



Daiwa House®
Group

Creating Dreams, Building Hearts

Daiwa House Group

CSR Report 2014

English Edition

Daiwa House Industry Co.,Ltd.

For inquiries regarding this Report, Please contact:

Daiwa House Industry Co., Ltd.

CSR Department Tel: 81-6-6342-1435

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



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



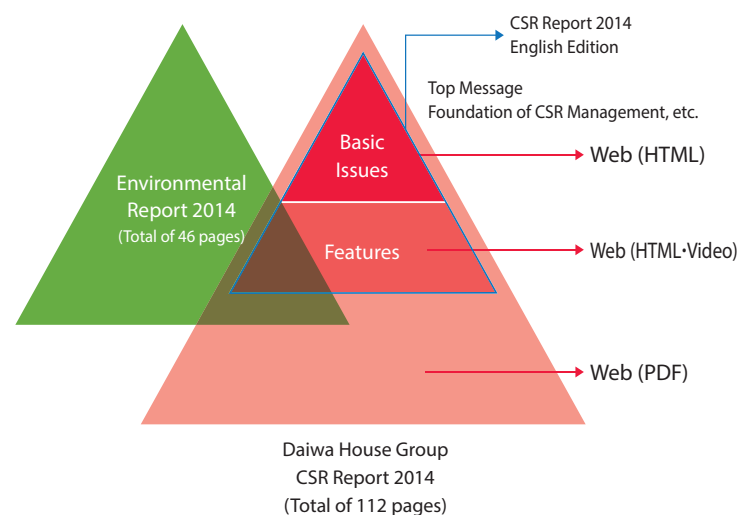
未来を、つなごう
We Build ECO

Editorial Policy

Daiwa House Group CSR Report features information on a number of CSR efforts conducted by our Group that we believe should be reported (materiality).

In this fiscal year, we will create videos for each of the features covered in the Report and upload them onto our website, in an attempt to provide further understanding on our initiatives, its concepts, and future prospects regarding the related CSR efforts.

As for materials associated with the CSR Report other than those mentioned above (CSR Report, website, video), we also in Japanese only provide an Environmental Report that specializes on information regarding our environmental efforts, as well as the Environmental Databook, and a CSR Report that puts together the CSR information of all 25 companies in our Group into one book.



Target Readers

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

Reporting Organizations

The report provides information on the Daiwa House Group overall (as of March 31, 2014, 105 consolidated subsidiaries and 20 equity method affiliate companies) with a focus on Daiwa House Industry Co., Ltd.

Report Period

As a rule, the period covered in this report is the year of fiscal 2013 (April 1, 2013 to March 31, 2014), with mentions of activities before and after this fiscal period as necessary.

Referential Guidelines

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

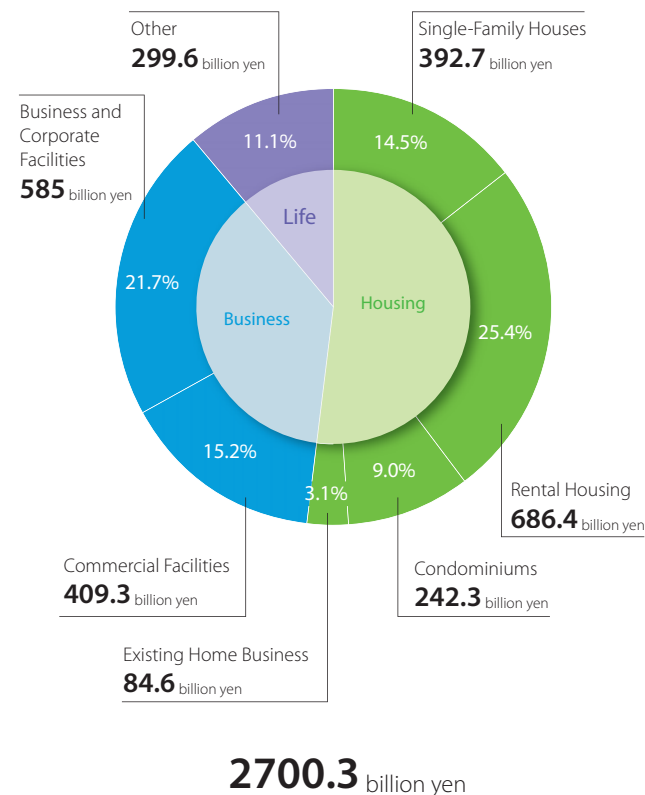
Summary of the Daiwa House Group

Company Summary (as of March 31, 2014)

Company Name	● Daiwa House Industry Co., Ltd.
Established	● April 5, 1955
Capital	● 161,699,201,496 yen
Head Office	● 3-3-5 Umeda, Kita-ku, Osaka, 530-8241, Japan
Tokyo Head Office	● 3-13-1 Iidabashi, Chiyoda-ku, Tokyo, 102-8112, Japan
Branches/Offices	● 83 locations in Japan (including head offices)
Plants	● 10 locations in Japan
Research Center	● Central Research Laboratory (Nara City)
Training Centers	● Osaka, Tokyo, Nara
Net Sales	● Non-consolidated: 1,429,886 million yen Consolidated: 2,700,318 million yen

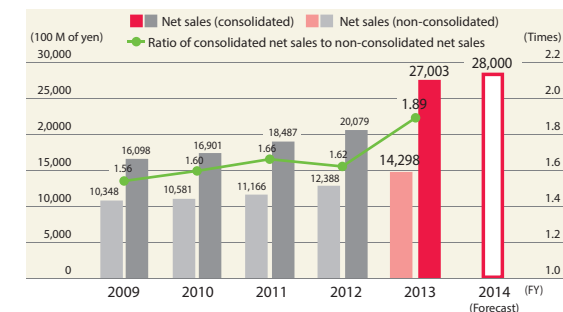
Sales (consolidated)

Note: Percentage after subtracting transactions within the Group

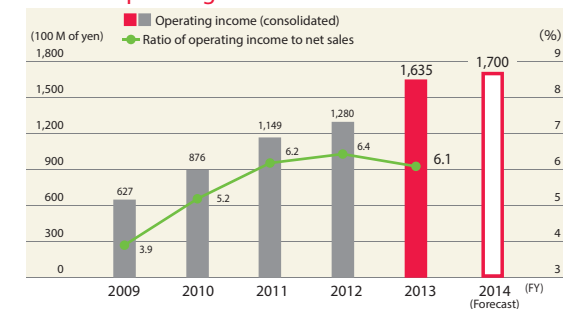


Highlight of Financial Results and Consolidated Financial Indicators

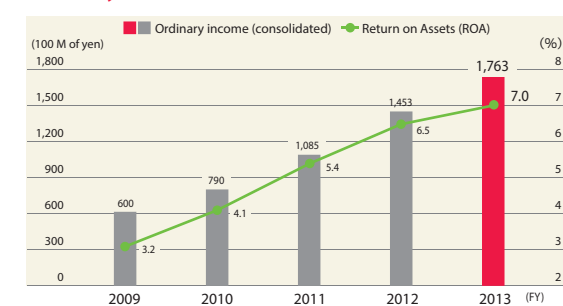
Net sales (consolidated/non-consolidated)/Ratio of consolidated net sales to non-consolidated net sales



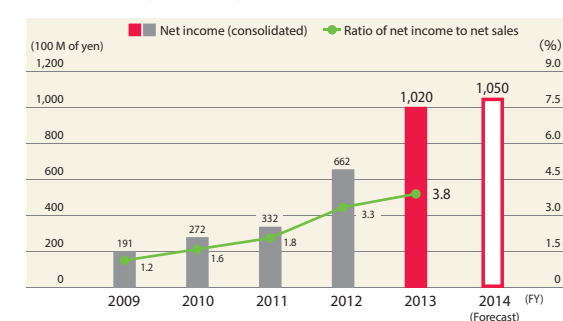
Operating income (consolidated)/Ratio of operating income to net sales



Ordinary income (consolidated)/Return on Assets (ROA)



Net income (consolidated)/Ratio of net income to net sales



Issued

July 2014 (Next issue scheduled for: July 2015)

For inquiries regarding this report, please contact:

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

Contents

CSR Vision of the Daiwa House Group	3
Business Activities of the Daiwa House Group	5
Top Message (Chairman and CEO)	7
Top Message (President and COO)	9

Feature Co-creating a Brighter Future with Society	11
Feature Co-creating a Brighter Future with the Environment	13
Feature Co-creating a Brighter Future with Our Customers	15

Foundation of CSR-focused Management

Promoting corporate governance	17
Promoting internal control	18
Appropriate political intervention	22
Crisis management	22
Supply chain management	22

List of Affiliated Companies

- Single-Family Houses
Daiwa House Industry Co., Ltd.
- Rental Housing
Daiwa House Industry Co., Ltd.
Daiwa Living Management Co., Ltd.
Daiwa Living Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
- Condominiums
Daiwa House Industry Co., Ltd.
Daiwa LifeNext Co., Ltd.
Daiwa Service Co., Ltd.
Global Community Co., Ltd.
Cosmos Initia Co., Ltd.
- Existing Home Business
Daiwa House Industry Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
Daiwa House Reform Co., Ltd.
- Commercial Facilities
Daiwa House Industry Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa Information Service Co., Ltd.
Daiwa Royal Co., Ltd.
Daiwa Service Co., Ltd.
- Business and Corporate Facilities
Daiwa House Industry Co., Ltd.
Daiwa Lease Co., Ltd.
Fujita Corporation
Fujita (China) Construction Co., Ltd.
Fujita shoji, INC.
- Other
Daiwa House Industry Co., Ltd.
Royal Home Center Co., Ltd.
Daiwa Logistics Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa Rakuda Industry Co., Ltd.
Daiwa Lantec Co., Ltd.
Daiwa Royal Co., Ltd.
Daiwa Resort Co., Ltd.
Sports Club NAS Co., Ltd.

(Note) Listed above are major affiliate companies affecting the sales of the Daiwa House Group.

CSR Vision of the Daiwa House Group



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

Our Company Philosophy, the basis of the Group's thinking, should be shared by each employee of our group from now on.

Group policies drafted to meet the needs of the times to ensure our prosperity, should be implemented by our individual businesses.

A set of conduct guidelines, should be aware in mind by employees at every stage of daily operations.

Company Philosophy (Corporate Creed)

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

Management Vision

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

Employees' Charter

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

Managing for Sustainability

Creating Dreams, Building Hearts

The Daiwa House Group stands hand in hand with society through its business operations and with people through its products and services. We believe that "Co-creating a Brighter Future" and working together with society as a loyal partner are keys to our success.

The Daiwa House Group's CSR Guidelines

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

1

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

Contributing to society through business

Asu Fukaketsuno (indispensable for tomorrow) business

A - Su - Fu - Ka - Ke - Tsu - No

Anzen & Anshin (Safety and Comfort) Speed & Stock (Welfare) FUKUSHI (Welfare) KANKYO (Environment) KENKO (Health) TSUSHIN (Information-Communication Technology) NOGYO (Agriculture)

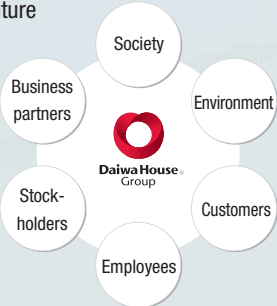
The Daiwa House Group is constantly exploring new ways of serving customers and society, solving their problems with products and services that we develop with our original technologies and know-how.

2

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

Attitude toward stakeholders

Co-creating a brighter future with stakeholders



3

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

Conduct of every single Group employee

Daiwa House Group Principles of Corporate Ethics

Believe One Heart

- With our customers
- With the compliance
- With an ideal work environment
- With business partners
- With the environment
- With the communities
- Respect for human rights

Core Themes (Materiality)

Human rights	<ul style="list-style-type: none">• Adequately resolve grievances relating to human rights.• Eliminate discrimination and provide equal opportunities.
Labor practices	<ul style="list-style-type: none">• Provide a safe and healthy working environment.• Human Development (employee training).
The environment	<ul style="list-style-type: none">• Prevent environmental pollution (water, air, soil, etc.).• Reduce CO₂ emissions and adapt to global warming.
Fair business practices	<ul style="list-style-type: none">• Ensure fair competition.• Act responsibly toward all business partners and users.
Consumer issues	<ul style="list-style-type: none">• Guarantee product safety during use.• Provide adequate after-sales service and handle complaints appropriately.
Community involvement and development	<ul style="list-style-type: none">• Promote active involvement in, and collaboration with other parties for, local community development.• Invest in local community development.

Fourth Medium-Term Management Plan "3G & 3S" for the Next Step

— A Giant leap to our 60th anniversary —

[Growth Strategies]

Core businesses

- Increase profits by expanding the value chain of each core business segment.
- Enhance development of products and services compatible with societal changes such as the aging population and rising safety and environmental consciousness.

Diversified businesses

- Expand business by boosting partnerships in core business segments.

New businesses

- Develop and identify new products and services that contribute to global society.

<Overseas core businesses>

- Expand overseas, mainly in emerging countries.

[Management foundation]

- Promote efficiency by redeveloping manufacturing capabilities.
- Enhance systems and human resources in line with business expansion.

Medium-Term Action Plan for the Environment "Endless Green Program 2015"

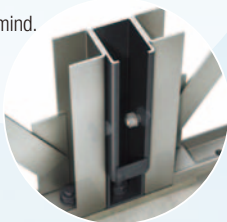
- ◎Strategic activities for the environment implemented along with business strategies
- ◎Basic activities for the environment that fulfill the Group's social responsibilities
- ◎Reinforcement of the foundation for environmentally responsible management

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



A: Anshin / Anzen
Safety & Comfort

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



Fu: Fukushi
Welfare

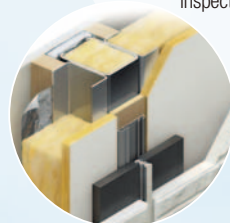
We deliver safe and secure living environments for people from all walks of life and are implementing measures aimed at resolving a host of issues faced by our aging society.



A-Su-Fu-

Su: Speed / Stock
Speed / Stock

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



Delivering Value Indispensable for Tomorrow through Our Businesses

The Daiwa House Group continually thinks about what exactly people and society need from homes and industrial activities not only today but also in the future. With a close eye on the many challenges and problems society faces, we develop and deliver the next-generation products and services that are indispensable for the lifestyles and industries of tomorrow. Going forward, we will constantly create new value through our “Asu Fukaketsuno” businesses as part of our steadfast commitment to provide solutions to a host of issues faced by society.

Ka: Kankyo
The Environment

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



Tsu: Tsushin
Information-Communication Technology

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



Ka-Ke-Tsu-No

Ke: Kenko
Health

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



No: Nogyo
Agriculture

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



Business Segments

Single-Family Houses



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

Rental Housing



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

Condominiums



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

Existing Home Business



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

Commercial Facilities



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

Business and Corporate Facilities



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

Other



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

Serving society through *Asu Fukake* emphasizing our core principle of

— Toward and beyond the 100th anniversary of our founding —



Takeo Higuchi

Takeo Higuchi

Chairman and CEO

Focusing on sustainability, the founder's vision

Sustainability is one of the key concepts underlying the strategic actions laid out in the Medium-Term Management Plan of Daiwa House Industry Co., Ltd. (from fiscal year ended March 2014 to fiscal year ending March 2016). In January 2014, Daiwa House was selected, for the fourth consecutive year, ranking 65th among Global 100 Most Sustainable Corporations in the World, the highest position for the second consecutive year among the selected Japanese corporations.

In our corporate history, insistence on sustainability can be traced all the way back to the vision of founder Mr. Nobuo Ishibashi. From the Company's inaugural year, when Mr. Ishibashi introduced the Pipe House, which was highly resistant to natural disasters, he was always concerned with how to serve people and society, rather than how to make profits, developing the Company's business accordingly by anticipating changes well ahead of the times.

For example, Daiwa House commenced commercial facility development under the founder's guidance in 1976, when the concept of shopping malls was still unknown in Japan. This business segment that puts landowners in partnership with tenants has greatly contributed to supporting the livelihood of local communities concerned. The Company has since applied this "win-win-win" approach to other segments, garnering many success stories.

The right path for a company to continue being sustainable is to be flexible in the face of changes and responsive to the needs of the times, while remaining steadfast in its original commitment to serving people and society. Mr. Ishibashi also had the vision of developing Daiwa House into a corporation making 10 trillion yen at its 100th anniversary (the year of 2055). As proud successors of his corporate DNA, we are determined to continue on the right path, seeking to realize his vision as proof of our accomplishments of serving people and society.

tsuno activities, sustainability

People form the company – exemplary conduct by employees forms the Company's character

For any company to continue on the right path and be sustainable, quality human resources are indispensable. Therefore, we constantly strive to maintain fair, merit-based employee treatment and a good working environment to keep our people highly motivated. We operate Daiwa House Juku, a training facility for next-generation leaders, openly solicit candidates for branch manager posts and other openings, and promote qualified individuals regardless of gender.

We particularly attach great importance to support the success of women in our Company, promoting reforms in this regard ahead of the industry, anticipating Japan's future changes and the Company's continuing business and development. We are planning to take measures to enable women to enter segments that have not been very accessible for them, such as home building and renovations, by readjusting the work environment. For example, construction sites, traditionally known as 3D (Dangerous, Dirty and Demanding) zones, are being transformed into 3C (Comfortable, Clean and Creative) workplaces.

Our executives and employees are required to personally embrace six decision-making perspectives of: customers; the Company; employees; stockholders; society, which deserves particular importance; and the future, because we must be alert and responsive to changes. Making decisions based on whether a given action is good from each of these perspectives is, in fact, the basis of practicing sustainability. It is extremely important to do this and to always do what is right individually and as a company. When individual employees all conduct themselves this way, they create an exemplary company that can last 100 years and more.

Continuing to tackle society's challenges and making global social contributions

As a company that claims to be involved in all aspects of life, Daiwa House has adopted the key phrase "*Asu Fukaketsund*" (meaning "indispensable for tomorrow" in Japanese, with "a," "su," "fu," "ka," "ke," "tsu" and "no" being the first sounds of the Japanese words for safety/comfort, speed/stock, welfare, environment, health, information-communication technology, and agriculture, respectively), to signify areas in which the Company exerts effort and demonstrates its commitment to sustainability.

Of these key areas, welfare entered the Company's business sphere some 20 years ago, following my personal involvement in building a senior citizens' health facility. This experience taught me the importance of such projects and prompted me to make a proposal to the Company. We have since contributed to the accelerated development by local governments of various types of facilities for seniors. So far, in our welfare business segment, besides construction we have commercialized various innovative products that have been very favorably received: Robotics Suit HAL (welfare type), using technology that supports and complements human users' leg strength and ambulatory functions; Mentally Committed Robot PARO, which provides psychological therapeutic effects; and Minelet Sawayaka, an automatic bedpan unit.

The environment is another key area. Already in the 1990s, our corporate founder was saying that the sun, wind and water would be key factors for 21st-century industry. Being guided by these words, we have been making Group-wide efforts to promote the development of zero-energy-loss houses, buildings and towns. Our dedication was recognized in February 2014 with the Fuji Sankei Group Award at the 23rd Grand Prize for the Global Environment Award.

For the future, we have numerous ideas for expanding our business scope, drawing on our housing and construction experience and expertise, including the acceleration of our "smart town" project and the introduction of a renewable energy-based power generation system for energy self-sufficient houses. We are working on new product development from a global perspective, without restricting ourselves within the bounds of just housing and construction, while aiming for global expansion of our social contribution activities. All in all, we are determined to keep moving forward to fulfill our dreams.

From building houses to fulfilling

— Uniquely contributing to society as only the Daiwa House

Earning society's trust through housing-related achievements, the source of our business diversification and social contribution

The Daiwa House Group's core business is building single-family houses. From this starting point, we have become what we are today, diversifying our business into segments that truly serve society.

In single-family house building, we are entrusted with the dreams of our customers, and our relationships with them do not cease until the houses reach the end of their service life. All building projects are long-term, involving myriad upstream and downstream processes. It is far more than just building houses. In this sector, a long-term relationship founded on trust is essential. Keeping this in mind, we have always taken special care to form and strengthen ties with our customers. We have then maintained this same attitude in expanding our business into housing rentals, commercial facility development, and other areas. Even today, despite our widely diversified business activities, we still have the word "house" in our company name because it represents the origin of the enterprising spirit that we practice in all of our business segments.

We know that we must continue upgrading our contribution to our customers and society in the future by making use of the broad base of the construction industry and its diverse capabilities. For example, in our housing rental business, we can better serve building owners and tenants by offering an integrated quality package covering all necessary functions, including building management, insurance, calls for tenants, and IT equipment installation, mobilizing corresponding member companies in the Daiwa House Group. With every Daiwa House Group employee striving to identify, from the customer's perspective, extra services that will benefit society, thus enriching the Group's business activities, we can make a greater contribution to and become an indispensable presence in society.

An environmental leader in the industry with energy self-sufficient houses

Among the numerous challenges facing today's society, environmental protection is particularly urgent and globally significant, given the frequent occurrence of natural disasters and extreme climatic phenomena happening all over the world. In post-Fukushima Japan, in particular, power supply has become a long-term challenge, and the general public, with renewed awareness of the stakes involved around the energy issue, is calling for more environmentally responsible products more strongly than ever before.

In such a situation, the Daiwa House Group adopted in 2011 a Medium- to Long-Term Environment Vision 2020 for the following ten years, with one of the goals being complete elimination of environmental burdens produced in the life cycle of houses and buildings. The most important of these is the prevention of global warming, toward which we have been promoting energy self-sufficient houses, buildings, and new towns.

In the housing sector, in April 2014 we commenced a drive for popularizing "smart houses," installing a solar power generation system and a new Home Energy Management System (HEMS) as standard equipment to each single-family house. In the construction sector, we have developed environmentally responsible construction packages for various purposes, ranging from office buildings and factories to nursing homes and logistics centers. We intend to further develop these eco-friendly efforts to cover whole cities.

Drawing on our accumulated building expertise and our experience in mega-solar system operating know-how, we conduct renewable energy-based power generation projects on the rooftops of the company's facilities and idle sites. Other unique energy projects that make optimal use of Group companies' alliances are also being planned for the future.

society's needs

Group can —

Increased brand value and greater respect in society through CSR

In fiscal 2013, the Daiwa House Group recorded its best business results ever as in the previous year. However, instead of being content with this achievement, we must continue doing our best to remain a company that truly serves society. We must further expand our diverse forms of social contribution, especially those deeply rooted in local communities. Such CSR activities include the campaign we inaugurated in fiscal 2010 to preserve cherry trees on Mt. Yoshino in Nara Prefecture, a UNESCO World Heritage Site and a place associated with the founder of the Daiwa House Group. The Sakura Project, which involves planting cherry trees on the grounds of elementary schools across Japan is another example. In fiscal 2014, we added the CSR-related management as a new item for evaluating the soundness of performance of our branches. CSR activities commensurate with our position as the industry's best performer have led the general public to watch us closely with positive expectations, resulting in turn, we believe, with increased brand value for the Daiwa House Group.

With regard to human resources, we are preparing to readjust our systems of recruitment, training and promotion on the basis of fairness, equality, spirit of service, and dreams and aspirations, in such ways as to win greater support from our stakeholders while facilitating employees to work more efficiently. For example, we are planning to maximally strengthen our support system for employees during pregnancy and child-rearing years so that male and female employees can work, be evaluated, and participate in management on equal terms. As for measures that are already in place, the mandatory retirement age has already been extended from 60 to 65, while remuneration is more directly linked with performance to further motivate personnel.

The steps the Daiwa House Group takes to be a truly excellent company are endless, because a truly excellent company remains always humble regardless of business results, honestly examining every situation to discern the next challenges as it continues aiming for ever higher goals.



Naotake Ono

Naotake Ono
President and COO



Feature
Co-creating a Brighter
Future with Society

Komatsuyachi District Public Housing Estate for Disaster Relief (Komatsu Minami Housing Estate), Higashimatsuyama City, Miyagi Prefecture

From temporary shelters to public housing estate — Post-disaster reconstruction, hand in hand with local residents and government

Three years have now passed since the Great East Japan Earthquake. Many people in the affected areas still live in temporary shelters. The local governments are making strenuous efforts to respond to residents' earnest wish to resume a normal life. However, public housing development is not an easy process. In such a situation, one construction project, launched soon after the disaster and prompted by Daiwa House Industry's proposal to Higashimatsuyama City, was completed in spring 2014, welcoming residents to their new homes.



Komatsuyachi District Public Housing Estate for Disaster Relief (popularly known as Komatsu Minami Housing Estate, comprising a total of 156 apartments in 12 three-story buildings) was handed over to Higashimatsuyama City in March 2014.



An exceptional project propelled by earnest wishes for the earliest possible reconstruction

The site for the Komatsu Minami Housing Estate had already been ready before the Great East Japan Earthquake—for construction of a large shopping mall. The Commercial Facility Division of Daiwa House Industry Co., Ltd. had drawn up a shopping mall construction plan, mediated between 11 landowners and AEON TOWN Co., Ltd., and prepared the land for construction. Responsibility for the site, which had escaped the tsunami, was eventually transferred to the Housing Division, setting in motion the development of a disaster public housing, a pioneering project in Japan in that the disaster public housings with light steel-frame.

The change of plans originated with the manager of the Daiwa House Sendai Branch, who dreamed of using the site, which he saw every time he traveled on the Sanriku Expressway, for post-disaster reconstruction. Daiwa House's visit with the mayor of Higashimatsuyama City led to more serious studies. Then, city administrators, AEON TOWN representatives, landowners, the municipal assembly, and of course we at Daiwa House all united toward a common goal, overcoming numerous difficulties one by one. A construction permit was granted in an unprecedentedly short time for this project, which was using a novel building method.



Moving house is a long-awaited dream for many living in temporary shelters. From the emergency housing set up on the grounds of Takagi Woods Athletic Park, 22 persons in 9 households moved to the Komatsu Minami Housing Estate.



In Higashimatsuyama, 75% of all the houses were flooded, and 97% were damaged in some way, ranging from partial damage to complete collapse. (Photo courtesy: Higashi Matsuyama City)



Dedication of 20,619 professionals for 10 months to live up to high expectations for speed and quality

Apartment buildings in public housings are usually made of reinforced concrete (RC). In the Komatsu Minami Housing Estate project, the use of light steel frames mainly consisting of Daiwa House's "xevo 03+R" was approved for the purpose of post-disaster reconstruction, thereby shortening the construction time and raising performance levels, which are key strengths of industrialized construction. For the project, a total of 20,619 construction site professionals gathered from all over Japan, and worked with such dedication that the construction, which normally would have taken 18 months at the industry's usual highest speed, was completed in only 10 months.

Special considerations were given in and around the apartment buildings: for example, the city government made sure that one-bedroom apartments for elderly residents living alone would be located near elevators, and soundproof devices were installed to ensure resident comfort, while the Housing Division's know-how in exterior greening was incorporated into the design. Daiwa House's involvement in this project was largely facilitated by its Restoration Support Office, established exclusively for public housings development.



Residents have arrived at the Komatsu Minami Housing Estate, conveniently located north of the AEON TOWN shopping mall, and near a highway interchange and elementary and lower secondary schools.



So that residents can start a new life here in the best possible condition, the apartment buildings are devoid of the conventional characteristics of public housings: they are widely spaced apart, surrounded by trees that add a seasonal touch, and tastefully designed worthy to be long-lasting homes.



Common open spaces are arranged to encourage residents to meet and naturally build a new community.



Greenery around the buildings is based on Daiwa House's know-how developed building single-family houses.



A separate community house equipped with 3.0 kW photovoltaic panels is also on the estate.



One example of attention given to the smallest details is an easy-to-read eye-pleasing information panel.



Experience and know-how for future projects

The Komatsu Minami Housing Estate project has become a model for other disaster public housing development projects. The brand new operational scheme, in which a private corporation acquires land and constructs buildings to be purchased by a local government, has accelerated housing supply in disaster-stricken areas. This construction method, which realized speedy and high-quality completion, has been drawing attention also from municipalities not affected by the disaster, enabling Daiwa House to continue contributing to society as a pioneer. Daiwa House continues making proposals and promoting projects for post-disaster reconstruction so that those affected by this disaster will be able to resume their normal everyday lives as soon as possible.



For residents who moved from temporary shelters to their new homes, forming ties with neighbors is extremely important. At the Komatsu Minami Housing Estate, benches and arbors are arranged along walkways to promote casual encounters.



Daiwa House's voice

"We were all united in our desire to provide better housing for disaster victims."

Left: **Masami Yanagawa**
Section Manager, Post-disaster Housing Construction Section, Housing Division, Sendai Branch

Right: **Nobuhiro Kusanagi**
Senior Chief, Sales Section, Commercial Facility Division, Sendai Branch

Since it was extremely difficult to secure materials and labor immediately after the disaster, we had to rely so much on the Purchasing Department and construction site professionals. Especially noteworthy was the dedication of the construction site professionals, who had come from all over Japan. Their work on the site far surpassed our expectations, and they stuck to the schedule with such determination. Administrative formalities also went surprisingly quickly. It brought home to us that every person and organization involved were doing their best for the common goal of providing better housing for people living in temporary shelters at the earliest possible time. This realization strengthened our sense of responsibility as Daiwa House's local representatives. Since light steel frames were being used for the first time in public housings, we took special care with regard to sound insulation, maintenance and other matters to comply with regulatory requirements. This experience taught us so much we are sure will be useful in our future projects.



Mr. Kaoru Kimura
Chief, Post-Disaster Housing Group, Construction Section



Mr. Shigemasa Chiba
Then: Leader, Post-Disaster Housing Group, Construction Section
Currently: Section Manager, Tax Section, Community Life Department



Mr. Etsuo Yoshida
Then: Leader, Building and Repairs Group, Construction Section
Currently: Section Manager, General Educational Affairs Section, Board of Education

"Speed, indispensable for reconstruction, was realized by the private sector."

It is very difficult to find sites for public housing for people displaced by the disaster. Still, we have been working very hard to meet their requests as much as possible. In the case of the Komatsu Minami Housing Estate, we received Daiwa House's proposal even before temporary shelters had been completed. It turned out to be the very first and largest public housing project in which a municipal government buys the site and buildings from the private sector. In the project, special care was taken to ensure comfort and convenience for residents. For example, to lessen burdens on the residents moving into new apartments, lighting fixtures were installed from the beginning, and high-tech toilets were made standard equipment, with a heated seat and warm-water rinsing function, which was quite unusual for public housing. The project would not have been completed in such a short time if it had been directed by the local government alone. The speed that the private sector can bring would be essential in future similar projects to further accelerate post-disaster reconstruction.



A customer's voice

Mr. Tsukasa Sugawara
Resident, Komatsu Minami Housing Estate

"Living in a spacious apartment in a cheerful environment again, my 90-year-old mother has become an early riser."

A life in a spacious apartment in a cheerful environment has become ours again after three years. When the rooms are spacious, you feel expansive. Although this is an apartment surrounded by other apartments on both sides, above and below, it is really quiet here. Perhaps because of this favorable environment, my 90-year-old mother has begun getting up early again, in great shape and spirits from the morning. Since there is a community house here, I am looking forward to meeting people and making friends through community activities. I would be very happy to regularly share my experience of living in this housing estate, saying what I find is good and what could be improved, so that such feedback can be reflected in future disaster public housings projects.

Feature

Co-creating a
Brighter Future
with the Environment

Tama New Town Higashiyama, an Environment-friendly, Forest-side New Town in Greater Tokyo

Green new town development respecting biodiversity

Since 2009, Daiwa House has been participating in the development of a new town with 681 total houses in an area 42 minutes from Shinjuku in central Tokyo. Due to the worsening of economic conditions, this site had been undeveloped for a long period of time after the aquisition. We began by conducting an in-depth study of the local natural environment and drew up a plan premised on environmental protection and preservation. Today, residents already settled in their new homes are enjoying their lives in the “forest-side” new town rich in biodiversity despite its Greater Tokyo location.



New town developments that respect resident wildlife

– Local biodiversity protection as the greatest challenge

The Tama Hills, one of the five major hilly areas in Tokyo, had a rich natural environment when we chose this site for the new town project. Determined to protect this environment, we conducted an environmental assessment* in the preparatory stage, with experts pursuing detailed studies of the local ecosystems in the field. As a result, a food chain with birds of prey at the top and numerous plants and animals totaling 1,807 species were identified in the area. Recognizing the protection of local biodiversity as the most important challenge accompanying the project, we decided to create a new town where residents could enjoy both an old satoyama life and the convenience of living in Greater Tokyo. The project slogan penned was “Let your heart live in the forest.”

* Environmental assessment is a procedure involving the estimation and evaluation of possible adverse impacts of a development project on the natural environment, conducted for the purpose of preventing or minimizing such impacts.



A *satoyama* park adjacent to a town: the natural environment is kept intact along with the natural habits of foxes and other animals, as well as Japanese sparrowhawks and other birds.



Naturally growing *murasaki hanana* (*Orychophragmus violaceus*): in the preserved mountain environment, various wild plants grow and herald the seasons.



Optimal human intervention for environmental protection

– An eco-new town combining satoyama life and urban convenience

Satoyama is a Japanese word that refers to an area on or at the foot of a mountain that is kept in a sustainable condition by people coming from nearby villages to gather firewood or use other common resources for daily purposes. *Satoyama* is known to maintain a rich natural environment in an aesthetically pleasing landscape thanks to adequate human intervention. *Satoyama* nurtures diverse wildlife and supports wide-ranging ecosystems. In Tama New Town Higashiyama, we devised various measures deemed necessary to preserve local ecosystems through managed intervention as in *satoyama*, while at the same time ensuring resident convenience. For example, we preserved or created habitats for animals and plants, preserved and (re)planted trees, and formulated local rules to promote greening. We placed a public park next to the West Gate, one of the entrances to the new town, while keeping spacious green zones intact on the eastern and western sides of the park. The West Gate serves as an ideal main town entrance in that it symbolizes the concept of the new town: life in harmony with the natural environment.

■ GREENERY COVERING ONE-THIRD OF THE SITE

The new town is linked with the western side of the Kanto Mountainous Region via uninterrupted green zones that serve as animal trails. For this reason, despite the new town's proximity to central Tokyo, diverse wildlife live here, forming myriad ecosystems. We believe that this natural environment is a precious asset that must be preserved and passed on to future generations. Accordingly, greenery is kept intact in almost one-third of the site (approximately 11 ha).



The new town is enveloped in lush greenery.

SECURING ANIMALS' MOVEMENTS

The fragmentation of green zones by newly built houses means the interruption or loss of itinerant routes for wild animals and eventual damage to ecosystems. To avoid such consequences, we decided to provide green corridors as links between existing larger green spaces. Today, on animal-only paths behind the shrubbery, you can find the tracks of *tanuki* (raccoon dogs) and other animals.



TREE-PLANTING AND PROTECTION OF NATIVE SPECIES

It was out of the question that we touch the giant *sudajii* (*Castanopsis sieboldii*) estimated to be 200 years old. The tree now stands majestically as the new town's landmark, in a park specially arranged around it. In the new town, we planted more than 100 trees, including some measuring 30 meters in height, in the parks and green zones. As trees to be transplanted, we took special care to choose species native to the region for ecological reasons.



Centenary and giant trees are found here and there: the landmark *sudajii* (left) and an oak tree in a green corridor (above).

THE FIRST “GREENING AGREEMENT” IN HACHIOJI CITY

To promote greening in residential areas, Hachioji City's first “greening agreement” has been adopted for the new town. Accordingly, detailed local rules make it mandatory to take certain measures to increase greenery around houses, such as the formation of 1-meter-wide green belts along the houses lining the trunk roads. Meanwhile, surplus soil rich in nutrients that resulted from the site preparation has been used to cover the ground surface in the residential sections in 30- to 40-cm layers to improve soil quality.



Mechanisms for environmental protection

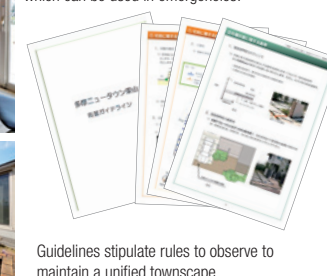
– Green maintenance, crime prevention and emergency preparedness

To make sure that the new town remains a beautiful residential area incorporating *satoyama* landscapes, we have formulated guidelines intended for local service providers, as well as an exterior master plan common to all houses in the new town. Such community-wide efforts can enhance the real estate value of the entire new town and facilitates environmental protection.

In addition to such green efforts, a residents' association has been established. Forming ties among the residents is essential to improve the new town's overall anti-crime capacities and lay the foundations for strong community solidarity in times of natural disaster and other emergencies.



The Higashiyama Club House, located immediately past the main entrance, is the base of the residents' association. It has a well and an old-fashioned cooking stove, which can be used in emergencies.



Guidelines stipulate rules to observe to maintain a unified townscape.

Daiwa House's voice



Hoping for ever-growing beauty for the entire new town including *satoyama*

Takayuki Ishi
Chief, Town Development Group
Tokyo Design Office, Housing Project Promotion Division

This was our first large-scale development project in such a rich natural environment in a hilly area. Through the environmental assessment, we learned a great deal about the local ecosystems – the trees that had grown naturally in the area, how plants and animals interact, and so on. I also learned how a community is gradually formed with its own sense of direction as residents meet at the community house and participate in events that we helped organize. These findings are all important assets that we can make use of in our future new town projects. I hope that people who have become residents of Tama New Town Higashiyama come to truly love and cherish not just their houses but the new town itself with its *satoyama*.

A customer's voice



Growing with trees, building a hometown for future generations

Mr. H
Vice President,
Tama New Town Higashiyama Residents' Association

I volunteered to serve as an officer in the residents' association because I wanted to play an active role in the process of building a community with my neighbors. The association has so far grown to 140 members and 12 officers. My house is adjacent to a green zone, so I get to enjoy daily contact with nature. The trees planted around the houses will grow tall, just as our children will. When they become adults, they will probably move and live elsewhere, but I hope that they will eventually come back. Generations of people living here, putting down roots and turning this place into a true hometown... I am dreaming of such a future.

A customer's voice



Living near the sudajii tree with wonderful neighbors

The Sakai family (Ryosuke, Rusa and Rintaro)
Residents, Tama New Town Higashiyama

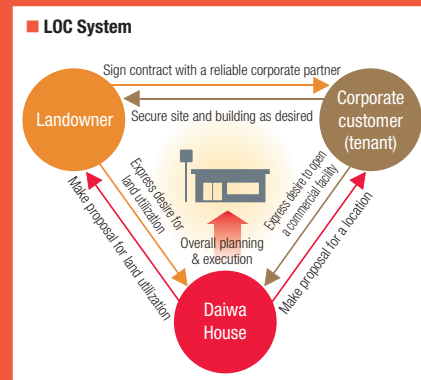
When we first visited here, there was no buildings yet, and the tall *sudajii* tree caught our eyes. Thinking of our child who would be born soon, we decided that we wanted to live here, near Sudajii Park. Since we arrived here, we have been making many discoveries. Unlike living in an apartment, we can feel seasonal change from flowers on the trees in our garden. Inviting our friends for barbecues in the garden is great fun, and they envy us for living here. There are many things we love about living here: there are many young families like us in the neighborhood, and the residents' association is active, organizing various events, which enables us to meet other families and expand our circle of friends.



Fukuoka Branch's Commercial Facility Development Project

Sustainable inter-generational partnership for customers and local communities

In commercial facility development, as the industry's pioneer partnering Landowners with Corporate customers, we operate on Daiwa House's unique LOC System for land utilization. We continue to lead the industry with our outstanding performance record of assisting many major retail chains in their nationwide expansion. Our principle and system for ensuring that projects serve both customers and local communities are the keys to our success.



Pioneering business of land use proposals in the spirit of "co-creating a brighter future"

In the mid 1970s, when accelerated modernization including the development of highway networks was taking place all over Japan, Mr. Nobuo Ishibashi, the founder of Daiwa House Industry Co., Ltd., had the unique idea of partnering landowners with corporate tenants to develop commercial facilities that would vitalize local communities.

For over 40 years since then, Daiwa House has been developing commercial facilities in the spirit of "co-creating of a brighter future" with customers, communities and society, serving as a model for commercial land use in the country. A key element in our system is the Landowners' Club. We organize club activities to provide landowners with the latest localized information likely to lead to value creation and make land use proposals in consideration of the needs of the times, while forming and strengthening our ties of mutual trust with landowners.



The Landowners' Club welcomes landowners across Japan as members. It has a sub-club exclusively for women and a junior club for next-generation landowners. Various events are held for Club members, such as seminars and parties.



Club bulletins offer information on how to make use of assets in socially beneficial ways.



Fukuoka Branch's recent project: perfect alignment of the landowner's and corporate tenant's wishes

Long-term partnership is essential for a tract of land belonging to a private owner to be utilized in a sustainable and socially beneficial manner. At Daiwa House's Fukuoka Branch, we have been fortunate to enjoy a long and solid partnership with Mr. Masaaki Toyoshima. For over 20 years, we have handled the commercial utilization of several lots owned by Mr. Toyoshima. Meanwhile, McDonald's Corporation (Japan) has also been one of our valued customers. Since 2009 we have been assisting the opening of McDonald's' restaurants across Japan through our LOC System, based on location requirements indicated by McDonald's.

When the land lease on one of Mr. Toyoshima's lots expired, we knew that the site matched perfectly to what McDonald's looked for in a restaurant location. Our prompt mediation resulted in the opening of a new MacDonald's restaurant in Fukutsu, near Fukuoka City. The new establishment has a drive-through and fulfills MacDonald's internationally applied "Gold Standard," a set of requirements in terms of facilities, scale and layout. The new restaurant is favorably received by local residents who have found a new gathering place in the restaurant's warm and modern atmosphere.



A "Gold Standard" McDonald's is open, ideally located on a spacious site at an intersection to enable easy vehicular access.



COMFORTABLE INTERIOR ESPECIALLY FOR WOMEN CUSTOMERS

Since the restaurant faces roads that local people use for commuting, shopping and so on, the customers are mainly women or family with children. The Fukutsu outlet is a good example of McDonald's ongoing drive to create restaurants that match local characteristics and customers.



LOCAL HOMEMAKERS' OPINIONS IN RESTAURANT OPERATION

Ahead of other McDonald's restaurants, the Fukutsu outlet adopts a "My Store Marketing" scheme, in which local residents working as staff can propose ideas for restaurant operation. As a result, the Fukutsu restaurant has set up a homemade kids' corner.



HANDMADE WANT AD FOR A WARM ATMOSPHERE

In this local community-oriented restaurant, even want ads are handmade. Original and cheerful designs add to the warm atmosphere.



OPTIMAL VEHICULAR FLOWS

Sometimes cooperation must be solicited even from the local governments to make sure that a project contributes to the local community. In this project, we obtained official approval to set up an exit-only lane to assure safe vehicular flow.



Daiwa House's voice

Living up to customers' trust leads to social contribution.

Tadahiro Takayoshi
Kyushu District Leader & Project Manager
Commercial Facility Division, Fukuoka Branch

Operating on our LOC System, we were able to satisfy our customers and local residents in this project. We had to negotiate with the local government to make an additional exit to ensure public safety, but everything went smoothly thanks to the landowner's strong support. In projects like this, the preparatory stage before actual construction is extremely important. We do our best to make timely and perfectly fit proposals and give sufficient consideration to the local community, by holding, if necessary, public hearings and local opinion surveys. We hope to be more useful to all stakeholders by sharing maximum information and taking care to nurture our ties with them.



Corporate tenant's voice

"All for our customers" – making the best use of the leased land

Mr. Shinichi Jitsukata
Manager, West Japan New Outlet Development Division
Outlet Development Headquarters
McDonald's Corporation (Japan)

In taking the first step to opening a new restaurant, that is, finding a suitable location, the ability to gather information is critical. It is largely thanks to Daiwa House that we have been opening some 100 new restaurants per year in the last few years. For the Fukutsu project, we received the proposal as soon as the site's availability became known. The market research results were favorable, and we were able to open the restaurant as we had hoped. Recently, we have been focusing our efforts on community-oriented restaurant operation. We are happy to see the new Fukutsu restaurant serving as a place for local residents to meet and have fun together. We intend to make the best use of the site leased to us for our customers, true to the slogan "all for customers."



Landowner's voice

Looking forward to inter-generational partnership

Mr. Masaaki Toyoshima
President
Hoei Sekiyu Co., Ltd.

I first met salesman from Daiwa House through my banker's introduction. I was so impressed with their strong motivation and sincerity that I was ready to trust Daiwa House as a whole. For more than 20 years since then, Daiwa House has been helping me effectively utilize several sites I own. I particularly appreciate Daiwa House staff's speedy responses in all situations, behind which I sense the existence of an excellent operational mechanism. In the future, many members of the Landowners' Club will be handing over their titles to their successors. I expect quality assistance from Daiwa House in the future as well so that the highly socially beneficial land use that we have realized together will continue for generations.



The future of land utilization: quickly identifying the demands of the times to ensure land use that will contribute to society

Daiwa House has driven the land utilization business nationwide. The company's association with landowners is going on three generations. Corporate tenants that got their start as local stores have grown into global brands. At present, this business is maturing and is also entering a major transition period.

Moving forward, more detailed services will be required of us and contribution to the local community will become increasingly important. We also plan to tackle social issues, including developing ways to revitalize the community by using the homes and land vacated by the first generation's children who have moved out of the area.



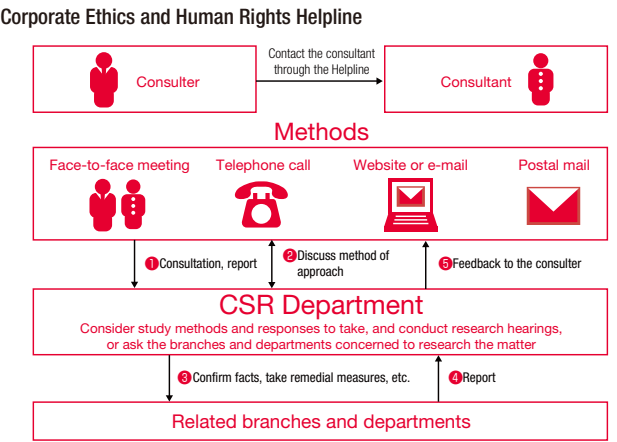
Commercial complex—The concept for the "Foleo Hakata" facility is "comfortably, casually, and shopping in everyday wear"



Medical and nursing facilities that contribute to the local community

Foundation of CSR-focused Management

In order to prevent recurrences, we make efforts to share information with related branches and departments, such as with the person in the office responsible for receiving consultations, and take measures to spread awareness on the risks, as well as conducting training to draw attention to such issues.



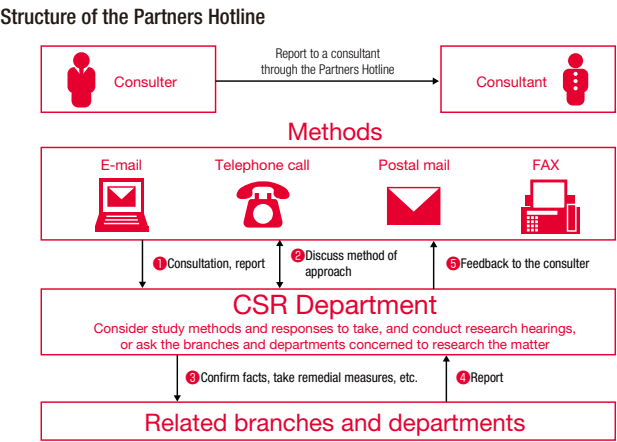
Establishing numerous contact points to make reports and receive consultations

As part of our efforts to expose various problems, such as legal violations, human rights issues, and concerns in the work environment, the Daiwa House Group has established a number of contact points within the CSR Department, the Legal Department, and the Human Resources Department where employees can make contact. By establishing a number of contact points within the Company, the Daiwa House Group has made it psychologically easier for employees to contact such sites to report or discuss their concerns, thus easing the way for them to make an approach at an early stage.

Operation of the Partners Hotline

A whistleblowing system for our business partners, called the Partners Hotline, was started at Daiwa House Industry in July 2009, and within the entire Group since January 2010. This is a system for realizing early exposure and the resolution of problems that may lead to the violation of laws by our Group employees, as well as for enhancing the self-corrective functions of our Company, in our relationships with our business partners.

In fiscal 2013, we received 15 contacts with information regarding violations in our Group's code of conduct, and improvements are being made based on the information received. By operating this Partners Hotline, we are not only able to resolve problems, but can also educate our employees on developing appropriate relationships with our business partners. We will make further efforts to enhance the awareness of our Partners Hotline.



Internal voluntary restrictions on advertisements and promotional materials

Our Company establishes a number of voluntary restrictions, such as legal restrictions, industry restrictions, considerations toward human rights, and more, with regards to the advertisements and promotional materials. We have also developed an advertising production system (D-WorkPlace) aimed at creating an advertising template. We are promoting the use of this system, and reducing the risks in the use of expressions at various stages during the development of promotional materials. We have also pointed a department that specializes in performing final checks, thus taking maximum measures to control risk.

Responding to scandals

In response to media coverage on hotels of other companies where there were inconsistencies between the contents of the menus and the actual ingredients used, we also conducted a voluntary internal survey on the situation within all 28 hotels operated by Daiwa Resort Co., Ltd. one of our group companies.

As a result, we discovered that there were select cases where different ingredients were used from what was written on the menus. We swiftly announced these findings, apologized to the relevant customers, and made a retributory contribution to the Great East Japan Earthquake Disaster Orphan Educational Fund.

In order to clarify where the responsibility lies within the Company, the salaries of all executives of Daiwa Resort including the representative directors were reduced, and the related employees were also punished in accordance with our corporate standards.

In the future, in order to recover the trust of our customers, we will be more thorough in our education toward our employees, and further strengthen our management system in order to prevent such recurrence.

Further strengthening and development of the risk management system

Our Company established the Risk Management Committee in September 1999. This committee collects information on risk, decides on specific countermeasures, deploys equal efforts throughout the company, considers improvements to be made in our operations, takes preventative measures against risk, and carries out other measures to realize a risk management structure that runs throughout the entire Group.

In fiscal 2013, the Risk Management Committee met once a month to report on risk issues that have been reported from the branches and group companies, as well as to discuss measures to prevent recurrences. The committee also gave directions on necessary issues to the branches and group companies, thus striving to share the same level of involvement throughout the entire group. Moreover, the departments in our head office and other branches are conducting risk management activities based on the policies that have been issued on risk management activities.

We will continue to be aware of the diversification of risk that comes with the expansion of our business both in and outside of the country, and our Risk Management Committee will take the lead in striving to strengthen our risk management structure and reduce risk.

Organizational Chart for Communicating Risk Information



Preventing leakage of personal information

We understand the importance of protecting personal information, and consider the handling and protection of personal information as being our basic and social responsibility in conducting our business activities. In 2005, we established the Privacy Policy for the protection of personal information, which has been announced both internally and to the general public. We are also organizing the administrative structure within our organization regarding this matter, by establishing internal regulations and appointing persons responsible for the administration of personal information.

Furthermore, we are strengthening the physical and technological aspects by building a secure administrative system for personal data. Efforts being made toward this end include internal education to promote awareness on details regarding the concepts and rules on the protection of personal information, setting up passwords for the computer hard-disk, encryption, locking the storage sites, and others.

CSR Surveys are conducted and used for self-improvement activities at each workplace

Our Group has been conducting the CSR Survey since fiscal 2004 in order to confirm how the Principles of Corporate Ethics and Code of Conduct are being implemented at workplaces. This survey is conducted anonymously over the Intranet, and covers approximately 50 questions regarding the workplace. The contents of the survey are unique to our Company. The results are given out as numerical scores, and an average figure is calculated. The survey is used for self-checks, such as to compare the results with the results of the previous fiscal year to see if there have been any changes in the awareness of the employees over the past year, and for departments to compare the average scores with other departments to figure out where their efforts are lacking. Each workplace uses the results as a reference for developing plans for future improvements.

As an example, if a workplace received a survey result (on how the employees are feeling) stating that "this workplace has made insufficient efforts to communicate directions and information to each and every employee," it would take action to remedy this shortcoming, namely "each management personnel would take responsibility in using such opportunities as morning meetings and e-mail distribution, as well as face-to-face interviews, to make thorough efforts in repeatedly communicating information." This effort would be made over a period of one year, and the results of such activities would be confirmed in the next survey.

In fiscal 2013, more than 36,000 employees from the entire Group responded to the survey. (Response ratio: 84.9%, average score: 74.97 points)

Our Group is making efforts to enhance our corporate governance,

which is a fundamental aspect of our corporate ethics, by connecting the desire of each and every employee to create a better company (workplace), and converting this desire into active improvement activities at each workplace.

Prevention of scandals by raising the awareness of each and every employee

For the purpose of preventing scandals and enhancing the ethics of our employees, the staff from the CSR Department conduct internal seminars on the theme of creating a healthy organizational culture. In the beginning, this seminar was held toward select persons with titles. However, based on the understanding that the awareness of every employee must be transformed in order to change the organization, this seminar has been offered to all employees since 2006, including part-time and temporary workers. The seminars also incorporate group discussions in which participants exchange opinions on their own work environment, thus providing an opportunity to encourage communication within the company.

Implementation in fiscal 2013

Throughout the entire Group companies: Total of 59 times, attended by 3,492 participants

Our aim was to achieve a satisfaction level of 80% or above from the participants, and after the seminar, 86.1% answered that the seminar had been helpful.



Discussions held during the seminar

For compliance education in fiscal 2013, seminars were held 170 times, and were attended by 8,468 persons

We have conducted seminars on risk management and compliance for each employee level, from new employees to those in management positions, as well as by type of occupation and by department. These seminars are part of our efforts to enhance awareness and recognition of issues regarding risk management and compliance throughout the entire Group.

In fiscal 2013, seminars were conducted 170 times, and were attended by a total of 8,468 persons. The contents of the seminars included not only issues within the Group, but also included examples of risk incidents and violations of compliance that have occurred outside of the company, instilling the significance of the impact that such compliance violations and risks have on the company and society, thereby enhancing the awareness of our employees. Our Group will continue into the future to offer education and seminars to enhance awareness of risk management and compliance among our executives and employees.

Initiatives toward the protection of our intellectual property rights

We believe that intellectual property rights are essential for the management of a company. As such, we take action under the philosophy of acquiring competitive advantage, maintaining competitive order, and utilizing intellectual property rights as the source of a company's competitiveness.

New technological developments are indispensable in building the foundations for the continuation of the business and enabling its growth. Therefore, we must gain the rights to the results of such development, thus ensuring a level of freedom in the operation of our business. Meanwhile, it is also important from the perspective of compliance to understand and respect the rights of other companies, so we are making efforts to strengthen research of the patents and trademarks of

other companies. Furthermore, in order to enable use of the results of our technological development, we are actively involved in licensing our technologies to other companies for its usage.

We have also begun providing incentives for inventions starting in fiscal 2007, and have started announcing the most outstanding invention of the year since fiscal 2012, thereby enhancing awareness of our intellectual property rights and promoting the desire to make further improvements to our intellectual properties.

Management system of intellectual property rights

■Intellectual Property Office

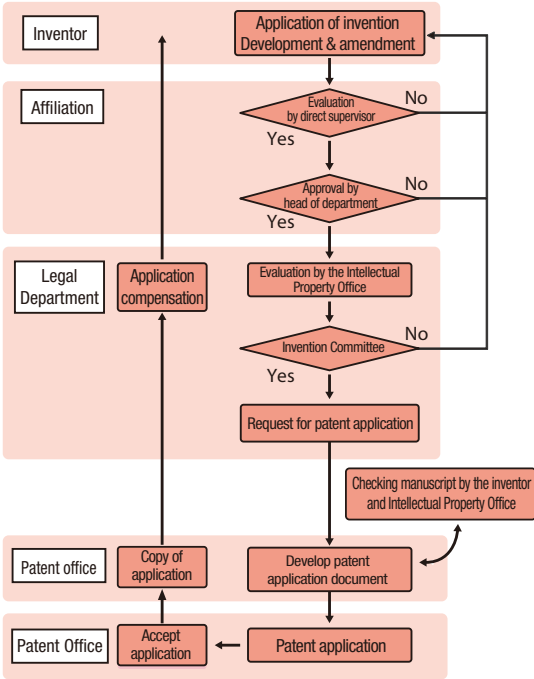
The Intellectual Property Office belongs to the Legal Department, and serves the purpose of acquiring and managing rights to intellectual properties that have been increasing in recent years. The office also takes prompt action, in coordination with associated departments, when there is infringement of rights and lawsuits.

Moreover, since it is necessary to coordinate closely and swiftly with the research and development departments regarding these issues, a permanent staff is placed at the Central Research Laboratory.

■Invention Committee

Acquisition of rights, maintenance, and licensing of all intellectual property rights owned by the Company are determined by the Invention Committee. The Committee is comprised of the head of each of the departments involved in research and development, product development, and production, and is chaired by the head of the technological department.

Diagram of the intellectual property rights management system



Results of activities

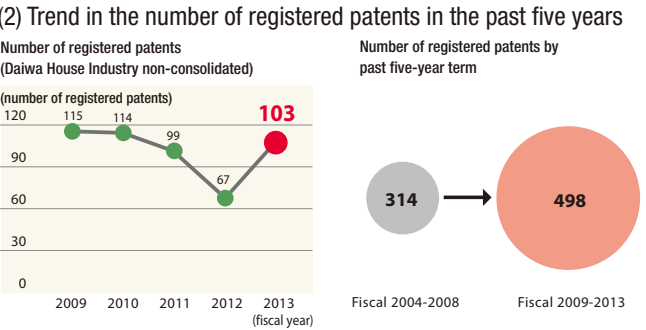
(1) Summary

The number of registered patents in the technological field overall in the five years between fiscal 2009 and fiscal 2013 was 498, an increase of 59% from the 314 patents that were registered in the five years between fiscal 2004 and fiscal 2008.

In our core technologies for “fixed structures” (International Patent Classification Section E) in the architectural field, we

acquired 371 patents in the five years between fiscal 2009 to fiscal 2013.

The number of disclosed patents for all fields in the five-year period between fiscal 2009 and fiscal 2013 amounted to 531. For fixed structures (International Patent Classification Section E), 336 cases have been disclosed in the five years between fiscal 2009 and fiscal 2013.



Severing associations with antisocial forces

Our Company established the Daiwa House Group Principles of Corporate Ethics in 2004, and all of our executives and employees are abiding by our determination to cut off all ties with antisocial forces, regardless of reason. We are also conducting efforts to thoroughly sever all associations with antisocial forces. As such, we have developed an internal system for collecting and managing information through regular contacts with external organizations such as the police, lawyers, and The National Center for the Elimination of Boryokudan. And in our major contracts, such as the contract on basic transactions with our business partners, a clause is included for the elimination of antisocial forces so that the contract can be immediately annulled if the business partner is found to be an antisocial force.

Fair business activities

The Daiwa House Group Principles of Corporate Ethics makes it clear that we will abide by the principle of competition of a fair and free market. As such, we educate our employees to act in compliance with such regulations as antitrust laws (laws to prohibit private monopolization and to ensure fair transactions) and laws regarding subcontracting (Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors).

In fiscal 2013, there were no major actions that went against the principle of competition, nor were there any violations regarding antitrust and monopolization.

Appropriate political intervention

Daiwa House Industry belongs to such organizations as the Japan Federation of Housing Organizations and the Keidanren. Through such organizations, we participate actively and offer recommendations on the development of public policies and lobbying activities, for the purpose of achieving growth of the construction industry overall, and the realization of a enriching residential environment.

Crisis management

In order to become a disaster-resistant company, we conduct training for when an earthquake occurs based on our established BCP.

BCP of Group companies

Our Group takes measures to share information within the Group by exchanging information related to the BCP. We also store supplies that would be necessary in times of disaster, and the entire Group is making efforts to be a company that is resilient in the face of disaster.

In fiscal 2013, we made preparations against the lack of items in times of a large-scale disaster, and stored food and supplies at our Okayama Plant.

In fiscal 2014, we are planning to strengthen our emergency contact system in times of disaster.

Safety confirmation system

Our Company and the 15 Group companies have implemented a safety confirmation system in order to ensure the safety of our employees in the event of an earthquake.

With this safety confirmation system, employees residing or working in areas where an earthquake was observed above a certain predetermined seismic level will receive e-mails to their mobile phones or computers to confirm their safety.

Supply chain management

We develop good terms with our business partners, and provide value to our customers and all other stakeholders.

Supply chain management

We developed a supply chain system together with the support of diverse suppliers and partners covering procurement to construction.

Cooperative system with our business partners

Our company has developed a network that supports the supply chain. Through this network, we have been providing support for the organizational operation of the supply chain that cover: the site from where the materials are procured; companies from where we acquire facilities and equipment; companies from where we procure office supplies and machines; and companies that work with us in construction work. This network also promotes issues concerning the environment, quality, safety, and other aspects within the supply chain.

With regards to environmental issues, we have implemented a purchase guideline for chemical substances, and have acquired documents of agreement on the procurement of wood, taking biodiversity into consideration. With regards to quality, we have implemented a purchase standard, and also conduct tests and trainings on technical skills. With regards to safety, we conduct safety competitions and

Recommendation of policies

In fiscal 2013, we recommended the policy of reducing the burden of consumption tax related to residential buildings through the Japan Federation of Housing Organizations, making the appeal that residential constructions are a key element of widespread domestic demand within the Japanese economy.

During the Great East Japan Earthquake, this system was utilized to swiftly and accurately learn about the safety of our employees and their families, as well as to understand the situation of damage with regards to our facilities.

Our company conducts safety confirmation training with this system twice a year.

Earthquake Early Warning System

Our company installed the Earthquake Early Warning System in September 2008 in our head office, local offices, branches, and plants to be prepared for the advent of a large-scale earthquake.

This system helps our customers and employees at our head office, local offices, branches, and plants to take action toward their safety and to take the appropriate initial responses if an earthquake should occur.

We conduct trainings with the Earthquake Early Warning System twice a year so that we will be able to mobilize appropriately if an earthquake should actually occur.

Note: The warning may delay if the epicenter is near the location, or if the earthquake occurs directly below the ground of the site.

training, thus providing buildings that satisfy our customers. The largest network within this organization is the subcontractors' association (an organization of partner subcontracting companies). Toward members of this subcontractors' association, we established the Code of Action for Business Partners in 2006. Through this, we have been gaining assent from our business partners to promote CSR from the perspectives of human rights, legal compliance, and environmental considerations.

Supply chain in the business activities of the Daiwa House Group

