



**Daiwa House** Group

## Creating Dreams, Building Hearts

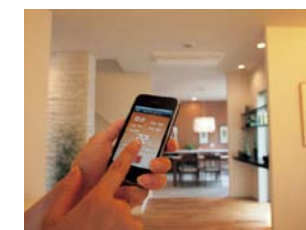
Daiwa House Group  
**CSR Report 2011**  
Digest Version

**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.





# Creating Dreams, Building Hearts



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# Living at One with Nature

**At Daiwa House, we have drawn up a Biodiversity Declaration, and are promoting the creation of communities where people can live in harmony with wildlife.**

In October 2010 the Daiwa House Group drew up the first Biodiversity Declaration in Japan's housing industry, under which the Group pledged to work toward a society in which people and nature could live together in harmony. We believe it is our responsibility to society as a home builder to protect the world's ecosystems and pass them on to future generations. To this end, we have formulated behavioral principles and development guidelines to ensure that the Group's business operations harmonize with the natural environment. Our Gran Reef Habikigaoka single-family house subdivision development is a good example of our Biodiversity Declaration in practice. The development site is a breeding ground for the goshawk, which is a near threatened species, and we have therefore taken steps to protect the area as a natural habitat for these birds of prey. We have also planted trees to connect the surrounding greenery with a newly-developed park, creating a network of habitat corridors for wildlife.

\* Biodiversity is a measure of the degree to which different species of plants and animals co-exist and interact within a given territory. Greater biodiversity means a healthier, better balanced ecosystem.



Constructing emergency temporary housing  
(Hakozuka-sakura, Natori city, Miyagi Pref.)

# Living in Harmony with the Society

**As part of our social mission, we pledge our full efforts to assist in the recovery and reconstruction of disaster-hit areas.**

In the aftermath of the Great East Japan Earthquake, the speedy provision of temporary housing is the primary responsibility of home builders to the community. On the day immediately following the earthquake, the Japan Prefabricated Construction Suppliers & Manufacturers Association\* set up a task force to supervise the emergency construction of temporary housing, and began securing the necessary materials and making preparations for erecting the housing units.

At the Daiwa House Group, too, we set up our own disaster countermeasures task force to take charge of the construction of temporary housing. Our goal is to provide, as soon as possible, homes where people who have lost their own homes in the earthquake and tsunami can live in peace and comfort. We aim to meet the needs of the residents of the disaster-hit areas in the immediate recovery period, as well as the later reconstruction phase. We will work together with the local community to realize a brighter future.

\* Daiwa House Industry and Daiwa Lease are administrative agents of the Association.



# Preserving Nature Together with the Community

## Preserving beautiful wild cherry trees — Passing on Japan's abundant natural environment to future generations

The wild cherry trees of Mount Yoshino in Nara Prefecture constitute one of the most famous areas of unspoilt scenery in Japan, and have been admired for 1,300 years. The mountain is one of the bounties of nature, and sets an example of how to preserve biodiversity. Unfortunately, a severe deterioration in the area's biodiversity has been observed recently, as a result of environmental changes.

Not only does the Daiwa House Group have a social mission of supporting biodiversity, but Mount Yoshino is also close to the hometown of our founder, Nobuo Ishibashi. We thus regard the protection of the natural environment of the area as an important CSR issue, and in 2008 we began conducting a "Mount Yoshino Cherry Tree Protection Campaign" together with members of the local community, which includes planting cherry tree saplings and improving the health of the woods by removing decayed or damaged trees. We plan to continue these preservation initiatives in the future.

▶ Please see P45-46 for further details.



2055

Toward the 100th Anniversary of the  
Founding of Daiwa House  
Always looking toward the next challenge,  
working for the good of society

# “Train human resources we need for the Company to last 100 years.”

— Passing on our founder’s philosophy to the next generation —

## Fulfilling our social responsibility as a home builder through long-term support for the reconstruction of disaster-hit areas

We would like to take this opportunity to express our deepest sympathies for the victims of the Great East Japan Earthquake of March 11, 2011. In accordance with his fundamental belief that the Company’s business development should benefit society a whole, Nobuo Ishibashi, the founder of Daiwa House, devoted himself to meeting society’s need for safe housing. As a pioneer in the industrialization of housing, we have continued to put Mr. Ishibashi’s philosophy into practice by supplying the community with housing that displays superior durability performance.

The March 11 earthquake devastated a wide area, and its impact will be felt for a very long time. At the moment, we are working to provide — as quickly as possible — temporary housing units where the victims of this tragedy can find some rest and relief. Over the longer term, the Daiwa House Group bears the important mission of supporting the reconstruction of the disaster-hit area through innovative concepts in urban development that offer residents a comfortable living environment. We will continue to address this task.



Chairman and CEO

*Takeo Higuchi*

Takeo Higuchi

## “Indispensable for Tomorrow” Bringing new value to society

At the Daiwa House Group, we are currently pursuing our “Asu Fukaketsuno” (indispensable for tomorrow) business concept with the aim of creating a truly fulfilling lifestyle for everyone in the future. Our environment-related efforts include plans for the market launch of the Energy Self-Sufficient Home\*, which will involve combinations of renewable energy sources, energy conservation, and energy storage technologies with the goal of bringing emissions of CO<sub>2</sub> down to zero by the year 2020. Amid the ongoing decline in Japan’s birthrate and the aging of the population, welfare needs are at the focus of attention. To reinforce our activities in this field, we are leveraging our accumulated experience in the construction industry to develop and offer robots for nursing care use, which we believe are a promising solution to the problems encountered by elderly people who need to provide nursing care for their family members in their own homes.

We are also focusing efforts on the industrialization of agriculture, involving the popularization of “vegetable growers” to address the issue food shortages caused by the growing global population. This is one example of the way in which we are transcending our traditional business category of “home builder” to develop new businesses required by society.

\* Energy Self-Sufficient Home = a home that generates 100% of the energy required for its operation

## Aiming to make a contribution to the world, we nurture human resources who pay close attention to details and display a positive spirit

We aim to make the Daiwa House Group into an organization that makes a contribution to the world as a whole. To this end, we are working toward the long-term target of raising the proportion of the Group’s overseas operations to 70% by the year 2055, when we will celebrate the 100th anniversary of the founding of Daiwa House. As part of this effort, we are expanding our “Asu Fukaketsuno” (indispensable for tomorrow) business lines on a global scale. To realize this goal, human resource development will be truly indispensable, and we are putting effort into training potential leaders in each country where we operate — employees who aspire to grasp the essential needs of each country and work together with us to establish businesses that will play an important role in meeting those needs.

We aim to nurture human resources who will keep in mind our founder’s core principle of a “positive spirit,” who will always pay close attention to details, and who will take on the challenge of opening up new business fields while seeking to anticipate future issues and opportunities: human resources who will create new business operations that are of real benefit to society. We intend to contribute to the development of a sustainable society through business activities on a global scale that take full advantage of the Group’s human resources.

## Globalization

Deploying Asu Fukaketsuno businesses  
on the global stage for the benefit of  
the whole world

## Asu Fukaketsuno (Indispensable for Tomorrow)

Contributing to society through business  
operations – our key concept, from now  
to our 100th anniversary

A/Anshin-Anzen (Safety & Comfort),  
Su/Speed-Stock (Speed/Stock), Fu/Fukushi (Welfare),  
Ka/Kankyo (the Environment), Ke/Kenko (Health),  
Tsu/Tsushin (Information-Communication  
Technology), No/Nogyo (Agriculture)

2005

## A Group That Co-creates Value for Individuals, Communities, and People’s Lifestyles

In collaboration with our customers, we create new value for individuals, communities, and people’s lifestyles. We make use of and enhance this new value to realize a society where everyone can live a fulfilling and spiritually rich life.

1980

## Integrated Life Industry

In the 1980s we met the diversifying residential and lifestyle needs of the Japanese public during the period of rapid economic growth, and began offering services in a wide range of fields.

1955

## Industrialization of Construction

We developed our proprietary system for the “industrialization of housing” in response to rising demand for residences. This enabled us to offer safe, comfortable, high-quality housing at affordable prices.

## Midget House



Japan’s postwar Baby Boom created a large child population, and many children were unable to concentrate on their homework because of the cramped conditions of the average Japanese home. To address this issue, Daiwa House founder Nobuo Ishibashi decided to develop and market a free-standing study room. This product, named the Midget House, was inexpensive and could be erected in only three hours. Launched in 1959, this product was the true beginning of Japan’s prefabricated house.



# Creating businesses that contribute to society — this is the social mission of the Daiwa House Group



President and COO

*Naotake Ono*

Naotake Ono

## We will continue to be a corporation that “connects hearts,” while fulfilling our social and environmental responsibilities

“Will it benefit society?” “Is it a business the world needs?” These are questions that we constantly ask ourselves. Social and economic circumstances change greatly from one generation to another, but the business perspective of the Daiwa House Group has remained unaltered since our founding. We believe that the enterprise value of the Group — indeed, its very *raison d’être* — lies in a careful management balance between, on the one hand, the economic imperatives of a business corporation, and on the other, our duty to contribute to society and help preserve the environment through the performance of our business operations. We teach our employees the importance, when making business decisions, of always keeping in mind what we call the “5+1 judgment criteria” (customers, society, employees, shareholders, and the Company, plus “the future”), and we attach particular importance to our customers and society as a whole.

## Addressing social issues through our business operations while aiming to realize a society in which people can lead truly fulfilling lives

The Daiwa House Group aims to expand its total sphere of activities by developing new businesses to meet society’s requirements. For example, to address Japanese society’s current demographic problems — the decline in the birthrate and the aging of the population — we offer housing for elderly persons with nursing care and medical services attached, as well as housing for healthier elderly persons. At the same time, we are developing and marketing rental apartment buildings containing childcare facilities to make it easier for young working couples to bring up children.

Regarding the Group’s environmental initiatives, we have positioned countermeasures against global warming as a top-priority management task, and are putting effort into speeding up our development and marketing of eco-friendly products that make the most of our proprietary technologies. Specific examples include energy conservation technology and

methods for exploiting renewable energy sources, as well as the promotion of lithium-ion batteries employing our energy storage technology. Through these means, we are working to realize energy self-sufficient homes and Smart Towns\*.

All Group employees are working together to realize our newly-drafted 2020 Medium- to Long-Term Environmental Vision, under which we aim to reduce the amounts of CO<sub>2</sub> released through all our business processes, as well as the use of our products and our services. This is a further step forward in our environmental management, and brings us that much closer to the realization of a society where people can lead truly fulfilling lives.

\* Smart Town: An urban area where optimal energy efficiency is realized through the use of energy conservation, the exploitation of renewable energy sources, and energy storage technologies.

## Ensuring a good work-life balance to nurture cultured employees and secure our status as a trusted corporation

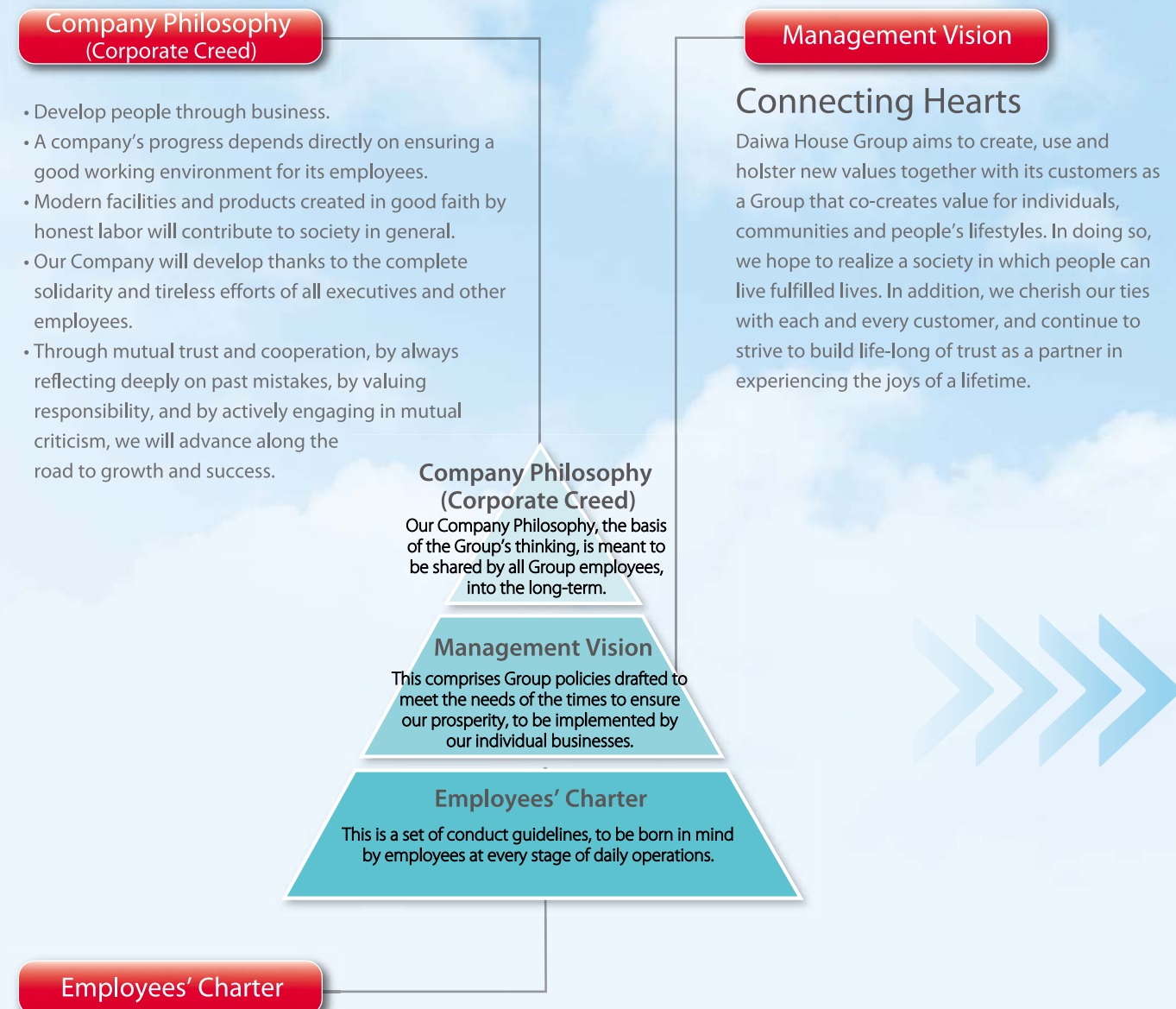
The Daiwa House Group has always put great emphasis on maintaining a good balance in management between the aggressive and defensive approaches. In a similar way, in today’s society it has become vital for corporate managements to address the issue of employee work-life balance. The Daiwa House Group operates businesses involved in the production and sale of products, primarily housing, as well as the provision of services. Our employees are required not only to possess an excellent knowledge of their field, but also to be widely educated and have an excellent understanding of human nature, and to be capable of appropriate ethical decision-making.

For this reason, it is important for our employees to have experience in areas other than their jobs. Because of this, in nurturing our staff we incorporate this viewpoint in programs to improve the working environment and in designing structures that allow the active utilization of our human resources. In this way, we are enhancing the Group’s system for extending the capabilities of all each employee. We encourage all staff members to educate themselves further, and devote ourselves to connecting the hearts of everyone with the goal of creating the new value demanded by society and continuing to be a corporate group that enjoys the trust of society in general.



# Corporate social responsibility and the Daiwa House Group

The Daiwa House Group's management philosophy is encapsulated in our Company Philosophy (Corporate Creed), our Management Vision, and our Employee Charter. The Group's corporate social responsibility (CSR) guidelines are drawn up on the basis of these three documents.



## 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.
- 2**  
Through our relationships and conversation with our stakeholders, we will do our best to comprehend their expectations of the Group, and fulfill our obligations as a corporate citizen by responding to them.
- 3**  
We will work to ensure a high level of corporate ethics and legal compliance.

## Creating Dreams, Building Hearts

The Daiwa House Group acts as a partner of the community through its business operations, and as a partner of individuals in their daily lives through its products and services.

We believe it is important for us to maintain our stance of "co-creating a brighter future," and to deal with society in good faith.

## FY2010 Implementation Report of the Daiwa House Group's CSR Policies

This report on the Group's CSR activities is divided up into the six fields (perspectives) listed in our Employee Charter, which serves as our behavioral guidelines on a day-to-day basis.

The report consists of two parts:

**(1) a digest of information, and (2) case reports.**

Principal measures taken during fiscal 2010 in relation to each theme are described.

### Co-creating a brighter future

<b>Society</b>	Asu Fukaketsuno (indispensable for tomorrow) businesses Case report: Creating next-generation residential facilities for the elderly	P.15
<b>The Environment</b>	The Endless Green Program 2013 Case report: Aiming to popularize energy self-sufficient homes	P.19
<b>Our Customers</b>	Product development by treating each customer as an individual Case report: Proposal for living spaces that "help keep our female customers beautiful"	P.23
<b>Our Shareholders</b>	Building a relationship of trust with shareholders Case report: The Daiwa House Group — Playing a World Role	P.27
<b>Our Suppliers</b>	Seeking the very best product quality Case report: Improving quality at the construction site	P.31
<b>Our Employees</b>	Nurturing human resources Case report: Training new hires with the OJT veteran-guidance system	P.35

We employ the "Indicators for self-assessment of CSR activities" (P.40) to assess our CSR activities and enable further improvement in a planned manner.



# Asu Fukaketsuno (indispensable

# for tomorrow) businesses

## Highlights of Our Activities

- We are participating in METI's "Smart House Demonstration Project." As part of our project to create an energy self-sufficient home, since July 2010 we have been conducting tests on our SMAxEco HOUSE show-house, the first in Japan to be fitted with lithium ion storage batteries.
- Since April 2011 we have been conducting full-scale operations of our "moogle" crawling underfloor inspection robot, the first such in the industry.

## Basis

## Creating new value

### Offering technologies and service that are "indispensable for tomorrow"

Today we face diverse problems such as a declining birthrate combined with an aging population, global warming, and a global food supply problem. We have developed our Asu Fukaketsuno businesses to help create a richer future for the world over the next half-century up to the 100th anniversary of Daiwa House.



We have developed the DAEQT B vibration-dampening system.

#### Safety & Comfort

Offering residents not only protection against natural disasters such as earthquakes and typhoons, but also against fires and break-ins.



Proposing residences for elderly people.

#### Welfare

We are addressing the issues thrown up by an aging population by such means as providing financial support for gerontology research at the University of Tokyo.



Industry-university joint research is being carried out at Nara Medical University.

#### Health

We seek solutions to the need for health-promoting living spaces and lifestyles from the twin perspectives of construction methods and medical science.



Since 2010 we have been participating in a project sponsored by the Ministry of Economy, Trade and Industry (METI) to promote pioneering methods of growing food in "vegetable growers."

#### Agriculture

Through the rationalization and industrialization of agriculture, we are seeking to realize a stable supply of food and promote safe diets.

#### Speed/Stock

We have developed a small robot that can crawl around under the floors of a house to check for damage caused by leaks or termites.



The "moogle" crawling underfloor inspection robot

#### Environment

We are leveraging new environmental technologies to reduce CO<sub>2</sub> emissions and realize harmony between human beings and nature.



This eco-friendly condominium development features solar thermal energy panels and wall surfaces covered with greenery.

#### Information-Communication Technology

We help create new living environments by combining our technologies and know-how in the field of construction with leading-edge information and communication technology.



A screenshot from our proprietary D-HEMS energy management system

## Implementation

## Tackling today's issues

### Continuing to create new value

As a group that co-creates value for individuals, communities, and people's lifestyles, we are pressing forward with joint research together with companies in other industries, and through industry-government-academia projects, with the goal of developing technologies that will open up new future possibilities for all humankind. We are working to realize a society in which people can lead comfortable and truly fulfilling lives.

#### Vegetable growers



A "vegetable grower" on display at Kansai International Airport. Our ultimate goal is to realize the industrialization of agriculture on a global scale.

In response to the growing seriousness of global food-related issues, we are applying the industrialization techniques we have developed in the field of construction to the industrialization of agriculture, with the aim of commercializing our "vegetable growers."

#### Crawling underfloor inspection robot



On the computer screen, the owner can see the condition of his or her house under the floorboards.

Our "moogle" crawling underfloor inspection robot makes it possible to check the state of a house beneath the floorboards. The use of this remote-controlled robot makes spot inspections easier and allows more precise diagnosis.

#### Air Suite

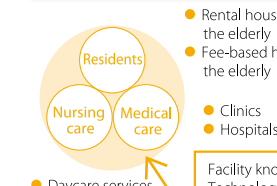


Home owners can choose from four operational modes to match their lifestyles.

#### Air Suite

This system allows centralized control of the temperature settings of all air-conditioners in a house. Reducing the temperature differences between rooms helps save energy and contributes to healthy living.

#### Promoting the human care business



- Rental housing for the elderly
- Fee-based homes for the elderly
- Clinics
- Hospitals
- Daycare services
- Healthcare facilities for the elderly
- Healthcare robots
- Group homes

We are proposing housing specially designed for elderly people, and are promoting in an integrated manner the development and wider use of self-support assistive robotic suits for elderly or disabled persons. As the proportion of older people in the population is growing, from here on we will be strengthening our development and marketing of housing targeted at this social group.

#### Opinion from the Central Research Laboratory

#### Constantly tackling the research challenges that will be required by the next generation

At the Central Research Laboratory, our efforts center on construction technology that allows the Group to build safe housing with short construction times. On this basis, we also tackle a wide range of research themes that go well beyond the confines of the construction industry, including energy self-sufficiency, reliable food supply, promotion of health, medical treatment and nursing care services.

**Hidehiko Kishibe**, Researcher, Research Planning Section, Central Research Laboratory

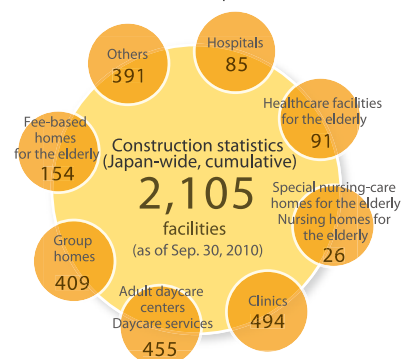




# Building next-generation residential facilities for elderly people

## Supporting elderly people's lives by combining medical treatment with nursing care

With each passing year the demographic problems facing Japan as a result of a declining birthrate and the aging of the population become ever more serious. By 2050 Japan will be an extremely aging society in which people 65 or over will account for about 40% of the total population. To address the social problems arising from this process, the Daiwa House Group was the first company in the construction industry to enter the human services and nursing care field. Our Silver Age Research Center, which we established in 1989, is a unique institution whose staff study the problems facing Japan's medical and nursing care facilities and devise solutions. The center was established to assist in implementing a project on behalf of Keijo-Kai Hospital and Seifu-Kai Public Welfare Corporation.



**Keijo-Kai Hospital/  
Seifu-Kai Public Welfare Corporation**

Dr. Osamu Takii, Administrative Director and Head of Psychiatry  
Mrs. Kinuko Takii, Welfare and Housing Environment Coordinator

## Could you tell us how these welfare and nursing care facilities came to be built?

**Dr. Takii:** When I first started thinking about healthcare facilities for the elderly that would provide nursing care services, there were no facilities to provide services that could bridge the gap between the hospital and the home. I wanted to create a facility that would offer nursing care and rehabilitation from a patient's discharge from hospital up to the point where he or she could resume living an independent life.



**Keijo-Juku nursing care  
and healthcare facility  
for the elderly**  
The spacious lobby is an idea  
proposed by Daiwa House: it  
can be used for various fun  
events, and helps people get  
to know one another.

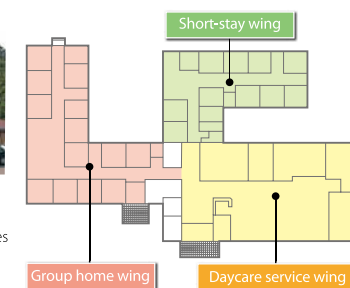
## Please tell us about the Kamimai-no-Sato, which is one of your welfare facilities.

**Dr. Takii:** Kamimai-no-Sato is located in Higashi Usuki-gun in Miyazaki Prefecture, which is a mountainous area where there is a particularly severe shortage of nursing care providers. I was searching for some way to help provide care-at-home services, and decided that the answer was to construct a facility that could offer nursing care services tailored to the particular health condition and other circumstances of each elderly patient. Patients should have the choice of outpatient care, a short stay at the facility, or permanent residence.

**Mrs. Takii:** My husband visits all the facilities even on Saturdays and Sundays. He constantly talks with elderly people, so he can be sure of understanding their needs.



**Kamimai-no-Sato  
multifunctional home**  
Opened in 2006, Kamimai-no-Sato serves  
as a group home and also offers short  
stays and adult daycare services. The  
facility is in the vanguard in the provision  
of small-scale multifunctional at-home  
nursing services.



## Opinions from the General Construction Div.

### Contributing to the community by faithfully translating Dr. Takii's wishes into reality

For over twenty years Daiwa House has been acquiring know-how in addressing the issues involved in the aging of society. From his personal, hands-on experience, Dr. Osamu Takii was able to define what sort of facilities were required, and the Company leveraged its track record in this field to translate these desires into reality. We are happy to say that we have made a significant contribution to the life of the community through our business operations. Against the backdrop of Japan's continually aging population, we hope to be of further help to society through the provision of up-to-date information that will enable us to make the dreams of Japan's medical professionals a reality.



Hitoshi Nishimura, Chief, Medical & Care Project Team, General Construction Division, Fukuoka Branch

## And could you tell us why you chose Daiwa House to construct your facilities?

**Dr. Takii:** At first, I really had no idea about facilities for the provision of nursing care for elderly persons, but a Daiwa House staff member in charge of design came to stay with us so that he could personally check all the facility's functions, even going so far as to use a wheelchair himself. With Daiwa House, I feel confident that my wishes will be translated accurately into reality. Also, I look forward to making effective use of the Company's nationwide information network and its Silver Age Research Center.

## What sort of vision do you have for the future?

**Dr. Takii:** At the moment, we are engaged in constructing a facility that will combine the features of a fee-based home for the elderly and a nursing care facility. I also believe that staff training programs are important in creating a good nursing care environment. We rely on Daiwa House Industry to provide the "hardware," and we can devote ourselves to the "software" side of things, by training the human resources we need. I don't know whether it will be possible or not, but I also have a dream which I call the "Hyuga Florida Plan." This involves creating a system whereby we can welcome elderly residents of urban areas in the Kansai Region to pleasant care facilities in Hyuga City here in Miyazaki.

**Mrs. Takii:** It seems to us that an increasing number of people are in need of nursing care but cannot receive it for one reason or another. We want to offer elderly people a place where they can live in peace.



# The Endless Green

The Daiwa House Group has drawn up the 2020 Medium- to Long-Term Environmental Vision, under which we will tackle the challenge of reducing to zero the environmental burden posed by our housing units or other buildings throughout their lifecycle.

To this end, we have started up the Endless Green Program 2013 environmental action plan.

## Highlights of Our Activities

# Program 2013

- We launched the xevo YU, which is a ZEH (net zero energy house) thanks to its use of a large-capacity photovoltaic power generation system.
- We became the first home builder to draw up a comprehensive Biodiversity Declaration, contained within the stipulations of our Basic Philosophy and Behavioral Guidelines.



## New environmental action plan Endless Green Program 2013 started

Speeding up our efforts in four eco-friendly areas, with a main focus on curbing global warming

In our Endless Green Program 2013 environmental action plan (FY2011-2013), we will be promoting Eco-Friendly Processes, in which we will reduce CO<sub>2</sub> emissions from our business processes through energy conservation and the increased use of renewable energy sources, and also put efforts into the development and popularization of Eco-Friendly Products whose use and final disposal will also involve reduced CO<sub>2</sub> emissions. In addition, we will conduct initiatives in the new fields of Eco-Friendly Technologies and Eco-Friendly Communications, to move forward in contributing to the preservation of the natural environment.

### Eco-Friendly Processes

Lowering the environmental burden of our business processes through improved efficiency

Active promotion of energy conservation and use of renewable energy sources at all facilities of Daiwa House Industry and other Group companies

#### Priority Measures

- Continued efforts to improve operations at Company facilities, and replacement of facilities in a planned manner
- Promotion of energy conservation at Group facilities



Photovoltaic power generation system installed and wall surfaces covered with greenery at Daiwa House Industry Yokkaichi Branch (Mie Pref.)



High-efficiency water heating system installed at the Tosa Royal Hotel (Kochi Pref.)

### Eco-Friendly Products

Reducing environmental burden through development and popularization of eco-friendly products and services

Achieving major contribution to CO<sub>2</sub> savings\* through the development and popularization of eco-friendly products and services  
\* Contribution to CO<sub>2</sub> savings = volume of reduction in CO<sub>2</sub> emissions throughout the entire lifecycle of homes or other buildings (comparison with 1990 specifications)

#### Priority Measures

- Expanded use of photovoltaic power generation systems
- Development and marketing of eco-friendly products



The Floral Avenue Sasabe housing subdivision development, in which all houses are fitted with photovoltaic power generation systems (Nagano Pref.)



The LOC CITY Himeji Shopping Center, which is fitted with a photovoltaic power generation system and features LED lights throughout (Hyogo Pref.)

### Eco-Friendly Technologies

R&D into next-generation environmental technologies

Realizing fusion between energy conservation, renewable energy use, and energy storage technologies, centered on next-generation lithium ion batteries.



A SMAXEco HOUSE model at our Kasukabe display site (Saitama Pref.)

### Eco-Friendly Communications

Effectively communicating environment-related information



The above is an image from our website, displaying environment-related information Daiwa House and Ecology

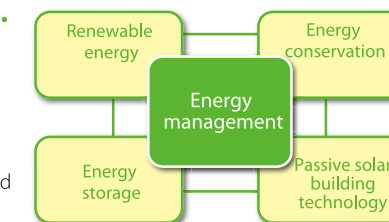
In addition to reinforcing our transmission of information about the environment, we work with our stakeholders to realize mutually created communication.



## Using energy wisely lifestyle proposals

We have begun a project aimed at reducing to zero the environmental burden posed by our housing and other buildings.

At the Daiwa House Group we have commenced a project in which we plan to develop next-generation housing and other types of buildings which will incorporate leading-edge, proprietary technologies that allow energy to be used wisely. We are promoting combinations of passive solar building design, which takes advantage of natural climatic factors, and energy conservation, renewable energy, and energy storage technologies. In addition, we propose energy management systems that employ information and communication technology (ICT) to reduce CO<sub>2</sub> emissions and realize more effective energy use.



### Popularizing the ZEH\* concept, and realizing energy self-sufficient homes

Our xevo YU house is a "net zero energy house" (abbreviated to ZEH) thanks to our development of its optional Hybrid Ecology Roof, which features a large-capacity photovoltaic power generation system, as well as its unique design which channels breezes through the house. We have also started test demonstrations of our SMAXEco HOUSE, a model house fitted with Japan's first home-use lithium ion batteries.

\*ZEH (net zero energy house): a house that produces at least as much energy as it consumes; net energy consumption is thus zero.



The xevo YU, a net zero energy house (ZEH)



The SMAXEco HOUSE at our Yagoto display site (Aichi Pref.)

### Net zero energy buildings (ZEB) for offices and shops

In the non-residential building field, too, such as offices and shops, we aim to realize the net zero energy concept by the year 2030, and have commenced a project to develop environment-conscious buildings. In 2010, as a pioneering case of eco-friendly building design, we proposed a design for the new head offices of Mitani Sangyo Co., Ltd. The design proposal, which incorporates a total package of energy conservation, renewable energy sources, and energy storage technologies, was chosen by the Ministry of Land, Infrastructure, Transport and Tourism, for its Pioneering Project in Reduced CO<sub>2</sub> Housing and Building Construction.



The new head office of Mitani Sangyo Co., Ltd. (scheduled for completion in September 2011) was chosen for the Second Pioneering Project in Reduced CO<sub>2</sub> Housing and Building Construction, in FY2010.

### Opinions from the Central Research Laboratory

We are working in parallel on ways of utilizing natural energy sources, as well as the development of energy storage and conservation technologies

Our storage battery systems, which are undergoing demonstration experiments, are intended to store the electricity generated by photovoltaic power generation for effective use by a household. At the same time, they will prove invaluable in the event of power cuts due to natural disasters, as home owners can use the accumulated power to see them through the blackouts. We aim to further develop this technology with the goal of early commercialization.

**Hiroyuki Inoue**, Global Warming Prevention Research Section, Frontier Technology Research Unit, Central Research Laboratory



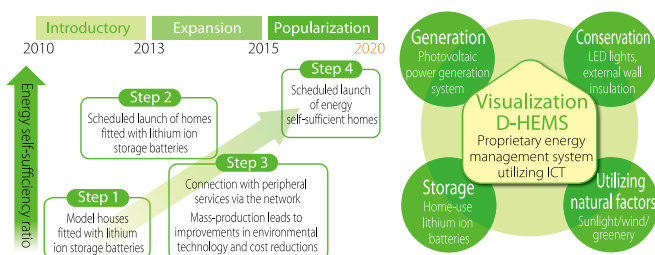


# Popularizing self-sufficient

# the energy home concept

Generating, storing, and conserving energy.  
We propose new, eco-friendly and family-friendly  
living models for the near future.

Daiwa House Industry is working to popularize the concept of  
energy self-sufficient homes with zero CO<sub>2</sub> emissions, and toward  
that end we have started demonstration experiments of our  
SMAxEco HOUSE.



## 1 Visualizing energy usage, using it wisely

Our SMAxEco HOUSE comes with D-HEMS\*, a proprietary energy management system that makes effective use of ICT. Coupled with advanced facilities including a photovoltaic power generation system and storage batteries, this house enables the owners to adjust energy used in the home to perfectly match the family's particular lifestyle. And the system's "visualization" feature lets the owners clearly see a breakdown of their energy usage.

\* D-HEMS stands for  
"Daiwa Home Energy  
Management System"



The home's energy consumption usage pattern is displayed in an easy-to-understand way.

## 2 Generating and storing energy

We have installed renewable energy utilization systems at our Senri display site. In addition to photovoltaic power generation systems, we also display solar thermal energy systems, as well as lithium ion storage batteries, which boast a high level of charge/discharge efficiency. These batteries can accumulate the electric power generated by a photovoltaic power generation system during the day for use at night.



Photovoltaic power generation system



Home-use lithium ion storage battery unit

### Our Customers Evaluate the SMAxEco HOUSE

- It has sparked an interest in environmental matters among our family (woman in her 30s).
- I'm sure I will want to buy one sometime (man in his 50s).
- I'd like to know the data for my home's power consumption and the outside air temperature, so I could lower my electricity charges (man in his 20s).

#### What impressed you about the home-use lithium ion storage batteries?

No.1	They would be a big help to the household budget.	58%
No.2	They would be a standby power source in the event of a blackout.	42%
No.3	They would enable you to live in an environmentally friendly way.	41%

#### What did you like most about the D-HEMS?

No.1	You can control all the equipment in the house from one handheld device.	55%
No.2	With the information it provides, you could make effective use of natural wind flow.	42%
No.3	It gives you a breakdown of your energy consumption patterns.	41%

\* Answers taken from a survey of visitors to our SMAxEco HOUSE display sites at Kasukabe and Yagoto (survey period, July 10-31, 2010; 167 respondents)



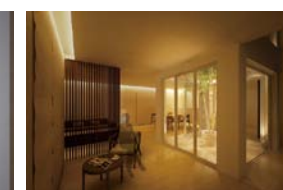
The SMAxEco HOUSE at our Senri display site

## 3 Energy-saving LED lights

LED lighting systems allow easy adjustment of brightness to match the time of day, creating illumination that is almost as easy on the eye as natural light.



Daytime lighting



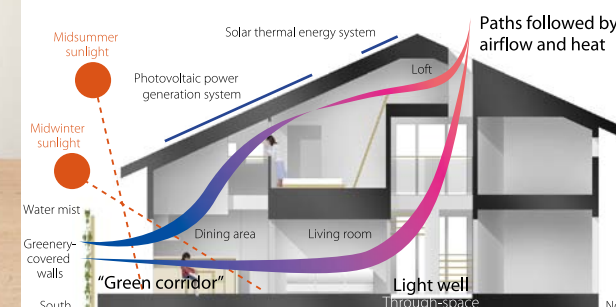
Nighttime lighting

## 4 Bringing nature indoors

Natural breezes and sunlight vary according to the season or the time of the day. After extensive studies of these natural environmental factors, we have designed living spaces where they can be incorporated and harnessed without dependence on mechanical equipment, thereby lowering the burden on the environment. We plan elements of a house to facilitate effective airflow, such as spaces that are half-open to the outdoors and run straight through the house, letting in sunlight and natural breezes, as well as dynamic sloping ceiling designs that channel airflows from the dining area up to the loft.



The "green corridor" opens straight onto the dining area.



### Opinions from the Single Family Housing Div.

#### We want to spread the word about eco-friendly living

The SMAxEco HOUSE is a specially designed advanced eco-friendly model, and a large number of visitors have visited us to view this house. These days, people expect houses to be designed with energy conservation features, and the use of renewable energy technology, such as photovoltaic power generation systems, has also become widespread. We are already on the threshold of a new era when ordinary family residences will be expected to be eco-friendly — to store electricity and use it wisely. Many of our customers tell us they want to use storage batteries and our D-HEMS right away. Daiwa House aims to use the SMAxEco HOUSE to spread the word about eco-friendly residences that use energy wisely.

Masayuki Okada, Manager, Senri SMAxEco HOUSE Housing Exhibition,  
Single Family Housing Division, Osaka Honten Branch





# Product development by

The Daiwa House Group takes the tastes and priorities of each individual customer carefully into account in the design of homes. Including through collaboration with other companies, we have developed a large number of housing products designed to realize a rich and fulfilling lifestyle.

## Highlights of Our Activities

# treating each customer as an individual

- We marked our 55th anniversary by introducing Daiwa House's original "xevo eco-points system" for all our single-family house products, and promoted environmentally friendly housing.
- Eight entries from five divisions won awards at the Kid's Design Award 2010, including the xevo AI and the Daiwa House Child Allowance. The xevo EDDI won an award at the International Architecture Awards 2010.

## Basis

## The concept of the XEVO series

In anticipation of new residential lifestyles in the next generation, we are developing and marketing houses that are both eco-friendly and family-friendly.

Through the use of our unique exterior thermal ventilation wall and photovoltaic power generation systems — which both come as standard — our xevo series of houses effects major reductions in the home's environmental burden as well as post-construction lifecycle costs.

### Unique features of the XEVO series

#### Eco-friendly energy conservation

The xevo series keeps room temperatures at a comfortable level through superior thermal insulation performance, cutting energy consumption and reducing CO<sub>2</sub> emissions.



#### Photovoltaic power generation systems

Photovoltaic power generation systems come as standard with all xevo models.

### xevo

#### Exterior thermal ventilation wall

The entire house is wrapped in a double thermal insulation layer for greatly improved heat retention.



#### High durability

The basic structural performance of the houses has been reinforced, extending their lifecycles. We have also incorporated more effective anti-burglary features, and the designs take the requirements of older people into account.

**Quake-resistant, vibration-mitigating, vibration-dampening**

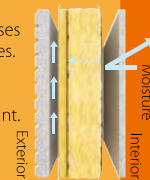
Houses in the xevo series feature a structure strong enough to withstand seismic shocks on the level of the Great Hanshin Earthquake.



Full-size tests at the E-Defense shake table facility

#### Double waterproofing

Double waterproofing prevents the formation of condensation, reducing deterioration.



### Support

Our AQ (Advanced Quality) Asset service is a lifelong, multifaceted support system that leverages the Group's expertise to help owners of single-family houses maintain their homes' asset value.

#### AQASSET

Maintenance Renewal Life

#### Collaboration with other Group businesses

AQ Asset members receive information on special offers at Group home centers and online sales.

### The xevo series (a selection)



#### For double-income families xevo CLEVA

Offers a living space that lets the woman of the house express her individuality and beauty



#### 3-story wooden single-family house xevo SORA

Offers a pleasant loft space



#### Flexible-use two-family house xevo YU

This is a durable house that can be lived in for several generations



#### Eco-friendly designer home xevo EDDI

Created in collaboration with the noted architect Edward Suzuki



#### A house for luxurious living xevo E

Superior energy conservation performance and high-quality living space

## Treating each customer as an individual to make effective residential lifestyle proposals

To make our customers' daily lives even more fulfilling, we continue to search for fresh new ideas to incorporate into our home proposals.

The Daiwa House Group proposes a wide variety of living plans to provide individually tailored solutions to our customers' increasingly diverse lifestyle values, fulfilling their lifestyle requirements and matching their tastes.

### Houses for double-income families

Our xevo CLEVA model, which features the Cocoom Space as standard, is a concept developed in collaboration with the skincare brand SK-II. It is a home that lets women "live beautifully" and incorporates a number of original features that offer a pleasant living environment for the whole family.



We propose the Cocoom Space, where our female customers can nurture their beauty and individuality.

### Easy Storage Units Flexible Wardrobe Closet Spaces

This house model features flexible storage space for clothes and so on that can be altered to match children's growth or changes in home lifestyle. Home owners can easily make changes to the positioning of clothing hanger rods and shelf boards, altering the proportions of their storage space to suit changed living requirements.



Daiwa House has translated a storage unit idea of the amenity advisor Noriko Kondo into reality.

### HAPPY HUG child-rearing homes

Our HAPPY HUG house model was developed in coordination with Benesse Corporation's Tamahiyo Double Happiness Project. We have incorporated numerous ideas into the design of this house under the theme of "communication and growth."



### Two-Generation Lifecycle Home

The xevo YU allows flexible alterations to suit different stages of life. The house has a core space between the areas for the two generations, realizing an optimum balance between communication and privacy.



This model features a newly designed Hybrid Ecology Roof.

### Opinions from the Single Family Housing Promotion Dept.

#### We aim to fully satisfy our customers

Well before the government introduced its program for supporting the construction of energy-saving and high-durability homes, we developed the Exterior Thermal Ventilation Wall and included it in the specifications for our xevo houses.

Tatsuya Kaneda, Section Manager, Business Strategy Section, Single Family Housing Promotion Department





# Our proposal for where women a “beautiful” life

Feeling good and looking pretty  
again today!  
A living space that makes you love  
yourself. Let's go!

Mizuho Endoh, Executive Manager,  
Beauty Counselor Organization (P&G Max Factor Godo Kaisha)

Women need their own space and time to  
recharge their mental batteries. I believe this is  
the process from which beauty is created. The  
Cocoom Space is a wonderful concept that lets  
women shake off the day's tiredness and  
reenergize themselves for the next day.

Bringing our customers just the products  
they have dreamed about

Naoko Tanaka, Business Strategy Section,  
Single Family Housing Promotion Department

We develop and market products by treating each of  
our customers as an individual. In this case, we focused  
on the needs of working women, and to that end we  
teamed up with beauty care experts SK-II to design a  
new type of living space — the Cocoom Space —  
which appeals to women's emotional values, and by  
incorporating it in our xevo CLEVA house model.

## Customers' Opinions

I love the house's quiet, sober exterior. The Cocoom  
Space is the sort of “space of my own” that my wife  
has always wanted. There are lots of features that are  
really convenient for a double-income couple like us,  
such as the Skylight Terrace (an enclosed terrace with  
an expansive skylight) that enables us to hang up  
clothes to dry indoors.

Home owners Yoshito and Yoko Horikawa

(scheduled to move in to their new home in Shizuoka Pref. in December 2011)



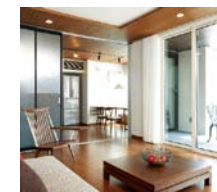
# houses can live

## xevo CLEVA

Combining relaxation with efficiency  
Na (nature) Ga (gather) Ra (rational) Communication

### Natural

“A relaxing space that feels  
natural”  
We bring nature indoors,  
providing a more relaxing  
interior space than you've  
ever experienced before.



Open space under the eaves  
outside the living space

### Gather

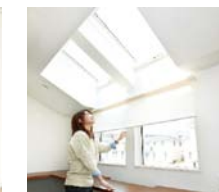
Offering new ways for  
double-income families to  
be together  
The internal design  
facilitates both privacy and  
“gathering together.”



One interesting feature is the  
flexible-use screen, which  
enables separation of rooms to  
create pleasant living spaces.

### Rational

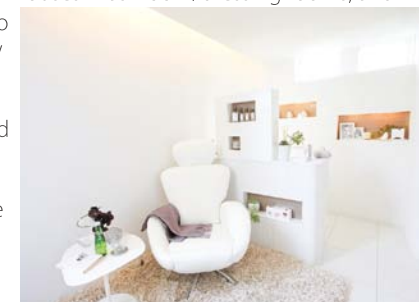
Care is taken to facilitate  
efficiency in day-to-day living  
Our unique Skylight Terrace  
makes it easier to wash, dry,  
and put away clothes, and  
the kitchen features a large  
center shelf for plenty of  
storage space.



The Skylight Terrace, which is  
ideal for washing and hanging  
out clothes indoors.

We have developed the Cocoom Space, where our female  
customers can nurture their beauty and individuality

In talking to our female customers we frequently heard the complaint  
that homes in Japan did not provide a space that the woman of the  
house could call her own. It was this that impelled us to start a  
collaborative project with SK-II to design a special space for female  
home-owners. SK-II's unique slant on female preferences led us to the  
first idea of improving our houses' washroom/dressing rooms, and  
from there we went on to  
design a completely new  
type of space. The basic  
concept of the Cocoom  
Space was: “Women need  
a place in the house  
where they can learn to  
love themselves,” and we  
incorporated this idea  
into our xevo CLEVA  
house.



Designed throughout to help preserve women's beauty

The name Cocoom is a fusion of “cocoon” and “room,” and we chose it  
because it gives the feeling of coziness. The Cocoom Space features  
indirect lighting and a lower-than-normal ceiling that gives the feeling  
of a retreat. At the vanity counter, the  
distance between the seat and the  
mirror is a comfortable 30 centimeters  
or so, for more enjoyable makeup  
time. The lighting fixtures and the  
mirror are carefully designed to show a  
woman's complexion accurately, and  
the wall surfaces are of plaster, which  
helps maintain humidity at the right  
level for female skin.



Easy-to-use vanity counter

## Opinions from the Housing Product Development Dept.

We work to leverage a wide range of perspectives in  
developing products that will enable our customers' families  
to have an enjoyable and fulfilling time in their homes.

We have focused our attention on the homes' exterior and interior attractiveness from the new perspective of “total  
beauty.” We intend to continue developing a diverse array of products to suit every type of family.

Noriko Araki, Product Planning Section

The Cocoom Space is more than just a place to apply makeup; it's also a place where the woman of the house can  
relax. Our aim is to gain a precise grasp of how people use and enjoy various aspects of their homes, and use this  
knowledge to develop products we have confidence in.

Mayuko Hamazaki, Housing Equipment Section

To develop superior products, I have been forcefully struck by the need to realize new ways of living in a home. We are  
making efforts to realize proposals that are efficient and enable people to relax.

Mami Ogawa, Design Section



From the left, Ms. Araki, Ms. Hamazaki, and Ms. Ogawa



# Building a relationship of

# trust with shareholders

At the Daiwa House Group, we seek the growth of our business operations not just for its own sake, but also because that leads to greater benefit for society. From here onward, we will be reinforcing our business development in global markets to achieve further growth, and are ready to take on new challenges.

## Highlights of Our Activities

- As part of our overseas investor relations (IR), we pay visits to overseas institutional investors, mainly in Europe, America, and Asia, for individual talks.
- Daiwa House was the first Japanese company to win the Grand Award for its English-language Annual Report 2009 in two categories at the 24th ARC Awards.



## Fundamental management policies for FY2011

### Seizing the opportunity of a changing market environment to achieve growth

Major changes are occurring in our market environment, including smaller households, rising awareness of environmental issues, and the rapid economic growth of the emerging nations. By expanding the business scale of the Daiwa House Group, we hope to transform these changes into business opportunities, and thereby realize growth.

#### Market environment

- Baby Boomers now over 65
- Medical and nursing care systems need overhaul
- Rising number of 2- or 3-person households
- Rising number of dilapidated condominiums
- Decline in average household income
- Rising environmental awareness
- Recovery of urban-area real estate market
- Economic growth in emerging nations

#### Speeding up development of overseas businesses

We are focusing efforts on creating business initiatives in a number of countries and constructing business bases there. In China, we are expanding our operations not only in the real estate field, but also in the logistics business.



The Grace Residence Project, Suzhou, China, under construction.

#### Strengthening our community-based organization

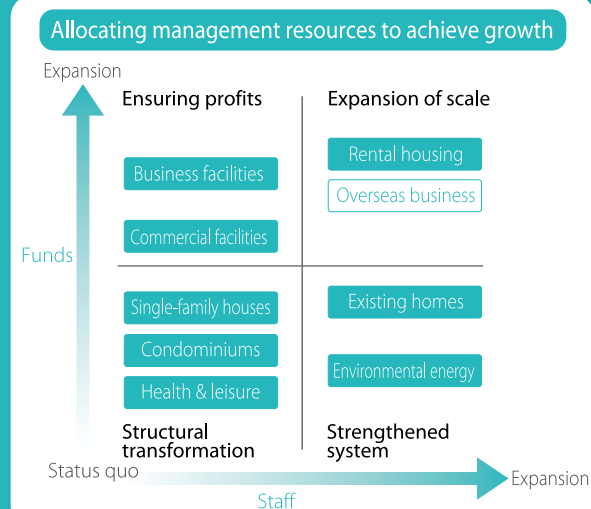


Reinforcement work on all exterior walls in progress to enhance asset value.

In FY2011 we introduced the "regional bloc" system with the goal of securing the No.1 market share in each area of Japan by enhancing our community-based product development and marketing approaches. We will promote structural reform and intra-Group collaboration to build an unshakeable business base and secure a higher market share.

#### Productivity Reform

We are reviewing our business processes to realize increased value added per employee. Starting from improvements to our manufacturing processes, we are also applying this concept to the Group's core non-manufacturing processes, including personnel and accounting, to reduce indirect costs.



#### Improving staff training and education

We are implementing staff training programs to provide us with the well-trained employees we will need for renewed growth. We are also training overseas staff in line with our business expansion outside Japan, and are focusing on nurturing employees with entrepreneurial skills.

## Implementation

## Proactive investor relations

### Ensuring full and mutual communication with shareholders and investors

The staff at our IR Department, in close collaboration with other departments, work tirelessly to provide accurate and impartial disclosure of information relating to the Group's management policies and financial situation. They play an invaluable mediating role between the markets and the Group's management, providing us with feedback from our shareholders and other investors in the form of suggestions and requests.

#### Putting effort into prompt information disclosure

We explain the Group's financial statements on the day of announcement, holding question-and-answer sessions via telephone conferences for institutional investors on the occasion of quarterly accounts settlements. For overseas investors, we upload information onto our website at the same time as for our domestic investors.



#### Relations with individual investors

In April 2010 we held our first-ever briefing session for individual investors, with the attendance of some 270 persons. During the session, Chairman and CEO Takeo Higuchi discussed the direction of the Group's operations over the long term, and introduced his personal management philosophy.



Briefing session for individual investors

#### Providing improved explanations for each business line

In response to requests from institutional investors, we hold small meetings as well as conducted tours of our business places. Amid rising interest in our China operations, we have held seven tours of our business facilities in Dalian and Suzhou.



Tour of business facility in China

#### Offering easy-to-understand IR tools

We are working to further enhance the convenience of our IR tools, including online disclosure, business reports, earnings announcements, and so on.



Daiwa House's English-language Annual Report 2009, which won the Grand Award at the 24th ARC Awards.

#### Opinions from the Management Planning Dept.

#### Pursuing business opportunities for the Group's growth

The Daiwa House Group has expanded its sphere of business in response to the needs of the times and the requirements of society. At the Corporate Planning Department, we are strengthening our collaboration with the IR Department with the goal of enhancing the Group's enterprise value while reflecting the views of our shareholders and other investors, which are very precious to us, and reinforcing the bonds of trust between us.

Masaaki Fujii, Chief, Business Development Section, Management Planning Department





# The Daiwa House Group – contributing to the world

## Largest-ever multipurpose project in China by a Japanese company Yihe Xinghai Project/Dalian

Commenced July 2009/2,145 units

As of the start of construction in 2009, this was the largest combined condominium and commercial facility project to be undertaken in China by a Japanese company, and is the Group's second project in Dalian. We have adopted Japanese construction industry standards, and are building condominium units that offer pleasant living and that will maintain their asset value over the long term.



Bird's eye view of the project site



Project members

## First condominium project in China by a wholly Japanese-owned enterprise

### The Grace Residence/Suzhou

Commenced May 2009/902 units

This project, the first to be carried out by an entirely Japanese-owned company\*1, offers a varied range of plans to suit the tastes of Chinese customers, and all residential units are sold with finished interiors. The majority of the materials and components are made by Japanese\*2 makers operating in China, which has drawn approval from the Chinese market, and sales are proceeding smoothly.

\*1 A Group company wholly owned by Daiwa House Industry

\*2 The sale of "skelton" properties with unfinished interiors is common practice in China



The total site consists of 18 tower blocks



A model apartment on an adjacent site

In 1983 Daiwa House began exporting prefabricated housing units to China and erecting them on site. In 1985 we began building and operating rental housing for foreigners (mainly Japanese nationals) in Shanghai. Currently, the Group has joint ventures with local companies in seven Chinese cities, and we are engaged in diverse operations ranging from large-scale condominium development to the construction of rental housing and the operation of hotels and logistics facilities. With a view to expanding our operations throughout the Asia-Pacific Region, we have set up a representative office in Vietnam and have established local subsidiaries in the United States and Australia. We will continue to bring new social value to the countries of Southeast Asia and the whole world.



Opinions from  
the Overseas  
Business Dept.

## Building a relationship of trust with our Chinese staff

We are pursuing construction projects in China on a daily basis through close collaboration between Japanese employees of Daiwa House and our Chinese staff members. To build and market high-quality residences, it is vital that our staff of both cultures share a common set of values, and for this reason we ensure that work is pursued at all our Chinese offices through constant debate and exchange of opinions.

Daiwa House (Suzhou) Real Estate Development Co., Ltd.  
Director, General Manager, Hiroaki Okuno



Construction ongoing at the Yihe Xinghai project site (Dalian)

## Popularizing "Japanese Quality" to Realize Fulfilling Lifestyles

From here onward, the Daiwa House Group will be expanding its business activities overseas. In China we commenced the development, and marketing of condominiums in 2006, beginning in Dalian and Suzhou. From 2011 these will be followed by real estate development projects in Wuxi and Changzhou, the first such by a Japanese corporation. Leveraging the construction technology and reputation for reliability that we have built up through our operations in Japan, we aim to expand our operations on a global scale.

The Group's corporate philosophy has always been to offer high-quality residences with excellent asset value, giving people the opportunity to enjoy a more fulfilling lifestyle and thereby contributing to the development of society: this philosophy will apply unchanged to our overseas operations. The Daiwa House brand promises a dedication to high quality, safety and peace of mind, health and comfort, environmental friendliness, and energy conservation. We enjoy an excellent reputation on overseas markets, too, as customers there also recognize the Group's qualities.

Note: The project status in China shown is as of the end of March 2011. Certain changes may be made subsequently.



An informal on-site meeting to discuss safety issues

## Marketing Daiwa House brand housing Wuxi China Wu Culture Expo Park Project (tentative name)/Wuxi

Start scheduled for FY2011/561 units

This project, involving the construction of 561 dwellings, mostly single-family houses, on an 82,000 square meter site in the "China Wu Culture Expo Park" national-level high-tech industry development area, is set to commence in FY2011. We expect this project to further raise the profile of "Japan-brand" construction in China.



Artist's impression of the "Wuxi China Wu Culture Expo Park Project"

## Seminars held for students at Suzhou University

On March 16, 2011 we held a seminar for students of Suzhou University on the theme of Japanese Single-Family Houses and Japanese Home Life, in which we introduced Japan's unique prefabricated housing technologies, eco-friendly housing equipment, and communication technologies.



Students engrossed in the lecture



Question-and-answer session following the lecture



# Seeking the very best

Our ability to produce high-quality housing through industrialized methods is made possible by the cooperation of our many business partners. At the building sites where our many partner companies in construction business are responsible for putting up our houses and other buildings, we exercise strict quality control over each separate process.

## Highlights of Our Activities

# product quality

- In FY2010, under the theme of "Improvements and Challenges in Ecology," Daiwa House collaborated with its business partners via the Confederation of Partner Companies in such areas as safety, product quality, the environment, sales promotions, and employee training.
- Thanks to our training programs, we recorded a cumulative figure as of February 2011 of 10,227 staff holding the qualification of Builder's Inspector, in 451 categories, thereby ensuring that we maintain our high levels of quality in construction processes.

## Basis

## Three supply chain networks

### Strengthening collaboration with our business partners to realize product quality we can be proud of

We have defined human rights, legal compliance, and environmental preservation as the three fundamental principles underlying our Conduct Guidelines for Partner Companies, and in addition to conducting business activities in line with these principles, we operate three kinds of partnership clubs. At each partnership club we pursue activities toward priority issues and goals. We seek to continue providing products of superior quality through a mutually beneficial and harmonious relationship with our partners.

#### The Daiwa House Industry Confederation of Partner Companies

In 1987 we established the Confederation of Partner Companies to promote improvements in technologies and skills and facilitate mutual brainstorming sessions with our partner companies, as well as to promote friendly relations. The Confederation, which has 81 offices around Japan, consists of companies with whom Daiwa House has close ties in relation to manufacturing and on-site construction, both of which are intimately associated with product quality.



#### WEB Ren, the website of the Confederation of Partner Companies

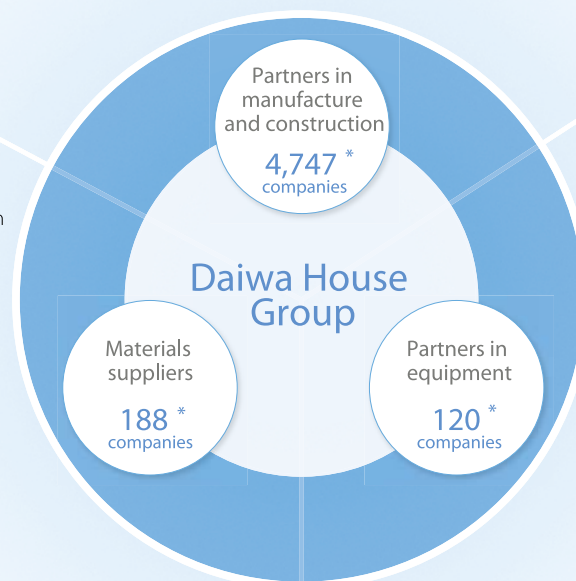
This website provides timely information to member companies, and also publishes the results of questionnaires sent to our business partners.

#### The Trillion Club

Composed of materials suppliers and partner companies in logistics, the Trillion Club has six working groups on iron & steel, metal construction materials, ceramic construction materials, wooden construction materials, housing and building equipment, and chemical construction materials.



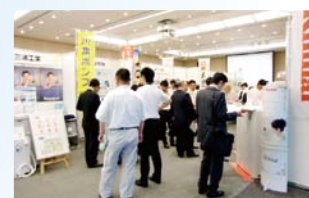
Trillion Club members work to reduce the environmental burden of logistics processes in line with the Group's Behavioral Guidelines.



\*Number of members as of March 2011

#### The Setsuwa Club

This club is composed of equipment makers, sales companies, energy business companies, and telecommunications companies. Its members work to improve technological expertise through technology seminars and exhibitions, as well as the accumulation of information.



The Product Technology Exhibition, held every July in Tokyo and Osaka.

## Implementation

## Measures taken by the Working Group on General Construction

### We are working to raise the level of the Group's technological expertise in collaboration with our partner companies in construction

The Working Group on Construction within the Confederation of Partner Companies comprises 2,093 companies that serve as our partners in the construction of homes and/or buildings. Through this group, we work together to effect improvements in business processes and raise technology levels and work-force skills. The Group defines "high-quality construction" as a good balance of product quality, costs, time for completion, safety, concern for the environment, and work-force morale.

#### The Builder's Inspector Certification System



Training courses are held at each branch, and the certifications are renewed every three years.

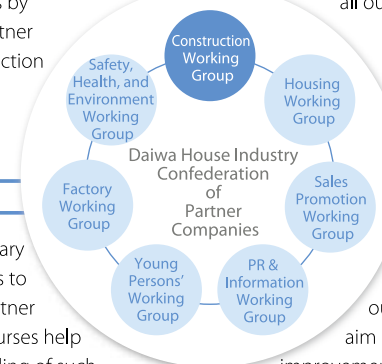
We hold training courses to foster employees who can ensure high quality at the construction stage. The possession of these qualifications by employees of our partner companies in construction helps maintain our quality standards.

#### Improvement Report Meetings

We request our partner companies in construction to put forward ideas for improvements in construction processes. Ideas judged worthy are translated into practical reality and applied equally at all our construction sites around Japan.

Flow of proposals from improvement report meetings (number of cases in FY2010)

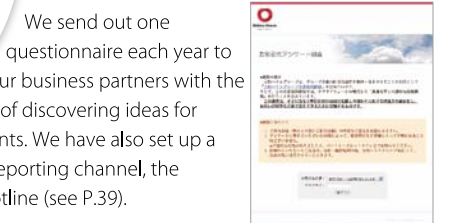
Branch partner meetings: 81 branches,	District partner meetings: 10 districts,	Nationwide partner confederation:	Prizes awarded to
1,146 proposals	381 proposals	52 proposals	13 proposals



We conduct various activities to broaden the knowledge of our partner companies' staff, including factory tours and volunteer programs.

We hold study voluntary courses for successors to the owners of our partner companies. These courses help raise their understanding of such subjects as cash flows, labor management, and accounting, while also forging closer bonds with the Group.

#### Courses for Company Successors



The questionnaire sent to our business partners

We send out one questionnaire each year to our business partners with the aim of discovering ideas for improvements. We have also set up a dedicated reporting channel, the Partners' Hotline (see P.39).

#### Questionnaire Sent to Our Business Partners

#### Opinions from the Design and Construction Dept.

We aim to realize a mutually beneficial relationship with our business partners, based on high-quality products made possible through technical training

The quality of a building depends on the level of technical skills possessed by the staff of the local building office entrusted with the work, as well as the inspections conducted by the office's staff, the supervision of these operations by the Company's Construction Supervisor, the inspections of each process carried out by the Company's Design Supervisor, and many other essential processes performed by various employees. At the Construction Working Group, we share our concerns over various issues with our business partners so as to deepen our mutually beneficial relationship.

Yasuaki Nishihara, Deputy Department Manager,  
Building Construction Promotion Section, Design and Construction Department





# Raising quality levels at the construction site



We continue working to secure reliable levels of construction quality through collaboration with our partner companies

At Daiwa House we have laid down our unique technical standards to stipulate exactly how each work process should be performed properly. Our Quality Control Process Sheet specifies the correct method of checking, and we have a thoroughgoing management system in place at the construction stage. We are also conducting ongoing improvement efforts in which priority issues at the construction site are picked up for examination, and we have an employee system in place that ensures attention to product and process quality, safety measures, concern for the environment, and employee etiquette and morale.

## 1 Quality Management System

**System of rigorous inspections by construction company and our Construction Supervisor**

For each process after the start of construction, a member of the staff of the construction company with responsibility for inspections\* (a qualified Builder's Inspector) performs an inspection (called the "Voluntary Inspection by the Builder"), following which the Daiwa House Construction Supervisor performs a "Daiwa House Voluntary Inspection," thus effecting double confirmation of correctness.

\* In the case where the Company's proprietary System Construction method is employed, the Construction Foreman, a skilled staff member, performs the inspection.



Performing a Voluntary Inspection by the Builder

## 2 Technical Training

**Enhancing employees' on-site capabilities through unique training and certification processes**

Employees with reliable technical knowledge are essential to ensure the sort of construction process quality Daiwa House requires.

### (1) Skilled construction foreman certification

We ensure a uniform level of quality nationwide through a combination of classroom courses and practical examinations.



Each of our Business Offices conducts practical testing of skilled construction foreman qualifications.

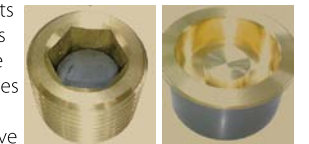
### (2) Training for Builder's Inspector certification

This training imparts the ability to correctly fill in the Quality Control Process Sheet and Record Sheet, among others.

## 3 Improvement Activities

**Applying ideas from construction companies and individual workers across all our sites nationwide**

We receive proposals for improvements in construction efficiency from workers at our construction sites, and these are published and promoted as case studies for improvements in our construction processes nationwide. Ideas that receive excellence awards are put into practice and/or commercialized. In FY2010 we received 1,146 improvement proposals.



An example of an idea that was put into practice in FY2010 — the "Pipe Position Detection Plug"

## 4 Environmental & Safety Activities

**Working together to realize safer, more eco-conscious construction sites**

With the goal of realizing the "Green Construction" concept, in which construction sites cause no adverse impact on their surrounding environment, in FY2010 we conducted activities to raise awareness of the need for environmental preservation. We adopted LED lights at our construction sites, and introduced a method of displaying CO<sub>2</sub> emission reductions in terms of the number of beech trees so that the reduction impact can be effectively displayed at construction sites. We also worked to improve work safety at construction sites, and realized a fatal accident rate of zero for FY2010.



A poster in the "Cut CO<sub>2</sub> Emissions" campaign



Colored bands on helmets enable immediate identification of rank and qualifications as well as appropriate on-site location.

Opinions from  
the Secretariat of  
the D-H-I-C of  
Partner Companies

Together with partner companies, we are thinking about quality and making improvements

To retain customers' trust in the quality of our construction, we are always thinking about what we can do to improve things at the construction sites. Daiwa House and its business partners join together to debate and examine various issues, and to translate the conclusions into concrete reality.

**Toshihiko Morimoto**, Section Manager, Secretariat of the Daiwa House Industry Confederation of Partner Companies, Technology Department





# Nurturing human

The Daiwa House Group's Company Philosophy is "the cultivation of people through our businesses." We believe that a company's human resources are its most important asset, and in this light we are taking forward-looking measures to foster our employees' individuality and draw out their latent abilities.

## Highlights of Our Activities

## resources

- We introduced the OJT ("on-the-job training") Veteran-Guidance System, in which teams of employees led by older staff take charge of educating new hires.
- In FY2010, 47 staff members participated in the Daiwa House Juku, a management skills development course aimed at fostering the next generation of managers.

### Basis

## Our philosophy for nurturing human resources

### Providing an environment that maximizes employees' abilities

The Daiwa House system of human resources nurturing is one in which each individual employee is encouraged to make his or her own career choices and to take personal responsibility for acquiring further skills. We also place importance on diversity, and have created a system enabling flexible response to individual differences in lifestyles, values, and working methods, allowing us to support our employees' ambitions.

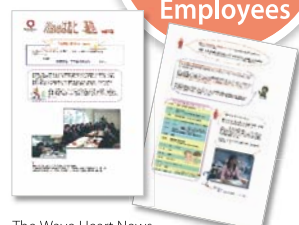


Study session for next-generation leaders

#### Establishing Training System

Nurturing human resources with a focus on the three core principles – thorough understanding of corporate ethics; professional skill development; enhancement of management capabilities

#### Encouraging Active Participation by Female Employees



The Wave Heart News, an in-house newsletter that helps female staff play a more active part in the Group's business.

We have started assigning female staff to types of posts where there were few women, as part of our move to realize a corporate culture that seeks diversity in human resources with no gender discrimination.

### Nurturing Human Resources

Motivating our employees

Creating personnel system based on self-reliant decision-makers

#### (Job Selection) Introduction of "Free Agent" System and In-House Open Application System

We use a system whereby employees can put themselves up for consideration for a move to a different unit or department of the Company, or for a post in a different job classification, thereby increasing staff motivation. Employees can also choose the geographical area they wish to work in, thus increasing working pattern diversity.

#### Promoting a Good Work-Life Balance

We encourage female employees to take advantage of our support programs to enable them to balance their work with home life, and also promote systems that let male employees take leave to help in child rearing.

### Implementation

## Systems for supporting and nurturing employees

### Fostering a corporate culture that motivates employees and helps them live fulfilling lives

We have enthusiastically introduced a system that motivates our employees in their work and helps them find fulfilling ways of spending their private time. Through our unique employee support and nurturing system we help our staff approach their work in a positive and energetic way, and at the same time find fulfillment in their lives as a whole.

#### Human Resources Training and Education System



A new hire receiving on-the-job training from an older employee under the OJT Veteran-Guidance System

**The OJT Veteran-Guidance System**  
In FY2010 we commenced a new system in which teams of employees led by older staff take charge of training newly hired employees on the job.

**The Daiwa House Juku**  
In 2008 we set up a management school to train future leaders, which is open to all members of the Daiwa House Group. In the three years since its start, the Daiwa House Juku has produced 23 directors and executive officers.

#### Open Application and Job Selection Systems



A training session for applicants for the post of branch manager

**In-house open application system and job selection ("free agent") system**  
In FY2010, 12 employees took advantage of our in-house open application system and six employees used the job selection system. These systems help us to put the right people in the right places.

**Branch manager application and training system**  
Up to now, 255 applicants have undergone training, of whom 37 have been appointed to the post of branch manager.

#### Work-Life Balance



Employees spending their vacations in volunteer work

**Reduced work hours for child care program/nursing care support program**  
In June 2010 we revised our Nursing Care Support System, allowing employees longer periods to provide nursing care to a relative, and abolishing the upper limit on the number of times the system can be used.

**Home holiday program**  
This system makes it obligatory for employees to take vacations in a planned manner, both for their own sakes and for the good of their families. In FY2010, 12,559 employees took vacations under this system.

#### Opinions from the Human Resources Training Center

We are planning to introduce a system for nurturing human resources that will also help older employees to grow

The OJT Veteran-Guidance System enables new hires to grow as human beings and acquire social skills through the methodical use of on-the-job training. In addition, careful study of the curriculum helps the older staff members who act as instructors improve their own value as employees.

Hiroaki Suwa, Section Manager, Human Resources Training Center



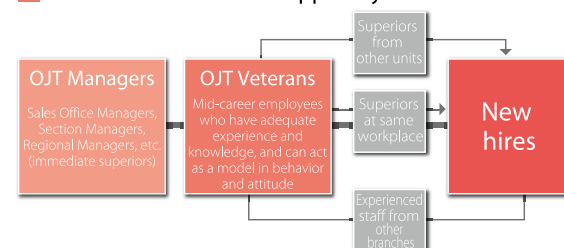


# Training new the OJT Veteran-

## Nurturing the human resources needed in the next generation through team-based training

The OJT Veteran-Guidance System has been developed to nurture the human resources needed for the Daiwa House Group to grow and fulfill its social responsibilities. Staff members with around seven years' work experience are assigned to the education of newly hired employees. In addition, we have created the OJT Network, in which teams of employees take responsibility for turning the new hire into a professional. The 231 new hires who joined Daiwa House Industry in FY2010 are fast growing into full-fledged members of the Company thanks to this system. In this section we introduce Mariko Mihara, a new hire who works at our Yokohama Branch.

### ■ OJT Veteran-Guidance Support System



### Each new hire pairs up with a “veteran” for a one-year work course

Yuya Tabuchi, who has been assigned to serve as a “veteran,” and new hire Mariko Mihara, work in one of our housing marketing sections. According to Ms. Mihara: “Having an experienced employee play the part of an ‘older brother’ makes it easy for newly hired employees like me to ask for advice about work. Tabuchi-san is able to directly impart his experience and knowledge to me, and provide guidance with an individual flavor.” Mr. Tabuchi adds that he puts a lot of importance not only on marketing skills, but also the ability to socialize and grow as a human being. He set himself the instruction goal for the first year of selling three houses. Says Ms. Mihara: “I’m very grateful that Tabuchi-san and I were able to draw up specific action plans for what we should be doing one week from now, one month from now, and six months from now.”

### Overseeing the transformation into a professional

In June, soon after Ms. Mihara joined the Company in April, the two of them visited a home owner to whom Mr. Tabuchi had sold a house when he, himself, was a new hire. Thinking back to those times, he reminisced: “You encounter obstacles frequently, but in the end, selling houses is a source of enjoyment. I hope you will never forget the basics — why you are working and for whom you are working.” Ms. Mihara says: “I could see that the smiles and words of gratitude from our customers are what enable you to keep going no matter how tired you may be.” Mr. Tabuchi continued to give advice to Ms. Mihara during their day-to-day work and through his business reports. She also visited customers together with other sales representatives to learn the ins and outs of the business.

### Creating a good relationship through mutual encouragement

At group training in May and October, three OJT Veteran-Guidance pairs from our Yokohama Branch, Tama Branch, and Atsugi Branch formed a single team. Even after the training was over, the team members continued to frequently share information via the Company's intranet. The “veteran” instructors discussed training methods and were able to look at things from new perspectives, while Ms. Mihara says that being able to share information with other new hires at different business locations gave her valuable incentives. The team members are building a network that will be useful to them far into the future.

### Helping experienced staff grow into the next-generation leaders

According to Mr. Tabuchi: “In the course of teaching a younger employee, and watching her achieve growth as together we worked out ways of helping the Company realize success and improve its business performance, I reaffirmed my personal goal of becoming a manager someday.” Ms. Mihara says that they succeeded in concluding contracts for two homes during the year, and that this experience gave her an understanding of what customers are seeking, and enabled her to clearly visualize what she needs to do to satisfy them. Mr. Tabuchi has encouraged her to discover her own personal marketing style in the near future.



# hires with Guidance System

**New Hire**  
**Mariko Mihara**  
Single Family Housing Division,  
Yokohama Branch  
Joined Daiwa House in 2010

**OJT Veteran-Guidance  
Instructor**  
**Yuya Tabuchi**  
Single Family  
Housing Division,  
Yokohama Branch  
Joined Daiwa House  
in 2004

### Opinions from Veteran-Guidance Team Members

## Taking on different roles to support the growth of new hires

Out of the many questions that new hires ask, some are best answered by older employees and others by the branch manager. Before we knew it, Ms. Mihara would be explaining something to a customer in the same way as her superiors had explained it to their customers. This is a good example of the employee growth we aim at.



**Takuya Saito**, Manager,  
Single Family Housing Division, Yokohama Branch



Mr. Tabuchi shared his experiences of training with the team once a month, when he would introduce examples of teaching tools that had been effective with new hires. This sharing of achievements showed us different ways of doing things, and this increased our motivation and prompted us to use our own ingenuity in our work.

**Tadahide Toda**, OJT Veteran-Guidance Instructor,  
Single Family Housing Division, Tama Branch



# Corporate governance

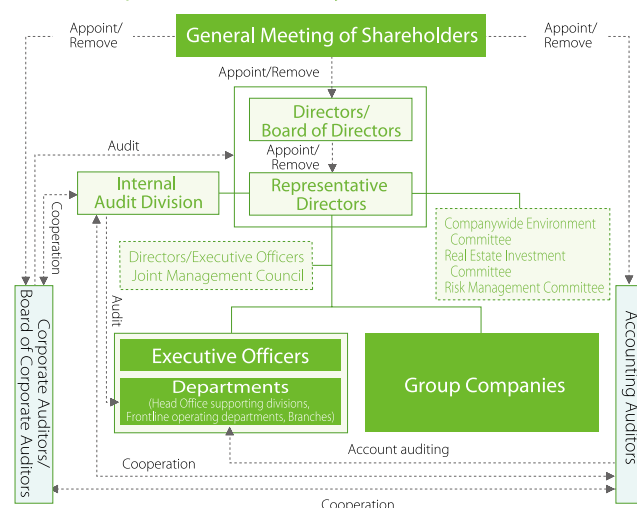
The Daiwa House Group is working to strengthen its corporate governance by establishing an internal control system that maintains the desirable level of legal compliance, with the goal of establishing a management system characterized by efficiency, transparency, and swift and accurate decision-making.

## Strengthening our corporate governance system to maintain high level of management transparency

At the Daiwa House Group, we have positioned corporate governance as a top-priority management issue, and have reaffirmed our fundamental stance of establishing an efficient and highly transparent management system.

The Board of Directors of Daiwa House Industry carries out decision-making in relation to legally stipulated matters and matters of importance to the management of the Company, and it also exercises a supervisory function by auditing the execution of business by the Company's representative directors and other executive officers. The Company has also established a Risk Management Committee that takes overall charge of the management of corporate risk and supervises the rigorous application of legal compliance. The Committee is responsible for creating and maintaining an appropriate and effective risk management system.

### Our Corporate Governance System



## Partners Hotline

In our relationship with our business partners, we have set up a hotline that the partners can use to inform us of problems that, if left unaddressed, could lead to violations of the law by the Group.

### The Partners Hotline System



## Report on a case of improper accounting procedures at Daiwa Lease

In January 2011, an internal investigation by the Company uncovered the fact that our consolidated subsidiary Daiwa Lease Co., Ltd. had engaged in improper accounting procedures for more than 11 years, in that the company had transferred costs incurred in leasing operations to cost of sales.

In response to this case, Daiwa Lease not only disciplined the employees involved, but also instituted regular personnel changes and computerized its cost management procedures to prevent a recurrence. Across the Group as a whole, we took measures to create workplaces characterized by a high level of transparency, reaffirmed the importance of compliance awareness, increased the frequency of internal audits by Daiwa House Industry, and reinforced independent monitoring functions.

## Report from Daiwa House Industry

The improper accounting procedures conducted by Daiwa Lease demonstrate insufficient awareness of the importance of corporate ethics on the part of the staff involved. The organizational controls that were in place also proved ineffective, and the risks involved in the procedure were heedlessly overlooked. By means of the operations of the Risk Management Committee's secretariat, we aim to make each executive and employee of the Group more aware of the risks involved in the Group's operations and to improve their working environment to facilitate the early detection of risks and early remedial steps.

**Masaya Nakata,**  
Section Manager, Risk Management Section, Legal Affairs Department

# Indicators for self-assessment of CSR activities (CSR indicators)

To measure the achievements of CSR activities by the Daiwa House Group and make them easier to visualize, in FY2006 we adopted the Indicators for Self-Assessment of CSR Activities, and have been using these indicators to improve our CSR activities.

## Realizing further progress in CSR activities by making achievements and targets easier to visualize

To achieve further progress in the Daiwa House Group's CSR activities, in FY2006 we established our own unique Indicators for Self-Assessment of CSR Activities, and have been employing these indicators to ascertain the progress being made and enable us to make improvements where necessary. By making CSR achievements easier to visualize, we can clarify targets and pinpoint issues to be addressed.

In FY2010 Application of Indicators for Self-Assessment of CSR Activities was expanded to cover all Group companies.

### FY2010 Breakdown of CSR indicator scores

\* Scores are out of a possible maximum total of 100 for each category

□ FY2010 targets □ FY2010 results

\*FY2010 scores = results/maximum points  
 Customers.....82 = 311/380 points  
 Shareholders.....64 = 295/460 points  
 Suppliers.....43 = 208/480 points  
 Employees.....69 = 331/480 points  
 Society.....63 = 278/440 points  
 Environment.....84 = 319/380 points



## FY2010 Results and FY2011 Targets

Here, out of a total of 34 indicators, we show only the 16 indicators of priority measures. Please access our website for further details of our CSR indicators. (including other indicators, assessment methods, etc.).

## Results for FY2010 Reached 79.4%\*1 of Targets

\*1 Total results/ total target points = 1,817/2,288. Maximum points, i.e. indicators for six categories plus 100 points for the "all indicators" category = 2,720 points.  
 The allocation of points = 100 maximum for priority measures indicators, and 60 points maximum for all other indicators.

### Customers

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Improved home quality	Number of units sold (YoY % change)*2	-0.9% (Score: 40)	-4.8% (Score: 40)	20% (Score: 100)
	Owner (tenant) satisfaction	100% (Score: 100)	95.6% (Score: 96)	100% (Score: 100)

\*2 Due to earthquake resistance and other superior features of our mainstay housing products.

### Shareholders

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Financial profitability	Profitability (Profit margin)	Score: 70 (Score: 70)	Score: 60 (Score: 60)	Score: 70 (Score: 70)
Financial growth	Growth (Sales) (Operating cash flow)	Score: 70 (Score: 70)	Score: 60 (Score: 60)	Score: 70 (Score: 70)
Financial soundness	Stability or safety (Interest burden capacity)	Score: 80 (Score: 80)	Score: 80 (Score: 80)	Score: 80 (Score: 80)
Financial soundness/efficiency	ROE	9.0% (Score: 100)	4.4% (Score: 50)	—*3

\*3 The ROE targets will be disclosed on the Company's website when the final figures are available.

### Suppliers

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Supply chain (Improved occupational health and safety)	Number of work-related accidents (construction sites) (YoY % change)	-30% (Score: 80)	14.5% (Score: 0)	-30% (Score: 80)
	Number of work-related accidents (factories) (YoY % change)	-30% (Score: 80)	±0% (Score: 0)	-30% (Score: 80)
Objective evaluation of business activities	Partner surveys regarding company employee actions	1) 50% (Score: 65)	1) 57.1% (Score: 45)	1) 50% (Score: 65)
		2) 70% (Score: 65)	2) 63.4% (Score: 45)	2) 70% (Score: 65)

### Employees

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Promotion of diversity	Percentage of physically disabled people hired	1.85% (Score: 40)	1.83% (Score: 20)	1.85% (Score: 40)
Human resource training	Number of employees holding certifications: first-class architects, first-class building operation and management engineers and registered real estate transaction managers	1) 1,930 (Score: 85)	1) 1,910 (Score: 85)	1) 1,950 (Score: 85)
		2) 2,370 (Score: 85)	2) 2,339 (Score: 85)	2) 2,380 (Score: 85)
		3) 5,000 (Score: 85)	3) 4,902 (Score: 85)	3) 5,020 (Score: 85)
Promotion of work-life balance	Percentage of paid vacation days taken	38.0% (Score: 80)	34.0% (Score: 60)	38.0% (Score: 80)

### Society

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Contribute to the local/international community	Community service activities, cooperation with NPOs/NGOs, community service expenses	1) head: 30 cases, other: 92% (Score: 90)	1) head: 30 cases, other: 95.7% (Score: 90)	1) head: 30 cases, other: 100% (Score: 90)
		2) head: 10 cases, other: 15% (Score: 90)	2) head: 10 cases, other: 17.2% (Score: 90)	2) head: 10 cases, other: 15% (Score: 90)
		3) 1.0% (Score: 90)	3) 1.0% or more (Score: 90)	3) 1.0% or more (Score: 90)
Information security (Protect personal information)	Year-on-year percentage change in number of incidents of possible leakage of customer information (theft/lost)	-25% (Score: 80)	+150% (Score: 0)	-25% (Score: 80)

### Environment

Social issues	Specific indicators	FY2010 Target	FY2010 Result	FY2011 Target
Prevention of global warming	Contribution to CO <sub>2</sub> emissions reduction	100% (Score: 100)	85.8% (Score: 86)	100% (Score: 100)
Reduction in waste output	Construction materials waste output	100% (Score: 100)	114.9% (Score: 100)	100% (Score: 100)



# Environmental management

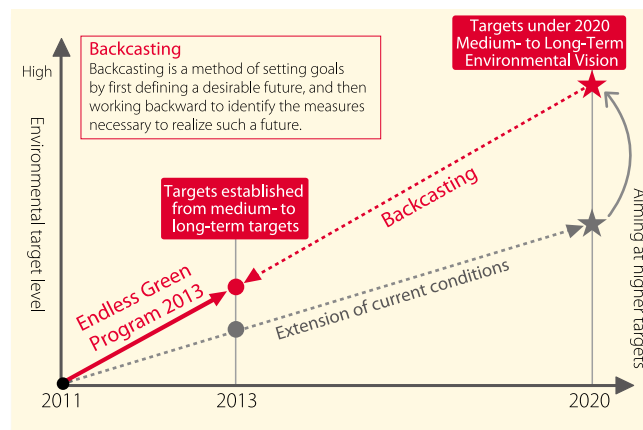
In line with its 2020 Medium- to Long-Term Environmental Vision, the Daiwa House Group draws up an environmental action plan once every three years. The current environmental action plan is the Endless Green Program, under which environmental activities are pursued to achieve targets set for all businesses and departments.

## 2020 Medium- to Long-Term Environmental Vision

The Daiwa House Group is seeking to achieve an environmental burden of zero over the entire lifecycle of its housing and other buildings, with the aim of realizing a society where people can live spiritually rich lives in harmony with nature.

### Principal Medium- to Long-Term Targets

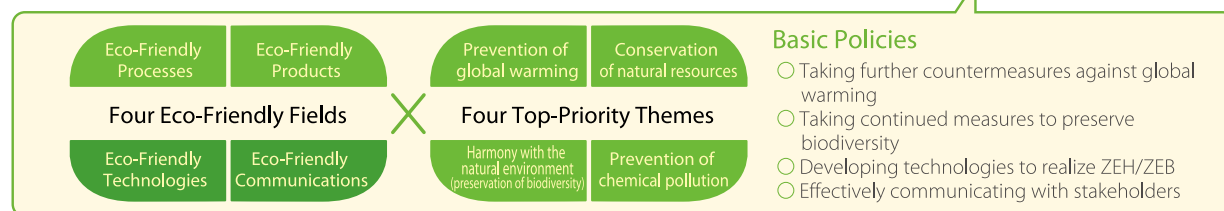
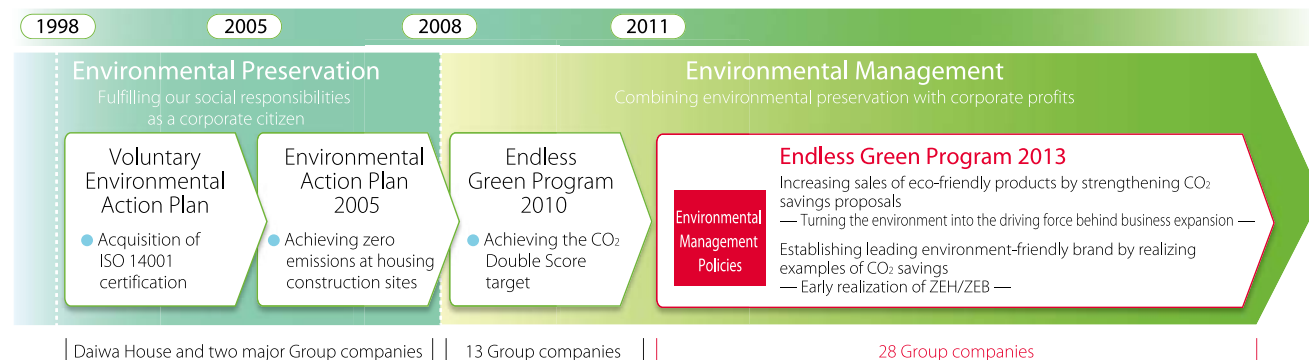
- (1) By the year 2020, reducing emissions of CO<sub>2</sub> resulting from the Group's business operations by 30% compared with the 2005 level.
- (2) By the year 2020, the average of CO<sub>2</sub> emissions generated by the construction of single-family houses by Daiwa House Industry over one year, minus CO<sub>2</sub> savings from the occupancy of the houses, will come to a net figure of zero.
- (3) By the year 2030, the average of CO<sub>2</sub> emissions generated by the construction of buildings other than single-family houses by Daiwa House Industry over one year, minus CO<sub>2</sub> savings from the occupancy of homes or operation of commercial facilities, will come to a net figure of zero.



## Endless Green Program 2013

Our fundamental policy from FY2011 onwards, under the theme of "integrating the environment and management," is to expand our sales of eco-friendly products while simultaneously implementing further countermeasures against global warming and taking further steps to preserve biodiversity. We have added the fields of Eco-Friendly

Technologies and Eco-Friendly Communications, as part of which we will be developing technologies to realize ZEH (net zero energy houses) and net zero energy buildings (ZEB) and will be focusing even more on providing information to our stakeholders.



## An Overview of Our Activities in FY2010

With regard to global warming, our No.1 priority theme, we continued to achieve the "CO<sub>2</sub> Double Score" (a target for reduction in CO<sub>2</sub> emissions from the production and use of products and services at double or higher than CO<sub>2</sub> levels emitted by all business operations), but we failed to reach our targets for reduction of CO<sub>2</sub> emissions from business operations and contribution to CO<sub>2</sub> savings from delivery of products and services. Over the next three years, we will be actively developing and marketing eco-friendly products in all our business fields.

Masato Tamada,  
Department Manager, Environmental Department, Technology Headquarters



## Endless Green Program 2010

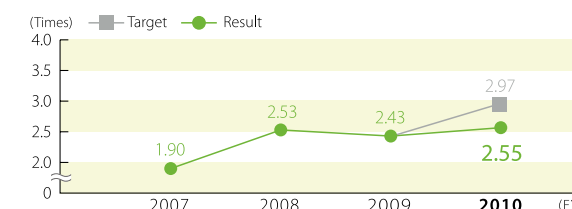
Performance Evaluation Standards: Improvement achieved over FY2007 results, and FY2010 targets reached; Improvement achieved over FY2007 results, but figures fell short of FY2010 targets; Figures worsened by comparison with FY2007 results and fell short of FY2010 targets.

### Prevention of Global Warming

#### CO<sub>2</sub> Savings on Operations

2.55 Times

In FY2010, CO<sub>2</sub> emissions from business operations and CO<sub>2</sub> savings from delivery of products and services both fell short of our targets, and as a result, the overall degree of contribution to reductions in CO<sub>2</sub> emissions rose only slightly from the previous business term.

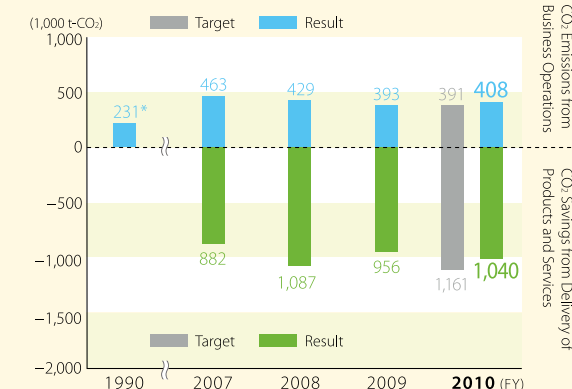


Note: Degree of CO<sub>2</sub> savings on operations = volume of CO<sub>2</sub> savings from delivery of products and services + volume of CO<sub>2</sub> emissions from business operations

#### CO<sub>2</sub> Emissions from Business Operations

-11.9% (comparison with FY2007)

In FY2010 we took steps to make our energy use easier to visualize, and implemented rigorous improvements in business operations. Both in our administrative and construction units, we achieved great success in promoting energy conservation in the workplace, and attained our targets for the business year. In our services operations, however, we fell short of our targets due to the unusually hot summer.



Note: CO<sub>2</sub> emissions volume for FY1990 is estimated by multiplying the CO<sub>2</sub> emissions volume per unit sold in FY1999 by the amount of sales in FY1990.

#### CO<sub>2</sub> Savings from Delivery of Products and Services

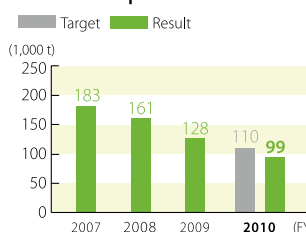
+17.9% (comparison with FY2007)

In FY2010 we actively marketed CO<sub>2</sub>-saving products, thanks to which we achieved a rise in the proportion of single-family houses fitted with photovoltaic power generation systems, as well as an increase in the number of home renovation contracts with a focus on energy conservation. Nevertheless, we fell short of the overall target due to a decline in the floorspace of newly constructed large-scale commercial facilities.

### Conservation of Natural Resources

#### Construction materials waste output

-45.9% (comparison with FY2007)



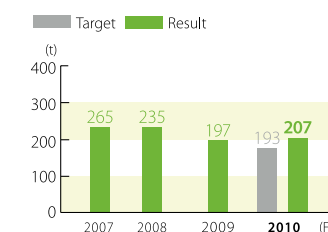
Building by means of a consistent construction system, covering everything from design to maintenance

We reached our targets in FY2010 thanks to the use of precut plasterboard and tiles at housing construction sites, and the use of precut interior materials and reduced packaging and wrapping materials on office automation floors, principally in the construction of commercial facilities using our low-cost, fast erection construction systems.

### Prevention of Chemical Pollution

#### Volumes of PRTR Harmful Chemical Substances Used

-21.9% (comparison with FY2007)



Strength-testing of plating frame

In FY2010 Daiwa House Industry's residential business switched to the use of weak-solvent paints, while in our construction of commercial facilities the use of non-lead paints became standard. Meanwhile, Daiwa Lease and Daiwa Rakuda Industry also took steps to switch paint types. Although we made efforts, we fell short of the target level of the use of harmful substances.

### Harmony with the Natural Environment (preservation of biodiversity)

On October 1, 2010 the Daiwa House Group adopted a biodiversity declaration under the title: "Toward a Society where People Live in Harmony with Nature." In this declaration, we have redefined our Basic Philosophy and Action Guidelines with respect to biodiversity.

#### Biodiversity Declaration: "Toward a Society where People Live in Harmony with Nature"

##### Basic Philosophy

As a member of the global community, the Daiwa House Group recognizes that the blessings of nature are the result of biodiversity. Consequently, we take the impact of our business operations on ecosystems carefully into account, and aim to contribute to the sustainable development of a society where people can live in harmony with nature.

##### Action Guidelines

1. Promote business activities that help realize coexistence between humankind and the natural environment
2. Propose communities created by both people and nature
3. Show concern for the impact on ecosystems in our use of natural resources
4. Contribute to environmental preservation through research and development
5. Always cooperate and liaise with our stakeholders





# We make contributions to the realization of a rich and creative society through communication with each local community

The Daiwa House Group conducts community-based activities to help local regions realize development and an improved living environment. We will continue our activities together with local citizens to create a better society.

## Social Contribution Activity Mission Statement

We will actively engage in social contribution activities, principally in the three fields of the environment, nursing care, and education, to help realize the sort of future society that local communities and society as a whole look forward to, and through these activities, we aim to realize personal growth.

## Cooperation in the Quest Education Program (CORPORATE ACCESS COURSE)

### FY 2010 Daiwa House Mission

Let's put forward proposals for a renaissance of Japanese urban communities by maximizing the appeal of towns and their residents.

Since 2007 Daiwa House Industry has been collaborating in the Quest Education Program, providing support for students' learning throughout an entire year.

### What is the Quest Education Program?

A study program for students at Japanese middle schools and high schools, this program gives students the chance to experience a corporate internship as their school curriculum. Students in the program get to experience an aspect of corporate activities and learn the significance of "work" as well as deepen their understanding of what companies do.



The Daiwa House Award: The Prefectural General Technical High School, Niiza, Saitama Pref.



Group photo at the all-Japan Quest Cup 2011 meeting



A general view of the Robot Kids Academy venue

## The Robot Kids Academy

From March 2010 Daiwa Lease began holding the Robot Kids Academy 2010 (Future Doors), a hands-on workshop event where children can see and touch the products of leading-edge robotics. They can give free rein to their fantasies of the future by building simple robots themselves, during which they can also realize the importance of creating things and experience the satisfaction it engenders.

▶▶ For further details see the official website at: <http://robotkids.jp/>



Children watching a show presented by robots



Children trying their hand at putting a robot together



Talking with a communication robot

# of a rich and creative society through in which we operate.

## Participation in Celebrations to Mark the 1,300 Years since the Establishment of Japan's Capital at Nara

During the whole of 2010 Daiwa House participated in commemorative events in the city of Nara and elsewhere in Nara Prefecture to mark the 1,300th anniversary of the establishment of Japan's capital at Heijo-kyo.



A magically lit outdoor walk at the site of the former capital of Heijo-kyo

From the 2nd to the 8th of August 2010 we held an event showcasing the Daiwa House Group's initiatives in respect of environmental issues and the aging society. We also donated to Nara City garden lanterns using LED lights developed in-house especially for this occasion. Employees or families of Group companies and our business partners helped to install the lights and remove them after the celebrations were over.



Group employees worked together to install and later remove the lanterns



An exhibition booth showcasing the Daiwa House Group's businesses



# Protecting the wild Cherry Trees of Mount Yoshino

## Taking care of cherry trees back where the Company started

Mount Yoshino in Nara Prefecture is part of a UNESCO World Heritage Site, and has also been designated as a national park.

On the slopes of Mount Yoshino there grow some 30,000 wild cherry trees (sakura), which have been carefully preserved for over a thousand years. Recently, however, rapid environmental changes are making it increasingly necessary to take steps to protect these cherry trees. In April 2008 the Daiwa House Group started the "Mount Yoshino Cherry Tree Protection Campaign." In collaboration with residents of the town of Yoshino, the members of the music group AUN, and others, we plant cherry tree saplings and hold events such as charity concerts.



Mayor Atsushi Kitaoka of Yoshino Town (2nd from left) with Yuji Uchida of Daiwa House Industry's CSR Department (3rd from left) and the two members of the music group AUN

### Rejuvenating the hearts of Japanese people — a mission to spread the cherry tree protection campaign nationwide

Atsushi Kitaoka, Mayor of Yoshino

The cherry trees of Mount Yoshino have a history of 1,300 years. Every year they have blossomed and gladdened the hearts of everyone who saw them. I deeply believe it is essential to pass on this beautiful experience to succeeding generations, but due to the aging of the population it is becoming very difficult for local people to protect the trees, and I am therefore very grateful for the cooperation extended by Daiwa House Industry. With everyone lending a hand over the past three years, we have been able to start rejuvenating the cherry trees of Mount Yoshino.

"We want to pass on a culture of which we can be proud to future generations, and the importance of life."

Ryohei Inoue and Kohei Inoue, (Japanese traditional instrument players/Special Ambassadors for the Environment of Yoshino Town, and Sakura Ambassadors)

We began getting involved in environmental protection activities such as tree planting because Japanese musical instruments are all made from natural materials that are part of the bounties of nature. By planting trees, we are giving something back to the natural environment. We plant trees in the grounds of elementary schools, for instance, and also give concerts for the students. In this way, the children can not only experience the wonderful world of traditional Japanese culture, but they will also learn about the importance of nurturing life. We plan to continue our campaign to protect cherry trees together with Daiwa House Industry.



Company employees planting trees on Mount Yoshino on May 22, 2010



Charity concert held on April 2, 2011 under the theme "Let's Protect the Thousand-Year Cherry Trees"

▶▶ For more details, see: <http://www.daiwahouse.co.jp/csr/sakura/index.html>

## The Daiwa House Group's Activities During FY2010

2010 May



We acted as official sponsors at the URBIO (Urban Biodiversity & Design) 2010 International Conference, where we also exhibited a selection of our products and services

At the URBIO 2010 International Conference, held ahead of the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity in Nagoya, we introduced the environmental measures we have been taking, as well as our activities on Mount Yoshino.



We planted cherry trees on the International Day for Biological Diversity

In collaboration with the Mount Yoshino Hoshokai, a local foundation, and the Yoshino Prefectural High School, Company employees planted cherry tree saplings on the International Day for Biological Diversity.

Study session on collecting cherry seeds for nurturing saplings

To enable us to continue planting trees, we collect cherry tree seeds dropped by the trees, and after letting them germinate for six months, we plant them in fields or pots, and they grow into saplings ready for planting in three years or so.



July

Aug.



Clearing underbrush

Clearing the area around the trees of underbrush and weeds is an important job in the summer. We also participated in the charity concert given on the same day.



Introducing our activities at the festival to mark 1,300 years of Heijo-kyo

We opened a booth at the festival held to celebrate the 1,300th anniversary of the founding of Japan's capital at Heijo-kyo in Nara. At the booth we showcased our various activities, gave out flat hand-held fans to visitors, and collected contributions.

Removing and pruning dead and damaged trees as part of environmental maintenance

We pruned dry branches and removed rotten tree trunks. A preservative agent was smeared on the branches where they had been cut.



Nov.

2011 Mar.



Spreading fertilizer around saplings

After holding a study session to review our activities over the past year, with the participation of local people, Company employees carried fertilizer to one of the mountain's steep slopes and spread it around the saplings that had been planted there.

## xevo Start of the Sakura Project, in which sales of xevo houses go hand-in-hand with tree-planting

In FY2010 we started the Sakura Project, in which we, the staff of our branches, plant cherry trees in the grounds of kindergartens and elementary schools in their local communities. The number of trees planted depends on the number of xevo houses — which are designed to help reduce CO<sub>2</sub> emissions — that have been sold. Staff at our Kochi, Hanshin, and Saitama branches planted trees, and from FY2011 we intend to gradually expand this project to cover the whole of Japan.



Children listening to a performance by the group AUN on traditional Japanese instruments



Children help the AUN members plant cherry tree saplings after the concert



# Stakeholder meetings

Every year Daiwa House Industry holds meetings where stakeholders can express their opinions about the Company's operations. We ensure that these valuable opinions are reflected in our approach to CSR.



## The Daiwa House Group Overview of the Seventh Stakeholder Meeting

On November 23, 2010 we held our seventh stakeholder meeting, at which we received opinions from our stakeholders on three themes: energy self-sufficient homes as the next-generation form of eco-friendly housing; measures to ensure biological diversity (involving community service activities and the use of Company-owned forests); and, biological diversity in relation to the Company's standards for procurement of wooden building materials. Below, we present some of the opinions expressed at the meeting.

**Date and time of meeting:** Tuesday November 23, 2010, 13:30 to 17:30  
**Location:** 2nd-Floor Conference Room, Daiwa House Industry Head Office  
**Themes**

- Energy self-sufficient homes as the next-generation form of eco-friendly housing (Separate meeting)
- Measures to ensure biological diversity (involving community service activities and the use of Company-owned forests); (Separate meeting)
- Measures to ensure biological diversity in relation to the Company's standards for procurement of wooden building materials (Separate meeting)

### Facilitator

**Yoshinari Koyama**  
Professor,  
College of Economics,  
Kanto Gakuin University



### Stakeholders present: 23

- |                         |  |
|-------------------------|--|
| ○ Customers: 2          | ○ Students: 4                          |
| ○ Company executives: 6 | ○ Research/educational institutions: 2 |
| ○ Business partners: 2  | ○ Employee: 1                          |
| ○ NPOs/NGOs: 3          | ○ Others: 3                            |

## Theme No.1 Energy self-sufficient homes as the next-generation form of eco-friendly housing

We received a number of opinions regarding energy self-sufficient homes, which are designed to reduce environmental burden to zero (both CO<sub>2</sub> emissions and energy bills are zero) while improving residents' daily lives, through the use of lithium ion storage batteries and ICT (information and communication technology).

Without some sort of incentive such as an eco-point system, it is difficult to persuade people to adopt energy conservation technologies. I would like to see Daiwa House utilize its position as a home builder to market energy conservation products that have some specific advantage for the customer.

Our proprietary energy management system D-HEMS, which we are examining for probable commercialization, has two operational modes — the eco-mode, in which electricity generated by a photovoltaic power generation system is used in the house, and the "wallet mode," in which the electricity generated is all sold to the electric utilities company. Home owners can choose the mode they prefer.

Energy conservation using lithium ion storage batteries would be ideal in the event of power cuts due to a natural disaster. I'm sure if people understood the advantages of such a system, such as being easily able to see the status of the home's sales of electricity to the power company, these systems would become popular.

Yes, the ability of batteries to store energy for use in an emergency is certainly one of the advantages of this technology. But the use of this technology is unlikely to spread significantly if its only perceived merit is as a backup energy system for emergencies. This is why, in our promotional efforts, we aim to stress the role of the technology in enabling home owners to live comfortably without harming the environment.

I would like Daiwa House to help create communities that encourage children — who will responsible for society in the next generation — to be think about preserving the environment as they go about their day-to-day lives.

Our Daiwa Family Club website, which is a members-only site, offers eco-friendly projects under the name Eco-Friendly Measures for Everyone\*. The website contains ideas that can be used in daily life, such as creating a "CO<sub>2</sub> Household Accounts" book.

\* Eco-Friendly Measures for Everyone: This is an eco-friendly project operated by the Daiwa Family Club members-only website for owners of single-family houses, in which club members and Daiwa House cooperate to tackle the global warming issue.

Opinions received from our stakeholders

Answers by Daiwa House Group staff

## Theme No.2 Measures to ensure biological diversity — community service activities and the use of Company-owned forests

We sought stakeholder opinions regarding our management of Company-owned forests, which we conduct through liaison and collaboration with many different stakeholders and with constant concern for the impact of our activities on the natural environment.

If the Company aims to create satoyama\* areas as part of its emphasis on preserving biodiversity, I think you should buy up more hilly land to expand your ability in satoyama conservation.

\* Satoyama refers to the border zone or area between mountain foothills and arable flat land, containing a mosaic of mixed forests, rice paddy fields, dry rice fields, grasslands, streams, ponds, and reservoirs for irrigation.

At the moment, we plan to concentrate on managing our forests appropriately. Forest management activities will not necessarily be limited to Company-owned forests; we also aim to collaborate with owners of mountain forests, including national forests and other publicly owed forests. Since FY2008, the Company has been participating and cooperating in afforestation operations in a national forest area on Mount Rokko in Hyogo Prefecture, with the aim of preventing landslides.

The Company's forests are located far from inhabited areas. Wouldn't it be a good idea to publicize the Company's environmental activities using more accessible natural areas?

Simultaneously with our adoption of our Biodiversity Declaration in October 2010, we also released our Biodiversity Guidelines — Development and Town Planning Section\*. From here onward, we intend to apply biodiversity considerations to all urban development projects above a specified scale.

\* The Biodiversity Guidelines — Development and Town Planning Section mandates the Company to assess the impact of planned urban development projects on local biodiversity and to take measures to avoid or ameliorate any probable adverse impact. Impact assessment must be made on four items at the time of planning and design, and on two items at the construction and aftersales service stages.

Back when they were children, older people used to play in the woods, but many of those woods are not there anymore. I would like you to recreate such woods so we can pass on those same sights and sounds to our grandchildren.

We believe it is important to pass on Japan's beautiful environment and culture to the next generation through activities that make the most of the Company's own forests. We have taken note of your opinions, and will do our best to incorporate it into our environmental preservation activities.

## Theme No.3 Measures to ensure biological diversity — standards for procurement of wooden building materials

The Company has drawn up standards for the procurement of wooden building materials, and from here on will be pursuing procurement that both conforms to the law and is sustainable. We have sought and received the opinions of stakeholders and others to assist us in our efforts.

The Company's vision is clear, but there is no specific schedule stating what will be done when. Do you not think there is a need to hammer out more details?

Simultaneously with our adoption of the Biodiversity Declaration in October 2010, we announced our Biodiversity Guidelines — Wooden Buildings Materials Procurement Section\*. Subsequently, we received signed Letters of Consent from 30 suppliers of wooden building materials, and gained their cooperation in a survey of the current state of materials procurement. We drew up a three-year plan that went into effect from FY2011, and we plan to publish our specific measures and results on our website.

\* To realize the use of natural resources without adverse impact on biodiversity, the Biodiversity Guidelines — Wooden Buildings Materials Procurement Section lays down three standards for use in making decisions on the procurement of wooden building materials: use of forest-certified timber and recycled timber from construction-site waste; conformity with the law; and sustainability.

It is vital to have access to detailed information on wooden materials purchased.

We have drawn up standards for the procurement of wooden building materials, and roughly once every year we send out a questionnaire to our suppliers and also conduct a survey of samples. By these means, we have access to up-to-date information on our supplies of wooden materials. This is one way in which we are working to ensure a high level of procurement of sustainable timber resources.

I believe it would be advisable to team up with NGOs.

We believe it is important to cooperate with a wide range of stakeholders, not only our wooden materials suppliers but also experts in this field, NGOs, and our customers. We received the cooperation of NGOs in our drafting of the wooden building materials procurement standards, and we will continue to talk to materials suppliers and NGOs so as to maintain and improve these standards. We will also be urging NGOs to lobby timber-producing countries around the world to pass new legislation for the protection of timber resources.



# Stakeholder opinions

In order to obtain objective assessments of the Daiwa House Group's approach to CSR, enabling us to more effectively manage our CSR activities in the future, we sought the opinions of a number of people who are involved with the Group in one way or another.

**As the Daiwa House Group has a significant influence on people's attitudes and therefore an impact on the global environment, I look forward to the effects of the Group's activities aimed at a spiritual revival.**



Photo by Kyeong-Taek Im

The CSR activities of Daiwa House Industry aimed at realizing harmony with the natural environment include the Sea Forest project with which I am involved. This is a project to plant trees on land in Tokyo Bay that was reclaimed from the sea for landfill sites, with financial assistance from corporations and the general public. In this way, we aim to transform the bleak landscape of hills of garbage into beautiful forests. Thanks to the considerable support we have received from Daiwa House Industry, in March 2011 our funding reached the target of ¥500 million. I believe that by taking the lead in tackling global environmental issues, business corporations have the power to change people's awareness of these problems and make a big difference to the environment.

The massive earthquake and tsunami that hit the coastal region of northeast Japan on March 11 this year caused fatalities and economic damage beyond all imagining: both the landscape of the affected areas and the livelihoods of their residents were transformed. I feel that everyone in Japan must unite to give the disaster-hit region all the support we can. I am planning to set up a fund to provide scholarships for children who have lost a parent or both parents in this disaster, and I hope that others will join me in helping give such children a bright future. The Daiwa House Group has worked to give people security and peace of mind, and I hope that, in addition to providing physical infrastructure such as housing, the Group will carry out activities to achieve a spiritual revival in Japan.

**Tadao Ando**  
Architect and Professor Emeritus of Tokyo University

*Tadao*

**People are the key to Japan's future, and Daiwa House Industry has from early on been involved in education as part of its CSR activities.**



If you close your eyes and think dispassionately about it, Japan lacks much in the way of natural resources, including land: people are its most valuable asset. In order for Japan to recover from this recent disaster, in order for it to become an example to the world throughout the 21st Century of a country that has rid itself of dependence on nuclear power and fossil fuels, there can be no doubt that the education of the Japanese population is a top-priority issue. But are we Japanese really tackling this issue seriously? Of course, the Japanese education system based on rote learning, and focused on test results, has achieved a certain degree of success, but to realize the sort of information creativity that will be required in the future, we will have to get serious about education.

What interests me about Daiwa House's CSR is that the Company from an early stage began supporting the Quest Education Program\*, which seeks to nurture creativity in junior high and high school students, and the Company's staff earnestly tackle various issues together with the students. Japan's future does not lie with the present job search process, in which students all wear the same clothes, ask the same questions, and make the same answers. Rather, I think we should challenge young people to think for themselves about their own futures and stimulate innovation in social and economic activities, including business corporations. This is the way to open up a bright future for Japan, and investment in education is the royal road to fulfillment of a company's corporate social responsibilities.

\* Please see P.43 for details about the Quest Education Program.

**Seiichiro Yonekura**  
Director, Institute of Innovation Research, Hitotsubashi University

*Yonekura*

# Third-party opinion



**Yoko Takahashi,**  
Director,  
the Japan Philanthropic  
Association

## Building new communities through reconstruction assistance

The Great East Japan Earthquake caused unparalleled suffering in the form of human lives and damage to property. A new concept for urban development is needed, not only to reconstruct the communities that have been wiped off the map, but also to contribute to the creation of new value for the rest of Japan, associated with our efforts to train the staff we need for the Company to last 100 years. I hope that the reconstruction efforts will be vigorous and sustained.

## Taking steps to strengthen environmental management is a significant message from the Company

The Daiwa House Group has added the new fields of Eco-Friendly Technology and Eco-Friendly Communications to its environmental action plan, showing the Group's eagerness to enhance its technology development capabilities and its communication with stakeholders. The drawing up of a Biodiversity Declaration, together with the Basic Philosophy and Action Guidelines, has enabled the Group to clearly specify its guidelines on subdivision land development and the procurement of wooden building materials. To me, these moves indicate the Group's determination to make a difference in the environmental field in their core business.

## Measures to promote diversity are a barometer of how well a company applies its human resources

All the companies in the Daiwa House Group are employing its Indicators for self-assessment of CSR activities, and they can be rated highly for this, as it helps to raise the CSR-related awareness of each employee and to produce a change in their behavior. However, with respect to diversity, although the management of Daiwa House have touched on their efforts to promote a diverse group of staff to higher positions, I feel there is a need to clarify the Group's stance with regard to talented and highly qualified human resources. In this printed, digest edition of the report, too, I would like them to give concrete figures for the employment of persons with disabilities, the promotion of female staff to executive positions, and so on, and to spell out the steps they have taken to maintain an adequate level of employee mental health.

## Measures and PR that let the outside world see the real face of the Group's staff will generate a virtuous CSR cycle

Turning to the Daiwa House Group's community service activities, such as its participation in the festivities to celebrate the 1,300th anniversary of the founding of Heijo-kyo, its sakura preservation campaign on Mount Yoshino, and its participation in the Quest Education Program, in each case the Group has shown good timing and a dynamic approach to social contribution. However, in this printed edition of the report, too, I would like them to clearly set out their social contribution policies and the three priority fields to more vividly delineate the outline of the whole effort.

I also think they need to describe the contributions made by employees at each business office to their respective local communities, and to introduce examples of the way in which local communities evaluate the activities of their local Daiwa House branch, as well as the opinions of employees and their relationships with local residents.

Looking at the Group's CSR activities overall, I feel that this report achieves a good balance between hard data and descriptions of people's actions and attitudes, and given the space constraints, they have succeeded in effectively portraying the big picture together with sufficient details. I hope that Daiwa House will use this CSR Report effectively as a communication tool, and that it will inspire animated debate both inside and outside the Group.

## Response to the Third-Party Opinion

With respect to recovery and reconstruction efforts in the areas hit by the March 11 earthquake and tsunami, the Daiwa House Group has been engaged not only in assistance through its core business — including the construction of temporary housing and the promotion of urban redevelopment projects — but also through the provision of food, clothing, and other material goods urgently needed by the victims of the disaster. Group employees have also gone to the disaster-hit areas to work as volunteers in the reconstruction work, and the Group continues to put forward its full efforts in support of the region.

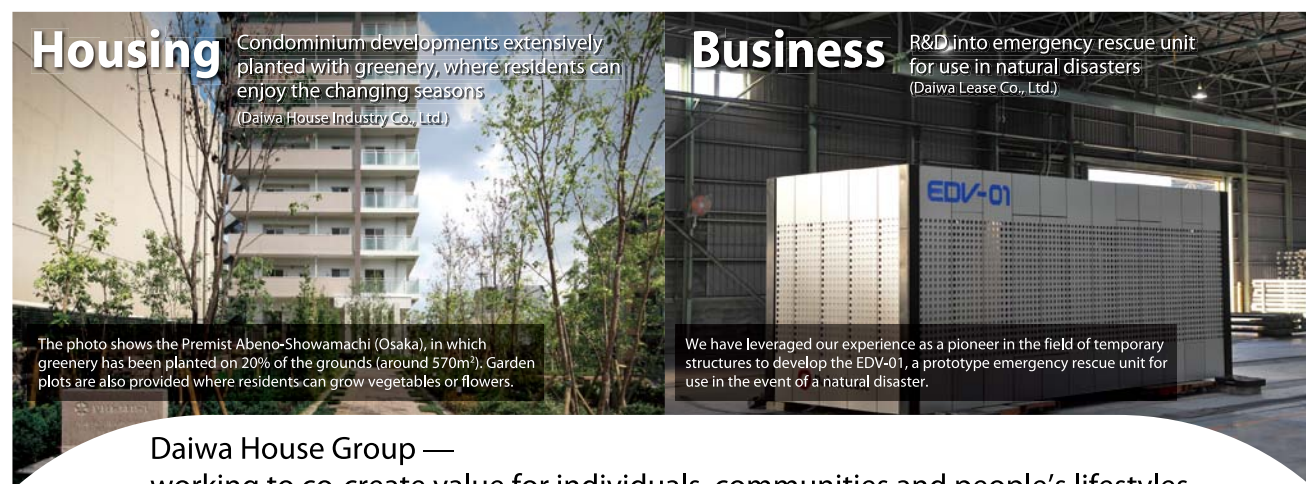
The Endless Green Program 2013, which we drew up recently, lays down targets for attainment by FY2013 on the basis of our vision of the Company ten years from now. To achieve our targets, we are expanding the scope of our environmental management to include our principal subsidiaries, and are focusing efforts on increasing sales of eco-friendly products and leading the way toward eco-friendly business under the banner of "integrating the environment with business management." In the field of social contributions, our business offices all over Japan are increasing their activities, most notably our campaign to protect the cherry trees of Mount Yoshino. The targets and results of this diverse array of activities are clearly shown in our indicators for self-assessment of CSR activities, and from here on we will be pushing forward with CSR activities based on the PDCA cycle combined with the ISO 26000 standard (guidelines for social responsibility).



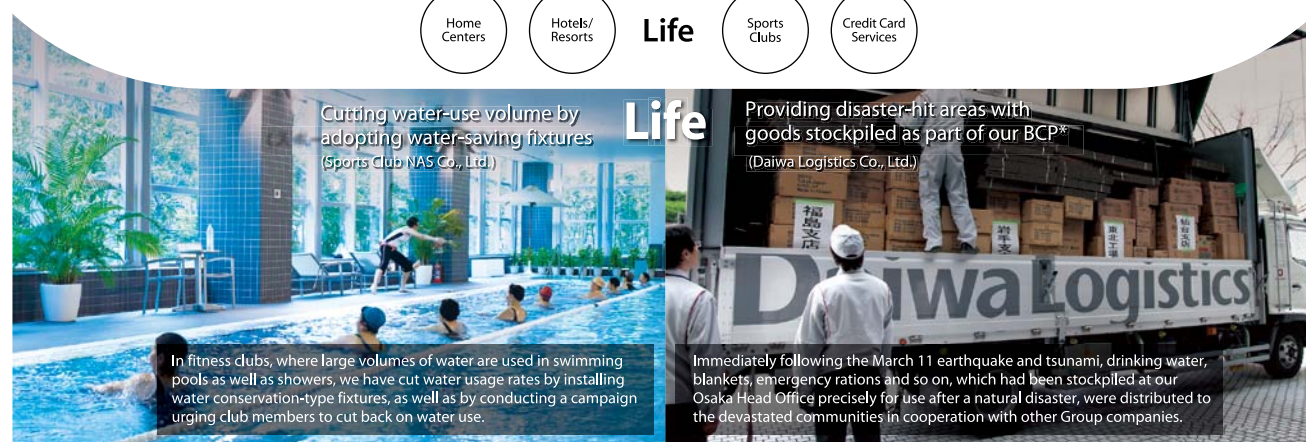
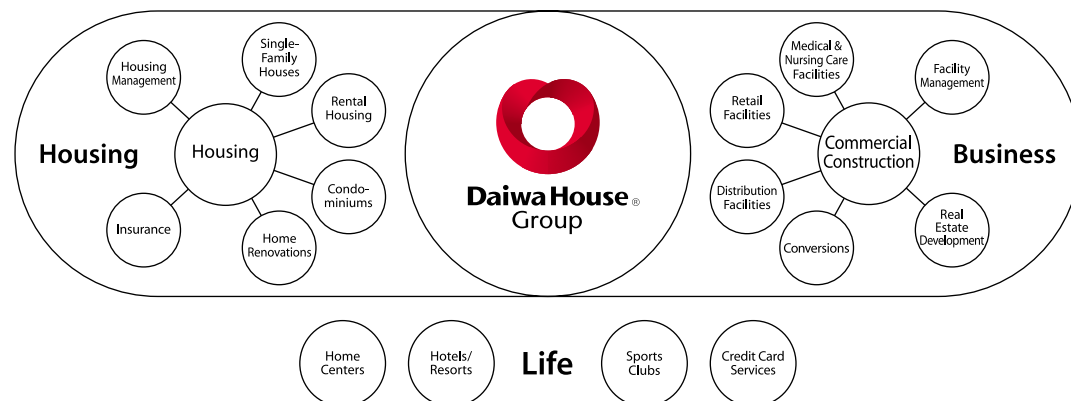
**Tamio Ishibashi**  
Executive Vice President,  
Head of CSR Office



## About the Daiwa House Group



Daiwa House Group —  
working to co-create value for individuals, communities and people's lifestyles



\* BCP = business continuity plan. This is a plan drawn up by a company to ensure it can continue operations even in the event of a natural disaster. It lays down procedures to be followed in order to avoid or at least minimize risk.

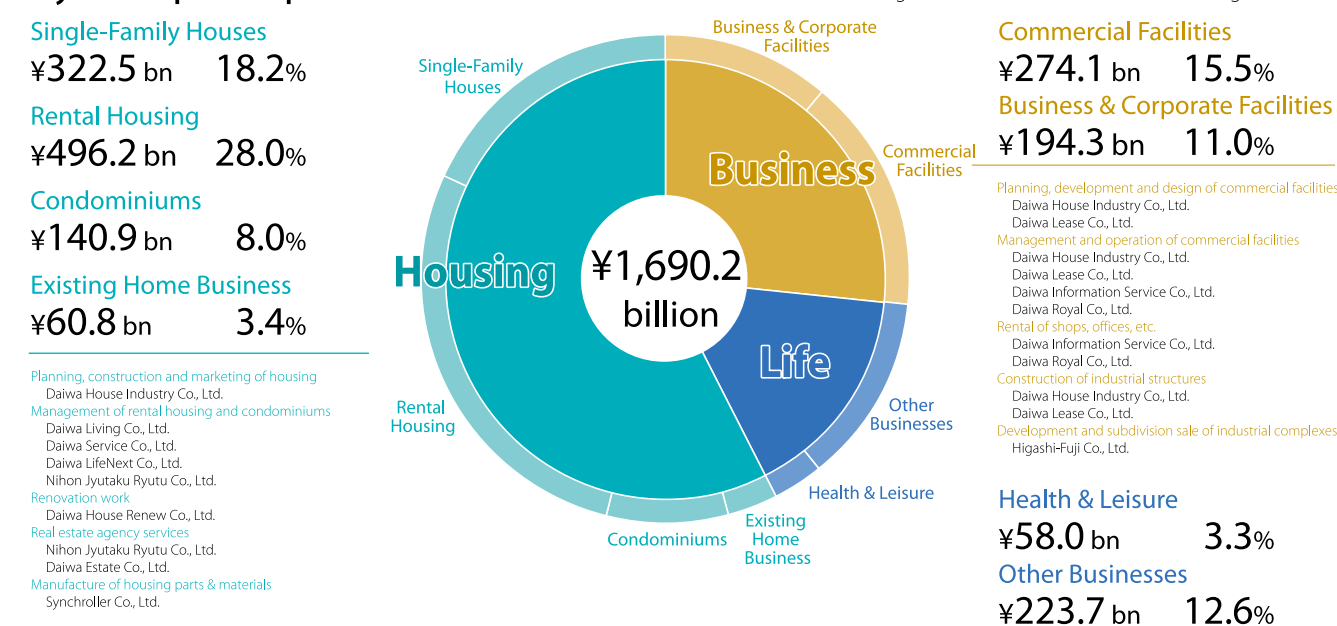
As a Group that co-creates value for individuals, communities, and people's lifestyles, we are committed to making contributions to society through our pursuit of a wide range of businesses, centered on our three core fields of Housing, Business, and Life.

(As of March 31, 2011)

<p><b>Daiwa House Industry Co., Ltd.</b> <b>Corporate Data</b></p>	<p><b>Founding:</b> April 5, 1955  <b>Paid-in capital:</b> ¥110,120,483,981  <b>Head office:</b> 3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan  <b>Branches:</b> 83 (including Osaka Honten Branch)</p>	<p><b>Factories:</b> 10  <b>Research center:</b>                    Central Research Laboratory (Nara)  <b>Training centers:</b> Osaka, Tokyo and Nara</p>
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Segment breakdown of sales (and % to total sales)  
by Group companies for FY2010

Note: Sales figures for each business include intra-segment sales.



■ Japan

- Japan
  - Logistics business
    - Daiwa Logistics Co., Ltd.
    - Yuasa Logitex Co., Ltd.
  - Maintenance and inspection of electrical equipment
    - Enserve Corporation
  - Operation of fee-charging homes for the elderly
    - Jukeikai Co., Ltd.
  - Advertising agency
    - Shinwa Agency Co., Ltd.
  - ESCO business, energy management
    - Daiwa Energy Co., Ltd.
  - Non-life insurance agency
    - Daiwa House Insurance Co., Ltd.
  - Asset management
    - Daiwa House REIT Management Co., Ltd.
    - Daiwa House Morimoto Asset Management Co., Ltd.
  - Leasing
    - Daiwa Lease Co., Ltd.

## Management of urban hotels

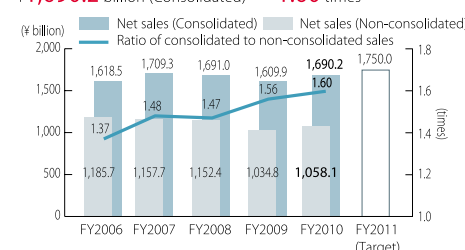
- Management of urban hotels
  - Daiewa Royal Co., Ltd.
  - Osaka Marubiru Co., Ltd.
- Information services
  - Media Tech Inc.
- Credit card operations
  - Daiewa House Financial Co., Ltd.
- Manufacture and sale of construction materials and parts
  - Daiewa Rakuda Industry Co., Ltd.
- Foundation assessment & reinforcement
  - Daiewa Lantec Co., Ltd.
- Planning, sale and management of resort developments
  - Daiewa House Industry Co., Ltd.
- Management and operation of hotels, golf courses, etc.
  - Daiewa Resort Co., Ltd.
  - Daiewa Royal Golf Co., Ltd.
- Operation of fitness clubs
  - Sports Club NAS Co., Ltd.
- Operation of home centers
  - Royal Home Center Co., Ltd.

■ Overseas

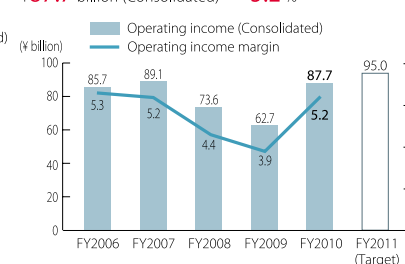
- Overseas
  - Provision of outsourced administrative work
    - DH (Dalian) Administrative Management Consulting Center Co., Ltd.
    - Real estate investment
      - Daiwa House (China) Investment Co., Ltd.
      - Real estate consulting
        - Tewoo Daiwa House (Tianjin) Real Estate Development Co., Ltd.
      - Real estate development and management
        - Daiwa House (Wuxi) Real Estate Development Co., Ltd.
      - Development and marketing of condominiums
        - Daiwa House (Suzhou) Real Estate Development Co., Ltd.
      - Management of rental housing
        - Tianjin Jiuhel International Villa Co., Ltd.

## Financial highlights

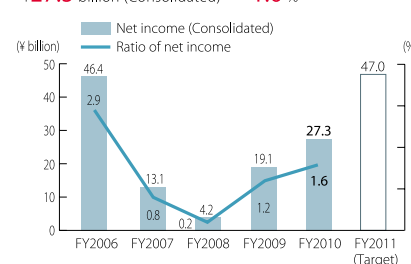
Net sales (Consolidated/Non-consolidated) /  
Ratio of consolidated to non-consolidated sales  
¥1,690.2 billion (Consolidated) 1.60 times



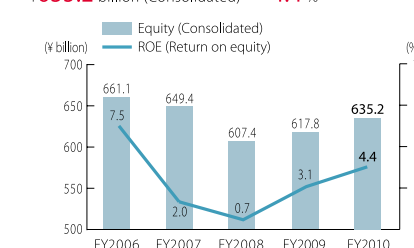
Operating income / Operating income margin  
¥87.7 billion (Consolidated) 5.2 %



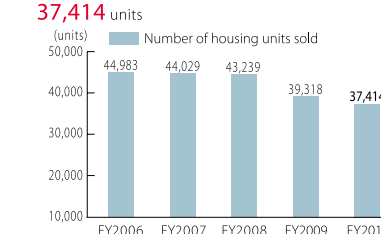
Net income / Ratio of net income  
¥27.3 billion (Consolidated) 1.6 %



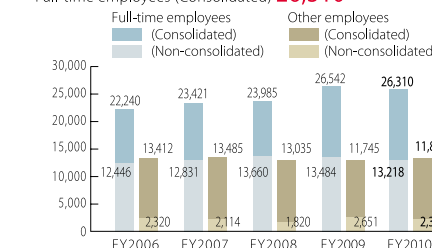
Equity / ROE (Return on equity)  
¥635.2 billion (Consolidated) 4.4 %



Number of housing units sold  
(Single-family houses, Housing subdivisions,  
Condominium units, Rental houses)



Number of employees (Consolidated & Non-consolidated)  
Full-time employees (Consolidated) **26,310**





# Daiwa House Group: 2011 CSR Report (digest version)

## Editorial comments concerning this CSR report

The Daiwa House Group's CSR Report has been compiled to provide an explanation of the Group's CSR activities carried out in FY2010 and their results with respect to our six principal stakeholder categories. These activities were conducted on the basis of the Daiwa House Employee Charter\*, which sets out guidelines for day-to-day behavior by all members of staff. The following policies have been followed with respect to the editing of this FY2011 report.

\* For details see P.13

- 1 We have created introductory pages featuring photographic spreads to make the report more reader-friendly. The entire report has been designed to be easy to understand and easy to read.
- 2 The report on the implementation of our CSR activities with respect to each of our six stakeholder categories consists of two parts — a digest of basic information, and case reports including specific measures taken. We have done our best to present the information systematically and in an orderly sequence.
  - I Digest data: an overall picture of our activities in each field, and reports on planned activities
  - II Case reports: This section presents reports on important issues in FY2010 based on the perspective of degree of urgency of societal demand + corporate activities given high priority by the Group
- 3 We seek comments from appropriate stakeholders as part of the process of stakeholder engagement, in which our stakeholders engage in dialog with us to help assess and improve our various CSR activities by offering opinions from an objective perspective. Moreover, in this report, we have sought frank opinions and assessments of our activities in the sections on Stakeholder meetings, Stakeholder opinions, and the Third-Party Opinion, and we intend to use these opinions to effect improvements.
- 4 The information contained in this digest edition of the report and that in the more detailed version published on our website, are mutually complementary. The two versions have been created to fulfill our corporate social responsibilities to facilitate communication with our stakeholders and realize accountability.



For the detailed edition of the Daiwa House CSR Report 2011, visit our website at:  
<http://www.daiwahouse.co.jp/csr/>

### 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, companies in 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 (59 consolidated subsidiaries and 13 equity-method affiliates as of March 31, 2011).

### Period Covered by This Report

This report principally covers the fiscal 2010 business term (from April 1, 2010 to March 31, 2011) with occasional reference to activities in FY2009 and earlier, or activities planned for FY2011 or later.

### Date of Issuance

June 2011  
 (Next edition scheduled for June 2012)

### Guidelines Used as Reference

Environmental Reporting Guidelines (2007 edition) issued by the Ministry of the Environment; Version 3 of the Sustainability Reporting Guidelines of GRI (Global Reporting Initiative)  
 Note: A comparison table contrasting this Report with the GRI's Guidelines can be found on our website.

### Disclaimer Regarding Forward-Looking Statements

In addition to descriptions of business results of the Group and activities undertaken up to the present, this report also includes forward-looking statements such as forecasts, plans, and so on based on the Group's management policies. Such forward-looking statements include assumptions and judgments based on information available to the Company's management as of the time of writing, and may differ significantly from actual results or activities as a consequence of subsequent changes in the Group's operational environment.

For inquiries regarding this Report, please contact:

**Daiwa House Industry Co., Ltd.**  
 CSR Department:  
 Tel: 06-6342-1435  
 Environmental Department:  
 Tel: 06-6342-1346

## A guide to the CSR-related communication tools available on our website

► In addition to the detailed edition of the present CSR report, the Daiwa House website also features many other reports relating to the Group's CSR activities.

### Environmental Activities



#### The "We Build Eco" web page: "Daiwa House and Ecology"

This page acts as a gateway to the Company's environmental activities, and introduces measures being taken to realize a more harmonious coexistence with the natural environment.

<http://www.daiwahouse.co.jp/eco/>



#### Children's Ecology Workshop

This page introduces our House-Model Workshop for elementary school children and their guardians.

<http://www.daiwahouse.co.jp/eco/event/>



#### Daiwa House Industry's Cherry Tree Protection Initiatives

This page introduces the Company's activities to protect the cherry trees of Mount Yoshino in Nara Prefecture, which were also discussed in this report.

<http://www.daiwahouse.co.jp/csr/sakura/index.html>

### Social Contribution



#### Educational Support Activities

This page introduces the Group's education support activities and provides a contact point for inquiries about educational courses offered by the Group.

<http://www.daiwahouse.co.jp/csr/education/>



#### Stakeholder Meetings

This page describes the Company's policies of proactive disclosure of management information, and engagement with stakeholders.

<http://www.daiwahouse.co.jp/csr/stakeholder/>

### Business Reports



#### Annual Report

The Company's Annual Report contains an easy-to-understand overview of the Group's management reports over a full year. The report can be downloaded in PDF format.

<http://www.daiwahouse.com/annual/index.html>



#### Flash Reports (preliminary reports on settlement of accounts)

A flash report on the Group's financial statements can be downloaded in PDF format.

[http://www.daiwahouse.co.jp/company/kessan/m\\_index.html](http://www.daiwahouse.co.jp/company/kessan/m_index.html)