of the end of March 2015), thereby contributing to local communities.

### ■ Development of care-giving businesses

- Proposals for housing units for the elderly that ensure security, comfort, and health care and nursing services

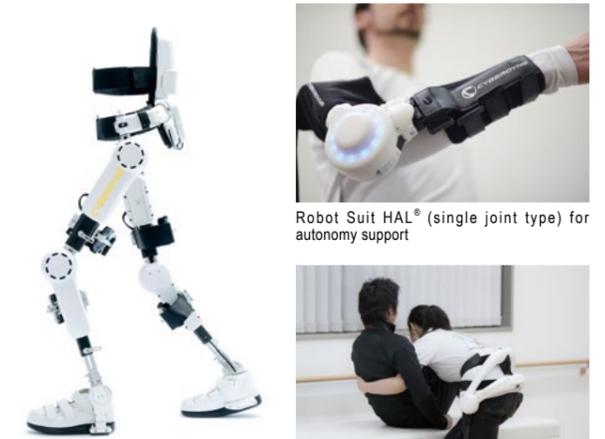
Based on the basic concept of "aging in place\*," we propose construction projects of housing units for the elderly (service apartment buildings for the elderly), in which services supporting elderly persons' autonomous lives are provided in partnership with health care and nursing facilities.

\* "Aging in place" refers to a situation in which elderly people stay in a familiar environment (their community, their own home, etc.) while remaining in good health and enjoying a fulfilling lifestyle.

### ● Robotics-based business

We sell robots such as Robot Suit HAL® (lower limb type, single joint type), which support the autonomous movement of the elderly and persons with disabilities; Robot Suit HAL® (lumbar type), which reduces the burden on the care giver's lower back; Paro, a mental-commitment therapy robot modeled after a baby harp seal; and Minelet Sawayaka, an automatic human waste disposal robot, as well as welfare apparatuses such as COMUOON, which facilitates the hearing of human voices for those with auditory impairments; and JINRIKI, a traction-type wheelchair assisting system that facilitates wheelchair movements over uneven surfaces, uphill inclines, and unpaved roads.

\* Robot Suit HAL® is a registered trademark of CYBERDYNE Inc. Paro is a registered trademark of Intelligent System Co., Ltd. COMUOON is a registered trademark of Universal Sound Design Inc. JINRIKI is a registered trademark of Masayoshi Nakamura.



Robot Suit HAL® (single joint type) for autonomy support

Robot Suit HAL® (lumbar type) for the care giver

Robot Suit HAL® (lower limb type) for autonomy support



Paro, a mental-commitment therapy robot

COMUOON, conversation support apparatus



JINRIKI, traction-type wheelchair assisting system

## ■ Ka: KANKYO (Environment)

Daiwa House Industry's efforts for environmental protection are presented in detail on p. 23 "Feature 2: Creating zero-energy-loss houses, buildings, and towns" and on p. 89-124 "Environment."

The Environment Report 2015, mainly comprising information relating to the environment excerpted from this report and re-edited, also carries additional information such as our strategic activities for environmental protection that are promoted as part of our business strategies, such as the development of renewable energy-based power generation business, as well as detailed statistical data.



Feature "Creating zero-energy-loss houses, buildings, and towns"

Feature "Needs of the times: The sun, wind, and water"

## Ke: *KE*nko (Health)

### Proposing a slow lifestyle through forest-side housing development

Since 1971, Daiwa House Industry has developed forest-side towns at 14 locations across Japan, from Hokkaido to Kagoshima Prefecture. These new towns are complete with infrastructure including water supply and drainage systems, and even hot springs in most of them. We perform maintenance and administrative duties to provide house owners with security and comfort-assured lives. The houses have been purchased not only as holiday houses but also as principal residences.



A line of houses at Royal City Aso Ichinomiya

Gardening seminars and other events are regularly held for house owners.

Related subject **Daiwa House Forest-side Housing Development**

Related subject **Forest-side house owners' association, Slow-na Club**

### Contributing to people's health enhancement through the management of fitness clubs

Daiwa House group operates the fitness club NAS at 69 locations across Japan. It provides a full range of fitness programs that help members and users achieve their various objectives such as slimming down, completing a full marathon, and mental & physical relaxation. NAS is in the business of maintaining and enhancing people's mental and physical health through the joy and pleasure of sports and other physical activities.

NAS also organizes timed walking events for senior citizens and cooperates in a muscular strength program for the elderly in Musashino City, Tokyo. Moreover, we hold seminars on physical activities for the purpose of helping elderly people stay in good health in several communities including Chiba City, Chiba Prefecture; Saitama City and Shiki City, Saitama Prefecture; and Chigasaki City, Kanagawa Prefecture, to encourage elderly people to stay physically active, contributing to their health enhancement and supporting their continued autonomy.



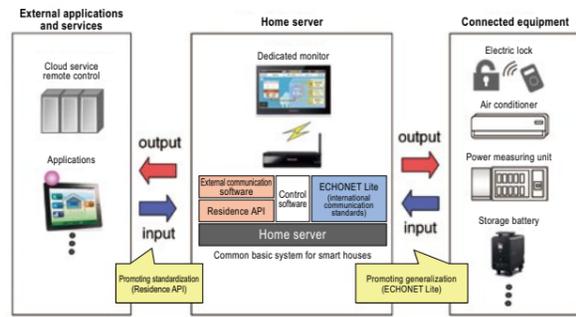
A scene from a muscular strength enhancement program

Related subject **Fitness Club NAS website**

## Tsu: *TSU*shin (Information-Communication Technology)

### Development of the common basic system of smart houses

We are actively working on the generalization of the common basic system for smart houses, which can be utilized not only for energy and power conservation but also various daily services that ensure security, comfort, welfare and health.



Conceptual illustration of Daiwa House's common basic system for smart houses

Related subject **Residence API**

### Development and generalization of smart houses

D-HEMS is a highly generally applicable home energy management system containing ECHONET Lite, an international communication protocol for home electric appliances and equipment, and Residence API, an application development tool. This system constitutes a basic technology that realizes practical utilization of our "Smart Eco" smart houses.

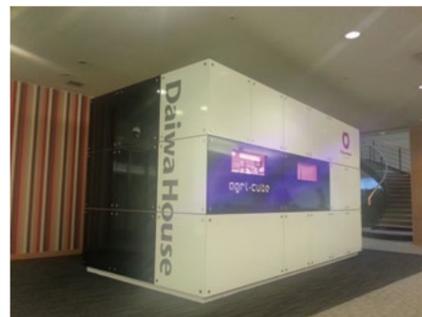


Related subject **Smart Eco**

## No: *NO*gyo (Agriculture)

### Sale of agri-cube, a plant cultivation unit

In our agricultural business segment, we sell agri-cubes, units which facilitate the cultivation of vegetables. In these small buildings is packaged equipment for air-conditioning, lighting, water culture and more. Due to their excellent convenience, many inquiries have been received from both within Japan and abroad.



Agri-cube installed on the second floor of the Tokyo Head Office

# Environment

Recognizing environmental issues as being global issues, we established the "Environment Vision" in 2005, which aims to create a society in harmony with the environment. In accordance with the Medium- to Long-Term Environment Vision 2020, which was designed to achieve the 2005 Environment Vision, our efforts have been focused on achieving "zero environmental impacts" in the lifecycles of houses and buildings.

The section on the environment (pages 89–124) is a report based on the Group's Action Plan for the Environment (Endless Green Program 2015). The "Environmental Report 2015," which was prepared by reediting this report with some additional information, has undergone a third-party verification process. (Items verified are marked with ✓)

(For the relationship between issues we deal with and those addressed in ISO 26000, please see the "ISO 26000 Correspondence Table" on our website.)

### Principal Assessment Indicators

Contributed CO <sub>2</sub> reduction amount	3,902,000 tons-CO <sub>2</sub>
Rate of CO <sub>2</sub> emissions reduction per sales unit compared with fiscal 2005 levels	△43.6%
Green covered area	761,000 m <sup>2</sup>
Reduction rate of construction waste emissions per construction area compared with fiscal 2012 levels	△14.7%

Environment Vision/Medium- to Long-Term Environment Vision 2020	089
Action Plan for the Environment (Endless Green Program 2015)	091
Environmental Management and Supply Chain Management	095
Environmental Risk Management	097
Global Warming Prevention (Energy/Climate Change)	099
Harmony with the Natural Environment (Preservation of Biodiversity)	107
Conservation of Natural Resources (Waste Reduction/Water Resource Conservation)	111
Prevention of Chemical Pollution	115
ECO Technology (Development of Environmentally Conscious Technology)	119
ECO Communication	121

## Environment Vision

In 2005, the Daiwa House Group drew up its "Environmental Vision," encompassing its environment philosophy, focal themes for environmental activities, and environment action guidelines. The Daiwa House Group works as one to promote environmental activities.



### Environment philosophy

As a Group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group considers the future of our environment and provides products and services that are more environmentally friendly, for the purpose of realizing a society where people live with a sense of enrichment in harmony with their environment.

### Focal themes of our environmental activities

In order to realize a "society where people live with a sense of enrichment in harmony with their environment," we established the following four categories as the focal themes for our environmental activities.

#### 1. Prevention of global warming

We will promote energy conservation in the products and services that we provide to our customers, as well as in our business activity processes, in order to create a low-carbon society. We will also make efforts to utilize natural energy such as solar and wind power.

#### 3. Harmony with the natural environment (Preservation of biodiversity)

We will strive to preserve our natural environment on a global level, such as through the protection of forests, in order to be able to pass on a rich natural environment to future generations. We will also promote town planning that blends with the surrounding environment, as well as making green efforts.



#### 2. Conservation of natural resources

We will promote the 3R\* toward the realization of a recycling-oriented society. We will also implement energy conservation, longer durability, and resource recycling with regard to the lifecycles of our products. \*3R: Reduce, Reuse, Recycle

#### 4. Prevention of chemical pollution

We will promote the reduction, substitution, and appropriate management of chemical substances, so that human beings and other ecosystems will not receive adverse effects from such chemical substances.

### Environment action guidelines

#### 1. Reduce the environmental burden of our products and services

We apply an environmentally conscious approach to the planning and design of the whole lifecycle so that we can provide products and services with less environmental impact.

#### 2. Reduce the environmental burden within the process of our business activities

We identify the impact on the environment at every step of all business activities, and make constant efforts to make improvements in order to reduce environmental impacts.

#### 3. Compliance with laws and regulations

We comply with applicable laws and regulations and stakeholders' demands that we have agreed to meet, in order to remain a trustworthy corporate citizen.

#### 4. Enhancement of education and training

We establish our Environmental Management System and regularly provide training and education in order to remind us of the importance of the environment, and undertake environmental activities with creative ideas.

#### 5. Promotion of environmental communication

We actively disclose information on environmental issues and reflect the results from dialogues with all stakeholders in our environmental activities now and in the future.

#### 6. Promotion of green procurement

We procure environmentally friendly materials and products through cooperative efforts with our business partners.

#### 7. Development of environmental technologies and businesses

We develop technologies and business models that contribute to reducing environmental impacts, and take on challenging opportunities to start new, global and innovative business.

Effective on April 1, 2005

## Medium- to Long-Term Environment Vision 2020

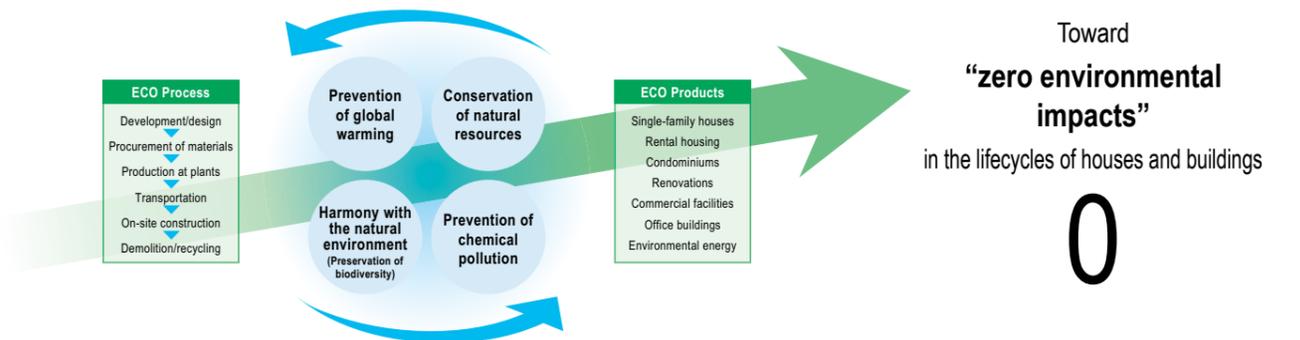
To achieve the Environment Vision, we established the Medium- to Long-Term Environment Vision 2020 in 2011 for the next 10 years, which defines specific mid-term goals for achieving "zero environmental impacts in the lifecycles of houses and buildings," in terms of both "business activity processes" and "products and services." Based on this vision, our efforts to address environmental issues have been accelerated.

In particular, to prevent global warming, which is one of the focal

themes of our environmental activities, we aim to reduce the CO<sub>2</sub> emissions of our Group by 30% in total by 2020, with fiscal 2005 as the reference year. The year 2005 marked the establishment of the Environment Vision. With regard to houses and other buildings we provide, we aim to achieve zero CO<sub>2</sub> emissions from new single-family houses by 2020 and from rental housing, condominiums, shops and office buildings by 2030.

### Medium- to Long-Term Environment Vision 2020

The Daiwa House Group aims to create a society where people live with a sense of enrichment in harmony with their environment, and achieve "zero environmental impacts" in the lifecycles of houses and buildings.

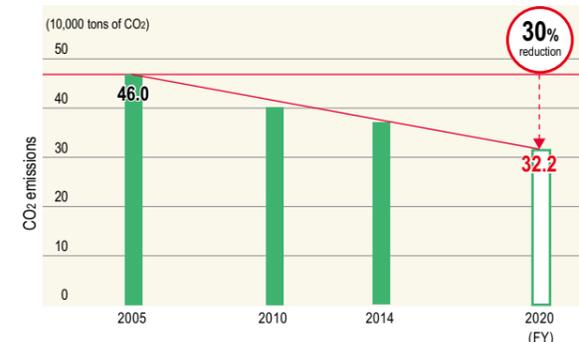


### Mid-term goal for each focal theme

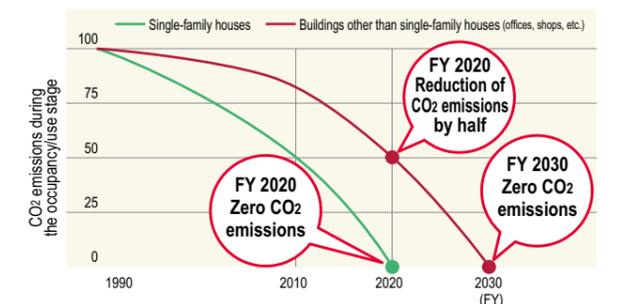
Business activity process	Mid-term goal
Prevention of global warming	Reduce CO <sub>2</sub> emissions of the Daiwa House Group by 30% compared with fiscal 2005 levels by 2020.
Conservation of natural resources	Reduce waste emissions from the manufacturing and construction of new houses and buildings by at least 30% compared with fiscal 2010 levels by 2020, and further promote zero-waste emission efforts.
Preservation of biodiversity	Replace current processes in the procurement of construction and raw materials used for building new houses and buildings and in all development projects, with processes that take into account the conservation of biodiversity by 2020.
Reduction of toxic chemicals	Reduce the release and transfer of toxic chemicals* by at least 10% compared with fiscal 2010 levels, and also reduce volatile organic compound (VOC) emissions from manufacturing processes by at least 20% compared with fiscal 2010 levels. * Class 1 chemical substances specified by the PRTR Law

Products and services	Mid-term goal
Prevention of global warming	Achieve net-zero CO <sub>2</sub> emissions from residence in new single-family houses that are annually provided by our company, on average, by 2020. Achieve net-zero CO <sub>2</sub> emissions during the occupancy/use stage of newly constructed buildings (excluding single-family houses) that are annually provided by our company, on average, by use, by 2020.
Conservation of natural resources	Develop technologies to prolong the life of skeletons and improve the variability of infills, and establish a system to maintain property values and promote the distribution of housing stock.
Preservation of biodiversity	Design new single-family houses and buildings in harmony with their environment and promote development projects that take into account biodiversity conservation, in order to assume leadership in developing communities in harmony with their natural surroundings.
Reduction of toxic chemicals	Minimize the risks posed by toxic chemicals used in construction materials and develop health conscious products (specifications) to meet diverse customers' needs.

### CO<sub>2</sub> emissions in the process of our business activities (entire Group)



### CO<sub>2</sub> emissions during the occupancy/use stage of houses and buildings provided by our company (With the 1990 specifications as 100)

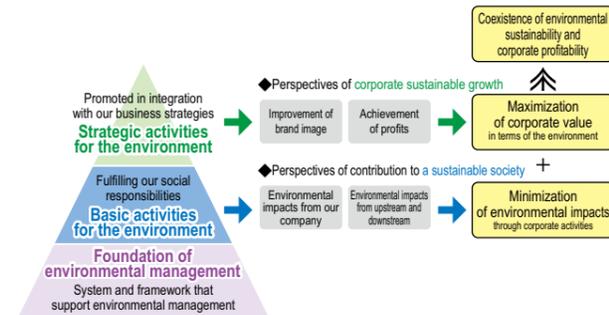


## Action Plan for the Environment (Endless Green Program 2015)

To achieve its Environment Vision, the Daiwa House Group develops and implements the Endless Green Program, which includes specific goals and plans approximately every three years, in line with the time-frame of the medium-term management plan.

The Endless Green Program 2015, covering the period between fiscal years 2013 and 2015, sets new specific goals to accelerate our efforts, based on the concept of "coexistence of environmental sustainability and corporate profitability," with an emphasis on "strategic activities for the environment," which are promoted in integration with business strategies, including environmentally conscious efforts in homebuilding, construction and town planning. We also encourage all employees of the entire Group to engage in "basic activities for the environment," which are designed to fulfill our social responsibilities, such as the prevention of global warming and the conservation of biodiversity. Efforts are also made to enhance the "foundation of environmental management," including systems and frameworks that support the aforementioned activities.

### Framework of the Action Plan for the Environment



### [Strategic activities for the environment]

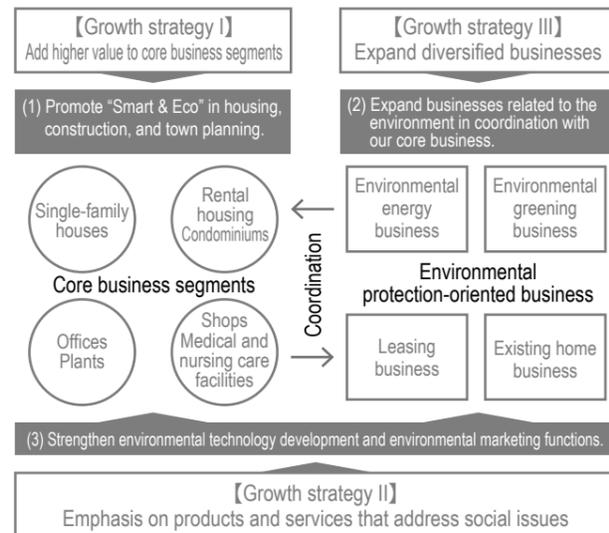
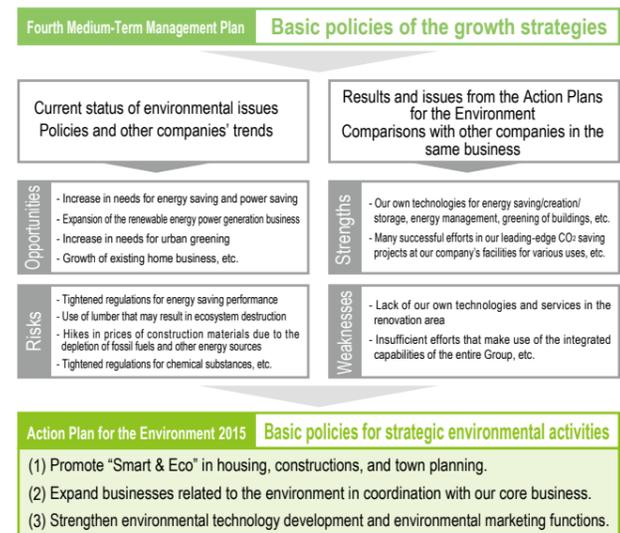
As one of our growth strategies, greater emphasis on creating "smarter" and more eco-friendly houses and buildings, and expanding eco-friendly business

In developing the basic policies, we first of all identified opportunities and risks in terms of environmental business based on the current status, policies, other companies' trends, and other factors related to social and environmental issues, in line with the growth strategies in the Medium-Term Management Plan. We also identified our "strengths and weaknesses" based on results and issues from the Action Plans for the Environment implemented in the past, as well as by making comparisons with other companies in the same business. We then analyzed these identified results to determine the basic policies and focal themes for strategic activities for the environment, and set goals in line with the management plan in each business area.

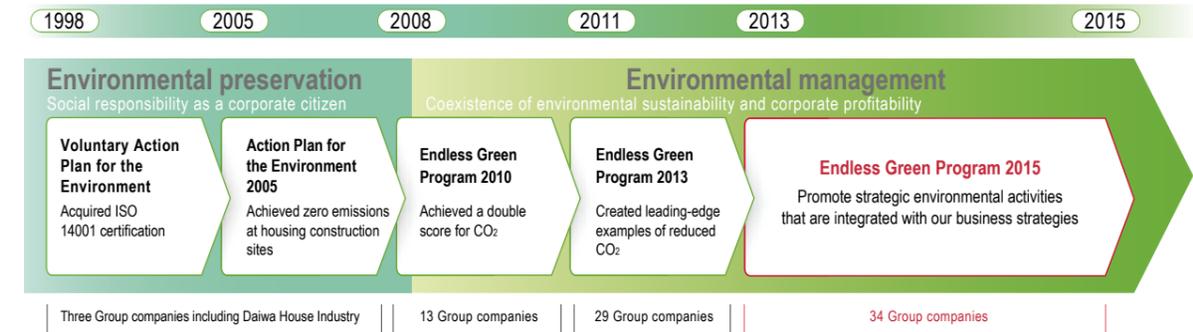
As the population of Japan decreases, it is expected that the new housing and construction market will shrink. Under this business environment, it is essential for the Daiwa House Group to add higher value to its core businesses, such as housing and construction, and enhance and expand diverse related business areas in order to maintain growth. One of our major efforts to address environmental issues is to achieve zero-energy houses and buildings, which will significantly contribute to increasing added value in all business segments.

Since we launched three zero-energy projects, in each of the homebuilding, construction and town planning areas in 2011, we have created zero-energy models at housing exhibitions, our company's facilities, lands for sale, and various other places. These models were also used to verify technologies developed by our company. In the three years of the Endless Green Program 2015, we will apply these models to other houses and buildings to increase "smarter" houses and buildings. Unlike manufacturers dedicated to homebuilding and general construction contractors, the Daiwa House Group is a conglomerate that constructs many houses and buildings for diverse purposes and consists of many companies providing various kinds of services. We will make the best use of the strengths of the conglomerate in developing complex communities and creating smart cities, each with its own unique characteristics, throughout Japan.

In our efforts to diversify our business, with emphasis on achieving low-carbon societies, recycling-oriented societies, and societies in harmony with nature, we will promote the growth of environmental protection-oriented business to address social issues, such as environmental energy business and existing home business.



### History of the Action Plan for the Environment



### [Basic activities for the environment]

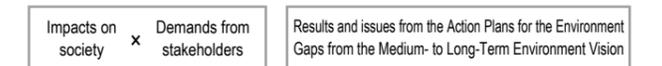
#### Continuous promotion of four ECO efforts according to three phases

We are accelerating our efforts in both the "ECO Process" aspect, in which we seek to reduce the environmental burden by increasing the efficiency of our business activity process, and in the "ECO Products" aspect, in which we develop and promote housing and construction that are considerate toward the environment. We are also promoting the research and development of "ECO Technology," which will become the foundation for next-generational environmental technologies, as well as giving efforts toward "ECO Communication" to effectively spread information on our environmental efforts.

In the three years of the Endless Green Program 2015, our efforts will be focused on strategic environmental activities. To promote these activities, it is important to ensure the successful implementation of basic activities for the environment. We will continue to promote the four ECOs and the four focal themes from the perspective of corporate social responsibility.

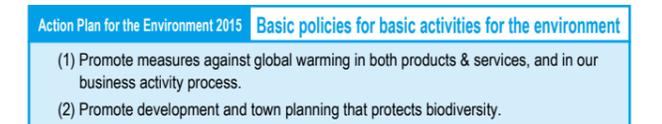
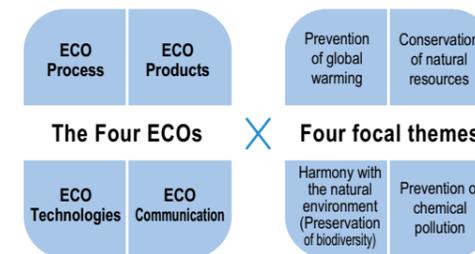
In reviewing the basic policies this time, we divided our activities into the following three phases in order to differentiate activities that have been

sufficiently addressed from those that still need improvement, taking into account impacts that our company may have on society and demands from stakeholders as well as gaps between the current level of efforts and the medium- and long-term goals: [priority issues], [continuous improvement] and [maintenance and management]. We also set goals for these groups.



Themes	ECO products	ECO process
Prevention of global warming	● Increase in contribution to reducing CO <sub>2</sub> emissions	● CO <sub>2</sub> emissions reduction
Conservation of natural resources	● Increase in the durability of housing ● Increase in resource recycling-oriented products	● 3R of waste (reduce, reuse, recycle)
Harmony with the natural environment (preservation of biodiversity)	● Town planning in harmony with nature	● Continuation of wood procurement assessment ● Implementation of the guidelines for procurement assessment by the entire Group
Prevention of chemical pollution	● Increase in chemicals for which indoor air quality management is required ● Management of chemical substances by the entire Group	● Promotion of improvement activities involving the entire Group

● Priority issues: Issues that need to be further addressed  
● Continuous improvement: Issues that have been addressed and have already reached a high level but need continuous efforts to ensure further improvement  
● Maintenance and management: Issues that have been addressed and have already reached a high level and will be addressed to maintain the current level



### [Foundation of environmental management]

#### Expansion to include overseas Group companies and supply chains, and the establishment of a system that encourages the development of human resources and the participation of all employees

It is essential to strengthen the foundation of environmental management, including promotion systems and plans, in order to implement strategic and basic environmental activities steadily and efficiently. In the three years of the Endless Green Program 2015, based on the understanding that stakeholders have recently placed emphasis on environmental activities involving cooperative efforts among the Group and supply chains\* in their assessment of the corporate environmental management, our efforts will be focused on sharing the environmental policies with major Group companies located in foreign countries and understanding the environmental impacts posed by their activities. We also promote cooperation with our business partners—including affiliate companies engaged in the manufacture and construction of houses and buildings, material procurement companies, and affiliate companies providing facility maintenance services—in energy saving activities, the development of environmentally conscious products, and other activities.

The development of human resources is also essential for the promotion

of environmental management, as it is for business management. We will therefore develop leaders equipped with environmental knowledge and executive ability through the Group's joint working in promoting information sharing among companies and departments. To bring ingenuity and creative ideas with a bottom-up approach, it is important for all employees to be voluntarily engaged in environmental activities. We will provide improved environmental education and training programs designed for all employees with the aim of further promoting their activities.

\* A network of organizations involved in activities from the supply of products and services to the delivery to consumers



## Results in the "Endless Green Program 2015" and Self-assessment

Of the KPIs of the 20 items related to focal themes for each activity, 16 items have reached their targets. There were no items whose KPIs were worse than those of the previous year.

🟢 : Goal for fiscal 2014 achieved  
 🟡 : Goal for fiscal 2014 not achieved (improved from the previous year)  
 🟠 : Goal for fiscal 2014 not achieved (worsened from the previous year)

Basic policies	Focal themes	Management indicator (KPI)	Scope	Fiscal 2013 results	Fiscal 2014 goal	Fiscal 2014 results	Self-assessment	Fiscal 2015 target	Corresponding page		
Strategic activities for the environment	Promote "Smart & Eco" in housing, constructions, and town planning.	Built-for-sale houses	Number of developed smart cities	Daiwa House Industry	4	≥ 4	7 (11 in total)	🟢	≥ 4 (15 in total)	P105	
		Composite	Number of developed smart cities	Daiwa House Industry	1	≥ 1	1	🟢	≥ 1 (3 in total)		
		Spreading of smart houses and smart buildings	Ratio of "Smart & Eco" products	Daiwa House Industry	37.9%	≥ 45%	38.5%	🟡	≥ 45%	P102	
	Expand businesses related to the environment in coordination with our core business.	Further growth of environmental protection-oriented business	Sales of environmental protection-oriented business	Daiwa House Group	176.2 bn. yen	Approx. 190 bn. yen (1.2-fold compared with fiscal 2012 levels)	205.9 bn. yen (1.3-fold compared with fiscal 2012 levels)	🟢	Approx. 210 bn. yen (1.3-fold compared with fiscal 2012 levels)	P94	
			Generation capacity	Daiwa House Group	56.9MW	Approx. 80 MW (6.7-fold compared with fiscal 2012 levels)	101.5 MW (8.5-fold compared with fiscal 2012 levels)	🟢	≥ 120 MW (10-fold compared with fiscal 2012 levels)		
		Promotion of renewable energy power generation business	Ratio of renewable energy power generation	Daiwa House Industry	40%	≥ 80%	113%	🟢	120%	P103	
	Daiwa House Group	10%	≥ 20%	28%	🟢	30%					
	Strengthen environmental technology development and environmental marketing functions.	Development of next-generational eco-friendly products for housing and buildings	Housing	Development of smart houses from consumers' viewpoints	Daiwa House Industry	Development of the three-battery control system	—	Development of a "hybrid system of solar and lithium ion batteries"	—	—	P119
			Building	Evolution of next-generational eco-friendly buildings	Daiwa House Industry	Development of D's FEMS	—	Development of a "passive air-flow window"	—	—	
		Promotion of leading-edge CO <sub>2</sub> saving projects at facilities of our company and Group companies	Newly built	Number of new smart & eco projects	Daiwa House Group	3 new projects	≥ 6 new projects	5 new projects	🟡	≥ 7 new projects (≥ 15 projects in total)	P101
Existing			Total number of new smart & eco projects	Daiwa House Group	4 projects	10 projects	13 projects	🟢	13 projects (continued projects)		

Basic policies	Focal themes	Management indicator (KPI)	Scope	Fiscal 2013 results	Fiscal 2014 goal	Fiscal 2014 results	Self-assessment	Fiscal 2015 target	Corresponding page				
<Prevention of global warming> Promote measures against global warming in both products & services, and in our business activity process.	ECO products	Contribution to CO <sub>2</sub> emissions reduction	Daiwa House Group	Contributed CO <sub>2</sub> reduction amount	3,426,000 tons	3,902,000 tons (1.4-fold compared with fiscal 2012 levels)	3,902,000 tons (1.6-fold compared with fiscal 2012 levels)	🟢	4,200,000 tons (1.7-fold compared with fiscal 2012 levels)	P100			
					39.0% reduction (compared with fiscal 2005 levels)	36.0% reduction (compared with fiscal 2005 levels)	43.6% reduction (compared with fiscal 2005 levels)	42% reduction (compared with fiscal 2005 levels)					
	ECO process	Reduction of CO <sub>2</sub> emissions in the process of business activities	Total amount of CO <sub>2</sub> emissions (after being offset by renewable energy power generation)	Daiwa House Group	14.9% reduction (compared with fiscal 2005 levels)	16% reduction (compared with fiscal 2005 levels)	25.1% reduction (compared with fiscal 2005 levels)	🟢	22% reduction (compared with fiscal 2005 levels)				
					39.0% reduction (compared with fiscal 2005 levels)	36.0% reduction (compared with fiscal 2005 levels)	43.6% reduction (compared with fiscal 2005 levels)	42% reduction (compared with fiscal 2005 levels)					
	Harmony with the natural environment Promote development and town planning that protects biodiversity.	ECO products	Conservation and creation of green spaces in development and town planning	Daiwa House Industry	Development	Compliance rate with the self-standards	100%	≥ 95%	100%	🟢	≥ 95%	P108	
					Town planning	Green covered area	Daiwa House Group	—	705,000 m <sup>2</sup>	761,000 m <sup>2</sup>	🟢		850,000 m <sup>2</sup>
					Built-for-sale houses	Ratio of certification as an environmentally symbiotic housing	Daiwa House Industry	47.6%	80%	48.5%	🟡		80%
	Environmental purposes	Themes for continuous improvement	Management indicator (KPI)	Scope	Fiscal 2013 results	Fiscal 2014 goal	Fiscal 2014 results	Self-assessment	Fiscal 2015 target	Corresponding page			
											ECO products	Houses	Ratio of houses certified under the long-life quality housing certification system
		Buildings	Adoption rate of pre-engineered buildings	Daiwa House Industry	21.9%	23%	24.2%	🟢	25%				
Conservation of natural resources					ECO process	Waste reduction in the manufacturing and construction processes	Daiwa House Group	5.9% reduction (compared with fiscal 2012 levels)	2.0% reduction (compared with fiscal 2012 levels)	13.6% reduction (compared with fiscal 2012 levels)	🟢	1% increase (compared with fiscal 2012 levels)	P112
		New construction	Construction waste emissions per construction area	Daiwa House Group				8.2% reduction (compared with fiscal 2012 levels)	2.0% reduction (compared with fiscal 2012 levels)	14.7% reduction (compared with fiscal 2012 levels)	🟢	13% reduction (compared with fiscal 2012 levels)	
Manufacturing					Recycling rate	Daiwa House Group	98.6%	98%	98.8%	🟢	98%	P113	
		New construction	Recycling rate	Daiwa House Group			96.3%	95%	96.5%	🟢	95%		
Civil engineering					Recycling rate	Fujita	99.8%	95%	98.8%	🟢	95%		
		Renovation	Recycling rate	Daiwa House Group			75.9%	80%	77.4%	🟡	85%		
Demolition					Recycling rate	Daiwa House Group	95.4%	95%	95.8%	🟢	95%		
	Harmony with the natural environment (Preservation of biodiversity)	ECO process	Procurement of sustainable wood	Daiwa House Group			Adoption of the Wood Procurement Guidelines	1 company	3 companies	🟢		P109	
Ratio of domestic timber (wooden houses)					Daiwa House Industry	88%	90%	90%	🟢				
						Conservation of natural resources	ECO process	Reduction of paper and water used in the process of business activities	Daiwa House Industry	Paper	Amount of used paper		1,061 tons
Water	Amount of used water per sales unit	Daiwa House Group	14.6% reduction (compared with fiscal 2012 levels)	17.4% reduction (compared with fiscal 2012 levels)	17.4% reduction (compared with fiscal 2012 levels)					🟢	P111		
			Prevention of chemical pollution	ECO products	Improvement of indoor air quality in residential facilities	Daiwa House Group	Housing	Ratio of facilities that achieved mean concentrations	≥ 96%	≥ 95%	🟢	P116	
Items other than housing	Ratio of facilities that achieved mean concentrations	≥ 100%					≥ 100%	🟢					
Prevention of chemical pollution	ECO process	Reduction of toxic chemicals used in the manufacturing phase	Daiwa House Group	Release and transfer of PRTR-listed toxic chemicals per sales unit	26.0% reduction (compared with fiscal 2012 levels)	34.8% reduction (compared with fiscal 2012 levels)	🟢	P117					
				Daiwa House Industry	Volatile organic compound (VOC) emissions per sales unit	1.4% reduction (compared with fiscal 2012 levels)	7.2% reduction (compared with fiscal 2012 levels)	🟢	P118				

Basic policies	Focal themes	Management indicator (KPI)	Scope	Fiscal 2013 results	Fiscal 2014 goal	Fiscal 2014 results	Self-assessment	Fiscal 2015 target	Corresponding page	
Foundation of environmental management	Expand environmental activities globally to business partners	Identification of environmental impacts at overseas offices	Daiwa House Group	0 companies	100% of subsidiaries	100% of subsidiaries (10 companies)	🟢	100% of subsidiaries (10 companies)	P98	
				Environmental activities via business partners' organizations	Daiwa House Industry	—	—	Development of CSR Procurement Guidelines		Issuance of CSR Procurement Guidelines
	Raise the awareness of all employees to participate in environmental management	Development and implementation of an environmental performance assessment system	Number of companies ranked C or lower	Daiwa House Group	2/15 companies	0/18 companies	0/18 companies	🟢	0/18 companies	P95,96
					Number of worksites ranked B or lower	Daiwa House Industry	24/93 worksites	≤ 10 worksites	2 worksites	
		Implementation rate of ECO training at worksites	Daiwa House Industry	—	100%	96%	🟡	100%	P96	

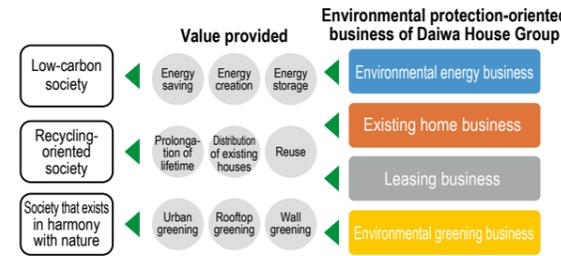
For details of the scope and calculation methods, refer to Pages 53-69 of the Materials and Data section of the "Environmental Report 2015."  
 \*Refer to Page 67 of the Materials and Data section of the "Environmental Report 2015."

## TOPICS Further growth of environmental protection-oriented business

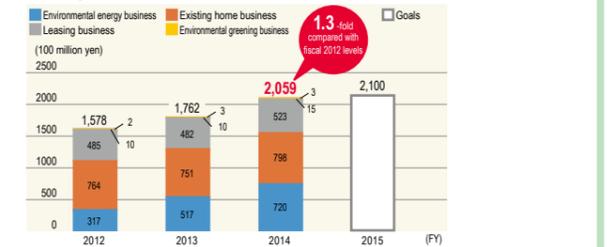
The Daiwa House Group focuses its efforts on addressing issues related to a low-carbon society, a recycling-oriented society, and a society that exists in harmony with nature, which are regarded as growth segments. Particular efforts are made to expand the environmental protection-oriented business to address social issues, such as the environmental energy, existing home, leasing, and environmental greening business segments.

In fiscal 2014, construction contracts for mega-solar systems increased significantly in the environmental energy business. As a result, the sales of the environmental energy business reached 205.9 billion yen, far exceeding the target (a 1.3-fold increase compared with fiscal 2012 levels) and nearing the target for fiscal 2015, of 210 billion yen.

The focus will now be on expanding the electric power retailing business in preparation for the liberalization of the electric power market and creating a market for air purification greening units that remove NOx and PM 2.5.



### Change in sales of environmental protection-oriented business



### Environmental energy business

Volume of contract construction of solar power generation systems  
**198MW**

### From the spread of renewable energies to electric power retailing business

There have been increasing needs to address energy issues due to the necessity of addressing global warming and raised electricity prices as a result of the suspension of the operation of nuclear power plants. In response, the Daiwa House Group aims to expand its environmental energy business by offering proposals in which energy saving, energy creation and energy storage are integrated.

Since the feed-in tariff system was introduced in 2012, our efforts have been particularly focused on offering proposals on large-scale solar power generation for companies and local governments. The volume of contract constructions for fiscal 2014 reached 198 MW, a 2.1-fold increase from the previous year. We will direct our efforts to expanding the electric power retailing business by taking advantage of our extensive list of customers, so as to be prepared for the full liberalization of the electricity retail market in 2016, and the separation of electrical power production from power distribution and transmission in 2018.



### Existing home business

Number of renovated houses  
**44,000 houses**

### Expansion of the renovation business through the effective use of our extensive customer base and diagnosis and inspection technology

With regard to houses, which are used over long periods of time, the best way to protect resources is to prolong their lifespans. Our efforts have been focused on prolonging the lifespans of houses and expanding renovation business by offering detailed proposals, mainly to existing house owners, for renovation using diagnosis and inspection technologies, in addition to other technologies and expertise we have gained over many years as a housing manufacturer.

In fiscal 2014, we placed emphasis on the sales of older houses with proposals to install energy saving devices and a solar power system. As a result, the number of houses we renovated reached 44,000. In the future, we will start the renovation and sales business of existing houses through strengthened cooperation with Group companies.



### Leasing business

Sales from leasing business  
**52.3 bn. yen**

### Greater emphasis on offering proposals for leases of facilities for energy saving and creation, in addition to temporary offices, schools and cars

Use what is necessary, when necessary. After use, reproduce it and deliver it to another person who needs it. This model for the leasing business is identical to the model for the resource recycling business, which is based on the concept of using resources carefully and repeatedly.

In fiscal 2014, in addition to the promotion of sales of our existing lease products, such as temporary offices, schools and cars, we participated in the eco-lease promotion project of the Ministry of the Environment to offer more proposals on energy creation and energy-saving devices. As a result of these efforts, sales of the leasing business were 52.3 billion yen, an 8.5% increase from the previous year. We will increase product variations, such as robot devices for nursing care and greening items, in addition to the above-mentioned facilities and devices.



### Environmental greening business

Green rooftop area  
**20,342 m<sup>2</sup>**  
 Green wall area  
**4,479 m<sup>2</sup>**

### Proposals for the greening of various places in urban areas, such as rooftops and walls

Urbanization has been increasing around the world and, as a consequence, the loss of biodiversity in urban areas has become a serious social issue. Daiwa Lease Co., Ltd., one of our Group companies, develops its own environmental greening business based on the concept of "Greening will change communities." The company makes proposals for the greening of various places in urban areas, such as rooftops, walls, exterior surfaces and indoor spaces, with the aim of improving the urban environment and increasing real estate values.

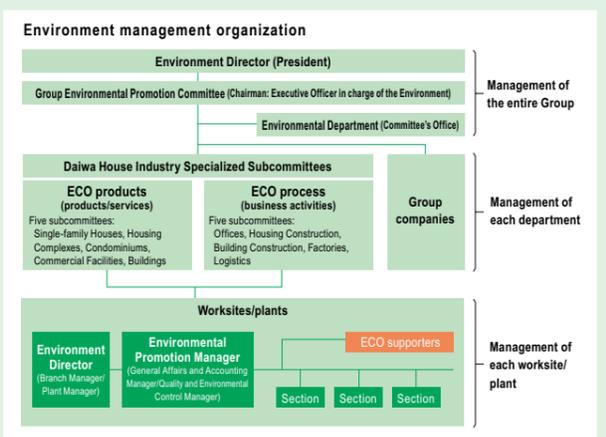
In fiscal 2014, emphasis was placed on the introduction of greening to the Group's facilities and proposals for the greening of local government facilities. As a result, the total greening area combining rooftops and walls was 24,821 m<sup>2</sup>. The company will promote the full-scale introduction of its own air purification greening unit, which was introduced on a trial basis in fiscal 2014.



## Environmental Management and Supply Chain Management

The Daiwa House Group shares its "Environment Vision" with all employees of Group companies and, based on a preventive approach, promotes environmental activities in all aspects of its business activities. To facilitate the promotion, we have established the Group Environmental Promotion Committee with the President (COO) as Director and the Executive Officer in charge of Environment as the chairman. The Committee holds meetings twice a year to discuss and determine basic issues relating to environmental activities that must be addressed by the Group, and instructs on and supervises company-wide environmental activities.

Under the Committee, there are 10 specialized subcommittees, each led by the executive officer in charge. These are cross-departmental small groups, which engage in well-planned improvement activities, including review meetings held once every three months.



### Promotion of Group Environmental Management

One of the basic policies of our Group's Principles of Corporate Ethics is "with the environment." The entire Group is committed to environmental management in line with this basic policy. The scope of environmental management was expanded to include major consolidated subsidiaries with close financial ties to the Group in fiscal 2013; since then, 34 companies in total have worked together to achieve the same numerical targets. In particular, 18 of them, which have larger environmental impacts, are required to include "environmental management" items in their business performance assessment. The progress of the environmental activities of Group companies is assessed in this way.

In fiscal 2014, joint working groups mainly consisting of Environmental Promotion Managers were engaged in addressing cross-group companies' issues, such as energy saving and eco-friendly designs, and applied excellent cases to the entire Group. As a result, 13 out of the 18 companies were ranked A, the highest rank. None were ranked C. In fiscal 2015, we will aim to achieve "zero C-ranked companies" again.

### Group's Environmental Performance Assessment Results



### Acquisition of ISO 14001 and Implementation of Environmental Audits

The Daiwa House Group is certified as having an ISO 14001 environmental management system as shown in the table on the right.

We conduct environmental audits regularly in accordance with ISO 14001. We assess the status of the implementation of the environmental management system as well as the levels of environmental performance, pollution prevention, and risk avoidance, and give instructions to the company's manufacturing segment twice a year and to all of the 10 plants of the Head Office. Audit results are reported to the management.

### ISO 14001 Certification

Company name	Scope certified by ISO 14001
Daiwa House Industry	Manufacturing and Purchase Department (excluding Purchase Department) and all 10 plants
Daiwa Lease	Entire company
Daiwa Logistics	Safety and Quality Promotion Department, Mie Branch, Nara Branch, Osaka Minami Branch (former Kansai Haiso Center)
Fujita	Entire company (excluding overseas offices)

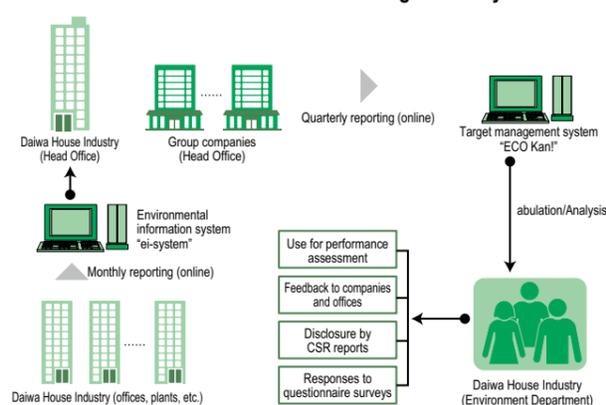
(as of the end of March 2015)

### Management of Environmental Performance Data

Our company has its own environmental information system "ei-system" to collect and tabulate environmental data of worksites and understand and manage the progress of activities on a monthly basis.

We have installed "ECO Kan!", the target management system we have developed, at target Group companies to collect environmental data quarterly, including energy consumption, CO<sub>2</sub> emissions, and waste emissions, and manage the progress. This system allows us to see the level of goal achievement and data of Group companies, and share the information on the progress of environmental efforts within the Group, thereby leading to the further promotion of environmental activities.

### Environmental Performance Data Management System



### Environmental Education

-Nurturing of supporters and improvement of participatory training -

We place emphasis on major environmental risks, such as waste and soil pollution, in specialized education for departments. In general education, we mainly introduce the trends of environmental issues, company policies and excellent cases.

In fiscal 2014, we started providing training to ECO supporters stationed in each worksite, as well as participatory training (twice a year) at worksites to help employees share issues concerning environmental activities and measures to address them at their worksite.

In fiscal 2015, we will improve participatory training programs for worksites and place more emphasis on communicating environmental information to business partners in order to raise their awareness and encourage involvement in environmental management, including supply chains.



Training for ECO supporters

### Environmental Education Provided in Fiscal 2014

Category	Contents	Form	Number of participants, etc.
Specialized education	Waste management	Auditing	At each worksite, twice a year (226 in total)
	Soil pollution control measures	Training	267 participants
	Environmentally conscious designing	Training	77 participants
General education	ECO supporters	Training	Twice a year (188 participants)
	Training for Group companies	Training	52 participants
	Participatory training for worksites	Training	At each worksite, twice a year
	General training for new employees	Training	373 participants

### Employees with Environment-related Qualifications (Daiwa House Industry)

Qualification	Number of qualified employees	Qualification	Number of qualified employees
ECO Kentei (Environment and Social Certification)	52	Healthy housing advisor	883
CASBEE assessor for Home (Detached House)	330	Energy Manager	22
CASBEE assessor for Building	272	House Energy Saving Expert	2

(as of the end of April 2015)

### Corporate Award System

-President's Award and "horizontal development strategy" -

We launched the "Challenge! We Build ECO Contest" in fiscal 2008 to recognize environmental efforts promoted by each worksite. Outstanding activities in each of the categories of ECO Products, ECO Process, ECO Technology and ECO Communication are recognized, and the most outstanding activity of all is presented with the President's Award. These awarded activities are introduced on the intranet and in the corporate newsletter so that all employees can learn from them and apply them to their activities.



Screening for the contest

### Supply Chain Management

We are committed to environmental efforts in cooperation with three supply chain networks: the Trillion Club consisting of materials suppliers, the Confederation of Partner Companies consisting of partner companies engaged in manufacturing and construction, and the Setsuwa Club consisting of equipment manufacturers, based on our "Business Partner Code of Conduct," which defines basic principles for environmental conservation.

In particular, we have established specific guidelines and evaluation criteria for chemical substances management and wood procurement, and conduct constant monitoring.

Each network organization determines, together with our company's office in charge, the focal theme and project for each fiscal year to promote their activities.

Supplier (organization's name)	Membership	Major efforts
Materials suppliers (Trillion Club)	239 companies (*1)	Plant energy saving diagnosis, support for equipment updating/equipment operation improvement, joint energy-saving project
Partner companies engaged in manufacturing and construction (Confederation of Partner Companies)	4,490 companies (*2)	Improvement projects at manufacturing and construction sites, awards for outstanding cases
Equipment manufacturers (Setsuwa Club)	136 companies (*2)	Joint development of eco-friendly technology, organization of technology exhibitions/seminars

\*1: as of March 2015 \*2: as of April 2015

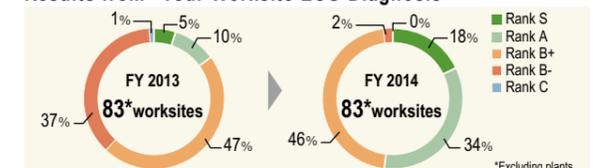
## TOPICS

### Reflect achievements in environmental activities at worksites on business performance assessment

Since fiscal 2012, we have implemented the "Your Worksite ECO Diagnosis" program based on company-wide priority management items. Under the program, the level of improvement at each worksite is assessed quantitatively and scored. Diagnosis results are shared twice a year throughout the company, and the worksite ranked top for the year is awarded the Outstanding ECO Worksite. In fiscal 2014, we established a system to reflect diagnosis results on each worksite's performance assessment. Upon the introduction of this system, we trained and assigned 94 new ECO supporters to assist the Environmental Promotion Manager at each worksite. With these efforts, we promote a bottom-up approach in our environmental activities. In fiscal

2014, environmental improvement activities were spread out and implemented with the help of ECO supporters, increasing the number of S-ranked (highest-ranked) worksites to 15. There were no C-ranked worksites. In fiscal 2015, we will raise the standards for assessment to further improve the level of activities.

### Results from "Your Worksite ECO Diagnosis"



### Shizuoka Branch recognized as the Outstanding ECO Worksite for two consecutive years

Our environmental effort was focused on increasing the unit price through environmental item, such as solar power generation. We practice environmental activities in our main business in line with the company policy: "coexistence of environmental sustainability and corporate profitability."



Hideyuki Nomura, Branch Manager

Under the Branch Manager's instruction, branch staff members unite to promote environmental activities. As a staff member in charge of general affairs, I am engaged in developing systems for effective energy saving, including the automation of demand monitoring using existing facilities and a monthly "lights off" ("No Overtime Work Day").



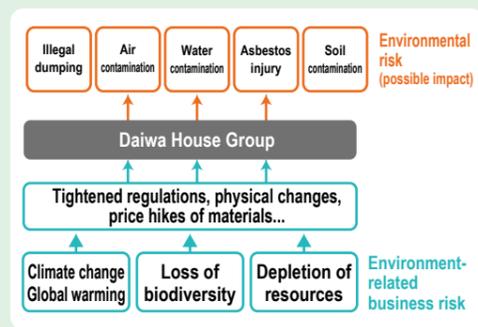
Yasushi Miki, ECO Supporter

## Environmental Risk Management

The Daiwa House Group recognized the possibility that contamination of air, water, soil and other environmental qualities that are caused by industrial waste and toxic substances generated through business activities may adversely affect human health and biodiversity as an "environmental risk." We have set our standards at levels higher than the regulatory standards and have adopted a rigorous control system to prevent any risks from occurring and to reduce environmental impacts. (environmental risk management in a narrow sense)

At the same time, we recognize the possibility that the Group's business activities may be negatively affected by environmental issues, such as climate change and loss of biodiversity, and consequent social changes through tightened regulations and physical change as an "environment-related business risk." In this context, we perform regular risk assessment and implement preventive efforts. (environmental risk management in a broad sense)

\*With regard to "environment-related business risk," our recognition and responses are shown in the "Risks and Opportunities" section on the applicable page according to the environmental focal theme.



## System to Comply with Environmental Laws and Regulations

At Daiwa House Industry, the Head Office's departments are responsible for communicating information on amendments to environmental laws and regulations and response measures to ensure compliance with laws and regulations by departments and worksites. In fiscal 2014, we focused particularly on the "Energy-Saving Standards for Housing revised in 2013" and the "Chlorofluorocarbons (CFCs) Emissions Control Act."

Since the manufacturing segment needs to address wide-ranging laws and regulations, the Head Office centrally controls the department's legal compliance efforts. Each plant also takes measures necessary to ensure compliance with regulations, including ordinances, in order to prevent risks from occurring. We have also developed procedures for responding to possible legal violations and environment-related accidents and complaints. Education and training on these procedures are regularly provided. In addition, we regularly review the procedures in order to maintain systems to help us respond appropriately.

The Risk Management Committee, chaired by the Manager of the Management Administration Department and consisting of relevant departments' managers of the Head Office, is responsible for company-wide risk management. The Committee holds a meeting once a month to ensure the continuous improvement of the management system. In fiscal 2014, there were no serious violations or lawsuits related to environment-related laws.

## Improved Waste Management

Aiming to reduce the risks of improper waste treatment, we have stationed waste management staff in eight districts nationwide since fiscal 2007 to enhance our waste management system.

The waste management staff, in cooperation with each worksite, assesses all the operators to which waste treatment is outsourced, in order to select excellent ones in order to ensure proper waste treatment. Within the company, a waste audit is performed to quantitatively assess the level of waste management at each worksite to identify issues and the level of improvement in order to raise the standard of the management level. We also provide e-learning programs designed to improve employees' awareness, recognition and knowledge.

Our intranet-based environmental information system, the "ei-system," is used to communicate information on the permits of waste management operators and to manage the issuance and collection of manifests (industrial waste



Inspection of facilities



ei-system screen

management slips). This helps to prevent human errors and, when electronic manifests are used more widely, transactions will become more efficient.

## Pollution Prevention Efforts

Our company's plants constantly improve the management system to prevent air pollution from occurring. In recent years, violations of soot emission standards and alterations of data have become social concerns. In response, since fiscal 2007, we have included measurement results at each plant in accordance with the Air Pollution Control Law and the inspection records of such results in management items.

In fiscal 2014, although we did not receive any onsite inspections regarding air pollution from government agencies, we have been complying with the emission standards for soot and other pollutants.

Our company's plants also monitor waste water from waste-water treatment equipment of electrodeposition devices, which serves as a major discharge source to public waters (ocean areas and rivers), and undertake regular maintenance of facilities. The Kyushu, Nara and Ryugasaki Plants have adopted "D's FEMS\*" to monitor any abnormalities in their drainage facilities.

We will continue to promote the use of D's FEMS and other efforts to prevent pollution.

\*Our company's plant energy management system



Inspection of waste water treatment facilities (Kyushu Plant)



Monitoring of abnormality by D's FEMS (Kyushu Plant)

## Response to Asbestos Issues

In 2005, asbestos issues became a public concern. Since then, we have released to the public our system for searching for information about the status of use of building materials containing asbestos in steel-framed houses (single-family houses and rental houses) that we sold in the past. Products that are currently sold do not contain any asbestos.

To understand the extent of health hazards of employees, we have conducted, since fiscal 2006, routine health check-ups for asbestos exposure in employees who have worked at construction sites and plants where asbestos has been used.

At two of the four buildings owned by our company where sprayed asbestos was used, we have completed the removal of asbestos. At the remaining two buildings, we have completed enclosure constructions to prevent the spread of asbestos.

## Measures to Address Soil Contamination at Our Company's Plants

As one of our efforts to comply with the Soil Contamination Countermeasures Act and ensure risk management, soil inspections are conducted regularly at our company's plants.

The extension and renovation of two plants (the Nara and Ryugasaki Plants) conducted in fiscal 2014 fall within Article 4 "Change to the Form or Nature of Land of at least 3,000 m<sup>2</sup>" of the Soil Contamination Countermeasures Act. We therefore conducted soil contamination examination, including a depth survey using soil boring.

The results of the examination revealed that soil on the premises was partially contaminated. We reported the details of the results to the government agency in charge and took necessary measures. We are planning to test the soil of the other plants one by one.



Excavation and removal of contaminated soil (Nara Plant)

Detected substances	Unit	Reference value	Maximum concentration	Response measures
<b>Nara Plant (No. 2)</b>				
Lead (released amount)	mg/L	0.01	0.014	Excavation and removal completed simultaneously with extension and renovation
<b>Ryugasaki Plant (First District)</b>				
Lead (content)	mg/kg	150	1,100	Excavation and removal completed simultaneously with extension and renovation

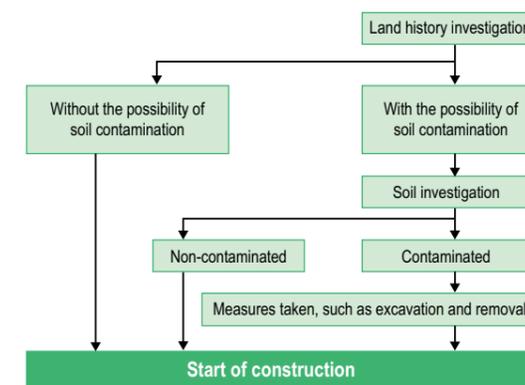
## Efforts for the Prevention of Spread of Soil Contamination that May be Caused by Land Transactions and Construction Work

Our company generally conducts an investigation of the land history of the property we purchase for sale prior to the purchase. If it is determined, as a result of a land history investigation, that the soil may be contaminated, we conduct a soil investigation and, if necessary, take necessary measures for improvement before selling the property.

When soil of more than a certain amount is brought in and/or out during construction work, we take measures to prevent secondary contamination\*, such as identification of the place where the soil is excavated and a quality test of the soil.

\*Spread of contaminated soil into non-contaminated areas

## Flowchart for the Prevention of Soil Contamination Risks in Association with Land Transactions



We have compiled a textbook that includes basic knowledge of issues related to soil and underground water contamination, our company's basic principles, laws and regulations related to soil contamination, and how to address soil contamination, and provide seminars by departments specializing in relevant issues and external specialized companies on a regular basis, to help employees comply with relevant laws and regulations and ensure risk management.



Textbook on soil and underground water contamination issues



## Establishment of Group and Global Environmental Risk Management Systems

There have been efforts in environmental risk management, mainly focused on risks that workers face at construction sites on a daily basis, such as waste management and the prevention of the spread of soil contamination, but only limited to our company, which has many construction sites. However, on the group basis, efforts have only been made to improve the reporting and response system that is designed to be used only after a problem occurs, and there have not been sufficient efforts toward prevention.

Since the Corporation Law was revised in June 2014, corporate groups have been required to improve their corporate governance and internal controls. In response, to further strengthen the risk

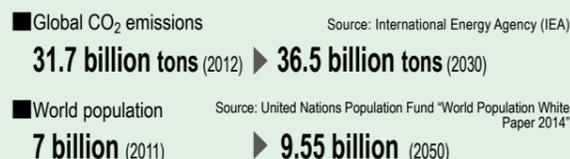
management system of the entire Group, we will start in fiscal 2015 to identify the environmental risks of each Group company and promote the use of the "Environmental Risk Checksheet" by all Group companies. We are also planning to improve training programs on environmental risks, particularly on high priority issues.

In fiscal 2014, we also started to conduct surveys on environment-related laws and regulations in China, Malaysia and Vietnam in preparation for establishing a global system to manage increasing risks associated with overseas business operations. Through this effort, we have identified possible risks and share relevant information with the departments concerned.

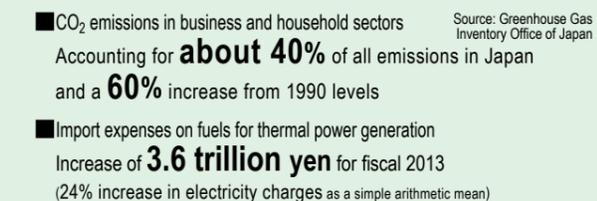
## Global Warming Prevention (Energy/Climate Change)

### Social issues

Climate change issues are globally important issues. The more the population increases, the more serious these issues become.



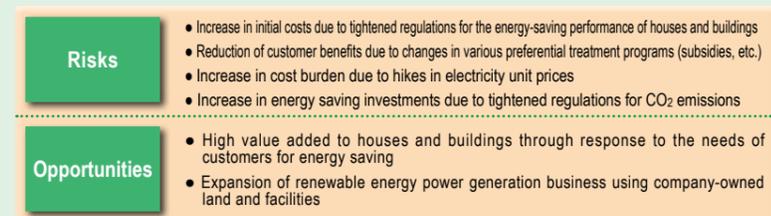
Japan is facing a shortage of electricity. After the suspension of the operation of nuclear power plants, CO<sub>2</sub> emissions are increasing and electricity charges are also increasing.



### Expectations from stakeholders

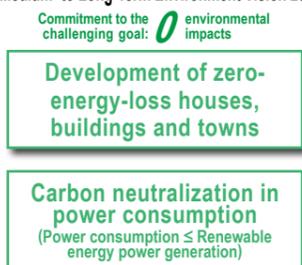


### Risks and opportunities for Daiwa House Group

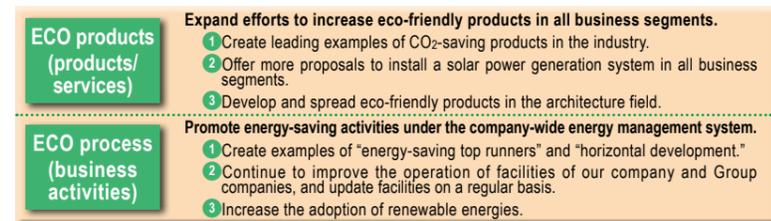


### Visions and strategies

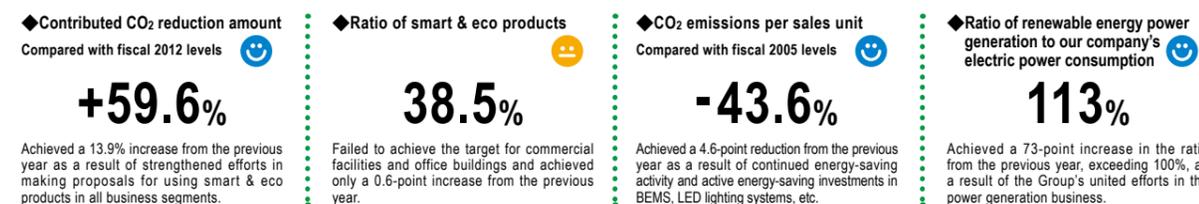
#### "Medium- to Long-Term Environment Vision 2020"



#### Priority strategies of the "Endless Green Program 2015"



### Summary of efforts in fiscal 2014



#### Q: What was the state of efforts in fiscal 2014?

**A:** The contributed CO<sub>2</sub> reduction amount increased significantly, the ratio of smart & eco products increased slightly, and CO<sub>2</sub> emissions per sales unit improved significantly.

In fiscal 2014, we placed emphasis on increasing the installation capacity for solar power generation and offering eco-friendly proposals for houses and buildings. As a result, contributed CO<sub>2</sub> reduction amount increased by 13.9% from the previous year and achieved the target. However, the ratio of smart & eco products for the entire company remained almost the same as that of the previous year due to differences between business areas, failing to achieve the target. The CO<sub>2</sub> emissions per sales unit of our company significantly exceeded the target thanks to the continued energy-saving efforts and active energy-saving investments. The ratio of renewable energy power generation achieved the fiscal 2015 target one year ahead of schedule thanks to the continuous increase in the installation of mega solar facilities in fiscal 2014 as in the previous year, increasing the power generation amount significantly.

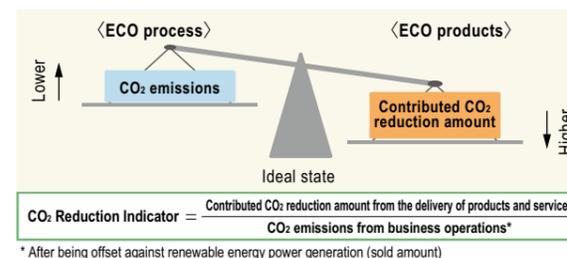
#### Q: What are the issues and measures planned for fiscal 2015?

**A:** The use of "smart & eco products" will be expanded in the commercial building business, and energy-saving investments and application improvement will be further promoted.

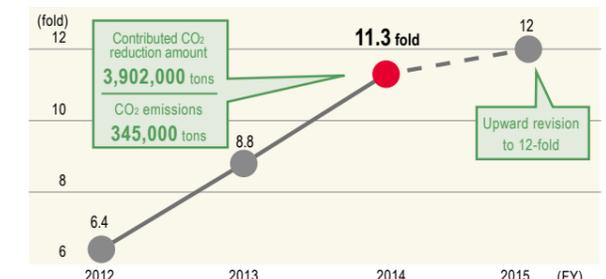
In the previous fiscal year, we failed to achieve the target for the ratio of smart & eco products in commercial facilities and office buildings. We will place emphasis on making proposals using D's SMART series of eco-friendly facilities for commercial facilities and office buildings. In particular, we will promote the introduction of eco-friendly technology and items optimal for each purpose of use in order to increase the ratio of smart & eco products. As sales are expanding, our efforts to reduce total CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per sales unit will be continued through aggressive energy-saving investments and a company-wide roll out of energy-saving measures, as in the previous year.

### CO<sub>2</sub> Reduction Indicator

The CO<sub>2</sub> Reduction Indicator is a unique indicator developed by Daiwa House Industry to express the volume of reductions in CO<sub>2</sub> emissions made possible by the Daiwa House Group's products and services as a multiple of the volume of CO<sub>2</sub> emissions resulting from the Group's business activities.



In fiscal 2014, contributed CO<sub>2</sub> reduction amount increased and CO<sub>2</sub> emissions were significantly reduced, for this reason, the CO<sub>2</sub> Reduction Indication increased 11.3-fold and the target for fiscal 2015, 10-fold; this was achieved one year ahead of schedule.

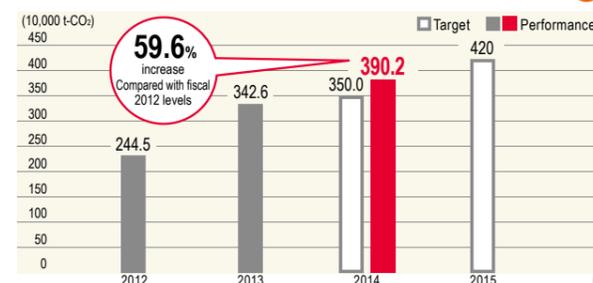


### Contribution to Reducing CO<sub>2</sub> Emissions Through Our Products and Services

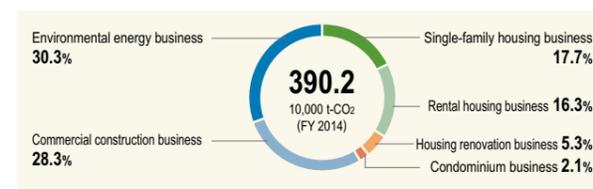
In fiscal 2014, as in the previous year, we promoted proposals for the installation of large-scale solar power systems on the roofs of new and existing buildings throughout Japan, resulting in a significant increase in the construction of solar power generation systems, including mega solar systems. Installation in rental houses and commercial facilities, as well as in the environmental energy business area, particularly increased. As a result, contributed CO<sub>2</sub> reduction amount in all business segments were 3,902,000 tons, a 59.6% increase compared with fiscal 2012 levels, significantly exceeding the target.

Our efforts will continue to be focused on the development of zero energy housing, buildings, and towns, with the aim of increasing contributed CO<sub>2</sub> reduction amount 1.7-fold (4.2 million tons) compared with fiscal 2012 levels, by fiscal 2015.

#### Targets and performances of contributed CO<sub>2</sub> reduction amount



#### Contributed CO<sub>2</sub> reduction amount by department



### CO<sub>2</sub> Emissions Reduction in Business Activity Process

The Medium- to Long-Term Environment Vision includes a goal of reducing the CO<sub>2</sub> emissions of the entire Group by 30% compared with the fiscal 2005 levels by 2020. To reach this goal, we have set interim targets and manage their progress.

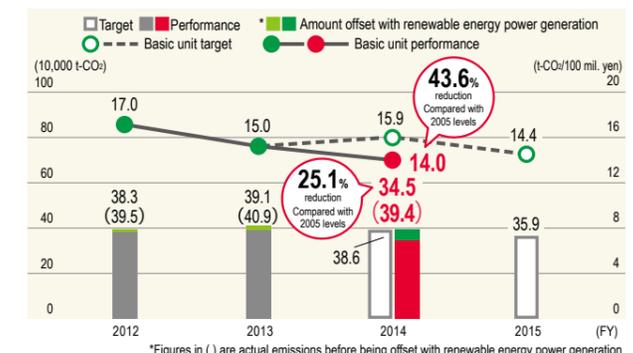
In fiscal 2014, we focused on continuing our energy saving efforts

in the summer and winter periods at all facilities, and promoting energy-saving investments on BEMS and LED lighting systems. As a result, energy consumption was reduced in all departments, including offices, plants, commercial facilities and hotels, and the total CO<sub>2</sub> emissions of the entire Group were 394,000 tons (a 3.8% reduction compared with the previous year). In the current Action Plan, unlike in previous ones, based on our perspective that the renewable energy power generation (sold amount) of our Group companies contributes to reducing CO<sub>2</sub> emissions, we offset emissions from the entire Group with renewable energy power generation, in managing the targets for total emissions. Under this management system, CO<sub>2</sub> emissions after being offset with renewable energy power generation were 345,000 tons, a 25.1% reduction from the fiscal 2005 levels, greatly exceeding the target. We are steadily making progress to meet the target of a 30% reduction by 2020.

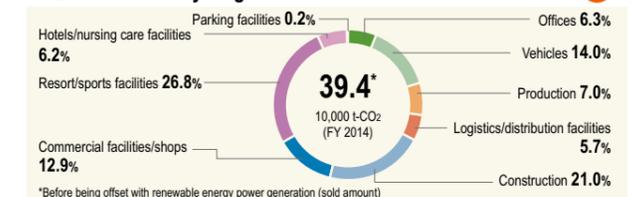
The CO<sub>2</sub> emissions per sales unit (before being offset with renewable energy power generation) of the entire Group were 14.0 tons/100 million yen, or a 43.6% reduction from the fiscal 2005 levels, achieving the target. This was partially attributable to an increase in sales and the cool summer.

We will direct our efforts to increasing energy savings by increasing renewable energy power generation. In addition, we will further promote united efforts by the entire Group in energy saving activities to reduce CO<sub>2</sub> emissions per sales unit by 42% compared with 2005 levels by fiscal 2015.

#### Targets and performances of CO<sub>2</sub> emissions



#### CO<sub>2</sub> emissions by segment



ECO products | Activity Report

## Contribution to reducing CO<sub>2</sub> emissions through our products and services

### 1 Promotion of projects for leading-edge eco-friendly products

In the single-family housing segment, we promote the "Smart xevo Eco Project," which aims to provide houses supplying their own energy by 2020. In April 2014, we launched the smart house brand "SMAEco," which is fitted with HEMS\* and a solar power generation system. As the first products under this brand, "SMAEco Zero Energy" with zero energy balances and "SMAEco Charge," which is equipped with household lithium-ion batteries as an emergency power source to supply electricity during power failures, have been launched.

In the commercial facilities segment, we are promoting the "Smart-Eco Project," which aims to achieve zero environmental impact by 2020. In fiscal 2014, we introduced leading-edge technology to reduce CO<sub>2</sub> emissions in our company's offices and plants and the Group's home centers and sports clubs.

\* HEMS: Home Energy Management System



D-HEMS that visualizes energy consumption, etc.

### Leading-edge CO<sub>2</sub>-saving Projects at Newly Built Facilities of Our Company and the Group

Facility name	Construction year	Purpose of use	Total area	Number of stories	Environmental performance
Daiwa House Ryugasaki Plant	March 2014	Plant	17,348.50m <sup>2</sup>	One story	CASBEE: Rank A
Daiwa House Toyama Building	April 2014	Office	3,277.73m <sup>2</sup>	Four stories	CASBEE: Rank S
Sports Club NAS Abeno	December 2014	Sports facilities, etc.	6,330.06m <sup>2</sup>	Five stories with a one-story basement	ERR: 40.2%
Royal Home Center Nagakute	February 2015	Commercial facilities	14,982.76m <sup>2</sup>	Two stories with a one-story basement	CASBEE: Rank A BEI: 0.275
Daiwa House Fukushima Building	May 2014	Office	3,640.50m <sup>2</sup>	Five stories	CASBEE: Rank S BEI: 0.541

### 2 Offer more proposals to install a solar power generation system in all business segments

Daiwa House Industry promotes the use of solar power generation systems in all business segments.

In fiscal 2014, 65.0% of new single-family houses and 45.0% of low-rise rental houses were built with a solar power system, larger than the percentages in the previous year. There was also an increased number of houses fitted with a solar power system of at least 10 kW capacity to which the renewable energy feed-in-tariff system was applied. As a result, the capacity of installed solar power systems in both new single-family houses and low-rise rental houses increased.

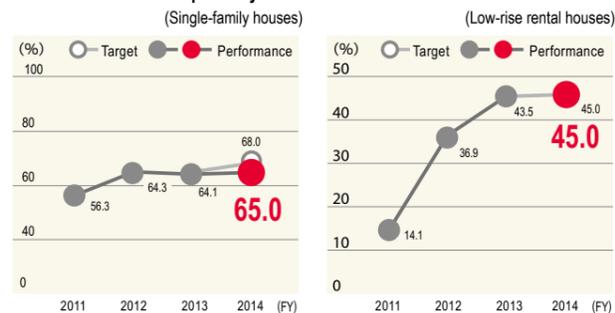
Our efforts to promote the installation of a solar power system in condominiums, offer proposals to install a solar power system in existing houses and buildings, and increase the construction of mega-solar systems have enabled us to increase the capacity of installed solar power systems in all business segments to about 319 MW (about 1.6-fold from the previous year), the largest in Japan.

#### <Priority strategies>

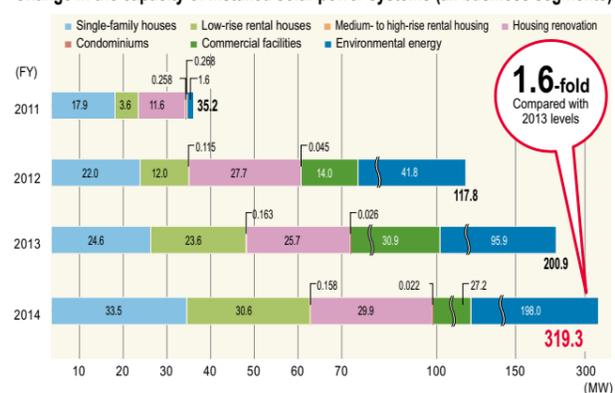
#### Expand efforts to increase eco-friendly products in all business segments

- 1 Create leading examples of CO<sub>2</sub>-saving products in the industry.
- 2 Offer more proposals to install a solar power generation system in all business segments.
- 3 Develop and spread eco-friendly products in the architecture field.

#### Installation rate of solar power systems



#### Change in the capacity of installed solar power systems (all business segments)

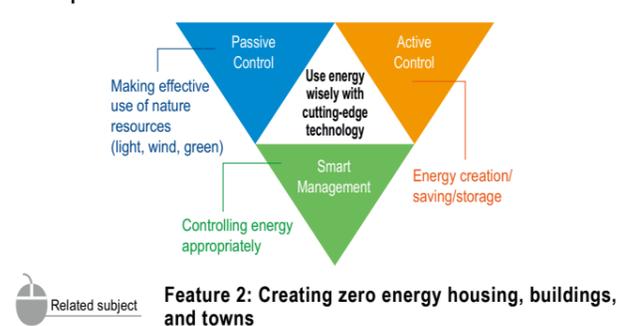


### 3 Develop and spread eco-friendly products in the construction field

In the commercial construction segment, based on the concept of "Use energy wisely with cutting-edge technology" and in line with the keywords of "passive," "active" and "smart management," we promote "package development" of eco-friendly buildings for various uses.

In fiscal 2014, in addition to offices, shops, plants, logistics facilities and nursing care facilities we developed, we launched the next-generation medical facility "D's SMART MEDICAL." In our efforts to achieve ZEBs, following the first example which was a bank building completed in March 2014, we constructed an office with zero net energy impact (completed in January 2015) as the second example. We will review the effects in these examples in cooperation with customers so that we can reflect the review results in our future proposals.

#### Concept behind the D's SMART series



### Contribution to Reducing CO<sub>2</sub> Emissions in Housing Business

In our housing business, we make eco-friendly proposals to improve the quality of life with the aim of increasing contributed CO<sub>2</sub> reduction amount.

In fiscal 2014, our efforts in the single-family housing segment were focused on making effective use of subsidies and conducting our own campaigns. In addition, we strengthened the sales of smart housing "SMAEco." We also launched the development of "Sma-Eco Town Hidamari-no-Oka (66 subdivisions)" in Kuwana City, Mie Prefecture and "SECUREA Garden Takao SAKULA City (83 subdivisions)" in Hachioji City, Tokyo.

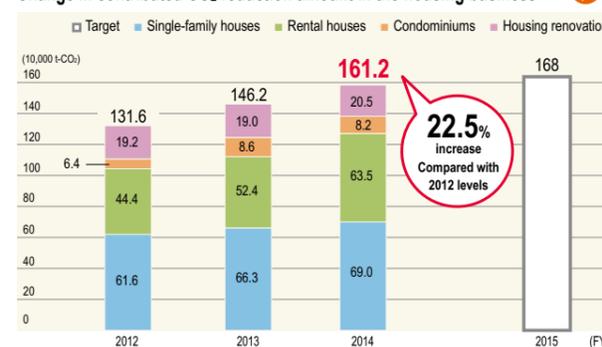
In the rental housing business, in addition to improvement of the insulation of exterior walls and windows and the efficiency of facilities, we strengthened our efforts in making proposals to install solar power systems. In the housing renovation business, we promoted renovation for energy saving purposes by improving the insulation and installation of highly efficient hot water heaters and solar power systems.

In the condominium business, we replaced all the insulation specifications for condominiums in Japan with those that meet the next-generation energy saving standards (the 1999 standards), and promoted the adoption of highly efficient hot water heaters, LED lighting, equipment for the visualization of energy consumption, and other eco-friendly solutions.

As a result of all these efforts, the total contributed CO<sub>2</sub> reduction amount in the housing business in fiscal 2014 were 1,612,000 tons, a 22.5% increase from the 2012 level (a 10.3% increase from the previous year).

In fiscal 2015, greater efforts will be focused on making proposals for CO<sub>2</sub> savings in the condominium and housing renovation segments, in which we failed to meet the targets. We will also accelerate the spread of smart houses for single families and the development of smart cities.

#### Change in contributed CO<sub>2</sub> reduction amount in the housing business



### Contribution to Reducing CO<sub>2</sub> Emissions in the Commercial Construction Business

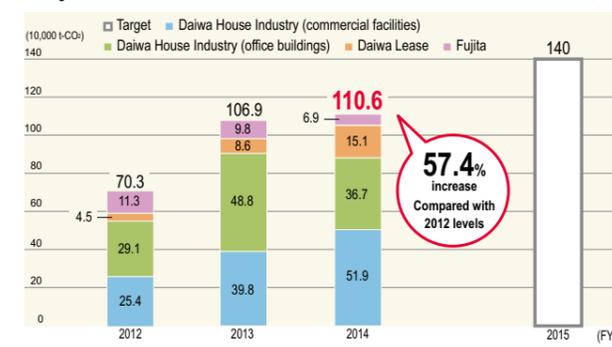
In the commercial building business, we predicted CO<sub>2</sub> emissions from all non-residential buildings of 300 m<sup>2</sup> or larger, which are required to report energy usage under the Law concerning the Rational Use of Energy, and compared the predicted values with revised energy saving design standards, in accordance with the "Guidelines for Design for the Environment (2nd edition)," which were revised in January 2013. For buildings of 2,000 m<sup>2</sup> or larger, we conducted self-assessment using a simplified version of the CASBEE\*. Based on the assessment results, we offer proposals for energy savings. In March 2014, we developed the "Design for Environment Assessment Sheet (2nd version)" in accordance with the revised energy saving design standards. We use this sheet to make assessment regarding environmental friendliness in all stages from planning/design to construction. In fiscal 2014, Daiwa Lease and Fujita also started to adopt a similar method in their assessment.

We continued our efforts to propose the installation of a large-scale solar power system. As a result, the contributed CO<sub>2</sub> reduction amount in the commercial building segment of the entire Daiwa House Group for fiscal 2014 were 1,106,000 tons, a 57.4% increase from 2012 levels (a 3.4% increase from the previous year).

In fiscal 2015, we will continue our cooperation with Daiwa Lease and Fujita, our Group companies, to offer more proposals for energy savings for logistics and medical facilities as well as new buildings.

\*CASBEE: Comprehensive Assessment System for Built Environment Efficiency

#### Change in contributed CO<sub>2</sub> reduction amount in the commercial facilities business

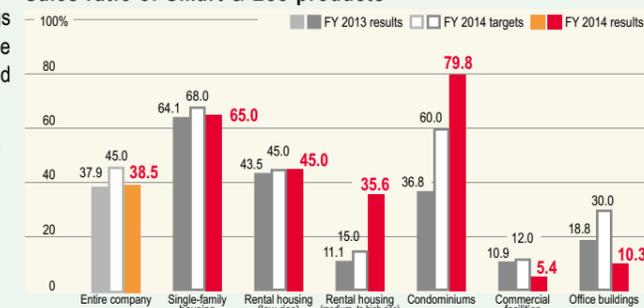


### To Improve the Ratio of Smart & Eco Products

To further spread smart houses and buildings, our efforts are focused on increasing the sales of smart & eco products in all business segments. The ratio of sales of smart & eco products in fiscal 2014 in the entire company was 38.5% (a 0.6% increase from the previous year), which was lower than the target of 45.0%. This is because sales of solar power systems for office buildings fell compared with the previous year to a level far lower than the target, while sales for rental housing (medium- to high-rise) and condominiums were significantly higher than the targets.

In fiscal 2015, greater efforts will be made to increase sales of "SMAEco" smart houses and the eco-friendly housing "D's SMART series."

#### Sales ratio of Smart & Eco products



ECO process | Activity Report

## CO<sub>2</sub> emissions reduction in business activity processes

<Priority strategies>

### Promote energy-saving activities under the company-wide energy management system

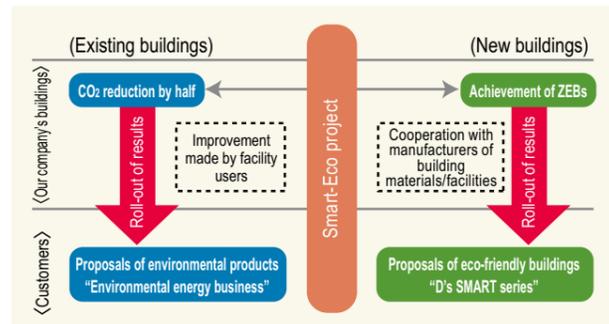
- 1 Create examples of "energy-saving top runners" and "horizontal development."
- 2 Continue to improve the operation of facilities of our company and Group companies, and update facilities on a regular basis.
- 3 Increase the adoption of renewable energies.

### 1 Further improvement of energy-saving projects unique to our company

The Daiwa House Group implements its "Smart-Eco Project" at facilities of Daiwa House Industry and its Group companies to adopt and verify energy-saving technologies. The objective of this project is to reduce CO<sub>2</sub> emissions from existing buildings by half and achieve ZEBs in the new building segment. For these efforts, we were awarded the Minister of Economy, Trade and Industry Award, the highest energy saving award, for two consecutive years: in fiscal 2012 for efforts made at our company's offices and in fiscal 2013 for efforts at our company's plants. In fiscal 2014, encouraged by such high external recognition and to achieve further improvements, we, in cooperation with universities, established a system to verify our technology, perform statistical data analysis, and feedback these results into the design at four of our company's branch buildings (Shizuoka, Oita, Gifu and Aichi-Kita).

In a project where we used the Daiwa House Toyama Building as a showroom to demonstrate and verify environmental technologies, we successfully built a new building with zero net energy impact for PF Automation Co., Ltd. With regard to energy-saving for our company's existing buildings, in fiscal 2014, we made an energy saving investment of 1.13 billion yen, which is equivalent to 14.7% of energy costs in line with the "Energy Saving Facilities Investment Guidelines," which specify making an energy saving investment equivalent to 15% of energy costs.

We also selected at least one model facility from each of our Group companies to evaluate the effects of energy-saving measures that were particularly intensely implemented at each of the selected facilities. The evaluation results were verified and adopted by the other facilities.



### Leading-edge CO<sub>2</sub>-saving Projects at Our Company's and Group's Facilities (existing)

Facility name	Purpose of use	CO <sub>2</sub> reduction rate (compared with the reference year)			
		Reference year	FY 2014 Targets	FY 2014 Results	FY 2015 Targets
Daiwa House Osaka Building	Office	2005	35.1%	38.9%	39.5%
Daiwa House Tokyo Building		2005	29.6%	26.5%	30.5%
Iias Tsukuba	Commercial facilities	2010	9%	4.0%	12%
BVI Fukuoka		2009	12%	19.0%	21%
Com Box Komyoike		2009	35%	35.3%	41%
Shonan Mall FILL		2007	32%	39.0%	32%
Royal Home Center Nishinomiya	Resort hotel	2005	41%	43.3%	41%
Hamanako Royal Hotel		2007	44%	38.2%	46%
Ise Shima Royal Hotel		2007	44%	42.6%	46%
Amanohashidate Miyazu Royal Hotel		2009	40%	30.4%	47%
Daiwa House Kyushu Plant		Plant	2005	61%	61.0%
Daiwa Lease Kanto Plant	2007		58%	60.0%	62%
DesignArc Mie Factory	2007		30%	11.0%	38%

### 2 Unified efforts of the entire Group in promoting energy saving activities

The Daiwa House Group has a Group Energy Saving Joint Working Group (WG) in commercial facilities and manufacturing segments in order to promote energy-saving activities efficiently. The Joint WG rolls out effective measures to improve energy saving efforts throughout the Group and help employees improve their energy-saving skills by sharing information on the issues and improvement measures of individual companies, mutually diagnosing energy saving efforts with each other, and organizing study tours of leading-edge energy-saving facilities in and out of the Group.

In fiscal 2014, Joint WG meetings were held once in the commercial facilities segment and four times in the manufacturing segment. WG members diagnosed efforts in energy saving to identify issues and develop a plan for improvement. This effort will be continued in the following years.



Energy-saving diagnosis by the plant's Energy Saving Joint WG

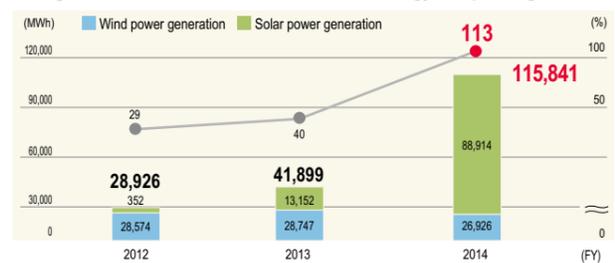
Sites of Energy Saving Joint WG meetings in the manufacturing segment	
1st	DesignArc Mie Factory
2nd	Daiwa Lease Kanto Plant
3rd	TOTO Shiga Plant
4th	DesignArc Mie Factory

### 3 Promotion of the renewable energy power generation business

The Daiwa House Group promotes the introduction of wind and solar power systems in our company's facilities and idle land.

In response to the introduction of the feed-in-tariff (FIT) system, we entered the mega-solar business on a full-scale basis in fiscal 2012. Our efforts in this segment have been accelerated, aimed at balancing renewable energy power generation and the power consumption of our company. In fiscal 2014, new 36 power plants, including "Dream Solar Natsumidai II," started their operation. At present, solar and wind power plants are operated at 87 locations in total. As of the end of fiscal 2014, the operating capacity of renewable energy power plants operated by the Group is 101.5 MW, 1.8 times that of the previous year, and the annual power generation is 115,841 MWh, reaching 113% (28% for the Group) of 102,379 MWh, the power consumption of our company (415,946 MWh for the Group).

### Change in the introduction rate of renewable energy and power generation



### Introduction rate of renewable energy (fiscal 2014)

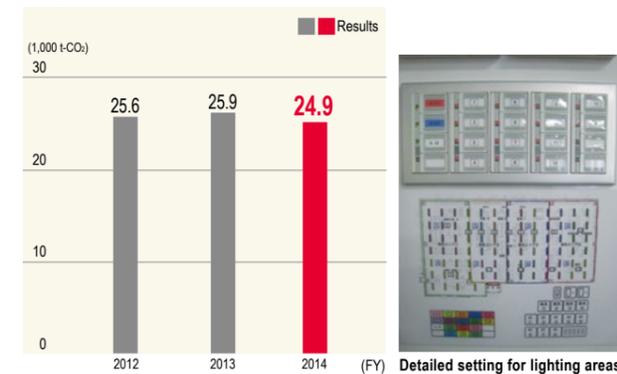
$$\frac{\text{Power generation by renewable energy sources}}{\text{Our company's power consumption}} = \frac{115,841\text{MWh}}{102,379\text{MWh}} = 113\%$$

### CO<sub>2</sub> Reduction in the Offices Segment

The CO<sub>2</sub> emissions from offices account for 6.3% of all CO<sub>2</sub> emissions from the entire Group. In fiscal 2014, we continued to encourage employees to adopt "Cool Biz" and "Warm Biz" styles of dress to avoid excessive cooling and heating, and to leave the office on time as planned. At the same time, we also placed emphasis on installing CO<sub>2</sub>-saving facilities in new offices, including LED lighting in offices and for signs and highly efficient air-conditioning equipment. As a result of energy-saving activities suited for each office conducted by each Group company, the CO<sub>2</sub> emissions in fiscal 2014 were 24,900 tons, a 3.9% reduction compared with 2013 levels.

In the future, the floor areas of offices and the numbers of staff members are expected to continue to increase. In response, we will place emphasis on ensuring more efficient operational management to reduce CO<sub>2</sub> emissions, while maintaining a comfortable work environment.

### Change in CO<sub>2</sub> emissions (Offices segment)



Detailed setting for lighting areas

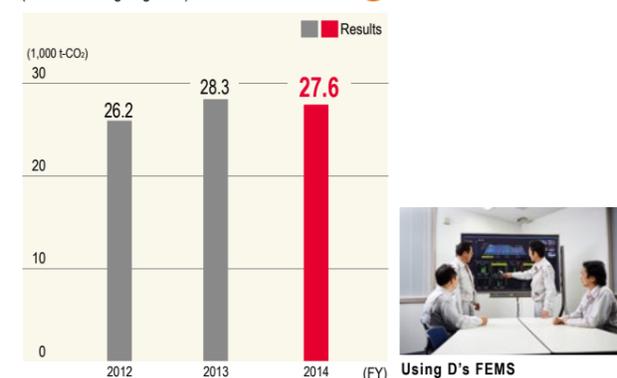
### CO<sub>2</sub> Reduction in the Manufacturing Segment

CO<sub>2</sub> emissions from manufacturing activities at three companies\* that have their own plants account for 7.0% of all CO<sub>2</sub> emissions from the entire Group. In fiscal 2014, while the floor areas supplied and the production volume continued to increase, as a result of the roll-out of energy-saving measures implemented by "top-runner" worksites and the effective use of the Factory Energy Management System (D's FEMS), CO<sub>2</sub> emissions in fiscal 2014 were 27,600 tons, a 2.5% reduction compared with 2013 levels.

In the future, while production volume is expected to continue to increase, we will implement more detailed energy management activities to reduce CO<sub>2</sub> emissions.

\*Daiwa House Industry, Daiwa Lease, DesignArc

### Change in CO<sub>2</sub> emissions (Manufacturing segment)



Using D's FEMS

### CO<sub>2</sub> Reduction in the Resort and Sports Facilities Segment

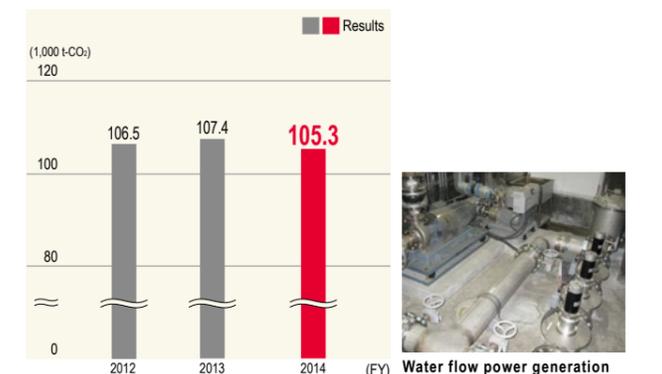
The CO<sub>2</sub> emissions from resort and sports facilities account for 26.8% of all CO<sub>2</sub> emissions from the entire Group.

In the resort segment in fiscal 2014, we received a request for power savings in summer and winter, as in the previous year. In response, in cooperation with customers and tenants, we controlled the lighting intensity and air conditioning temperature in common-use spaces. At Kirishima Royal Hotel, we installed a hot water supplying and humidifying system using hot-spring heat. In the sports facilities segment, in addition to investment in energy saving facilities, such as the adoption of LED lighting systems, we installed a water-flow power-generation system using a head of water and the suction power of a pump that had been verified at two facilities in fiscal 2012, at three facilities (in Oita, Shonan-dai and Seya).

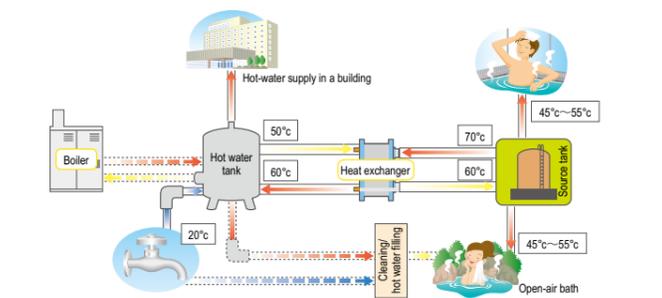
As a result of these efforts, the CO<sub>2</sub> emissions in fiscal 2014 were 105,300 tons, a 1.9% reduction compared with 2013 levels.

We will continue to promote the use of LED lighting products throughout the company. Mainly in resort facilities with a large amount of CO<sub>2</sub> emissions, we will promote the effective use of unused energy and the reduction of energy used for hot water supply and air conditioning.

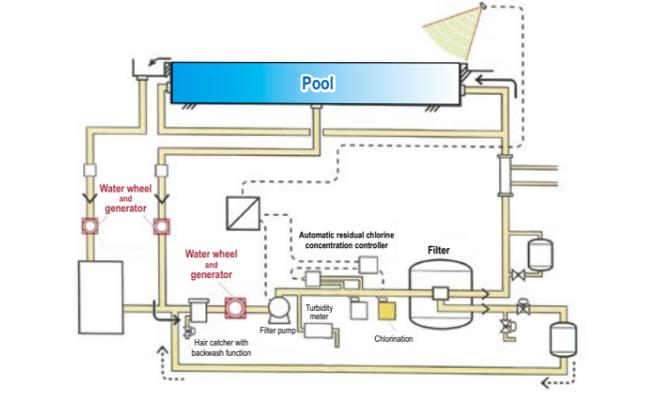
### Change in CO<sub>2</sub> reduction (Resort and sports facilities segment)



Water flow power generation



Mechanism for a hot-water-supplying and humidifying system using hot-spring heat



Mechanism for water-flow power generation

## TOPICS

### Accelerated efforts to build smart cities nationwide

Daiwa House Industry sells "SMA-ECO Towns and Cities," building lots with smart houses under the theme of energy "zero," throughout Japan. In fiscal 2014, we started the development of "SMA-ECO Town Hidamari-no-Oka (66 subdivisions)" where residents share the town's solar power plant, which is the first effort of its kind. In addition, we also started to develop smart cities in eight different places (built-for-sale housing in seven places and composite housing in one place) in Japan, with a total of 250 houses. We will accelerate the development of smart cities characterized not only by energy saving-related features but also by distinctive local features, such as safety and security, health and community, making best use of the integrated capabilities of the Daiwa House Group.

#### Example "SMA-ECO City Sagami-hara Hikarigaoka Eco Town (Kanagawa Prefecture)" under the theme of "ECO" and Community

The Hikarigaoka Eco Town, which opened in June 2014, is a town where 127 single-family houses and commercial facilities are integrated in such a way as to be environmentally friendly and to facilitate community formation. All the single-family houses are equipped with a solar power system, lithium ion batteries, HEMS and other eco-friendly products. The town is also equipped with a system to visualize its energy consumption. We also offer support programs to help residents enjoy an eco-friendly life, such as a ranking system to determine the level of energy savings of each household, and give a present to those ranked highest. Commercial facilities adjacent to the residential zone are equipped with 100 kW solar power systems, highly efficient air conditioning systems, LED lighting systems in the entire building, light ducts, and other eco-friendly products. It is estimated that

CO<sub>2</sub> emissions can be reduced by about 54 tons annually.

The operation of the association board is supported by Daiwa LifeNext, our Group company, to help the community maintain its vitality and strengthen the connection among residents. Support programs include seminars on topics such as how to maintain a garden and energy saving.



Verdant street in the single-family residential zone Eco-friendly shops adjacent to the residential zone

### Promotion of leading-edge CO<sub>2</sub> saving projects at facilities of Daiwa House Industry and its Group companies

Aiming to spread ZEBs (net zero energy buildings) extensively by 2020, we have promoted leading-edge CO<sub>2</sub> saving projects, where we apply the latest environmental technologies to new facilities of our own to verify these technologies while using and improving them. Under the Endless Green Program 2015, we will expand these efforts to Group companies. In fiscal 2014, new projects were started at five of the facilities of Daiwa House Industry and its Group companies (2 office buildings, 1 plant, and 2 shops). In the future, we will make proposals for customers based on the experience and expertise built up through these programs with the aim of further spreading eco-friendly buildings.

#### Example A building that breathes—Daiwa House Fukushima Building (Fukushima Prefecture)—

Daiwa House Fukushima Building, which was completed in May 2015, is a smart building using cutting-edge environmental technology, and has been selected for the "Net Zero Energy Building Verification Project" implemented by the Ministry of Economy, Trade and Industry. The building is equipped with passive air-flow windows<sup>\*1</sup>, a geothermal air-conditioning system<sup>\*2</sup>, D-BEMS<sup>\*3</sup>, and double eaves, with the aim of achieving at least a 50% reduction in primary energy consumption compared with the national standard. The passive air-flow window is a functional window newly developed by our company for low- and medium-rise buildings, where natural ventilation in and out of a room and air flow around a window are systematized. Ventilation and air flow are automatically controlled via D-BEMS according to the temperature and humidity conditions in and

outside of the room to achieve a "building that breathes." In the future, the building will be used to verify comfort and intellectual productivity, in addition to energy-saving performance, and as a showroom for customers.



Passive air-flow windows and double eaves

\*1: See page 119, ECO Technology, for details.

\*2: Joint development with Chofu Seisakusho

\*3: BEMS unique to our company, which can be monitored and operated not only from a PC but also a tablet terminal

#### Example A model eco-friendly shop—Royal Home Center Nagakute (Aichi Prefecture)—

Royal Home Center Nagakute opened in February 2014 as a model eco-friendly shop. The first floor of the building is partially submerged under the ground to improve heat insulation. It is equipped with a solar power system, high performance equipment and BEMS, which enables the building to reduce energy consumption by 59% compared with other conventional shops. For lighting, we use LED lighting fixtures for the entire building. A system combining a sensor and BEMS is used to control lighting in areas exposed to daylight, and walls and ceilings are partially covered with high diffuse reflection cloth. By effectively drawing outside light into a room through diffusion and reflection, energy consumption is reduced and the visual environment is improved, making products and exhibits brighter.

Many sensors are installed in sales areas and aisles to monitor all places and devices in the shop in real time and, at the same time,

to flexibly control the air conditioning system to reduce peak power consumption intelligently.



Appearance of the building

Part of the building submerged under the ground to improve heat insulation



### Visualization of CO<sub>2</sub> Emissions Across the Value Chain and Its Application

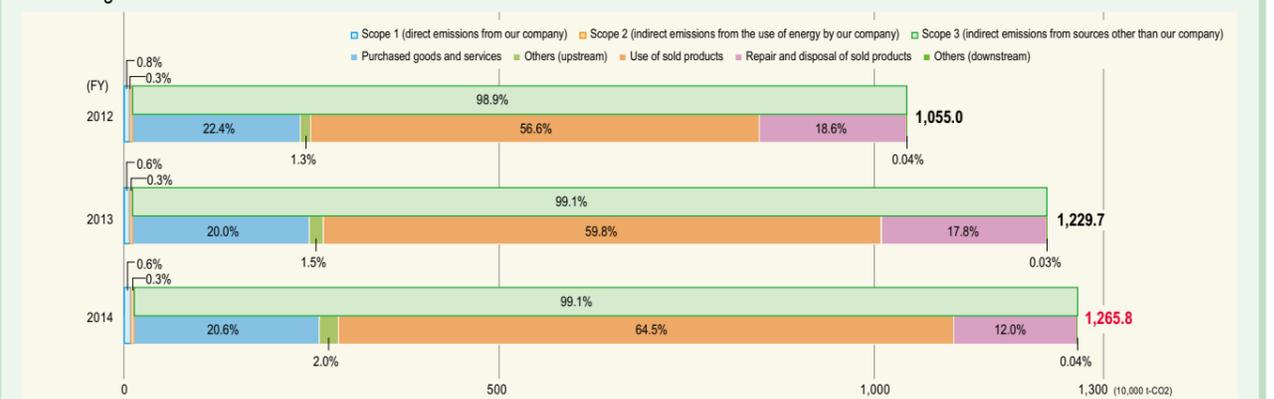
To achieve "zero environmental impacts" associated with lifecycles, the Daiwa House Group promotes the visualization of CO<sub>2</sub> emissions across the value chain. Since fiscal 2012, we have calculated and reported emissions in Scopes 1, 2 and 3 of our company alone. In fiscal 2014, as in fiscal 2013, we published our efforts on the Green Value Chain Platform website of the Ministry of the Environment.

In fiscal 2014, the full value chain CO<sub>2</sub> emissions of our company were 1,265.8 (10,000 t-CO<sub>2</sub>)\*, a 2.9% increase from the previous fiscal year. Scope 3 emissions (indirect emissions from sources other than our company) accounted for 99.1% of all emissions. Among the categories of Scope 3, use of sold products accounted for 64.5%, the largest portion, followed by purchased goods and services (20.6%) and the repair and disposal of sold products (12.0%). Emissions in these three categories accounted for 97.1% of all.

In this fiscal year, in order to make effective use of the calculation results of the CO<sub>2</sub> emissions in the value chain, we received third-party verification of the use of sold products, which accounted for the largest percentage, to improve tabulation accuracy.

We will start preparing for the calculation of emissions from the entire Group. We will also continue our efforts to improve tabulation accuracy so that we can use the results as an index for managing improvement activities. More efforts will be focused on taking measures to reduce emissions associated with the purchase and disposal of materials, in addition to those associated with the use of products on which the greatest emphasis has been placed. (For details, refer to the Materials and Data section.)

\* Basic units for calculation are being reviewed before calculating CO<sub>2</sub> emissions in fiscal 2014.



### CO<sub>2</sub> Emissions in Cooperation with Business Partners

We work together with our business partners to address environmental issues through three supply chain networks: the Trillion Club consisting materials suppliers, the Confederation of Partner Companies consisting of partner companies engaged in manufacturing and construction, and the Setsuwa Club consisting of equipment manufacturers.

The Trillion Club introduces the Group's proposals on solutions for energy saving, mainly to offices and plants of member companies. Its support programs range from energy saving diagnosis and energy saving improvement to application improvement.

The Confederation of Partner Companies cooperates with our company's Housing/Buildings Construction Subcommittee to promote efforts in the 3R activities at construction sites, and CO<sub>2</sub> saving construction. The Confederation organizes contests and publishes a magazine for its members to share information on examples that help member companies achieve energy-saving construction, shorter construction periods, and environmental impact reduction, to encourage member companies to adopt outstanding efforts.

The Setsuwa Club promotes information sharing on the eco-friendly technologies of its member companies, and organizes joint technical exhibitions, seminars and other events to spread eco-friendly technology. We will further strengthen our cooperation with these supply chain networks and assume leadership in reducing environmental impacts upstream and downstream.

#### Example Energy saving improvement at YKK AP Hokkaido Plant (Hokkaido)

YKK AP, a manufacturer of aluminum construction materials, was considering renovating the aged roof of the Hokkaido Plant.

We therefore make a proposal, in conjunction with renovation, to adopt sheet-waterproofing and heat insulated roofing to improve thermal insulation performance, as well as to improve heating efficiency in winter, leading to reductions in CO<sub>2</sub> emissions and heating costs.

This proposal has not only achieved energy saving but has also resulted in another improvement: huge icicles form on the eaves when snow on the roof melts due to dissipated heat from heating, thereby improving safety. We received a pleasant comment from the client that the effects were beyond their expectations.



Renovation for heat insulation of the roof

## Harmony with the Natural Environment (Preservation of Biodiversity)

### Social issues

◇ Along with the increase in the population and the advancement of industrialization, the destruction of ecosystems and the decrease in species diversity have accelerated.

■ The extinction speed of species  
Source: Annual Report on the Environment, the Sound Material-Cycle Society and the Biodiversity in Japan 2012, Ministry of the Environment

More than **1,000 times** greater than the speed of 50 years ago

■ Deforested areas in the world  
Source: Annual Report on Trends in Forests and Forestry Fiscal 2013, Forestry Agency

Annual average of **5,210,000 ha**  
(equivalent to 14% of the land area of Japan)

◇ Issues in Japan include the desolation of community forests, decline in forestry, the disruption of ecosystems due to non-native species and for other reasons, and lack of greening in urban areas.

■ Domestic self-sufficiency rate of timber  
Source: Timber Supply and Demand Table 2013, Forestry Agency

**28.6%** for fiscal 2013 (a 7% reduction from 30 years ago)

■ Green covered area of urban areas  
Source: Osaka Environment White Paper 2014, Tokyo Environment White Paper 2014

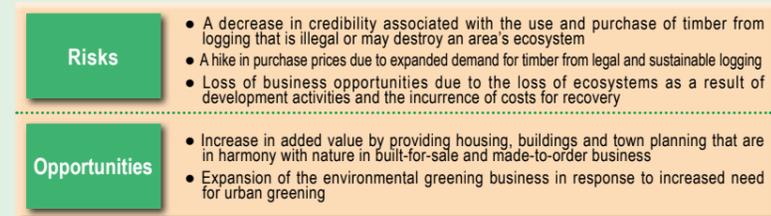
**13.8%** of the urban areas in Osaka Prefecture,

**19.8%** of the 23 wards of Tokyo

### Expectations from stakeholders



### Risks and opportunities for Daiwa House Group



### Visions and strategies

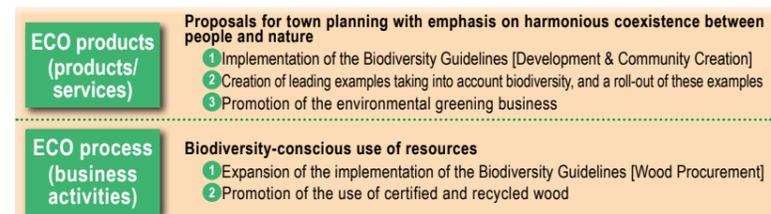
"Medium- to Long-Term Environment Vision 2020"

Commitment to the challenging goal: environmental impacts

**No net loss of green space**  
(Lost green area ≤ Created green space)

**Zero deforestation**  
(100% procurement from sustainable forests)

### Priority strategies of the "Endless Green Program 2015"



### Summary of efforts in fiscal 2014

◆ Ratio of houses certified under the energy-saving and low-impact house certificate system (Built-for-sale houses)

**48.5%**

Despite our efforts toward standardization of built-for-sale houses, the increase remained at only 0.9 points from the previous year.

◆ Green space created in building new towns (Green covered area)

**761,000m<sup>2</sup>**

As a result of coordinated efforts of the entire Group under the theme of "Greening will change communities," we successfully achieved the target.

◆ Ratio of S-ranked sustainable timber

**81.5%**

We expanded the scope of the survey and adopted stricter standards for certified wooden materials. As a result, the ratio decreased by 9.4 points from the previous year.

◆ Ratio of domestic timber (Construction materials for wooden houses)

**90%**

Our efforts to promote sales of "xevo GranWood" helped us achieve an increase by two points from the previous year.

### Q: What was the state of efforts in fiscal 2014?

**A. We promoted greening in all business segments and created green spaces 16 times the area of Tokyo Dome. We added two Group companies to the list of sustainability assessment of wooden materials.**

To achieve "no net loss of green space," we set targets for the ratio of the green covered area (= the greening area + the exterior area surrounding the building) for each purpose of use in all business segments, and promoted greening to achieve these targets. While the ratio of the green covered area in commercial facilities and rental housing segments was around 15% on average, partially because of the increase in the number of properties, the total green covered area was about 760,000 m<sup>2</sup>, 16 times the area of Tokyo Dome.

To further emphasize our efforts to achieve zero deforestation, we newly added two Group companies to the list of sustainability assessment of wooden materials, which had only contained Daiwa House Industry (as one body), and made the assessment standards stricter.

### Q. What are the issues and measures for fiscal 2015?

**A. We will continue to make efforts to increase certified energy-saving and low-impact houses, and to further expand our environmental greening business.**

The ratio of certified energy-saving and low-impact houses among all built-for-sale houses remained at 48.5%, partly due to the tendency of cost reduction as a result of the increased consumption tax. In fiscal 2015, more efforts will be focused on increasing the ratio of certified houses, mainly large-scale built-for-sale houses, by making more proposals for adding value through greening efforts, such as community formation through "green conservation activities" participated in by residents.

We will also increase the number of product groups by applying our own technology in urban greening, such as wall and rooftop greening. In addition, we will visualize added values, such as green designs and air purification, to expand our environmental greening business.

### Biodiversity Declaration

Large-scale development and town development of our Group have large impacts on the natural environment and ecosystems, and many of the materials used for houses and buildings largely depend on natural resources. Based on this recognition, we developed the "Biodiversity Declaration" in October 2010, the first of its kind among housing manufacturers, to start comprehensive efforts to protect biodiversity.

### [Biodiversity Declaration]

1. Pursue business operations that enable people and nature to live together in harmony
2. Propose communities created by people and nature
3. Use natural resources carefully, mindful of the impact on the ecosystem
4. Contribute to biodiversity through research and development
5. Communicate and collaborate with our stakeholders

### <Biodiversity Guidelines>



### ECO products | Activity Report

## Biodiversity conservation in our products and services

### 1 2 Promotion of green conservation and creation in development and town planning

Daiwa House Industry has developed its own checklist containing specific efforts that should be implemented to address six priority items that need special consideration in built-for-sale houses, rental houses, condominiums, and contract works that are larger than a certain scale, based on the Biodiversity Guidelines [Development & Community Creation]. For each property, we assess the details of proposals quantitatively to make sure they comply with our own standards. Properties assessed as meeting a certain level according to the checklist are ranked S and are designated as leading examples in the company. We share information on these leading examples with all employees and encourage them to adopt them in their activities.

In fiscal 2014, we assessed 10 properties (lot area: 248,197 m<sup>2</sup>) in the development segment. The compliance rate with the self-standards was 100%, as in the previous year.

In the community creation segment, the expansion of green-covered areas was newly added to management indicators. In fiscal 2014, we focused our efforts in green conservation and creation, not only in the housing and community creation segment but also in the segments of rental housing, including condominiums, and commercial and office buildings, and Group companies. The concerted efforts of the entire Group allowed us to increase green-covered areas to 760,926 m<sup>2</sup>.

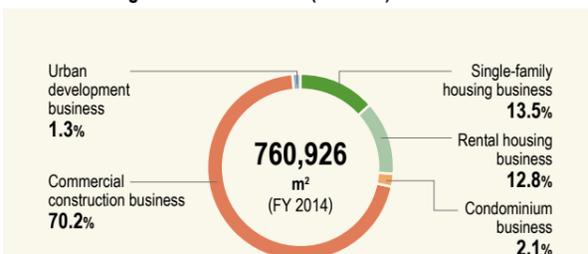
We will continue our efforts to maintain compliance with the self-standards in the development segment. In fiscal 2015, we will increase the target of green-covered areas in the town planning segment to 850,000 m<sup>2</sup> and will make greater efforts to achieve this target.

### 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

### [Community Creation]

#### Breakdown of green covered areas (FY 2014)



### <Priority strategies>

Proposals for town planning with an emphasis on harmonious coexistence between people and nature

- 1 Implementation of the Biodiversity Guidelines [Development & Community Creation]
- 2 Creation of leading examples taking into account biodiversity, and a roll-out of these examples
- 3 Promotion of the environmental greening business.

## Total Number of Certified Energy-saving and Low-impact Houses Reached 13,423

We adopt the energy-saving and low-impact house certification system\* as an index to determine the progress of our efforts in promoting "town planning in harmony with nature."

In fiscal 2014, we focused our efforts on ensuring a green space at least 40% of the estimated exterior area surrounding the building, and on using native species in built-for-sale and made-to-order houses with the aim of increasing the number of certified houses. As a result, the number of certified houses was 1,167, with the total since fiscal 2003 reaching 13,423 houses.

Total number of certified energy-saving and low-impact houses



\* By the Institute for Building Environment and Energy Conservation



SMA-ECO City Sagamihiro Hikarigaoka Eco Town

### 3 Promotion of environmental greening business

Daiwa Lease, our Group company, promotes its own environmental greening project "ECOLOGREEN" under the theme of "Greening will change communities." The company makes proposals on comprehensive greening, including wall, rooftop, exterior and indoor greening.

As a result of its efforts to promote comprehensive greening, the total construction area for greening from fiscal 2005 to fiscal 2014 reached 144,867 m<sup>2</sup>, accounting for about 10% of the national special greening construction area\* published by the Ministry of Land, Infrastructure, Transport and Tourism. We will continue our efforts to increase the number of product groups and contribute to urban greening.

\*Area combining rooftop greening and wall greening



Wall greening (Daiwa Lease Head Office building) ECOLOGREEN PARKING (Osaka Prefecture)

Related subject Environmental greening project "ECOGREEN"

ECO process | Activity Report

## Biodiversity conservation in the process of our business activities

<Priority strategies>

**Biodiversity-conscious use of resources**

- 1 Expansion of the implementation of the Biodiversity Guidelines [Wood Procurement]
- 2 Promotion of use of certified and recycled timbers

### 1 Promote the use of sustainable timber according to our own guidelines

Daiwa House Industry promotes the sustainable use of wooden construction materials in different business segments, including single-family and rental housing, condominiums, and commercial facilities, according to its own Biodiversity Guidelines [Wood Procurement]. In fiscal 2013, we launched a survey on wood procured by some of the Group companies.

Since fiscal 2008, we have adopted "Forest Cultivation Paper"\*, which is based on our paper procurement standards, for paper used at offices for brochures and copying, so as to promote sustainable procurement.

\* A collective name for various kinds of paper that meet our company's own environmental standards, including paper certified by the Forest Certification Systems

### 2 Promote the use of S-ranked timber, such as certified and recycled timbers

Our company promotes the procurement of timber based on our three kinds of assessment criteria for certification—certified timber, recycled timber, and our company's recommended timber\*—according to the Biodiversity Guidelines [Wood Procurement].

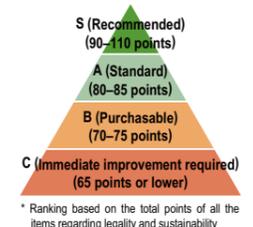
Since fiscal 2010, we have obtained an agreement from suppliers of timber used for major parts (structural materials, crosspieces, plywood, particle boards, etc.) of our company's houses in accordance with the above-mentioned guidelines, and have also conducted a regular survey on procured timber.

In fiscal 2014, according to the result of the regular survey, S-ranked timbers, including certified and recycled timbers, accounted for 81.5% of all the timbers surveyed (a 9.4-point reduction from the previous year). This reduced percentage is due to the adoption of stricter criteria in the survey (detailed identification of certification bodies and assessment, taking into account the characteristics of these certification bodies) and the expansion of the surveyed scope (the inclusion of Royal Home Center and DesignArc). We held an interview meeting with suppliers of C-ranked timber to discuss and implement improvement measures.

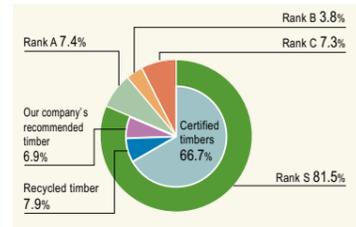
The entire Daiwa House Group will continue to promote the use of sustainable timber and emphasize our efforts to increase the procurement ratio of S-ranked timber.

\* Our company's recommended timber: We assess 11 items related to the legality and sustainability of timber, with 110 as the perfect score and those scoring 90 points or higher designated as "our company's recommended timber."

Assessment ranking of procured timber



Assessment result of used timber (FY 2014)



\* Ranking based on the total points of all the items regarding legality and sustainability

### Promotion of the use of domestic timber

We promote the use of domestic timber within the possible scope of stable procurement because it will help vitalize the multiple functions of forests (CO<sub>2</sub> absorption, soil retention, etc.) in Japan. Particularly in the wooden housing segment, we have promoted the sales of "xevo GranWood," for which we can use 100% domestic timber for the structural framework. In fiscal 2014, the ratio of domestic timber used for structural frameworks of wooden houses was 90%.



Wooden house "xevo GranWood"



Structural material (beam material)

### Third Party Voice



**Hironori Yamashita**  
Technical Advisor, Environmentally Symbiotic Housing Promotion Council  
Representative, Earth Planning & Work, Inc.

Mr. Yamashita makes proposals on building environments and greening environments that contribute to biodiversity conservation and community formation through activities of CASBEE Research & Development and the Regional Environment Review Sub-committee and other organizations, and surveys and planning of development and community creation.

Since the enactment of the Basic Environment Law, houses, buildings and communities that are designed to reduce environmental impacts have been widely promoted. In the greening segment, building greening technology and other relevant technology have been improved, and many comfortable spaces where people can enjoy nature have been created in urban areas.

Efforts of the Daiwa House Group, including the expansion of the environmental greening business, the improvement of the compliance rate with the self-standards for biodiversity conservation, and the increase in green covered areas, which are shown by the year-to-year increase in the number of houses certified under the energy-saving and low-impact house certificate system, can be regarded as making a positive contribution to biodiversity conservation.

At the same time, I think more efforts should be focused on addressing issues regarding the use, growth and management of created green spaces, which are the most important green designing processes for maintaining the effects of biodiversity conservation over many years, as well as effective measures to encourage employees to make proposals on a "green life" to owners and communities. It is also important to conduct follow-up reviews of efforts in biodiversity conservation. In this context, the company needs to develop a system to constantly monitor and measure the effects of greening on animals and plants, and apply results obtained to its future activities.

## TOPICS

### "Chinju-no-Mori" Restoration Project (Ashigarakami Gun, Kanagawa Prefecture)

On the occasion of the construction of a new research and development center for Toyama Co., Ltd., a cutting edge technology company engaged in the development of space and other technologies, our company's Atsugi Branch participated in the "Chinju-no-Mori" Restoration Project, which is a natural environment restoration plan for developed lands under the supervision of plant ecologists. We have cooperated in making comprehensive plans for the co-existence and co-prosperity of forests, buildings and people by making use of the geographical features of each construction site.

More specifically, we have developed a system that facilitates collaboration with customers and local people in continuing joint activities. One of such activities is a seedling planting project, in which a seedling planting event has been conducted three times, and a total of 22,222 seedlings of 36 different kinds have been planted. In the seedling planting project, we use straw, rope and other materials that can be returned to nature, and adopt mixed and close planting methods to achieve the restoration of strong and rich forests.

The building in the Chinju-no-Mori was designed to reduce environmental impact by using highly heat-insulated exterior walls, "low-

glass" and LED lighting products. In line with our Business Continuity Plan (BCP) for managing disasters, we use diversified power sources, including LP gas emergency generators. It is also planned to install 100 kW solar panels on the building.

Our efforts will be expanded to include eco-educational programs provided mainly to elementary schools in neighborhood areas and also to local residents, as well as activities to maintain and conserve the forest, involving the entire region.



Tree planting



A rendering of what the "Chinju-no-Mori" will look like when it is completed (20 years from now)

### A child care center with a greened wall that provides soundproof effects

Daiwa Lease, our Group company that promotes an environmental greening project under the theme of "Greening will change communities," has installed a greened wall that provides soundproof effects at a publicly built and privately operated child care center in Yokohama.

While an increasing number of child care centers have been constructed in response to an increasing number of children who are on waiting lists for such facilities, complaints from residents living near these facilities that "the area is noisy with children's voices," have also increased, which has become a public concern. With these circumstances taken into account, the company installed a greened wall that provides soundproof effects and hence has a less oppressive impact on local residents, with the aim of adding a sense of tranquility and familiarity to the facility. (A soundproofing effect verification test showed the result that the noise had been reduced by 15 dB.)

We will offer more proposals on the development of greening value.

\*The installation of this greened wall has reduced the noise level (about 70 dB) in the vicinity of a highway during the daytime to the noise level (about 55 dB) in an ordinary office of public facilities, such as a city's office.



Child care center with a greened wall



Soundproof green wall



### Development of new "CSR Procurement Guidelines"

We have shared the procurement standards mainly for environmental management with our business partners through the implementation of the "Biodiversity Guidelines [Wood Procurement]" and the "Chemical Substance Management Guidelines."

Based on the understanding that social issues, such as human rights and the work environment, have become internationally apparent in recent years, we developed new CSR Procurement Guidelines in July 2015 to stipulate procurement standards that cover a wide range of social and environmental issues. The Biodiversity Guidelines [Wood Procurement] have been incorporated in the CSR Procurement Guidelines. Based on the guidelines, we will renew collaborative efforts with business partners in promoting environmentally conscious activities to address such issues as climate change and resource conservation.

**[CSR Procurement Guidelines]**

\*Excerpts only of items related to "Environmental Conservation"

- ◆ **Business Partner Code of Conduct** \*Revised version of the one issued in 2006  
We are committed to reducing environmental impacts in both "business activity processes" and "products and services" to create a society where people can live with a sense of enrichment in harmony with their environment.
- ◆ **Corporate Activity Guidelines**
  - (1) Compliance with environmental laws and regulations and responses to public demands
  - (2) Responses to climate change
  - (3) Promotion of resource saving
  - (4) Management of chemical substances
  - (5) Consideration for biodiversity
- ◆ **Guidelines for Products** \*Guidelines issued in 2010 on a renewed position
  - (1) Chemical Substance Management Guidelines
  - (2) Biodiversity Guidelines [Wood Procurement]

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

### Social issues

◆ Significant increase in the consumption of natural resources in the world  
Serious depletion of resources and aggravated damage to the environment caused by waste

■ Total amount of collected substances in the world  
**Three-fold** of the current amount by 2050

■ Water demand in the world  
About **1,400 km<sup>3</sup>** (1950) ▶ About **5,200 km<sup>3</sup>** (2025)

◆ About 20% of the waste in Japan is generated by the construction field.  
Houses in Japan are demolished after around 30 years on average, which is shorter than in the United States and Europe.

■ Ratio of industrial waste  
**Construction industry: 19.6%**; Pulp, paper, etc.: 7.6%; Steel industry: 7.6%

■ Average life of houses  
**30 years in Japan**, 75 years in the UK, 55 years in the USA

### Expectations from stakeholders

- Higher durability and longer life of houses and buildings
- Housing and building designs for easy disassembly and sorting
- Reduced construction waste and promotion of recycling
- Reduced water consumption throughout supply chains

### Risks and opportunities for Daiwa House Group

- Risks**
- Increase in waste treatment costs due to a severe shortage of disposal sites
  - Steep rise in prices of construction materials due to the depletion of major metals, fossil fuels, etc.
  - Unstable procurement of construction materials due to a long-term shortage of water resources
- Opportunities**
- Reduction in waste generation and reduction in construction costs attributable to an increased recycling ratio
  - Reduction in life cycle costs for customers through the prolonged life of houses and buildings
  - Growth of existing home business to achieve a longer life for houses and buildings

### Visions and strategies

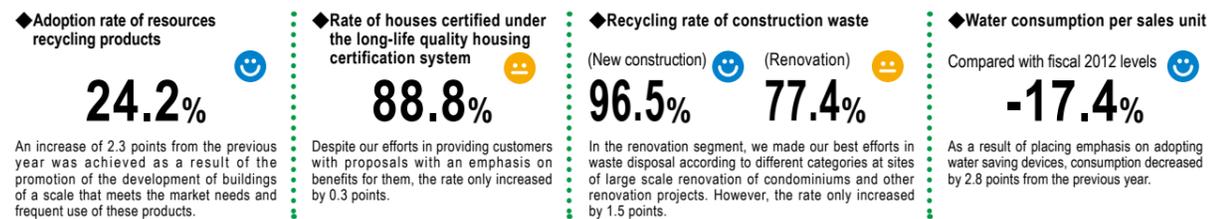
"Medium- to Long-Term Environment Vision 2020"

- Commitment to the challenging goal: **0** environmental impacts
- Higher durability and longer life of houses and buildings
- Zero emissions of construction waste

### Priority strategies of the "Endless Green Program 2015"

- ECO products (products/services)**
- Spread of resource conservation and recycling-oriented houses and buildings
  - 1 Dissemination of products utilizing recycled resources (pre-engineered buildings) for business use such as shops and offices
  - 2 Promotion of the use of recycled construction materials for houses and buildings
- ECO process (business activities)**
- Reduction of construction waste and promotion of recycling in all processes
  - 1 Reduction of construction waste at housing and construction sites
  - 2 Increase in activities towards zero emissions in all processes
  - Promotion of water saving efforts at facilities with high water consumption

### Summary of efforts in fiscal 2014



### Q: What was the state of efforts in fiscal 2014?

**A. The rate of houses certified under the long-life quality housing certification system remained at a high level. 3R activities at manufacturing and construction sites were improved significantly.**

With regard to houses, which are used over a long period of time, the best way to protect resources is to prolong their lifetime. While, in the housing segment, we failed to meet the target rate of houses certified under the long-life quality housing certification system, the rate still remained at high levels, reaching 88.8%.

3R activities at manufacturing and construction sites were constantly improved. The reduction in construction waste and the recycling rate were also improved. In particular, the recycling rate of waste from renovation increased to 77.4%, an increase of 1.5 points compared with the previous fiscal year.

### Q. What are the issues and measures for fiscal 2015?

**A. An emphasis will be placed on the expansion of resource recycling products in the commercial building segment and on the implementation of measures to reduce waste from roofing.**

For shops that are to be demolished even if they are still usable, we propose the adoption of pre-engineered buildings that are designed in such a way that they can be easily disassembled and some of the disassembled parts can be recycled and reused. In fiscal 2015, we will increase product variations so that we can adopt this system to large-scale buildings, with the aim of increasing the adoption rate to 25%.

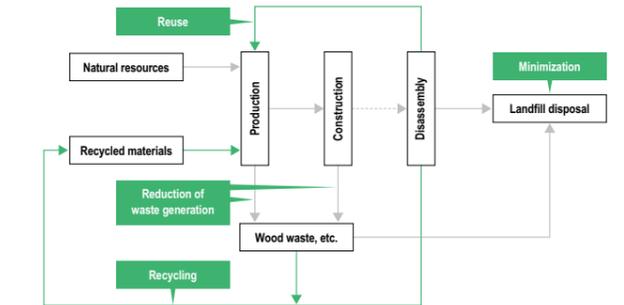
The issue we need to focus on in our efforts to reduce construction waste is the reduction of waste roofing materials, which accounts for about 10% of the entire waste at new housing construction sites. We will expand the nationwide adoption of the roofing method (S-tile) that enables the use of colored asbestos waste, which has been used on a trial basis in cooperation with a manufacturer since the last fiscal year.

## Pursuit of designs and constructions that take into consideration resource recycling

To promote the construction of resource recycling-oriented houses and buildings, it is important to effectively use recycled materials and place an emphasis on designs for easier disassembly of buildings into reusable or recyclable components at the development and design stages; and to reduce wood and other waste and to recycle generated waste at manufacturing and construction stages.

Daiwa House Industry manufactures all houses and pre-engineered buildings at its own plants according to its corporate mission, "the industrialization of construction." We reduce the generation of waste at new housing construction sites by assembling materials that have been pre-cut into their necessary measurements at each construction site. We also adopt, in general, a construction method that makes buildings easier to disassemble into reusable or recyclable components.

### Resource recycling flow chart for houses and buildings



### ECO products | Activity Report

## Efforts in recycling resources for houses and buildings

### <Priority strategies>

### Spread of resource conservation and recycling-oriented houses and buildings

- Spread of products utilizing recycled resources (pre-engineered buildings) for business use such as shops and offices
- Promotion of the use of recycled construction materials for houses and buildings

### 1 Increase in resource recycling products for convenience stores

The single-family and low-rise rental houses that we provide are pre-engineered, and the construction methods we use are designed to reduce waste at construction sites and make buildings easier to disassemble into reusable or recyclable components. On the other hand, offices, shops and plants, for which specifications differ from one building to another, are constructed mainly by conventional construction methods, due to which it is necessary to process and cut materials on construction sites, generating waste.

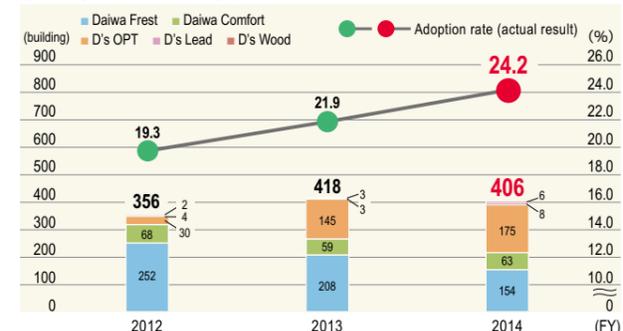
We therefore developed pre-engineered building products with standardized exterior walls and skeleton structures according to groups of buildings with relatively similar scales and specifications. We promote the sales of these products mainly to be used as offices, warehouses, shops and medium-scale plants. Major components for these pre-engineered buildings, as for pre-engineered houses, are processed and manufactured at our own plants according to their design dimensions, which helps reduce waste generated on construction sites.

In fiscal 2014, the adoption of D's OPT, a building product for small-scale shops, was increased. As a result, the adoption rate of D's OPT in all pre-engineered building products was 24.2%, and the number of products sold was 406 (a 14% increase from fiscal 2012 levels).

We promoted the introduction of the "Restore & Rebuild System,"\* which can be moved and reconstructed. In fiscal 2014, the system was used for 59 buildings, with the total number since fiscal 2005 reaching 805 buildings.

\* All major components are manufactured at plants, and buildings that are assembled by this system can be easily disassembled, recycled and reused. When a building becomes unnecessary, it is disassembled into reusable or recyclable components, and major materials are recycled at our company's plant in such a way as to be used for another building.

### Change in the number of buildings using resource-recycling products (pre-engineered buildings)



### 2 Promotion of use of 30 green procurement items

As part of our efforts to use recycled construction materials in our commercial construction segment, we promote the use of the "green procurement items (30 items)" defined in 2008. A product that uses at least 10 of these 30 items is recognized as a "green procurement site."

### 30 green procurement items

Category	No.	Item	Category	No.	Item
Soil	1	Soil conditioner	Groundwork	16	Lumber
	2	Halogen-free mesh sheet		17	Plywood
	3	Alternate mold		18	Free access floor
Concrete	4	Mixed cement	Finish	19	Glass
	5	Eco-cement/concrete products		20	Tile
	6	Recycled asphalt concrete		21	Water paint
	7	Recycled crushed stone		22	Tile carpet
Pavement, etc.	8	Block	23	Flooring	
	9	Permeable pavement	24	Vinyl flooring materials	
	10	Rooftop greening	25	Ecology cloth	
Steel material	11	Rerolled steels	26	Fabric blind	
	12	Recycled wooden board	27	Air conditioner	
Groundwork	13	Plaster board	Equipment	28	Gas heat pump-type air conditioner
	14	Rock wool sound absorbing board		29	Transformer
	15	Heat insulating and sound absorbing materials		30	Fluorescent lamp fixture, lamp

## ECO process | Activity Report

### Waste reduction and zero emissions at manufacturing and construction sites

#### <Priority strategies>

#### Reduction of construction waste and promotion of recycling in all processes

- 1 Reduction of construction waste at housing and construction sites
- 2 Increase in activities toward zero emissions in all processes

#### 1 Reduction of construction waste emissions

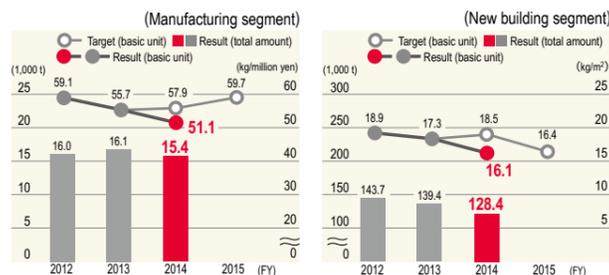
Four companies\* of the Daiwa House Group have established the reduction targets for construction waste generated at manufacturing and construction sites, and have been making efforts to achieve them.

In fiscal 2014, in addition to housing construction sites of Daiwa House Industry, we expanded the scope of the trial use of pre-cut plaster boards to also include building construction sites. We also promoted the use of wood waste at plants, such as wood chips and exterior wall surface materials.

As a result, construction waste emissions in fiscal 2014 were 51.1 kg/million yen in the manufacturing segment (a 13.6% reduction from fiscal 2012 levels) and 16.1 kg/m<sup>2</sup> in the new building segment (a 14.7% reduction from fiscal 2012 levels), both of which achieved their targets. We will focus more on efforts to reduce waste generation from exterior wall and roofing materials, in addition to plaster board. We will also encourage Group companies to take the same measures to further reduce construction waste emissions.

\*Daiwa House Industry, Daiwa Lease, Fujita and DesignArc

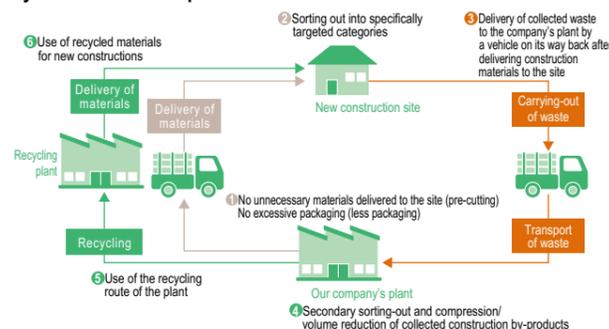
#### Change in construction waste emissions



#### 2 Maintenance of zero emissions at plants and new housing construction sites Promotion of increase in recycling rates in all processes

At new housing construction sites of our company, we adopt a system called "Plant Depo," which is designed to promote the recycling of construction by-products from the sites. With the help of this system, we maintained and continued zero emissions at new housing sites\*<sup>1</sup> and at plants also in fiscal 2014. Our efforts will be focused on expanding the resource recycling system, including a shift from thermal recycling\*<sup>2</sup> to material recycling\*<sup>3</sup> and the development of recycled materials within the Group.

#### System of "Plant Depo"



The Daiwa House Group shares among its group companies a goal to reduce the simple incineration and landfill disposal of waste as much as possible in all the processes from manufacturing, construction, and renovation to demolition. To achieve this goal, the Group has set target recycling rates and is implementing efforts to achieve the targets.

In fiscal 2014, the recycling rates of construction waste were 98.8% in the manufacturing segment, 96.5% in the new building segment, 98.8% in the civil engineering segment, 77.4% in the renovation segment, and 95.8% in the demolition segment. In all but the renovation segment, high recycling rates were maintained, achieving the targets.

We will continue our efforts to achieve zero emissions at plants and new construction sites and to implement a system to share recycling routes among Group companies and other measures to improve the recycling rates in civil engineering, renovation and demolition works.

\*1 Covering the process from foundation work to the completion of the building on a new housing (single-family/rental) construction site

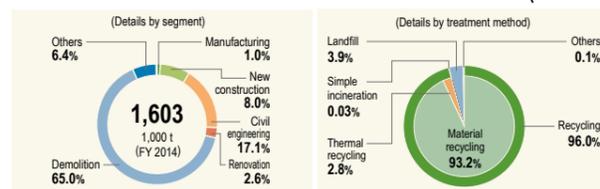
\*2 Recycling for use as fuels

\*3 Recycling for use as materials

#### Recycling rates of construction and demolition waste (by segment)

	FY 2013 results	FY 2014 targets	FY 2014 results	FY 2015 targets
Manufacturing	98.6%	98%	98.8%	98%
New construction	96.3%	95%	96.5%	95%
Civil engineering	99.8%	95%	98.8%	95%
Renovation	75.9%	80%	77.4%	85%
Demolition	95.4%	95%	95.8%	95%

#### Details of emissions of construction and demolition waste (FY 2014)



#### Promotion of green procurement of office supplies, etc.

We have our own green procurement standards for six major items used at offices (copy paper, forms, brochures, office supplies, office furniture, and office automation equipment). We encourage suppliers to join our efforts to increase the use of items that meet these standards.

In fiscal 2014, the green purchase rate was 94.0%, a 9.1% increase from the previous fiscal year. This is because of the significant increase in the green purchase rate of office supplies from 49.4% to 62.7%, owing to the preferential inclusion of office supplies that meet the green procurement standards in our ordering system to promote the purchase of these supplies.

We will share these procurement standards with the Group companies and will encourage the entire Group to promote green procurement.

## TOPICS

### A 79% reduction in waste generation with an improved roofing method

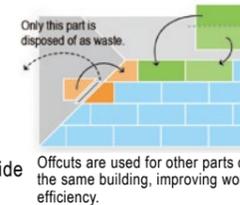
At new housing construction sites of our company, roofing materials, such as tiles and colored asbestos, account for about 10% of all construction waste emissions. In particular, for the corner ridge of a hipped roof, a square-shaped roofing material is cut diagonally, due to which a large amount of wood waste is generated.

As a solution, we have started to apply whole surface-coated "S-tiles" (corner ridge tiles). Remnants of these tiles, after being cut into the desired shapes, can be used for other parts by turning them upside down, thereby reducing waste.

At construction sites of new rental housing for which S-tiles were used, the consumption of roofing materials was reduced by about 13% compared with that of conventional construction methods, and waste from roofing materials was reduced by 79%. In addition, because offcuts

are used on the same site, construction work efficiency increases and the work of bringing down heavy waste from a roof is reduced, leading to improvement in efficiency and safety.

We will apply this method nationwide in order to further reduce waste.



#### The reduced amount of waste at construction sites using S-tiles

	Conventional method	S-tile application	Reduction
Amount of roofing materials used	1,016 tiles/building	888 tiles/building	▲ 13%
Amount of waste generated	249 kg/building	53 kg/building	▲ 79%

\*Apartment houses (hipped roof), Roof area: 158 m<sup>2</sup>

### Development of mixed resin pellets made from recycled wood waste from exterior wall surface materials

In our efforts to recycle materials, we have been successful in developing mixed resin pellets using waste from ceramic siding\*<sup>1</sup> for exterior walls of houses. This pellet is a hardened mixture of waste plastic from small-sized household electrical appliances, with 20% derived from waste from ceramic siding. With this pellet as an ingredient, we have developed a spacer\*<sup>2</sup> made from 100% recycled material for foundation construction.

We will use the developed pellet as an ingredient of various kinds of plastic products to develop more new products.

\*1 Exterior material made from a mixture of a cementitious material and a fibrous material as main raw materials that are hardened into the shape of a board



\*2 A material temporarily used to hold beams and reinforcing bars in their proper position in foundation construction

## ECO process | Activity Report

### Water resource conservation

#### <Priority strategies>

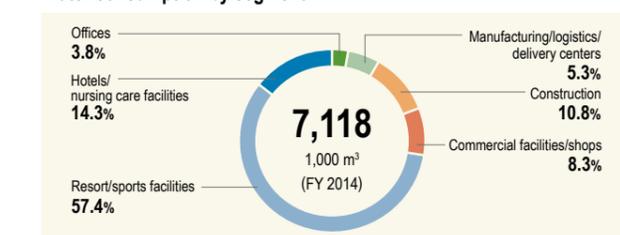
#### Promotion of water saving efforts at facilities with high water consumption

#### Promotion of waste saving at resort facilities and sports clubs

Water consumption differs significantly among the different types of business. In the Daiwa House Group, the water consumption in the segment of resort/sports facilities with large public baths and swimming pools and the segment of hotels/nursing care facilities with bathrooms accounts for about 70% of the water consumption in all the segments.

We therefore focus our water saving efforts on the protection of water resources in these two segments. We have set reduction targets and are implementing measures to reduce water use.

#### Water consumption by segment



## TOPICS

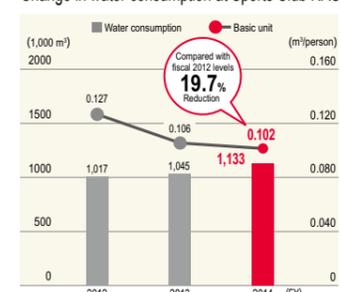
### Introduction of environmentally friendly waterless urinals (Sports Club NAS)

In fiscal 2014, Sports Club NAS of the Daiwa House Group started to install environmentally friendly waterless urinals that do not use water, electricity or chemicals at new clubs in order to reduce water consumption.

This waterless urinal is designed with a smooth surface to make it hard to stain. In addition, the siphon incorporated into the outlet prevents foul smells. Because no water is used, it is possible to reduce the water consumption of about 120 m<sup>3</sup> per urinal annually compared with ordinary urinals.

In fiscal 2014, five urinals were installed at two newly opened clubs. This type of urinal will be included in the standard specifications to be installed mainly at new clubs.

#### Change in water consumption at Sports Club NAS



Waterless urinal installed at NAS

## Prevention of chemical pollution

### Social issues

◇“The minimization of adverse effects by chemicals by 2020” was agreed at the World Summit on Sustainable Development in Johannesburg.

■ Chemical substances regulations in the world

United States: **TSCA\***

EU: **REACH and RoHS regulations**

\*TSCA: The Toxic Substances Control Act enacted in 1977 in the US

◇ In Japan, the Building Standards Act was revised to impose more rigorous requirements to address sick-house syndrome. Regulations for the management of various kinds of chemicals have also been tightened.

■ Indoor concentration guideline values set by the Ministry of Health, Labour and Welfare

Formaldehyde: **100**µg/m<sup>3</sup>(0.08ppm)

■ Emissions and the amount of movement of chemicals in Japan

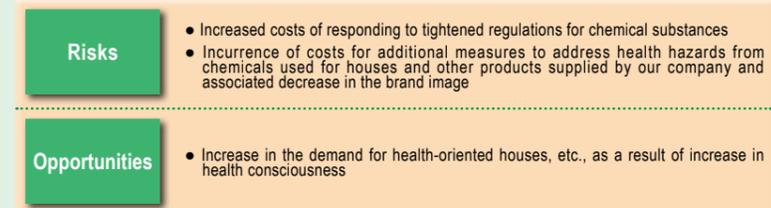
Source: Materials released by the Ministry of the Environment (FY 2013)

**376,000** tons for fiscal 2013 (462 target substances)

### Expectations from stakeholders



### Risks and opportunities for Daiwa House Group



### Visions and strategies

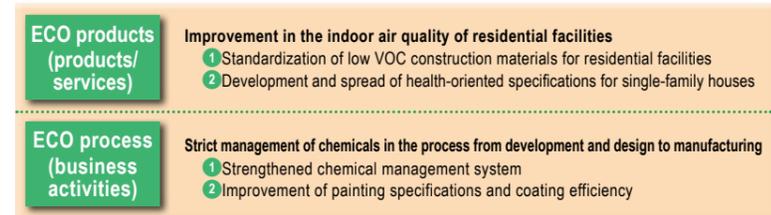
“Medium- to Long-Term Environment Vision 2020”

Commitment to the challenging goal: **0** environmental impacts

Elimination of sick-house and sick-building issues

Minimization of chemical-related risks

### Priority strategies of the “Endless Green Program 2015”



### Summary of efforts in fiscal 2014

◆ Investigation of chemicals in newly adopted construction materials

**68** investigations

The amounts of chemicals contained in and released from 68 newly adopted construction materials were identified according to the Chemical Substance Management Guidelines.

◆ Release and transfer of PRTR-listed toxic chemicals per sales unit

**-34.8%**

Compared with fiscal 2012 levels  
As a result of promoting the use of lower solvent paints, the total amount of the Group was reduced by 34.8% compared with fiscal 2012 levels.

◆ Volatile organic compound (VOC) emissions per sales unit

**-7.2%**

Compared with fiscal 2012 levels  
As a result of promoting the improvement of coating efficiency, VOC emissions were reduced by 7.2% compared with fiscal 2012 levels.

### Q. What was the state of efforts in fiscal 2014?

**A. We adopted formaldehyde-free materials for thermal insulation and other purposes for houses for sale. Chemicals used at plants were also reduced.**

To further promote the use of health-oriented specifications of houses for sale, we switched from conventionally used formaldehyde-containing materials for thermal insulation and sound absorption to formaldehyde-free materials, because formaldehyde is considered one of the substances that causes sick house syndrome. We continued our efforts to identify the presence or absence and, if present, the levels of about 280 kinds of chemicals in newly adopted construction materials. In fiscal 2014, we investigated and assessed chemicals in all of the 68 newly adopted construction materials.

With regard to chemicals used at plants, we shared information about them among Group companies to promote the use of lower solvent paints and improve coating efficiency. As a result, all of the Group companies successfully achieved reduction.

### Q. What are the issues and measures for fiscal 2015?

**A. Our efforts will be directed toward strengthening the management of construction materials. We will improve health-oriented specifications mainly for major interior materials.**

We will constantly inspect more than a certain number of facilities, including not only houses but also nursing care facilities, which have been increasingly constructed in recent years, hotels and hospitals to strictly control ambient concentrations of air quality parameters in an indoor environment.

In fiscal 2015, as the first step in our efforts to improve health-oriented specifications, we will cooperate with suppliers in collecting and analyzing more detailed data on the released amounts of chemicals, based on data obtained through the implementation of the Chemical Substance Management Guidelines. We will then take necessary measures, such as switching to lower VOC construction materials.

## Chemical Substance Management Guideline

Daiwa House Industry developed the Chemical Substance Management Guidelines in 2010 to improve the management of chemicals in materials used for the construction of buildings. The Guidelines specify about 280 kinds of substances to be controlled, and the following three management levels have been established for each of them: use prohibited, control required/use restricted, and monitoring required.

According to the Guidelines, we identify chemicals used in construction materials and determine the presence or absence of substances that are prohibited to be used and, if present, the amount contained and released in order to minimize risks associated with toxic chemical substances.

## Management levels according to the Chemical Substance Management Guidelines

Management level	Controlled substances
<b>Level 1 &lt;Use prohibited&gt;</b> Substances and substance groups that are prohibited to be used in all products	Substances prohibited for use by domestic laws, etc.
<b>Level 2 &lt;Control required/Use restricted&gt;</b> 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 for which guideline values are set by the Ministry of Health, Labour and Welfare and some of the candidate substances for approval under REACH, <sup>*1</sup> etc.
<b>Level 3 &lt;Monitoring required&gt;</b> Substances and substance groups for which the status of use in major construction materials should be identified.	Substances regulated by REACH <sup>*1</sup> and RoHS, <sup>*2</sup> etc.

\*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007

\*2 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

### ECO products | Activity Report

## Reduction in toxic chemicals in our products and services

### <Priority strategies>

#### Improvement in the indoor air quality of residential facilities

- 1 Standardization of low VOC construction materials for residential facilities
- 2 Development and dissemination of health-oriented specifications for single-family houses

### 1 Setting self-standards at levels higher than the national guideline values to assess the indoor air environment

Our company and Daiwa Lease, our Group company, which provide many residential facilities, use construction materials with a formaldehyde release level of F☆☆☆☆<sup>\*1</sup> for all indoor finishes to achieve a better indoor air environment.

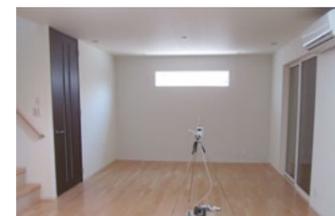
We annually measure the ambient concentrations of air quality parameters in the indoor environment of a certain number of houses for sale (single-family/low-rise rental houses) immediately after their completion. We have set targets higher than the national guideline values for five substances<sup>\*2</sup> for which measurement is required under the Housing Quality Assurance Act.<sup>\*3</sup> Based on these targets, we assess and improve the air environment. We have expanded the application of this system for measurement, assessment and improvement not only to residential houses but also to other residential buildings, such as built-for-sale houses, rental condominiums, and nursing care facilities where users stay over a long period of time, as well as hotels and hospitals.

We will conduct surveys on a certain number of our products, taking into account regional characteristics and seasons according to the purpose of use. Based on the survey results, we will analyze the identified factors and improve the indoor air environment.

\*1 The rank with the least release, with no restrictions on use for indoor finishes

\*2 Formaldehyde, toluene, xylenes, ethylbenzene, and styrene

\*3 Act regarding the promotion of quality assurance of houses



Measurement of indoor air quality

### 2 Promotion of the use of low VOC construction materials and the development of health-oriented specifications

To address sick-house syndrome, the symptoms of which include headaches caused by formaldehyde and other volatile organic compounds (VOCs) released from construction materials, we have adopted health house specifications, using low VOC materials, since 1996, earlier than any other companies in the construction industry.

In fiscal 2014, we replaced conventional formaldehyde-containing materials with formaldehyde-free rock wool for acoustic insulation between floors for single-family and low-rise rental houses. For single-family houses, the conventional glass wool filling heat insulation material for external walls was also switched to formaldehyde-free materials.

We will conduct chamber tests<sup>\*</sup> of major wooden construction materials to confirm and evaluate test results, based on which we will replace materials currently used with materials that release less formaldehyde.

With regard to single-family houses, more efforts will be made to establish health-oriented specifications with an emphasis on the indoor air environment, in order for us to make proposals on houses with a better air environment.

\* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials

Glass wool filling heat insulation material for external walls  
(Replaced with a formaldehyde-free material)



The structure of an external wall of a single-family house



VOC-release measurement using the small chamber method

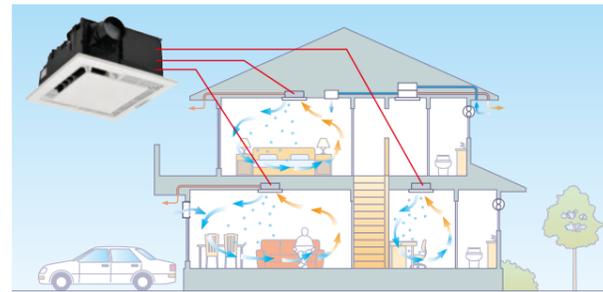
## Development of "Air Purifier ef (Excellent Fresh)"

There have recently been increasing concerns about indoor air quality. Indoor air contains many pollutants, such as minute particles coming in from outside, such as pollen and PM2.5,\* as well as house dust and other substances generated within rooms.

In 2005, Daiwa House Industry developed the "Air Ventilation and Cleaning System ef," a ceiling embedded air purifier. In fiscal 2015, the system was renewed as "Air Purifier ef," with improved efficiency at removing pollutants from the entire room.

\* Particulate matter less than 2.5 microns in diameter

Air Purifier ef



### ECO process | Activity Report

## Reduction in toxic chemicals in the process of our business activities

### <Priority strategies>

Strict management of chemicals in the process from development and design to manufacture

- 1 Strengthened chemical management system
- 2 Improvement of painting specifications and coating efficiency

### 1 Unified efforts of the development and manufacturing segments to achieve improvement according to the Chemical Substance Management Guidelines

We hold regular cross-departmental meetings of the Joint Working Group (WG) consisting of the relevant departments to promote the reduction of toxic chemical substances handled by our plants. The development segment discusses the adoption of materials containing less toxic chemicals in place of currently used materials according to the Chemical Substance Management Guidelines. The manufacturing segment evaluates quality and other factors so as to ensure constant improvement.

The Daiwa House Group's companies also organize Joint WG meetings to share information to promote their activities for improvement.

### 2 Promotion of the use of weaker solvent-based additional coating materials and anticorrosive coating materials for steel frames

In fiscal 2013, we started to switch from conventional additional coating materials used after electrodeposition coating to Class 3 organic solvents containing no PRTR\*-listed toxic chemicals. In fiscal 2014, the switch was completed at all plants. This has reduced the release and transfer of toluene, xylenes and ethylbenzene.

Daiwa Lease, our Group company, has also been promoting the use of weaker solvent-based anticorrosive coating materials to reduce its use of PRTR-listed toxic chemicals.

\*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.

### Reduction of the release and transfer of PRTR-listed toxic chemicals

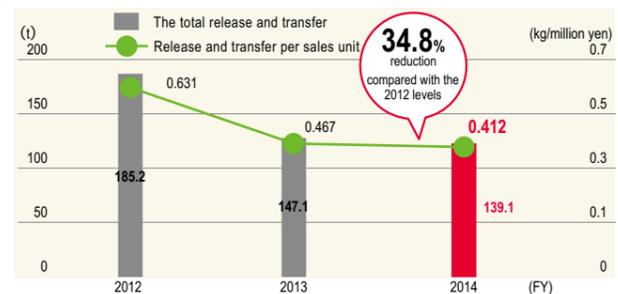
Three companies\* of the Daiwa House Group that own their own plants have established the reduction targets per sales unit for the release and transfer of chemical substances at manufacturing sites, and have been making efforts to achieve them.

In fiscal 2014, the release and transfer of PRTR-listed toxic chemicals of the Daiwa House Group was 139.1 tons, a 24.9% reduction from fiscal 2012 levels owing to the increased use of weaker solvent-based coatings by our company's housing plants and Daiwa Lease, our Group company. The release and transfer of PRTR-listed toxic chemicals per sales unit of the three Group companies was reduced by 34.8% compared with fiscal 2012 levels.

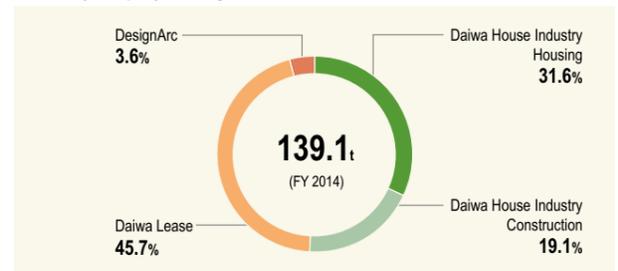
We will continue our activities for improvement, such as a review of various kinds of coatings, to reduce the number of basic units for the release and transfer of PRTR-listed toxic chemicals to lower levels than the current ones.

\*Daiwa House Industry, Daiwa Lease, DesignArc

#### Change in the release and transfer of PRTR-listed toxic chemicals



(Details by company and segment)

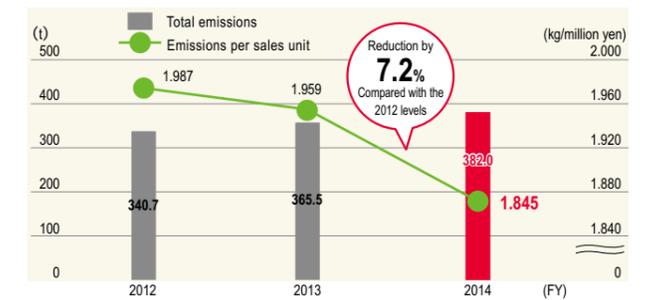


## Reduction of VOC emissions

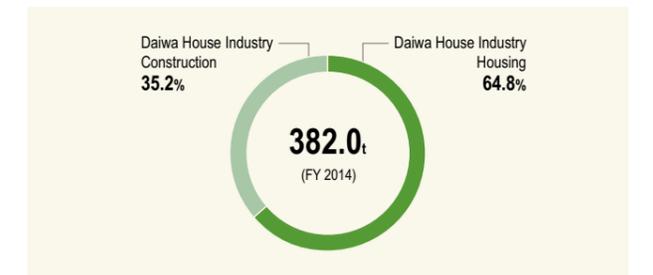
In fiscal 2014, as the production volume increased, the VOC emissions of our company also increased to 382.0 tons, a 12.1% increase compared with the fiscal 2012 levels. The emissions per sales unit were reduced by 7.2% compared with the fiscal 2012 levels, and achieved the target.

We will continue our efforts to make improvements, including an increase in the coating efficiency, that will contribute to reducing emissions per sales unit to lower levels than current ones.

### Change in VOC emissions



(Details by company and segment)



## TOPICS

### Reduction of the emissions of hazardous chemicals by improved paint and coating efficiency (Daiwa Lease)

For the purpose of decreasing VOCs released in the steel painting process and lead emissions in manufacturing at plants, Daiwa Lease, our Group company, has been switching from anticorrosive coating materials for general use (JISK5621: quick-drying type) to weak solvent-based anticorrosive coating materials\*1 and lead-free coating materials (JISK5674) since fiscal 2012. In fiscal 2014, the switching rate to weak solvent-based and lead-free coating materials was 83%, a 37% increase from the fiscal 2012 levels. We also achieved 100% adoption of lead-free anticorrosive coating materials. We will continue and maintain our efforts to use lead-free materials.

Our company's Kanto Plant started the compressed air optimization (from 0.85 to 0.7–0.75 Mpa) of compressors used for air-less painting to achieve energy saving and improve coating efficiency as well as to reduce the scattering of coating materials. After verifying the effects, we will apply the optimization to the entire company.

To reduce VOC emissions in the wall panel painting process at "depos,"\*2 we installed two flow coaters\*3 (Ninomiya and Okayama plant) and a hot-air low-pressure coating machine\*4 at all depots, and continued our efforts to promote the use of water-based coating materials. As a result, the rate of use of water-based coating materials for panels was increased to 10% in fiscal 2014.

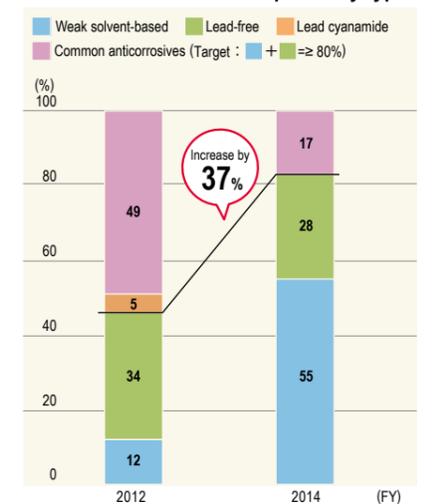
\*1 Weak solvent-based anticorrosive coating material: Coating materials containing less PRTR-listed toxic chemicals than conventional products

\*2 Depo: A yard where properties for lease are repaired and stored

\*3 Flow coater: A coating machine whereby a panel is automatically passed through a curtain of paint

\*4 Hot-air low-pressure coating machine: A coating machine that does not require a compressor, whereby hot air is used to dry the surface quicker and prevent dripping

#### Use ratio of anticorrosive paints by type



Flow coater



Hot-air low-pressure coating machine

## ECO Technology (development of environmentally conscious technology)

The Daiwa House Group focuses its efforts on the research and development of next-generation products and services that are essential for people, communities and daily life in the future in the business and technology segments, with an emphasis on safety and comfort, speed and stock, welfare, the environment, health, information and communication technology, and agriculture. In the environmental field, with an emphasis on "prevention of global warming," "conservation of natural resources," "harmony with the natural environment" and "prevention of chemical pollution," we are engaged in developing one-of-a-kind technologies and products and services created by mixing these unique technologies.

We place a particular emphasis on CO<sub>2</sub> saving technologies for houses and buildings, including technologies for energy saving, energy creation and energy storage; resource recycling technologies that enables the reuse and recycling of buildings and construction materials; and information technologies used for energy management. Through cooperative efforts with a variety of stakeholders, we are engaged in developing cutting-edge technologies in these areas.

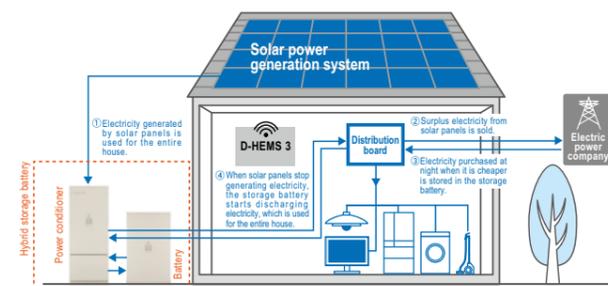
### Hybrid system combining solar and lithium ion batteries

Daiwa House Industry has developed a new hybrid system combining solar and lithium ion batteries for its smart house "SMA Eco Charge." Before this product was developed, we had installed a solar power generation system and a storage battery system separately and therefore, the surplus electricity from the solar power generation system needed to be converted from direct to alternating current before being used for the storage battery system, causing a large energy loss.

To address this energy loss, we have integrated solar and lithium ion batteries to develop a unified power conditioner, which provides efficient energy control "from generation and storage to use." This system enables the effective use of renewable energy and also alleviates the impact on household expenses caused by energy price fluctuations. We will further promote the development of houses supplying their own energy through technology innovation by combining the effective use of renewable energy and the reduction of energy consumption by improving the heat insulation of houses.



"POWER iE 6 HYBRID" (6.2 kW, manufactured by ELIHY Power Co., Ltd.)



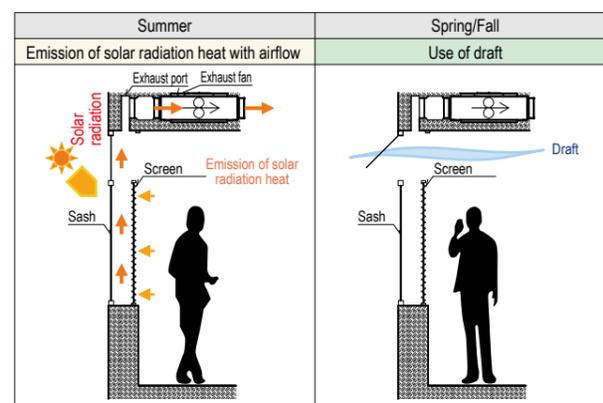
SMA Eco Charge (in normal operation)

### Development of energy saving technology for windows of office buildings

We launched "D's Smart Office," an eco-friendly office building, in 2011, but still needed to improve the energy-saving performance of offices with higher energy consumption. With a focus on windows with a high thermal load, we developed a "passive air-flow window" with improved energy saving performance.

The most distinguished feature is that the window is designed to change its functions according to seasonal changes, resulting in a reduction of about 20% in annual air conditioning energy consumption. In summer, the heated air confined between the screen installed to shade the sunshine and the window is emitted to the outside by an exhaust fan. In spring and fall when the outdoor air is cooler, cool outside fresh air is taken into the room by opening the upper window. In this way, this system creates a comfortable and warm environment without relying on machines. Because the air is ventilated in the upper part of a window, people in the room are less likely to be exposed to strong wind and can concentrate on their work without worrying about paper documents being scattered by the wind.

We applied this technology to our facility (Fukushima Branch building) that was completed in April 2015 and will verify the effects there. Based on the verification results, we will make improvements so that we can apply the technology to other office buildings in the future.



Schematic of the passive air flow window



Daiwa House Fukushima Building, which adopted a passive air flow window

### Wall greening system that cleans the air

We developed an air-purifying wall greening system jointly with Daiwa Lease, our Group company. The system is designed to prevent air pollution caused by automobile exhaust gas and PM2.5, and at the same time to promote greening in urban areas.

This system uses soil foundation where trees are planted as an air purifier filter. Air pollutants are sucked in from the backside by a fan and filtered out through the soil. The purified air is then emitted from the front side.

Pollutants are purified by natural sources, such as soil, plants and microorganisms. They are absorbed and captured by the soil foundation and water in it. Some of them are absorbed and used as nutrients for plants, while others are degraded and reduced by soil microorganisms to be released into the air as nonhazardous substances. By this system, the nitrogen dioxide contained in exhaust gas and other pollutants can be reduced by about 90% and PM2.5 by about 65%.

We are planning to apply this system to such facilities as multi-storied parking buildings and commercial facilities mainly in urban areas.



Schematic drawing of the air-purifying wall greening system



A building installed with the air-purifying wall greening system (D-room Plaza Hall of our company)

### Development of a technique to decontaminate oil-polluted soil with activated carbon and oil-degrading bacteria, the first of its kind in Japan

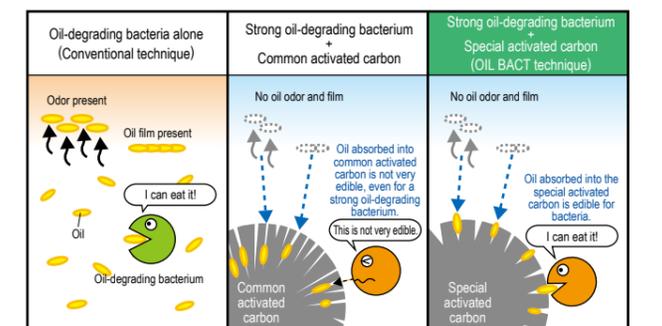
Daiwa House Industry and Prof. Motoki Kubo of Ritsumeikan University jointly developed the OIL BACT,<sup>\*1</sup> combining activated carbon and biology (oil-degrading bacteria), as the first of its kind in Japan.

The distinguishing feature of this technique is the mix of a combination of special activated carbon and oil-degrading bacteria into the soil. The activated carbon absorbs oil in the soil quickly, and thereby the oil odor and oil film can be quickly removed. The bacteria then eat the oil, reducing the oil concentration.

While, with the conventional method using oil-degrading bacteria alone, it took two weeks to one month to remove the oil odor and film, with this new technique, it only takes about one hour, achieving a significant reduction.<sup>\*2</sup>

In addition, with this technique, it is not necessary to transport polluted soil to a treatment site and to incinerate it. Therefore, compared with the method of replacing polluted soil with non-polluted soil, CO<sub>2</sub> emissions can be reduced by about 70%, and there is no risk of any secondary pollution.<sup>\*3</sup> It is therefore an environmentally conscious method. The OIL BACT has received Technology Assessment Certificate No. 1016 of the Soil Improvement Technology Assessment Certification Program of the Society of Materials Science, Japan.

\*1 OIL BACT: Bioremediation and Activated Carbon Technique for OIL contamination  
 \*2 Based on the result from a laboratory test using 100 grams of simulated contaminated soil (oil concentration: 2,000 mg/kg)  
 \*3 The spread of contaminated soil to uncontaminated areas



Characteristics of OIL BACT

## ECO Communication

We, as the Daiwa House Group, are committed to continuously improving our environmental activities through communicating our approach to and efforts in addressing 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 have contact on a daily basis, we encourage our employees to improve their awareness and knowledge of environmental issues and to practice environmental responsibility.

### Development of communication with stakeholders

#### <Priority strategies>

- 1 Strengthening of the dissemination of information and improvement of interactive communication through our environment website
- 2 Development of environmental communication activities in cooperation with local communities

#### 1 Use of videos as a new communication tool

Daiwa House Industry provides information on its environmental activities through its websites, environmental reports, brochures for consumers, exhibitions, and various other means. With particular emphasis on websites as a medium between our company and various kinds of stakeholders, we constantly improve the contents.

In fiscal 2014, as smartphones and tablets have become widely used, we made two sets of videos as a tool to disseminate information in an easier way for anybody to understand. One of them is the "Environmental Vision edition" containing information about the environmental vision and the plan for environmental activities of the Daiwa House Group, and the other is the "Environmental Activities edition (3 subsets)" containing information on its leading activities, such as efforts in CO<sub>2</sub> savings and community development in harmony with nature. These videos are shared on Facebook and used at exhibitions and lecture seminars to provide information on the Group's environmental efforts to as many people as possible. We have already received feedback from viewers.

More efforts will be made to make more videos on a regular basis and to enhance information dissemination through the environmental website and improve interactive communication.

The Environmental Report 2014 of the Daiwa House Group received in March 2015 the Global Warming Efforts Report Award (Minister of the Environment Award) in the Environmental Report Section of the 18th Environmental Communication Awards sponsored by the Ministry of the Environment and other organizations.



Videos introducing our leading environmental efforts on our company's website



Daiwa House Group Environmental Report 2014

#### 2 Activities with children who create the next generation

##### SAKURA PROJECT

We have offered, since fiscal 2010, programs for children mainly in kindergartens and elementary schools to experience playing Japanese musical instruments and planting cherry trees, with the aim of raising the children's awareness of the importance of the natural environment. These programs are funded by part of the sales from eco-friendly products. We have so far planted 325 cherry trees together with 37,831 children at 130 locations in total (as of the end of March 2015). We are planning to plant cherry trees in 50 locations in fiscal 2015. We will continue our efforts to increase our communication with local communities, mainly in the neighborhoods of our offices.



Cherry tree planting

Related subject **SAKURA PROJECT**

##### Eco Workshops for Children

We started in 2005 a workshop designed to help children who will create the next generation to learn and understand the importance of the global environment. In the workshop, children, together with their parents, create a model of a house while thinking about environmental issues and finding out what they can do. In fiscal 2014, there were 123 participants; the total number has reached 5,347 (as of the end of March 2015). We will continue our activities to contribute to local communities.



Eco Workshops for Children



A model of a house made by children

Related subject **Eco Workshops for Children**

## Major activities in fiscal 2014

The Daiwa House Group issues "SUSTAINABLE JOURNEY," a brochure for consumers, twice a year. The brochure, which is created to look like a magazine, provides information about smart cities and sustainable lifestyles in the world and environmental activities of the Group. We will reflect opinions from readers in the next edition.

In dialogues with stakeholders, we have invited experts since fiscal



SUSTAINABLE JOURNEY



Environmental Exhibition "Eco-Products 2014"

2014. Their opinions have been incorporated in our environmental activities. We will continue to increase the dissemination of information and promote dialogue with stakeholders.

#### Environmental communication activities with stakeholders in fiscal 2014

Objective	Activities	Results in FY 2014
Strengthening of the dissemination of information	Issuance of "SUSTAINABLE JOURNEY"	Twice (54,000 copies/issue)
	Exhibits at environment-related exhibitions	Eco-Products 2014, 5th ECO House & ECO BUILDING EXPO, Smart City Week 2014, etc.
	Dissemination of information on the environment website and SNS	At least once a month
	Publication of environmental advertisements	Once (Nikkei Ecology/Nikkei Business)
	Issuance of CSR reports and environmental reports	Once (July)
Promotion of dialogue and cooperation	SAKURA PROJECT	44 locations, 18,905 participants
	Eco Workshops for Children	123 participants (5,347 in total)
	Local environmental activities (Hayama, Mt. Rokko)	Hayama: Four times (220 participants); Mt. Rokko: Twice (18 participants)
	Experts' dialogue	Once (April)

### Improvement of the environmental awareness of all executives and employees and the implementation of environmental activities

#### <Priority strategies>

- 1 Promotion of environmental activities by ECO supporters
- 2 Improvement of environmental awareness through the internal environment bulletin and the intranet

#### 1 "Lights off" at all offices nationwide

We promote environmental activities at worksites, mainly by ECO supporters stationed at each worksite (including plants). In the previous fiscal year, we organized the "Fun to Share Environmental Contest 2014," as an event in June, the environmental month. For the contest, we invited employees to submit their "Fun to Share" declaration along with pictures. In August, we implemented "lights off" for three days as one of the "Eco Action" events participated in by 94 worksites nationwide. During the three-day period, ECO supporters took initiative to encourage all employees to join the event. They made the rounds of worksites after 19:00 to check if the lights were off. The "lights off" rate after 19:00 during the three days was over 90%.

We will continue our efforts, supported mainly by ECO supporters, to improve environmental awareness and promote environmental activities at worksites.



Fun to Share 2014 Best Work Award "Don't throw garbage at the seaside," but build a low-carbon society.



Poster for the "lights off" event and an office with lights switched off

#### 2 Use of the internal environment bulletin and the intranet

The Daiwa House Group issues its internal environment bulletin "We Build ECO Press" containing information on leading environmental efforts and eco-friendly activities of employees in the Group, with the aim of raising employee awareness. (Seven issues in fiscal 2014)

We use our intranet to promote company-wide environmental activities. In addition to information on environmental events, explanations of the Endless Green Program 2015, information on outstanding environmental efforts made at worksites, and educational materials are also available on the intranet.

We will improve the contents to further increase the environmental awareness of employees.



Internal environment bulletin "We Build ECO Press"



Intranet



### To meet the global needs for information on our environmental efforts

As the Daiwa House Group is expanding its business into overseas markets, the number of inquiries from overseas stakeholders has been increasing. In response, we have directed our efforts to improving our website in English since last fiscal year, but have not yet achieved a satisfactory level.

We will, to start with, improve the English-language Environmental Report on our website, regarding which we have received the most inquiries, in cooperation with the relevant departments.



## Cooperation with government agencies, external organizations, etc.

The Daiwa House Group regards cooperation with various organizations, in addition to the internal and external dissemination of information, as the most important ECO communication effort. In this context, we assume leadership in achieving a more environmentally conscious and sustainable society through active participation in verification projects organized by the national government and its agencies, the promotion of environmental activities by industry organizations, the submission of proposals on environmental policies, and partnerships with various organizations.

### Active participation in verification projects conducted by the national government, etc.

Daiwa House Industry actively participates in verification projects and campaigns organized by the national government and its agencies to provide feedback on their policies and cooperate in promoting environmental activities. We have been involved in the Environmental Information Disclosure Infrastructure Project of the Ministry of the Environment since fiscal 2013. We will continuously provide feedback on the development of information disclosure infrastructure that facilitates the use of environmental information disclosed by companies by investors and others concerned.

#### Major programs the Group participates in

Organizer	Program
Ministry of Economy, Trade and Industry	Net Zero Energy Building Verification Project
Ministry of Land, Infrastructure, Transport and Tourism	Leading-edge CO <sub>2</sub> saving project for houses and buildings
Ministry of the Environment	<ul style="list-style-type: none"> <li>Support project for the calculation of emissions from supply chains</li> <li>Green Value Chain Platform</li> <li>FY 2014 Environmental Information Disclosure Infrastructure Project</li> <li>"Fun to Share" climate change campaign</li> </ul>

### Leadership among industry organizations and policy proposals

We participate in various committees on environmental issues of organizations of which we are a member, such as the Japan Federation of Housing Organizations and the Japan Prefabricated Construction Suppliers and Manufacturers Association. In these committees, we assume leadership in planning and promoting environmental action plans that should be addressed with the concerted efforts of the industry. We also provide information necessary to develop policies and make proposals on policies from the perspective of marketing and development.

#### Major organizations of which we are a member, and activities we participate in

Industry organization	Committees, etc.
Japan Federation of Housing Organizations	<ul style="list-style-type: none"> <li>Building Regulatory Rationalization Committee</li> <li>Housing Performance Improvement Committee</li> <li>Global Warming Committee</li> <li>Townscape Environment Committee</li> <li>Environmental Management Sub-committee</li> </ul>
Japan Prefabricated Construction Suppliers and Manufacturers Association	<ul style="list-style-type: none"> <li>Housing Sub-committee/Environment Sub-committee</li> <li>Housing Sub-committee/Technology Sub-committee/Energy Saving WG</li> <li>Housing Improvement Planning Promotion Committee</li> </ul>

### Dialogue and cooperation with government agencies

We participate not only in public relations activities via industry organizations but also in various committees and workshops of government agencies and their affiliate organizations. We take these opportunities to promote dialogues and cooperation to avoid business risks and create business opportunities through discussions on policies regarding environmental issues, and by sharing information and exchanging opinions on efforts made by non-governmental organizations.

#### Major activities

Organizer	Committees, etc.
Ministry of Land, Infrastructure, Transport and Tourism and Ministry of Economy, Trade and Industry	Overseas Eco-city Project Council
Ministry of Economy, Trade and Industry	Smart Community Alliance
Ministry of Land, Infrastructure, Transport and Tourism	Smart Wellness Housing Research and Development Committee
Ministry of Economy, Trade and Industry	World Energy Saving and Business Promotion Council
Institute for Building Environment and Energy Conservation	Housing Energy Saving Performance Review Committee
Japan Sustainable Building Consortium	<ul style="list-style-type: none"> <li>Environmental Assessment Method Research Committee</li> <li>CASBEE Research &amp; Development Committee</li> </ul>
Environmentally Symbiotic Housing Promotion Council	Survey and Research Sub-committee, Promotion Sub-committee, etc.

### Cooperation with NGOs, NPOs and other local and citizens' groups

We build partnerships with NPOs and NGOs that have abundant information and knowledge about environmental issues and have innovative experience in the environment field. We cooperate with them while complementing each other's knowledge to promote environmental activities.

#### Major organizations with whom we have partnerships

Organizations with whom we cooperate	Cooperative activities	
Citizens' groups	World Wide Fund For Nature (WWF) Japan	Implementation of the Wood Procurement Guidelines, sharing of information on risk areas, etc.
	ZERI (Zero Emission Research and Initiative) Japan	Spread of and education on zero emissions activities
Local organizations	Yoshinoyama Hoshokai	Cherry tree conservation activity at Mt. Yoshino
	Kanagawa Prefecture, Hayama Town, Futagoyama Mountains Nature Conservation Council	Hayama-no-mori Project
	Japan Forest-Volunteer Association	Conservation activities for Mt. Rokko

## TOPICS

### Hayama-no-mori Project "Hayama hometown folding screen"

Our company, in cooperation with neighborhood associations (Kamiyamaguchi and Kikoba districts) and teachers and students of Kanto Gakuin University, started the project in November 2012 to make a "furusato e-byobu," in Hayama Town, Kanagawa Prefecture. The furusato e-byobu is a folding screen with a drawing of community forests and local people's daily lives in the 1950's. A total of 1,500 people participated in the drawing based on interviews with older local people. It was completed in May 2015. This e-byobu will be used to help children learn about the bounty of nature and ancient wisdom and to think about the future of their communities together.



## Assessment by third parties (FY 2014 results\*) \*Most recent results are also included.

### Listed in CDP's Climate Performance Leadership Index

Our company was listed in the Climate Performance Leadership Index (CPLI) 2014 of CDP\* in the CDP Japan 500 Climate Change Report 2014, which is a global index assessing corporate efforts to mitigate climate change according to the CDP standards. We received a disclosure score of 95 out of 100, which assesses the extent of a company's disclosure of information, and a performance score of A, which is awarded to a company that is undertaking or has undertaken a positive climate change action, which contributes to climate change mitigation, adaptation or transparency. (A total of 24 companies in Japan have been listed in the CPLI 2014.)

We will continue our efforts to further improve our performance so that we will be continuously listed in the CPLI. We will also focus our efforts on ensuring the integrity and transparency of information that we disclose in order to be eligible to be listed in the Climate Disclosure Leadership Index (CDLI).

\* CDP: UK's international nonprofit organization that provides a global system for measuring, disclosing, managing and sharing vital environmental information of companies and cities



Disclosure score	Performance score
95/100	A

### Awarded Global Warming Efforts Report Award (Minister of the Environment Award), the first in the housing industry

The Daiwa House Group Environmental Report 2014 received the Global Warming Efforts Report Award (Minister of the Environment Award), the highest award in the environmental report category, in the 18th Environmental Communication Awards. The Group thus became the first company to be awarded with this award in the housing industry.

One of the main reasons for being awarded was our energy saving efforts through the promotion of zero-energy-loss houses, buildings and towns that aims to achieve a low carbon society and to make effective use of energy, which are not limited to the housing segment but cover the extensive building industry, and are directed not only at design and manufacturing sites but also at the entire lifespan of buildings that we sell. Another reason was our positive approach to disclosing information about the medium- and long-term Action Plan for the Environment, which is designed to fulfill our business policy and information about efforts and initiatives to address toxic substance issues, such as soil contamination.

We will continue our efforts to promote environmental activities unique to our Group and use the environmental report actively as a tool for dialogue with stakeholders.



Awarding ceremony



Environmental Report 2014

### Awarded with the "Outstanding Award" in the 16th Green Purchase Award for our greening efforts

"ECOLOGREEN: the greening promotion and environmental greening project in the housing and building segments under the theme of 'Greening will change communities'" received the "Outstanding Award" in the 16th Green Purchase Awards, for the second time, following the receipt in 2009. The ECOLOGREEN project is jointly implemented by Daiwa House Industry and Daiwa Lease, a Group company.

The reason for the award in 2014 was our efforts to visualize the value of greenery using various means so as to help general public directly feel the comfortableness of living in harmony with greenery in urban areas.

We will expand these efforts to our Group's facilities and public facilities to help as many people as possible feel the comfortableness of living in green spaces so that we can contribute to increasing and educating green consumers.



"Osaka Hanabyobu (flower screen)" in the green park in front of Shin-Osaka Station of JR West

#### Major awards and recognitions from external groups for FY 2014

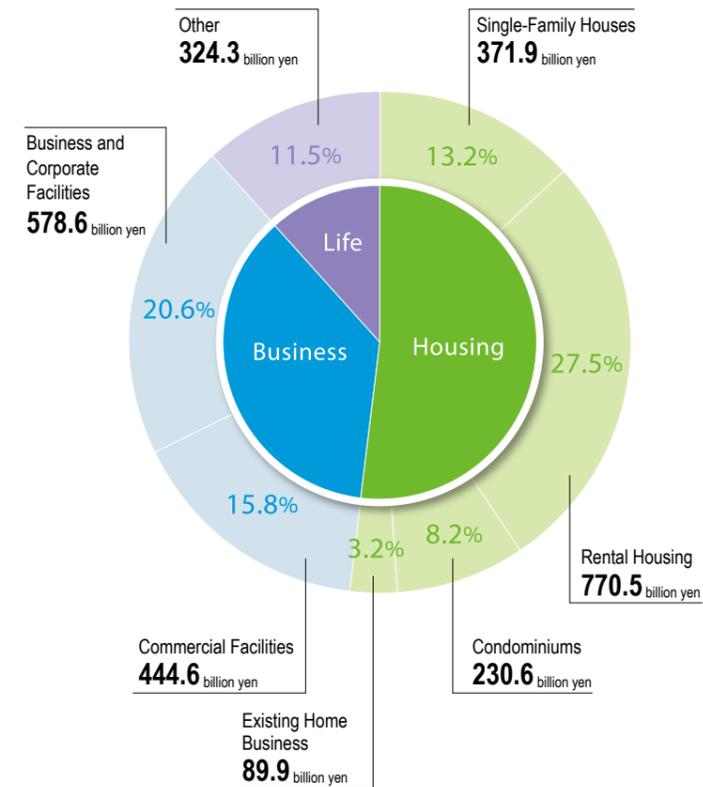
Awarded category	Award name	Organizer	Reason for the award
ECO products	Practical Land Use Model Award 2014 "Chief Juror Award"	Institute for Future Urban Development	SMA x ECO City Sagami-hara Hikarigaoka Eco Town
	"Outstanding Award" in the 16th Green Purchase Award	Green Purchasing Network	"ECOLOGREEN," the greening promotion and environmental greening project in the housing and building segments
ECO communication	Global Warming Efforts Report Award (Minister of the Environment Award) in the Environmental Report Section of the 18th Environmental Communication Awards sponsored	Ministry of the Environment, Global Environmental Forum	Daiwa House Group Environmental Report 2014 - Co-creating a Brighter Future with the Environment -
Prevention of global warming	Climate Performance Leadership Index 2014 (CPLI)	CDP (Former Carbon Disclosure Project)	Overall activities to mitigate climate change ● Disclosure score for the extent of information disclosure: 95 ● Performance score for activities to reduce emissions: A
Environmental management	Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)	Dow Jones & Company, Inc.	Overall activities related to the triple bottom line of the economy, the environment and society

# Summary of the Daiwa House Group

## Company Summary (as of March 31, 2015)

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 Idabashi, Chiyoda-ku, Tokyo, 102-8112, Japan
Branches/Offices	• 83 locations in Japan (including head offices)
Plants	• 10 locations in Japan
Research Center	• Central Research Laboratory (Nara City)
Training Centers	• Osaka, Tokyo, Nara
Net Sales	• Non-consolidated: 1,470,975 million yen Consolidated: 2,810,714 million yen

## Sales (consolidated) Note: Percentage after subtracting transactions within the Group



**2,810.7** billion yen

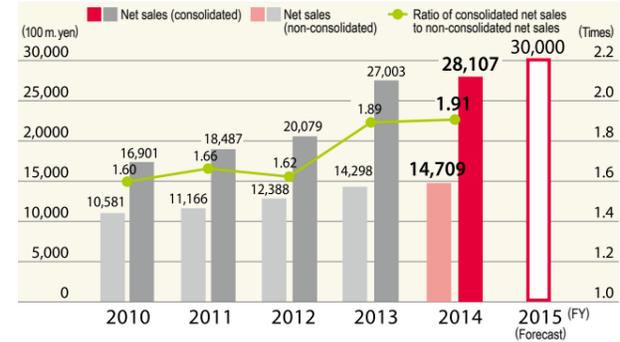
## List of Affiliated Companies

- 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.  
 Daiwa Service Co., Ltd.  
 Global Community Co., Ltd.
- Existing Home Business**  
 Daiwa House Industry Co., Ltd.  
 Daiwa House Reform Co., Ltd.  
 Nihon Jyutaku Ryutu Co., Ltd.
- Commercial Facilities**  
 Daiwa House Industry Co., Ltd.  
 Daiwa Lease Co., Ltd.  
 Daiwa Information Service Co., Ltd.  
 Daiwa Royal Co., Ltd.  
 Daiwa Service Co., Ltd.
- Business and Corporate Facilities**  
 Daiwa House Industry Co., Ltd.  
 Fujita Corporation  
 Daiwa Lease Co., Ltd.  
 Fujita (China) Construction Co., Ltd.  
 Fujita Shoji, INC.
- Other**  
 Daiwa House Industry Co., Ltd.  
 Royal Home Center Co., Ltd.  
 Daiwa Logistics Co., Ltd.  
 DesignArc Co., Ltd.  
 Daiwa Resort Co., Ltd.  
 Daiwa Royal Co., Ltd.  
 Sports Club NAS Co., Ltd.  
 Daiwa Lease Co., Ltd.  
 Eneserve Corp.  
 Daiwa Energy Co., Ltd.

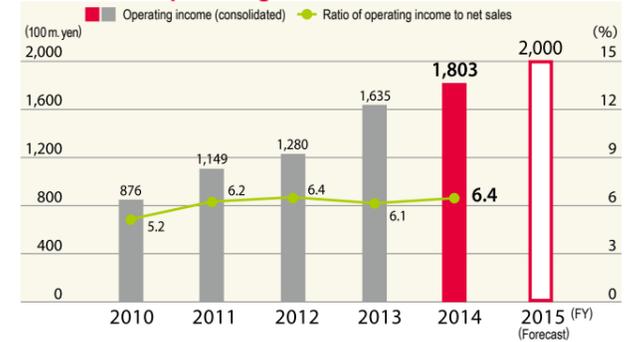
(Note) Listed above are major affiliate companies affecting the sales of the Daiwa House Group.

# Highlight of Financial Results and Consolidated Financial Indicators

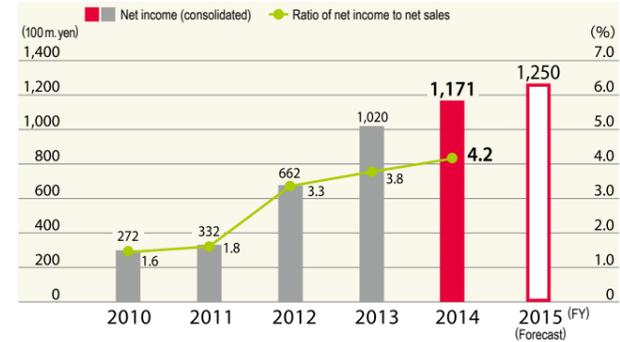
## Net sales (consolidated/non-consolidated)/ Ratio of consolidated net sales to non-consolidated net sales



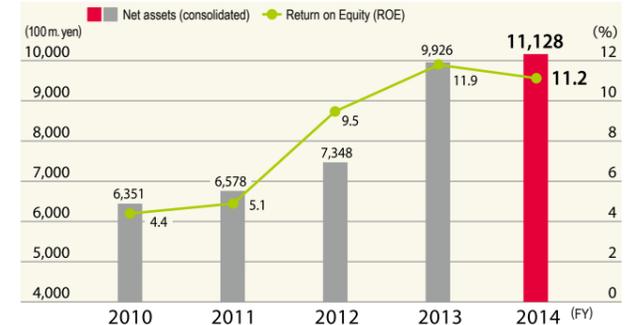
## Operating income (consolidated)/ Ratio of operating income to net sales



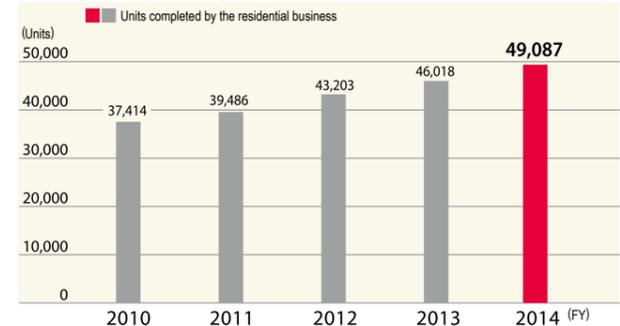
## Net income (consolidated)/ Ratio of net income to net sales



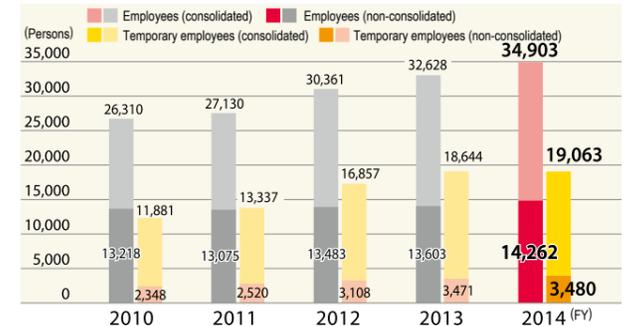
## Net assets (consolidated)/Return on Equity (ROE)



## Units completed by the residential business (Total of single-family houses, condominiums, and rental housing)



## Number of employees (consolidated/non-consolidated)



## Ordinary income (consolidated)/ Return on Assets (ROA)



## Major Awards the Daiwa House Group Received in Fiscal 2014

September  
2014

- Daiwa House Industry selected for inclusion in the Dow Jones Sustainability Asia Pacific Index, which serves as one of the world's benchmarks for socially responsible investing, for the second straight year

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

October  
2014

- Good Design Award presented to six products developed in four divisions of the Daiwa House Group

**GOOD DESIGN AWARD 2014**

- Narrow-space inspection robot "Moogoo" received the Award for Excellence in the Service Robot Category of the 6th Robot Awards.



- The tree planting promotion and environmental greening project "ECOLOGREEN" by our housing and construction operations received the Award for Excellence in the 16th Green Purchasing Award.



- Selected by CDP\* as a Climate Performance Leader in the CDP Japan 500 Climate Change Report 2014



\*CDP is a UK-based international non-profit organization that provides a global system that measures, discloses, manages and shares important environmental information regarding companies and cities.

November  
2014

- SMA-ECO City Sagami-hara Hikarigaoka Eco Town, a smart community featuring a mixture of residential and commercial properties, received the Selection Committee Chairman's Award of the Practical Land Use Model Award 2014.



January  
2015

- In the 1st Japan Venture Awards, the Minister of Economy, Trade and Industry Award was presented to the Group. (Award for best startup/large corporation collaboration)



February  
2015

- Our xevo Σ high-end single-family home model won the "Grand Prize/the Nikkei Sangyo Shimbun Award" of the Nikkei Excellent Products and Services Awards 2014.



- In the 18th Environmental Communication Awards, Daiwa House Group's environmental report 2014 received the Prize of Excellence for Environmental Reporting on Global Warming Countermeasures (Minister of the Environment Award) in the Environmental Reporting Category.



March  
2015

- The Daiwa House Group's in-house newsletter "NAGOMI" received the KEIDANREN's Recommended In-House Newsletters General Award 2014.



- Selected as a company that is supportive of women in the workplace; designated as a Nadeshiko Brand in fiscal 2014



- Selected as a developer for the project to use the site of the former Bandai Elementary School in Niigata City; We constructed a rented condominium that serves as a disaster preparedness and medical center, as our first such attempt in eastern Japan.



## Third-Party Opinion (for the Daiwa House Group's CSR Activities)



**Mizue Unno**

Managing Director  
So-Tech Consulting Inc.

Ms. Unno is a consultant in the field of CSR and sustainability, who offers advice and recommendations on business management and provides support for practical corporate activities from the perspective of global management.

The Daiwa House Group has incorporated various CSR elements into each individual business activity, under its basic policy of "Creating Dreams, Building Hearts." In addition to its continuing efforts to promote these individual activities, the Daiwa House Group needs to convey its outstanding features, by creating a clear CSR roadmap centering on the "Asu Fukaketsuno" (Indispensable for Tomorrow) concept, based on which the Group has been currently promoting its business activities.

### CSR closely related to business operations

It is necessary for the Daiwa House Group to create a clear CSR roadmap, in which the seven elements of the "Asu Fukaketsuno" concept should be divided into two: the tasks to be tackled in the course of business operation and the elements necessary to achieve those tasks. It is also important to annually review the efforts made toward these major tasks, in which operating foundation elements (personnel, governance, etc.) are also included. I think that the features covered in the Report—"Co-creating a Brighter Future with Society and the Environment"—were effective in conveying the Group's enthusiasm and passion. In the future, however, it is hoped that more importance will be placed on the entire picture of how the "Asu Fukaketsuno" concept is being implemented.

### Fundamental CSR activities for each area of challenge

In the Report this year, the challenge/issues to be tackled in CSR activities have been re-organized based on the core subjects/issues addressed in ISO 26000. However, this approach has made it somewhat difficult, from the standpoint of stakeholders, to see relationships.

- With regard to labor practices, it is not sufficient to explain the labor management system and disclose major indicators. It is also important to pay attention to how employees feel about such efforts. Moreover, human resources development and diversity promotion are key to creating corporate values. It is suggested to report the Group's activities concerning these issues, together with feature stories in the Report, without sticking to the subjects and issues in ISO 26000.
- In the subject of human rights, the range of human rights covered by the Universal Declaration of Human Rights is extensive, including not only labor relations, but also the rights of all stakeholders, such as local residents and consumers. Considering the fact that human rights issues are quite important for the Daiwa House Group's business activities (including the influences of housing development on local residents), it is necessary for the Group to approach these issues from a broader perspective.
- For CSR management in the supply chain system, importance should be placed not only on fair operating practices but also on labor issues on the supplier side. In addition to the development of policies and the establishment of management systems, it is also important to conduct a wide range of CSR management activities, from what measures are taken for which suppliers, to reporting on their progress and results.
- With regard to community involvement, a wide variety of community-based activities have been reported. To obtain better understanding of the public, however, it is better to provide more detailed information on the Group's active involvement and cooperation in the development of local communities, than focusing on the variety of activities conducted. It is also recommended to give explanations about how the Group's activities have contributed to the generation of values in local communities and society, rather than the Group's activities themselves. As demonstrated in "Daiwa Sakura Aid," the Group's positioning of strategic social contributions is clear, and these efforts should be continued.

### Structure and content of the Report

With growing public need for the disclosure of corporate information, an increasing number of institutional investors have come to utilize ESG (environment, society and governance) information to make companies' financial and performance evaluations. In response to this trend, an integrated report is often created by companies. However, it is not intended to combine a summarized CSR report with a financial report. Since many environmental and social elements are included in business strategy-related elements and business risks, it is required to explain the relationships between financial affairs and ESG. So, it is important to start with designing the structure of corporate information as a whole. For example, it may be a good idea, at the same time, to create both an integrated report and a CSR report for stakeholders who place more importance on social aspects.

### Our Response to Third-Party Opinion

I would like to take this opportunity to extend our gratitude to Ms. Unno for her valuable advice and suggestions. In this CSR Report 2015, we have made reports on fundamental CSR activities in line with the seven core subjects addressed in ISO 26000, as our new attempt. In the first half of the Report, descriptions are provided of "Creating Dreams, Building Hearts," a key concept for pursuing sustainability management, and our CSR Guidelines. Business activities of the Daiwa House Group are also introduced using feature stories based on each element of the "Asu Fukaketsuno" concept and from the perspective of "with stakeholders." We have recognized that the future challenge is to disclose the Group's information in a more systematic and easier-to-understand manner.

Since fiscal 2015 is the final year of the Fourth Medium-Term Management Plan, we are currently working on the development of a Fifth Medium-Term Management Plan. We have disclosed our financial information and ESG information separately so far. However, we are feeling the need to disclose and explain how ESG elements are related to the implementation of business strategies. We are committed to promoting CSR and business activities in accordance with the motto of "co-creating a brighter future," by better recognizing and understanding our stakeholders' expectations of the Group through further dialogue with our stakeholders, in addition to information disclosure.



**Tamio Ishibashi**  
Executive Vice President  
Head of CSR Office