



Daiwa House
Group

Creating Dreams, Building Hearts

Daiwa House Group
CSR Report 2013

Digest Version

Daiwa House Industry Co.,Ltd.



For inquiries regarding this Report, Please contact:

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Part of the CO₂ emissions produced from the publication of this report were offset by using CO₂ absorption credits from the Daiwa House Hayama-no-mori forest certified by the Forestock Association.
(Details pertaining to the amount of CO₂ produced from the publication of this report will be published afterward on our website.)

The Endless Heart logo symbolizes the management of the Daiwa House Group. It also stands for the everlasting relationship we maintain with our customers and our sense of solidarity as a corporate group that co-creates value for individuals, communities and people's lifestyles.

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Supporting forest care — "green" papermaking Creating Dreams, Building Hearts —
Because we need forests to make our dreams come true, we have primarily used paper made from forest thinnings for this publication, to express our commitment to sustainable forest care.



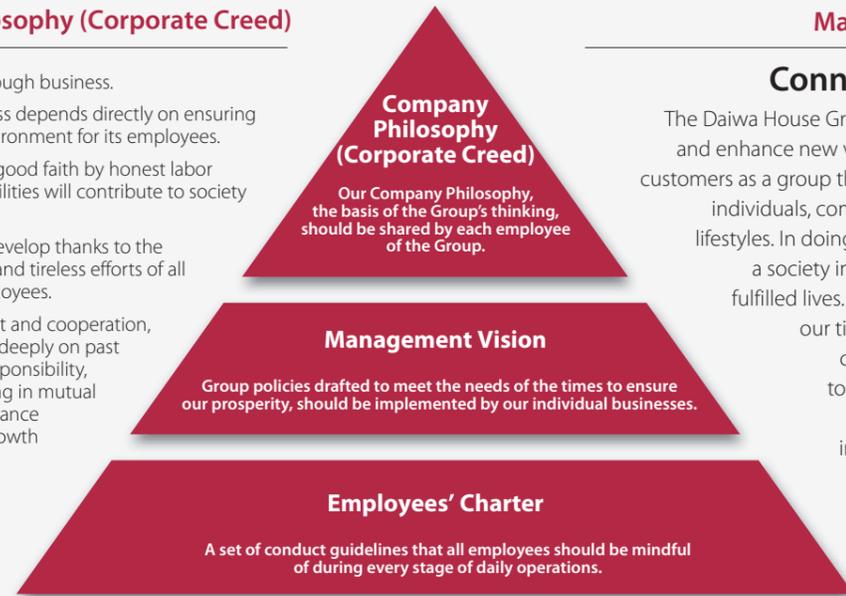
未来を、つなごう
We Build ECO

Helping realize a sustainable society by “Co-creating a Brighter Future” together with our stakeholders

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.

Company Philosophy (Corporate Creed)

- Develop people through business.
- A company's progress depends directly on ensuring a good working environment for its employees.
- Products created in good faith by honest labor through modern facilities will contribute to society in general.
- Our Company will develop thanks to the complete solidarity and tireless efforts of all executives and employees.
- Through mutual trust and cooperation, by always reflecting deeply on past mistakes, valuing responsibility, and actively engaging in mutual criticism, we will advance along the road to growth and success.



Management Vision

Connecting Hearts

The Daiwa House Group aims to create, use and enhance new values together with its customers as a group that co-creates value for individuals, communities and people's lifestyles. In doing so, we hope to realize a society in which people can live fulfilled lives. In addition, we cherish our ties with each and every customer, and continue to strive to build life-long trust as a partner in experiencing the joys of a lifetime.

Employees' Charter

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

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

Editorial comments concerning this CSR report

The Daiwa House Group CSR Report 2013 consists of a digest version that incorporates certain selected topics about CSR activities from fiscal 2012 and a detailed version that reports on more highly specialized matters at length. This digest version offers a more open, freer CSR reporting style with a focus on “Asu Fukaketsuno” (Indispensable for Tomorrow) businesses, making it easier to read for wider audiences in the general public.

Our Target Readership

This report has been compiled with the needs of a wide range of stakeholders in mind, including our employees, our customers, shareholders and other market investors, business partners, the local communities where we operate, NPOs and NGOs, and governmental organizations.

Corporate Organization Covered by This Report

The report covers the activities of the entire Daiwa House Group, centered

on Daiwa House Industry (92 consolidated subsidiaries and 17 equity-method affiliates as of March 31, 2013) with occasional reference to activities in FY2012 and earlier, or activities planned for FY2013 or later.

Period Covered by This Report

This report principally covers the fiscal 2012 business term (from April 1, 2012 to March 31, 2013) with occasional reference to activities in FY2012 and earlier, or activities planned for FY2013 or later.

Guidelines Used as Reference

Environmental Reporting Guidelines (2012 edition) issued by the Ministry of the Environment; Version 3.1 of the Sustainability Reporting Guidelines of GRI (Global Reporting Initiative); ISO26000

Date of Issuance

September 2013 (Next edition scheduled for September 2014)

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.

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

The Daiwa House Group has continually developed and provided products essential to society by leveraging its proprietary technologies and expertise to identify how best to provide solutions to customers and social challenges in line with the times. Going forward, we will make even greater contributions to society through our “Asu Fukaketsuno” (Indispensable for Tomorrow) businesses.



2 Through our relationship and dialogue 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.

The Daiwa House Group maintains an ongoing commitment to co-create and live in harmony with society, while engaging its many stakeholders. With this basic stance in mind, we emphasize dialogue with our stakeholders and accommodating their needs in a fair and open manner.



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

This represents our basic stance as a corporate citizen – one that focuses on ethical behaviors, legal compliance and human rights. We will strive to follow and maintain these basic values in our relationship with stakeholders associated with our business operations.

CONTENTS

Corporate Social Responsibility and the Daiwa House Group	1
About the Daiwa House Group	3
Message from Senior Management	5
A Su Fu Ka Ke Tsu No	
Homebuilding and Community Development Indispensable for Tomorrow	
Homebuilding	
Houses Where the Whole Family Can Live Comfortably	7
Community Development	
Community Development Integrating Residential and Commercial Facilities	11
Industrial Infrastructure	
Helping Businesses Operate More Securely and Smoothly	15
Agricultural Equipment	
Improving Food Self-sufficiency and Productivity	19

Co-creating a Brighter Future with Stakeholders

• Co-creating a Brighter Future with Society	21
• Co-creating a Brighter Future with the Environment	23
• Co-creating a Brighter Future with Our Customers	24
• Co-creating a Brighter Future with Our Shareholders	25
• Co-creating a Brighter Future with Our Business Partners	26
• Co-creating a Brighter Future with Our Employees	27
Foundation of CSR-focused Management	28
Third-Party Opinion	30

CSR reporting media other than this digest version



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

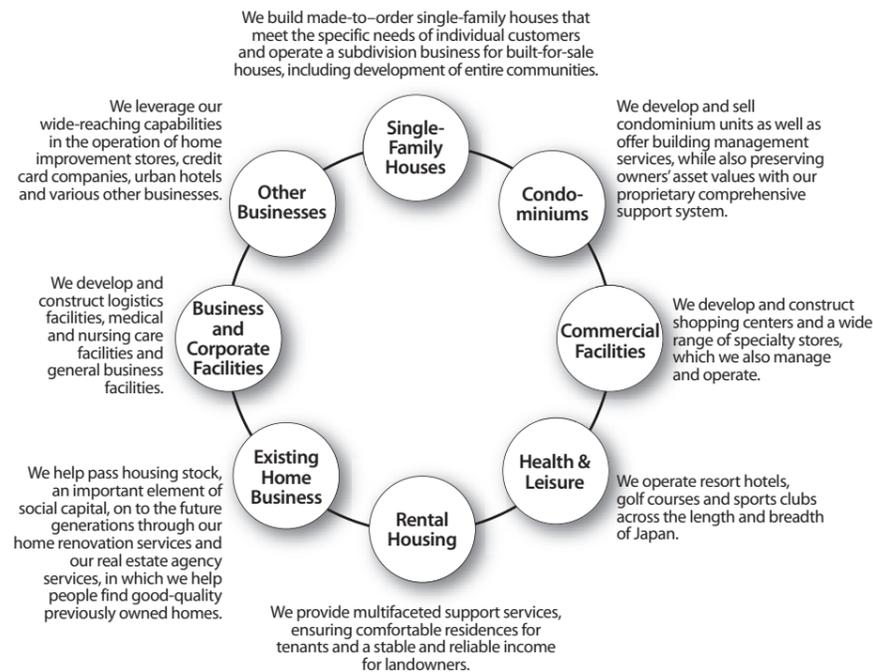
A Su Fu Ka Ke Tsu No

Delivering Value Indispensable for Tomorrow through Our Businesses

The Daiwa House Group continually thinks about what exactly people and society need from homes and industrial activities 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 facing society.

Business Segments



Corporate Data (as of March 31, 2013)

Name: Daiwa House Industry Co., Ltd.
 Founding: April 5, 1955
 Paid-in capital: ¥110,120,483,981
 Head office: 3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan
 Net sales: Non-consolidated/ ¥1,238,811 million
 Consolidated/ ¥2,007,989 million



To ensure buildings 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.



We are protecting the environment while also reducing CO₂ emissions with new proprietary technologies. This enables us to make contributions to a sustainable society by creating eco-friendly homes, communities and lifestyles.



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.



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.



Speed / Stock
(Speed / Stock)



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 facing our aging society.



Kankyo
(The Environment)



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.



Tsushin
(Information-Communication Technology)



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.



Single-Family Houses



Commercial Facilities



Rental Housing



Business and Corporate Facilities



Condominiums



Health & Leisure



Existing Home Business



Other Businesses

Aspiring to be a sustainable company that engages in “Asu Fukaketsuno” businesses benefiting the world

Aspiring to reach ¥10 trillion in sales to mark our 100th anniversary

Passing down the DNA of our founder is key to the future continuity of the company

Daiwa House Industry was selected as one of the world's 100* most sustainable companies in 2013 for the third consecutive year. I believe this recognition as a sustainable company was made possible by our continued and unwavering commitment to the teachings of our founder. As long as we as a company and as human beings, put our full efforts into everything we do every day, the Daiwa House Group will be recognized by society and can achieve sustainable growth.

Our founder bestowed upon us his vision for business that called for us to emphasize products and services that benefit people around the world, rather than to focus solely on profiting from everything we do. At the cornerstone of this philosophy stand six decision-making criteria. That is, acting in the interest of our “customers,” “company,” “employees,” “shareholders” and “society” as well as with an eye on the “future.” If each and every one of us at the Daiwa House Group

acts accordingly with these criteria in mind, we will be able to continually improve the quality of our management and organizational culture. I would like us to refine what defines us as a group of companies as well as to strive to develop human resources that are ambitious and highly motivated.

Commercializing solutions for social issues to fulfill our corporate social responsibilities through our core business

The “Asu Fukaketsuno” (indispensable for tomorrow) concept stands at the heart of the Daiwa House Group's business expansion strategy in advance of its approaching centennial anniversary.

What are the elements indispensable for the society of tomorrow? As a homebuilder that has many years of experience in construction, “A,” which stands for “anzen” (safety) and “anshin” (peace of mind), and “Su,” which stands for speed and stock, naturally stand as core pillars of our business. At the same time, “Fu,” which stands for “fukushi” (welfare) represents important social issues facing Japan and its super aging society, while “Ka,” which stands for kankyo (the environment), represents environmental issues shared by our world. Next, “Ke,” which stands for kenko (health), is something that all people hope for, and “Tsu,” which stands for tsushin (information-communication technology) is an essential component of our lives today. Finally, “No,” which stands for nogyo (agriculture), is a critical issue in Japan because of our low food self-sufficiency and aging farming population.

In this regard, all of the Daiwa House Group's businesses are committed to being of use to the world, just as our founder taught us. As an extension of this commitment, we are expanding overseas to benefit local communities there and we are focusing on solutions for social issues as part of our overseas operations. Going forward, we will fulfill our corporate social responsibilities through our businesses by making valuable contributions to a variety of social issues around the world. We will accomplish this by putting our full efforts into everything we do everyday as a corporate group with excellent character that is aspiring to be a sustainable company in advance of our 100th anniversary.

* Every year Corporate Knights, a publishing company based in Canada, selects the Global 100 Most Sustainable Corporations from a pool of 3,600 companies around the world. (See page 28 for more details).

Takeo Higuchi

Takeo Higuchi
Chairman and CEO

Building a corporate group that immediately responds to constantly changing needs around the world and that benefits society, from its upstream to downstream businesses

The Daiwa House Group's mission as a homebuilder

Transforming the dreams of our customers into reality This commitment is embodied in the mission of all our businesses

The Daiwa House Group's core business is single-family houses. This is where you will find our existential value and philosophy. Our commitment to this business segment has also been handed down to our other businesses as well. Our single-family houses business transforms the dreams of our customers into reality, while the house itself will be a part of the family until it finishes serving its purpose. The same can be said for our rental housing, commercial facilities, and other businesses. This is because the commitment to please the customer even after a building is finished is a philosophy built up and carried over from our single-family house business. For example, in the case of rental housing, we work closely with our customers to deliver what single-person households want in a home, attract tenants and manage the building. We also respond to requests from each and every tenant, if any, after they have moved in. In this manner, our existential value in society can be found in making our customers happy and developing a business that benefits greater society. Our goal is to be a corporate group that can satisfy its customers, from its upstream to downstream businesses, by continually responding to changes in society without being confined to the field of construction.

This is because we believe it is important to pursue and popularize products and services that are more comfortable than ever as part of our duty to fulfill our responsibility to society.

Maintaining our willingness to tackle new challenges as a frontrunner in the construction and real estate industries

The Daiwa House Group achieved its best-ever performance in the fiscal year ended March 31, 2013, but I consider the best-ever earnings report to actually represent one of the most risky times in our history. This is because overconfidence and arrogance is our greatest enemy and how we approach our current situation will largely define our future growth. Every one of our officers and employees need to be on alert, especially at a time like this when we are coming off such a strong earnings performance.

As a frontrunner in the construction and real estate industries, society demands that we maintain an accountability and

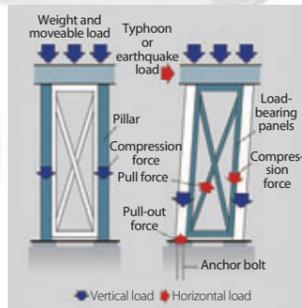
character commensurate with this presence. This is why I feel it will be important for every one of us to have a sense of conscience and modesty, as well as consider laws, before making a decision on how to act.

Going forward, our keyword phrase will shift from exceeding expectations to tackling new challenges. This means that while the Daiwa House Group has cleared one of its targets in terms of quantitative performance, we will still need to set a new target and once again exert our best efforts to attain it. I believe this new keyword phrase will serve to boost employee morale and help us to continually create new corporate value as a company recognized by its customers and other stakeholders.

Naotake Ono

Naotake Ono
President and COO



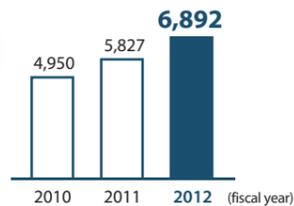


A Anzen / Anshin (Safety & Comfort)
Anti-seismic structure of highly quake-resistant xevo houses

The triple combined system used in a xevo house seamlessly combines the framework (pillars) that supports the home by surrounding it with two panel frames from both sides. The home's framework (pillars) supports it from vertical loads exerted by its weight or snowfall as well as instantaneous vertical shaking during an earthquake. Horizontal shaking is absorbed by load-bearing panels used inside the braces.



Number of single-family houses constructed by Daiwa House with a photovoltaic power generation system



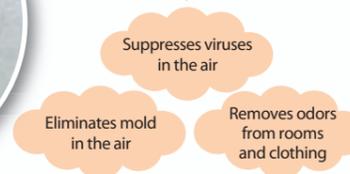
Tsu Tsushin (Information-Communication Technology)
Using energy more efficiently with visualization

Our houses feature lithium ion storage batteries for residential applications, home energy management systems (HEMS), and photovoltaic power generation system. The homeowner can use their iPad* to monitor the HEMS, enabling them to see firsthand their energy usage, generating capacity and amount of electricity they are selling back to the power company in real time. This software ensures anyone can easily monitor their home's energy usage, which will help raise awareness toward energy conservation among the whole family.

* iPad is a registered trademark of Apple Inc.



Air conditioner with air purifier function (Plasma Cluster*) offers a healthy interior environment



Ke Kenko (Health)
Offering people-friendly devices throughout the home

The layout of our houses ensure that all of the primary living spaces face south, while LED lighting fixtures with illumination sensors are used in the interior. This type of lighting not only helps to conserve energy, but is also gentle on people's eyes, efficient and similar to natural light. In order to maintain a healthy interior environment, each room also features a wall-mounted air conditioner with air purifier function. This unit breaks down and eliminates harmful substances in the air, in consideration of the health of small children.

View of staff

A house created together with the customer

I have had a very friendly relationship with Mr. Shimomura probably in part because we are about the same age. When he first dropped by the showroom, he liked the fact that I didn't try and engage him in sales talk the entire time. He actually gave me a call later when he started to think more seriously about building a house. At the time, the Ministry of Economy, Trade and Industry had just launched its Net Zero Energy House Support Project, so we took advantage of this government subsidy program to plan and design a smart/eco house on the site of the model home. Mr. Shimomura worked very well with our designer and as a result we were able to incorporate many of his needs into the house. We tend to notice a lot of things after we start living in a house. This is why I stand at the ready to serve Mr. Shimomura, if he needs any assistance, through our after-sales services and other means.



Toshihide Usui
 Manager
 Tsukuba Showroom
 Housing Marketing Office
 Tsukuba Branch

A Su Fu Ka Ke Tsu No

Homebuilding

The Shimomura Residence

Houses where the whole family can live comfortably

Very few of our customers prefer a smart house from the outset. However, more and more customers across Japan are looking for safe and comfortable houses after recognizing the need for added earthquake resistance as well as a photovoltaic power generation system and storage batteries.

Building a smart house using the model house site

The "Smart 7" smart house model showroom is conveniently located about a 12-minute walk from Bampaku-kinenken Station on the Tsukuba Express line. The Shimomura residence is situated in this area where seven of Japan's leading homebuilders, including Daiwa House Industry, have a presence.

Mr. Shimomura, who began his single-family house building experience with a site search, agreed to build a smart house in his desired neighborhood and went forward with the purchase.

Mr. Shimomura worked with us every step of the way, communicating his needs. In the end his smart house was essentially custom built to his specifications.



Customer feedback

My homebuilding experience began immediately after the Great East Japan Earthquake, before I was married, when I decided to drop by the showroom for a look since all the retail stores were closed that day. I was attracted by the salesperson's recommendation of incorporating the best parts of all the model homes I saw into a custom built home, which contrasted greatly with other homebuilders who only concentrated on selling their own units. This ended up being a deciding factor to choose Daiwa House. Having been raised in traditional Japanese-style homes, my wife and I did not really understand today's homebuilding, but Daiwa House staff walked us through the entire process. We were keenly aware of the need for a photovoltaic power generation system and storage batteries after the earthquake and tsunami disaster and we really liked the HEMS where you could enjoy seeing firsthand your electricity conservation efforts at work. Daiwa House even incorporated our requests for a Japanese-style room and veranda. We hope to continue working with Daiwa House in the future.



Building houses that make care giving easier

The Daiwa House Group utilizes information obtained from customers living in its wide range of existing homes to develop new, valuable living spaces tailored to the composition and lifestyle of today's family.

Helping customers remodel to support their care giving

The M family residence in Tatsuno City, Hyogo Prefecture includes a wooden house connected to an adjacent repair shop and storehouse. The mother suffered a stroke and would be released from the hospital in six months, so the family decided to remodel the repair shop and storehouse into a house to prepare for her homecoming. We involved the mother, father and live-in daughter in the discussions to confirm their needs. The main underlying need was to build a house that was easily accessible for the mother who would be living in a wheelchair and the family members looking after her. The remodeling work was an ambitious undertaking and eventually transformed the repair shop and storehouse into a home where the entire family could live together in comfort and peace of mind.

The heavy-duty steel beams of the two story repair shop and storehouse were used to transform the building into a house perfect for care giving



Su Speed / Stock

Using the heavy duty steel beams of a repair shop to transform it into a home

The father wanted to somehow make use of the existing structure that he had worked in for so long. The repair shop that served as his place of work was made from heavy duty steel beams. The repair shop was no longer being used, so we proposed a remodeling solution where the solid heavy duty steel beams would be used to create a home fit for the family's current lifestyle.



Fu Fukushi (Welfare)
Completely "barrier free" home, from foyer to bathtub

To ensure wheelchair accessibility, hallways were made wider and the floor was kept even and level throughout, providing a completely barrier free interior. The bathtub area was installed on the second floor, with lifts fitted for the staircase and the bathtub. The bathroom sink area and even the room where the family Buddhist altar is kept were made completely wheelchair accessible. The mother wanted to have the same toilet and handrail as found in the hospital, so we visited the hospital to take measurements for the exact specifications.



Client Ms. M with her father in the living room



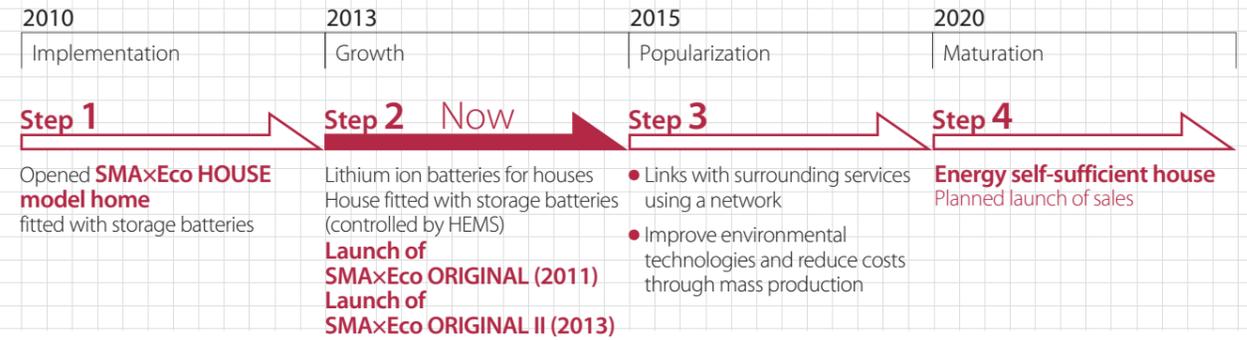
Lift installed for the staircase



Every room was made barrier free and easily wheelchair accessible

For the Future Smart xevo Eco Project

Developing a completely energy self-sufficient house by 2020



SMAEco
スマ・エコ オリジナル II



6.2kWh lithium ion storage batteries that can serve as an emergency power source during an outage



Visualizing household energy with the D-HEMS II

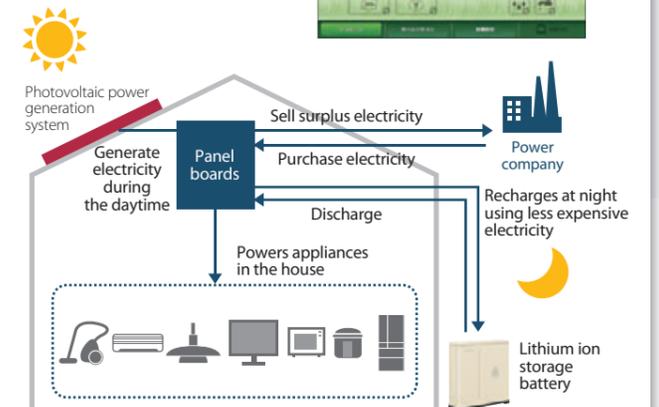


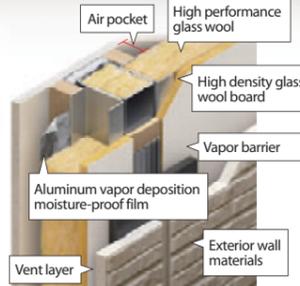
Smart House Take Two Development and launch of SMAxEco ORIGINAL II

In July 2010, we launched the Smart xevo Eco Project under the goal of improving quality of life and developing an energy self sufficient house that has zero net impact on the environment (zero CO₂ emissions and zero heating and lighting costs). In April 2013, we commenced sales of SMAxEco ORIGINAL II, which represents the second house model in the lineup, as the next new step toward reaching our goal in 2020. This particular model is one step above the previous SMAxEco ORIGINAL model because it features a combination of 6.2kWh lithium ion storage batteries, a HEMS* that can automatically control air conditioning and the storage batteries, and a photovoltaic power generation system. Going forward, we will expand the number of home appliances and devices that can be controlled by this HEMS in order to make even further progress toward the project's goal.

* Home energy management system

System Overview (normal operation)





A Anzen / Anshin (Safety & Comfort)
Community-wide security system

We have partnered with security companies in our communities to provide patrols and 24-hour manned monitoring for the safety and peace of mind of residents. We also design outdoor spaces on our home sites to be open and free of blind spots or other hiding places. In addition, we ensure pedestrian safety through the use of markings at T-intersections with better visibility and on roads to reinforce the speed limit.

Ka Kankyo (The Environment)
Using greenery and exterior walls to reduce energy consumption

Extensive use of greenery on home sites not only mitigates the urban heat island effect, but foliage, and in particular deciduous trees, also blocks sunlight during the hot summer months and lets sunlight in during the cold winter months. Furthermore, our proprietary, long lasting and highly energy efficient exterior thermal ventilation walls are a standard feature of our single-family houses. This design reduces the use of indoor heating and cooling, which in turn reduces the house's CO₂ emissions.

Ke Kenko (Health)
Improving health with easily accessible outdoor recreation areas

We incorporate open spaces throughout our single-family house communities and walkways up to 800 meters long that connect these spaces, in order to help improve residents' health. Distance signboards have also been set up over predetermined intervals to make walking a more enjoyable experience. In this manner, walks in the great outdoors have become a popular pastime enjoyed by residents of all ages, from children to senior citizens.

View of staff

Community development only possible by Daiwa House

The City of Sendai was looking to develop a mixed-use project involving both residential and commercial buildings, instead of a standalone commercial development. Since we excel at mixed-use development, we were able to win the tender for this project. We were the prime contractor and I believe there are very few examples where such a large mixed-use development project was implemented by a single company rather than a consortium. Being the prime contractor enabled us to ensure consistency in our initial vision throughout the entire project, which I believe enhanced the final product. Recently, condominiums, in addition to single-family houses, have also been completed, increasing the value of the commercial facility. Since the second condominium building went on sale, the population has grown more than expected, making it a rather bustling community. As a community with a focus on safety, the environment and health, we hope to be closely involved going forward to ensure it can be handed down for generations to come.

Tadashi Oe

General Manager,
 Technology Department
 Tokyo Urban Development
 Department
 General Manager,
 Sendai Development Department



A Su Fu Ka Ke Tsu No Community Development Sendai Miyanomori

Community development integrating residential and commercial facilities

Sendai Miyanomori is a mixed-use development where the Daiwa House Group leveraged its collective strengths to seamlessly integrate residential and commercial facilities. The community continues to grow thanks to not only resident and visitor accessibility and safety, but it also blends the hustle and bustle of an urban center with a quiet residential community.

Promoting community developments where residents add value

Sendai Miyanomori was developed by Daiwa House where a factory once stood in Sendai's Miyagino Ward in Miyagi Prefecture. This large-scale mixed-use urban development project spans a total area of 11.2 hectares, consisting of a single-family house area to the east (142 subdivisions), retail stores area to the west (FOLEO Sendai Miyanomori) and two condominium towers to the north. Sendai Miyanomori has a management association that looks after public spaces such as open spaces and walkways and community development guidelines, to ensure that people and nature coexist and that the streetscape will be preserved for future generations. The goal of the development is for residents to be able to add value to their community.



Customer feedback

Daiwa House provided assistance when I was looking for a location to set up my fourth hair salon. I decided to open my store in one corner of Sendai Miyanomori's retail area, and then I also decided why not build a home in the same neighborhood, so now I live in the single-family house area as well. The most attractive part about Sendai Miyanomori is accessibility and convenience. In addition to my shop being nearby, the area also has a full lineup of retail stores where I can get just about anything I need. Moreover, I thought the area would be noisy because of its proximity to the retail stores, but the residential community is very quiet, which is a stark contrast from the hustle and bustle a short distance away. It is really a comfortable, great place to live in and I am really happy to be here. Daiwa House, which is involved in both commercial and residential development, occupies a very reliable presence for us business owners. I look forward to the continued support of the company for both my living and new store opening needs.



The Sakurai family

Tackling the challenges of next generation community development

The SMA×Eco Project is attempting to achieve sustainable housing and living that has less of an impact on the environment through the use of evolving technologies. This project perfectly embodies the Daiwa House Group's approach to next generation community development that is people, earth and future friendly.

Developing communities that create and use energy sensibly

In spring 2013, SMA×Eco Town Harumidai was born on an upland in the Senboku New Town area of Osaka Prefecture. This community is a net zero emission town (ZET) that produces more energy than it consumes. It represents the first town we have constructed in Western Japan as part of our SMA×Eco Project. This town represents a compilation of our know-how and smart house technologies that create and use energy sensibly by making energy creation, conservation and storage clearer and easier to see. The community also represents a next-generation form of development that emphasizes streetscape preservation, crime prevention, disaster preparedness and traffic safety.



For more information, see the Co-creating a Brighter Future with The Environment feature in the detailed version of our CSR report.



A Anzen / Anshin (Safety & Comfort)
Enhanced crime prevention and disaster preparedness facilities

We install security cameras at the entrance points to our communities and use brighter LED lighting to prevent criminal activity. Lithium ion storage batteries are installed at each house and gathering place to ensure the power remains on even when there is an outage. Every one of our houses is also designed to prevent break-ins and other crimes. The intersections within our communities are also designed with safety in mind, including the use of different pavement colors to draw the attention of pedestrians and drivers.



Ka Kankyo (The Environment)
Reducing CO₂ emissions by creating and conserving energy across the entire community

We install photovoltaic power generation systems and lithium ion storage batteries in all of the houses and public meeting areas in our communities. The use of HEMS (home energy management systems) ensures that all of our houses are able to clearly visualize their energy usage and generation capacity as well as battery discharge. The same system is used for community meeting places, which ensures the entire community's energy situation is highly visible.



Birdhouse set up for wild fowl living near the community



Electric vehicle used in a car sharing program



Checking a home's electricity, water and gas usage using an iPad**

** iPad is a registered trademark of Apple Inc.



For the Future

Big project on the former site of the Musashino Switchyard

Large-scale mixed-use development seamlessly integrating residential and commercial facilities Yoshikawa Minami Project



Point 1

Large mixed-use development projects along the Tokyo Mega Group* rail line make rapid growth possible

The population living along the JR Musashino Line has increased sharply in recent years with the creation of new housing developments and large commercial facilities, making it one of the fastest growing areas in the Greater Tokyo Metro Area.

* A name given by East Japan Railway Company for the group of railway ring routes in the Greater Tokyo Metro Area that intersect with one another and the lines of other railway operators including the Nanbu Line, Musashino Line, Yokohama Line, and Keiyo Line

Point 2

Promoting eco-friendly community developments that include net zero energy houses

We are building single-family houses known as net zero energy houses (ZEH) that create more energy than they consume. By linking this community with rental housing and condominiums to promote an eco-friendly housing development, we are also helping the City of Yoshikawa achieve its goal of building a city that uses less energy.

Point 3

Providing new residents with a host of housing choices, from single-family houses and rental housing to condominiums

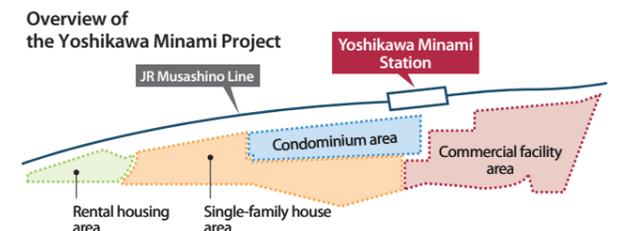
This development will offer a host of housing choices, from single-family houses and rental housing to condominiums, tailored to different lifestyles and life stages. We will help develop this community to also foster greater interaction among different generations, from children to senior citizens.

Taking place at Japan's largest former freight train switchyard

We are moving forward with a large-scale mixed-use project that will include single-family houses, condominiums and rental housing on site slated for large-scale development near Yoshikawa Minami Station on the Musashino Line.

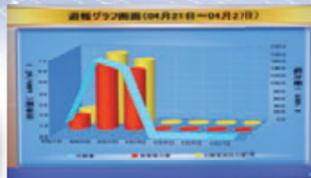
Daiwa House and Aeon Town Co., Ltd. have formed a consortium together where Daiwa House will develop 9.92 hectares of residential

area and Aeon Town will develop 5.98 hectares of commercial area. Together some 15.9 hectares of land will be developed.

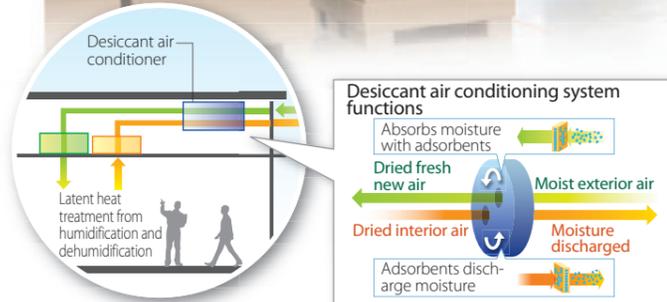
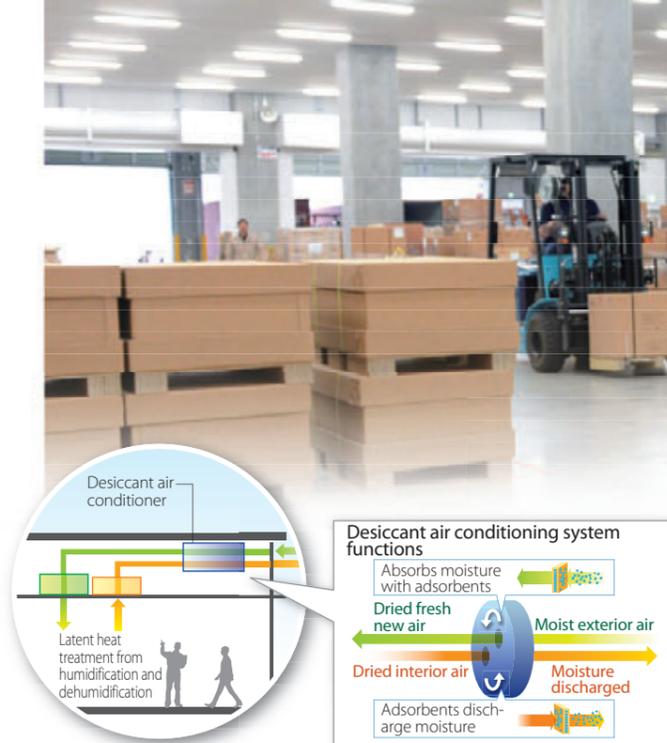


Future development plan

December 2012	March 2013	April 2013	Summer 2013	Winter 2014
Single-family house sites Phase I subdivision begins	Single-family house sites Phase I subdivision Hand over / Occupancy begins	Rental housing Occupancy begins	Condominiums Subdivision begins	Condominiums Hand over / Occupancy begins



Energy usage is managed by the BEMS*
 * BEMS: Building and Energy Management System; a system that monitors energy consumption and reduces energy usage by managing the operation of an entire building's facilities and equipment.



A Anzen / Anshin (Safety & Comfort)
Preparing for disasters with seismically-isolated structures and emergency generators

This building features a seismically-isolated structure to ensure the safety of the people working there and protect products from damage during a disaster. This was achieved through the use of seismic isolation equipment, such as laminated rubber, fitted between the building and the ground that reduces shaking and mitigates damages. The building comes equipped with emergency generators to prepare in advance for possible power outages, which ensures the business continuity of the owners or tenants in the event of a disaster.

Ka Kankyo (The Environment)
Promoting energy conservation with photovoltaic power generation and rooftop greenery

We used a 34kW rooftop photovoltaic power generation system to generate and sell surplus electricity. We also planted sedum atop the roof in close proximity to this system in consideration of the surrounding environment and to help alleviate the heat island effect. In addition, long-life, low power consumption LED lighting is employed in common use areas and office spaces.

Ke Kenko (Health)
Creating bright, comfortable and people-friendly workplaces

The second floor office employs an energy efficient desiccant air conditioner that controls humidity and temperature separately as well as significantly improves air quality. In addition, unlike general warehouses, we used white ceiling covering, which reflects a greater amount of light inside the building, ensuring a light intensity of between 500 and 700 lux, which is nearly the same as the building's office. These design features are meant to provide healthy, comfortable and people-friendly workplaces for both office employees and warehouse workers alike.

View of staff

Gaining further confidence with the steady performance of this logistics facility

We had not worked with Sanritsu Corporation for twenty some years, but when we read in an industry journal that the company was experiencing rapid growth, we decided to restart our sales and marketing activities. Prior to this particular project, we had won an order to construct a warehouse for the company in Hachioji, so we invited Sanritsu officials to view this property to emphasize our track record with expertise in building logistics facilities. The second building we constructed after Hachioji was the company's Keihin Business Site. For this project, our sales, design and construction teams worked closely with Sanritsu officials to discuss on multiple occasions safety, the environment and the building's advanced specifications. As the prime contractor, we are very proud to know that Sanritsu Corporation, its customers and the employees that work at the building are very happy with the finished product.

(Left)
Satoshi Satsukawa
 Chief
 Design Department Section No. 1
 General Construction Division
 Tokyo Head Office



(Right)
Tomonobu Daita
 Sales Section No. 2
 Sales Department No. 1
 General Construction Division
 Tokyo Head Office

A Su Fu Ka Ke Tsu No Industrial Infrastructure Logistics Facilities

Helping businesses operate more securely and smoothly

Following the Great East Japan Earthquake, companies are now more than ever aware of the need for disaster preparedness. This is because they recognize that they should never delay product shipments even during a disaster. With this in mind, the Daiwa House Group is now constructing logistics facilities that are highly disaster resilient and that are more eco friendly.

Providing solutions for the logistics facilities that support business

Sanritsu Corporation is a logistics and packaging provider. One of its customers, a medical device manufacturer in the US, was thinking about building their third international distribution center in Japan. After we pitched a solution, the company decided to use our D Project scheme developed especially for logistics facility solutions. After construction was complete, Sanritsu's Keihin Business Site (Yokohama, Kanagawa Prefecture) opened in December 2012.

This five level logistics facility was constructed on a 13,700 square meter plot of idle land located adjacent to Sanritsu's warehouse that had been purchased from another company. The facility itself was designed to have an open layout and be able to stand up to disasters, per Sanritsu's requests. The facility's advanced equipment not only is eco friendly but has also helped to reduce running costs after it opened.



Customer feedback

The Great East Japan Earthquake struck right before the handover of our warehouse in Hachioji that Daiwa House constructed for us before the Keihin Business Site project. However, the facility was completely free of damage, which demonstrated the building's soundness and reliability. Furthermore, Daiwa House had acquired the neighboring idle land for the Keihin Business Site even before making the pitch to us. In this manner, the speed of their execution and their collective strengths as a company was the deciding factors in selecting Daiwa House for the Keihin Business Site project. Our customer needed to start operations on a certain date, so any delay would have been unacceptable. Furthermore, we made a lot of design changes, including employing a seismically isolated structure, and requested a tight delivery schedule. Nevertheless, everyone at Daiwa House gave their best efforts and executed everything perfectly. Senior management from our customer visited Japan to see the site and they were very impressed and appreciative. The some 220 people that work at this facility, including employees of our outsourcing partner and employees of our customer stationed there full time, have raved about how comfortable their workplace is.



(Left)
Katsuyoshi Fukuda
 Executive Officer
 Sanritsu Corporation

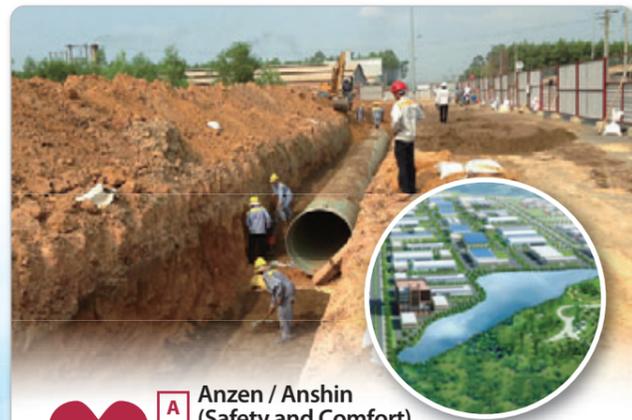
(Right)
Nakadachi Hiruta
 Director of Keihin Business Site
 Domestic Business Division
 Sanritsu Corporation

Supporting manufacturers with overseas operations

The Daiwa House Group has built up a solid track record in business facility construction projects in Japan and now it is turning its attention to international markets. The first such project took place at the Long Duc Industrial Park in Vietnam where many Japanese companies will launch operations sometime after summer 2013.

Large-scale development project in growing Vietnam

With its central location in ASEAN and strong economic growth, Vietnam has seen a number of international companies, including those from Japan, making inroads into the country. The expansive Long Duc Industrial Park is situated on the outskirts of Ho Chi Minh City, the heart of Vietnam's economy, encompassing some 270 hectares. The main target of this park is Japanese companies. Daiwa House has been supporting the construction of facilities that satisfy the needs from the planning phase by leveraging its extensive track record in the field. To that end, we have developed a building management system to ensure the long-term operation and viability of the facility.



A Anzen / Anshin (Safety and Comfort)
Water reservoir created to prepare for possible flooding

The industrial park is located atop a slightly high elevation that has never historically been prone to earthquakes or flooding. Nevertheless, we created a water reservoir onsite that holds more than 200,000 cubic meters of water to prepare for possible flooding. Since the closest river is small and narrow, we took steps to ensure this river flows freely to prevent flooding in downriver areas.



Ka Kankyo (The Environment)
Processing effluent properly at a water treatment plant

The Dong Nai Water Corporation supplies some 11,000 cubic meters of water each day for use at the industrial park. A water treatment plant capable of processing 9,000 cubic meters of water per day has been constructed to treat effluent at the park. Treated water is released responsibly in accordance with Vietnam's effluent standards and is also used to water greenery located in the industrial park. Greenery has also been planted surrounding the entire industrial park for security and environmental reasons.

For the Future Industrial Estate Development Project in Bekasi, Indonesia

Developing a business site for the world



Conceptual image of rental factory at the industrial estate

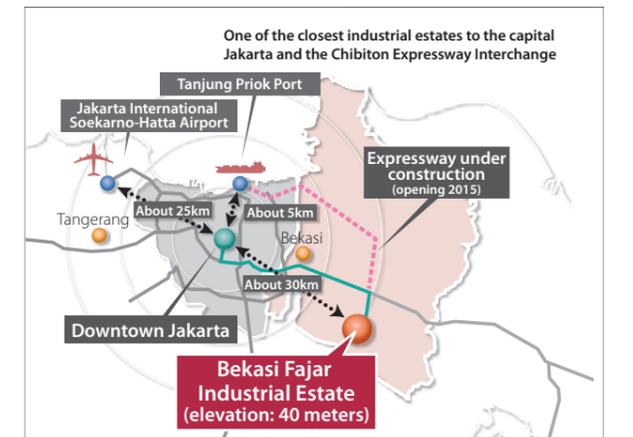


Planned construction site in Bekasi 30km from the capital Jakarta

Easily accessible and expansive 1,350-hectare industrial estate perfect for new large factories and logistics facilities

Daiwa House acquired shares of PT. Bekasi Fajar Industrial Estate, which developed and built an industrial estate in Indonesia in November 2012, in order to enter the market for industrial estate development projects in the country. The industrial estate encompasses some 1,350 hectares of land, which is equivalent to about 13 Tokyo Disney Resorts. It is also located close to major transportation hubs, including expressways, an international airport and international seaports.

The sheer size of the industrial estate also means that it can accommodate large manufacturing or logistics facilities. Going forward, the Daiwa House Group will leverage its management resources, which include building research, design, construction and expertise in building management, to attract companies from around the world considering opening an overseas factory or logistics facility.



Indonesia has the world's fourth largest population and is achieving rapid economic growth

At 238 million people, Indonesia has the world's fourth largest population. It also has an emerging economy with a GDP growth rate of more than 6% and high economic growth rate that it has maintained for some time.

Furthermore, Indonesia has a wealth of natural resources that include natural gas and coal deposits. As a result, many companies around the world believe the country will continue to see strong economic growth, with many more examining a move into Indonesia to capture part of this growth.



High-rise buildings in downtown Jakarta

Improving food self-sufficiency and productivity

The Daiwa House Group has reviewed business opportunities in the field of agriculture with the ultimate goal of improving productivity, industrializing agriculture and increasing Japan's food self-sufficiency. In April 2012, we launched sales of the agri-cube, a prefabricated hydroponic vegetable factory.

Anzen / Anshin (Safety & Comfort) Growing fresh vegetables easily and conveniently

The agri-cube is a compact prefabricated hydroponic vegetable factory developed for restaurants, hotels, assisted living facilities, schools and school lunch providers. The unit uses hydroponic cultivation to produce a host of vegetables, from leaf lettuce to baby leaf greens and fresh herbs. Produce is grown free of pesticides, providing added safety, while the units can yield year round regardless of the weather. Vegetables with high nutritional value can also be grown thanks to the unit's environmental control capabilities.

Our live-in assisted living facility Neo Summit Chigasaki, which opened in December 2012, features an indoor agri-cube that provides residents with fresh, straight-from-the-field vegetables.



agri-cube

Indoor agri-cube at residential assisted living facility NEO SUMMIT Chigasaki



Fu Fukushi (Welfare) agri-cube being used to benefit a welfare facility

NEO SUMMIT Chigasaki had an agri-cube installed indoors at its facility because it wanted its residents to be able to view vegetables being grown on a daily basis as a way to provide a sense of ease and peace of mind. The agri-cube has also encouraged greater communication between residents through their enjoyment of fresh, pesticide-free vegetables and the ability to watch the growth of many types of different vegetables together.



No Nogyo (Agriculture) Complete individual units for easy installation and cultivation

The agri-cube comes in a complete individual unit, making installation or relocation simple and possible in a short period of time. Adding on to an existing agri-cube is also easy because all that is needed is an area of about the size of one parking space. The cultivation method is also manualized, ensuring that even people with no experience in agriculture can grow vegetables quite easily. The agri-cube is easy to use even for people that are not confident of their physical ability to grow vegetables or people that are not comfortable operating machinery.

Hydroponic cultivation process using the agri-cube



Co-creating a Brighter Future with Stakeholders

The Daiwa House Group has held stakeholder meetings every year since fiscal 2004 in order to promote and make improvements to its CSR activities through stakeholder engagement and dialogue. Since fiscal 2006, we have identified the social issues that should be addressed by the Daiwa House Group and instituted self-assessment indicators for CSR to quantify the results of our CSR activities. Stakeholder meetings allow us to further build on this information.



The Eighth Stakeholder Meeting held in 2011 identified social issues of the highest precedence from among the many themes designated in ISO26000*, resulting in a major overhaul to our self-assessment indicators for CSR.

Here, we will report on specific CSR activities being implemented for each stakeholder closely related to each self-assessment indicator set based on these themes and social issues.

* A guideline on social responsibility issued in November 2010 by the Switzerland-based International Standards Organization.

Social issues designated as priority issues following the Eighth Stakeholder Meeting

Theme of Self-assessment Indicator for CSR	Social Issue	Primary Stakeholder	See Page No.
Community involvement and development	• Actively become involved in local community development in collaboration with others	Society	21
	• Invest in development of local communities		22
The environment	• Reduce CO ₂ emissions and address global warming • Prevent environmental pollution (water, air, soil, etc.)	The environment	23
Consumer issues	• Guarantee product safety • Provide adequate after-sales service and respond appropriately to complaints	Customers	24
Financial indicators	• Profitability • Growth • Safety	Shareholders	25
Fair operating practices	• Ensure fair competition • Act responsibly toward business partners and users (customers)	Customers	26
Human rights	• Successfully handle human rights complaints • Eliminate discrimination and offer equal opportunities	Employees	27
Labor practices	• Provide safe and healthy working environment • Nurture human resources (employee training)		
Organizational governance	• Realize management transparency • Exhibit ethical behavior • Engage with stakeholders • Ensure legal compliance • Fulfill social responsibility		

Social issues

- Actively become involved in local community development in collaboration with others
- Invest in development of local communities

Efforts to preserve and utilize company-owned forest Daiwa House Hayama-no-mori

Daiwa House Hayama-no-mori is a company-owned forest which is preserved and utilized as a satoyama, or forest, through dialogue with all stakeholders.

In fiscal 2012, the company-owned forest received the recognition of "Forestock Certification*" on June 1 as a responsibly and sustainably managed forest where biodiversity is preserved.

In addition, the four parties of Futagoyama Mountains Nature Conservation Association, the Prefecture of Kanagawa, Hayama Town, and Daiwa House Industry signed the "Hayama Forest Planting Residents Cooperation Program Agreement" on site in October 2012 to implement collaborative projects such as the development of hiking trails.

In fiscal 2013, we will continue to promote efforts to preserve and utilize the forest.

* A certification system offered by Forestock Association that assesses and certifies forests in Japan that meet certain criteria in terms of responsible and sustainable management and preservation of biodiversity.



Satoyama (secondary forest) in which nature and people co-exist



Meeting to share opinions based on the Residents Cooperation Program Agreement



Signpost along hiking trail

Related topic Daiwa House Hayama-no-mori

Operation of Machisupo to connect shopping center with local community

Daiwa Lease Co., Ltd. launched an NPO named Machizukuri Spot (*Machisupo* for short) inside the shopping center Frespo Hida Takayama in November 2012. This NPO was established as a support organization* through a partnership between Daiwa Lease Co., Ltd. and Takayama City's specific non-profit organization Somneed. It manages the operation of Machisupo Hida Takayama, a community space located within the shopping center.

Under the slogan of "It connects and starts here," Machisupo conducts a variety of events to foster ties among everyone living in the community.

To date, the organization has implemented several events, such as an NPO poster exhibition, which showcased 32 NPOs within the community, as well as a shopping tour for the elderly in collaboration with local shopping arcades. All of these efforts aim to establish a network between the shopping center and local community.

This was the first time in Japan for any enterprise to establish a support NPO in a suburban shopping center. Through this, we hope to create a new concept where shoppers get involved in both shopping and urban development through their visits to shopping centers.

This activity has enabled the next generation community-based shopping center to take form, while also contributing to the development of other local areas.

* An NPO said to nurture another NPO that supports a variety of events between residents, NPOs, businesses, and the government.



NPO poster exhibition, the very first event since the opening of Machisupo. The event showcased NPOs located in the city and welcomed 1,500 visitors.



A facility of Frespo Hida Takayama that adopts a Japanese design well suited for the city of Takayama where a nostalgic streetscape has been preserved

View of staff Voice

This initiative of revitalizing a local community through collaboration between an enterprise and NPO with a physical home base located in a shopping center was a huge challenge even for our company. We hope to cultivate this NPO into one that is capable of doing work beyond the confines of traditional business or NPO alone. One where a person can carry a parallel career (capable of doing something else at the same time as keeping their primary job, or being involved in non-profit work), if you will. We hope to turn shopping centers into more than just a place one goes to shop, but a place of community interaction where all sorts of events take place. We would like to garner more experience and eventually promote the concept of Machisupo throughout Japan.



Junichi Moriuchi
Director and Senior Executive Officer
General Manger of Logistics Building Lease
Department
Daiwa Lease Co.,Ltd.
Representative Director of NPO Machizukuri Spot

Ecosystem preservation activities at plant flood-regulating pond

As we confirmed the presence of a particular species of mussels that faces possible extinction (this is a site on which Japanese bitterling lay eggs) in the flood-regulating pond at the Mie Plant, the plant drained the pond in order to improve water quality and preserve biodiversity.

The draining process took place in August 2012 under the guidance and support of researchers from the Tokai Japanese Bitterling Society and involved about 60 people including our staff and business partners. We dropped the water level by draining the pond and found clams such as mussels (about 60), carp (about 120), crucian carp (about 600), and other smaller fish (Zacco platypus, Gnathopogon elongatus elongatus, Amur goby). In the light of biodiversity conservation, we stocked the carp and crucian carp found in the pond after obtaining the approval of the local residents' association.



The plant's flood-regulating pond after being drained



The plant's flood-regulating pond after being drained

View of staff Voice

Despite it being on season, we saw a large number of people from our business partners at the event. Everyone worked in unison regardless of the muddiness and hard work, making the draining of the pond a very positive experience. I was also thankful for many of the participants who attended the whole day. We would like to hold more environmental conservation activities with the local community in the future, such as inviting children to a possible bio-observation tour.



Eshin Nakamura
General Manager, Mie Plant

Social issues

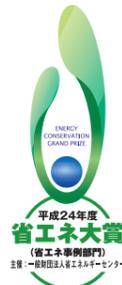
- Reduce CO₂ emissions and address global warming
- Prevent environmental pollution (water, atmosphere, soil, etc.)

Recognized at the Energy Conservation Awards in fiscal 2012 for environmental performance of company office

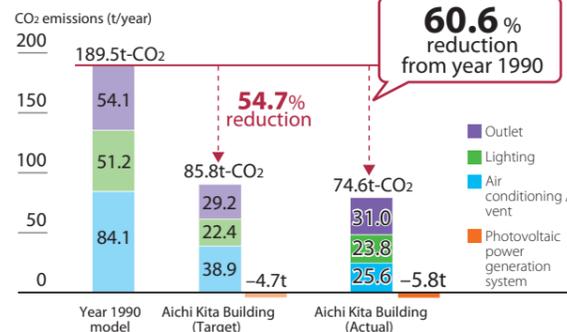
Daiwa House Industry Co., Ltd. was recognized by The Energy Conservation Center, Japan in its 2012 Energy Conservation Awards (Energy Conservation Examples Category) for its SMA×Eco Project at the company's own office in an effort to realize net Zero Energy Building (ZEB), winning the highest honor of Minister of Economy, Trade and Industry Award. The SMA×Eco Project is an initiative undertaken by the office of Daiwa House Industry Co., Ltd. to reduce CO₂ emissions by 50% in comparison to fiscal 2005 by fiscal 2020 and realize ZEB at the company's newly built office. On the other hand, CO₂ emissions from existing offices in fiscal 2011 have been reduced by 34.2% from fiscal 2005 after we created a system that promotes efficient operations as well as facility improvements such as lighting. Moreover, the Aichi Kita Building, which was completed in December 2011, had an original goal of 54.7% reduction in CO₂ emissions in the first year in comparison to fiscal 1990, and actually achieved a 60.6% reduction thanks to its use of a pioneering environmental conservation technology as well as operational improvements made by the employee-led Energy Conservation Improvement Committee.



Daiwa House Aichi Kita Building



CO₂ emissions

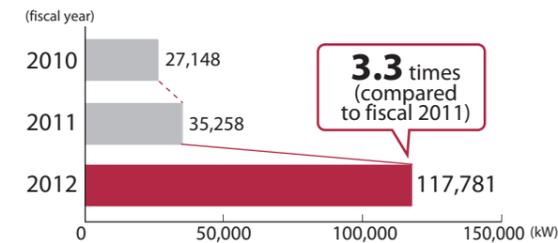


Stepping up marketing of photovoltaic power generation systems in all businesses

— Annual installations increased 3.3 times year-on-year to 117,781 kW —

The Daiwa House Group aims to realize the goal of zero environmental impact in the life cycle of homes and buildings in accordance with our "2020 Medium- to Long-Term Environmental Vision." Efforts to reduce CO₂ are incorporated into homes and multipurpose buildings while the results are assessed when the buildings are in use after their construction, based on which new products are developed and marketing proposals are made. In particular, photovoltaic power generation has been promoted and permeated in all businesses of the Group through both government policy support and our own promotional campaign. In fiscal 2012, the installation rate of photovoltaic power generation devices increased to 64.3% in single-family houses, and 36.9% in low-rise rental housing. In addition, as a result of marketing proposals made for installation in condominiums and existing houses and buildings, the installation volume of photovoltaic power generation devices in all businesses increased 3.3 times from last fiscal year to 117,781kW.

Photovoltaic power generation capacity (all businesses)

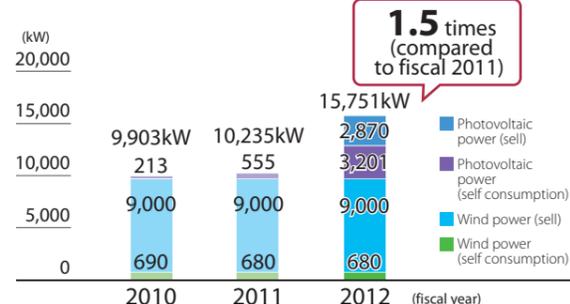


Accelerating the use of natural energy at the company's facilities and idle lands

— Currently equal to 32.7% of total power consumed —

The Daiwa House Group aims to reduce its electricity consumption through continuous energy reduction efforts involving the use of natural energy, such as wind power and photovoltaic power. Through these efforts, we are working to attain an equilibrium between the amount of electricity used and natural energy generated. At the end of fiscal 2012, the Group had a natural energy power generation capacity equivalent to 1.5 times of last year's at 15,751 kW, and an annual power generation capacity of 32,946 MWh, which equals 32.7% of the total power consumed by the company.

Use of natural energy

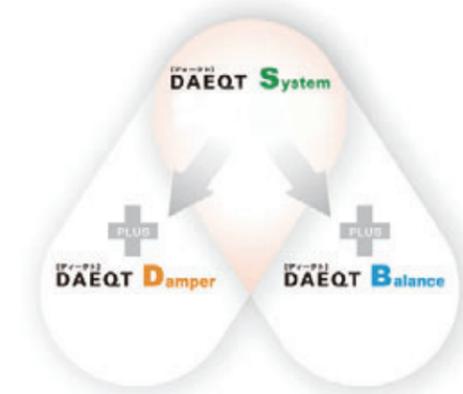


Social issues

- Guarantee product safety
- Provide adequate after-sales service, and respond appropriately to complaints

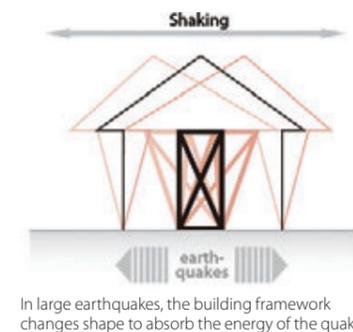
Earthquake resistance system DAEQT

Earthquake resistance is an essential feature in Japanese houses. In addition to our standard earthquake resistance, the DAETQ System technology through xevo, the Daiwa House Group also offers vibration-control, DAEQT Damper, and quake-absorbing, DAEQT Balance, technologies for an even higher level of safety and security in the homes it builds. In addition, in order to provide easy-to-understand earthquake information and raise awareness towards natural disasters for our customers, the Daiwa House Group started the operation of *Kokoyure*, an earthquake danger level evaluation tool, in November 2012. The tool provides a real time analysis of earthquake occurrence probability and estimated seismic intensity at any site, including proposed construction sites. Through the delivery of the above technologies, we aim to contribute to a safer and more secure living environment.



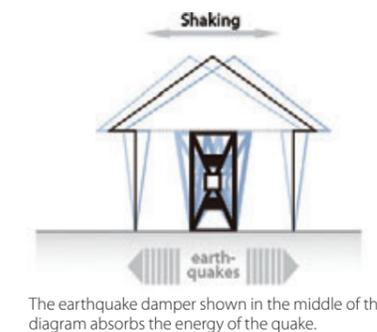
DAEQT S DAEQT System

The DAEQT system uses braces in building structures to provide added strength and durability in resisting the force of earthquakes, helping to prevent buildings from collapsing.



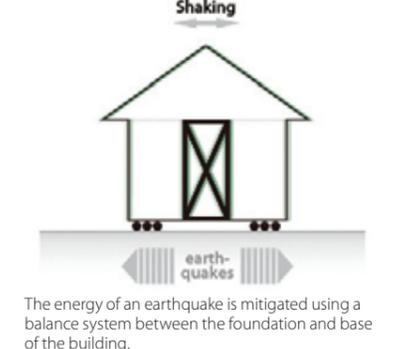
DAEQT D DAEQT Damper

DAEQT Damper greatly minimizes shaking through an earthquake damper function added to an earthquake resistant structure.



DAEQT B DAEQT Balance

DAEQT Balance minimizes damage by reducing the transfer of quakes to the building by placing a balance system between the foundation and structure.



Kokoyure, earthquake danger level evaluation tool



Ensuring all new-build single-family house qualified as eligible for JTI assistance

Japan Trans-Housing Institute (JTI) offers a private home lease program, which involves JTI leasing the home owned by people of age 50 and above and subleasing it as a rental property to the younger generations who are raising a child. Through this program, the leaser may receive a steady rent for as long as they live, while the lessee may rent a spacious home at a relatively lower rate than the market price. Customers who purchase a new-build single-family house from the Daiwa House Industry will be eligible to participate in the program with the current home they own (single-family house or condominium) and new-build home regardless of their age. This program can be utilized by a host of people, such as a young couple raising a child and currently living in a small space looking to move up or seniors wishing to move from the city to the suburbs. This program not only benefits both seniors and younger generations raising a child, but serves a social purpose by allowing homes that may no longer fit one's lifestyle to be utilized by others in society.

Related topic: First in the industry to ensure all its new-build single-family houses qualified as eligible for JTI assistance

Social issues

- Disclose financial indicators (stable long-term growth / profitability)
- Proactively engage in investor relations activities

Investor relations initiatives for individual investors

We held a briefing session for individual investors led by President and COO Naotake Ono following a similar briefing held last year, in order to foster a deeper understanding about the company. Close to 800 individual investors attended the event, which also featured a very lively question and answer session.



Briefing session for individual investors

Providing access to easy-to-understand investor relations tools

We have made efforts to improve the convenience of investor relations tools that includes online content, business reports and earnings presentations in order to broaden understanding of our businesses.

In addition, our 2011 Annual Report was highly recognized at the 2012 International ARC Awards for its reporting on management and financial matters, such as the message from senior management and vision sections. We became the first Japanese company to receive the distinction of winning a gold medal in four categories and silver medal in three categories. This also marked the third consecutive year that we were honored at this event.



2011 Annual Report

Enhancing direct engagement through site tours

We host site tours and small meetings at the request of institutional investors.

In fiscal 2012, we hosted a site tour of a logistics warehouse as well as held a small meeting and seminar on our business operations to help broaden understanding about the company.



Site visit at the Kokubu Misato Logistics Center

Dividend policy

The Daiwa House Group's fundamental stance is to offer a dividend to its shareholders while maintaining a sound balance with the necessary retained earnings for funding the future expansion of the company and strengthening our management base. We have established a target to achieve a 30% dividend payout ratio and we will also take a flexible approach to shareholder returns that include implementing share buybacks, when appropriate. To that end, we will focus on strengthening our financial standing, which includes investment in research and development and production equipment to strengthen competitiveness and to enhance profitability as well as the expansion of sales offices to extend our corporate footprint.

	Dividend per share (annual)	Total dividend (annual)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	(yen)	(millions of yen)	(%)	(%)
Year ended March 31, 2013	35.00	20,253	30.6	2.9
Year ended March 31, 2012	25.00	14,467	43.6	2.2
Year ended March 31, 2011	20.00	11,576	42.5	1.9
Year ended March 31, 2010	17.00	9,844	51.5	1.6
Year ended March 31, 2009	24.00	13,900	333.4	2.2
Year ended March 31, 2008	24.00	13,902	106.8	2.2
Year ended March 31, 2007	20.00	11,743	24.6	1.8

Distribution of shares by shareholder (as of March 31, 2013)



Attribution	Number of shareholders	Number of shares	Ratio*
Financial institutions	126	247,045,993	41.17%
Foreign nationals	535	181,036,277	30.17%
Individuals / Other	29,997	76,607,299	12.76%
Other companies in Japan	1,193	61,265,575	10.21%
Treasury stock	1	21,248,944	3.54%
Securities companies	52	12,717,763	2.11%

* Ratio shows the percentage to total shares issued.

Social issues

- Act responsibly toward business partners and users (customers)

National safety convention held with collaborating companies

The Daiwa House Group hosts a safety convention in all places of business throughout Japan from the month of June in preparation for Japan's National Safety Week that occurs every July (July 1st-7th), in promoting and enhancing knowledge, awareness, and consciousness towards safety among all employees. Implemented under the slogan of "Together let's raise our awareness of safety to eliminate accidents," the safety convention includes lectures given by guest speakers from both inside and outside the company as well as an awards ceremony to recognize collaborating companies, their employees, and the Daiwa House Group employees who exhibited excellence in their safety compliance.



Safety convention held at all business locations in Japan

Surveys conducted among business partners

In light of "creating good relationships with suppliers" stipulated under the Daiwa House Group Code of Ethics and Behavioral Guidelines, we conduct surveys among our business partners in order to identify any issues such as fraudulent acts between our employees and business partners. Since fiscal 2006, the survey has been conducted among companies under the Daiwa House Group's Confederation of Partner Companies. Starting in fiscal 2010, the target has been expanded to include the business partners of main Group companies. In fiscal 2012, we received responses from 5,661 participants (73.2%) and the feedback we received was used to improve our business activities within the Group.

Detailed version – Co-creating a Brighter Future with Our Suppliers

Implemented safety patrols at all places of business

The Daiwa House Group conducts safety patrols (onsite patrols) once a month based on our annual plan in order to prevent workplace injuries as well as to maintain and improve the working environment of construction sites. Each safety patrol involves members of collaborating companies, as well as representatives of the Daiwa House Group including branch managers, office managers, and site managers. A periodic safety inspection is conducted on all processes and equipment in hopes of making continuous improvement to enhance safety.



Safety patrol



Rest area to alleviate heat stroke



Safety inspection on site

Social issues

- Nurture human resources (employee training)
- Provide safe and healthy working environment
- Successfully handle human rights complaints
- Eliminate discrimination and offer equal opportunities

Nurturing the next generation of management

Starting in fiscal 2008, "Daiwa House Juku" has been held across the Daiwa House Group in aiming to nurture the next generation of management leaders. The training involves practical management skills training in which participants are asked to formulate strategies to address actual challenges faced by the Daiwa House Group. To date, seven of the trainees have become presidents of Group companies and 43 have become directors or executive officers.

In addition, in order to discover and nurture human resources for upper management including branch managers, plant managers, and department managers, we launched the "Branch manager application and training system" in fiscal 2005, and trained a total of 345 participants to date.

In the future, we will expand training of prospective management personnel to include off-site dispatch training in enhancing the development of management leaders who possess broad perspectives and knowledge.

Promoting a people-friendly working environment

In consideration of ensuring human resources from a mid- to long term management perspective as well as an aging population with low birth rates, we have implemented a "work area selection system" since fiscal 2005. This system allows employees to switch from national-based employee, who are subject to transfers throughout Japan, to local-based employees, who will not move away from their place of residence due to transfer, in case a transfer is considered impractical due to childrearing or nursing care reasons. In fiscal 2012, 21 employees have switched from being national-based to local-based employees and worked in the place they desire.

Moreover, in fiscal 2012, a total of 147 employees utilized the "paid leave accumulation program*" first introduced in April 2005, while the total sum of cumulative paid leave used reached 5,115 days. This program has a widespread acceptance among our employees.

On the other hand, we also introduced a "home holiday program" in April 2007, which allows employees to take paid annual leave in an organized manner to promote work-life balance and enable employees to spend time with their family or refresh themselves. In fiscal 2012, a large number of employees utilized this program

with the total number of people taking leave reaching 12,415. In preparation for the coming era of an aging population with low birth rates, we changed the maximum period allowed for taking nursing care leave from one year to an unlimited time in October 2012.

In terms of housing, we introduced a "home owners' housing allowance program" in October 2010 in order to promote home ownership and reduce the burden of a mortgage. In April 2013, we are paying out a monthly allowance of 20,000 yen to 6,110 employees.

* A program that allows employees to accumulate and use up to 100 paid holidays that would otherwise have expired under current laws.

Working on human rights education and awareness

Every year, systematic and continuous in-house training sessions are conducted across the entire Group based on our management policy. This includes general training targeting all employees as well as training categorized by rank and subject for executive officers and managers. Our goal is for all employees to undergo human rights training at least once a year. In fiscal 2012, the participation rate was 189.2% (Daiwa House Industry Co., Ltd. alone).

Implementation of human rights awareness training (Fiscal 2012 results: Daiwa House Industry Co., Ltd. alone)

Training	Targets	Number of sessions	Total attendance	Percentage of employees
Training by office	All employees	309	29,443	189.2%
By rank / subject	Executive officers, managers, heads, chiefs, new employees	25	1,109	

Increasing recruitment of female managers

Since our 50th anniversary in 2005 we have been implementing policies to support work-life balance, develop skills, and increase awareness among female employees to encourage their involvement and success at work.

As of April 2013, the number of female employees has increased to 2,371 (1.4 times the figure at the end of fiscal 2005), while the number of female chiefs increased to 325 (2.5 times) and the number of female managers reached 47 (5.8 times).

Change in female employee involvement (Daiwa House Industry Co., Ltd. alone)

	End of fiscal 2005		As of April 2013
Number of employees	1,618 people	1.4 times	2,371 people
Chiefs	127 people	2.5 times	325 people
Managers	8 people	5.8 times	47 people

Basic Approach to CSR-focused Management

Strengthening our foundation of CSR-focused management

The Daiwa House Group makes continuous improvements to its CSR activities using its proprietary management system of monitoring self-assessment indicators for CSR activities. Through these efforts, we are also contributing to the development of a sustainable society.

The Daiwa House Group undertakes CSR activities based on its fundamental stance of "Co-Creating a Brighter Future". We use a proprietary management system of monitoring self-assessment indicators for CSR activities to constantly review our activities and we make continuous improvements to these activities, based on feedback obtained from a broad mix of shareholders at our annual Stakeholder Meeting.

In addition, every year we ask our employees to complete a CSR questionnaire as part of our efforts to strengthen corporate governance and compliance.

In conjunction with the launch of our Third Medium-Term Management Plan in fiscal 2011, we have also initiated a three-year plan on CSR to strengthen the foundation of our CSR-focused management by incorporating ISO26000 guidance into our conventional self-assessments for CSR activities.

Fiscal 2012 Scores for Self-assessment Indicators by Theme

Theme	Perfect score	Score	Percentage
Human rights	125	110	88.0%
Labor practices	150	110	73.3%
The environment	125	80	64.0%
Fair operating practices	100	78	78.0%
Consumer issues	100	77	77.0%
Community involvement and development	150	110	73.3%
Organizational governance	175	126	72.0%
Financial indicators	75	64	85.3%
Total	1,000	755	75.5%

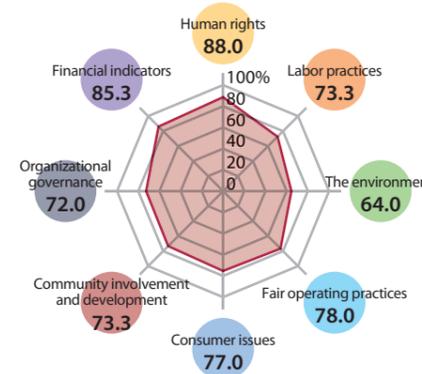
Detailed version – Foundation of CSR-focused Management

Fiscal 2012 Scores for Self-assessment Indicators by Theme

In fiscal 2006, Daiwa House Industry created a proprietary set of self-assessment indicators in order to further promote CSR activities. These indicators are used to shed light on the results of our CSR activities and to enable us to continuously improve our initiatives. In fiscal 2009, we initiated the first revisions to these indicators since they were established. To better address the needs of society, we also began holding Stakeholder Meetings to identify specific social challenges facing the Group. Furthermore, in fiscal 2010, we expanded the scope of the self-assessment indicators to all the Group companies.

In fiscal 2011, we identified key issues using ISO26000 as reference (see page 20), resulting in the adoption of 8 themes, 18 issues and 40 indicators (Daiwa House Industry only). In fiscal 2012, we achieved a 75.5% score, 755 out of 1,000 points, for the 8 themes and 40 indicators, which marked an improvement of 5.1%, or 51 points, from fiscal 2011 when this score was 70.4%, or 704 points.

Based on these results, we will establish targets for fiscal 2013 and continue to implement as well as make improvements to our CSR activities as we move forward.



Selected as one of the 100 most sustainable companies in the world for the third consecutive year

In January 2013, Daiwa House Industry was selected for inclusion in the 2013 Global 100 Most Sustainable Corporations in the World (Global 100), a ranking determined by Corporate Knights Publishing of Canada and Bloomberg. We were once again the only homebuilder in Japan selected for inclusion, as was also the case in 2011 and 2012, and we were the highest ranked of any Japanese company at 23rd out of 100. The Global 100 have been selected and presented annually by Corporate Knights at the same time as the World Economic Forum (Davos Conference) since 2005. The process involves assessing the sustainability of a pool of some 3,600 companies around the world based on an analysis of their CSR initiatives for the environment, society and governance, with only the top 100 companies announced. This year a total of four Japanese companies, including Daiwa House Industry, were selected for inclusion. Daiwa House Industry was selected for inclusion this year because it was recognized for the wide-reaching environmental initiatives it implements in its business activities as well as the many contributions to sustainability it has made through innovations.

WEB Online (Japanese only): <http://www.daiwahouse.co.jp/release/20130124141912.html>

Corporate governance

Corporate governance

We are strengthening our corporate governance system and promoting highly transparent management.

Corporate governance

The Daiwa House Group considers corporate governance to be one of its most important management tasks and has established a fundamental commitment to maintain a highly transparent and efficient management system, to increase trust from stakeholders, including shareholders, and to continually enhance corporate value. To fulfill this commitment, we have established an auditing and oversight system, and at the same time we strive to ensure quick and proper decision-making and prompt business execution based on these decisions.

To further enhance transparency of decision making and raise efficiency of management oversight by the board of directors, Daiwa House Industry appointed two new outside directors at its general shareholders' meeting held in June 2012. The addition of these new outside directors, who have been designated as independent officers, has enabled the company to enhance its corporate governance as well.

To ensure objectivity and neutrality in management oversight functions, we appoint corporate auditors with expert knowledge in corporate management, legal affairs, finance and accounting and we secure the needed human resources to assist corporate auditors' audits. We stand committed to further reinforcing the functions of the board of corporate auditors, including our outside corporate auditors. Within this framework, we clearly define the roles, functions and duties of our directors and executive officers and have introduced the executive officer system in order to reinforce the oversight functions of directors.

Our current management system (as of April 2013) comprises 21 directors (including 2 outside directors), 6 corporate auditors (including 3 outside corporate auditors), and 27 executive officers.

Internal controls

The Daiwa House Group is actively committed to legal compliance, general compliance and risk management.

Full compliance with Daiwa House Group's Code of Ethics and Behavioral Guidelines

The Daiwa House Group created a Code of Ethics and Behavior Guidelines in April 2004 that clearly define the fundamental actions necessary for achieving our management mission and strategy. Also in 2004, we compiled and distributed to every Group company employee a Casebook for educational purposes that contains information on the Code of Ethics and Behavior Guidelines, case studies and contact points for the whistleblower hotline. The Casebook is revised biannually. Since the second edition was published in 2006, we have also required employees to submit a written pledge that they will comply with the Code of Ethics during their duties, as part of our initiatives to not only educate employees, but encourage them to take action.

The fifth edition published in 2012 contains a total of 121 cases. Each workplace reads through a selection of these cases during morning meetings as part of our broader effort to enhance awareness toward business ethics among our employees.

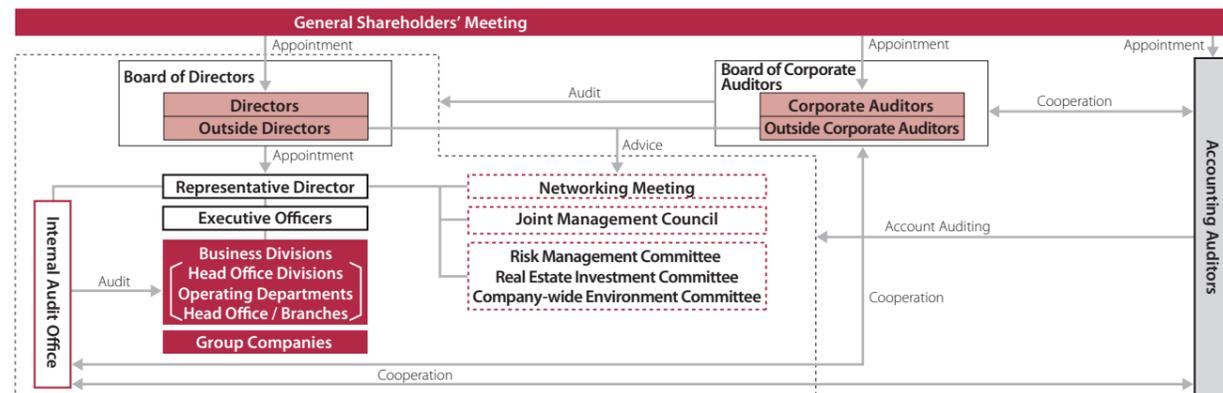


CASE BOOK

Preventing corruption with internal audits

To ensure the transparency and fairness of its operations in accordance with the Code of Ethics, the Daiwa House Group has set up a corporate ethics and human rights helpline so that employees or other stakeholders can report illegal activities or compliance violations. If a violation is reported, we perform an internal audit, in addition to an operational audit, in accordance with the fiscal year plan, to investigate the facts of the incident.

Corporate Governance Structure



Comments on Daiwa House Group's CSR Activities



Mizue Unno
President
So-Tech Consulting Inc.

Ms. Mizue Unno provides recommendations on CSR and sustainability program management as well as practical support on business activities to Japanese companies using a global management perspective.

Making the business strategy "Creating Dreams, Building Hearts" clearer

Daiwa House Group's visions of "Creating Dreams, Building Hearts" as well as "a Group that co-creates value for individuals, communities and people's lifestyles" are the epitome of CSR. Unfortunately, however, these messages alone do not suggest the uniqueness of the homebuilder. I hope you clarify how these ideals can be achieved in your businesses and disclose specific strategic plans. Starting by discussing how, through your housing and commercial building businesses, you can assume a role in community development or creating value in the living environment.

I believe the pillars for the above visions are the "environment" and "comfortable communities and lifestyles" in which the essence of your Asu Fukaketsuno (Indispensable for Tomorrow) message should be incorporated. While the current report focuses on providing examples of what was accomplished, if you can present the rationale along with the actual activities conducted, then this value will become more evident.

Also, I would recommend that you include environmentally-focused products and technologies in your environmental strategy to ensure their link to creating value. As for communities and lifestyles, you may want to indicate a broad-scope vision of communities and infrastructure development, and aim to further enrich the lifestyles of individuals living in those communities.

Implementing initiatives in terms of community contributions that relate closely to your businesses or that earn trust from your

stakeholders are very important in co-creating value. You will need to combine such initiatives with your business strategy for them to yield effective outcomes.

Effective development of fundamental CSR

I noticed that fundamental CSR is incorporated in your normal business activities in various fields, and is discussed in detail in reports by stakeholder type. While the assessment indicators for your CSR activities follow the core subjects of ISO26000, it remains questionable whether such indicators are effective for your internal management. While it is important to conduct CSR following the guidance of ISO26000, it is not necessary to tailor your assessment to ISO26000 subjects. It might be easier for your company to understand its CSR activities following what you already know, by stakeholder type. And this should not pose an issue, as long as you can verbally rationalize your compliance with ISO26000 to those outside the company.

While I appreciate your report on various community activities conducted in the Co-creating a Brighter Future with Society section, they are merely reports from your company's perspective. As such activities are ones that directly involve stakeholders the most, it is crucial to include reports from their perspective and a discussion on how your activities have impacted local communities. Furthermore, co-creating a brighter future with the environment is not something to be pursued alone as a company. It is important to expand this through collaboration with different stakeholders, including joint partners in community development, local NPOs, or government programs under relevant themes.

Embracing new fields

I sense the Daiwa House Group's enthusiasm in addressing social issues both within and beyond your conventional scope of business. Although your new businesses in agriculture and natural energy development have just started on a small scale, they are definitely areas that need to be expanded on for society's sake. I hope you will continue to embrace challenges in resolving social issues. Furthermore, expanding businesses overseas presents yet another challenge. Larger scale development in emerging countries require even more consideration for the surrounding environment and society. In this sense, I feel your company's stance on CSR as well as business sustainability will likely serve as your strengths.

Response to the third-party opinion

We appreciate the invaluable input that Ms. Unno has given us on our CSR activities. Under the business slogan of "Creating Dreams, Building Hearts," as we pursue our Asu Fukaketsuno (Indispensable for Tomorrow) businesses in addressing social issues, we aim to contribute to building a sustainable society. As Ms. Unno has pointed out, going forward, our next important task will be to establish a specific business strategy to link our vision of "Creating Dreams, Building Hearts" with our Asu Fukaketsuno (Indispensable for Tomorrow) businesses, as well as to take a proactive approach in information disclosure to our stakeholders. We will also continue to strive for a sustainable society in the new businesses we pursue, while keeping in mind our vision of addressing social issues. Although we have already reported to each of our six categories of stakeholders on the Group's fundamental CSR activities, we will aim to make a report on how these activities are perceived by our stakeholders and their resulting social impacts. In addition, as we manage our CSR activities based on the revised CSR self-assessment indicators following the ISO26000 guidance standards introduced in fiscal 2011, we will further incorporate the recently revised GRI guideline in improving CSR activities with a focus on enhanced CSR management and dialogue with stakeholders.



Tamio Ishibashi
Executive Vice President
Head of CSR Office