

Creating Dreams, Building Hearts

Daiwa House Group
Sustainability Report 2017



Editorial Policy

Published Content

- Our Sustainability Report 2017 highlights how the Daiwa House Group is taking steps to achieve its vision of sustainability through its business by contributing to the global environment; establishing a good relationship with stakeholders, who include customers, employees, business partners, community residents, and shareholders; and establishing the CSR management foundation that supports this effort.
- In the interests of the primary readers of this report — mainly general market investors, enterprise evaluation agencies, and experts — we strive to disclose information about priority issues* of importance to our Group and the impact they may have on risks and opportunities relevant to our Group's medium- to long-term improvement of corporate value.

* These are identified in "Demands and expectations of society" and "Degree of importance to our business" as priority items in our Medium-Term CSR Plan. For details, please see pages 19 to 21.

Composition

- Each item in the table of contents to this report is linked to priority issues in our Medium-Term CSR Plan introduced in fiscal 2016.
- Each of our various practical reports (pp. 22–144) are introduced with Commitment from the Executive Officer in Charge. In an effort to explain management's approach, we have organized and systematically reported on to each priority issue under "Concept and Policy," "Management" and "Major efforts."
- Beginning with this fiscal year, in addition to reporting the main initiatives in our Group's value chain and contribution to SDGs (pp. 13–14), we have presented our detailed response to ESG issues in the supply chain in answer to public demand for high disclosure requirements in "Co-creating a Brighter Future with Our Business Partners" (pp. 50–59) and "Human Rights Management" (pp. 127–132).

Note: In order to facilitate reporting of our efforts to achieve our sustainable vision with relation to the Environment, Society and Governance (ESG), our new annual Sustainability Report now summarizes the information we had published in previous fiscal years as our separate annual publications, CSR Report and Environmental Report.

Our Communications at a Glance



Reporting Media

The Sustainability Report is published in both Japanese-language and English-language editions.

Target Readers

The reports are targeted principally at general market investors, enterprise evaluation agencies, and experts, but also contain a variety of information of interest and concern to a wide spectrum of the Group's stakeholders, including our shareholders, customers, business partners, and employees, as well as NPOs and NGOs, members of the local communities where we do business, and government organizations.

Reporting Organizations

The report provides information on the Daiwa House Group overall (162 consolidated subsidiaries and 28 equity method affiliated companies as of March 31, 2017), with a focus on Daiwa House Industry Co., Ltd.

Report Period

In principle, the period covered in this report is the 2016 fiscal year (April 1, 2016 to March 31, 2017). Activities before and after this fiscal period are mentioned as necessary.

Referential Guidelines

"Sustainability Reporting Guideline 4th Edition" by the GRI (Global Reporting Initiative), ISO 26000, "Environmental Report Guideline (2012 Edition)" by the Ministry of the Environment

Issued

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This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2017. The accuracy of the data regarding carbon dioxide (CO₂) contained in that report was certified by third parties and an accompanying check mark (✓) indicates all data subject to such certification.
(See page 189 of the Japanese-language edition of the Sustainability Report 2017 for a third-party assurance report.)

Protecting Children from Traffic Accidents

The symbol of the Daiwa House Group's sustainable vision is reflected in the construction of Japan's first* pedestrian overpass.

The rapid increase in traffic in Japan in the early 1960s led to an alarming increase in the number of traffic accidents involving children.

Our founder, Nobuo Ishibashi, was greatly troubled by this situation. He believed that pedestrians should be able to cross roadways above the traffic, so he commissioned the company to construct and donate a pedestrian overpass made of steel pipe, a construction method at which the company had become adept.

Determining what is useful to individuals and society was a concept taken to heart during the founding of Daiwa House Industry.

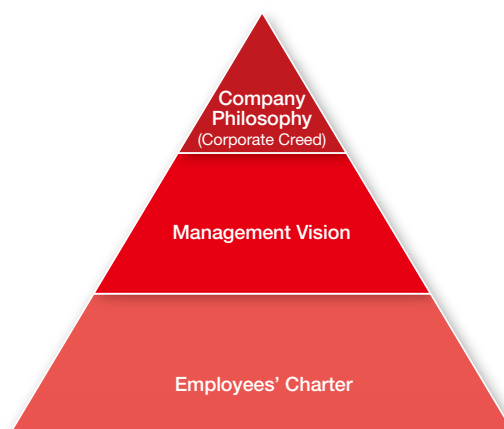
* Refers to a pedestrian overpass of steel pipe construction.



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

The Daiwa House Group’s origins can be traced to our commitment to supporting society with integrity.

Daiwa House Group's Core Philosophy



Company Philosophy (Corporate Creed)

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

- 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

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

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

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

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.

Don’t do things because they will make a profit,
Since 1955 but because they will be of service to society.



“Don’t start off from the thought:
‘What can I do that will make a profit?’
A company is a public organ of society, and we must ask ourselves
what kind of product – or what kind of business – will be of use to
the world around us and make people happy.”

—— the late corporate founder Nobuo Ishibashi (1921-2003)

Building on Our Founder's Spirit
Since 2005 While Working to Implement Our Sustainable Vision



Daiwa House®
Group

Creating Dreams, Building Hearts

The “Endless Heart” symbol of the Daiwa House Group represents our Group’s continuous action and infinite growth and development. It embodies our core philosophy of striving toward our Sustainable Vision of the future.

In the near future, each and every one of us will continue to preserve and demonstrate our founding values and will work to take on the limitless challenge of contributing to the emergence of a sustainable society.

—The Daiwa House Group adopted the “Endless Heart” symbol on our 50th anniversary in 2005.—

Our Founder's Spirit — the inspiration for our approach to sustainable management — is also indispensable to the future attainment of sustainable development.

We will contribute further to society in collaboration with everyone concerned.

We are committed to management in the belief that “a company is a public organ of society.”

More than 60 years have passed since Ishibashi Nobuo, the founder of Daiwa House Industry, established our company with only 18 employees in 1955. He launched his business from zero, and we carry on the business with the intention of offering something of use to the world without imitating the products or services of other companies. “Consider ideas that would please and be useful to individuals and society, rather than just focusing on how to earn profits. These must be the keywords of our business.” This comment by Nobuo Ishibashi has remained our never-changing value standard and has become the common philosophy that encompasses the entire range of businesses we operate.

As exemplified by our latest consolidated sales exceeding ¥3,500 billion, our business has grown substantially, and I think we should now reflect on the importance of keeping our founder's spirit vibrant and at the forefront of our future. We want to remain a company that contributes to society, never losing sight of the attitude that inspired the founder of our company.

I received a wide-ranging education from Nobuo Ishibashi during our time together, and I have remained committed to managing our Group in the belief that we must preserve our moral principles while demonstrating that “a company is a public organ of society.” These sentiments represent our unwavering values and I am convinced that they represent cornerstones that should never be forgotten as we manage our businesses and pursue our operations. Of course, it is commonly acknowledged that “moral principles” represent the most appropriate course society should follow. As Mr. Ishibashi said, “Never be unreasonable when dealing with individuals and society.” We must accomplish ordinary tasks on a routine basis with diligence. In other words, in the course of regular business and in our personnel training, all our employees must remember to be complete in small things. This is one of the values that lie at the very heart of sustainable management. I believe it is now my mission as an executive to ensure that each of our more than 60,000 employees share this value and work to ensure it is instilled in every company of our Group.

The starting point of a business is to please the customer and be useful to individuals and society.

Our Group aims to carry forward our founder's will, becoming a corporate group with consolidated sales of ¥10 trillion by 2055, the 100th anniversary of our company's founding. This goal is not merely to continue expanding the scale of our business; it is simply a manifestation of our corporate stance of developing a business of sufficient scale to respond to social issues in a diligent and sustainable manner.

Business Domain (targets for value creation)

Group that co-creates value for individuals, communities and people's lifestyles

Housing

Business

Life

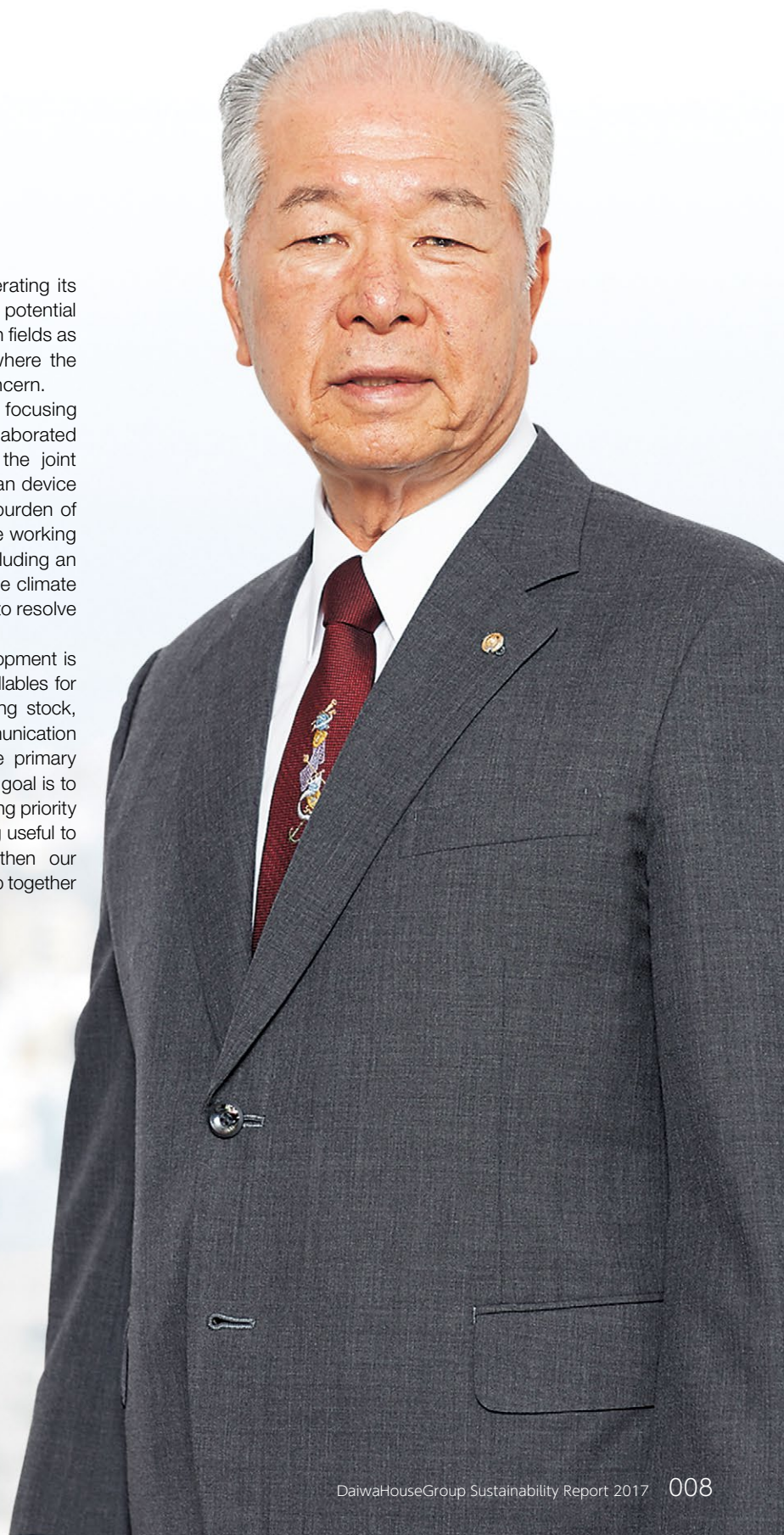
In order to meet the challenge presented by this inspiring goal, our existing business must work harder than ever to contribute to society. Furthermore, it is essential that we proactively expand our business internationally in addition to developing new businesses as part of our growth process. We will continue to demonstrate the decisive communication that has supported the growth of our company since its founding. In so doing, we will become more sensitive than ever to emerging trends and contribute to global environmental issues, in addition to responding to Japan's declining birthrate and aging society. Clearly, it is essential that all our executives and employees seriously address a variety of social issues. It is also important that we work together, not only in-house, but also with the broad range of stakeholders in our circles, including our business partners.

Looking to new business development, we are making an investment in Cyberdyne Inc., a business venture that develops a type of robotic suit for use in medical care, and will collaborate with them. In addition to publicly listing its shares in its eighth year

after we made our investment, this company is accelerating its product development efforts. Its robotic suits hold great potential for the future, as they are expected to find applications in fields as diverse as construction and nursing care in Japan, where the shrinking labor force has become an issue of public concern.

It should be noted that Daiwa House Industry is also focusing on commercialization of robotics. For example, we collaborated with another business venture, NWIC Co., Ltd., in the joint development of Minelet Sawayaka, an automatic bedpan device for bedridden patients that is intended to reduce the burden of nursing care in Japan's aging society. Moreover, we are working on the development of a wide range of businesses, including an environmental energy business that will help to solve the climate change issue and an agricultural business that will help to resolve global food issues.

The key phrase we have adopted for business development is "Asu Fukaketsuno"; this is an initialism comprising the syllables for the Japanese words for safety, comfort, speed, housing stock, social welfare, the environment, health, information-communication technology, and agriculture. These fields represent the primary issues that are challenging humanity the world over. Our goal is to develop new businesses and contribute to society by giving priority to a single perspective: "Pleasing the customer and being useful to individuals and society." We will continue to strengthen our cooperation with outside business ventures as we develop together sustainably while forging bonds of mutual trust.



Historical Background to Our CSR Guidelines

The social contribution initiatives that we implement through our business are symbolized in the phrase “Asu Fukaketsuno” and are consistent with our Group’s CSR Guidelines. We are committed to contributing to society through our business with our proprietary technologies and expertise. This is the business policy to which our company has held firm since its founding.

In 2002, we abolished our division system as an organizational reform and delegated authority to branch managers in order to establish a system more closely aligned with the region. We also adopted six criteria in question form that we consider prerequisites for responsible decision-making: Does it benefit our company?; Does it benefit our employees?; Does it benefit our customers?; Does it benefit our shareholders?; Does it benefit society?; and Does it contribute to our future? These six criteria for decision-making reflect the attitudes we inherited through our Founder’s Spirit and represent our foundational principle, to be of use to individuals and society.

If we consider these six criteria to represent the cornerstone of our management, and the nature of the day’s work and new

issues are deemed to apply, we should act without delay and boldly pursue it. As a consequence of this approach, we have been able to achieve our current growth by continuing to pursue positive activities over the past dozen years without blurring our decision-making criteria. As a result, we have been able to produce our current growth. In other words, these criteria can be regarded as the starting point of today’s CSR management. At the time we adopted this approach, when the concept of “CSR” was relatively unknown in Japan, it was quite significant to have been able to set down decision-making criteria with an enlightened awareness of current stakeholders.

“Endless Heart” — the symbol of our approach to contributing to society

From now on, in order to take on our new challenge for sustainable growth, our most important initiative is to cultivate human resources. Clearly, it goes without saying that “corporations are people.” In anticipation of future growth, we must carefully nurture all our young employees, provide a venue



CSR Guidelines

01 Contributing to society through business

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

02 Co-creating a brighter future with our stakeholders

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

03 Conduct of every single Group employee

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

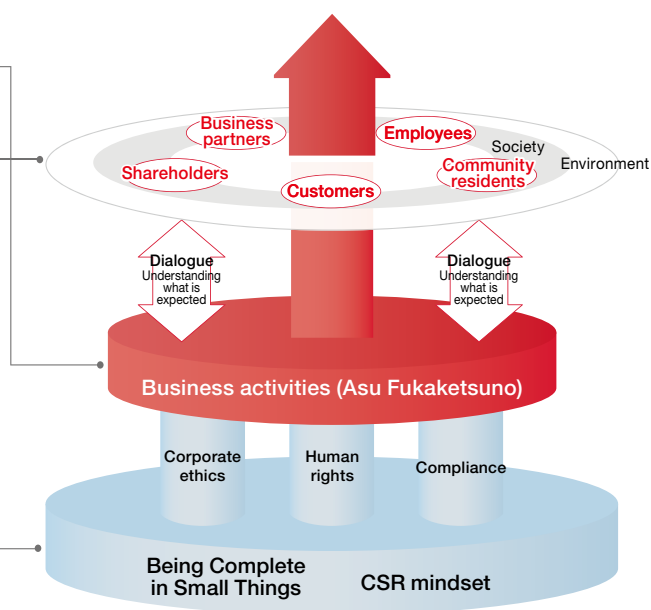
for their activities, and create a system for properly evaluating the fruit of their work. Moreover, as our businesses continue to develop internationally at an accelerating pace, we need to train our personnel in a manner that transcends conventional thinking.

With the expansion of our business and the increasing diversity of our workforce in terms of age and country of origin, I think we must place greater value on our founding spirit. One of my foremost duties as chairman is to ensure our founding spirit remains at top of mind for future generations; in short, this requires that I assume a role similar to that of a preacher, and I would like to instill this sentiment in all members of the Daiwa House Group.

Company Philosophy (Corporate Creed)

Sustainable Vision

Enriching lives around the world.
Our never-ending challenge,
together with society, together with people.



■ Our six criteria for decision-making

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

At the beginning I mentioned the prospect of working toward attaining our centennial, but more than 30 years remain until that day. Although we can think of it as being a point of time in our future, our company's centennial is really just a passing point in time; for the next 100 years after that we must ensure our company remains in service to our customers and society at large for an unlimited period of time.

Of course, we do have a tendency to forget important moments in our history over the passage of time. Now, however, I think that it is essential that all our executives and employees give fresh thought to the circumstances of our founding and the values our founder adhered to.

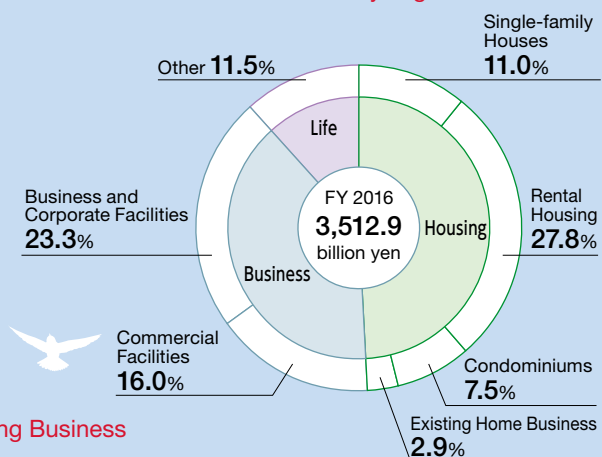
When we celebrated our 50th anniversary, we also adopted our "Endless Heart" symbol signifying our ties to our customers as well as the solidarity of the Daiwa House Group. The design is reminiscent of a Moebius ring that represents the constant action and infinite growth of our Group. This symbol also reflects our founder's thoughts and demonstrates our determination to highlight the value of our founding spirit and cooperate with many people in order to expand our business into something that is of great use to the people of the world. Even as the scale of our business grows, we shall never forget this sentiment. I intend to continue fulfilling my mission with solemnity for the benefit of the corporation. Going forward, I trust I can count on your understanding as well as the support of a great many members of society.

Takeo Higuchi
Chairman and CEO

Takeo Higuchi

Performance by Business

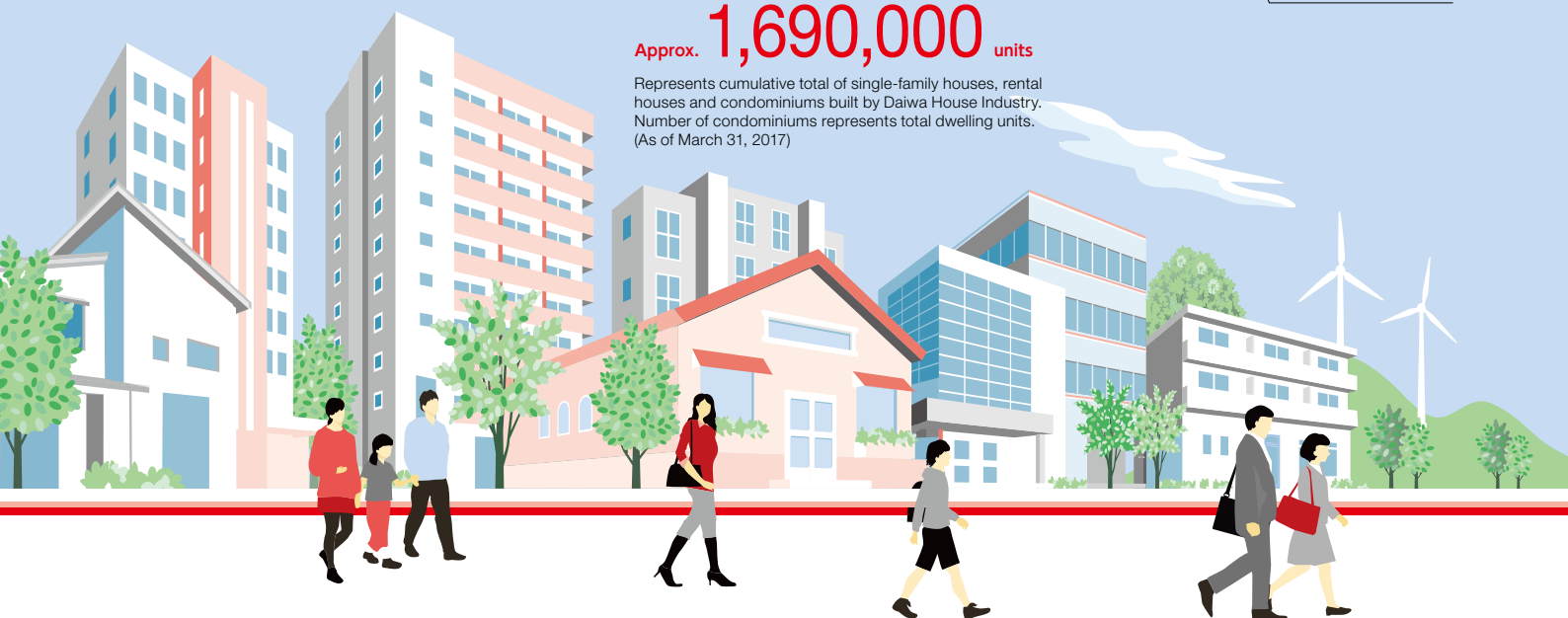
Sales ratio by segment



Performance of Housing Business

Approx. **1,690,000** units

Represents cumulative total of single-family houses, rental houses and condominiums built by Daiwa House Industry. Number of condominiums represents total dwelling units. (As of March 31, 2017)



Business Segments

Housing



Single-family Houses

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



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.

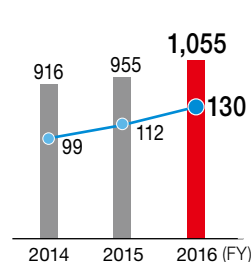
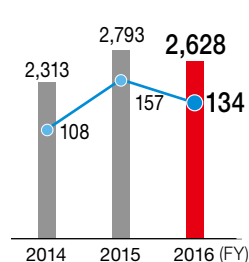
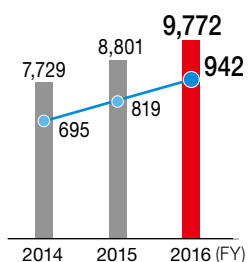
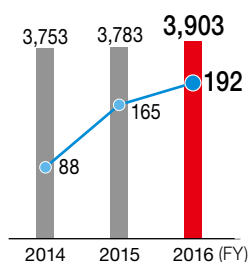


Existing Home Business

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.

Net sales/operating income by segment

■ Net sales —●— Operating income (Unit: 100 mil. yen)



Number of satisfied customers

33,902,000



* Cumulative total number of customers living in single-family houses, rental houses, and condominiums built by Daiwa House Industry, as of March 31, 2017. All figures approximate.

Construction of commercial buildings

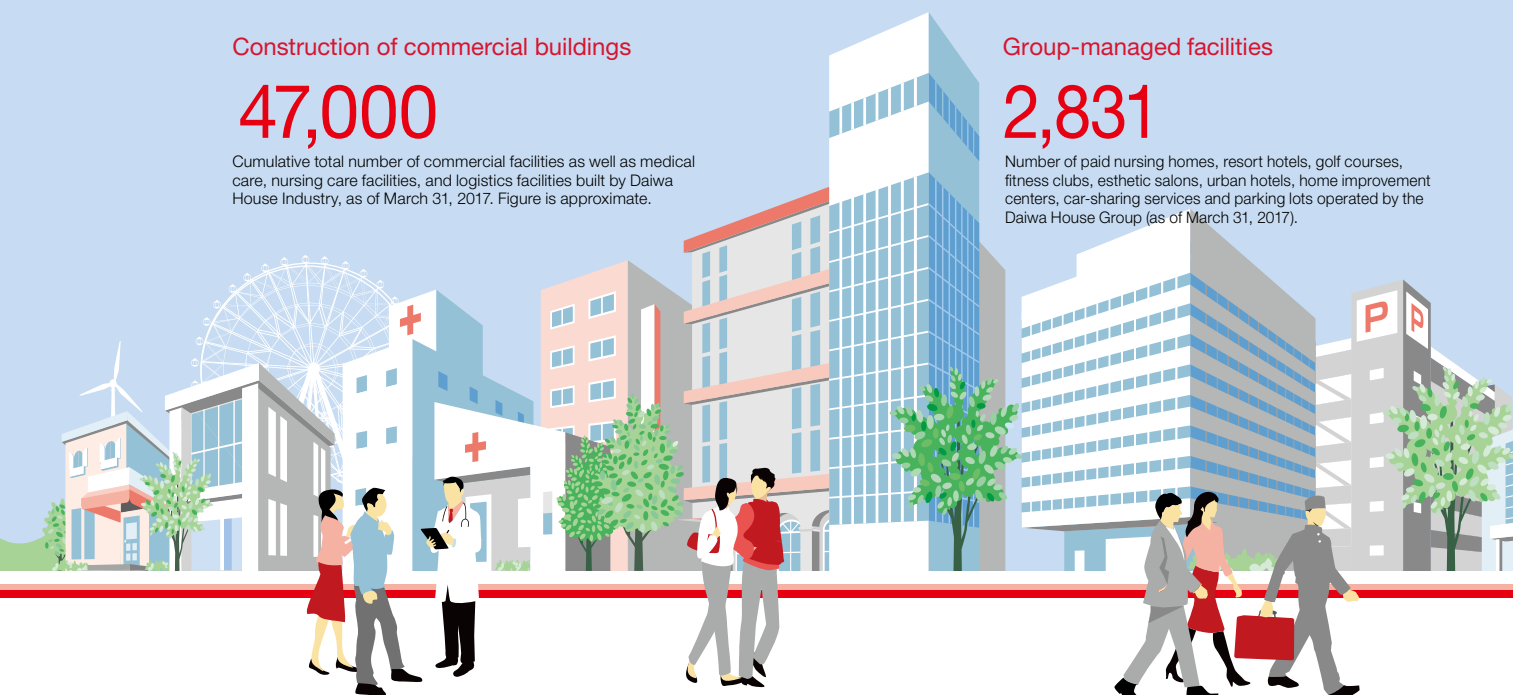
47,000

Cumulative total number of commercial facilities as well as medical care, nursing care facilities, and logistics facilities built by Daiwa House Industry, as of March 31, 2017. Figure is approximate.

Group-managed facilities

2,831

Number of paid nursing homes, resort hotels, golf courses, fitness clubs, esthetic salons, urban hotels, home improvement centers, car-sharing services and parking lots operated by the Daiwa House Group (as of March 31, 2017).



Business



Commercial Facilities

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



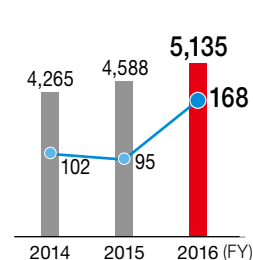
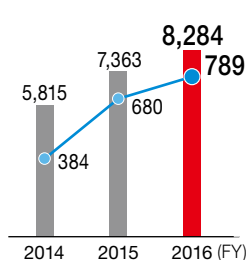
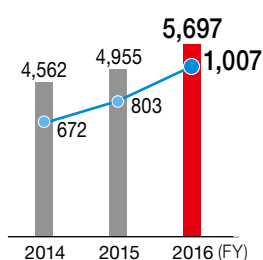
Business and Corporate Facilities

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



Other







We offer a wide range of businesses related to individuals, communities and lifestyles such as home improvement centers, construction support, urban hotels, and health and leisure facilities.



Social Issues and Main Initiatives of the Daiwa House Group (Contribution to SDGs)

Among the social issues relevant to the value chain of the Daiwa House Group, we have identified the risks and opportunities for our Group; determined the issues to prioritize; and incorporated them as initiatives to be promoted in our Medium-Term CSR Plan* in effect from fiscal 2016 to fiscal 2018. *For details, see pp. 19–21.

Social issues	Violations of human rights and labor issues	Population decline and aging of society in Japan
	<ul style="list-style-type: none"> • Child labor, forced labor, and poor work environments • Illegal logging infringing the rights of indigenous peoples • Normalization of excessive working hours in Japan (Average annual working hours in FY 2015: 1719) 	<ul style="list-style-type: none"> • Increase in proportion of elderly (aging rate in FY 2015: 26.7%) • Decline in working population (Lost workers between FY 2000 and FY 2015: 1.68 million)

	Procurement (construction materials)	Business Activities (development, design, manufacturing, transportation and construction)	
Risks and opportunities for the Daiwa House Group	Failure to respond to labor issues, human rights, and other issues affecting suppliers can lead to loss of reputation and weakening of the procurement base.	While the lack of personnel lowers the quality of subcontractors' technology and safety management and weakens the production and technology base, the foundation can be strengthened if an appropriate response is made.	While the shortage of personnel contributes to a reduction in the scale of projects and a decline in quality, businesses can continue to expand by ensuring job satisfaction for a diverse mix of workers.
Priority issues of the Medium-Term CSR Plan	[Business partners] Encourage business partners in CSR efforts. [Environment] Maintain environmental harmony in all procurement processes.	[Business partners] Improve working conditions and secure personnel for construction subcontractors.	[Employees] · Provide personnel training. · Create work environments and systems where a diverse range of employees can work flexibly.
Main initiatives of the Daiwa House Group	<ul style="list-style-type: none"> • Expand implementation of CSR Procurement Guidelines and introduce self-assessments. • Identify and address the impact on biodiversity/human rights through the CSR Wood Procurement Survey. 	<ul style="list-style-type: none"> • Promote occupational health and safety at production and construction sites. • Assist skilled workers of construction subcontractors financially and technically. 	<ul style="list-style-type: none"> • Promote management of human resource development. • Establish a diversity promotion system. • Eradicate excessive work hours and promote health management.
FY 2016 results	<ul style="list-style-type: none"> • A total of 586 companies implement self-assessments according to CSR Procurement Guidelines. • C-ranked wood accounts for 2.5% of total (0% targeted for FY 2018). 	<ul style="list-style-type: none"> • No. of labor accidents at Daiwa House Industry Decreased by 20.6% over the previous year (targeting a 20% reduction for FY 2018). • No. of employees trained on-site: 481 (Projected total number of workers at housing and building contractors in FY 2018: 830) 	<ul style="list-style-type: none"> • Satisfaction of our employees with respect to general personnel development: 67 points (FY 2018 target: 85 points) • Number of female managers appointed: 108 (FY 2018 target: 160)
Impact of our Group on society and the environment	<ul style="list-style-type: none"> • Improve the human rights and labor environments of suppliers. • Practice sustainable forest management and biodiversity conservation. 	<ul style="list-style-type: none"> • Foster highly skilled workers. • Stabilize management of contractors. • Create employment. 	<ul style="list-style-type: none"> • Train personnel who can contribute to society through our business. • Increase the working population.
Contribution to SDGs	  		 

Advancement of global warming / energy issues

- Japan's CO₂ emissions from the business and household sector increased.
- Japan's energy self-sufficiency rate declined. (6% in FY 2014)
- Ratio of renewable energy is lower in Japan than in other developed economies. (14.5% in FY 2015)









Loss of biodiversity

- Decline in global forested area by an average of 3.3 million hectares per year (2010–2015)
- Loss of ecosystems due to development
- Decline in green areas in urban Japan

Decline of local communities

- Less contact and aging populations in local communities
- Aging populations and dilapidated condition of housing complexes in contemporary bedroom communities

Products and Services
 (inhabitation, usage, maintenance and demolition)

Establish a long-term relationship of trust with homeowners to create an impact on brand value and generate referral sales.	Create business opportunities by building communities and renovating housing complexes.	With tightened regulations for energy-efficient housing and buildings and facilitation of preferential systems for ZEH* ¹ and ZEB* ² and other leading-edge energy-efficient buildings, accommodating this system will lead to business growth. * ¹ Net zero energy house * ² Net zero energy building	Expand environmental greening business in response to the growing need for urban greenery.
[Customers] Long-term efforts to earn trust	[Community residents] Active involvement in, and collaboration with other parties for local community development	[Environment] Takes steps to respond to the global warming issue with relevant products and services.	[Environment] Develop environment-friendly products and services.
<ul style="list-style-type: none"> • Develop a quality assurance system to support quality control and long-term warranties. 	<ul style="list-style-type: none"> • Participate in Community Engagement in urban development projects. • Participate in community co-creation activities at branch offices throughout Japan 	<ul style="list-style-type: none"> • Promote the construction of zero energy houses, buildings, and towns. • Expand the power generation business by adopting renewable energy. 	<ul style="list-style-type: none"> • Develop environment-friendly housing, commercial facilities, and communities. • Create a system for maintaining and preserving green spaces.
<ul style="list-style-type: none"> • Satisfaction level revealed by 10-year inspection questionnaire: 96.4% (FY 2018 target for our housing business: 100%) 	<ul style="list-style-type: none"> • Collaboration with NPOs and NGOs: 42.6% (FY 2018 target: over 50%) 	<ul style="list-style-type: none"> • “For Nature” ratio*¹: 62.4% • ZEB*²: 75 projects • ZET*³: 4 projects in total • Installed capacity of renewable energy: 192.3 MW (target for FY 2018: 252 MW) <p>*¹ Single-family housing brand targeting zero environmental impacts *² Including ZEB-Ready and Nearly ZEB *³ Net zero energy town</p>	<ul style="list-style-type: none"> • Green space: 871,000 m³ (FY 2018 target: 910,000 m³)
<ul style="list-style-type: none"> • Offer high-quality building stock. • Eliminate issues related to vacant houses. 	<ul style="list-style-type: none"> • Renovate local communities and housing complexes. 	<ul style="list-style-type: none"> • Contribute to reduction of CO₂ emissions in Japan's business and household sectors. • Improve energy self-sufficiency. 	<ul style="list-style-type: none"> • Create communities with abundant greenery. • Increase the asset value of communities. • Create a community center.
		  	  

The Daiwa House Group supports the SDGs.

Committed to our top priority of “being useful to individuals and society” and to remaining a corporate group that is supported and appreciated by its stakeholders

Implementing a Medium-Term Plan that responds to social issues

Developing a management foundation for future growth while strengthening our potential for short- and medium-term growth

The market environment in fiscal 2016 remained uncertain as corporate earnings and capital investment remained stagnant. Consumer spending also lacked spark, and growth in China and the rest of the global economy slowed.

Under these circumstances, our Group formulated its 5th Medium-Term Management Plan targeting fiscal years 2016 to 2018. We are aiming for steady implementation of this plan, which is intended to drive further growth and development in the years ahead. This plan calls for strengthening our potential for short- and medium-term growth as we lay the groundwork for future expansion. We are also taking steps to improve our management foundation in terms of human resources and manufacturing so that we can cope effectively with future changes in the economic environment.

As a result, we achieved consolidated net sales of ¥3,512.9 billion, operating income of ¥310 billion, and net income of ¥201.7 billion supported by rental housing, commercial facilities, and business and corporate facilities, which are drivers of growth. We were able to meet our profit target of ¥180 billion in the first year.

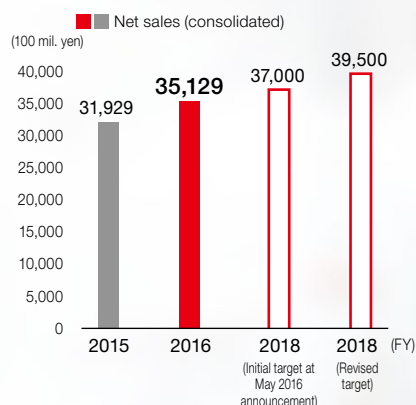
Moreover, we intend to strive for further growth after having upwardly revised our earnings forecasts for the final year to ¥3,950 billion in consolidated sales, ¥340 billion in operating income, and ¥224 billion in net income.

In fiscal 2017, we plan to further expand sales of rental housing, commercial facilities, and business and corporate facilities in addition to growing sales of single-family houses, our core business. In particular, we intend to expand our real estate developments, including logistics facilities and complexes such as furnished apartments.

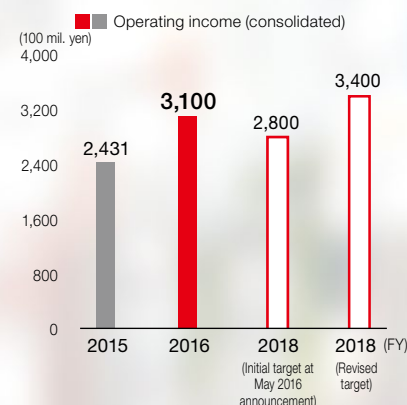
Looking to our international business, sales in fiscal 2016 totaled ¥111.6 billion, exceeding ¥100 billion for the first time, as a result of sales of development properties throughout our Group and the receipt of orders for large properties. Moreover, we plan to nearly double our sales to ¥200 billion in fiscal 2017. We will continue to be proactive in developing our business mainly in North America, Australia, and the ASEAN economies.

In an effort to improve our management foundation, we are taking steps to strengthen our personnel by creating an environment in which our diverse human resources can thrive. For example, we will expand our system that enables women and senior employees to take more active roles, maintain active recruitment through diverse channels, and hire a wide range of

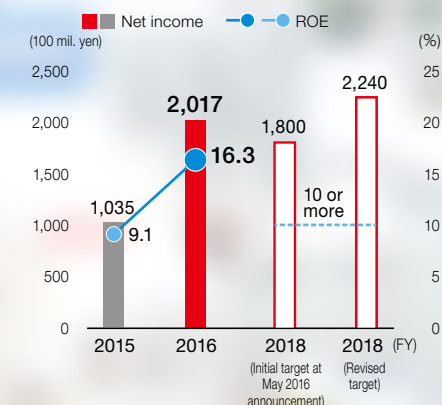
Net sales (consolidated)



Operating income (consolidated)



Net income/ROE



personnel. Moreover, we will work to improve productivity by further streamlining our manufacturing by promoting the leveling of all business processes, reforming our procurement and logistics systems, and creating an environment that supports fieldwork.

Implementing our Medium-Term CSR Plan in conjunction with our 5th Medium-Term Management Plan

Since its founding, our Group has taken the initiative in ensuring we are “useful to individuals and society.” In pursuing this philosophy, we have also managed to achieve corporate growth. The management of our Group must aim to respond to the demands and expectations of society and our stakeholders over successive periods, as it is our mission to face ongoing social issues in anticipation of trends.

Accordingly, in fiscal 2016 we formulated our Sustainable Vision, which calls for the creation of social value and corporate value over the medium and long term as reflected in our 5th Medium-Term Management Plan. As part of this initiative, we formulated our new Social Long-Term Vision and Environmental Long-Term Vision. The former demonstrates the relationship that we believe must be formed with our various stakeholders, who include our customers, business partners, employees, community residents, and shareholders, and indicates the medium- to long-term management base of the Group. We want to contribute to society through our mutual development. As for our Environmental Long-Term Vision, we are striving to achieve a sustainable society with the goal of achieving zero environmental impacts by 2055, the year our company commemorates its centennial.



Moreover, we formulated and implemented a three-year Medium-Term CSR Plan that coincides with our Medium-Term Management Plan with respect to the social and environmental aspects. In terms of the social aspect, we are responding diligently to priority issues relevant to our stakeholders and our company. In terms of the environment, we are focused on balancing environmental realities with corporate earnings and accelerating initiatives throughout our value chain regarding procurement, products, and business activities. Our priority themes are preventing global warming, maintaining harmony with the natural environment, conserving resources, and controlling chemical pollution. We are also working to build a strong corporate foundation by establishing a corporate governance structure that underpins our business, society, and the environment; at the same time, we are raising awareness of corporate ethics, human rights, and regulatory compliance among our executives and employees.

With regard to our progress with this plan, we are employing our CSR Self-Assessment Index, which we revised in fiscal 2016, in order to evaluate our annual progress. Moreover, we share topics and improvement measures with related departments through internal committees such as our Group Environmental Promotion Committee. One way we intend to meet our objectives is by implementing the PDCA cycle. Through these efforts, we are responding to the various expectations and demands of society, contributing to the emergence of a sustainable society, and developing as a corporate group that can grow sustainably.

Fulfilling our social mission while reflecting the rationale for the founding of our company: “a close, long-term relationship with customers”

While climate change and urban overcrowding have become global challenges, Japan is also facing its own unique social issues, including population decline, a falling birthrate, an aging population, and the need to reform labor practices. We believe that the correct approach lies in accurately identifying existing circumstances before taking steps to solve these problems.

The businesses of the Daiwa House Group currently span a wide range of developments, including single-family houses, rental housing, condominiums, commercial facilities, and business and corporate facilities. However, what lies at the root is the basic single-family house, which represents the very heart of our company's beginnings. Although our various business segments continue to expand, we still cherish “a close, long-term relationship with customers.” This enables us to face the challenges each individual customer must deal with head on so that we can also squarely address background social issues. For example, in residential complexes that house aging residents, we are following our Community Development Vision of revitalizing communities by creating value linking residents and communities in order to link the value of the community to its future; in short, we

are addressing the need to develop the community of the future.

To solve these problems, our various business segments and Group companies are working together to devise solutions through the “All Daiwa House.” In addition to collaborating with our Group companies, it is essential that we build relationships of trust with a wide range of business partners, including subcontractors involved in construction and those companies involved in the procurement of materials. We intend to respond to social issues diligently by practicing the collegiality that is indispensable to the execution of our Group's business.

Promoting change without fear of failure and laying the foundation for sustainable management

In order to address today's diversifying social issues, proper training of personnel is critical. At the beginning of our Corporate Creed that underpins our Group's Company Philosophy, we advocate “developing people through business.” Under our new Medium-Term Management Plan and Medium-Term CSR Plan, we have also identified management indicators and human resource development as coincidental policies. Moreover, in response to social issues requests from our Group's various customers, promoting greater diversity — including more involvement of female employees — is essential if we are to maintain our business. We remain dedicated to actively developing our human resources so that our diverse employees can adopt the Founder's Spirit that serves as our foundation and can grow to become capable personnel who can address various social issues with ingenuity.

As a result of these human resource initiatives, we are approaching employee health management from a managerial point of view. We are one of the listed companies that emphasize promotion of female employees in fiscal 2016 under the “Nadeshiko Brand.” We are pleased to note that we have been selected as a White 500 and a Health and Productivity Stock Selection enterprise, as examining, and strategically promoting, health management for employees from a managerial viewpoint.

In terms of the environment, we have positioned the construction of zero energy houses, buildings, and towns as a priority policy and are promoting initiatives associated with this policy. In addition to our focus on single-family houses and commercial facilities, we are developing zero energy towns and are promoting widespread adoption of this innovative practice. To date, we have developed net zero energy towns (ZET) in four locations across Japan in which residents enjoy features: they share ownership of photovoltaic power stations, share the resulting electric power among their residences, and share cooling facilities with nearby commercial facilities that we have developed together. Moreover, we are developing communities that are uniquely suited to their respective regions. In recognition of our efforts, we received the MLIT Minister's Prize at the 26th Global Environment Awards.

As we achieve steady progress with our Medium-Term Management Plan and our business scale expands, our Group's corporate social responsibility will become increasingly significant. Therefore, it is essential that we accurately identify both the social and environmental aspects of our business risks and opportunities. Such an approach will enable us to face each issue with the appropriate diligence. Since its founding, the Daiwa House Group has sought to do what other companies have not, which is to provide society with new value. We believe it is our mission to achieve sustainable management that responds to social issues by pushing for change while steadily carrying on the our founding spirit of "being useful to individuals and society."

We will continue to develop relationships of deeper trust with our stakeholders as we implement our plans to achieve our goals for fiscal 2017. We will build a solid foundation for sustainable management while monitoring the changing environment and striving to remain a corporate group that is supported and appreciated by its stakeholders.

Naotake Ono
President and COO

Naotake Ono



Background to Our Vision

As our Fifth Medium-Term Management Plan goes into effect, we clarified our business domain and basic aim in accordance with our Sustainable Vision, and established a long-term vision for E/S/G (environment, society, governance) as the basis of our Group management activities.

Sustainable Vision

Enriching lives around the world.
Our never-ending challenge, together with society, together with people.

Our founder Nobuo Ishibashi continuously thought about how to contribute to Japan and to society. And he continued to profess that the fundamental principle of corporate management is to foster people and develop society through business activities. Moving forward, each of us in the Daiwa House Group will continue to embrace and pass on this fundamental principle as we work to further the growth of a mature Japan and pioneer a global market in which lies endless possibilities. We will continue our never-ending challenge of achieving a sustainable society.

Our Basic Aim (a foundation supporting value creation)

Creating Dreams, Building Hearts

Contributing to society through business

Co-creating a brighter future with our stakeholders

Conduct of every single employee

Long-Term Vision

Long-Term Social Vision

As a Group that co-creates value for individuals, communities and people's lifestyles, Daiwa House Group uses five principles to grow closer to our stakeholders, while contributing to society through various business activities.

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

Long-Term Environmental Vision

As a Group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group contributes to the emergence of a sustainable society and is addressing the challenge of zero environmental impacts.

"Challenge ZERO 2055"

- Challenge 1** To contribute to the emergence of a carbon-free society, we are targeting zero CO₂ emissions throughout the product life cycle by promoting thorough energy-efficiency measures and utilizing renewable energy.
- Challenge 2** In order to preserve and improve our natural capital, our Group shall achieve no net loss of green space by ensuring zero deforestation through material procurement and by developing communities filled with greenery.
- Challenge 3** To contribute to the emergence of a resource-recycling society, we shall pursue the sustainable use of resources by constructing houses and buildings that are more durable and by pursuing the goal of zero waste emissions.
- Challenge 4** We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings in addition to minimizing the risk (ultimately to zero) of adverse impacts on the health of people and ecosystems.

Medium-Term CSR Plan (fiscal 2016–2018)

Building a trusting relationship with stakeholders

Social Medium-Term Plan

By understanding what is expected of our company through interaction and dialogue with our stakeholders, and working to meet those expectations as a corporate citizen, our hope is to build a trusting relationship with them.

Customers	<ul style="list-style-type: none"> Provide high quality products Proper communication with customers Long-term efforts to earn trust
Employees	<ul style="list-style-type: none"> Provide a safe and healthy work environment Develop human resources Create work environments and systems where a diverse range of employees can work flexibly Provide employment opportunities for exceptional human resources
Business partners	<ul style="list-style-type: none"> Fair competition Encourage business partners in CSR efforts Improve labor conditions and ensure human resources for construction subcontractors
Community residents	<ul style="list-style-type: none"> Active involvement in, and collaboration with other parties for local community development Contribute to the community by sharing business knowledge gleaned through experience

Coexistence of environmental sustainability and corporate profitability

Endless Green Program 2018

We are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

Prevention of global warming	<ul style="list-style-type: none"> Promoting the construction of zero energy houses, buildings and towns Expanding the power generation business by adopting renewable energy
Harmony with the natural environment	<ul style="list-style-type: none"> Promoting sustainable wood procurement Promoting the preservation and creation of green spaces in development and town planning
Conservation of natural resources, Water resource conservation	<ul style="list-style-type: none"> Promoting the application of the "3Rs" to construction waste Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources) Promoting reproduction building materials
Prevention of chemical pollution, Prevention of soil contamination	<ul style="list-style-type: none"> Further improving indoor air quality in residential facilities Strengthening the management of soil contamination risks during land purchases

Creating a CSR mindset and strengthening our management system

We will create a CSR mindset by revitalizing our organizations through business improvements, and create a solid management foundation through increased awareness.

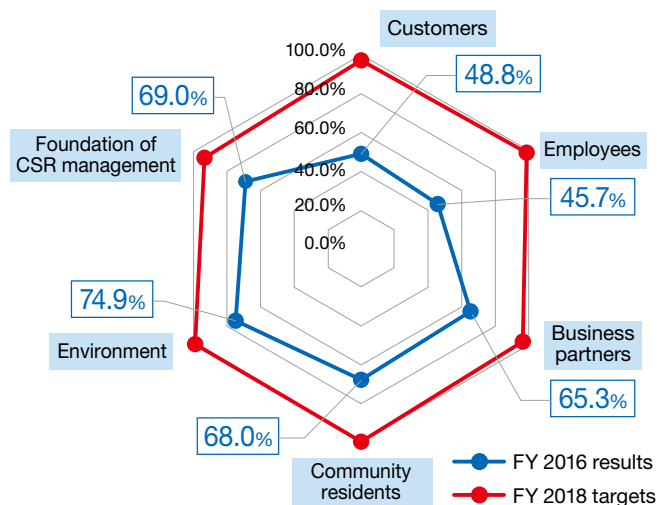
Investor relations	<ul style="list-style-type: none"> Transparency
Risk management and other issues	<ul style="list-style-type: none"> Risk management Stakeholder engagement
Compliance	<ul style="list-style-type: none"> Ethical conduct Corporate ethics / compliance with laws Safety
Human rights	<ul style="list-style-type: none"> Human rights awareness-raising Handle human rights issues

CSR Self-Assessment Indices (Goal Management)

Customers P22–	Customer (owner) satisfaction Long-term viewpoint evaluations Questionnaire evaluation after taking residence												
Employees P36–	Degree of satisfaction of employees to overall human resources training Evaluation of OJT Rate of acquisition of professional qualifications by young employees Acquisition rate of male absence from work for child-rearing No. of female managers Rate of employees with disabilities												
Business partners P50–	Education of in-house employees Evaluation of business partners and purchasing work based on in-house criteria Rate of response of self-checks based on the Business Partner Code of Conduct No. of employees trained on-site No. of labor accidents No. of support company members												
Local communities P60–	Collaboration with NPOs and NGOs Participation rate in Endless Donations Amount conversion of community co-creation activities by branch offices												
Environment P84–	<table> <tr> <td>Prevention of global warming</td><td> Rate of decrease from the fiscal 2005 figure in CO₂ emissions per unit of sales Contribution to CO₂ reduction </td></tr> <tr> <td>Harmony with the natural environment (Preservation of biodiversity)</td><td> Ratio of C-ranked wood Surface area of green spaces </td></tr> <tr> <td>Conservation of natural resources</td><td> Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials [Manufacturing, new construction] Recycling rate [Manufacturing, new construction, civil engineering, demolition, renovation] Ratio of houses certified under the Long-Life Quality Housing Certification System </td></tr> <tr> <td>Water resource conservation</td><td>Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales</td></tr> <tr> <td>Prevention of chemical pollution</td><td>Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances</td></tr> <tr> <td>Prevention of soil contamination</td><td>Serious risks of soil contamination during land purchases</td></tr> </table>	Prevention of global warming	Rate of decrease from the fiscal 2005 figure in CO ₂ emissions per unit of sales Contribution to CO ₂ reduction	Harmony with the natural environment (Preservation of biodiversity)	Ratio of C-ranked wood Surface area of green spaces	Conservation of natural resources	Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials [Manufacturing, new construction] Recycling rate [Manufacturing, new construction, civil engineering, demolition, renovation] Ratio of houses certified under the Long-Life Quality Housing Certification System	Water resource conservation	Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales	Prevention of chemical pollution	Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances	Prevention of soil contamination	Serious risks of soil contamination during land purchases
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Prevention of soil contamination	Serious risks of soil contamination during land purchases												
Foundation of CSR management P122–	External assessment of ESG information disclosures In-house CSR awareness survey Attendants' satisfaction with Stakeholders' Meeting No. of branch offices visited for CSR training Incidence rate of risks specified to be handled with priority Safe driving management Human rights awareness-raising Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)												

* For all of the entire assessment indices, see pp. 153-158.

CSR Self-Assessment Index — Outline of Fiscal 2016 Results



In fiscal 2006, Daiwa House Group implemented a CSR self-assessment index to measure CSR activity results and “visualization.” This has been beneficial in making improvements to CSR activities.

With the introduction of our Fifth Medium-Term Management Plan, we have established a Medium-Term CSR Plan aimed at strengthening our management foundation. With regard to its results, the applicable divisions manage their progress on an annual basis using the revised assessment index for the plan (covering the fiscal period 2016–2018). We aim to reinforce our management foundation and meet our performance targets.

Related page See p. 153 “CSR Self-Assessment Indices (CSR Indicators)” for the results of the self-assessment index in fiscal 2016.

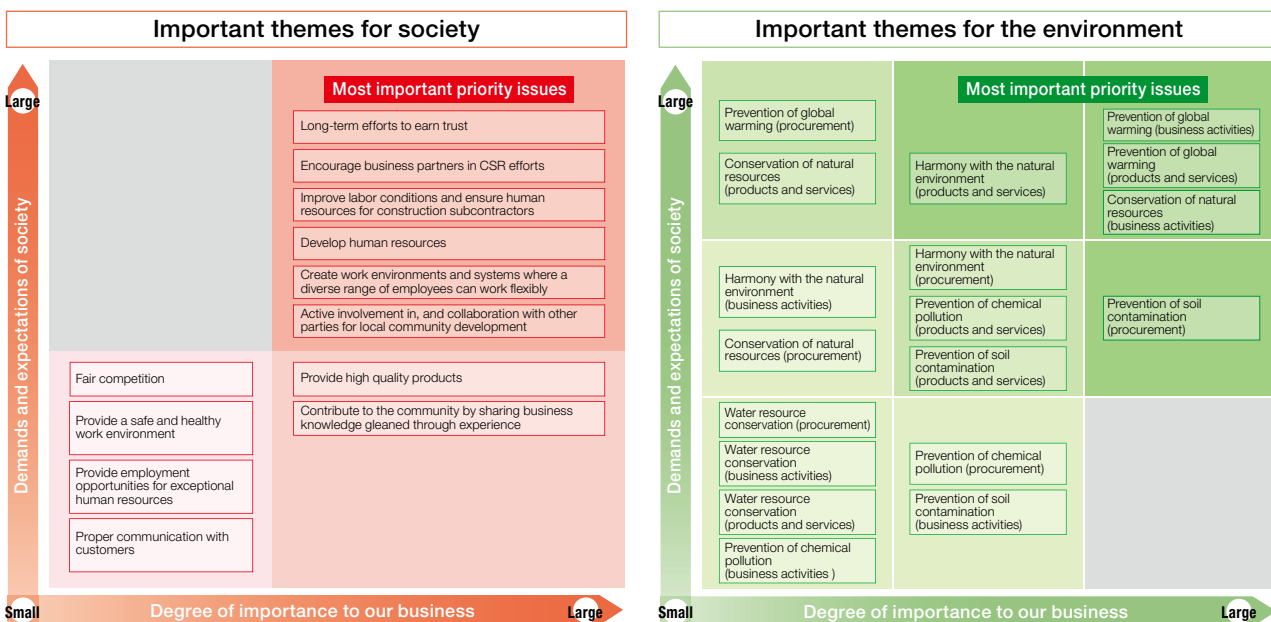
The selection process for CSR materiality

Considering the business operations of the Daiwa House Group and the extent of its impact as the focus of the Medium-Term CSR Plan, we examined priority issues from a social perspective and in terms of our company's interests. In order to take aggressive steps toward solving social issues and gaining new growth opportunities, we are identifying issues to be addressed over the medium term and are working to achieve our goals.



In Step 1, the Group adds priority issues for consideration from ISO 26000, GRI guidelines, UN SDGs, and other sources, along with Japan's primary social issues, to the CSR initiatives we are already undertaking. Candidates for CSR materiality are then identified.

In Step 2, their validity is confirmed in the stakeholders' meeting and experts' dialogue. We then perform final verification within the company and, in Step 3, identify which candidates should be considered for CSR materiality (priority issues). Accordingly, we established the assessment index in Step 4.



Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

Co-creating a Brighter Future
with Our Shareholders

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with Our Customers

Commitment from the Executive Officer in Charge	023
Providing High Quality Products	025
Proper Communication with Customers	028
Long-Term Efforts to Earn Trust	031
Businesses to Address Social Issues / Sustainable Consumption	032



Co-creating a Brighter Future with Our Customers

Commitment from the Executive Officer in Charge

Concept

Social issues

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

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

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

Risks and opportunities for the Daiwa House Group

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

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

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

Commitment to our activities

Supplying high quality products

Following our management vision to “co-create value for individuals, communities, and people's lifestyles,” the Daiwa House Group is straightforward with customers in working to meet their expectations. We supply high-quality products and services to provide customer satisfaction, which is our top priority in sales and a core policy. We are not looking for short-term profits. Instead, we maintain a long-term view of the value chain that gets built by supplying quality at every turn. We implement project planning resource leveling, strive to further improve quality, and set appropriate construction periods as healthy management techniques that keep the focus on doing what the customer needs.

From quality assurance to development, design, manufacturing, construction, and after-sales service, the pursuit of quality is a shared mission in every department. All of our employees, even those in departments not directly related to particular projects, know the importance of thinking and acting from the customer's standpoint.

Building long-term relationships of trust

The Daiwa House Group has recently been expanding rapidly in areas beyond the construction of detached houses. Building single-family houses, however, is how we got started, and we still value quite highly the close working relationship with individual customers that develops over time. Working hard to build trust and meet customer expectations is what we do, and we believe such a focus will lead to further growth for the Group.

As long as the houses and buildings we put up remain standing, we want to maintain a good relationship with the customer. We are committed to a relationship that does not end when a house is built, but which extends to maintenance and repairs carried out over a number of years.

We will continue to value these one-to-one relationships with our customers, work to meet their expectations, and maintain the humility to keep improving our products and services.

Training our employees to have concern for the customer

Training our employees is extremely important if we are to co-create a brighter future with our customers. The ability to understand customers' wishes is especially important for our sales representatives and heads of design and construction. All of our branch managers acknowledge that personnel training is a crucial endeavor. They take responsibility for the training of every employee, as well as for training their own successor and developing young talent to carry out company business in the future.

We do everything possible to foster the development of our employees, transform them into highly capable individuals who are willing to take responsibility for customers, respond to new demands in a rapidly changing environment, and work for the sustainable growth of the business.

Long-term social vision [Customers]

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

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

[Priority issues]

Providing high quality products

P25-28

In fiscal 2018 we plan for over 90% of the houses we build to meet the “long-life quality housing” standards put out by the Japanese government. For comparison, 83.5% of the houses we built in fiscal 2016 met these conditions. With regard to free maintenance for a period of one year after construction, in the cluster housing segment we achieved our fiscal 2018 targets in fiscal 2016, and in the general and commercial construction segments performance has come very close to fiscal 2018 targets.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Rate of long-life quality housing (single-family housing segment)	83.5%	90% or above

[Priority issues]

Proper communication with customers

P28-30

We provide 36.5 hours of basic training to every newly hired employee, along with other types of training. With regard to developing skills to improve communication with customers, each business segment carries out its own training. In the single-family housing segment the rate of participation in new employee training was 100% in fiscal 2016, already achieving fiscal 2018 targets. In the cluster housing segment as well, we have achieved a high rate of 98.2%, and we plan to improve participation rates in training in the general and commercial construction, and condominium segments going forward.

In the single-family housing segment, we get responses from customers to a questionnaire distributed one month after moving into a house in order to assess customer satisfaction during construction and satisfaction with the treatment of the company after signing the contract. Our customer satisfaction target was 80% or higher by fiscal 2018, and in fiscal 2016 we already achieved 68.2%, so we will continue working to raise customer satisfaction.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Rate of participation in new employee training (cluster housing segment)	98.2%	100%
Rate of employee participation in training for each level, and local seminars (general construction segment)	79.7%	95%

[The most important priority issues]

Long-term efforts to earn trust

P31-32

In the single-family housing segment, a customer satisfaction questionnaire is distributed at upon the 10-year inspection. Our customer satisfaction target was 100% by fiscal 2018, and in

fiscal 2016 we already achieved 96.4%. In the cluster housing segment, our fiscal 2018 target for the increase/decrease in re-ordering rate was 20%, which was already exceeded in fiscal 2016 with 39.1%. In this area as well, we will continue to do our best to earn the trust of our customers over the long term.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Increase/decrease in re-ordering rate (cluster housing segment)	39.1%	20% or above

Keiichi Yoshii

Director and Senior Managing Executive Officer
Head of Marketing Division
Head of Tokyo Head Branch
General Manager, Overseas Business
Deputy Head of Marketing Support Department





[Priority issues]

Providing High Quality Products

Concept and Policy

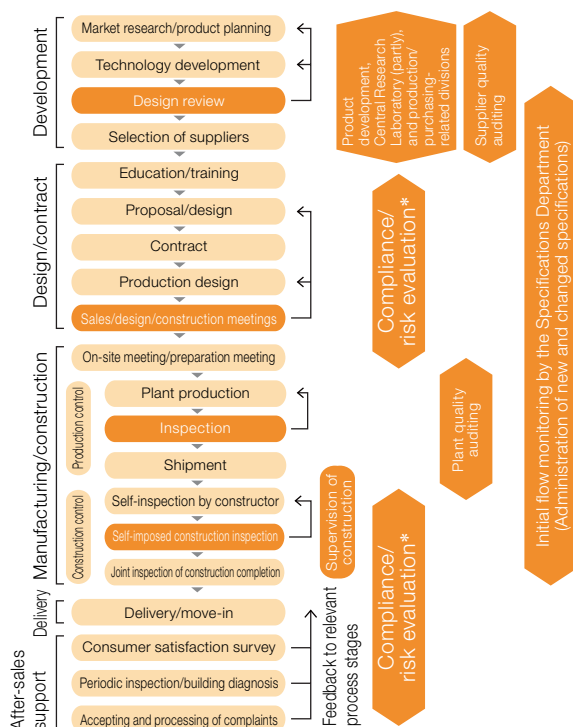
The Daiwa House Group provides a broad range of buildings as a “Group that co-creates value for individuals, communities and people’s lifestyles.” Buildings also protect human lives and valuable property, and must provide safety and peace of mind. People expect to use such buildings for a long period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

Management

Quality Assurance System

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

■ Quality assurance system flow (Housing)



* Compliance/risk evaluation refers to efforts to assess the status of quality control at a worksite.

Specifications Department given the authority to implement cross-sectoral management and transmit specifications information

We have been building a management system to prevent improper construction that was discovered to be nonconforming to legal regulations in fiscal 2014. As part of this system, in fiscal 2015 we established a council to prevent recurrences originating in the violation of fire protection certification; we established a specifications administration project office in fiscal 2016. To strengthen the system we initiated the Specifications Department under the direct supervision of the president in January 2017. The Specifications Department manages the transmission of technical information in a cross-sectoral, centralized way as related to new and modified specifications in the design, production, and construction of both single-family and rental houses. If the department finds any noncompliance or irregularities with regard to specifications, it has the authority to halt product development, manufacturing, or sales, and impose control over the related division in order to prevent nonconformity before it occurs.

The Head Office appoints a person from its Technology Department who has experience in various fields to be a Product Design Checker. This person has the specialized knowledge to check the details of both new and modified designs with respect to many kinds of performance—those that relate to customer safety, such as fire protection and structural performance, and those that relate to comfort, such as sound insulation and thermal efficiency. The Specifications Department supervises the checking process to ensure its proper implementation.

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

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

Strengthening quality management through ICT (Information and Communication Technology)

■ Building Information Modeling (BIM)

We are adopting BIM to centralize information through the full life cycle of a building and across all of its processes, including sales, design, production and construction, and after-sales service. Through the use of BIM we are able to more smoothly build consensus with the customer using 3D data of the building. Also, by centralizing building information we can share design changes or other information in real time, achieve consistency among drawings, and in other ways assure quality as expected by the customer.

■ Quality Inspection System, D-Doc

To strengthen and improve the quality and efficiency of construction site quality inspections, we began using the D-Doc system throughout Japan in October 2015 in the construction segment and in April 2016 for the housing segment. The system allows inspections to be conducted at construction sites using a tablet device (mobile data terminal) or a smartphone, registering the results and sharing the data on the spot to streamline inspections and speed up the multiple check process.

Implementation of the ISO 9001 Quality Management System Standards

At Daiwa House Industry's plants throughout Japan we are automating, streamlining, and using more robots to achieve thorough quality standardization in an integrated production system that extends from parts machining to assembly. Our plants nationwide, together with the Production and Procurement Division of the Head Office, have acquired ISO 9001 certification, the international standard for quality management systems. In our production sector, ISO 9001 quality management systems have been implemented as a tool to further promote efforts to enhance and stabilize product quality.

Providing product information

Daiwa House Industry provides the customer with product information documents upon delivery of the housing unit. For example, with a single-family house we provide a "Guide to Your Home" that covers building maintenance, and upon request, independent housing performance evaluation certificates (evaluation certificates for design and construction) based on Japanese housing performance labeling standards. For condominiums, at the meeting to hand over the "keys," we also provide an instruction manual on using the building and facilities, a purchase follow-up support document, and historical data about the building in "D's File."

Major efforts

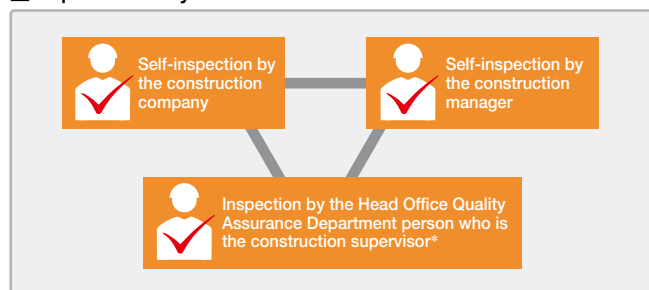
Impact assessment on product safety

■ Housing (single-family house and cluster housing businesses)

Japan has rigorous standards for building safety to protect building owners and residents (consumers), based on the Building Standards Act.

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

■ Triple Check System



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

■ Construction (commercial facilities and general construction business)

In October 2015, condominiums (designed and built by other companies) in the city of Yokohama were found to have problems with the foundation pile construction. Our Head Office Quality Assurance Department began to perform pile construction inspections as part of efforts to strengthen construction supervision. from December the same year. Since that time we have been supervising pile construction to provide an on-site "double check" to accompany the inspection performed by the construction manager. We performed 100% of the pile construction inspections on properties sold between October 2016 and March 2017.

■ External thermal ventilation wall for extended service life of houses

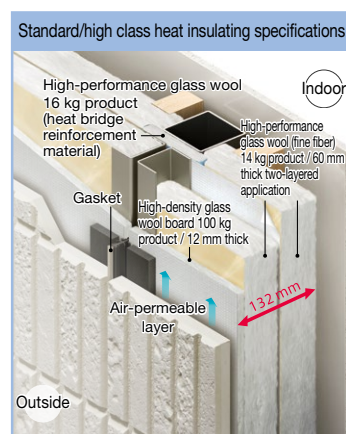
Daiwa House Industry has actively adopted the use of an external thermal ventilation wall for single-family houses to ensure the safety of the housing unit and maximize its service life.

In June 2009, the Japanese government enacted the Act on the Promotion of Popularization of Long-life Quality Housing, legislation that provides stipulations for measures to prevent the deterioration of a building frame or other structure, energy saving measures, and more.

Far in advance of this legislation, in 2005 we at Daiwa House Industry developed the external thermal ventilation wall, which is used today in 97% of our single-family housing units (as of fiscal 2016). This new external wall system excels at thermal insulation, preventing rainwater and condensation permeation, fireproofing, sound insulation, and durability.

The external thermal ventilation wall creates a moisture barrier on the inside the structure, blocking moisture from penetrating into the walls and reaching the indoors. Outside of the structure it has an air-permeable layer composed of a high-density fiber-based insulating material that greatly reduces the risk of condensation forming inside the wall because it will facilitate the quick discharge of moisture without cooling the structure, even if moisture from indoors penetrates the wall. This air-permeable layer inside the wall not only wicks away moisture, it acts as a secondary waterproof layer to prevent water leakage due to rainwater permeation. If the external wall's primary waterproof layer ever gets compromised and outside rainwater penetrates the wall, it can be discharged outside through the air-permeable layer. This structure thereby greatly reduces the risk of water leakage due to rainwater (in everyday use).

To assure this kind of stable quality, Daiwa House Industry employs the development concept of a "double barrier"—providing a safe and highly durable structure that is prepared for any eventuality or risk. By so doing we are able to supply single-family housing units of high asset value.



* For "xevoΣ"

* External joints are partially sealed.



Self-imposed regulations for products and status of violation incidences

■ Measures to prevent the recurrence of nonconforming attic space party wall panel construction, etc.

Failure to comply with construction regulations within the company has come to light since fiscal 2014, and we are taking this situation quite seriously. To achieve fundamental corrective measures within the Head Office's Technology Department, Production and Procurement Department and On-Site Construction Department, a temporary Specifications Administration Project Office was established to oversee the transmission of technical information directly related to safety performance. This office was elevated to permanent status as the Specifications Department under the direct supervision of the president. Its role is to completely prevent the recurrence of nonconformity. To ensure that such situations do not arise again, the following preventive measures are steadily being implemented.

- (1) Specifications Department carries out cross-sectoral management and transmission of technical information with supervisory authority
- (2) Product Design Checker checks and Specifications Department supervises
- (3) Renewed and improved training at production and construction sites
- (4) Specifications consolidation and system building

Related subject Published on April 21, 2017 (press release)
http://www.daiwahouse.com/about/release/house/pdf/release_20170421.pdf

Below is a report of each instance of nonconformity and repair status.

■ Self-imposed regulations for products and status of violation incidences

Instance of nonconformity	Construction nonconformity in fireproof sliding storm shutters for single-family and rental houses	Construction nonconformity in fireproof doors and fireproof sashes for single-family and rental houses	Nonconformity to specifications approved by Minister of Land, Infrastructure, Transport and Tourism for attic space party wall panel in rental houses, etc.
Details of nonconformity	On December 16, 2014 we made public a report which suspected that some of the installation methods used for sliding storm shutters for single-family and rental houses did not conform to specifications approved by the Minister of Land, Infrastructure, Transport and Tourism. Corrective measures were completed on July 5, 2016.	On October 30, 2015 we made public a report to the Minister of Land, Infrastructure, Transport and Tourism that found nonconformity to specifications approved by the Minister of Land, Infrastructure, Transport and Tourism in some of the installation methods used for fireproof doors and fireproof sashes for single-family and rental houses manufactured at our plants (Tohoku Plant, Tochigi Ninomiya Plant, Ryugasaki Plant, Niigata Plant and Mie Plant). The current progress of corrective measures is shown below.	On October 18, 2016 we made public a report to the Minister of Land, Infrastructure, Transport and Tourism that found nonconformity to specifications approved by the Minister of Land, Infrastructure, Transport and Tourism in some of the party wall panels installed in attics in 160 rental houses that were manufactured at company plants (Tohoku Plant, Tochigi Ninomiya Plant, Ryugasaki Plant, Niigata Plant, Mie Plant, Nara Plant, Okayama Plant and Kyushu Plant). The current progress of corrective measures is shown below.
Units affected. As of April 20, 2017	1,863 units Inspection results: 804 units conforming; 1,045 units non-conforming; 14 units non-applicable	1,204 units	160 units
Number of units with repairs completed As of April 20, 2017	Repairs were completed for 1,045 non-conforming units, and a report was made to the designated administrative agency. No fines or penalties were incurred from these cases.	519 units	24 units
Additional notes		For rental housing, until repairs for all households are completed, the "building" as a single unit is not treated as completed, so the number of units with completed repairs does not match the number of households. As of March 2017 the company has not been fined or penalized for these incidences.	For rental housing, until repairs for all households are completed, the "building" as a single unit is not treated as completed, so the number of units with completed repairs does not match the number of households. As of March 2017 the company has not been fined or penalized for these incidences.
Related subject	Published on December 16, 2014 (press release) http://www.daiwahouse.co.jp/release/pdf/release_20141216.pdf	Published on October 30, 2015 (press release) http://www.daiwahouse.co.jp/release/pdf/release_20151030.pdf	Published on October 18, 2016 (press release) http://www.daiwahouse.com/about/release/house/pdf/release_20161018.pdf

Customer satisfaction with products

To make sure that the products we develop, manufacture, design, and build according to company standards are good, high-quality products that lead to customer satisfaction, we use questionnaires and other surveying techniques. Additionally, all data from customers that are considered to be feedback are analyzed by the CS Promotion Department and shared with all sections related to the processes involved, which leads to improvements.

The results of our management indicators on customer satisfaction and product quality in fiscal 2016 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P153–154 CSR Self-Assessment Indices (CSR Indicators) Customers
 Provide high quality products
 Long-term efforts to earn trust

Research on product safety

After the 2016 Kumamoto earthquakes, Daiwa House Industry provided reconstruction assistance and measured microtremors* to determine the relationship between ground characteristics and building damage. The use of microtremor measurements enables the investigation of a building's seismic integrity according to ground characteristics and aids in other research for designing buildings in the future.

When it was difficult to assess the degree of damage through visual inspection, we surveyed the damage using methods that avoid the stripping of external wall material. We also studied evaluation criteria to determine the necessity of repairs, developed new repair methods, and determined when it was possible to reuse beams.

In Japan, there is a high probability that a Nankai megathrust earthquake will strike one day in the future. Taking to heart the lessons learned from the 2016 Kumamoto earthquakes, we are reviewing our approach to foundation reinforcement and seismic integrity improvements, and will continue to study techniques for quickly inspecting and diagnosing buildings, and for quickly rehabilitating buildings after an earthquake. We will also pursue R&D to enhance safety and security.

* Microtremor: Vibration in the ground beneath a building caused by an artificial source of vibration, such as a passing truck, or by natural phenomena such as the swaying of trees in a breeze.

[Priority issues]

Proper Communication with Customers

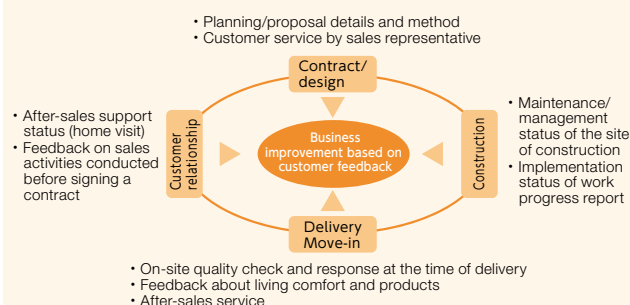
Concept and Policy

The Daiwa House Group engages in business activities aiming to win the trust and esteem of its customers. Our executives and regular employees are all instilled with the idea of putting one's fullest effort into the most ordinary tasks, which we do for our customers as a corporate approach.

We also go one step beyond "putting the customer first" to "putting each individual first," a code of conduct to ensure that we look at things from the perspective of each customer. This approach of responding to the detailed requests of each individual customer is a feature of this company, which was built on single-family housing design and construction. We apply the approach equally to the construction of large-scale commercial facilities and distribution facilities.

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

Proper communication with customers is the basis for building relationships of trust. In the three quality aspects (quality of products, employees, and operations), we pursue improvement through all business activities, aiming to satisfy customers' expectations and to promote customer satisfaction.



Management

Systems for enhancing *three qualities*

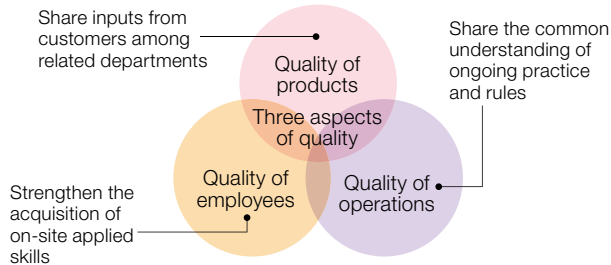
With respect to the *three qualities*, first, we believe that final satisfaction is achieved by providing *product quality* that exceeds customers' performance requirements. We therefore analyze input from customers at the CS Promotion Department and share the results with all related departments in pursuit of improvement.

As for *employee quality*, we have faith that a strong group forms when individuals come together at a high level. Customer requests vary from person to person, and it is critical that our employees have flexible skills to answer requests on the spot. We work hard to develop those skills through on-the-job and off-the-job training.



Co-creating a Brighter Future with Our Customers

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

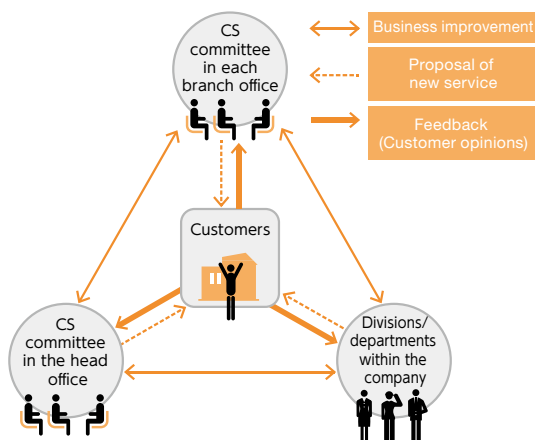


CS Promotional System

To ensure that customer feedback drives improvement in products and services, customer satisfaction committees have been set up at the head office and all worksites, tasked with sharing examples of customer feedback (objective statistics and “direct feedback”) and implementing the PDCA cycle for initiatives through monthly meetings. Proposals for improvements based on customer feedback, as well as confirmations of progress, are carried out by a liaison council for the Product Development Department and liaison council for the construction segment. We have thus established a system that allows each worksite to share specific measures, while a rapid response is possible when groupwide decisions need to be made.

Previously a single department had been taking care of matters related to both customer satisfaction and quality. To further boost customer satisfaction, in fiscal 2014 we improved the system by splitting the functions between the Customer Satisfaction (CS) Division and the Quality Assurance Department. Now, customer feedback and quality data can be used on a regular basis to promote improvements based on the customer’s perspective.

Promoting improvement activities through CS committees



Call Center communications

[Single-family/rental housing] Daiwa House Customer Center

We aim to build an endless partnership with our customers. To this end, we have opened a Customer Center as a concierge desk to handle various queries regarding houses and buildings. The Customer Center (toll-free/24-hour, 365-day operation), in cooperation with individual branch offices, provides information on periodic inspections and maintenance support. Moreover, the Daiwa House Group offers a wide variety of services ranging from house cleaning to renovation, the buying and selling of houses, leasing, and moving services.

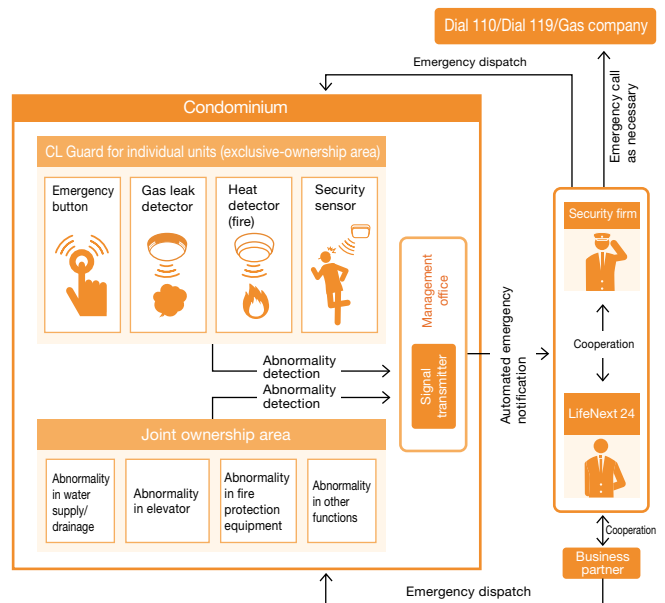
To become a long-term, reliable housing consultant and partner, we serve our customer needs in the spirit of “together with our customers.”



[Condominiums] Emergency response system “LifeNext 24”

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

Flow of the emergency response system



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

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

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

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

Major efforts

Satisfaction with the quality of customer service

We hold training seminars on a regular basis for all of our employees who communicate directly with customers to make sure they know what it means to “put each individual first” and see things from the customer’s perspective. Role-playing competitions are one way in which our employees can share their knowledge or pick up practical skills to use in the field. We also distribute questionnaires to ascertain how customers view our customer service, the results of which we use in personnel training.

The results of our management indicators on proper communication with customers in fiscal 2016 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P153-154 CSR Self-Assessment Indices (CSR Indicators) Customers
Proper communication with customers
Long-term efforts to earn trust

Voluntary restrictions and legal violations in marketing and communications

In addition to complying with government and industry regulations, Daiwa House Industry has imposed various self-restrictions on advertising that include human rights considerations. We have also established an advertising production system for creating and utilizing templates for advertising materials. Their use is reducing the risk of improper expression in the advertisement creation phase.

A dedicated team set up to carry out final checks for advertisements has strengthened our checking system, part of a concerted risk management effort that has resulted in zero incidences of violations and therefore no fines or penalties imposed during the fiscal year.

Measures to protect customer privacy

Daiwa House Industry fully recognizes the importance of protecting personal information, and believes that the proper use and protection of this information not only forms the basis of our business activities, but also represents a key area of our social responsibility. From this perspective, we have established our Privacy Policy and disclose it inside and outside the company. In accordance with the Privacy Policy, we have built a secure organizational and personal information management system, and we provide thorough education and training on a regular basis to ensure compliance with this privacy policy and internal rules. In addition, we recognize the great sensitivity of personal information and the importance of protecting it when using

information technologies; therefore, we have implemented a user authentication system, access restrictions, and operational log controls. We also take measures at various levels, including hard disk drive encryption and the detection of illegal external access.



Co-creating a Brighter Future with Our Customers

[The most important priority issues]

Long-Term Efforts to Earn Trust

Concept and Policy

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

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

Management

Long-term quality assurance

Our company has established a system for long-term guarantees and after-sales service tailored to the structure of buildings and conditions of the owner (e.g. light-gauge steel-framed single-family houses and condominiums, heavy-gauge steel-framed general buildings). We offer initial guarantee periods of up to 20 years for exterior walls, structure, and other parts of buildings, and also provide a periodic building diagnosis service.

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

Membership organizations for owners

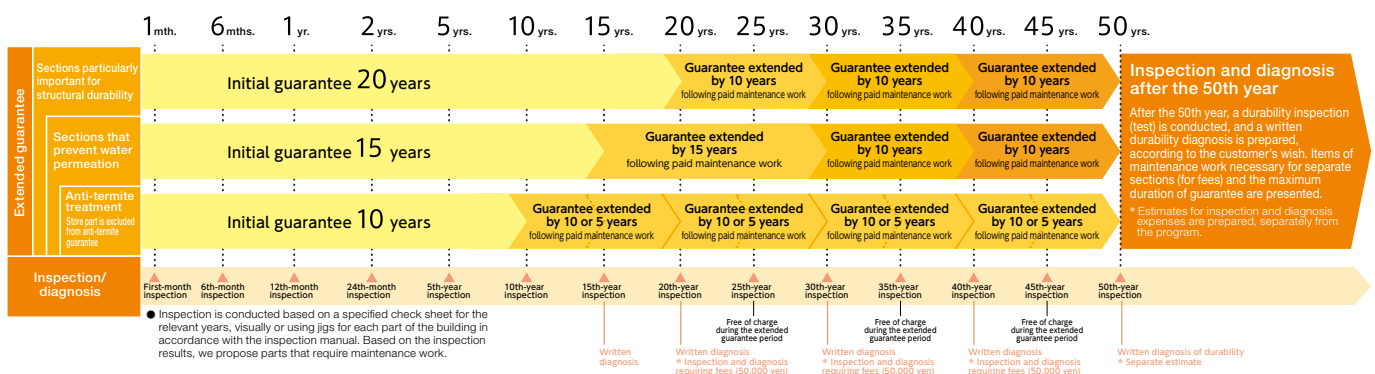
We run a membership organization for owners that serves as a forum for information exchange and the promotion of friendship among building owners throughout Japan. Seminars and consultations are held by experts in asset utilization; members gain access to the latest information; and they receive assistance with the maintenance of buildings they own or with asset utilization of rental housing they manage, for example. Owners socialize with one another through organized trips, Christmas parties, boat cruises, and other events. We promote such activities to maintain communication over the long term and build solid relationships between owners and the Daiwa House Group.

■ Main membership organizations for owners

	Single-family houses	Rental housing	Commercial facilities
Name	Daiwa Family Club	Daiwa House Owners Clubs	Owners Clubs
Total membership	220,000	93 clubs in Japan 34,189 (As of April 30, 2017)	65 clubs in Japan 6,713 (As of March 31, 2017)
Major activities	<ul style="list-style-type: none"> An Internet service exclusively for members Information and advice given to resolve concerns and to answer owners' questions about future housing. 	<ul style="list-style-type: none"> New information provided on managing rental housing Information exchange among members, study tours to deepen friendship, etc. 	<ul style="list-style-type: none"> Seminars on the effective use of real estate Study tours to promote friendship among members <p>Note: Business consultations on opening commercial establishments for tenant companies held (leading to over 4,000 business deals as of March 31, 2017)</p>

- At the time of warranty expiration, the warranty will be extended only if the fee-based maintenance work based on inspection/diagnosis (hereinafter referred to as warranty-extending construction work) is implemented. The warranty on the main parts for structural strength will be extended for 10 years, subject to the execution of warranty-extending construction work on parts to prevent rainwater infiltration and termite prevention.
- By repeating the warranty extension without interruption, we guarantee the building for up to 50 years from the delivery date.
- When the outer wall is tiled or painted (except for a light mortar outer wall), the warranty on the parts that prevent rainwater infiltration will be up to 20 years from the delivery date. In addition, when warranty-extending construction work is carried out, the main parts for structural strength and termite prevention will be guaranteed for up to 50 years from the delivery date.
- Damage to the main parts for structural strength and parts that prevent rainwater infiltration is not covered by the warranty when caused by the fact that warranty-extending construction work was not implemented at the end of the termite prevention warranty.
- Even within the warranty period, parts and building materials, etc., in use may become out-of-production products without prior notice. In such cases, we will replace the items with alternative products.
- Any requests made after warranty expiration will require a fee for repair or replacement.
- Modifications to the content of the warranty/inspection program may occur.

■ 3-story



Major efforts

Long-term efforts to earn trust and customer satisfaction

Daiwa House Industry conducts customer satisfaction surveys to build relationships of trust with customers in housing and other businesses. A large number of customers have responded to our single-family house questionnaires conducted after one month, one year, two years, and 10 years from taking up residence. We also conduct rental housing questionnaires after six months, and condominium questionnaires three months, one year, and two years after taking up residence and general construction questionnaires at the time of delivery.

Since 2001 we have run the Daiwa Family Club website for owners of single-family houses. Since that time we have been conducting Web-based questionnaires, and in 2014 we renewed the website, adding a section for Daiwa House Industry staff to share information with registered owners to strengthen the company's communications with customers. In the cluster housing business and commercial facilities business we are able to ascertain customer satisfaction with buildings over the long term through communication that takes place in Owners Clubs.

The results of our management indicators on long-term efforts to earn trust in fiscal 2016 are presented in the CSR Self-Assessment Indices later in this report, showing progress that has been made.

Related page P153-154 CSR Self-Assessment Indices (CSR Indicators) Customers Long-term efforts to earn trust

Businesses to Address Social Issues / Sustainable Consumption

Concept and Policy

Keeping constantly in mind our founding principle of pursuing what is most useful to society, the Daiwa House Group aims to build sustainability by focusing on creating businesses that help provide solutions to social issues while reducing harmful effects on society and the global environment.

We try to develop products and construction methods with low environmental impact in terms of both procurement of materials and construction of buildings. We also consider it vital that CO₂ emissions are kept low as customers use the buildings, and that environmental performance is maintained over the long term. Such considerations are reflected in our product development design concepts and after-sales maintenance system. We engage in such measures, with a focus on the in-use environmental performance of buildings after delivery, an important consideration, for the benefit of the environment and society as a whole.

We aim to maintain long-term product performance while also keeping high seismic standards in our buildings to meet today's demand in Japan, a country highly prone to earthquakes. We also promote gender equality in housing as part of numerous efforts that address social issues. Moreover, we consider it our mission as a leading company to support children's education with regard to housing.

From this perspective, we see our mission as contributing to a sustainable society through the maintenance of buildings over a long period of time, supported by customer-oriented partnerships between our company and our stakeholders, where we can learn from and teach one another to deepen our mutual understanding.

Related page P99-102 Co-creating a Brighter Future with the Environment Contribution to reducing CO₂ emissions through our products and services

Management

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

Daiwa House Industry's Central Research Laboratory clearly articulates the research and development process based on regulations set by the R&D Division, and carries out R&D work on elemental technologies that lead to the development of new businesses. Through investigation—the initial phase of R&D—and feasibility studies conducted to verify hypothesized utility, superiority, and feasibility, we are able to discover where the needed value lies with regard to important technical issues for the world, thereby establishing key R&D themes. Furthermore, at the applied research phase, midway along, not only do we verify technical quality and performance, quantifiables that are prerequisites for commercialization, but we also factor in such things as environmental friendliness, requirements for social acceptance, and user safety.

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

Related page P137 Evaluation of ESG aspects in business investments



Co-creating a Brighter Future with Our Customers

Additional earthquake-proofing efforts

Earthquake-proofing measures are needed for buildings, and as part of our efforts toward sustainability in society we have incorporated knowledge and lessons learned from major earthquakes in recent years to regularly reappraise the seismic performance of buildings and specifications for facilities and equipment.

Educational support for the next generation

With growing social awareness of sustainable consumption and the need to solve social issues, we do more than just provide information to our own customers. We visit elementary schools, junior high schools, and high schools to teach children about housing and architecture.

We identify and analyze the number and details of sessions of such next-generation development support activities across the Group, and continuously develop materials and make other improvements to help our employees provide better educational support.

Related page P67–69 Community Co-creation Activities
Educational support for the next generation

Major efforts

R&D to create businesses that will solve social issues

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

To combat the PM2.5 problem, in 2015 we jointly developed with our Group company Daiwa Lease an outdoor air purification green wall system for improving the air quality in urban environments. The earthen layer inside the green wall acts as a purifying filter. Air pollutants are pumped into the back of the wall by a fan, pass through the soil layer, and come out as clean air from the front of the wall.

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

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

Product development to solve social issues

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

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

For the 10-year period from 2006 to 2015, the number of two-income households in Japan increased about 14% to 11.14 million^{*1}. Between 1985 and 2015, the percentage of women among all employees rose from 35.9% to 43.9%^{*1}, and has been increasing year by year. With more women in the workplace, society looks forward to increasing achievements by women. Meanwhile, the sharing of housework with men doing the chores to lighten the load on women in the home has become more prevalent. Still, the average amount of time men spend per day on housework in Japan is 28 minutes^{*2}, less than one fourth^{*2} the time spent in the United States, Germany, and Sweden. Many people consider such little help to be of no help at all to women.

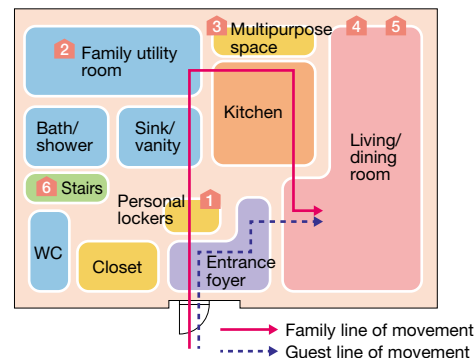
Considering such social conditions, we put together a project team with primary input from female employees, and conducted an in-house survey. The questionnaire found not only that women do far more housework than men, but that different views of housework between men and women caused frustration for women. These results gave rise to the idea that specific household chores should not be divided up, but that everyone in the family should understand what the chores are, talk to each other about them, and share them. We thus incorporated into house design this idea of “chore sharing” based on a mutual understanding of each other’s situations. These specially designed houses with well-considered layout and unique design ideas are being sold throughout Japan.

This type of single-family house helps to reduce the amount of housework performed by women to enable women to take more active roles in society at a time when the Japanese government itself is promoting women’s participation and advancement in the workplace as a national project.

^{*1}: Source: Labour Force Survey, Ministry of Internal Affairs and Communications

^{*2}: Source: Cabinet Office website (hours of housework, excluding child-rearing by the husband for children under the age of 6)

Flow in chore share house



World’s first fully automatic laundry folding machine, laundroid—joint development and a joint venture

Three companies—seven dreamers laboratories, Panasonic, and Daiwa House Industry—established the joint venture Seven Dreamers Laundroid Inc. on April 11, 2016 to engage in product design, mass production development, manufacturing, and sales of the world’s first fully automatic laundry folding robot, laundroid.

Seven Dreamers developed the innovative technology of the automatic laundry folder; Panasonic contributed their clothes dryer technology and home appliance development strength, while we brought experience in the businesses of housing and medical/nursing care facilities. Joint development on the basic folding technology began in October 2015. The development of the Laundroid will release people from the drudgery of folding clothes, allowing them to share valuable time together with family or follow their interests, thereby bringing big lifestyle changes.

Robotics-based business

Daiwa House Industry sells and offers diverse welfare devices including desktop type communication support system “comuoonSE” which supports hearing-impaired people’s hearing, urine-suction robot “Humany” used for nursing care at home, disinfectant towel dispenser “Purus” for nursing care facilities, “Watch Over Sensor” that supports nursing of those with dementia, non-weight bearing lift “POPO” and pedal wheelchair “COGY,” as well as cooling vest “D-wind” that is expected to improve various working environments.

“comuoon” is a trademark of Universal Sound Design Inc.

“Watch Over Sensor” is a trademark of King Tsushin Kogyo Co., Ltd.

“POPO” is a trademark of Moritoh Corporation.

“COGY” is a trademark of TESS Co., Ltd.

“Purus” is a trademark of Purus Corporation.

“D-wind” is a trademark of Prop Co. Ltd.



Desktop type communication support system “comuoonSE”



Watch Over Sensor



Non-weight bearing lift “POPO”



Pedal wheelchair “COGY”



Disinfectant towel dispenser “Purus”



Cooling vest “D-wind”

Product development for sustainable use

Sustainable houses for living worry-free

Prior to the Great East Japan Earthquake in 2011 we built houses to withstand a single major earthquake. We followed a “pre-quake” principle of making houses resistant to strong shaking and to protect lives by holding up in an earthquake. However, the Great East Japan Earthquake brought significant repeated aftershocks, which caused “tremor fatigue,” lowering the anti-seismic performance of the original design. In many cases, houses were no longer livable after all of the aftershocks. Learning an important lesson, we came upon a “post-quake” principle of building a house to continue to be safe and livable by minimizing post-earthquake damage. This involved a shift in thinking from preparing for a single major earthquake to “sustained resistance” to maintain the building’s initial performance by preparing for a major earthquake followed by repeated aftershocks.

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

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

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



Energy-absorbing anti-seismic wall: D-NΣQST



Conformity with JTI's Support System for Moving and Changing Houses (Fixed Rent Guarantee)

Since December 20, 2016, Daiwa House Industry has been constructing all of its newly built single-family houses to conform with the Japan Trans-housing Institute (JTI)'s Support System for Moving and Changing Houses (Fixed Rent Guarantee), the first such initiative in the industry.

Since November 2011, JTI has authorized all of Daiwa House Industry's newly built single-family houses for its support system for moving and changing houses, and its My Home Leasing System.*¹ Through this latter system, JTI would conduct an assessment if one of Daiwa House Industry's newly built single-family houses became vacant, based on which it would pay the owner rent. With the Support System for Moving and Changing Houses (Fixed Rent Guarantee), all houses authorized under the My Home Leasing System would also be authorized under the new system, with JTI guaranteeing a minimum rental income*² for 50 years from completion of construction.

The advantages of this program are that the building owner can expect a stable house rent income for the rest of his/her life, and that the resident can rent a house at below market price.

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

The program not only provides advantages to families raising children and seniors but it also has the social significance of making effective use of houses as social property when they no longer fit the lifestyle of their owners.

*1 Some building site conditions may prevent some houses from being eligible.

*2 Amounts will vary according to region.

Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

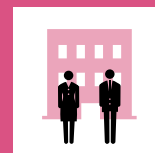
Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

Co-creating a Brighter Future
with Our Shareholders

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with Our Employees

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Co-creating a Brighter Future with Our Employees

Commitment from the Executive Officer in Charge

Concept

Social issues

The most important task for any company is to resolve various issues related to people in its business operations. It can be said that a mission for a company is to hire capable people as its human assets, develop them through various educational programs, continue to provide them with opportunities and prepare a work environment where they can feel motivated until the day of retirement. In addition, improving a system to ensure they can live a life without worries after their retirement is also an issue that a company must resolve.

While the pace of population aging and birth rate decline has been accelerating, there are a lot of problems including the declining labor force participation rate, increased job mobility and diverse working styles. Reducing long working hours and encouraging more women and elderly people into the workforce in particular have been gaining attention and changing working styles and enhancing support systems are needed. Furthermore, in an increasingly globalized economy, it is expected that dealing with diversity will be more and more required.

Risks and opportunities for the Daiwa House Group

The Group has approximately 62,000 employees, which means many kinds of personalities and diverse capabilities. Consistently providing an environment that brings out the best in everyone will be a driving force for generating new business opportunities. On the other hand, if we cannot meet new demands in terms of personnel systems and work environments in order to change with the times, we could lose our corporate power and competitiveness.

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

Commitment to our activities

Developing human resources based on a bottom-up approach

The first two items of the Company Philosophy (Corporate Creed) of our Group are "Develop people through business" and "A company's progress depends directly on ensuring a good working environment for its employees." Daiwa's founder believed that a company is built upon the energy of those who make things happen at ground level. We carry on that spirit, and consider employees as our corporation's greatest asset.

To this end, our Group's mission is to create a culture of developing people through business and to prepare an environment in which people can grow. Specifically, we focus on the development of a personnel system that reflects the actual worksite situations so that our employees can feel motivated. Another major challenge is to establish working and living environments that bring out the best in everyone.

Through the thorough bottom-up approach, our Group strives to correctly understand the actual worksite situations. We regularly conduct surveys on the employees' awareness and collect their opinions, and analyze the results, in order to reflect them into the personnel policies.

Dealing with diversity

From a perspective of diversity, we focus on the establishment of a work environment that enables diversified employees to feel rewarded when working and to take pride in their work which brings out the best in everyone.

In particular, we are aggressively working to provide more women and elderly employees with opportunities where they can demonstrate their abilities. In terms of women, we develop female managers and appoint women for managerial roles and have set a goal of increasing the number of female managers to 160 by April 2019. In terms of elderly employees, we are in the process of reviewing the appraisal and payment system and establishing a career path that allows them to play a bigger part.

In addition, based on the results of employee awareness surveys, we are improving and expanding our systems to accommodate diverse working styles. This includes improving and expanding systems that enable flexible working styles such as support systems for employees before and after giving birth, raising children and caring for elderly parents, and rebuilding a personnel system based on diverse attributes such as LGBT people, and encouraging hiring of mentally challenged people.

Hiring and developing human resources with an eye on the next generations

Securing and developing employees who will be responsible for the growth of the next generations, and identifying talented individuals and training them to be to become managers in our Group is another important challenge that we are working on. To this end, we strive to strengthen our brand power so that we can hire capable people as well as continuing to regularly recruit for improved recruiting capabilities. In addition, we are working to establish a method to reduce supply-demand mismatching in employment as well as establishing a system that enables us to hire in each region based on the needs of the region's worksites.

In terms of identifying potential next generation business leaders and training them to become one, we provide various types of training, and are seeing the results such as that out of 314 Daiwa House Juku ex-trainees, 103 have been appointed to the position of executive officer or higher. Furthermore, with an eye on future overseas expansion, we have started building a system with an aim to identify potential business leaders with a global way of thinking and train them to be global leaders, and develop local employees to work on a global stage.

Improving productivity that contributes to employee welfare

We are working to improve productivity by eliminating excessively long workdays and promoting employee health management in order to promote employee health. With regard to the problem of working long hours, we are building a framework to investigate reasons and solve the problem, as well as sharing the examples of improvement and practicing them across the Group.

For employee health management promotion, since the launch of a framework for the activities in fiscal 2016, we have been implementing measures based on objective data utilizing our unique system. We are going to introduce our unique frameworks that lead to healthier employees.

Long-term social vision [Employees]

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

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

[Priority issues]

Providing a Safe and Healthy Work Environment

P39-41

The rate of paid leave taken for fiscal 2016 was 53.5% while the fiscal 2018 goal is 70%, and the Diagnosis (living practices) score in the health analysis score for fiscal 2016 was only 53.8 pts while the fiscal 2018 goal is 70 pts. We will make efforts to achieve these goals.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Diagnosis (living practices) score in the health analysis score	53.8 pts	70.0 pts or above

[The most important priority issues]

Developing Human Resources

P42-45

We have set the fiscal 2018 goal of 80% for the Degree of new employee satisfaction of OJT and the Rate of self-assessment of older employees with regard to Degree of satisfaction of employees to overall human resources training. We achieved 85.9%, exceeding the goal for the former while we did not reach the goal by managing to achieve only 73.5% for the latter for fiscal 2016.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Evaluation of OJT		
① Degree of new employee satisfaction of OJT	① 85.9%	① 80%
② Rate of self-assessment of older employees	② 73.5%	② 80%

[The most important priority issues]

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

P46-47

The acquisition rate of male absence from work for child-rearing for fiscal 2016 was only 32.9% while the fiscal 2018 goal is 50%. The number of female managers for fiscal 2016 was 108 (including 8 managers on loan) while the fiscal 2018 goal (as of April 2019) is 160, and the percentage of employees with disabilities for fiscal 2016 was 2.19% while the fiscal 2018 goal is 2.30%, which means we did not achieve the goals for both. We will work to improve the situations.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
No. of female managers	108	160

[Priority issues]

Providing Employment Opportunities for Exceptional Human Resources

P48-49

The rate of hiring of new graduate females (general employees) for fiscal 2016 was only 23.2% while the fiscal 2018 goal is 30%. We achieved the fiscal 2016 goal for the number of hirings of qualified engineers by hiring 151 qualified engineers while the fiscal 2018 goal is 150.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Rate of hiring of new graduate females (general employees)	23.2%	30%

Moritaka Noumura

Executive Officer
General Manager
Human Resources
Department





Co-creating a Brighter Future with Our Employees

[Priority issues]

Providing a Safe and Healthy Work Environment

Concept and Policy

We at the Daiwa House Group consider that it is one of our basic efforts, in the respect of human rights, to establish workplaces where employees can work safely and healthily. We believe that such workplaces are indispensable to facilitate the growth of each employee and enhance their abilities, and are also essential for social contribution and the sustainable development of our business. This is why the Daiwa House Group Principles of Corporate Ethics and Code of Conduct emphasizes health management and considerations for safety and health, and focuses on maintaining the physical and mental health of employees, and establishing workplaces with good disciplines.

In accordance with the Safety and Health Management Regulations, we are continuously establishing a safe environment together with our employees in order to maintain and manage safety in workplaces and construction sites. Furthermore, we specify the “Basic Policy to Promote Safety and Health at Work” every fiscal year, under which policies, targets and structures are established for each branch office. In this way, we maintain worksites that prioritize the safety of workers, including both our employees and those of business partners. To maintain such worksites, we promote guidance and training, considering that it is also important that our employees and those of business partners should acquire knowledge and raise awareness concerning safety.

Our Group believes that it is important to promote health-oriented management, thereby improving labor productivity, by encouraging our employees to eliminate excessively long workdays and ensure steady health management. We not only tackle issues related to labor practices that are highlighted in Japan, but also measures to improve global labor issues, such as preventing forced labor and child labor through compliance with the Core Labor Standards of the International Labour Organization (ILO) and national labor acts, as well as taking preventive measures against infectious diseases in response to the further globalization of businesses.

Related page P57–59 Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors
P127–132 Human Rights Management

Management

General management of safety and health by the Board of Directors

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

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

As an organizational structure for safety management, the Director and Managing Executive Officer is in charge of General Safety Management. In total, five Executive Officers overseeing single-family houses, cluster housing, and construction are appointed in charge of Safety at the Design and Construction Department, which promotes the design & construction of buildings.

Important matters concerning safety at individual branch offices are reported to the Executive Officer in charge of General Safety Management, from the Executive Officers in charge of Safety at the Design and Construction Department and from the Safety Management Department. The Executive Officer in charge of General Safety Management also escalates important matters to the Directors and Audit and Supervisory Board Members when necessary. Through the general management of measures related to safety and health as above, the routes of orders to individual branch offices are clarified.

Establishing a structure for the elimination of excessively long workdays

■ Key management systems

Year of introduction	Description
April 2004	<ul style="list-style-type: none"> • Lockout system To eliminate excessively long workdays, branch offices were closed at 22:00 (the closing time was changed to 21:00 in February 2009).
April 2007	<ul style="list-style-type: none"> • Home Holidays system To encourage the taking of paid holidays, employees were obliged to take one paid holiday every quarter (three months) in a planned manner.
April 2009	<ul style="list-style-type: none"> • Abolition of the deemed work hour system To ensure the proper counting of working hours, the deemed work hour system that was applied to work outside the office was abolished, and management based on net working hours was applied to all job types. • Introduction of regular working hours for each department and job type To reduce unnecessary overtime work, adequate regular working hours were introduced for each department and job type.
June 2011	<ul style="list-style-type: none"> • Introduction of an HR Department inspection system An in-house system was introduced for representatives from the Human Resources Department to visit branch offices around Japan, and directly investigate labor management issues, such as unpaid overtime payments and the overlooking of excessively long workdays.
April 2012	<ul style="list-style-type: none"> • Introduction of a PC lockout system A system was introduced to disable the use of PCs before check-in at the office or after check-out from the office, or without application for overtime work.
November 2013	<ul style="list-style-type: none"> • Visualization of infringement upon the Article 36 Agreement A system was introduced to enable timely confirmation on PCs by employees, superiors and administrators, concerning infringement upon overtime work hours stipulated in the Article 36 Agreement.
April 2014	<ul style="list-style-type: none"> • Review of branch office business performance assessment Earnings per hour, leveling of workload, and the rate of acquisition of paid holidays (Home Holidays) were incorporated into the criteria for bonus assessment for each branch office. • Introduction of a half-day substitute holiday system To encourage a flexible working style, a system was established to enable the taking of substitute holidays on a half-day basis.
September 2015	<ul style="list-style-type: none"> • Introduction of a shady branch office listing system In-house criteria have been established against excessively long workdays, based on which advice for rectification is issued. Branch offices that fail to rectify the situation are listed as “shady branch offices,” and a lower standard of bonuses is applied throughout the branch office. • Yellow Card (advise for rectification from the Human Resources Department) <ul style="list-style-type: none"> ① More than 100 overtime work hours have been recorded for one or more employees in the same month* ② Unpaid overtime payments have been uncovered through in-house investigation • Red Card (listed as a “shady branch office” and a lower standard of bonuses is applied) <ul style="list-style-type: none"> ① Three Yellow Cards have been issued over half a year (six months) ② Unpaid overtime payments have been uncovered by external entities or through whistleblowing by employees <p>* In April 2017, a part of the criteria was changed for Yellow Cards.</p>
February 2017	<ul style="list-style-type: none"> • Introduction of the “Premium Friday” In principle, the final Friday of each even-numbered month is regarded as “Premium Friday,” on which employees are encouraged to take a half-day paid holiday in the afternoon.

Risk management system for work safety

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

Dissemination concerning safety and health to employees

We issue the “Basic Policy to Promote Safety and Health at Work” every fiscal year, in order to disseminate safety and health targets to be attained by employees. To attain these targets, the head and employees of each branch office understand the “Basic Policy to Promote Safety and Health at Work,” and prepare a “Safety and Health Management Plan” through consultation. The Plan is disseminated to employees and partner companies through the safety and health committees and councils, the majority of which consists of regular employees, thereby bolstering our safety and health management structures. Through these efforts, we aim at enhancing the workplace environment with high work efficiency and with zero accidents.

Major efforts

Risk assessment concerning labor issues

Identifying the actual status of overtime work

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

The company-wide monthly overtime work stood at 30.4 hours on average in fiscal 2016, reduced by 4.8 hours from 35.2 hours in fiscal 2014.

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

Status survey on work hours

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

Employee attitude survey “View Research 100”

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

Performance data

	Annual total work hours per employee	Annual overtime/ Person	Rate of attainment of paid holidays
Fiscal 2012	2,276 hours	449 hours	32.8%
Fiscal 2016	2,190 hours	365 hours	53.5%
Improvement over four years	86 hours	84 hours	Up 20.7 pts

* The number of annual overtime hours in excess of the prescribed working hours includes that of employees whose work hours are managed by the company and excludes that of managers and supervisors.

Risk assessment concerning the health and safety of employees

Periodic medical examination

In fiscal 2016, 97.6% of Daiwa House Group managers and employees took a periodic medical examination. At Daiwa House Industry, we make company-wide efforts to attain a 100% coverage of employees in the medical examination. From fiscal 2013, for four consecutive years, we attained 100%. As for follow-up on employees who received special remarks in the medical examination, 100% of them had a second examination in fiscal 2016.

In the future, we intend to continue making efforts to maintain and enhance employees’ health, attaining a 100% coverage of Group employees in the periodic medical examination. Furthermore, we will aim for full coverage by a second examination of employees singled out for it, for early detection of disease, early commencement of treatment, and optimal management of health risks, which are the main objectives of the periodic medical examination. In fiscal 2016, 92.9% of the employees took a specified medical examination. The company provides specified health instructions by organizing a health improvement program, encouraging the employees to proactively look after their physical health.

Medical examination of employees putting in many hours

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

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

Achievements concerning the health and safety of employees

Mental health care

In December 2011, a stress-check system was introduced to enable our employees to assess their stress levels by themselves. In accordance with the revised Occupational Safety and Health Act of Japan, which took effect in December 2015, a stress-check was conducted in July 2016. During the check period, 14,976 employees (88.2% of applicable employees) took the stress check. Among the participating employees, 40 were assessed as under high level of stress, and requested to consult with a physician. All of them were consulted by a physician and received subsequent care.

We also conducted an organizational analysis, which was specified as an obligation to make an effort, and notified the results of the analysis to branch offices based on Daiwa House Industry’s averages and depending on their scales. We have also taken subsequent actions in accordance with the characteristics of branch offices, such as on-site visits and considerations for improvement in the workplace environment. Online self-assessment is possible over one year until the check for the next fiscal year is started.

Furthermore, basic training concerning mental care is implemented as part of the training for newly appointed managers and supervisors, with a focus on the line care and self care. We learn the importance of awareness through group discussions referring to actual examples, in terms of preventing mental ill health, responding to mentally ill employees, and improving the workplace environment.



Co-creating a Brighter Future with Our Employees

■ The 2017 Health & Productivity Stock Selection

We were selected for the Health-oriented Management Brands 2017 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, as listed companies that excel in health management for employees. In this selection, the following three points were highly evaluated.

- ① Introduction of a health analysis system and lifestyle improvement activities based on analysis data
We introduced a unique system that gives scores to and analyzes the results of health checks and interviews concerning lifestyles. Using this system, personnel in charge of health maintenance and promotion at individual branch offices identify requirements, and plan areas for improvement such as smoking, meals and exercise. We have set a numerical target to improve the living practices score from 53.2 points in 2015 to 70.0 points in 2018. A subsidy system for health promotional activities has also been established in order to practice “proactive health management” by promoting detailed measures while proceeding with the PDCA (Plan - Do - Check - Act) cycle.
- ② Encouraging employees to take paid holidays
We have encouraged our employees to take paid holidays by introducing an annual paid holiday planning sheet, designating holidays specific to individual branch offices, and otherwise developing an environment that facilitates the taking of paid holidays.
- ③ Measures against metabolic syndrome
We have implemented seminars and follow-up programs for employees with (pre-)metabolic syndrome. Improvement has been observed with approx. 30% of participants in these seminars and programs.

Ratio of branch offices with the OHSAS 18001 (Occupational Health and Safety Assessment Series) Certification

While we have not acquired the OHSAS18001 Certification, we hold a safety and health committee session at each branch office at least once a month, in order to publish and share health and safety information.

In addition, dedicated occupational health physicians are hired at our Head Office and at the Tokyo Head Office, because more than 1,000 employees continuously work there.

Response to global health issues

Our Code of Conduct requires the Group to take care of health and safety. We have established a system to ensure health management against contagious diseases above the statutory level.

Our employees are obliged to take periodic medical examination every year, including chest X-ray examination to find tuberculosis, lung cancer, pneumonia and other diseases at an early stage.

In fiscal 2016, 100% of employees took the periodic medical examination. In addition, 100% of employees who received special remarks in the medical examination had a re-examination. We will maintain systems to enable the 100% examination rates, and respond to health-related requirements.

To manage risk, the company issues alerts related to contagious diseases to all Group employees based on warnings issued by the Ministry of Foreign Affairs and World Health Organization (WHO).

In the past, when warnings were issued regarding severe acute respiratory syndrome (SARS) in 2003, a new strain of influenza in 2009, Middle East respiratory syndrome (MERS) in 2015, and dengue fever, the company warned employees working in affected areas overseas to take extra precautions, and issued a travel advisory to all employees about dangerous regions in order to prevent contagion.

Major accidents and responsive actions

In fiscal 2016, three industrial accidents occurred involving our employees. Industrial accidents at construction sites that involved the employees of our business partners are described in p. 58.

In fiscal 2016, no accidents involving the deaths of our employees occurred at construction sites. In the event of a serious accident that involves the risk of death (e.g. fall of a crane, pile driver, or other construction machinery), we investigate the causes, and disseminate and implement recurrence prevention measures through in-house notification and/or special patrol.

Training and awareness-raising activities concerning health and safety

■ Occupational Safety and Health Education in FY 2016

Training for safety managers and deputy safety managers	549
Training for on-site environmental energy supervisors	70

Accidents involving deaths

No industrial accidents involving the deaths of our employees occurred from fiscal 2014 to 2016. Industrial accidents at construction sites that involved the employees of our business partners are described in p. 58.

Employees exposed to higher risks of accidents and diseases associated with their work

We consider that the risks of specified diseases escalate during work at overseas offices, compared to offices in Japan, and therefore recommend all employees assigned to overseas offices (75 employees as of April 2017) to take vaccinations against Hepatitis A and B, tetanus, and rabies.

[The most important priority issues]

Developing Human Resources

Concept and Policy

As stated in its Company Philosophy (Corporate Creed), the Daiwa House Group aims to “develop people through business.” We believe that human resources are the Group’s greatest assets. In addition to the above, our Principles of Corporate Ethics and Code of Conduct emphasizes the development of human resources, and nourishes a corporate culture where we pursue human resource development in a medium- and long-term perspective, and where each individual plans their own growth and improves themselves.

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

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

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

Management

Through management that links human resource development with evaluation systems, we periodically confirm progress in human resource development, and facilitate the further growth of employees. Questionnaire surveys are conducted among participants in training. The effects of education and training, as well as points to be improved, are identified through the survey results, and improvements are made in education and training through the PDCA (Plan - Do - Check - Act) cycle.

Some numerical targets concerning human resource development are specified and published as part of the CSR Self-Assessment Indices.

Related page P155–156 CSR Self-Assessment Indices Employees

OJT and Off-JT

For human resource development, OJT and Off-JT are effectively combined in the education and training systems. OJT is aimed at helping employees acquire practical skills through work at individual workplaces. OJT is linked with evaluation systems, thereby enhancing the effect of development for employees in all ranks. In particular, an “OJT Elder” system is established for new recruits, thereby clarifying persons in charge of training recruits and supporting the training system on an organizational basis.

As Off-JT, grade-specific training is implemented in order to develop the spirit of autonomy in employees. To this end, participants in the specific courses are openly invited.

General image of grade-specific Off-JT

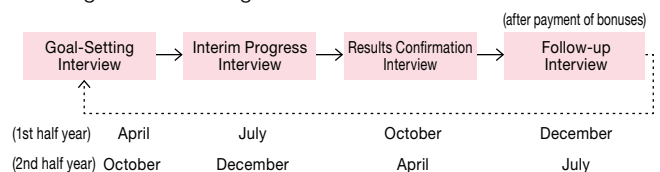
Target	Grade-specific education		Senior executive and future president training	Department/ job-specific training	Branch office education	Support for self-development
	Entry-level employee training	Manager and leader training				
Directors			External seminars for top management team			
Managers		Training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

Linkage with evaluation systems

To facilitate the further development of human resources, grade-specific evaluation systems are implemented under management by the Human Resources Department. Through management that links human resource development with evaluation systems, we periodically confirm progress in human resource development, and facilitate the further growth of employees. The Human Resources Department continuously operates and improves the evaluation systems, thereby promoting human resource development by managers.

In the evaluation management system targeted at chiefs and regular employees, the superior has an interview with each subordinate at least once every quarter, and provides inputs whether the subordinate is exercising his/her abilities. The superior and the subordinate also share the common recognition about points for development, thereby promoting the further growth of the subordinate. The evaluation results of a subordinate by the superior can be confirmed by the subordinate him/herself, so that abilities required at work can be clearly identified.

In the target management system aimed at managers, target setting and appraisals are periodically conducted through interviews with the higher superior, thereby facilitating the achievement of organizational targets, and encouraging the further growth of managers.





Co-creating a Brighter Future with Our Employees

For enhancing the effect of education and training

We hold an HR development liaison council meeting every month, aiming at the sustainable enhancement of education and training. The Human Resources Training Center, the primarily responsible department for education and training, takes the leadership in this meeting, where training details and methods are shared, and desirable pedagogy to enhance the personality and capabilities of employees are discussed, with training representatives from individual divisions.

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

Career counseling

We have established career counseling functions and systems in order to avoid personnel mismatches, where the skills that employees have acquired do not efficiently match their workplaces or careers. In addition to a system where employees can state their own ideas about career development, we establish and operate a system for periodic surveys to identify the technical skills of employees, and a system for employees in the accounting department to report their accounting skills, among other systems.

Major efforts

HR development through OJT

■ OJT Elders

Managers (sales office managers, section managers, and other line supervisors) are responsible for providing on-the-job training in our system that is designed to train and support new employees throughout the organization. OJT Elders assist managers and serve as leaders for carrying out on-the-job training for the entire organization. For them to become influential for new recruits, they need to have character, knowledge, and experience.

So, senior regular employees who are newly appointed as OJT Elders are asked to join a special training program for learning how to provide on-the-job training most effectively. They gain greater awareness of the training of new recruits and learn how to give guidance to and interact with new employees.

■ Training support patrol system

Staff from the Human Resources Training Center known as "round supporters" go around to each worksite to ensure that the OJT Elders system is functioning smoothly and that guidance and training is being provided consistently to new recruits. They provide support by interviewing such new employees and OJT Elders to check on how well the new employees are progressing and how their training and education are developing.

Off-JT HR development

〈Entry-level employee training〉

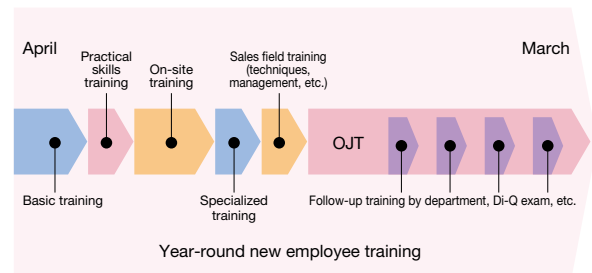
■ New employee training

The first year for new recruits is viewed as an important period during which the foundation is built of their new chapter in life, not only as working adults but also as Daiwa House Industry employees. Therefore, the new recruits undergo an annual educational program following a preplanned curriculum. Following basic training of about one week, new recruits are assigned to their respective departments. Not only employees in construction-

related posts but all employees in all job descriptions, from design to sales and administration, receive practical on-site training. In this manner, they acquire specialized knowledge about manufacturing and building construction through firsthand experience. After this, a training program is carried out roughly every three months. The new employees acquire practically applicable knowledge and skills, and their levels of assimilation are checked from time to time.

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

* Di-Q Examination: An in-house examination that tests the practical skills that employees need for their respective posts to confirm their level of skill acquisition.



■ Summary of training programs

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

■ Training for mid-career recruits

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

Manager and leader training

■ Training for newly appointed branch office managers and general managers

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

■ Training for newly appointed managers

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

■ Training for team leaders <Optional>

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

Senior executive and future president training

■ Training for branch office manager candidates

This training has been given since fiscal 2005, with the aim of developing candidates for branch office managers, plant managers, and others for upper-level management posts. An in-house open call is put out to motivate people to rise to leadership positions and to discover talented individuals. At the end of fiscal 2016, a total of 451 people have completed this program.

■ Daiwa House Juku

Daiwa House Juku is a Groupwide training program for next-generation business leaders begun in May 2008. Its practical training in management skills involves drawing up strategies to address actual management issues. At the end of fiscal 2016, a total of 314 people have completed the program, among whom 103 have become company executives.

Manners training

■ “Being Complete in Small Things” and manner training

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

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

Average annual hours spent on HR development through OJT and Off-JT

■ Average annual training hours per employee spent on HR development through Off-JT

The data for fiscal 2016 was as follows.

The data below only includes grade-specific training and non-grade-specific training, and excludes training aimed at upgrading specialized knowledge and skills in each division.

■ ① Training hours per employee

Training hours per employee	3.92 hours
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* Training hours per employee = Total training hours / employees

■ ② Breakdown by type of training

Hours for each type of training indicate hours per participant.

(Entry-level employee training)	New employee training	36.5 hours (Basic training only)
	Training for mid-career recruits	17.0 hours
(Manager and leader training)	Daiwa House Juku	160.0 hours
	Training for newly appointed branch office managers and general managers	10.0 hours
	Training for branch office manager candidates	50.0 hours
	Training for newly appointed managers	31.5 hours
	Training for reinforcing the ability to anticipate problems <Optional>	16.0 hours
	Training for team leaders <Optional>	16.5 hours
	Training for OJT Elders	2.5 hours
(Training for all employees)	OJT Elder follow meeting	3.0 hours
	“Being Complete in Small Things” and manner training	2.0 hours
	Training camp toward real-estate transaction specialist	22.5 hours



Technical training for new employees



Training for newly appointed managers



Daiwa House Juku



Co-creating a Brighter Future with Our Employees

Rate of employees subject to personnel evaluations

All our employees are subject to periodic personnel evaluations, regardless of gender or rank. At the same time, all our employees are subject to transfer. We endeavor to issue an informal notice to employees to be transferred two weeks in advance.

Measures to develop a creative workplace environment

Our office standards have primarily focused on hardware, such as cost reduction and space saving, and energy-efficient buildings incorporating environment-friendly measures. As the next step, we are emphasizing measures targeted at employees who work in our offices on software.

Requests and expectations concerning the office environment from employees and society in these years include the diversity of employees, work-style reform, and the advancement of information technologies. In June 2016, we launched a project to establish office standards incorporating these keywords into our operating styles and details. Based on the concept “healthy and comfortable offices that nourish creativity and enhance productivity,” we will establish our new office standards, led by the project team that consists of representatives from diverse divisions.

We are also endeavoring to enhance our corporate value in various aspects, through the proactive utilization of information and communication technologies. Among other measures, we aim to realize an environment where employees can concentrate themselves further on fulfilling and creative operations, by leveraging information and communication technologies, toward improved productivity through work-style reform among employees. More specifically, the following four reforms are in progress.

- ① Work-style reform toward on-site completed operation, by upgrading the operational efficiency of construction engineers through the utilization of smart devices;
- ② Work-style reform among office workers, by upgrading the operational efficiency through the automation of office work, which had to be handled by humans due to difficulties in the application of IT;
- ③ Manufacturing reform by reviewing business models in housing construction as our core business, thereby improving the user experience of customers, more efficiently utilizing engineers, and shortening lead time;
- ④ Communication reform to upgrade organizational power, by establishing a system to broadly leverage the substantial knowledge and wisdom acquired by employees through work experience, without limiting them within individuals or departments.

In addition to the above, a Help Desk has been put up to establish an environment where employees can effectively utilize information and communication technologies. The Help Desk not only provides consultation services concerning PCs, but also prepares manuals that are easy to understand. IT Promotional Committee Members are also appointed in each department and at each branch office. The Committee Members facilitate cooperation between the Information Systems Headquarters and frontline personnel, thereby contributing to the upgrading of IT literacy among all employees.



Example of a creative office



New communication style utilizing ICT

[The most important priority issues]

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

Concept and Policy

The Daiwa House Group supports international codes of conduct, including the Universal Declaration of Human Rights adopted by the United Nations, and the Core Labor Standards stipulated by the International Labour Organization (ILO). The Daiwa House Group also respects the Guiding Principles on Business and Human Rights, which were endorsed by the United Nations Human Rights Council as global standards.

On top of that, we set Respect for Human Rights as part of the Principles of Corporate Ethics and Code of Conduct and in it, declare that we respect human dignity and basic human rights of all persons and never discriminate against anyone on the grounds of their race, nationality, ethnicity, gender, sexual orientation, gender identity, disability, age, belief, social status and other factors. In addition, as part of this, we offer equal opportunities to all employees.

Under this policy, it is our important goal to establish workplaces where the diversity of human resources is maintained, and diverse employees can fully exercise their respective abilities, and work with pride, fulfillment, and flexibility. As the basis for the above, we believe that it is necessary not only to adhere to the minimum wages stipulated by the Minimum Wage Act, respecting the constitutional "right to maintain the minimum standards of wholesome and cultured living," but also to pay living wages that satisfy the needs for wholesome and cultured living.

We also believe that, when diverse employees can exercise their individual performance in workplaces that enable flexible working, it will enrich the life of each employee, and will consequently lead to enhanced customer satisfaction through improved fulfillment at work.

The 5th Medium-Term Management Plan incorporates the promotion of diversity into its basic policy in order to establish an environment where diverse human resources can exercise their abilities. Systems will be further enhanced to support female, elderly and disabled employees, and enable diverse human resources to work flexibly.

Management

To maintain the diversity of human resources, it is one of the key requirements to promote women. The Daiwa House Group has set a numerical target for women in management positions throughout the Group at 500 (including 200 at Daiwa House Industry non-consolidated) by the end of FY 2020. Toward this goal, we establish personnel systems that enable women to continue working while going through significant events in their personal lives (e.g. childbirth and rearing), and support career development by female workers.

Every year we check and accelerate our progress on how fast the company is moving to achieve these numerical targets of women in management positions. Periodic employee surveys are also conducted. We will continue to determine issues being faced, and help in implementing policies for raising awareness and creating workplaces that allow individuals from diverse backgrounds to thrive on the job.

We also formulate office strategies targeted at an era of population decline, in terms of workplace environment from the viewpoint of employees. Based on the concept "healthy

and comfortable offices that nourish creativity and enhance productivity," we will develop workplaces that match diverse work-styles from a long-term view.

Major efforts

Achievements of the prohibition of discrimination in employment and recruitment

■ Promoting post-retirement re-hiring

Daiwa House Industry raised its mandatory retirement age from 60 to 65, starting in fiscal 2013. Under the company's previous post-retirement re-hiring system, re-hired employees were on a limited-term contract, with a fixed salary. The new mandatory retirement age alone has already brought about greater employment stability to elderly personnel. Still, the company has also adopted a new system in which the performance of individual re-hired employees is evaluated and reflected in their salaries. This system is expected to further motivate elderly employees to produce results commensurate with their remuneration.

In fiscal 2015, the company launched the Active Aging Program for re-hiring personnel past the retirement age of 65. Promoted under the slogan, "Stay active all your life," this program enables elderly employees valued by the company to continue working on a renewable one-year contract without an age limit. The system was utilized by 13 of 33 individuals who had retired at the end of fiscal 2014, by 37 of 55 who had retired at the end of fiscal 2015 and by 48 of 66 who had retired at the end of fiscal 2016. They are thus active in the company educating younger employees and transferring their skills and contacts.

The expanded employment of elderly personnel will not strain the employment situation of younger generations.

■ Rate of employees with disabilities

Daiwa House Industry's rate of employment of persons with disabilities was 2.19% (as of April 1, 2017).

Instead of assigning employees with disabilities to specific sections, the company assigns them to a wide variety of sections including sales, design, construction, and administration, in consideration of their aptitudes, as with employees without disabilities. The company is striving to realize a workplace environment in which employees with disabilities can work in a truly rewarding manner while enjoying the understanding of their healthier colleagues.

■ Recruitment of international employees

In fiscal 2017, we recruited ten international students as our employees. We recruit human resources capable of exercising their abilities in our company, regardless of their nationality.

■ Recruitment of elderly employees

In the mid-career recruitment in fiscal 2016, 53 new employees were aged 50 years or older, accounting for 15.2% of 348 new mid-career employees. We recruit human resources capable of exercising their abilities in our company, regardless of their age.



Co-creating a Brighter Future with Our Employees

Measures for promoting women

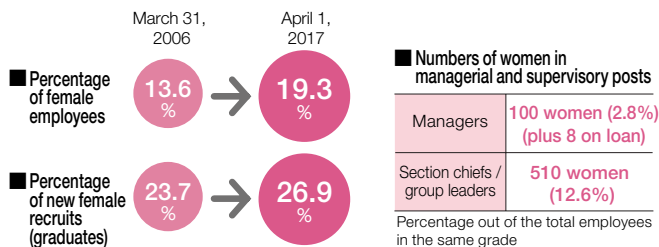
Promoting women

As of April 1, 2017, 19.3% of the company's employees were women. Their average length of employment was 9.7 years. In fiscal 2017, 26.9% of the employees newly hired immediately after graduation were women.

In addition, the ratio of female employees to employees overall has been rising year by year—from 20.2% in 2015 to 21.6% in 2016 and 22.9% in 2017.

Development of women managers

As of April 1, 2017, there were 100 female managers (2.8%, excluding those on loan) (plus 8 on loan) and 510 female section chiefs or group leaders (12.6%). The number and ratio of women in management positions in the Group overall was 200 (3.0%) in 2015, 240 (3.4%) in 2016, and 261 (3.6%) in 2017. We are working to encourage a corporate culture that actively encourages women to become managers. We aim to quickly boost these figures and achieve our goal of 500 by fiscal 2020.



Expansion into sales and technical divisions

As of April 1, 2017, women accounted for 8.1% of the Daiwa House Industry employees in sales posts (up 1.0% from the previous year), and 11.4% of those in technical posts (up 0.4% from the previous year). Continuing from last year, as a women's support program in the sales division, career training was held for women in sales positions by department and talks were given to managers on training women. In the engineering division, additional programs included holding information exchange meetings among female engineers by district in the housing construction department and holding interviews to anchor our female engineers upon returning to work from childcare leave.

The ratios of employees returning to their positions and remaining in the company following maternity and childcare leave

Taking of childcare leave and returning to positions

	Male	Female
a. Total number of employees entitled to childcare leave	601	128
b. Total number of employees who have taken childcare leave	198	127
c. Total number of employees who have returned to their positions after taking childcare leave	4	92
d. Total number of employees who have returned to their positions after childcare leave, and who still remain in the company 12 months after their return	1	93
e. The ratios of employees returning to their positions and remaining in the company following childcare leave	100%	88.5%

Ratio of returning employees = c / (c + employees leaving the company during childcare leave)

Remuneration to female employees

In fiscal 2016, the average amount of annual remuneration was 8,791,000 yen per employee. Our employees are categorized into general employees (nationwide employees and local employees), who undertake core operations of the company, and clerical employees (local employees), who handle clerical and supportive operations. Our remuneration system pays based on their respective capabilities and the levels of performance and contribution, without differences by gender.

Setting of living wages

The Daiwa House Group adheres to the rule of remunerating its employees at a proper level, pursuant to the statutory minimum wage prescribed by law, and based on local living prices, in the respective countries.

[Priority issues]

Providing Employment Opportunities for Exceptional Human Resources

Concept and Policy

In Japan, where population decline will become increasingly remarkable, we believe that it is indispensable for the sustainable growth of the Daiwa House Group to provide the opportunities of employment to talented human resources, while establishing fulfilling workplaces that employees can be proud of, thereby "Co-creating a Brighter Future" together with our employees.

We are promoting measures focused on enriching the lives of employees from a long-term view, from recruitment to training, utilization, and through to retirement. We will also accurately identify social issues such as population decline and the globalization of the economy, and provide the opportunities of employment that match the needs of the time, thereby retaining talented human resources and making a contribution to society.

As one of these measures, we promote recruitment with limited locations of work in order to facilitate sustainable business operations that take root in the local communities. We also have a system where general employees can select between "nationwide employment" and "local employment," thereby enabling them to work in geographic areas that match their hope, while creating local employment at the same time.

Furthermore, our Group companies outside Japan are promoting the recruitment of local talent at individual sites, under the policy of employing and developing local human resources in each country.

Management

To retain human resources of the next generation, we verify recruitment performance and key recruitment points for the next term, under the leadership of the Human Resources Department and in cooperation with individual departments.

We have also established a system for the centralized management and utilization of employment information, and put up a dedicated organization (Shared Service Center) that operates this system, thereby promoting this system throughout the Group.

In addition, it is important to incorporate input from front-line personnel into human resource policies in order to retain talented human resources. To this end, we conduct a questionnaire survey targeted at all employees every four years. The levels of employee satisfaction are quantified based on the survey results, and requirements are identified.

Major efforts

Recruitment measures to retain talented human resources

■ Corporate briefings for the families of students

In these years, a trend is observed that students consult their guardians about their future career and determine their direction in job hunting. Therefore, we hold corporate briefings targeted at the guardians of students in job hunting. At these briefings, we describe our corporate profile, individual business operations, welfare systems, and human resource systems.

■ Retrial in recruitment review

In this review system, even when a student is not successful in an interview with us, and fails to proceed to the next step, the student is not entirely excluded from the review process, but is able to retry the same step of the interview.

This system enables students who are highly motivated to work with us, but who have failed to proceed to the next step due to clumsiness in an interview, to deepen insights into themselves and make a retrial in the same step of interviewing at their own will, so that we can accept more willing students.

This system inherits our corporate spirit that sales activities start when an offer is declined, as our founder stated. Through this system, we aim at recruiting students who have willingness and a strong mind to overcome difficulties when they fail in a certain challenge.

■ Recruitment with commitment to geographic areas

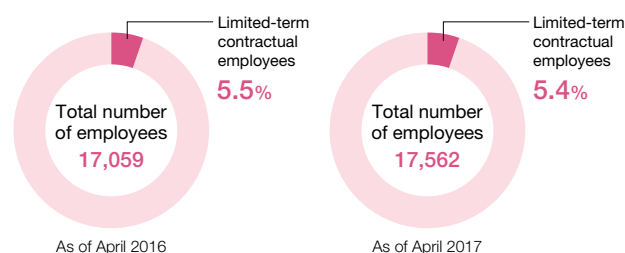
In this recruitment system, we make a commitment to allocate students who are highly motivated to work with us, and who strongly hope to work in their local communities, to the relevant geographic areas.

The applying students can select their areas of work on a first come, first served basis. In the future, there is a possibility of transfer across Japan.

Limited-term contractual and temporary employees

■ Limited-term contractual employees

	Limited-term contractual employees	Post-retirement specially commissioned employees	Employees on probation	Part-time employees	Total
April 2016	933	86	92	681	1,792
April 2017	954	143	66	674	1,837



Employment and turnover

As of April 2017, Daiwa House Industry had 15,725 full-time regular employees.

In 2016, the company newly hired 903 full-time regular employees (741 new graduates and 162 mid-career recruits).

In April 2017, 840 new graduates (645 men [77%] and 195 women [23%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were 2.75% in fiscal 2014, 2.54% in fiscal 2015, and 3.08% in fiscal 2016.

In fiscal 2016, no dismissal took place for the reason of personnel reduction.



Co-creating a Brighter Future with Our Employees

The ratio of employees subject to collective bargaining agreement, and the content of agreement

While no labor union of the company has been organized to date, the constitutional freedom of association is granted.

Continuous employment and support to the termination of employment

■ Career design support system

We introduced a career design support system in 2008, through which the company supports its employees who plan to leave the company before their mandatory retirement age, and take up new employment or become self-employed in accordance with their own lifestyle.

This system is aimed at highlighting the life of each individual one step closer, and preparing an environment where they can nourish autonomy and independence, thereby providing opportunities for creating human resources who will broadly exercise their abilities in society. As of April 2017, 107 persons have used this system.

■ Life design seminar

We implement a seminar every year to support employees who become 60 years of age in their subsequent life planning.

	FY 2014	FY 2015	FY 2016
Participants	134	120	105

Related page ▶ P46 Promoting post-retirement re-hiring

Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

Co-creating a Brighter Future
with Our Shareholders

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with Our Business Partners

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Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors	057



Co-creating a Brighter Future with Our Business Partners

Commitment from the Executive Officer in Charge

Concept

Social issues

With Japan's birthrate falling and its population becoming top-heavy with senior citizens, concerns over labor shortages run all across industry. The construction industry, in particular, is seeing a steady decline in young recruits, while the average age of on-site labor keeps getting older. Going forward, creating a motivating worksite will be a vital issue for what regards securing the necessary human resources. Another critical issue we acknowledge is to have veterans pass down their skills and know-how to the upcoming generation.

We should also point out that, in stark contrast to the mechanization and automation that continues to advance in all fields of industry, much of the project site work in the construction industry still relies on manual labor. So, with the labor pool shrinking, it is all the more important to ensure safety on the job.

Risks and opportunities for the Daiwa House Group

We have extended our business reach in recent years with the help of our business partners. While this has allowed business to move steadfast ahead, carelessness and conceit on the part of our global workforce could cost us their trust and very well weaken our *monozukuri* platform in the medium- to long-term. Admittedly, all the executives and employees need to focus more on our relations with business partners and carefully manage risks associated with safety, quality and compliance.

Moreover, because of the expanding scale of our business, holdups in the supply chain can greatly set back an entire project. This makes it imperative that we manage our supply chains across the full process of procurement, production and construction better than we have ever before.

Commitment to our activities

Greater “cooperation and partnering” with business partners

In the business we do as a Group, business partners play an indispensable role by manufacturing and supplying materials and equipment, and handling the building and installation work at project sites. Currently, the Trillion Club through which we procure materials counts 239 business partners, while the Confederation of Partner Companies who handle on-site construction and manufacturing work has 4,653 companies and the Setsuwa Club of equipment manufacturers and sales companies consists of 146 member-businesses. Our Group business is based on this vast value-chain.

Cooperation with our business partners is built on a policy of prioritizing safety, quality and compliance in everything we do. We strive for a higher level of cooperation by building trust over the long-term and working assiduously as “partners” to the benefit of everyone.

Moreover, the spirit of “Co-creating a Brighter Future with Our Business Partners” that we share with our business partners goes beyond the typical day on the job, to play a crucial role in times of disaster. In our business continuity plan (BCP), we have prepared an emergency response manual of what our business partners need to do, and involve them in drills we conduct against a hypothetical disaster scenario every September. Being prepared on a regular basis proved effective toward mobilizing crews and building temporary housing unit in the wake of the Great Hanshin-Awaji Earthquake, Great East Japan Earthquake and Kumamoto Earthquake.

Going forward, we want to continue this spirit of “Co-creating a Brighter Future” by promoting greater “cooperation and partnering” with our business partners, maintaining strong feelings of trust between us, and providing products and services of recognizable value.

Leveling of workload and improving the work environment of business partners

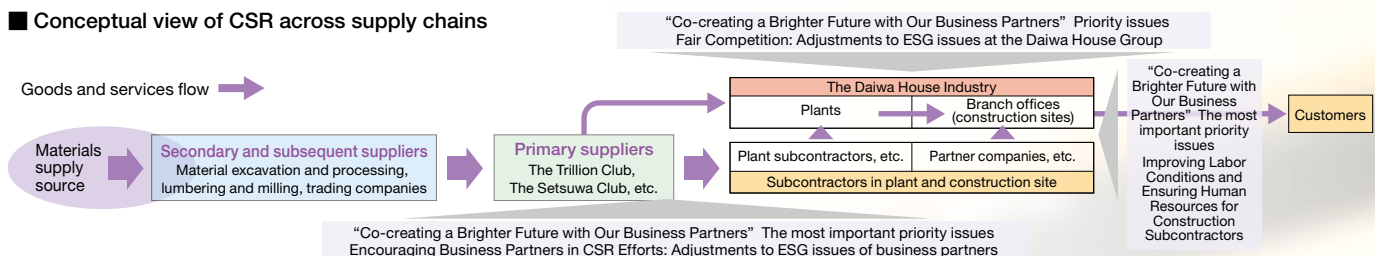
When our business partners' employees settle into their jobs and feel motivated to work, it helps both us and them to build *monozukuri* platform for doing business. Appropriate working hours and wages for those engaged in production and construction are important components for keeping jobs filled in the construction industry.

At Daiwa House Industry, we are pushing leveling of workload along the supply chain as an effective way to solve a number of priority issues, e.g., ensuring quality and safety, reducing costs and improving workplace environments for both our and our business partners' employees. As a pretext to these improvement efforts of ours, we consider it our duty to convey the importance of health and safety, proper wages and human resource development to our business partners, and provide them with the support they need to provide all of that.

Using BIM to enhance work efficiency

To fully integrate our supply chains from sales to design, production, construction and installation, and repairs and maintenance, we launched a building information modeling (BIM) project that would allow us to share information not just within the Daiwa House Group but also with our business partners and maintenance providers. The system serves to reduce excesses, waste and inconsistencies, review our procurement practices by rebuilding our supply chain management, and automate and enhance the efficiency of manufacturing. By sharing information, we can level workload, share a common goal of providing products of good quality and build the foundations for “Co-creating a Brighter Future” with our business partners.

■ Conceptual view of CSR across supply chains



Long-term social vision [Business partners]

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

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

[Priority issues]

Fair Competition

P53-54

Our fiscal 2018 target for rate of conflict resolution within one month from reporting by business partners with regard to subcontracting law is 100%. In contrast, we reached 87.5% in fiscal 2016.

Moreover, as part of our effort to ensure our employees act responsibly toward all business partners, we send the questionnaire survey for our business partners about Daiwa House Industry employees' conduct. Our targets for fiscal 2018 are a 70% overall response rate and a 75%, percentage of respondents who stated "no problem" with regard to our employees' conduct. Those percentages in fiscal 2016 were, respectively, 68.4% and 72.0%. Therefore, we will continue efforts in order to attain our goals.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Questionnaire survey for business partners about Daiwa House Industry employees' conduct		
① Rate of response	[1] 68.4%	[1] 70%
② Percentage of respondents who stated "no problem" with regard to our employees' conduct	[2] 72.0%	[2] 75%

[The most important priority issues]

Encouraging Business Partners in CSR Efforts

P54-57

On the subject of in-house employee training, we are targeting a 95.0% participation rate in training by level of purchasing employees and a 100% participation rate in training for construction managers in fiscal 2018. In fiscal 2016, this former cleared our target of 95.0%, whereas this latter stopped just shy thereof at 91.0%.

Moreover, we have set a target of 4.5 points or above for evaluation of business partners and purchasing work based on in-house criteria in fiscal 2018. This score in fiscal 2016 was 4.2 points. Going forward, we will continue to strive for "Co-creating a Brighter Future" with our business partners.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Evaluation of business partners and purchasing work based on in-house criteria	4.2 pts	4.5 pts or above

[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

P57-59

For fiscal 2018, we set "number of employees trained on site program," which is intended to assist construction subcontractors

in developing human resources, to 500 persons for housing-related programs and 330 persons for construction-related programs. In fiscal 2016, these numbers were, respectively, 214 and 267. Therefore, we will continue efforts in order to attain our goals.

With regard to "number of labor accidents," our targeted "rate of decrease from the previous fiscal year" is 20% for fiscal 2018. In fiscal 2016, there were 282 accidents, which, against the 355 reported the year before, comes to a 20.6% decrease. Going forward, we will be focusing efforts on eliminating labor accidents entirely.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
No. of labor accidents (Rate of decrease from previous FY)	-20.6%	-20%

Yuichi Sugiura

Executive Officer
General Manager
Purchasing Department





[Priority issues]

Fair Competition

Concept and Policy

In the Daiwa House Group, we look at our suppliers as business partners out to complete the same job. The fact that we can offer customer-satisfying quality owes to a vast supply chain of material and equipment manufacturers, installers, aftercare service providers and other supporting businesses.

That said, we are very much in agreement with the “Regulations for Construction Work Contracting” of the Construction Industry Act where it states, “The concerned parties of a construction work contract must conclude a fair contract based on agreement from equivalent standpoints and must observe the contract in good faith.” We also transact business with business partners who are protected under the subcontracting law in the full spirit of the law. Additionally, in our “Principles of Corporate Ethics and Code of Conduct,” we honor our partnerships with our business partners, seek good relations with them and aspire for the healthy development of the industry as a whole under principle of free market competition. In that, we call for “good relations with our business partners,” “refusal to use a dominant bargaining position” and “fair and free competition” because “Co-creating a Brighter Future” with our business partners is the underlying principle. Moreover, in our “Basic Procurement Policy,” we require that business transactions be “fair, legally compliant, highly ethical and based on market principles” and that that be made known to our business partners.

■ Excerpted from the Daiwa House Group’s “Principles of Corporate Ethics and Code of Conduct”

With business partners

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

• Good relations with our business partners

We consider our suppliers vital business partners we cannot do without and shall always engage them on equal and fair terms and with a spirit of co-existence and co-prosperity.

• Refusal to use a dominant bargaining position

We shall never use our dominant position to force unreasonable business conditions on others, bargain, etc. Moreover, we shall not make inappropriate demands to our business partners, extort them in any way, shape or form, or commit any acts in their regards that may question our dignity, and we shall be cautious in our use of entertainment for business and shall not accept any gifts.

• Fair and free competition

We should refrain from actions, including bid-rigging, that may hinder free and fair competition, and refrain from behavior that may raise suspicion, such as information exchange, meetings, or contacts.

■ Excerpted from the Daiwa House Group’s “Basic Procurement Policy”

• We shall establish a point of contact that is fair and impartial to all business partners, and conduct business based on the principles of competition and a high standard of ethics.

• We shall conduct business fairly and in full compliance with applicable laws and regulations both in Japan and abroad.

• We shall build good relations with business partners in the spirit of co-existence and co-prosperity.

Management

In promoting “Co-creating a Brighter Future” with our business partners, we think it is important to establish a mindset and business processes that respect fair competition. For that to happen, all executive officers and employees undergo training that enables them to make decisions and act in line with our “Principles of Corporate Ethics and Code of Conduct.”

A couple of the processes we use to verify that business transactions are being implemented fairly are the internal audits conducted by the Internal Audit Office and the audits of purchasing operations that the Head Office Purchasing Department does.

Moreover, as a tool for solving problems between us and our business partners, we survey members of the Confederation of Partner Companies once a year and look for paths to improvement in their feedback. And, to give our business partners the means to report their concerns, we created a “Partners Hotline” and take very seriously every matter they raise.

Another thing we did to strengthen our auditing practices was to improve the effectiveness of the “compliance/risk evaluations” we conducted up until fiscal 2016. Whereas before these evaluations served to analyze the compliance with technical requirements and the safety and quality management of branch offices, starting in fiscal 2017 we are applying a new management approach that “verifies compliance/risks.” More specifically, we measure improvements against improvement plans crafted from internal audits, compare current relations against results of our business partners questionnaire survey and provide coaching where needed in both cases.

Related page P133 Foundation of CSR Management Risk Management

Major efforts

Resolving problems in relations with construction-related subcontractors originating with the Daiwa House Industry employees

Results from our fiscal 2016 survey of our business partners are shown below. After these results are analyzed, they are reported to the executive officers of concerned departments and our representative directors, fed back to the branch office that operates as the business partners’ point of contact in the Daiwa House Industry and ultimately improvement plans are crafted and implemented.

This information is also shared with worksite supervisors from across Japan when they gather for periodic group training.

	FY 2014	FY 2015	FY 2016
Rate of response	54%	60%	68.4%
Percentage of responses citing “no problems” in the way our employees conduct themselves	72%	75%	72.0%

* CSR Self-Assessment Indices: Business partners — Fair competition — Responsible action toward all business partners — Revised as appropriateness of Daiwa House Industry employees’ conduct based on in-house criteria

* Data for FY 2014 and FY 2015 was taken from the old self-assessment index, but the same indicators were used.

Resolving problems in relations with suppliers originating with the Daiwa House Industry employees

Audits of branch office purchasing operations

At Daiwa House Industry, we periodically audit the purchasing operations of our branch offices to make sure that ordering, contracting and other transactions with business partners are conducted properly and fairly by the PDCA method. These audits are done either annually or quarterly depending on how the branch offices score. Purchasing operations are also subject to corrections and guidance if and when so indicated in the results from business partner surveys. The areas audited in fiscal 2016 are listed below.

Evaluation items of branch office purchasing operations audit (Excerpted)

- ① Conclusion, renewal and management of basic contracts
- ② Implementation of periodic evaluations of business partners (Quality claims and correction of unsafe acts, etc.)
- ③ Preparation of a vendors list and registration of vendors
- ④ Understanding of business status (Aware of payments, orders and business relations)
- ⑤ Prevention of late/missed payments by documenting and tracking order slip issuance
- ⑥ Do individual contracts specify matters in detail?
- ⑦ Does the time allotted for estimates correspond to the expected price range?
- ⑧ Are illegal materials purchased under pressure?
- ⑨ Are requested subcontracting rates unreasonably low?
- ⑩ Does the business site exploit its business position?
- ⑪ Are subcontractors being extorted to work for unreasonably low rates?
- ⑫ Are payment conditions appropriate?
- ⑬ Are contracts concluded properly?
- ⑭ Are payments made properly?
- ⑮ Are proper procedures used when project additions, changes or rescheduling arise?

[The most important priority issues]

Encouraging Business Partners in CSR Efforts

Concept and Policy

In our pursuit of sustainable business, we place strong emphasis on the environment, society and governance (ESG) in our management practices. Realizing this requires not only efforts within the Daiwa House Group but also measures across the entire supply chain, meaning with our business partners, too. And, by seriously fulfilling our corporate social responsibilities (CSR) and getting our business partners to do so as well, we are able to meet the hopes and expectations of society on the one hand and contain the adverse impacts we have on the environment to a minimum and build between us and our business partners relations of “co-existence and co-prosperity” that society will support on the other.

Guided by our “Principles of Corporate Ethics and Code of Conduct,” our Group employees know to build relations of “co-existence and co-prosperity” with business partners. We also have, in the “Business Partner Code of Conduct” that we adopted in 2006, laid out a comprehensive policy on human rights, compliance and other matters we expect from our business partners. Furthermore, in 2015, we rearranged some CSR criteria we had been using until then as a new “CSR Procurement Guidelines.”

CSR Procurement Guidelines

Our “CSR Procurement Guidelines” set forth 7 social and environmental principles via a “Business Partner Code of Conduct.” And, based on this code of conduct, our “Corporate Activity Guidelines” elucidate 20 specific social and environmental items.

The “compliance” requirement in the “Business Partner Code of Conduct” stipulates that business partners are expected to act ethically and in full compliance with laws and regulations, in order to keep business free of graft and corruption. Where the code of conduct requires “considerations for occupational safety and health,” business partners are expected to concern themselves about health and safety, by preventing industrial accidents, assiduously managing sanitation and hygiene, and being prepared for unforeseeable events like natural disasters. And, the section on “respecting human rights” outright disavows forced labor, child labor, harassment and infringements of human rights by way of discrimination, etc.

Besides all of that, the Guidelines for Products specify our control policy concerning construction materials and other chemical substances, biodiversity concerning wood procurement, and other materials/issues that involve high risks in our supply chain but can be audited toward the upstream.

Related subject

CSR Procurement Guidelines
http://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf



Co-creating a Brighter Future with Our Business Partners

- (1) Business Partner Code of Conduct
Seven principles concerning social & environmental responsibility
 - 1) Establish a relationship of trust with customers
 - 2) Secure legal compliance
 - 3) Considerations for occupational safety and health
 - 4) Fair business activities
 - 5) Environmental conservation
 - 6) "Co-creating a Brighter Future" with local communities and
 - 7) Respect for human rights

- (2) Corporate Activity Guidelines
Twenty specific requirements concerning social & environmental responsibility

- (3) Guidelines for Products
Standards for social & environmental responsibility concerning construction materials and other products that our business partners procure, and delivery to Daiwa House Industry, consisting of the two guidelines below:
 - 1) Chemical Substance Management Guidelines [Basics]
 - 2) Biodiversity Guidelines [Wood Procurement]

Related page P93-94 Co-creating a Brighter Future with the Environment
Supply Chain Management in Our Entire Business

Management

At Daiwa House Industry, we assist 3 member organizations that operate in our supply chains, in the interest of "Co-creating a Brighter Future" with our material suppliers, etc. Through these organizations, we learn of demands and issues our business partners have with us. Together, we promote CSRs via closely knit communications, e.g., conveying to our business partners from time to time things we want them to respect in business processes.

With regard to risk information, we seek out, identify and improve ethical and compliance problems of our Group employees, as well as issues between primary and secondary subcontractors, by way of a questionnaire survey we send to our business partners and a "Partners Hotline" that they can use to contact us. These tools help our business partners to keep business free of graft and corruption, and prevent human rights infringements.

To promote CSR-oriented procurement, we established the CSR Procurement Subcommittee in 2010, consisting of representatives from Procurement, Construction and other related departments. Through this subcommittee, we have established a system for collaboration with order placement personnel at individual offices.

Application of the CSR Procurement Guidelines

When contracting new business partners, we explain to them the purpose of our "CSR Procurement Guidelines" and have them submit a letter of consent that they will honor the guidelines.

As part and parcel to doing business with us, we require business partners to analyze and report the chemical substances found in the parts and materials we purchase from them for use in single-family houses and low-rise rental housing. We use our "Chemical Substance Management Guidelines" (Guidelines for Products) for this. With all other parts and materials we purchase as well, we require business partners to honor our guidelines by way of information briefings, design documents, etc.

Moreover, every year since fiscal 2011, we have audited wood suppliers and made those results public as per our "Biodiversity Guidelines" [Wood Procurement] (Guidelines for Products). They are required to verify the legality and sustainability of wood they

procured in the previous fiscal year and then are instructed to make improvements highlighted in audit results.

Beginning in fiscal 2017, we started monitoring all matters raised in our "CSR Procurement Guidelines" by having our business partners conduct self-assessments.

■ CSR-related policy and management for business partners

Date of implementation	Item	Contents
February 2006	Management	Started the annual questionnaire survey toward business partners
October 2006	Policies	Business Partner Code of Conduct took effect (Collected letters of agreement from partners)
July 2009	Management	Started the operation of a Partners Hotline
October 2010	Policies Management	Chemical Substance Management Guidelines took effect Started chemical substance survey for centralized procurement (at the time of contract)
October 2010	Policies	Biodiversity Guidelines took effect (Collected letters of consent from partners)
January 2011	Management	Started annual wood procurement survey
July 2015	Policies	CSR Procurement Guidelines took effect (Daiwa House Industry only) (Collected letters of consent from partners)
April 2016	Policies	"CSR Procurement Guidelines" Used across the Daiwa House Group
April 2017	Management	Self-assessments based on our "CSR Procurement Guidelines"

Related page P105-106 Preserving biodiversity in our procurement and business activities

Member organizations in our supply chains

At Daiwa House Industry, we assist the below member organizations with their operations.

■ The Confederation of Partner Companies (4,653 companies):

The Confederation of Partner Companies, consisting of 83 branches nationwide, was formed by our partner subcontractors engaged in manufacturing and construction/installation work. Its activities have focused on the improvement of safety, quality, technology and work efficiency, as well as the promotion of environmental conservation efforts. The Confederation members have been enhancing their mutual trust by promoting the sharing of information through the information site "WEB Ren."

■ The Trillion Club (239 companies):

Composed of material suppliers, the Trillion Club serves to improve the financial standing of both member businesses and Daiwa House Industry, by enhancing material quality, respecting delivery schedules, developing new construction materials and innovating technologies.

It promotes mutual development and friendly relations by taking full advantage of regional characteristics and facilitating information sharing, through two categories of promotional activities.

■ The Setsuwa Club (146 companies):

The Setsuwa Club, which is composed of housing equipment manufacturers and sales companies we have had dealings with, has enhanced cooperation and collaboration among the member companies, by participating in exhibitions and various other activities and promoting the sharing of information on equipment technology. The Club has four branches in the Kansai, Kanto, Chubu and Kyushu regions.

Managing business partners in terms of QCDSME

At Daiwa House Industry, we select and manage new business partners in terms of Quality, Cost, Delivery, Morals, Safety and Ecology (QCDSME).

In selecting new suppliers, we first screen documented evidence of their quality, environmental considerations, delivery performance, costs and management against our regulations on purchasing operations. Then, for those that pass this initial step, we audit and assess their quality management policy and system, and additionally evaluate safety and health conditions and practices at their plants, considerations they take for nearby residents, and their environmental measures, claim handling and employee training programs. We only conduct business with suppliers who clear a certain level of evaluation. And, after commencing business with them, we use the same approach for follow-up assessments.

In selecting new construction subcontractors, we review their application against QCDSME criteria and interview them as per our regulations on managing subcontractors. These processes help us to verify the candidate company's compliance record, safety and health assurances, their distancing from antisocial forces, legal permits in their possession, their participation in Japan's public health insurance program, and other defining features. With those that pass, we conclude a Basic Subcontractor Agreement and obtain a trade name proof of registration from them. All regulations and standards apply to the new subcontractor. At construction sites, alongside managing the site in terms of QCDSME, we clarify the roles that we and the subcontractors play in that process.

Major efforts

Explaining our CSR Procurement Guidelines to business partners

To address risks in our supply chains, we explain to our business partners the importance of work safety, human rights, preventing graft and corruption in business, reducing environmental loads and risks, and other matters in the procurement phase. We then obtain a letter of consent from those who agree with the purport of our "CSR Procurement Guidelines." In fiscal 2016, we introduced these guidelines to our Group companies and began promoting CSR procurement across the entire Group. And, in fiscal 2017, we started having business partners conduct self-assessments of their procurement practices so that we could confirm that the guidelines we being followed.

Explaining our CSR Procurement Guidelines to our employees

As part of our efforts to promote CSR procurement, we launched a CSR Procurement Subcommittee of persons in charge of procurement, construction and product development in 2010 and built a system for working with the persons in charge of ordering at our various worksites. This subcommittee shares environmental and social issues related to procurement, audits procurement practices of the entire Group and implements measures for solving issues.

Encouraging business partners to respect human rights and institute good work practices

Our "CSR Procurement Guidelines" forbid child labor, forced labor and harassment, and encourage not only the Daiwa House Group but business partners as well to show consideration for human rights on the corporate level. Moreover, we conduct a survey every year of wood procurement to make sure that no one in the Daiwa House Group procures illegally felled wood or wood taken from indigenous people in total disregard for their human rights.

Much to our pleasure, there were no reports of human rights abuses cited in our "CSR Procurement Guidelines" (child labor, forced labor and harassment) in fiscal 2016.

Related page P105 Conducting wood procurement survey at our suppliers

Checking our supply chains for ESG issues

To identify risk factors in our supply chain, we check and monitor primary subcontractors' work progress in construction sites and plants, using our checklist that includes such items as workplace safety, labor relations, and waste disposal. If there is any problem, we will take correction measures in a timely manner, and take action to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question.

Monitoring business partners for ESG issues

We had our business partners conduct self-assessments against our "CSR Procurement Guidelines" in April - May 2017, as a mechanism for each business to gauge how well they adhere to them. Also, to ensure none of our business partners are procuring illegally felled wood, etc., we conduct a wood procurement survey every year that helps us to monitor their procurement practices.

- Scope of applications:
Members of the Confederation of Partner Companies, the Trillion Club and the Setсуwa Club and other suppliers that are required to submit a letter of consent under our "CSR Procurement Guidelines" (3,862 businesses)
- Companies that replied: 586 (15.2% response rate)

CSR wood procurement survey

Our Group has continued to conduct surveys on wood procurement regularly since fiscal 2010. From the results of the survey, we have classified the procured wood into three types: certified wood, recycled wood, and our company's recommended wood. Any wood that meets certain criteria (scoring at least 90 points on the 110-point scale) is evaluated as S-ranked wood. Moreover, any wood that scores 65 points or less is evaluated as C-ranked wood, a category targeted for improvement.

In March 2016, we revised our wood procurement evaluation criteria in order to more rigorously assess risk areas and certification bodies, and evaluate legality and sustainability (biodiversity, human rights, etc.) more closely to the actual situation. Audit results from fiscal 2016 are shown below.



■ Assessment result of used timber

	FY 2016	FY 2015 (Reference)
Rank S	86.5%	87.6%
Rank A	7.9%	5.6%
Rank B	3.1%	2.2%
Rank C	2.5%	4.7%

Related page P103-106 Harmony with the Natural Environment

Action taken with business partners with marked ESG risks

Monthly meetings of the Production and Procurement Department serve to share information on products and ESG risks confirmed and summarized by area leaders from each of our branch offices. The information is then presented to the Head Office Risk Management Committee, which then takes the necessary action.

Action taken with business partners with marked ESG risks

In fiscal 2016, there were no reports of human rights abuses (child labor, forced labor or harassment) espoused in our “CSR Procurement Guidelines.” With regard to work safety violations, appropriate corrective measures are taken at construction sites and the related data is compiled and analyzed by Head Office’s departments.

In the event of harm caused to customers or hosting communities, fair competition (anti-corruption) or compliance violations, matters are quickly corrected at the worksite and related information is centralized by the Risk Management Committee for sharing across the company.

If ESG risks are identified upstream in our supply chain, the business partner who is violating the environmental (chemical substances, biodiversity, etc.) or social (human rights, graft, etc.) standards set forth in our “Guidelines for Products” is instructed to correct the matter.

Related page P118 Chemical Substance Management Guidelines
P105-106 Promotion of the adoption of certified wood and recycled wood

[The most important priority issues]

Improving Labor Conditions and Ensuring Human Resources for Construction Subcontractors

Concept and Policy

Business at Daiwa House Industry is done with the cooperation of many business partners from across our supply chains. In fact, most of these business partners are subcontractors who provide manpower for our plants and job sites. This makes their human rights and labor conditions important matters to us. Reason being that providing them a job environment where they can safely engage in work over extended periods of time helps the subcontractor secure and retain the necessary human resources. We also believe that good workplace environments are critical for passing down skills and providing customers with high quality products.

Every year at Daiwa House Industry, we set out a “Basic Policy to Promote Safety and Health at Work,” on which each branch office formulates a work safety and health plan that fits their particular situation and builds the systems for effectuating that. Work safety and health are then managed in line with applicable regulations, in order to ensure the subcontractor’s personnel safety on the job.

We are always grooming job sites to protect the health of the subcontractor’s personnel and enable them to work safely. This includes requiring subcontractors to “show considerations for work safety and health” as stated in our “CSR Procurement Guidelines.” Underscored by this policy, we take every measure to prevent accidents and to manage health with our long-standing goal of zero work-related deaths.

Moreover, in line with the “respect for human rights” called for in our “CSR Procurement Guidelines,” we observe the limits placed on overtime work by the Labor Standards Act and take constructive steps to eradicate excessive overtime work at our plants and construction sites. In addition, we honor the minimum wages set forth in the Minimum Wage Act because it is important to provide living wages that consent people a healthy and cultured way of life. We believe it necessary from the perspective of human resource development and guaranteeing living wages, to support the subcontractor’s personnel not only with skills training but also financially.

Going forward as well, we will continue to improve workplace environments so that not only the subcontractor’s job site personnel but also their families can feel “safe and secure,” and build relations based on long-term “co-existence and co-prosperity.”

Related page P39-41 Providing a Safe and Healthy Work Environment

Management

Safety guidance in construction sites

At Daiwa House Industry, we are continually making improvements to construction site working conditions as a collaborative effort of the Safety Management, Engineering, Design and Construction, and Production departments. Guiding these improvements are our regulations on safety and health management. We also are providing guidance and training to our employees and our subcontractors’ personnel through periodic and surprise patrols of job sites and meetings to promote occupational safety and health.

Communications with the Confederation of Partner Companies

The Confederation of Partner Companies is a membership organization made up of construction subcontractors. It is organized into partner companies of our branch offices, regional offices that represent geographical blocks and a headquarters, the Confederation of Partner Companies. They stay in close communication with construction personnel, branch managers and even representative directors at Daiwa House Industry through meetings on various levels where they share information on a wide range of subjects — safety, quality, technical strengths, work efficiency improvements, human resource development, etc. — and formulate improvement measures.

Amenities and building codes that make it easier for subcontractors to work at our plants

Our plants are tied to a variety of stakeholders, to note the workforces at Daiwa House Industry, the plants themselves and our business partners, and our customers and the residents of the hosting community. In order to build good relations with these stakeholders, provide for ourselves *monozukuri* platform and contribute to the greater effort to protect the global environment, we have standards on building and renovating our plants. We strongly believe that providing safe workplace environments where plant personnel feel motivated improves employee retention rate and fuels the impetus to pass down skills. In turn, a skilled and dedicated workforce supports management at both the companies supporting our plants and the plants themselves.

Our “plant construction and renovation manuals” specify infrastructure codes and require us to use universal design as the fundamental train of thought, incorporate environmental (CASBEE S rank), earthquake and fire prevention measures, and provide break rooms, smoking areas, infirmaries and other amenities for personnel from business partners to use. Moreover, when it comes to building cafeterias, the manuals encourage gathering opinions from employees at business partners and our own workforce so that the resulting cafeteria is built to a greater level of satisfaction. With buildings that are not up to the code and will not be rebuilt, we make renovations to the best extent possible.

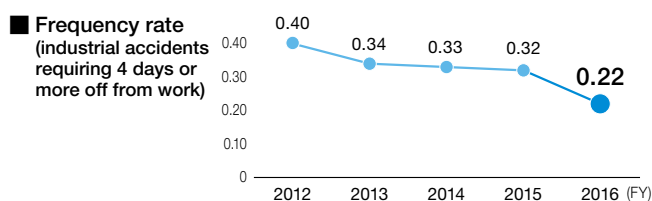
Major efforts

Risk assessments of construction site health and safety

In fiscal 2016, we assessed risks at all of our branch offices, plants and departments. Working from our “Risk Management Activity Policies,” we applied the PDCA cycle to legal compliance with the Construction Industry Act and other laws and regulations, workplace safety assurances, workplace environmental development, and other aspects.

■ Number of labor accidents (on-site)

[Rate of decrease from previous FY] FY 2016 targets	-20%
[Rate of decrease from previous FY] FY 2016 results	-20.6%



“Frequency rate” represents the number of industrial accidents that have occurred involving worker injury or death per one million hours worked.

■ Safety targets for fiscal 2017

Item	Important activities
Incidents resulting in death...0	Conduct activities for preventing serious accidents in line with safety and health management plan. (Identify and correct risks on a monthly basis.)
Incidents caused by a third party...0	Increase 3rd party accident prevention in construction plans and reviews.
Heavy machinery-related incidents...0	① Implement patrols of worksites where heavy machinery is used. ② Provide guidance on preventing accidents with heavy machinery as a part of safety enhancement activities.
Slip/fall incidents resulting in an absence of at least four workdays...0	① Prepare work plans for building construction and demolition jobs. ② Enforce safety belt use when working in high locations. ③ Meticulously review scaffolding installation plans for housing jobs and open areas, e.g., stairwells, atriums, etc.
Heat stroke incidents resulting in an absence of at least four workdays...0	① Educate housing crews about heat stroke. ② Educate building and housing complexes crews at each worksite.

Deaths amongst business partner personnel

■ Number of construction sites deaths

	FY 2014	FY 2015	FY 2016
Incidents	1	4	0

Support for issues faced by plant subcontractors

■ Support for improving safety, quality and compliance

In production and procurement divisions, “safety, quality and compliance are prioritized in all operations.” The organizational structure for promoting that arrays the various plant-specific committees (Safety and Health Committee, Quality Committee, Environment Committee, etc.) around the plant’s “Plant Risk Management Committee,” which acts as a conduit for sharing information and coordinating operations with the Head Office’s Risk Management Committee. They also share with business partners information about events that occurred and risks that are foreseen at other plants. The Risk Management Committees at Daiwa House Industry’s plants are instrumental in reducing ESG risks, solving production issues and uniting the Head Office and production floors in efforts to manage risks.

■ Passing on skills and employee retention

[Supervisor training]

Training was imparted to supervisors from business partners working at our plants. In the program, they shared what their plants are doing with “4M1I Management”^{*} and issues they are having, and discussed possible solutions. The purpose was to improve their motivation and make them conscious of participating in management as supervisors, by honing their floor management abilities and teaching them ways to develop subordinates and demonstrate leadership. In fiscal 2016, 129 supervisors from across Japan took part in the 2-day program. Because of the interacting they do with supervisors from other plants, the participants discover a lot of new things about safety, quality, developing subordinates and more.

^{*} A basic approach to managing manufacturing floors that focuses on manpower, materials, machines, methods and information



Support for issues faced by construction subcontractors

I Assistance in human resources training

Because of the declining numbers of skilled workers in the construction industry and the young recruits needed to replace them, we at Daiwa House Industry are helping our business partners to hire and train graduates fresh out of schools. To help with hiring, we visit polytechnic schools, coordinate job fairs with high schools and job placement services, and offer internships via programs we jointly sponsor with our subcontractors.

We also provide our subcontractors financial support to train fresh recruits in specialized skills.

Moreover, we have a “Certification System for Skilled Engineers and Technicians” that awards engineers and technicians who demonstrate skills of a commendable level with technical licenses and higher pay. The purpose of the program is to build a stronger construction business, improve the quality of our work and motivate the workforce.

I Nation-wide welding contest

At Daiwa House Industry, we have teamed up with our plant subcontractors to jointly organize a welding contest for the purpose of reviewing and overhauling quality and safety practices and to improve the welding skills needed to do business. The fiscal 2016 contest was held in March 2017 at our Sakai Plant with about 50 participants between contestants from our plant subcontractors and judges from our company. The contest effectively improved both the skill and motivation of our business partners’ personnel by assessing and awarding the skills they demonstrated from quality and safety perspectives.

Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

Co-creating a Brighter Future
with Our Shareholders

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with Local Communities

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Co-creating a Brighter Future with Local Communities

Commitment from the Executive Officer in Charge

Concept

Social issues

Whether it be about education, welfare, the environment or their own course to the future, all communities have issues. Solving these issues requires coordination between governments, businesses, NPOs, NGOs and the residents who live in the community. From a business point of view, efforts must be made in business operations to solve targeted issues. Additionally, those activities require cooperation with stakeholders and must be maintained.

Japan, too, faces a plethora of issues. For example, the many subdivisions built during the years of strong economic growth have aged and rural areas of the country are bleeding population. Moreover, a declining birthrate is pushing the average age of residents up and making the population top-heavy with elderly persons. All of that points to the long-term issue of rejuvenating, activating and building local communities with people of all ages.

In order to solve these issues, it is vitally important to create a living environment that retains and improves its appeal over the long-run, by enhancing the value of the local environment, security and comfort.

Risks and opportunities for the Daiwa House Group

The issues that local communities face transform over time and, if persons engaged in local business carelessly develop relations with stakeholder from the local community, they might very well lose sight of the issues and needs. This sort of attitude can get in the way of business.

However, if looked at inversely, business opportunities will present themselves and business will progress smoothly when good relations are built with the local community through “community co-creation activities” that bring buildings, neighborhoods and, above all, value to the local community.

Commitment to our activities

Developing appealing and sustainable communities

Since by trade we co-create value for individuals, communities, and lifestyles, it is our duty as a Group to pursue community development with an eye on the future. Since the early years of our founding, we have been revitalizing communities from a land development perspective, in order to meet social demands driven by a housing shortage. Today, we are a rare example of a housing builder since we continue to operate in the urban development business as a turnkey provider that does it all from “civil engineering” to “landscape design.” We continue to solve

community issues and create values in tune with the times.

Guided by an exclusive “Community Development Vision,” we develop communities that are sustainable over the long haul by setting our “8HEARTS” values at the core of community development and building housing, commercial facilities and other infrastructure. These “8HEARTS” values — “safety,” “health,” “comfort,” “communication,” “environmental,” “economy,” “identity” and “sustainability” — are the principles we stand on in fulfilling our mission of providing subdivisions of value to both individual residents and the community as a whole.

In developing communities, our Sustainable Community Development Promotion Committee makes every effort to tie projects to the characteristics, landscape and history of the local area. This committee horizontally straddles the Daiwa House Group companies and includes all departments and business segments of our company. We are always looking for ways to enhance our comprehensive strengths in order to contribute to community development whether the job is to rejuvenate an older subdivision or build a brand new community from scratch.

Participating in forming local communities

In our Employee’s Charter, we describe ourselves as a “group that co-creates value for individuals, communities, and lifestyles.” Through our 93 branch offices and plants across Japan, we develop business in close contact with our customers, the residents of the communities that host our business operations, our business partners, governments, competitors and the community at large.

And, since we see ourselves as both a business and a member of the local community where we operate, we engage in social contribution activities in addition to our business activities. In fact, we view our social contribution activities as “community co-creation activities” and have long developed them to benefit the local communities. We are mindful to open and maintain a dialogue with stakeholders from the local community on the one hand, while effectively utilizing the know-how we have amassed in business and our many other resources, including our financing capabilities if needed, to solve issues of the local community on the other. We are particularly adamant about collaborating with local organizations, NPOs and NGOs because of our firm belief that cooperation enhances the quality of our activities.

Going forward, we will continue to cooperate with local communities in solving their issues by sharing information with them, working closely with them and rooting our activities in them.



Long-term social vision [Community residents]

We respect the culture and customs of the local communities where we conduct business and contribute to their sustainable development through our business activities and community co-creation activities.

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

[The most important priority issues]

Proactive relations and coordination as the basis of local community development

P67-73

We set a fiscal 2018 target of 50% on our “Collaboration with NPOs and NGOs,” while 42.6% of our projects in fiscal 2016 were jointly conducted with NPOs and NGOs. Moreover, we set a fiscal 2018 target of 25% on our workforce’s “Participation rate in Endless Donations,” while we cleared our fiscal 2016 target by posting a 36.9% participation rate.

As for “Amount conversion of community co-creation activities by branch offices,” our target for fiscal 2018 is 300 million yen, whereas we did not get above 148.334 million yen in fiscal 2016, so we intend to be more proactive with our community co-creation activities.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Collaboration with NPOs and NGOs	42.6%	50%

[Priority issues]

Contributing to the community by sharing business knowledge gleaned through experience

P67-73

Our fiscal 2018 target for “No. of classes given by dispatched instructors (D’s School: Risk reduction, living environment)” is 20 programs, while 10 programs were reported in fiscal 2016. As for “No. of cases of education support (Other: Career education, member of society instructor, on-site experience, and others),” our target for fiscal 2018 is 70 cases, whereas there was a sharp rise in fiscal 2016 at 245 cases, which easily cleared our target.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
No. of cases of education support	245	70

Koji Harano

Senior Executive Officer
General Manager
Urban Development
Department





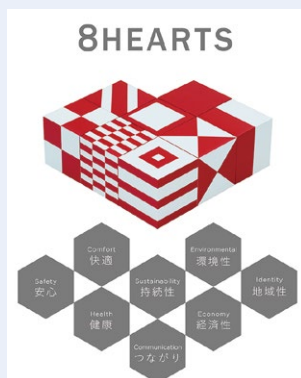
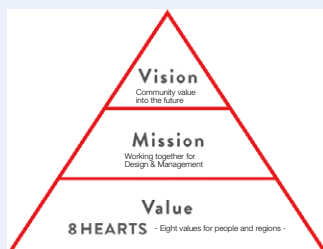
Supporting Community Development Through the Construction Business

Concept and Policy

Because of our strong ties to our customers, the residents of the communities that host our business operations, our business partners, governments, competitors and the community at large, the Daiwa House Group pursues sustainable development by creating values for people, communities and lifestyles in collaboration with these stakeholders. And, since we see ourselves as both a business and a member of the local community where we operate, we also consider it important to “co-create a brighter future” with local communities.

One way we try to manifest this thinking of ours is to support community development by giving back to the community through the business we do. Characteristic of our line of work, we consolidate the strengths of the Daiwa House Group into developing communities under a “Community Development Vision.” We are out to complete our mission of “Working together for Design & Management” based on our commitment to “Community value into the future.” This approach of ours has two axes: one aimed at benefitting people and the other at benefitting regions. We then pursue community development that enhances eight values — for people, “safety,” “health,” “comfort” and “communication” and, for the local community, “environmental,” “economy,” “identity” and “sustainability.”

Also, because we are in the construction business, we require the cooperation of local construction companies to handle the construction work we do and local suppliers to deliver the materials we need. Moreover, to build long-lasting relations with customers that earn us their trust, we need, from a medium- to long-term perspective, human resources to handle, design and customize sales and follow-up services to the local area. All of this has taught us to prioritize our relations with local stakeholders, to procure and hire locally, and to contribute to community development when building our business foundations — technologies, human resources and customer bases.



Related subject ▶ Community development page of the official Daiwa House Group website
<http://www.daiwahouse.com/businessfield/community/>

Management

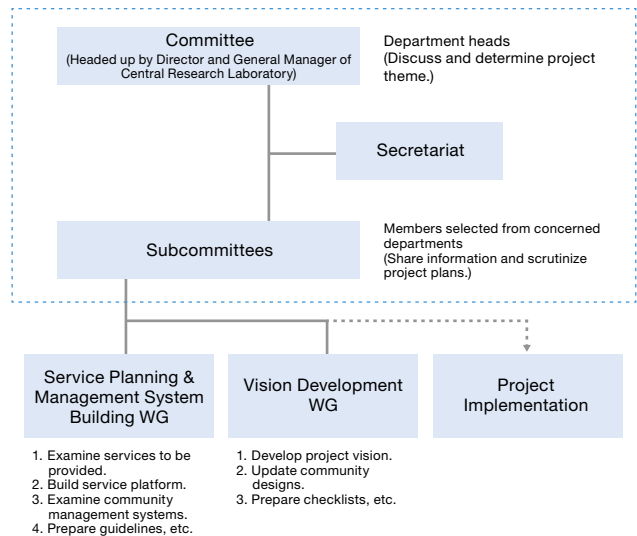
The Daiwa House Group has built an effective system for creating pioneering communities. It begins with the Sustainable Community Development Promotion Committee that is headed up by Director and General Manager of our Central Research Laboratory and works closely with related departments and Group companies.

Projects are promoted by coordinating Head Office departments, including Urban Development Department, and business segments that best serve the type of development, whether that be simple zoning, full-scale redevelopment or any number of formats we handle. We also work with local governments and other organizations on forming communities in residential districts of built-for-sale houses, restoring housing complexes and rebuilding relations amongst residents of forest-side towns.

Because community development requires human resources with diverse skills and knowledge, we impart training and education via all sorts of training programs. This includes internal training overseen by our Qualifications Support Committee that assists new recruits and young people in our workforce in acquiring the skills and licenses needed for community development projects.

■ Sustainable Community Development Promotion Committee

Participating departments and companies: Urban Development, Technology, Management Administration, business segments, Information Systems, Customer Satisfaction, eight Group companies



Major efforts

Building relations with local communities in community development projects

■ Forming communities in residential districts of built-for-sale houses

“SMA-ECO Town Harumidai” is Japan’s first Net-Zero Energy community and a project of the Daiwa House Group. To manage and maintain the community, the residents who actually live there formed an administrative corporation that works with neighborhood associations and landscaping covenants committees to manage and maintain common infrastructure, organize community events that double as disaster preparation drills, maintain landscapes and more. The community also has a car-sharing service with a fleet of electric vehicles that are owned by the administrative corporation and charged by a common solar power system.

Through these activities, residents interact more, plan events, and create clubs of all kinds, all of which have helped to form a warm and vibrant community and won Harumidai the “Residential Community Award” at the 12th Townscape Competition in 2017.

Daiwa House Industry also developed “SECUREA City Tsukuba Kenkyu Gakuen” as a community where residents make the choice themselves to remain for generations. At the center of the community is an assembly hall that doubles as a venue for interactive events and disaster prevention infrastructure. Residents can use the facility whenever they want.

Moreover, to maintain the residential environment in good condition, residents in the single-family house zone formed an administrative association similar to the management organization used by apartment buildings. The association has been under contract with Daiwa House Industry to manage common infrastructure ever since the houses were put on the market.

Interactive events in forest-side towns

“Royal City Shikabe Resort” is a resort complex composed of a forest-side town, golf course and hotel that first went on the market in 1974. Many of the homeowners in the forest-side town live there on a permanent basis, but they have grown old over the years and their decreasing involvement with others became a concern.

So, “to restore a sense of community that would encourage owners to remain at the resort,” Daiwa House Industry set out to rebuild relations with residents. At the core of this project was an “Owners Salon” that debuted in July 2016. It has since been forming a self-reliant cooperative community by organizing cultural festivals, Christmas parties and other event for residents to partake in.

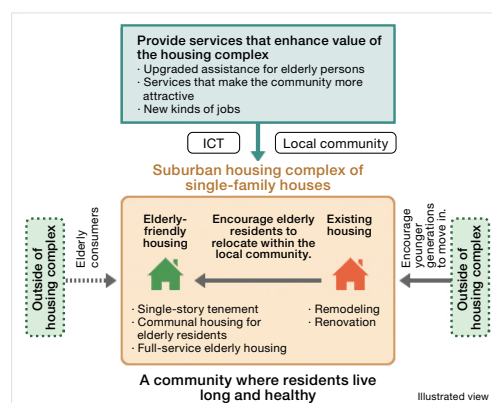
Housing complex restoration projects

Located in Miki City, Hyogo Prefecture, “Midorigaoka Neopolis” is one of many suburban housing complexes that Daiwa House Industry developed during Japan’s years of strong economic growth. Needless to say, the half-century of time since the complex was built has brought a number of problems, so to fix them, we undertook a major restoration project.

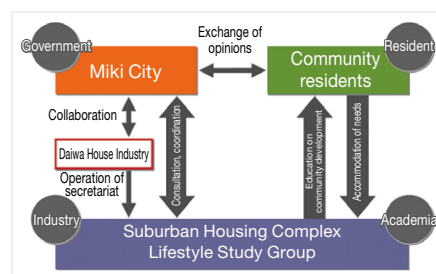
As a first step, we launched the “Suburban Housing Complex Lifestyle Study Group” as a collaborative effort of industry, government, academia and consumers. After exchanging opinions with community residents, the study group established an “organization for promoting an ageless active community” in March 2017, which promptly began promoting activities for quickly developing a “multi-generation recycling-oriented community” that would comfortably accommodate the elderly and continually draw younger generations.

Daiwa House Industry also got involved in community development in the “Kamigo Neopolis” housing complex in Sakae-ku, Yokohama City. Regular meetings with residents began in 2014 and eventually led to a “Community Development Agreement” with the neighborhood association in June 2016 to build a new community center that will serve as the core of community development activities.

Business model used in housing complex restoration



Joint efforts of industry, academia, government and residents





Co-creating a Brighter Future with Local Communities

Community engagement in urban development

From 2014 to 2016, we implemented community engagement programs for 20* urban development projects that, in terms of area, accounted for a total of 639,309 m². As key components of these community engagement programs, we formulated landscaping guidelines, assisted residents in forming and activating administrative organizations, built assembly halls and supported interactive events amongst residents and neighbors, and built systems to finance community management with proceeds made from natural energy sales. These projects are described in the following table.

* 20-plus residential subdivisions of single-family houses that Daiwa House Industry's Urban Development Department were involved in from the design stage. "Lots" in the below table are the number of lots sold by Daiwa House Industry.

Subdivision	Location	Developed area	Lots	Noteworthy measures
SECUREA City Tsukuba Kenkyu Gakuen	Tsukuba City, Ibaraki	73,247m ²	171	<ul style="list-style-type: none"> Built an assembly hall in the subdivision to host interactive events and function as emergency infrastructure in a disaster. Assisted residents in forming a community administrative organization and built a system for managing common infrastructure such as an assembly hall under contract with Daiwa House. Set "Community Development Guidelines" as supplemental rules for development plans.
SECUREA Sakuradai	Nerima Ward, Tokyo	4,327m ²	30	<ul style="list-style-type: none"> Built shareable flowerbeds in parks and created a mechanism for lot owners and neighbors to jointly use them as a way for the community to get along.
Tokyo Shin Toshin Tama New Town Higashiyama	Hachioji City, Tokyo	322,102m ²	340	<ul style="list-style-type: none"> Showed great consideration for biodiversity because preliminary environmental surveys found a rich wildlife habitat that included some rare species, e.g., preserved 30% plus of the green tracts within the project area as park area, relocated trees, built animal corridors and took other measures to protect the wildlife. Set "Landscaping Guidelines" in order to create an esthetically unified landscape. Concluded an agreement on landscaping that preserved a considerable amount of greenery by requiring a 1 m-wide buffer zone as green tract between houses and principal roads. Built an assembly hall at the center of the subdivision that doubles as emergency infrastructure in times of disaster. Supported the establishment and operation of the Higashiyama Agri Club (rental farm land and orchards).
SECUREA Garden Takao SAKULa CITY	Hachioji City, Tokyo	15,543m ²	83	<ul style="list-style-type: none"> Created an administrative organization to manage security cameras, greenery buffer zones and other matters in the zone with single-family houses. Organized a community council consisting of representatives from the single-family house zone, condominiums and commercial facilities, for sharing information and promoting events. Built a system that visualizes energy supply and consumption of single-family houses, condominiums and commercial facilities, and promoted our "Cool Share" reward program using our "Heart One Card."
MIRAI TERRACE Fujimino-uenodai WEST and EAST	Fujimino City, Saitama	25,834m ²	59	<ul style="list-style-type: none"> Built walking paths to add a greenery accent to the community. Set "Community Development Guidelines" in order to create an esthetically unified landscape.
Bloom Square Sakado	Sakado City, Saitama	15,972m ²	74	<ul style="list-style-type: none"> Purchased the grounds and buildings of the district's junior high school at the proposal of the municipal government, invited alumni and nearby residents to a "farewell party" prior to demolition, and gave away memorabilia and flowers to those who wanted them. Created a park around a lone cherry tree, erected a stone monument to the former junior high school and a sign telling the school's history in the park, and built shareable flowerbeds for owners and members of the neighborhood association to use. Built a new building to house the neighborhood association in the project area to replace the previous one that was outside the district. Also, assisted the association in establishing (incorporating) the authorized territorial bond group.
Bloom Square Shiki/Niiza	Niiza City, Saitama	8,352m ²	45	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines" and landscaping covenants.
SECUREA City Lake Town Miku-no-mori	Koshigaya City, Saitama	43,603m ²	145	<ul style="list-style-type: none"> Built an assembly hall at the heart of the community, assisted residents in forming an administrative organization and built a system where that organization manages the assembly hall, etc. Promoted the diffusion of a new type of mailbox for single-family houses, in cooperation with the manufacturer.
SECUREA Yokohama Hiyoshi 1st stage and 2nd stage	Kohoku Ward Yokohama City, Kanagawa	7,720m ²	30	<ul style="list-style-type: none"> Created a unified landscape by setting "Landscaping Guidelines."
SECUREA Shinyokohama	Kohoku Ward Yokohama City, Kanagawa	12,608m ²	66	<ul style="list-style-type: none"> Worked with the local authorities to convert a private road outside the project area into a public road. Developed the community in consideration of the local environment by preserving the original terrain in land development plans, planting trees native to the area, using the original topsoil, etc. Created a unified landscape by crafting Community Development Guidelines on planting and maintaining greenery within home lots.
SECUREA Garden Fuchinobe	Chuo Ward Sagami-hara City, Kanagawa	21,401m ²	79	<ul style="list-style-type: none"> Introduced "AzMama" as a "community child-raising" service and staged interactive events for residents such as child-raising workshops, etc. Assisted residents in forming an administrative organization and built a system where that organization manages the security cameras, garbage collection points, landscaping, etc. Assisted the administrative organization in launching their "Sumai Support Net" website as a means for residents to share information.
xevo Square Naruko-kita	Nagoya City, Aichi	11,976m ²	37	<ul style="list-style-type: none"> Built a 3 m-tall retaining wall 50 cm back from the road in order to reduce the slope on the northern end, and created a buffer zone by planting vegetation.

Floral Avenue Obu Momoyama	Obu City, Aichi	2,977m ²	11	<ul style="list-style-type: none"> Developed the land to minimize the elevation differences between home lots and built zones where roads inclined more than 9% since the site sloped almost 10%. Also, installed a rainwater catch basin in every home lot in order to allow water to soak into the ground and prevent rainwater run-out.
SMA-ECO Town Toyota Kakimoto	Toyota City, Aichi	6,910m ²	23	<ul style="list-style-type: none"> Built a SMA-ECO Station as a place for residents to interact, an emergency center in times of disaster and charging station for next-generation vehicles, and equipped it with an assembly hall, emergency supplies storehouse and electric vehicle chargers. Assisted residents in forming an administrative organization for the housing complex and built a system where that organization manages the assembly hall, electric vehicle chargers and security cameras. Adopted landscaping covenants and Community Development Guidelines to keep the living environment and landscape in good condition over time. Made the entire subdivision (ZET) energy-efficient by applying "zero-energy" specifications to all single-family houses. Also, introduced a system that visualized energy supply and consumption to teach residents about eco-friendly behavior. Introduced a simple power interchanging system for the "3 zones and assembly hall" in order to efficiently use the electric power generated by solar power systems and stored in batteries. Built 1 house to be energy self-sufficient by using solar power and storage batteries, and reducing energy consumption by controlling exposure to sunlight, ensuring ventilation by the wind, etc.
SECUREA Toyota Nishinakayama	Toyota City, Aichi	16,250m ²	61	<ul style="list-style-type: none"> Set "Community Development Guidelines" in order to create an esthetically unified landscape.
xexo Square Hidamari-no-Oka 5-chome	Kuwana City, Mie	3,764m ²	16	<ul style="list-style-type: none"> Created green tracts adjacent to houses and made the living environment more pleasant, by cooperating with the Kuwana City Government, which owned the land around the purchased site.
xexo Square Hidamari-no-Oka 6-chome	Kuwana City, Mie	3,986m ²	18	<ul style="list-style-type: none"> Created a safe community by preventing outside vehicle access, by dividing the site into east and west zones and building cul-de-sacs in each zone.
SMA-ECO Town Hidamari-no-Oka	Kuwana City, Mie	16,648m ²	66	<ul style="list-style-type: none"> Upgraded resident support services using a community-shared solar power system that contributes to the "Net-Zero Energy" initiative. This service is being implemented for the entire subdivision and each house in it, and enables the community administrative organization to function without collecting dues from residents. As "community services," the administrative organization manages the energy visualization system, ultracompact mobility system, and security lighting and cameras. As "homeowner services," maintenance is provided to extend the life of the house and keep equipment running efficiently, and house improvement savings accounts are available. Developed the subdivision with buried utility lines in some areas, incorporated the landscape into exterior plans and created contiguous green spaces. Introduced landscaping service in ready-built housing zones to manage and maintain esthetics.
SECUREA Nara Haykurakuen	Nara City, Nara	2,936m ²	11	<ul style="list-style-type: none"> Buried utility lines and introduced cobblestone pavements along principal roads in the subdivision. Also, beautified the landscape by incorporating vegetation into retaining walls along principal roads and decorative facing for retaining walls along existing roads.
SECUREA Maitamon	Kobe City, Hyogo	23,153m ²	114	<ul style="list-style-type: none"> Set "Community Development Guidelines" in order to create an esthetically unified landscape.
Total	20	639,309m ²	1,479	

Hiring locally in Japan and overseas

Daiwa House Industry has 83 branch offices across Japan and hires personnel from the local area in order to sustainably develop and tie business to the local community. In fiscal 2016, we added 162 mid-career employees to our branch offices nationwide, of which 41 were locally recruited.

Moreover, Daiwa House Industry has a deployment system that allows employees to choose between [positions anywhere in Japan] or [positions in the local area where they were hired]. This not only gives recruits control over their lives but also creates jobs in the local communities.

Beginning in fiscal 2018, we will promise newly hired graduates a job in the geographic location of first choice because there is growing need for staff every year and it is critical towards corporate development that business activities be matched to the local market. As we see it, having recruits work in a place of their own choosing will allow us to make greater contributions to the local communities.

At our Group companies overseas, each branch office is hiring and training local human resources (from within the country).

[Related page](#) P48 Co-creating a Brighter Future with Our Employees
Providing Employment Opportunities for Exceptional Human Resources

Local procurement

Ever since our founding, we have grown in concert with our construction subcontractors under a spirit of "co-existence and co-prosperity." In 1986, we launched the "Confederation of Partner Companies" (CPC) to help our subcontractors improve their practical skills and for both sides to learn from each other and build friendly relations. As of April 1, 2017, the CPC had 4,653 member companies and was conducting business activities in 13 blocks across Japan via 83 branches, 3 working groups for business promotion and 4 working groups for functional enhancement.

In choosing construction subcontractors, checks are made to first verify that the company is a CPC member and then a fair and impartial decision is made in consideration of a number of business factors.



[The most important priority issues]*

Community Co-creation Activities

Concept and Policy

The Daiwa House Group places a lot of importance on earning the trust of local communities that host our business operations. In fact, we view our social contribution activities that we conduct on the community level as “co-creation activities” and develop them to resolve social problems that our hosting communities face. The fundamental approach that we use to develop these activities is espoused in our “Principles of Community Co-creation Activities.” Guided by these principles, we engage in dialogues with people from the local community, from which we can accurately identify their issues. We then take concrete steps together with the community to solve those issues and, in the process, seek their trust in us.

Since fiscal 2014, we have been conducting upward of 2,000 community co-creation activities a year between our branch offices and Group companies across Japan, with the intention of making them a regular component of doing business. An example of that is seen in the way multiple branch offices have taken constructive steps to strengthen their connections with NPOs and other community-based organizations, and sought common solutions to social issues of the local community and business issues on the corporate front. Going forward, we will strive to qualitatively improve activities in the priority fields of “educational support for the next generation,” “environmental preservation” and “welfare services.” We will focus especially on enhancing our “youth development” activities.

Principles of Community Co-creation Activities

1. As a responsible corporate citizen, the Daiwa House Group shall aim at building a society in which every person can enjoy true abundance, always striving to achieve and maintain great harmony with local communities.
2. The Daiwa House Group shall engage in dialogue with its stakeholders to understand local issues, and take action together with them while making effective use of available resources.
3. The Daiwa House Group shall encourage its individual employees to actively participate in its community co-creation activities, considering them as opportunities for personal development.

* Below are our priority issues in Co-creating a Brighter Future with Local Communities.
[Most important priority issue] Active involvement in, and collaboration with other parties for local community development
[Priority issue] Contributing to the community by sharing business knowledge gleaned through experience

Management

Process that branch offices use to promote community co-creation activities

At Daiwa House Industry, improving the quality of our community co-creation activities is an important theme, so we prepared a manual that we use to seek out opportunities where we can assist next-generation education support activities and provide support to the Community Co-creation Promotion Committees appointed by branch offices across Japan.

These Community Co-creation Promotion Committees spearhead the planning and implementation of our co-creation activities. In the planning stage of these activities, the committees talk with resident services departments of the local governments and community groups, NPOs and other locally-based organizations in order to understand what social issues grip the communities in their business areas. And, in order to link activities to business strategies, they confirm issues faced by their branch offices with the head of the branch office. Some of the more common issues management is usually concerned about include building relations with the local community, energizing the atmosphere inside the branch office and human resource development.

The committees then pair the social issues of the local community and the management issues of their branch office, put together some proposals, which they present to the head of their branch office and General Affairs and Accounting Manager for approval, and, with that approval, formulate a plan. Plans are prepared on a half-year basis and, in each case, the committees seek employee involvement, implement the activities and, when completed, evaluate the degree to which targets were reached and record that in a report.

Parallel to all of this, the CSR Department at the Head Office gathers the plans and reports of branch office co-creation activities through the group reporting system and uses this information to help make the activities better. Recent years have seen increases in the community investments that branch offices make (donations, sponsorships and other forms of participation in events and projects of local organizations and communities at large), but this information can be managed with the previously mentioned reporting system.

So, a mechanism is in place to incorporate community co-creation activities into the evaluations that are done to measure the soundness of business conducted by our branch offices, and to evaluate and encourage employee volunteer activities.



"1% Club" advocated by the Japan Business Federation, we have tried to sustainably use 1% of our ordinary income on co-creation activities that contribute to local communities.

Moreover, Daiwa House Industry implements action intended to activate local communities. In these efforts as well, Community Co-creation Promotion Committees take the lead in pairing social issues of local communities and management issues of branch offices, exploring modes of community investment and contribution, and, at some branch offices, developing community engagement programs by talking with local groups.

Major efforts

Number of cases and costs of community co-creation activities

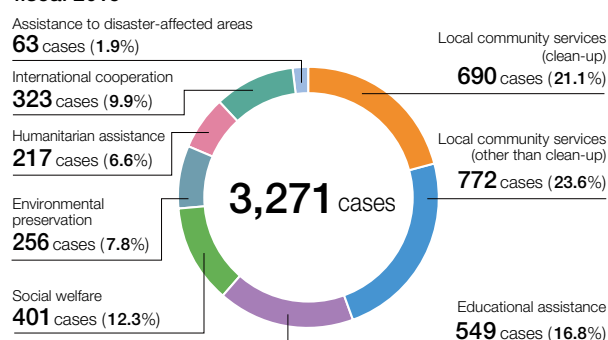
In fiscal 2016, there were 3,271 community co-creation activities executed across the Daiwa House Group, which was 30.3% more than in the previous fiscal year. Of those, 2,292 were implemented by Daiwa House Industry, which constituted a 32.6% increase from the previous fiscal year.

At Daiwa House Industry, in order to solve social issues based on Principles of Community Co-creation Activities, we have not only stressed the importance of dialogue with local governments, NPOs and residents but we have also tried to enhance the content of the activities, and plan and implement them so that "employees want to participate in them again." As a result, we saw more branch offices where activities spearheaded by their Community Co-creation Promotion Committees were implemented in cooperation with residents. Not only did these activities increase in number, but the percentage of Collaboration with NPOs and NGOs increased by 0.9% from the 41.7% (696 cases) posted last fiscal year to 42.6% (977 cases) this fiscal year.

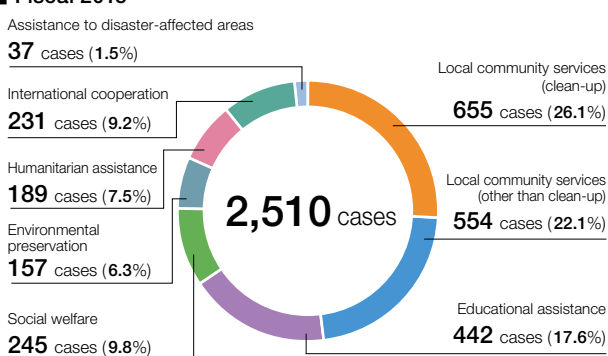
Moreover, with regard to leave for volunteerism, a new system that allows employees to take half-days off has been in place since fiscal 2015 and has effectively created an environment conducive to volunteering, as usage of this system increased by 4.7% from the previous fiscal year to 29.2% this fiscal year.

Furthermore, if we convert the community co-creation activities of branch offices into money based on personnel costs and donations, 148.334 million yen was spent on activities in fiscal 2016.

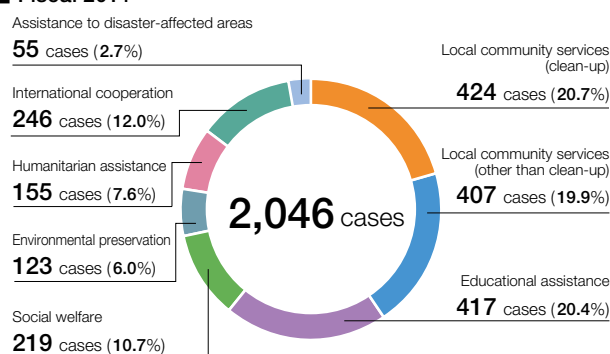
■ Daiwa House Group's community co-creation activities in fiscal 2016



■ Fiscal 2015



■ Fiscal 2014



		FY 2014 results	FY 2015 results	FY 2016 results
Number of cases of community co-creation activities	Daiwa House Industry branch offices	1,160 cases	1,576 cases	2,206 cases
	Daiwa House Industry Head Office	98 cases	92 cases	86 cases
	Daiwa House Group companies	788 cases	842 cases	979 cases
	Total	2,046 cases	2,510 cases	3,271 cases
Leave obtained for volunteerism		2,001 days	3,582.5 days	4,371 days
Rate of obtaining of leave for volunteerism*		14.0%	23.5%	29.2%

Educational support for the next generation

■ Quest Education

Since 2007, Daiwa House has lent its cooperation to the "Quest Education Program" promoted by Educa & Quest Inc. as career development support for junior high and senior high school students.

This program adds business internships to school curriculums so that students can over the course of one year probe and propose their own thoughts on the social issues and future "missions" that businesses assign. In our case, students from about 90 schools learned as interns about our corporate processes and thought patterns through interaction with our workforce and, as a team, assiduously pursued "questions with no correct answer" as if they were employees of the company and presented their answers. (In fiscal 2016, 287 of the 1,848 teams made proposals to us. In fiscal 2015, 172 teams did so.)

The climax of this learning experience comes in the form of a national competition dubbed the "Quest Cup" where the teams present their proposals before representatives from the various companies they interned at. After all was said and done in fiscal 2016, the team from Yuri Gakuin High School (Hyogo Pref.) stood at the top of 287 teams that interned with us.

The sense of accomplishment that these students felt instilled in them a mindset to continually learn and move onto the next step in life. Two glowing comments in a questionnaire that students replied to say it all: "Quest changed my life. I learned so much. I changed to the point that could actually see for myself how much I grew." "I learned things I didn't know until now and just how hard it is to answer questions that have no answer. Quest changed the way I look at things."

Daiwa House Industry happily supports next-generation education by having its employees visit schools across Japan to explain to students and help them understand what it means to work in this world, how to face one's job and all of the ins and outs of work that only an employee can tell.



An employee giving students advice



Students making a presentation at the Quest Cup 2017

Environmental preservation

Biodiversity protection in cohort with stakeholders (Mie Plant)

At the Daiwa House Group, we not only show consideration for protecting ecosystems in our business activities but, under the Biodiversity Declaration we adopted in 2010, we also are making efforts to preserve the biodiversity that sustains those ecosystems.

For some time now, the destruction of the natural environment, shrinking wildlife habitats and endangered species threatened with extinction have been part of a social meme that mankind can no longer ignore. A similar situation recently played out at our Mie Plant where a bivalve habitat that serves as a spawning ground for the endangered Japanese bitterling (fish) was discovered in a roughly 6,000 m² regulating reservoir on the plant site. Wanting to do something to preserve the biodiversity that is little by little being lost to changes to the global environment and development, we have been promoting activities with the local community since 2008 to protect this bivalve habitat.

Since the activities were launched, we have drained and refilled the reservoir several times, built fish ladders and presented our activities at the plant thanksgiving festival. Also, when we drained the reservoir in 2015, we created an opportunity for the general public to explore the natural environment of the immediate area, which drew over 100 community residents, families and high school students interested in the environment. Then, in 2016, we conducted “Wildlife Observations” and “Biodiversity Research” with the cooperation of experts from NPOs and environmental protection organizations, to teach children about wildlife.

In the research of the regulating reservoir and surrounding area that we did in June and October 2016, we confirmed 12 species of fish, shellfish, turtles and shrimp, 10 species of aquatic life, 35 species of insects and 14 species of birds. And, we found various species of aquatic life, including near-threatened species monitored by Mie Prefecture, living where the water was clean. We are happy to report as well that water quality in the reservoir has improved since the reservoir was first drained and refilled in 2012, as a result of continuous measures to prevent fouling and to preserve biodiversity.

These and other activities have raised environmental awareness amongst our workforce, and fueled our intent to manage the regulating reservoir in order to preserve its biodiversity and utilize it as a location for wildlife observations and other learning opportunities for the local community. We will continue to lock arms with the local community for the sake of the environment.



Children helping to drain the reservoir



Moment captured during a wildlife observation

Welfare services

Support for the “Feed the Kids Lunch” (Kyoto Branch)

The Endless Donations campaign (see p. 71) has until now been focused on financial support, but it became evident that also manpower assistance was needed to solve issues faced by the local community in cohort with local organizations. Therefore, in fiscal 2016, staff from our Kyoto Office helped out at a “Feed the Kids Lunch” promoted by Yamashina Daigo Kodomo no Hiroba (Yamashina-ku, Kyoto), a non-profit organization supported by the Endless Donations campaign.

The “Feed the Kids Lunch” is one of the activities funded with donations from Daiwa House Industry. By interacting with community residents through food, its purpose is to encourage children to connect with others when troubled and surround them with support so that they do not isolate themselves. On the day of the event, over 100 residents came. Employees from Daiwa House Industry helped the children prepare curry rice, do origami and play in other ways.

After the event was over, one employee commented, “It took a lot of work to cook and play with these kids, but seeing the smiles on their faces made it totally worth the effort.” Another employee felt it was “an invaluable experience to volunteer in an event intended to help out the local community and directly interact with residents.” The NPO was delighted by the outcome, too, as one representative put it, “We were able to get these kids to connect with people from the community, so, if they are troubled by something, they will know to talk with others rather than close themselves up.” At Daiwa House Industry, we understand that there is a lot that can be learned by interacting with local communities, so we will continue to help them solve issues they face through cooperative events like this.



Children enjoyably chowing down on the curry rice they made

Daiwa Sakura Aid

We received an interesting phone call toward the end of March 2008. It had come from the town of Yoshino in Nara Prefecture and was a direct request for help: “The cherry trees in Yoshino are not doing well. If those that have withered are not removed and saplings planted in their place, we’re going to lose them. The founder of Daiwa House Industry is from Yoshino and we sure would like his help.”

Yoshino is known for its cherry blossoms and for being a World Heritage, but the cherry trees were in critical shape because of environmental changes in recent years and diminishing vigor. Perhaps, it was destiny that our founder hailed from there because, in 2008, we started lending our support to conserving and rejuvenating the cherry trees of Yoshino.

Related subject <http://www.daiwahouse.com/sustainable/social/contribution/sakura/>

[About Daiwa Sakura Aid]

Daiwa Sakura Aid is an aid program determined to convey the “sensitivities, etiquettes and esthetics nurtured in Japan” in the form of culture, traditions and a sense of oneness with the natural world, to the next generation. It consists of two activities centered on the keyword of sakura (cherry blossom): a preservation project aimed at conserving the cherry trees on Mt. Yoshino and a music and planting project that teaches kindergarten and elementary school children across Japan about traditional Japanese music instruments and has them plant cherry trees.

■ Preserving the cherry trees on Mt. Yoshino

In fiscal 2016, a total of 161 people picked cherries and planted saplings on 6 different occasions. A special highlight of the activities this year was that a soil specialist was invited and guided soil improvements that were intended to promote tree growth in Taikohanamizuka where Daiwa House Industry had previously directed a lot of its volunteer efforts.

Fiscal 2016 was also the 60th anniversary of Yoshino as a township and the 100th anniversary of the Yoshinoyama Hoshokai preservation society, so taking advantage of those milestones, we teamed up with both of them in October that year to clean up the landscape and replace the rest area (outdoor tables and benches) in Taikohanamizuka, which was originally built in 1986 and was falling apart because of rotting wood. For the project, we enlisted the services of the Japan Society for the Promotion of Science in order to use their expertise in cultural property preservation in ensuring that the work we did was culturally and environmentally in-tune with Yoshino’s World Heritage status.

At Daiwa House Industry, we are fully intent on strengthening our cooperation with the local community and continuing our support for planting and maintaining the cherry trees on Mt. Yoshino over the long-term.



Tending to saplings in a nursery on Mt. Yoshino



Director Takeshi Kosokabe speaking at the 100th anniversary ceremony of the Yoshinoyama Hoshokai preservation society



Replaced soil in Taikohanamizuka

■ Music and planting project

While working to preserve the cherry trees on Mt. Yoshino, we caught word of the increasing number of cherry trees across Japan that were getting old. This motivated us to launch a music and planting project in 2010 that involved elementary schools throughout the country. Our goal was to convey the cultural and environmental importance of the cherry tree to future generations of Japanese.

In fiscal 2016, we planted 122 cherry trees in 54 locations with the help of 16,522 kids. Since the program first began, 580 trees have been planted in 232 locations with the involvement of 68,090 children.

The children planted the cherry saplings with their own two hands, which made them conscious of caring for the trees and spurred their wishes for the trees to “grow big and tall.”

Through this hands-on experience with real trees, the children, to whom the future belongs, saw for themselves the splendor and beauty of Japanese culture and, by caring for the trees, learned the importance of life and the natural environment. Those positive results were reiterated in a survey (351 replies received) we did of teachers and administrative staff in fiscal 2016 that indicated 99.7% agreement with the purpose of the activity and 94.3% satisfaction with how the activity is run.

Another positive note is that all of the saplings planted in fiscal 2015 at 72.1% of the schools that responded to the survey were found to be doing fine in periodic inspections. (These inspections were conducted 3 years after planting by a tree specialist that visited the schools based on their replies to the survey.) At the other 27.9% of the schools that reported complete or partial withering, tree specialists were dispatched. These specialists either replanted the trees or improved the growing environment with fertilizer, soil improvements, etc.

All in all, Daiwa House Industry has built a system for monitoring the growth of these cherry trees alongside these growing children.



Children planting a cherry tree



Performance by traditional Japanese instruments



Co-creating a Brighter Future with Local Communities

■ Periodic inspection

Year	FY 2015 (Inaugural year)	FY 2016
Location	130	143
Replies (%)	70 (54%)	104 (72.7%)
Replies that trees were doing fine	38 (54.3%)	75 (72.1%)
Replies that trees needed attention	31 (44.3%)	29 (27.3%)

■ Charity concert

Information on the Daiwa Sakura Aid program is being proactively shared to make the activities more widely known and to create opportunities to preserve and hand down cherry trees to future generation and to experience Japanese culture.

One product of those efforts is a series of charity concerts performed by artists who agree with the project's activities. In fiscal 2016, concerts were held in 23 locations in and around Greater Tokyo and the Kansai.

And, donations for preserving cherry trees were solicited during the concerts and collected a total of 1.083 million yen.

In addition to that, the significance of the cherry tree in Japanese culture was reiterated by collecting donations and staging photo exhibitions in Yoshino, publishing pamphlets and other activities intended to spur interest in this iconic tree's protection and preservation.



Donations being collected in Yoshino



Pamphlets introducing cherry trees from around Japan

■ Construction Site Art project

Word caught our ear that children had far too few opportunities to show their artwork to the local community. We figured that our construction sites could not only use some color and flare but also that letting kids paint pictures there would also be educative to the many passersby, so we began having children paint pictures on a sheet stretched around our construction sites as a temporary enclosure.

Because our construction sites are all too familiar sights in neighborhoods everywhere, this fiscal year, we decided to take another step and increased the number of children's art exhibits across Japan by 24 over the 12 stages last fiscal year to 36 this fiscal year. For the kids, the exhibits became "something to look forward to on the way to and from school every day," while residents in general felt that the "artwork brightened up the neighborhood."



Children painting pictures on a sheet

Endless Donations and Heart Donations

■ Donations

In 2005, Daiwa House Industry introduced a system that encourages employees to make donations to various causes, thus enabling them to take part in the company's community co-creation activities in a casual and continuous manner.

On the dedicated page of the company's intranet, employees can make a monthly donation in the amount of their choice. The registered amount is then automatically transferred from their salary each month as a donation.

The company has two types of donations: "Endless Donations," in which employees contribute a fixed amount of money on a monthly basis, and "Heart Donations" that are collected after a disaster and sent to support the affected areas.

■ Endless Donations

In fiscal 2016, this fund-raising campaign counted over 3,300 registered employees. Also that year, we created two categories of donations — a "Select Fund" that gave to activities that qualified under a theme set by the company, and a "General Fund" that was applied to all other activities — in order to hear about the activities of organizations seeking to better solve social issues and to encourage them to come to Daiwa House for support. Target organizations were selected through a process that began with a document review by an external specialist organization and employees of ours, and followed with a presentation by those groups that cleared the document review, and an interview with us. Going forward, we want to go further than just donating money to cooperate with the organizations we fund, in order to help solve social issues.



Final step of the selection process where employees determine beneficiary organizations of our donations



A candidate organization giving a presentation in order to win funding

■ Heart Donations

Emergency donations are collected from employees following an event that has caused serious damage to society.

■ Heart Donations beneficiaries

Fiscal year	Disaster	Beneficiary	Donation by Daiwa House Group
2014	Landslides in north Hiroshima	Hiroshima City Hall	12,419,283
2015	Earthquake in central Nepal	Japanese Red Cross Society	9,680,636
	Storms in East Japan	Japanese Red Cross Society	8,299,568
2016	Earthquake in Kumamoto	Japanese Red Cross Society	31,052,000

Related subject: Endless Donations and Heart Donations
<http://www.daiwahouse.com/sustainable/social/contribution/funds/>

Column

Daiwa House Group's support following the Kumamoto Earthquakes

I Daiwa House Industry

The day after the first series of foreshocks struck (04/15/2016), about 30 employees from Osaka and Fukuoka arrived on the scene and began relief activities.

The day after the main shocks (04/18/2016), a response headquarters was set up in Fukuoka and relief operations went into full gear.

① Emergency temporary housing construction 324 units (total 1,016 units by Daiwa House Group)

② "Paro" donations

Daiwa House Industry Co., Ltd. and Daiwa Lease Co., Ltd. donated 23 "Paro" therapy seal robots to 18 nursing houses in Kumamoto Prefecture and 5 to the town of Mashiki, to provide support to mental care activities for elderly persons and children living in stricken areas.

③ Community activation support for people living in temporary housing (Kumamoto Branch)

The Kumamoto Branch of Daiwa House Industry provided disaster victims with various kinds of support besides material supplies, so that they would have opportunities to communicate with one another while in temporary housing.

For example, at the housing reconstruction consultation center in Nuyamazu, Higashi-ku, they organized a woodworking class where families living in temporary housing made children's chairs, as well as barbecues and lessons on weaving sacred ropes by hand. These activities not only brought some fresh air to post-disaster life but also caused residents to talk with each other. After taking part in the rope-weaving class, residents were slightly more upbeat, as shown by their comments: "I want to hang this rope in my own house as soon as I can" and "Temporary housing is rather bland, but this rope will liven up the entryway."

At a temporary housing camp in the village of Nishihara, lights were installed at the community house to colorfully illuminate the grounds. All of the people living there were thrilled by the fact that, as one visitor put it, "The view is beautiful even from afar, too. We brought our whole group to come see it."



Making children's chairs in a woodworking class



Women weaving sacred ropes



Illumination decorating a community house in a temporary housing camp

④ Donations

Other donations: 2 million yen donated to Kyodo Platform GIA

The donation was made because physically/mentally challenged persons, elderly people and other minorities urgently needed aid and support because of difficulties getting it to them in stricken areas.

Heart Donations: 31.05 million yen donated to the Japanese Red Cross Society

I Daiwa Lease

① Temporary facility construction *As of September 11, 2016

Housing	Tsukahara Sports Field, Techno Temporary Housing (Mashiki Town), Jonan Industrial Park (Jonan Town), etc. 10 camps, 692 units
Governmental offices	6 (Uto City Hall, etc.)
Schools	8 (Kumamoto City Higashino Junior High School, etc.)
Hospitals	1

② Donations

Donated 5 million yen for partition systems for evacuation shelters.

I Daiwa House Parking

Offered free parking at 7 garages in Kumamoto City.

I Sports Club NAS

Four staff members traveled to the stricken area and conducted exercise classes to defend against economy class syndrome.



Interaction with local communities at plants

Showing consideration for local communities and proactively communicating with them are important elements of sustainable operations at our plants. In this regard, we go as far as to require exterior designs for parking garages that take into consideration the coming and going of nearby residents, vegetation or walls for shielding noise, emissions and nighttime headlights of trucks, and green spaces and selected trees that reflect the seasons in our “plant construction and renovation manuals” that specify infrastructure codes. Moreover, plants must be designed to function as a forum for hosting nearby residents in times of disaster.

Plants also promote community co-creation activities in order to build good relations with nearby residents. Some widely implemented activities include cleanups, participation in community events, music and planting projects (described earlier) and offering students internships. These internships and plants tours we give to students from local elementary, junior high and senior high schools double as learning opportunities where we can show them a thing or two about manufacturing sites, what it means to work and jobs of the future.

Major donations and sponsorships as a corporate citizen

■ Official sponsor of the 2020 Tokyo Olympics and Paralympics

Daiwa House Industry believes in promoting sports that entertain and excite those watching, therefore we are signed on as an Official Sponsor of the 2020 Tokyo Olympics and Paralympics and will use our business activities in the “construction and housing development” field to show the world what a proud host Tokyo is and contribute to the success of the games.

■ Support for the Osaka Symphony Orchestra

Daiwa House Industry has been a proud sponsor of the Osaka Symphony Orchestra since 2006. Our head office is located in Osaka and we feel both obligated and capable of contributing to life in the city by supporting the hometown orchestra.

■ Hosting cultural forums at the Nobuo Ishibashi Memorial Museum

We opened the Nobuo Ishibashi Memorial Museum in 2007 as a tribute to the achievements of our founder Nobuo Ishibashi and to introduce our corporate history. In 2008, we began hosting a cultural forum with a colorful panel of persons who discuss the future presence and policies of Japan in retrospect of Ishibashi's entrepreneurial spirit, wisdom and leadership. The forum has been staged for 9 years straight and attended by people from all across Japan.

Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

**Co-creating a Brighter Future
with Our Shareholders**

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with Our Shareholders

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Co-creating a Brighter Future with Our Shareholders

Commitment from the Executive Officer in Charge

Concept

Social issues

In these years, business enterprises are evaluated by investors not only in terms of short-term business performance, but also the possibility of continuous growth over a medium to long range. In addition to financial affairs, business enterprises are required to promote information disclosure concerning their CSR initiatives in non-financial affairs related to ESG (environment, society and governance). It is one of the important responsibilities of a company, for its shareholders and investors, to enhance the value of its corporate brand supported by intangible assets.

From a viewpoint that excessive short-termism (focus on short-term profit) may undermine favorable relationships with shareholders, it is also indispensable to establish a business environment for sustainable growth over a medium to long range. Therefore, it is considered essential to promote investments in human resources, equipment, and research and development in a planned manner, while establishing favorable relationships with stakeholders including customers, suppliers, employees and community residents.

In the meantime, both business enterprises and shareholders/investors still remain in the trial and error phase in Japan, concerning information disclosure and engagement concerning ESG, with only limited occasions for information disclosure. In coming years, it will be important to pursue sustainable growth, as a social issue, through repeated constructive dialogs with shareholders and investors.

Risks and opportunities for the Daiwa House Group

Due to a declining birthrate and aging population in Japan, the decrease in population and households may result in a smaller number of new houses to be constructed. This is counted as one of the risks that face our Group. On the other hand, our share in the housing market in Japan remains only slightly above 2%. Focusing on this point, our room for market development is large, and we could rather regard this as a business opportunity.

The population decrease may negatively affect the retention of our workforce. We must also include into risks the possible shortage of engineers and skilled workers in our Group and at our partner construction subcontractors.

In addition to the above, we must make careful decisions concerning risks involved in concentrated investments, because we are making proactive investments into logistics facilities and other growing areas following the business expansion of our Group. This is also the case with overseas businesses. Risks of variation in foreign exchange rates must also be securely handled.

We believe that it is important to increase business opportunities that will lead to sustainable growth, by accurately identifying risks related to the enhancement of corporate value, and having dialogs with shareholders and investors, as described above.

Commitment to our activities

Enhancing corporate value by meeting social issues

Our Group operates various businesses, such as commercial facilities, logistics centers and nursing care facilities, condominiums, and town construction and development, with the housing business at the core. Since our foundation, we have made many successful challenges, placing the top priority on our contribution to society.

These challenges include many initiatives that were unprecedented in Japan, such as establishing a pedestrian bridge aimed at the reduction of traffic accidents, the development of housing loans that contributed to the acquisition of houses, and the commercialization of roadside shops aimed at the revitalization of local communities. We deem that it is extremely important to tackle such social issues ahead of other companies, thereby continuously creating corporate value for society, in order to contribute to improvement of shareholders' value.

Continuation of a stable dividend and investments for the future

Our Group has pursued the continuation of a stable dividend, while maintaining sustainable growth in its businesses, from the viewpoint focused on return to shareholders. We are also pursuing improved value for stockholders through increased profit per share, by promoting investments in growing areas, in human resource development, and in research and development aimed at growth in the next generation, while retaining appropriate internal reserves in order to enhance corporate value over a medium to long range.

Promoting information disclosure

For shareholders and investors to assess medium- to long-term corporate value, it is considered necessary to promote appropriate information disclosure, including ESG-related information. To this end, we are proactively promoting information disclosure through our websites, Facebook and other SNS and IR tools, in addition to holding management briefing sessions and facility tours, as well as Individual meetings.

Engagements with shareholders and investors

We believe that it is important to intensify engagements (i.e. dialogs with constructive purposes), in addition to conventional information provisions and dialogs. We have started to intensify engagements, with the "policy on promoting constructive dialog (engagements) with shareholders" specified in the Corporate Governance Guidelines.

In principle, we have a policy that the management team and the Executive Officers in charge of IR should handle dialogs with shareholders and investors. At the same time, we are establishing structures to bolster collaboration with in-house departments, in order to achieve such engagements.

Periodic feedback to the management team

We also consider it important to provide periodic feedback to the management team and directors at the Board of Directors sessions and on other occasions, as collected through dialogs with shareholders and investors and markets. At the same time, we hold reporting sessions for external directors twice a year, in order to share the recognition of requirements.

Long-term social vision [Shareholders]

In the spirit of the company's Management Vision, "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

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

[Priority issues]

Transparency

P77-83

As for the "external assessment of ESG information disclosures," we have set a target of achieving 4.0 in fiscal 2018 in the FTSE4Good rating, deeming 2.0 in fiscal 2015 as a benchmark. Toward this target, our result in fiscal 2016 was 3.2.

As for the "status of GRI-handling of ESG disclosure information," we have set a target for achieving 80% in fiscal 2018, deeming 68.4% in fiscal 2015 as a benchmark. Our result in fiscal 2016 was 75.5%.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Status of GRI-handling of ESG disclosure information	75.5%	80%

[Priority issues]

Stakeholder engagement

P77-83

As for "Attendants' satisfaction with Stakeholders' Meeting," we have set a target of achieving 100% in fiscal 2018. Toward this target, our result in fiscal 2016 was 68.0% for the percentage of those who found the meeting ambience conducive to frank discussions, and 92.0% for the percentage of those who found our information easy to understand. We will continuously promote proactive engagements with stakeholders.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Stakeholders' Meeting (attendants' satisfaction)		
• Percentage of those who found the meeting ambience conducive to frank discussions	68%	100%
• Percentage of those who found our information easy to understand	92%	100%

Takeshi Kosokabe

Representative Director and
Senior Managing Executive Officer
Head of Administrative Division
Management Administration General Manager





Returning Benefits to Our Shareholders and Investor Relations

Concept

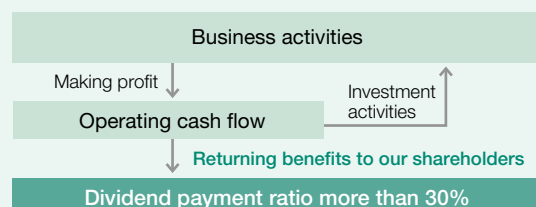
Daiwa House Industry returns part of the profit it makes from its business activities to its shareholders. In so doing, the company's basic policy is to strive to increase shareholder value by improving earnings per share (EPS), by maximizing medium- to long-term corporate value through such measures as investment in real estate, overseas business expansion, mergers and acquisitions, and investment in research and development, plant and equipment, and other growth-oriented targets.

We strive to maintain a stable dividend payment, setting our target dividend payment ratio at 30% or above of the current term net profit that is attributable to the parent company's shareholders, and remunerating our shareholders in line with the company's business performance. Our approach to acquiring our own shares is to take action at an appropriate timing in consideration of the market situation, capital efficiency, and other factors.

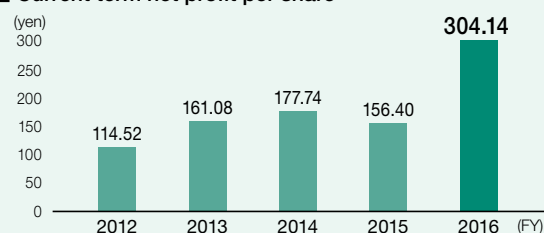
In order to build a relationship of trust over the long term with all stakeholders, including shareholders and investors in and outside Japan, we communicate information necessary for their investment decisions such as the management policy, finances and business initiatives as well as background factors and the business environment, in addition to disclosures required by law, in a quick, accurate, fair and impartial manner, in accordance with our basic policy on information disclosure.

In the spirit of "Co-creating a Brighter Future," we work to optimize two-way communication with our shareholders to have purposeful dialogues with them.

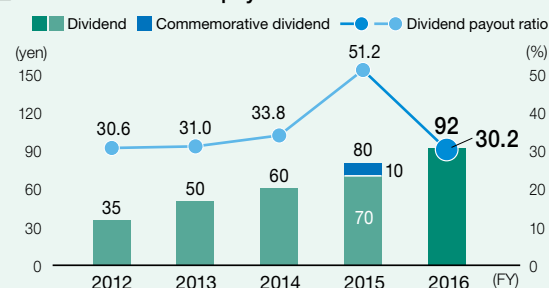
■ Concepts of profit sharing



■ Current term net profit per share



■ Dividend & dividend payout ratio



* As for FY 2015, the 60th anniversary commemorative dividend of 10 yen per share is included.

Management

Through IR activities, to ensure that our dialogue with its shareholders and investors contributes most effectively to its sustainable growth and medium- to long-term corporate value enhancement, our management team and Executive Officers in charge of IR represent the company in person at meetings with shareholders and investors. In order to facilitate constructive dialogue, we are working to establish a framework that allows cooperation with departments within the company to ensure that the company's shareholders and investors understand our management strategies and plans more smoothly. In addition, we are working to establish a framework that delivers and gathers information so that we can disclose information upon request from corporate assessment organizations that provide information to investors. Furthermore, in terms of both financial (business) and non-financial information (ESG) aspects, we strive to have constructive dialogue for sustainable growth of not only our company but also our investors.

In order for shareholders and investors to assess corporate value, we proactively disseminate information using various media such as IR tools, websites and social networking services, as well as management briefing sessions, facility tours and other activities such as individual meetings.

In addition to the above information provision efforts, opinions and requests that we receive through dialogue with shareholders and investors are periodically reported to directors and other managers at board of directors meetings and other occasions, as well as biannual reporting meetings to external directors. Through these occasions, we share the recognition of requirements from an independent and objective perspective.

Through IR activities, we will strive to obtain appropriate evaluation of corporate value and provide feedback about shareholder and investor opinions and requests to the management team in a timely and appropriate manner to enable us to make better management decisions thereby pursuing the maximization of corporate value.

Results of our Activities

Major IR Activities for FY 2016

	As needed	Quarterly	Semiannually	Annually
• Fully renewed IR information page on the website	●			
• The contents of financial results briefing and management briefing sessions disclosed on the website in the audio and text formats		●		
• Contribution of articles to IR journals	●			
Activities for institutional investors and analysts				
• Individual meetings with institutional investors in and outside Japan; reception of telephone interviews	●			
• Financial results briefing session by teleconferencing		●		
• Management briefing session by the top management team			●	
• Overseas road show by the top management team				●
• Integrated report small meeting	●			
• Small meetings organized by securities firms	●			
• Proactive participation in an IR conference organized by securities firms	●			
• Facility tours for institutional investors	●			
Activities for individual investors				
• Facility tours for individual shareholders				●
• Communicate information via printed media introducing the shareholder benefits	●			
Provide feedback about opinions received through IR activities to the departments within the company				
• Report IR activities at board of directors meetings				●
• Report IR activities to external directors			●	
• Exchange opinions on business performance and market trends with the business division		●		



Scenes from the management briefing session



Dialogues and communications with institutional investors

In fiscal 2016, we had dialogues with 750 institutional investors and analysts in total through individual meetings, telephone interviews, small meetings and other occasions. With respect to overseas IR, our top management team visited investors in the UK, North America, Hong Kong and Singapore, which provided us with precious occasions to explain the company's business conditions and future management plans to major investors overseas. In addition, in accordance with the policy stipulated in the Corporate Governance Guidelines and in response to the requests from our institutional investors, we had opportunities for them to discuss the company management with our external directors from an independent and objective standpoint.

In October 2016, our Group published its first Integrated Report as a story (growth story) which incorporated the history of innovations through which we have confronted the needs of society since our establishment, company philosophy, DNA, as well as the Group's financial information such as business strategies and financial situations and non-financial information on ESG and others. The Integrated Report small meeting where this report was used as a tool to communicate with our investors was a great opportunity to exchange opinions. While ESG investments are recently attracting increasing attention, we were willingly interviewed about ESG in cooperation with the Environment, CSR, Human Resources and General Affairs Departments.

Information disclosed to investors

We pursue timely and appropriate information disclosure to all stakeholders, including shareholders and investors.

We had an IR information page on the company's website fully renewed to add new pages for the message from the management, business fields, the shareholder return policy, capital policy, highlight of financial results, etc. The page now has much more information disclosed, showing the strengths of our Group's businesses and performance results in an easy-to-understand way with newly added photographs and graphs, as well as downloadable past performance records in excel format, and others.

In addition to disclosure of monthly order reception situations, we share information with shareholders and investors in and outside Japan in a timely manner, including publication of quarterly qualitative information and information on financial results briefing sessions for institutional investors and analysts, and semiannual management briefing sessions by our top management team in Japanese and English.

Furthermore, we post videos of presentations made by the members of the top management at conferences and corporate briefings for individual investors. We are working on information disclosure in these various forms so that our stakeholders can understand our management policy and business initiatives better.



IR information page on the website

Dialogues and communications with individual investors

Continuing from July 2016, a corporate briefing was held for individual investors using the Internet. A total of 366 participants logged in on the day of the event. At the briefing, after having explained the Fifth Medium-Term Management Plan that started in fiscal 2016, we accepted questions from the participants in real time. We explained our growth strategies and shareholder return policy in an easy-to-understand way in response to a lot of questions from the participants.

In addition, the 3rd facility tours for individual shareholders were held in Tokyo and Nara, which we view as precious occasions for them to deepen their understanding of the company philosophy and business strategies. In order to reflect opinions from the shareholders who participated in the last event such as "We would like you to increase the number of people who can participate in the facility tours" and "Why don't you organize multiple tour courses?," we worked to provide better tours by significantly increasing the number of people who can participate and giving them tour course options.

We received feedback from the investors who participated, such as "I was able to confirm I could be proud of this company as a shareholder" and "I hope you will continue to grow as a company which can contribute to society."

Facility tour for individual shareholders

• Nara tour

Dates: Friday, March 17 and Saturday, March 18, 2017

Venues: Nobuo Ishibashi Memorial Museum,
Central Research Laboratory or Daiwa House Industry
D-Room
(rental housing simulation facility) Plaza Hall

The number of participants: 132



Facility tours for individual shareholders

• Tokyo tour

Date: Monday, March 27, 2017

Venues: Try-IE-Lab (single-family house experience facility)
D's TETOTE
(nursing care and welfare equipment exhibition hall)

The number of participants: 53



Facility tours for individual shareholders



External Evaluation of Daiwa House Industry's IR Inclusion of Daiwa House Industry in ESG indices

	<p>Rating: 3.2 (as of June 2016)</p> <p>FTSE4Good are ESG investment indices structured by FTSE Russell as a member of the London Stock Exchange Group. These ESG indices have a long history, developed in 2001, and are characteristic of operating a policy committee that consists of multiple stakeholders, including investors, labor organizations and NGOs, in order to maintain its independence. In these indices, 844 global business enterprises, including 158 Japanese ones (as of February 28, 2017), are selected as highly evaluated from the viewpoint of ESG. We have been selected for these indices since 2006.</p>
	<p>STOXX® Global ESG Leaders indices consist of ESG investment indices developed by STOXX, a group company of the Germany Stock Exchanges. Based on ESG data provided by Sustainalytics*, 344 global business enterprises are selected (as of March 14, 2017). We have been selected for these indices since fiscal 2016.</p> <p><small>* A Dutch ESG research service and data provider that has been ranked in 1st place for three consecutive years as the best independent SRI research company, as assessed by IRRI from fiscal 2013 to 2015.</small></p>
 <p>2015 Constituent MSCI Global Sustainability Indexes</p>	<p>Rating: AA (as of June 2016)</p> <p>MSCI Global Sustainability Indexes are ESG indices structured by MSCI, a member of the U.S. Morgan Stanley Group. These indexes are characteristic in evaluation focused on ESG requirements that are selected according to importance, taking into account the features of the industry in which evaluated business enterprises operate. In the ESG rating from AAA to CCC, we have been evaluated highly at AA since fiscal 2013.</p>
<p>MEMBER OF</p> <p>Dow Jones Sustainability Indices</p> <p>In Collaboration with RobecoSAM</p>	<p>General score: 64 points (as of September 2016)</p> <p>Dow Jones Sustainability Indices (DJSI) are ESG indices that were jointly developed by S&P Dow Jones Indices, an American publisher, and RobecoSAM, a Swiss research and rating firm. We are categorized in the real estate sector, and have been selected for "DJSI Asia Pacific" since 2013, which consists of business enterprises in Japan, Asia and Oceania.</p>
	<p>MS-SRI are ESG indices of Japanese corporations, jointly developed by Morningstar Japan K.K. and the Center for Public Resources Development, a non-profit organization. We have continuously been selected for these indices since it was published in July 2003.</p>

	<p>Nadeshiko Brand is a system started in fiscal 2012, where the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange jointly select and announce listed companies that excel in the promotion of women's advancement. We were selected as a Nadeshiko Brand in March 2017, in the third consecutive year since 2015.</p>
	<p>The New Diversity Management Selection 100 is a system where the Ministry of Economy, Trade and Industry evaluates business enterprises that promote innovations, productivity improvement, and other improvements, by maximizing the capabilities of diverse human resources, including women, the elderly, foreigners, disabled persons, and persons from diverse career backgrounds. In March 2016, we were selected as a Nadeshiko Brand and a New Diversity Management Selection 100 enterprise. This simultaneous selection was the first in the housing and construction industry.</p>
	<p>The Competitive IT Strategy Company Stock Selection was established by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) in 2015. In order to provide an environment where listed companies (TSE's 1st Section, TSE's 2nd Section, TSE Mothers, and JASDAQ) that proactively promote advanced IT management could be evaluated in the stock market. Under this program, METI and TSE select and publicize companies that strategically promotes the creation of new value and the enhancement of competitiveness by leveraging information technology, through improved corporate products/services and reform in business models. We were selected as one of the 31 enterprises in fiscal 2017, for the second consecutive year after fiscal 2016.</p>
	<p>The "Health and Productivity Stock Selection" is one of the initiatives aimed at the extension of people's healthy life expectancy, as part of the Japan Revitalization Strategy. "Health and productivity management" signifies to examine, and strategically practice, health management for employees, etc., from a managerial viewpoint. In this initiative, business enterprises that excel in "health and productivity management" are selected from listed companies in the TSE, and presented as attractive to investors who emphasize the enhancement of corporate value over a long range, for the purpose of promoting "health and productivity management" at business enterprises. We were selected as one of the 24 enterprises in 24 industries, in the 2017 Health and Productivity Stock Selection in February 2017.</p>
	<p>Excellent Enterprise of Health and Productivity Management refers to large enterprises and SMEs that practice particularly excellent health and productivity management, through initiatives that match local health requirements, and health promotional measures recommended by the Nippon Kenko Kaigi (Japan Health Council). This program aims at visualizing excellent corporations that promote health and productivity management, thereby establishing an environment where employees, job hunters, related companies, financial institutions, etc., can socially evaluate such corporations, as examining, and strategically promoting, health management for employees from a managerial viewpoint. We were selected as one of the 500 firms in the large enterprise category of the Certified Health and Productivity Management Organization Recognition Program (White 500) in February 2017.</p>



Recognition by other major external parties

■ Ranked A- in the CDP Climate Change Report 2016

We were rated A- in the CDP Climate Change Report 2016, issued by CDP, an international NPO established in the U.K. in 2000. The climate change program of CDP is signed by 827 institutional investors, with the total investments of USD100 trillion. CDP sends questionnaire sheets to, and collects responses from, business entities and other organizations. The climate change strategies and GHG reduction activities of target entities are evaluated and published by CDP.

■ Ranked 32nd in the CSR Corporate Ranking by Toyo Keizai

Daiwa House Industry was ranked 32nd in the latest edition (March 4, 2017 issue) of the CSR Corporate Ranking published by the Japanese economic journal Toyo Keizai every year. Toyo Keizai Inc. published this ranking after examining and assessing the 1,408 companies that were mentioned in the 2017 edition of CSR Kigyo Soran (CSR Compendium) in terms of the utilization of human resources, the environment, corporate governance, and impact on society, as well as financial data.

■ CSR evaluation

Human resources	Environment	Corporate governance	Impact on society
AAA	AAA	AAA	AAA
86.0	97.3	95.7	89.7

■ Financial evaluation

Growth	Profitability	Safety	Scale
AAA	AA	AAA	AAA
85.4	83.3	86.0	100.0

■ Ranked in 50th place in the Channel NewsAsia Sustainability Ranking

Channel NewsAsia, CSR Asia, and Sustainalytics select the top 100 sustainability firms in Asia, from the viewpoint of ESG (environment, society and governance). In FY 2016, we were ranked in 50th place (1st place in the Japanese construction and real estate industry) among the approx. 1,200 target firms.



Co-creating a Brighter Future
with Our Customers

Co-creating a Brighter Future
with Our Employees

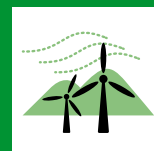
Co-creating a Brighter Future
with Our Business Partners

Co-creating a Brighter Future
with Local Communities

Co-creating a Brighter Future
with Our Shareholders

Co-creating a Brighter Future
with the Environment

Foundation of
CSR Management



Co-creating a Brighter Future with the Environment

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Commitment from the Executive Officer in Charge

Becoming a company society depends upon

Carrying on our founder's intention to "focus not on making profits, but on serving society's future needs," the Daiwa House Group aims to be a sustainable enterprise on which society can continue to rely. "To be useful to society" means nothing less than seeking to resolve social issues through the Group's business operations; moreover, we believe that our environmental initiatives are part of this effort. By working together through our businesses, we support ongoing efforts that lead to our sustainable growth as a company of service to society.

In 2015, the United Nations adopted its Sustainable Development Goals (SDGs). Using the year 2030 as its deadline for achieving a global sustainable society, the UN has identified 17 goals and 169 targets in the areas of energy, climate change, social peace, and health and welfare. While environmental, social, and governance (ESG) investments are spreading rapidly from Europe and North America to Japan, SDGs are attracting increasing interest as a common language linking investors and companies because they identify long-term goals for resolving the global social issues we face. Going forward, we believe it is desirable to incorporate these SDGs into our business strategies and throughout our value chain.

Long-term environmental vision and action plan

The global community has had to contend with a variety of challenges in recent years. These include economic disparity, poverty, and food scarcity. But among the most salient is the abnormal weather, possibly the result of climate change that

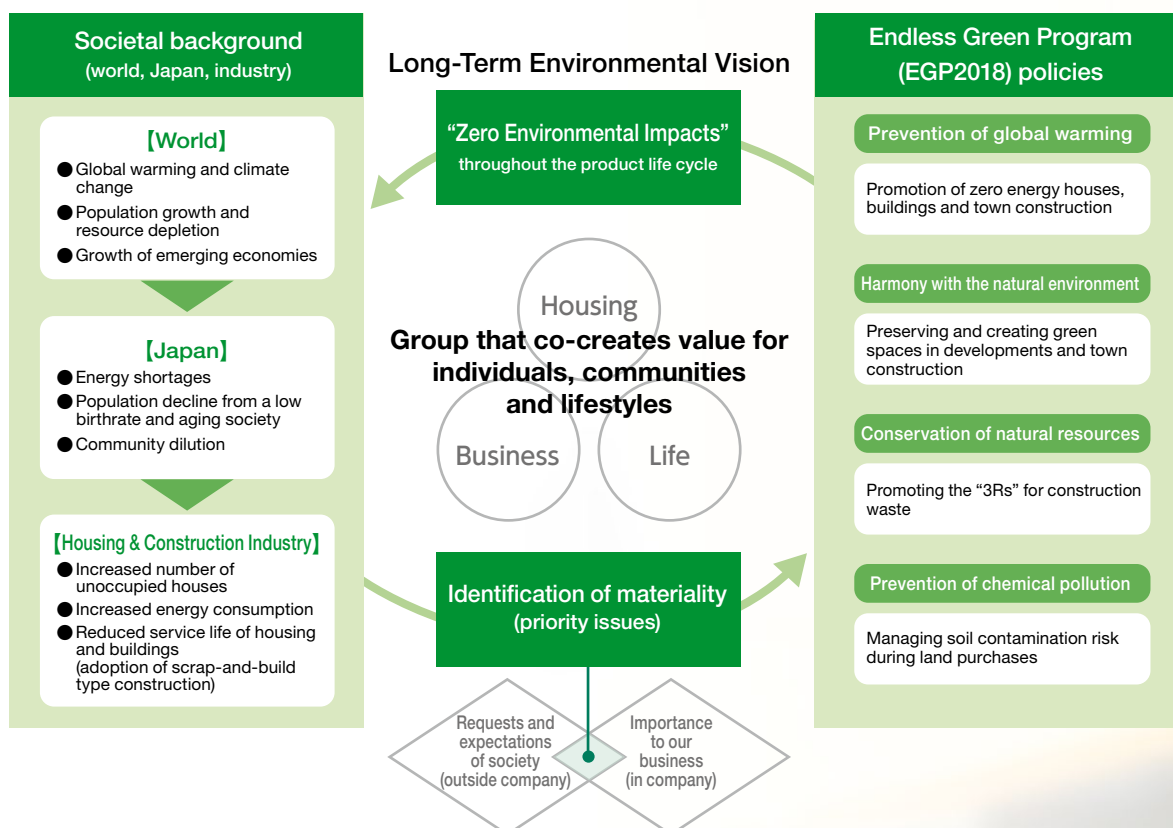
has become increasingly frequent in various parts of Japan and around the world of late. Clearly, this can be considered an urgent challenge. To address this issue, the global community adopted a major environmental framework in 2015 when members of the United Nations adopted the Paris Agreement of the United Nations Framework Convention on Climate Change (COP 21). This agreement came into force in November of 2016.

In order to solve these social issues and achieve a sustainable society, in 2016 our Group formulated Challenge ZERO 2055, a long-term environmental vision with targets for our company's centennial in the year 2055. This initiative, which accords with our long-term vision, provides a roadmap for our efforts to achieve zero environmental impact.

In order to implement this long-term environmental vision, we have formulated the Endless Green Program 2018, a new three-year environmental action plan introduced in fiscal 2016 that employs a technique known as "backcasting." This action plan promotes environmental initiatives incorporating integrated environmental management within our Group around the globe based on a life cycle approach to ensure that corporate profitability can coexist with environmental sustainability. In this way, we intend to continue creating social value.

Zero energy houses, buildings and town construction

At the COP 21 UN Conference on Climate Change, Japan adopted the goal of reducing its CO₂ emissions by 26% compared to fiscal 2013 by fiscal 2030. By sector, the CO₂ emissions of the household and business sectors — which are closely associated with our Group's businesses — increased by about 70% during





the past quarter century. Achieving a reduction of about 40% in both sectors is a lofty goal.

Moreover, looking at the CO₂ emissions derived from our business operations in the value chain — encompassing research and development, procurement, production, construction, product use, and disposal — emissions from product use are increasing considerably. This is because our products and buildings, once constructed, remain in use for long periods of time. Consequently, we think it is very important to improve the environmental performance of our products in order to provide world markets with products that contribute low levels of CO₂ emissions. Therefore, our priority policy for addressing this issue is to construct zero energy housing, buildings, and towns, and we are actively promoting such initiatives across our entire Group.

Looking to single-family housing, the Smart xevo Eco Project aims to promote the adoption of energy self-sufficient housing emitting zero CO₂ emissions and utility costs by 2020 all while contributing to improved quality of life. In fiscal 2016, we started a demonstration experiment at SECUREA Toyota Kakimoto. The top-level xevo Σ employs industry-leading insulation materials, photovoltaic power generation systems, and Home Energy Management System (HEMS) to achieve comfortable living and create a Net Zero Energy House (ZEH). We continue to promote this initiative.

Looking to general construction, in 2010, after adopting the concept of “Intelligent energy use through advanced technology,” we released the D’s SMART series, which packages environmentally conscious technologies for buildings of various purposes, and we are promoting the adoption of a Net Zero Energy Building (ZEB). In fiscal 2016, we set up 1.2 megawatts of photovoltaic power generation system on the roof of the Tsushima store of the Royal Home Center, a facility of our Group. We reduced the air conditioning load by introducing natural light and natural breezes into the store through a large-scale monitor roof, thus creating Japan’s first ZEB in a retail location encompassing more than 10,000 square meters of floor space. In addition, by actively promoting eco-friendly solutions for our customers’ buildings by encouraging the use of subsidies, we have greatly increased the number of ZEB buildings, adding 75 buildings in fiscal 2016.

In the area of town planning, after creating SMA-ECO Town Harumi-dai (in Sakai, Osaka) in 2013, Japan’s first Net Zero Energy Town (ZET), we created three more ZETs across the country. In addition to reducing energy consumption to zero through this initiative, we are substantially reducing costs by utilizing passive designs and energy-efficient innovations that take advantage of nature’s benefits. This initiative also provides residents with income from a photovoltaic power plant that is jointly owned by the residents. As stated in the urban development vision, titled “Community value into the future,” we are promoting initiatives toward “Evolved ZET” with the goal of creating sustainable cities.

We will continue to support to the emergence of a sustainable society by developing environmentally symbiotic houses, buildings, and towns together with various stakeholders while assuming responsibility and utilizing our awareness as a leader in the construction and real estate industries.

Kazuto Tsuchida

Representative Director and Senior
Managing Executive Officer
Executive Officer in charge of the
Environment





Long-Term Environmental Vision

In fiscal 2016, Daiwa House Group formulated a Long-Term Environmental Vision we call Challenge ZERO 2055, which focuses on the year Daiwa House Industry Co., Ltd. will commemorate its centennial. We aim to contribute to the emergence of a sustainable society as a Group that co-creates value for individuals, communities, and lifestyles under our Group management vision. In formulating this vision and adopting the challenge of zero environmental impact, we have addressed four environmental themes: prevention of global warming, harmony with the natural environment, conservation of natural resources, and prevention of chemical pollution across three areas of our operations (procurement / business activities / products and services).



[Prevention of global warming (Energy / Climate change)]

Challenge 1

To contribute to the emergence of a carbon-free society, we are targeting **zero CO₂ emissions throughout the product life cycle** by promoting thorough energy-efficiency measures and utilizing renewable energy.

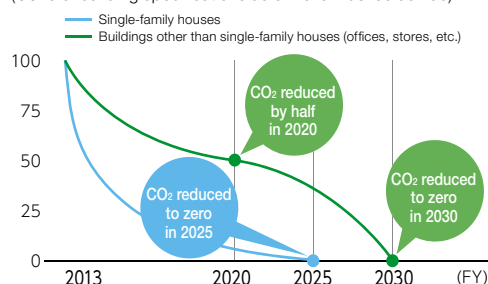
Action 1

We are targeting net zero CO₂ emissions during usage for the average new single-family houses by 2025 and for new buildings by 2030.

At the same time, we are targeting zero CO₂ emissions (zero energy) town planning by promoting power generation using renewable energy sources and the supply of low-carbon electricity.

■ CO₂ emissions during inhabitation and usage

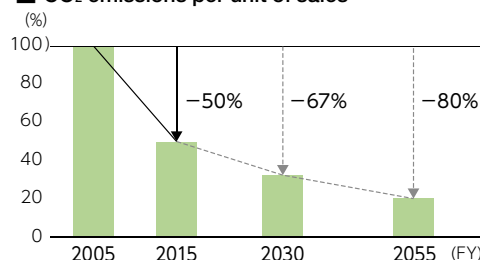
(General building specifications as of 2013 indexed as 100)



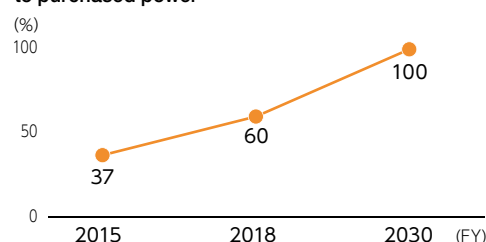
Action 2

Our goal is to reduce CO₂ emissions (per unit of sales) from all facilities and all business processes to about one-third that of the fiscal 2005 level by 2030 and to one-fifth by 2055. Furthermore, our goal is to achieve net zero electricity consumption by 2030 by supplying electricity produced from renewable energy sources that exceeds the total amount of electricity purchased across our entire Group. Our goal is to achieve net zero CO₂ emissions for our entire Group by 2055.

■ CO₂ emissions per unit of sales



■ Ratio of power generation using renewable energy sources to purchased power*



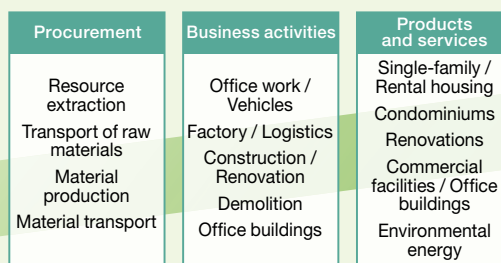
* Power generated using renewable energy sources by our Group ÷ Power purchased by our Group

Long-Term Environmental Vision “Challenge ZERO 2055”

【Themes of our environmental initiatives】



【Phases】



Challenge ZERO 2055
Taking on the challenge of Zero Environmental Impacts

【Harmony with the natural environment (Preservation of biodiversity)】

Challenge 2	In order to preserve and improve our natural capital, our Group shall achieve no net loss of green space by ensuring zero deforestation through material procurement and by developing communities filled with greenery.
Action 1	Minimize the loss of our natural capital associated with development and improve the quantity and quality of green space by collaborating with our customers when we construct housing, buildings, and towns. Achieve the objective of no net loss* of green space. * The concept of offsetting a loss of biodiversity in one location by increasing biodiversity in another location, resulting in no net impact.
Action 2	Regarding the building materials used to construct houses and buildings, we are focusing on zero deforestation associated with wood procurement by 2030 and zero deforestation associated with material procurement across all our business by 2055.

【Conservation of natural resources (Longer durability / Waste reduction / Water resource conservation)】

Challenge 3	To contribute to the emergence of a resource-recycling society, we shall pursue the sustainable use of resources by constructing houses and buildings that are more durable and by pursuing the goal of zero waste emissions.
Action 1	Extend the durability and increase the variability of our new houses and buildings, and work to create a market in which safe, high-quality houses and buildings are appropriately evaluated and circulated.
Action 2	Achieve zero waste emissions (recycling and reuse) throughout the life cycle of houses and buildings and throughout our supply chain by 2030. Achieve zero waste emissions for all our other businesses by 2055.

【Prevention of chemical pollution】

Challenge 4	We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings in addition to minimizing the risk (ultimately to zero) of adverse impacts on the health of people and ecosystems.
Action 1	Identify the risk of chemical substances in the life cycle of houses and buildings, promote reduced use of toxic chemicals, employ substitutes, and appropriately manage chemical substances with using a precautionary approach. Continue to minimize the risk (ultimately to zero).
Action 2	Continue working on minimization of the risk (ultimately to zero) through strict management of soil contamination risk, including conducting investigations and applying countermeasures from initial land transaction through the construction process, employing the same standard to the company's own land holdings.



Action Plan for the Environment (Endless Green Program 2018)

About every three years, the Daiwa House Group formulates a plan with concrete targets. Known as the Endless Green Program (EGP), it is implemented on a schedule under the Medium-Term Management Plan toward achieving the goals of the Long-Term Environmental Vision.

In our Endless Green Program 2018 recently formulated for implementation in the period fiscal 2016 to 2018, we are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

History of the Action Plan for the Environment



The Daiwa House Group has identified four environmental themes (social issues) associated with its business that hold a high degree of interest for stakeholders as well. Initiatives will be promoted in the three phases of Procurement; Business Activities; and Products and Services.

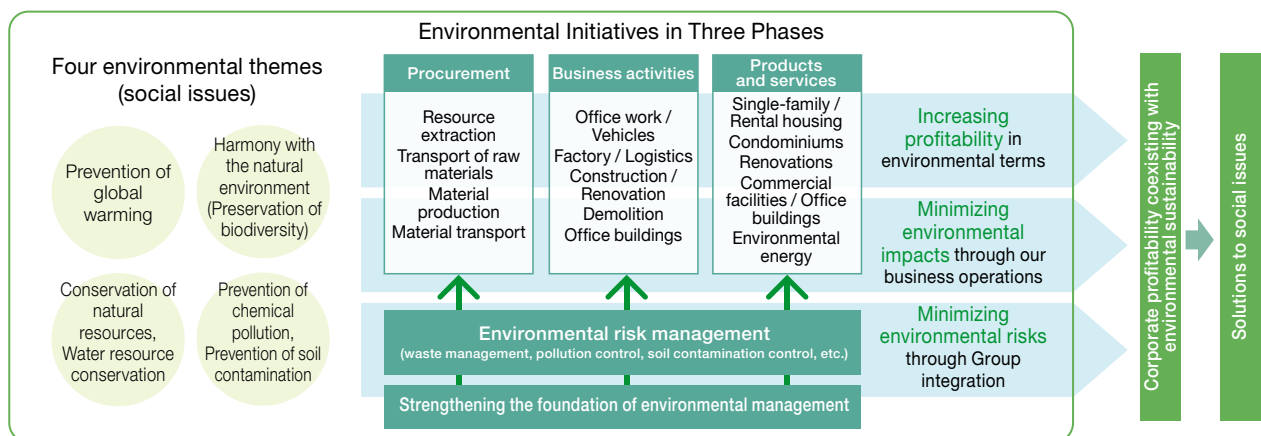
In the phase of Procurement, we are implementing collaboration on joint ownership and improving environmental policy initiatives with our suppliers with the goal of procuring raw materials having low environmental impacts.

In the Business Activities, we promote manufacturing that

demonstrates a high degree of productivity with regard to resources and energy efficiency. This is achieved with efficient facilities and equipment infrastructure as well as with innovative business processes at each stage of the operational process. In this way, we are reducing environmental impacts.

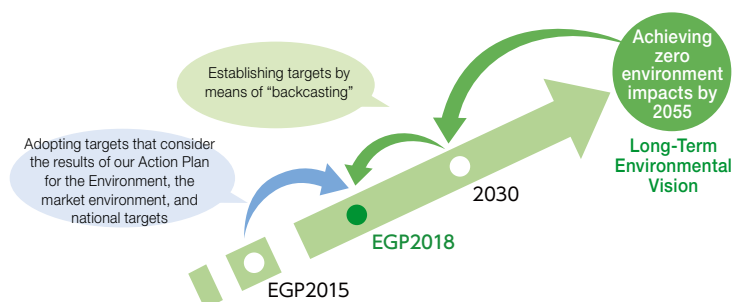
Furthermore, in the domain of Products and Services, we are strengthening initiatives supporting global warming prevention and the preservation of biodiversity through development and dissemination, including the promotion of eco-friendly houses and buildings.

Overall Action Plan for the Environment



Establishing targets through “backcasting”

In identifying the targets for our four themes introduced above, we applied the technique of “backcasting” for the Long-Term Environmental Vision we formulated as our objective for 2055, when Daiwa House Industry will mark its 100th anniversary. We have identified the period from 2025 to 2030 as our milestones, and have indicated the levels to be attained after three years.



Identification of materiality (priority issues)

In formulating our Endless Green Program 2018, we reacquainted ourselves with priority issues that address the importance of our company's environmental initiatives as well as society's requests and expectations. We also commissioned experts to confirm the validity of these issues and identify their materiality.

Process for identifying materiality



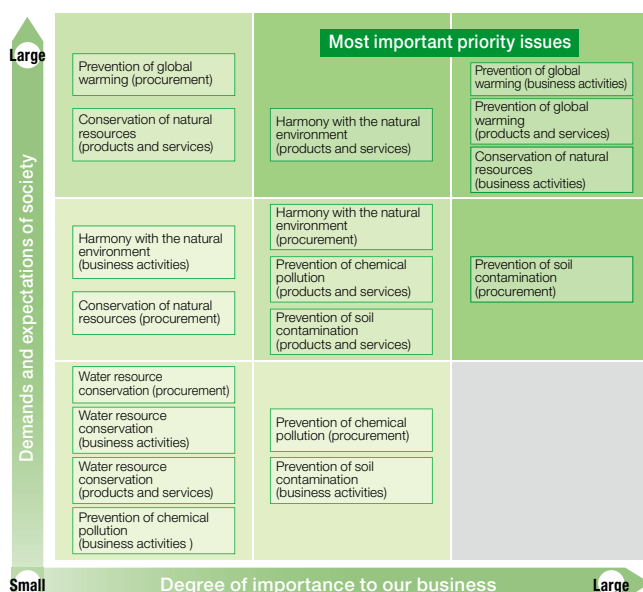
Related page ▶ P119 Dialogue with Experts and Investors

Note: For more details on identifying materiality, please visit our website.

Search

In addition, we determined whether important issues we have identified and other issues were in line with our initiatives, and reflected them in our Environmental Action Plan's target level and basic policy.

Materiality map



Policies of Endless Green Program 2018

Environmental theme	Phase	Degree of improvement	Policies	
Prevention of global warming	Procurement	Implementation	Supporting energy efficiency among suppliers and formulating a certification system for energy-efficient building materials	See pp. 95–102 for more details
	Business activities	Continuous improvement	Incorporating smart innovations in new facilities Continuing improvements to energy-efficient operations in existing facilities and the systematic updating of facilities	
	Products and services	Priority improvement	Promoting the construction of zero-energy houses, buildings and towns Expanding the power generation business by adopting renewable energy (wind, sun, water, biomass)	
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Continuous improvement	Promoting sustainable wood procurement	See pp. 103–108 for more details
	Business activities	Maintenance and management	Promoting environmental greenery in Daiwa House Industry and its Group facilities	
	Products and services	Priority improvement	Promoting the preservation and creation of green spaces in development and town planning	
Conservation of natural resources, Water resource conservation	Procurement	Implementation	Identifying risks to resources and water from primary building materials	See pp. 109–114 for more details
	Business activities	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the application of the "3Rs" (reduce, reuse and recycle) to construction waste Promoting the adoption of water-saving devices	
	Products and services	Continuous improvement (natural resources) Maintenance and management (water)	Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources) Promoting reproduction building materials Promoting the adoption of water-saving devices	
Prevention of chemical pollution, Prevention of soil contamination	Procurement	Maintenance and management (chemicals) Continuous improvement (soil)	Strengthening the management of chemical substances in the procurement of building materials Strengthening the management of soil contamination risks during land purchases	See pp. 115–118 for more details
	Business activities	Maintenance and management	Reducing the release and transfer of PRTR-listed hazardous chemicals during the production stage; reducing VOC emissions	
	Products and services	Continuous improvement	Further improving indoor air quality in residential facilities Expanding the response and solution to soil contamination incidents	
Strengthening the foundation of environmental management / Environmental risk management			Improving the reliability of environmental performance data within the Group and globally Devising and implementing an environmental law management system within the entire Group	See pp. 91–94 for more details

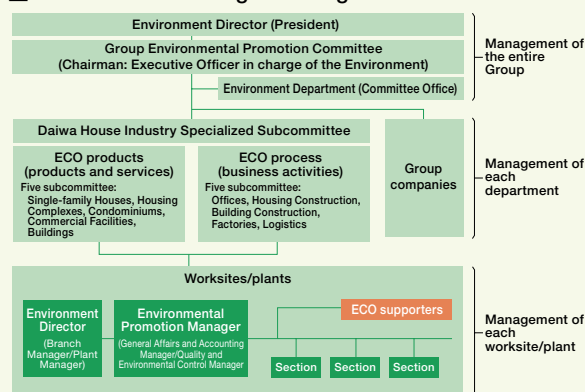


Environmental Management

Basic Concept

All the companies that comprise the Daiwa House Group share our Environmental Vision, which is based on a precautionary approach, and are promoting environmental initiatives in all aspects of their various business operations. To promote this effort, we established the Group Environmental Promotion Committee with the President and COO of Daiwa House Industry as Director, and with the Executive Officer in charge of the Environment as Chairman. This committee convenes twice a year and deliberates and decides on the basic environmental initiatives that our Group should address. This committee also designates and presides over the environmental initiatives of the entire Group. Under the Committee, there are 10 specialized subcommittees, each led by the Executive Officer in charge. These are cross-departmental small groups, which engage in well-planned improvement activities, including review meetings held once every three months.

■ Environmental management organization



Promoting Environmental Management

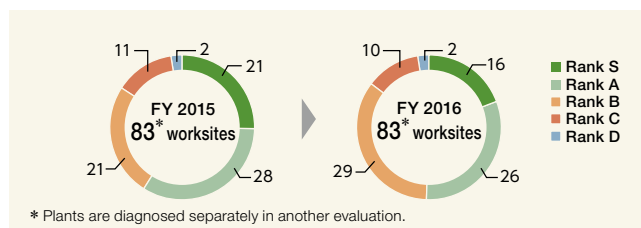
One of the basic policies of Principles of Corporate Ethics is “with the environment.” The entire Group is committed to environmental management in line with this basic policy.

Reflect achievements in environmental activities at worksites in business performance assessment

At the worksites of Daiwa House Industry, we implement systematic improvement initiatives under the “My Worksite ECO Plan,” the environmental improvement plan we formulated at the beginning of the term. We then conduct a “Your Worksite ECO Diagnosis” that quantitatively evaluates the progress of these initiatives and assigns one of five rankings: rank S and ranks A through D. The results of these diagnoses are published twice annually and are reflected in our worksite performance assessments, thereby providing motivation for further improvement initiatives. Every worksite whose diagnosis is evaluated highly is recognized as a “Most Outstanding Eco Worksite,” while worksites that exhibit stagnant performance are assigned “Follow-up training” by our Environment Department. To help improve these evaluations, we support their analysis of issues and the planning and implementation of relevant countermeasures.

In fiscal 2016, we reviewed our evaluation criteria, awarding Rank S to 16 worksites and Rank D to two worksites. In fiscal 2017, we aim to further raise the level by thoroughly monitoring the progress of improvement of each worksite and announcing the results of our diagnoses each quarter.

■ Results from “Your Worksite ECO Diagnosis”

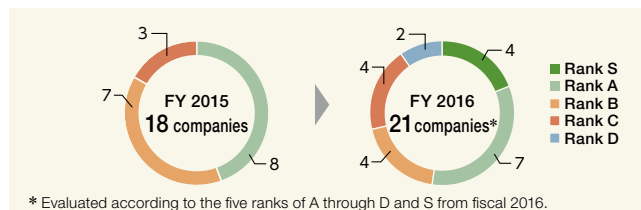


Reflect environmental management results of main Group companies in business performance assessment

In fiscal 2016, we expanded the scope of our environmental management to 163 companies including sub-subsidiaries of entire Group companies. Among those located in Japan, we set numerical targets and promoted relevant initiatives. For our 21 main Group companies with a large environmental impact, we were especially diligent about incorporating the item of Environmental Management in our business performance assessments and evaluating the progress of our Group companies' environmental activities according to the five ranks of A through D and S.

In fiscal 2016, as a result of uniform efforts to improve our environmental management and provide examples of improvement through the Group's environmental training seminars and Energy Saving Joint Working Group, four of the 21 companies were awarded the highest level of Rank S, while two companies were assigned a Rank D. We will continue these efforts in fiscal 2017 and intend to further improve by thoroughly monitoring the progress of our Improvement Plan.

■ Group's environmental performance assessment results

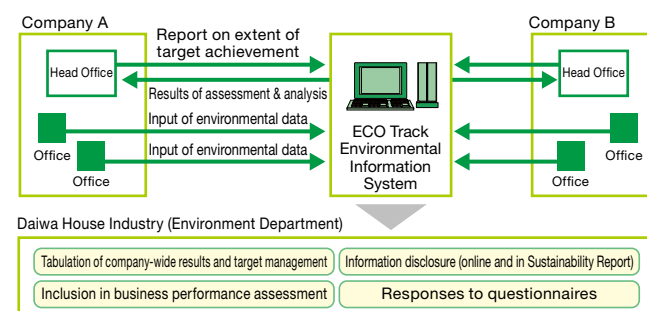


Promoting environmental management with information technology

In fiscal 2016, our Group introduced the ECO Track Environmental Information System. Each Group company and worksite enters its environmental performance data into this system on a monthly basis. As a result, CO₂ emissions and waste emissions are tallied, which allows for quarterly monitoring of target achievement status.

Conventionally, detailed data from worksites had been compiled and managed by each Group company, but the introduction of the ECO Track system enables the unified management of data, improves the accuracy of aggregation, and increases the efficiency of tabulation work. For fiscal 2017, we plan to further increase the efficiency of our environmental initiatives by providing analysis functions and target management for each worksite.

■ Environmental performance data management system



Acquisition of ISO 14001 and implementation of environmental audits

The Daiwa House Group has succeeded in acquiring certification of registration with ISO 14001, the international standard for environmental management systems, and we continue to update and maintain our registration status. Moreover, the segment in charge uses the manual made by each company to periodically implement environmental audits and provides instruction and confirmation regarding the operation status of the environmental management system in addition to details of environmental performance, regulatory compliance, and risk avoidance. As well, the results of the audits are reported to the management as material for management reviews and are utilized to promote continuous improvement.

■ ISO 14001 certification

Company name	Scope certified by ISO 14001
Daiwa House Industry	Production and Procurement Headquarters (excluding Purchasing Department) and all 10 plants
Daiwa Lease	Entire company
Daiwa Logistics	Safety and Quality Promotion Department, Mie Branch, Nara Branch, Osaka Minami Branch (former Kansai Haiso Center)
Fujita	Entire company (excluding offices outside Japan)

(as of March 31, 2017)

Environmental Risk Management

Our Group views the risk of environmental pollution — from industrial wastes and harmful substances generated through our business operations — affecting the air, water, and soil and threatening human health and the ecosystem as an “environmental risk.” We are taking steps to prevent and reduce the impact of such contamination through stringent environmental risk management by strengthening our management system. This entails the adoption of the voluntary standards that exceed the legal standard.

At the same time, we recognize the possibility that the Group’s business activities may be negatively affected by environmental issues, such as climate change and loss of biodiversity, and consequent social changes through tightened regulations and physical change as “environment-related business risk.” In this context, we perform regular risk assessment and implement preventive efforts.

System to comply with environmental laws and regulations

Our Group has adopted compliance as one of the policies comprising our Principles of Corporate Ethics. In keeping with our risk management regulations, we strive to ensure compliance with all relevant laws and regulations through the Risk Management Committees we have established company-wide at all our respective Group companies and worksites.

In fiscal 2016, all Group companies introduced “Compliance Manager,” a management system for environmental laws and regulations in order to reinforce their systems for ensuring compliance with environmental laws and regulations. As a result, we can efficiently respond to interpretations and amendments to these laws in a centralized manner, a task that previously had been performed by the individual companies. Specifically, we employ a comprehensive online checklist of applicable environmental laws and regulations and have formulated and implemented a mechanism for evaluating, reporting, and visualizing our compliance status. We also monitor the requirements of the environmental laws and regulations that apply in the various countries in which we operate.

Environmental accidents and complaints (fiscal 2016)

In fiscal 2016, we were not involved in any serious violations or litigation regarding environmental laws.

Environmental Education and Awareness-Raising

In order to promote environmental activities in which all people can participate, our Group is working on environmental education not only through collective training but also in combination with awareness-raising exercises from a variety of perspectives that include providing support for the acquisition of qualifications and an award system.

Promoting environmental education and acquiring qualifications

Regarding the specialized education we provide to our various departments, we focus on the major environmental risks such as waste and soil contamination. As for general education, we emphasize primarily trending environmental themes, company-wide policies, and best practices. In addition, ECO supporters located at each worksite undergo training to ensure they play a central role in conducting semiannual ECO training at worksites, and share issues and countermeasures to be implemented at their own worksites. We continue to seek ways to improve their environmental initiatives.

At all our main Group companies, we also assign Environmental Promotion Managers and hold training seminars to ensure that environmental initiatives are smoothly implemented.

In the future, we intend to enhance the content of this training and strengthen support for employees working to obtain qualifications, including those at Group companies. We will also strengthen the dissemination of environmental information to suppliers and increase awareness of the need to participate in all aspects of environmental management, including the supply chain.

■ Environmental education provided (fiscal 2016)

Category	Contents	Form	Number of participants and frequency
Specialized education	Waste management	Auditing	At each worksite, twice a year (220 in total)
	Soil contamination control measures	Training	754 participants
	Environmentally conscious design	Training	131 participants
	Environmental management	Training	109 participants
General education	ECO supporters	Training	Twice a year (176 participants)
	Eco training at worksites	Training	At each worksite, twice a year
	General training for new employees	Training	303 participants

(as of March 31, 2017)

■ Employees with main environmental qualifications (Daiwa House Industry)

Qualification	Number of qualified employees
Eco Kentei (Environment and Social Certification)	656
CASBEE assessor for Home (Detached House)	332
CASBEE assessor for Building	286
Healthy housing advisor	947
Energy Manager	29
House Energy Saving Expert	23

(as of March 31, 2017)

Corporate award system

— President’s Award and “horizontal development strategy”

We launched the “Challenge! We Build ECO Contest” in fiscal 2008 to recognize environmental efforts promoted by each worksite. Outstanding activities are identified in each of the categories of ECO Products, ECO Process, ECO Technology and ECO Communication, and the most outstanding activities are recognized with the President’s Award. A total of 195 applications were submitted in fiscal 2016. The Gifu Branch, Yokohama Branch, and Hamamatsu Branch all received the President’s Award. These awarded activities are introduced on the intranet and in the corporate newsletter so that all employees can learn from them and apply them to their activities.



Supply Chain Management in Our Entire Business (Environment)

Basic Concept

The Daiwa House Group has been influencing the global environment as well as diverse stakeholders throughout the supply chain as it procures materials and undertakes construction work. It also has an influence on personnel who work in the material-producing countries and processing sites, suppliers and their employees as well as local communities situated close to construction sites. Therefore, we believe that collaboration with suppliers is indispensable to reducing any negative environmental impacts, and we promote cooperation in all phases of our operations through monitoring, training, and collaborative development.

In July 2015, we established our Basic Procurement Policy and our CSR Procurement Guidelines. Applicable to our Group, our Basic Procurement Policy is intended to advance procurement with consideration for Quality, Cost, and Delivery — or “QCD” — as well as society and the environment. Moreover, the scope of our CSR Procurement Guidelines includes all primary suppliers and stipulates comprehensive social and environmental standards, including human rights, work safety, and environmental protection. As for management of chemical substances and wood procurement in particular, we have established specific guidelines and evaluation standards, and have implemented continual monitoring.

Basic Procurement Policy

- 1 We shall focus on QCD (quality, cost and delivery) in order to meet the needs of end users.
- 2 We shall establish a fairness hotline for all business partners and shall conduct transactions according to the principles of competition and high ethical standards.
- 3 We shall strictly manage and use personal information and confidential information related to transactions.
- 4 We shall comply with all domestic and foreign laws and regulations and conduct fair transactions based on compliance.
- 5 We shall consider the health and safety of all people involved in a transaction.
- 6 We shall engage our suppliers in a spirit of mutual prosperity and build appropriate relationships.
- 7 We shall regard environmental concerns as global issues and shall contribute to environmental preservation in all transactions while reducing our environmental impact.
- 8 We shall recognize the impact of transactions on the local community and shall strive to give this issue due consideration.
- 9 We shall respect the dignity and fundamental human rights of everyone involved in our transactions and shall endeavor to avoid complicity in human rights violations.
- 10 We shall promote CSR procurement throughout the supply chain.

■ CSR Procurement Guidelines (Excerpt of environmental portion only)

(1) Business Partner Code of Conduct

5) Environmental Protection	By contributing to the emergence of a society and lifestyles that allow people to live with a sense of enrichment in harmony with their environment, we are taking steps to reduce our environmental impact from two perspectives: business processes as well as products and services.
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(2) Corporate Activity Guidelines

5-1	Complying with environmental laws and regulations and responding to the demands of society	Complying with domestic and international environmental laws and regulations, we are striving to reduce our environmental impact by meeting the demands of the global community and our stakeholders.
5-2	Responding to climate change	Promoting energy efficiency in our products and services as well as in our business processes (such as procurement and processing), we are focused on utilizing natural sources of energy.
5-3	Promoting resource conservation	Adhering to a policy of “reduce, reuse and recycle,” we are focused on resource conservation, extending service life, resource recycling as they relate to the entire lifecycle of the product (including production, usage, and disposal).
5-4	Managing chemical substances	Providing our suppliers with information on the chemical substances in our products and reducing the use of substances associated with higher risks, we offer products with little impact on our stakeholders’ health and the natural environment.
5-5	Protecting biodiversity	Promoting forest preservation through sustainable wood procurement, we are striving to develop towns in harmony with green spaces and designed with harmony with their local environment.

(3) Guidelines for Products

① Chemical Substance Management Guidelines

② Biodiversity Guidelines [Wood Procurement]

Related page ▶ P054 CSR Procurement Guidelines
P173 Biodiversity Guidelines [Wood Procurement]
P180 Chemical Substance Management Guidelines

Management

Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the “Business Partner Code of Conduct” of our CSR Procurement Guidelines. We collaborate on environmental work through our three supply chain networks: The Trillion Club supplies our materials; the Confederation of Partner Companies comprises manufacturing and construction subcontractors; and the Setsuma Club supplies our facility equipment.

Increasing suppliers’ awareness of our environmental policy

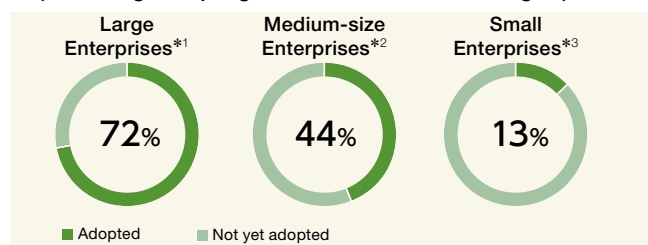
In fiscal 2015, we held a briefing session on CSR Procurement Guidelines for suppliers and obtained their understanding of the importance of reducing environmental impacts and environmental risk at the procurement stage. In fiscal 2016, we held similar briefing sessions for each of our Group companies as well (Royal Home Center Co., Ltd.; DesignArc Co., Ltd.; Daiwa Lease Co., Ltd.; Fujita Corporation; and Cosmos Initia Co., Ltd.). In addition, we obtained consent forms for our Group CSR Procurement Guidelines. As of March 2017, the collection rate for these consent forms was 97.8% (representing 4,952 companies).

In order to provide a system that enables our suppliers to confirm the progress of our CSR Procurement Guidelines, we implemented a self-assessment that can be taken on the website. In particular, regarding the environment, we made it possible to assess the compliance with environmental laws and regulations as well as CO₂ emissions reduction targets. We plan to improve the level of engagement with this initiative by providing opportunities to share information as well as reciprocal audits in cooperation with our Group and our suppliers.

In the future, as we clarify specific standards, we will take steps to ensure all suppliers operate their businesses and supply products with consideration for the environment and in compliance with our CSR Procurement Guidelines. Toward that end, we plan to improve the level of participation in this initiative by providing opportunities for the sharing of information and supporting reciprocal audits through collaboration between our Group members and our suppliers.



■ Example of self-assessment (Percentage adopting CO₂ emission reduction targets)



*1 300 or more employees (68 companies)

*2 50–299 employees (93 companies)

*3 1–49 employees (410 companies)

Related page ▶ P054 Encouraging Business Partners in CSR Efforts

Monitoring of supply chain

To identify risk factors in our supply chain, we check and monitor all subcontractors' work progress in construction sites and plants, using our checklist that includes such items as waste disposal. If there is any problem, we will take correction measures in a timely manner, and take action to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question.

With regard to wood procurement, the risks associated with the environment and human rights are high in this area, so we conduct an annual wood procurement survey of our suppliers. This takes place with the oversight of Daiwa House Industry (Purchasing Department, Product Development Department, Design and Construction Department, and Condominium Promotion Division) and five of our Group companies. We continue to monitor the legality and sustainability of our wood procurement. Should any business partner fail to satisfy our requirements, we conduct interviews and request corrective action.

Regarding the use of chemical substances, we request that our suppliers submit a Chemical Substance Usage Report Sheet on major building materials and determine whether we are in compliance with the guidelines.

Related page ▶ P105 Wood procurement survey
P118 Application of the Chemical Substance Management Guidelines

Supplier training

We have established a corporate office for each supplier organization to support their operations. Our own corporate offices, working together with each supplier, identify our priority theme and projects each fiscal year and promote them as environmental initiatives.

It is currently limited to selected suppliers, but we intend to increase opportunities to visit procurement facilities and production factories for building materials. This will enable us to share information on their energy consumption at the manufacturing stage and determine their stage of implementation of energy-efficiency initiatives. We will collaborate on improving the effectiveness of these initiatives.

	Supplier (organization's name)	Membership	Major efforts
Procurement	Materials suppliers (Trillion Club)	238 companies	Plant energy saving diagnosis, support for equipment updating, joint energy-saving project
	Equipment manufacturers (Setсуwa Club)	146 companies	Joint development of eco- friendly technology, organization of technology exhibitions/seminars
Manufacturing	Partner companies engaged in manufacturing and construction (Confederation of Partner Companies)	4,615 companies	Improvement projects at manufacturing and construction sites, awards for outstanding cases

(as of March 31, 2017)

Major efforts

Collaboration with Setсуwa Club, suppliers of machinery and equipment

The Setсуwa Club held a Product Technology Exhibition on our premises to promote green products and technologies. The 182 member companies staffed exhibit booths, with some companies exhibiting at more than one venue. The exhibition drew a total of about 6,300 visitors to our four offices in Tokyo, Osaka, Nagoya, and Fukuoka. The Club also operates study tours for members who visit Daiwa House Industry's state-of-the-art houses and condominiums. It also holds briefing meetings introducing the new products and technologies of member companies. These meetings are targeted at employees of our worksites who are in charge of equipment.

The Club will continue to broaden its information-exchange initiatives with member companies to promote new green products and technologies and other items of interest while disseminating related information through exhibitions and other events.



Product briefing for our employees



Focal theme

1

Prevention of Global Warming (Energy / Climate Change)

To contribute to the emergence of a promoting thorough energy-efficiency

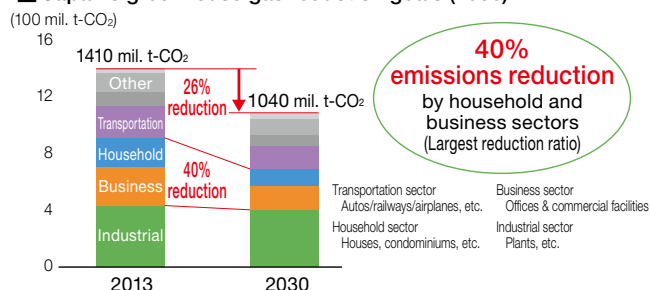
Policy and Concept

Social issues

The abnormal weather that is suspected of being caused by man-made climate change has become increasingly frequent in various parts of Japan and around the world in the recent past. In order to counter this trend, some scientists are calling for a joint effort to limit the increase in the mean global temperature this century to no more than 2 degrees Celsius above the level seen before the Industrial Revolution.

In December 2015, at the United Nations Framework Convention on Climate Change known as COP 21, participants agreed to the “2°C goal” in the Paris Agreement and reached overarching agreement to work toward zero emissions of greenhouse gasses attributable to human activity in the second half of this century. Japan has also advocated the goal of a 26% reduction in greenhouse gas emissions by 2030 and an 80% reduction by 2050, relative to fiscal 2013 levels. Looking to CO₂ emissions in Japan by economic sector, households and businesses account for about 40% of the entire amount emitted. CO₂ emissions in these sectors have increased by about 70% over the past quarter century. In response to this trend and the need to achieve the 2030 goals, both sectors would have to reduce their CO₂ emissions by about 40%.

■ Japan's greenhouse gas reduction goals (2030)



Our Group's effect on society and the environment

With regard to our Group's greenhouse gas emissions, Scope 1 and 2 emissions (those derived from business operations) account for 98% of our emissions in Japan. Hotels and commercial facilities, which fall under the category of “business sector,” account for

47%. CO₂ emissions derived from our value chain, which is primarily related to the construction of houses and buildings, is as low as 1.2% for Scope 1 and 2. Our Scope 3 emissions (indirect emissions from sources other than our company) account for the large majority. In particular, “CO₂ emissions generated during habitation and usage” of houses and buildings — which of course tend to be used over a long period of time — generate a very significant proportion at 60%.

Consequently, one of our priorities is to reduce the CO₂ emissions of each one of our Group's business facilities. By applying the expertise we have acquired, we are helping to reduce CO₂ emissions attributable to the household and business sectors by contributing to the adoption of houses and buildings associated with low CO₂ emissions. In addition, we are taking steps to reduce CO₂ emissions by improving the energy efficiency of existing houses and buildings while supplying electricity from renewable sources.

Our response to the risks and opportunities facing our Group

In order to achieve the targets Japan has adopted for 2030, the government introduced the Energy Efficiency Act for buildings in Japan, which strengthens the energy-efficiency regulations applicable to houses and buildings; moreover, an incentive program has been adopted for advanced energy-efficient structures such as ZEH*1 and ZEB*2. Our Group will continue to strengthen the existing energy-efficiency initiatives targeting our own facilities while reducing the cost of adapting and making use of the expertise we have gained through these efforts. Thus, we are strengthening our offerings by promoting the construction of zero-energy houses, buildings and towns, which is leading to a growth in orders while increasing the unit price of each building. We are also involved in the business of generating power from renewable energy sources. In addition to taking advantage of our own idle land, we are expanding this business by submitting proposals for the use of idle land held in the public sector. We believe it is important that we voluntarily expand on these initiatives in the medium-to-long term without depending on subsidies and the like. In order to establish an environmental real estate market without delay, we will promote the use of various green building certifications as we remain engaged in dialogue with ESG investors and others.

*1 Net Zero Energy House
*2 Net Zero Energy Building

Endless Green Program 2018		Long-Term Environmental Vision “Challenge ZERO 2055”	
Management indicator	2018 targets	2030 (milestone)	2055 (final goal)
CO ₂ emissions per unit of sales (compared with fiscal 2005 level)	-55%*	67% decrease in CO ₂ emissions per unit of sales compared with the fiscal 2005 level	80% decrease in CO ₂ emissions per unit of sales compared with fiscal 2005 levels
CO ₂ emissions (after offset by renewable energy power generation) (compared with fiscal 2005 level)	-35%*		
Ratio of renewable energy power generation to electric power purchased	60%*	Renewable energy power generation exceeds electric power purchased	Net zero CO ₂ emissions by Daiwa House Group
Contribution to CO ₂ reduction	4,700,000 t-CO ₂ *.	Net zero CO ₂ emissions during usage of new buildings (2025 for single-family houses)	Adoption of town planning with zero CO ₂ emissions

Contribution to SDGs
For details, see p. 121.



7.2
7.3



11b



13.1
13.3

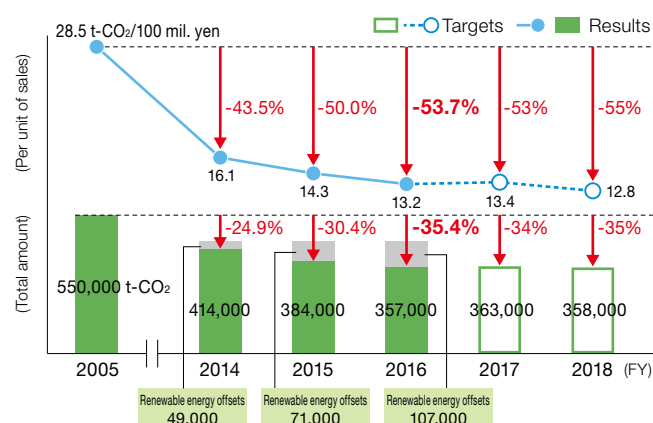
* We revised our fiscal 2018 targets upward because our fiscal 2016 results already exceeded our original targets for fiscal 2018.

carbon-free society, we are targeting zero CO₂ emissions throughout the product life cycle by measures and utilizing renewable energy.

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊 : Goal for fiscal 2016 achieved 🙄 : Goal for fiscal 2016 not achieved (improved from the previous year) 😞 : Goal for fiscal 2016 not achieved (worsened from the previous year)

CO₂ emissions



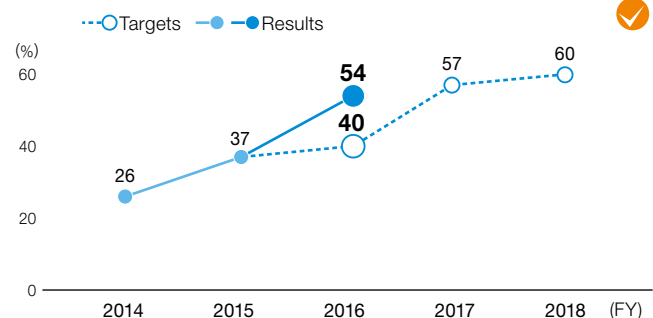
Reduction targets achieved through Groupwide energy-efficiency initiatives

In fiscal 2016, we reduced CO₂ emissions per unit of sales by 53.7% compared with the results for fiscal 2005, achieving the goals by adopting energy-efficiency initiatives at each company and in each sector. After the application of renewable energy offsets, CO₂ emissions for fiscal 2016 decreased as well, by 35.4% compared with fiscal 2005 levels, thus meeting the target. As our Group businesses continue to grow, we are developing our own facilities in the form of offices, hotels, and commercial facilities with the goal of achieving a minimum CASBEE*1 rating of A and a maximum BEI*2 index of 0.7. Also, we are systematically updating equipment and improving operations at existing facilities, particularly at those with high energy consumption.

*1 Comprehensive Assessment System for Built Environment Efficiency

*2 Building Energy Index, an indicator for evaluating the energy-efficiency of buildings that is a legal stipulation of the national government

Ratio of power generation using renewable energy sources to purchased power



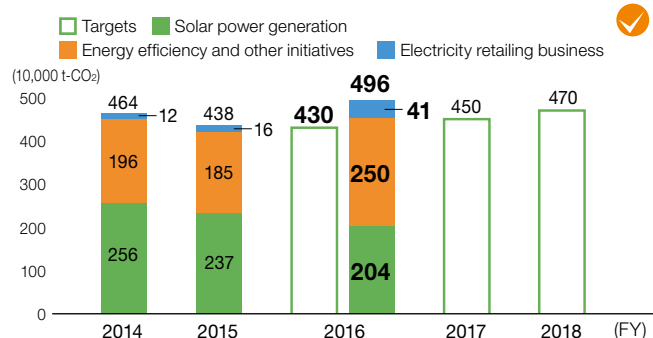
A minimum of 50% of the energy we purchase is from renewable energy sources.

In fiscal 2016, the electricity purchased throughout our Group totaled 468,075 MWh, representing a 3% increase year-on-year, but the amount of renewable energy we generated also increased significantly to 253,787 MWh; consequently, our ratio of renewable energy generation to purchased electric power was 54%, fully meeting our target.

We launched 32 new photovoltaic power plants in fiscal 2016, bringing the total number of operating plants to 149 across our Group, which are capable of generating 192 MW of power in total.

In fiscal 2018, as our purchasing power is expected to increase as our business expands, we aim to generate a larger quantity of renewable energy in order to reach 60% of renewable energy generated to electric power purchased.

Contribution to CO₂ reduction



Products and services that greatly reduce our CO₂ emissions

We are working toward our goal of achieving a specific numerical value of reduced CO₂ emissions in order to demonstrate to what extent our Group has contributed to reducing CO₂ emissions through provision of housing, buildings, energy efficiency and energy generation solutions.

In fiscal 2016, we achieved a 4.96 million t-CO₂ reduction in CO₂ emissions, our highest ever and 13% higher than the previous fiscal year, thus meeting our target.

While we anticipate that the installed capacity of photovoltaic power generation facilities will decrease further due to a decline in rates offered under the renewable energy feed-in tariff program, our goal is to contribute to a reduction of 4.7 million t-CO₂ in fiscal 2018 by promoting energy-efficient buildings.



Implementation report on the Endless Green Program 2018

Focal
theme

1

Prevention of Global
Warming
(Energy / Climate Change)

CO₂ emissions reduction in our procurement and
business activities

Concept and Policy

Utilizing the strengths of the construction industry to promote energy efficiency and renewable power generation

The Daiwa House Group is contributing to the emergence of a carbon-free society by reducing CO₂ emissions from business activities while promoting its renewable energy generation business.

The Group plans to use the technology and expertise it has developed in the construction industry to reduce energy consumption by introducing leading-edge energy-efficiency technology in new construction; updating the facilities of existing buildings with extensive operational improvements; and systematically and aggressively promoting its renewable energy generation business.

Going forward, we intend to continue this initiative by focusing on CO₂ emissions at the procurement stage.

CSR Procurement Guidelines (Excerpt from “Responding to climate change”)

5-2 Responding to climate change

Promoting energy efficiency in our products and services as well as in our business processes (such as procurement and processing), we are focused on utilizing natural sources of energy.

Energy-Efficient Facilities Investment Guidelines

In order to promote systematic energy-efficiency initiatives in our company's and Group's facilities, the Daiwa House Group formulated internal Energy-Efficient Facilities Investment Guidelines. We promote investments under our guidelines that call for reducing our energy consumption by 3% annually through the implementation of investments in energy efficiency equivalent to 15% of energy costs.

Management

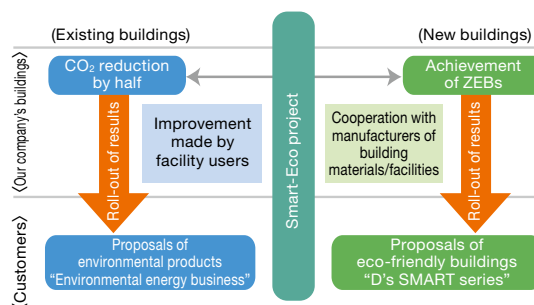
Energy Management System

Under the Energy Efficiency Act, the Daiwa House Group has appointed energy management supervisors and energy-efficiency promoters. Considering the wide range of business sectors we are engaged in, we voluntarily appoint these energy management supervisors and energy-efficiency promoters in each sector, including factories and shopping centers; implement detailed energy management practices; and enhance the effectiveness of the measures we implement. At regular meetings of energy-efficiency promoters, we discuss issues and measures and share future plans. In addition, according to our Energy-Efficient Facilities Investment Guidelines, we implement systematic energy-efficiency investments such as updating of lighting fixtures and air conditioning equipment with a target of investing 15% of our total energy costs.

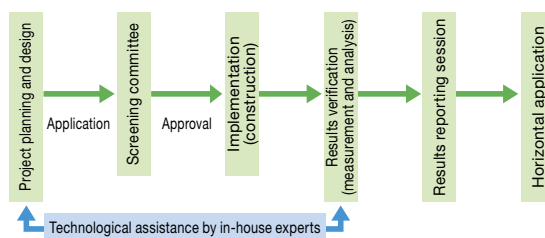
Employing our environmental management budget to develop examples of leading-edge technologies

The Daiwa House Group has introduced advanced energy-efficiency technologies in our company's and Group's facilities while promoting the commercialization of the Smart-Eco Project and its horizontal application through demonstrations and testing. As the supporting system, we have introduced the Environmental Management Budget System. In addition to the public subsidy, we contribute to our in-house budget for leading-edge projects that meet our internal standards, such as the introduction of innovative environmental technologies. This system is intended to support the implementation of these projects. Under this system, the phases of planning, design, review, implementation, results verification, reports, and horizontal application are combined into a single cycle. We strive to maximize results with the technological assistance provided by our in-house experts.

Smart-Eco project



Operational flow of the Environmental Management Budget system



Plan for introducing renewable energy

In order to accelerate our Group's introduction of renewable energy, the Daiwa House Group launched the DREAM* Project and developed the concept of the Wind, Sun and Water Project. It envisions the potential introduction of wind power, photovoltaic power, and hydroelectric power generation systems on all our land holdings, including idle land and in-house facilities. We have formulated an introduction plan targeting 2020.

At present, we are steadily implementing introduction according to the plan while periodically monitoring our progress.

* D: Daiwa House Group, R: Renewable, E: Energy, A: Asset, M: Management

Major efforts

CO₂ emissions reduction at the procurement stage

We have determined that 98.8% of our CO₂ emissions attributed to the value chain can be classified as Scope 3 emissions (indirect emissions from sources other than our company). Among these Scope 3 emissions, 23.1% are attributable to purchased goods and services. This represents the second largest portion, followed by use of sold products. Emissions from this procurement stage are considered a very important category.

As a result, we formulated our CSR Procurement Guidelines in fiscal 2015 and are encouraging our suppliers to address climate change. In fiscal 2016, we established a mechanism that enables our suppliers to self-assess their activities, and this effort has helped us monitor the progress of our initiatives to reduce CO₂ emissions.

In the future, referring to the results of the self-assessment, we will share information on energy consumption in the production stage of the products we procure and the state of implementation of energy-efficiency initiatives. We aim to collaborate on improving our respective energy conservation initiatives. In addition, as part of our goal of reducing CO₂ emissions attributable to habitation and usage of the housing and buildings we provide, we will formulate procurement standards that assign higher priority to facilities and building materials exhibiting high energy-efficiency and insulation values.

Related page ▶ P093 Increasing suppliers' awareness of our environmental policy
P169 Reducing CO₂ emissions in the Value Chain

Continue our operational improvements and scheduled facilities updates at existing facilities.

CO₂ emissions from facilities — including offices, commercial buildings, and resort facilities — owned and operated by our Group account for at least 60% of our total CO₂ emissions. In response, we have identified the most energy-efficient workplaces for each building application and have implemented intensive energy-efficiency measures. We have rolled out these innovations horizontally to other workplaces after having tested and confirmed the results. Currently, a total of 13 locations — two offices, five commercial buildings, three resort facilities, and three production plants — have been selected as best-in-class workplaces.

In fiscal 2016, in an effort to share knowledge and expertise on energy conservation within our Group, our energy conservation joint subcommittee convened at a resort facility to exchange opinions and gained greater knowledge of modified energy-efficient lighting and air conditioning equipment. In the future, we intend to use a benchmark system promoted by the government and undertake base management to implement improvements focused not only on leading workplaces but also on facilities that consume large amounts of energy.

In fiscal 2016, we made investments in energy-efficient facilities to the tune of 1.22 billion yen, equivalent to about 16% of our total energy costs. We estimate that this investment will accrue a 1,353-t/year reduction in CO₂ emissions.

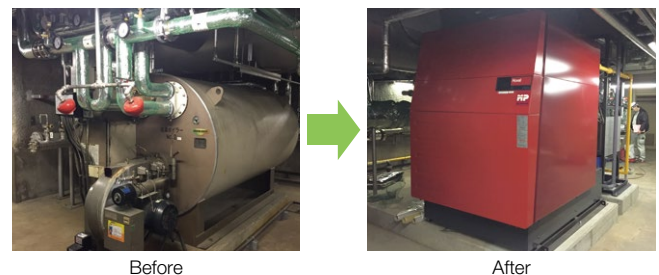
CO₂ reduction achieved by the most energy-efficient workplaces

Buildings	Uses	Standard year	CO ₂ reduction ratio		
			FY 2015 results	FY 2016 targets	FY 2016 results
Daiwa House Osaka Building	Offices	2005	39.0%	39.6%	37.9%
Daiwa House Tokyo Building		2005	29.7%	30.4%	29.7%
Iias Tsukuba		2010	14.2%	14.6%	-4.7%
BiVi Fukuoka	Commercial buildings	2009	26.4%	29.2%	39.7%
Combox Komyoike		2009	44.3%	44.6%	42.8%
Shonan Mall FILL		2007	41.8%	40.0%	42.4%
Royal Home Center Nishinomiya Branch	Resort hotels	2005	43.2%	44.3%	46.8%
Hamanako Royal Hotel		2007	36.3%	40.2%	33.8%
Ise-Shima Royal Hotel		2007	37.8%	42.5%	36.9%
Amanohashidate Miyazu Royal Hotel	Plants	2009	38.5%	40.2%	34.7%
Kyushu Plant, Daiwa House Industry		2005	62.1%	63.0%	65.3%
Kanto Plant, Daiwa Lease		2007	60.0%	60.7%	59.3%
Mie Plant, DesignArc		2007	15.9%	21.3%	9.2%

Accelerating investments in energy-efficient facilities utilizing public subsidies

Our Group actively makes use of public subsidies when renewing aging facilities and investing in facilities in the interests of energy efficiency. Within our Group we compile and reveal the subsidies available to us from ministries and agencies that are publicized each year. In fiscal 2016, we utilized subsidies for resort facilities (Miyagi Zao Royal Hotel, Daiwa Resort) and updated our high-energy-consuming boiler facilities with high-performance models. As a result of these efforts, we expect to reduce our energy consumption by about 15%.

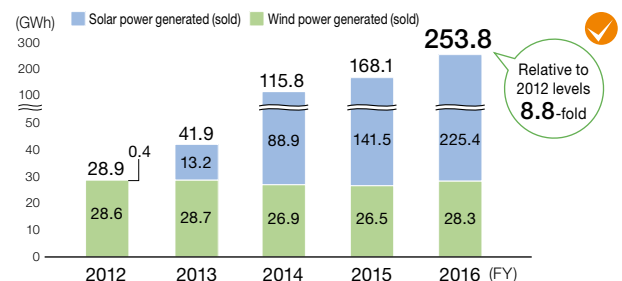
Updated boiler facilities at the Miyagi Zao Royal Hotel



Increase the adoption of renewable energies

The Daiwa House Group is promoting the introduction of wind and photovoltaic power generation systems in our own facilities and on idle land with the intention of generating sufficient power from these renewable energy sources by 2030 to exceed our total power purchases. In fiscal 2016, we introduced 32 new power plants, including DREAM Solar Fukushima Date in Fukushima prefecture and DREAM Solar Ibaraki Ushiku in Ibaraki prefecture. We currently operate renewable energy power plants in a total of 149 locations. As of the end of fiscal 2016, the total output of the renewable power plants operated by the Daiwa House Group was 192 MW. Annual power generation of these facilities totaled 254 GWh, which represents 54% of our Group's electricity purchases of 468 GWh. In the future, we plan to operate our first hydroelectric power plant (1.97 MW in Gifu prefecture) in the autumn of 2017 and our second wind power plant in 2019 in Seiyo, Ehime prefecture.

Trend in Groupwide power generation by renewable energy



Sadamisaki Wind Power Plant (Daiwa Energy)



Implementation report on the Endless Green Program 2018

Focal
theme

1

Prevention of Global
Warming
(Energy / Climate Change)

Contribution to reducing CO₂ emissions through
our products and services

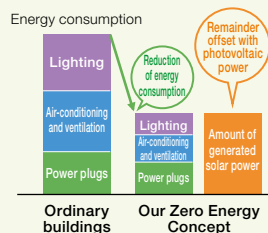
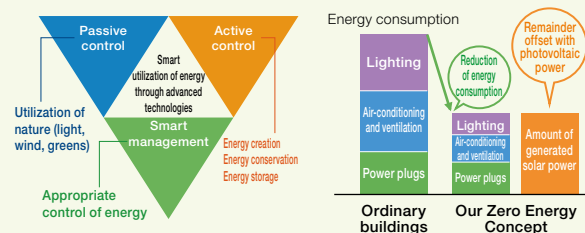
Concept and Policy

Promoting the development of zero-energy homes, buildings and communities

The Daiwa House Group is supporting the emergence of carbon-free society by promoting the development of zero-energy-loss towns across Japan. While energy consumption can be minimized through the smart use of natural wind and sunlight, we are also generating renewable energy with the objective of achieving a balance between the amount of energy generated and the amount consumed throughout the year.

Moreover, our goal is not only to maintain a zero energy balance; we are also working to develop energy self-sufficient houses, buildings, and towns. We remain dedicated to providing society with added value that contributes to new lifestyles.

■ Our zero energy concept



Guidelines for Design for the Environment

In the Guidelines for Design for the Environment applicable to the commercial and office building segments, we summarized our descriptions of environmental items as well as the points to be kept in mind during the designing of a structure. We strive to standardize our proposals while promoting the environment-friendly buildings developed by our design staff.

“Designing for Community Development into the Future”: Guidelines for Sustainable Community Development

Our Community Development Vision demonstrates our approach and policies in this area. Accordingly, the main points to follow regarding design in step with each of the eight value axes (including the environment) are outlined in “Designing for Community Development into the Future,” our city planning guidelines. We identify the value to be added that best accommodates regional characteristics while providing guidance for the development of sustainable cities in an effort to maximize their value.

Related page P063 Supporting Community Development Through the Construction Business

Management

Creating the environmental brand “For Nature” and developing its specifications

Our flagship single-family dwelling product, “xevo Σ” (pronounced “zevo sigma”), is an environment-friendly product compatible with ZEH, the Net Zero Energy House concept. In order to widely disseminate ZEH across society and raise awareness of the appeal

of zero environmental impacts outside the company, we launched “For Nature,” an environmental brand of new single-family housing, in January 2017. Our single-family housing aims to achieve zero environmental impact in line with the concept of maintaining harmony with the natural environment. We are now rolling out this product across Japan. In developing this brand, we have positioned our new construction single-family houses — which are equipped with environmental products such as photovoltaic power generation systems and Ene-Farm fuel cells on the company's own exterior insulated vent wall — as “For Nature.” We continue to review the specifications proposed for all our single-family housing products.



Rental housing: Monitoring energy efficiency and providing feedback to our development and design staff

In our rental housing business, we are promoting the use of the Low-Carbon Building Certification System* and the Building-Housing Energy-efficiency Labeling System (BELS) as innovations for owners as well as residents interested in energy-efficient housing.

In terms of promotion, we are seeking standardization of accredited specifications and a manual is being prepared to summarize notes on design and so on. The energy efficiency of each property is monitored on a quarterly basis and the results are fed back to the development, sales, and design departments. Furthermore, any certifications that have been issued are displayed on the rental housing search sites managed by our Group. Through this initiative, we are developing a system to make it easier for people to find rental housing exhibiting high environmental performance.

* Buildings certified by the competent administrative agency as contributing to the reduction of CO₂ emissions

Commercial and office buildings: Operation of Guidelines for Design for the Environment

In our commercial and office building segment, we follow the “Guidelines for Design for the Environment” that we first adopted in 2009. Specifically, during a design review, we utilize a Design for Environment Assessment Sheet to confirm whether the design proposal fulfills the concept of an environment-friendly building, such as the D's SMART Series. We continue to conduct quantitative assessments on this topic. By employing these mechanisms, we utilize the expertise gained through demonstration tests of our own facilities for customers' building proposals. The same assessment methods are employed by our other Group companies, Daiwa Lease Co., Ltd. and Fujita Corporation.

Community development: Assessment sheet supporting community development-oriented design

Daiwa House Industry has established “Designing for Community Development into the Future” as a tool for determining whether a design exhibits consideration for the eight value axes (including the environment) set forth in the Community Development Support Tool. This initiative was introduced on a trial basis in fiscal 2016. With this tool, we conduct a self-assessment to determine whether a community development is tailored to the regional characteristics and perform a quantitative evaluation of the design. Furthermore, after compiling the results of the assessment, we compare the past community developments with what we are currently designing in order to create an improved community.

Major efforts

Developing energy self-sufficient single-family housing by pursuing ZEH

With our single-family housing, Daiwa House Industry aims to develop energy self-sufficient housing generating zero CO₂ emissions and a zero energy bill while also improving quality of life. Our “xevo Σ” product released in 2014 incorporates our proprietary thermally insulated and ventilated external wall, developed to provide greater insulating performance. This wall can be constructed with up to 184 mm of thermal insulation. It provides greater comfort for the inhabitants and qualifies as a ZEH (Net Zero Energy House) when a photovoltaic system is installed. We are also engaged in demonstration tests of energy self-sufficient housing at SECUREA Toyota Kakimoto in Aichi prefecture, a community that opened in fiscal 2016.

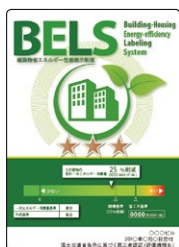


Appearance of xevo Σ

Acquiring BELS certification for rental housing: Leading the industry with the highest number of certified units

In our rental housing business, we promote the acquisition of the BELS certification with the aim of improving the energy efficiency of our buildings. In fiscal 2016, we obtained 1,852 certifications equivalent to a minimum Building-Housing Energy-efficiency Labeling System (BELS) rating of three stars (BEI* ≤ 0.9), which is Japan's guidance standard and represents about 30% of the total. Of these, a total of 1,501 were granted BELS certifications, which enables us to highlight this environmental advantage to our customers.

Daiwa House Industry plans to accelerate this initiative further and is taking proactive measures to acquire a 5-star BELS rating (BEI* ≤ 0.8).



BELS certification mark

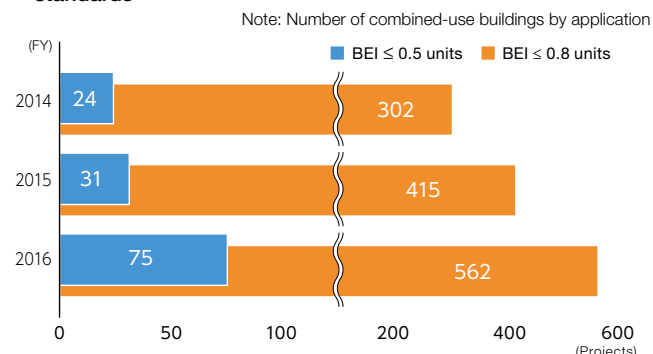
Applying the expertise gained in our facilities to accelerate ZEB proposals

Daiwa House Industry is promoting the Smart-Eco Project with the concept of “intelligent energy use through advanced technology.” As a validation project at our company facilities, we introduced and marketed the “D's Smart Series” of innovations that are packaged with environmental technologies in diverse applications for buildings. In short, we are promoting the adoption of the ZEB. Taking advantage of the D's Smart Office release in fiscal 2011, we developed six applications for offices, stores, factories, logistics centers, nursing facilities, and medical facilities. In fiscal 2016, our initiative regarding Promotion of ZEB at Large Retail Stores was awarded the Energy Conservation Grand Prize. The number of buildings we have developed that meet the ZEB specification (including ZEB Ready and Nearly ZEB structures) also increased to 47 structures comprising 75 units. In the future, we will make use of the knowledge we have gained from this initiative to develop new technologies and further drive the evolution of the ZEB technology we have developed as of this writing. In addition, as the ZEB evolves, we will further popularize the concept of energy self-sufficient buildings.



New Technology Building, Kasai Kogyo Co., Ltd.

Number of units designed to ZEB*¹ specifications or guidance standards*²



*1 Buildings with BEI ≤ 0.5 are ZEB in a broad sense and include ZEB Ready and Nearly ZEB structures.

*2 Buildings with BEI ≤ 0.8 meet Japan's guidance standard as specified in the Building Energy Efficiency Act.

Widespread adoption and expansion of evolved Net Zero Energy Towns

After developing Japan's first Net Zero Energy Town (ZET) in 2013, our Group created three* ZETs nationwide. In addition to reducing net energy consumption to zero, we are promoting initiatives to create value in the community. These include substantial cost reductions through the adoption of passive design and energy-efficient design utilizing advantages of nature. Residents are provided with benefits such as income from the community photovoltaic power plant, which is jointly owned by the residents. In keeping with “Community value into the future,” the community development vision we formulated in October 2015, we are pursuing “evolved ZET” with the goal of developing sustainable communities.

These efforts were widely praised and resulted in our receiving the MLIT Minister's Prize at the 26th Global Environment Awards.

* 66 buildings in Kuwana, Mie prefecture (in 2014); 21 buildings in Toyota, Aichi prefecture (in 2015); and 21 buildings in Toyama City, Toyama prefecture (in 2016)

Related page P148 Assessment by External Organizations

Cooperation with government agencies, external organizations, etc.

Daiwa House Group participates in the Smart House and Building Standards and Business Promotion Review Committee of the Ministry of Economy, Trade and Industry; the Smart Wellness Community; and various other initiatives encompassing environmental issues that should be taken into account in future housing, construction and town planning. We offer opinions and proposals and give feedback on national legal regulations and policy planning.

Promoting acquisition of Green Building Certifications

The Group is promoting acquisition of green building certifications. In the preceding fiscal year, we acquired certifications for long-term superior housing, low-carbon building certifications, and BELS certifications (energy efficiency star ratings that demonstrate a specific superior level of energy efficiency). At the Daiwa House Tokyo Building in March 2017, we acquired Platinum certification, which is the highest ranking of LEED, a standard developed and administered by the U.S. Green Building Council.

Status of acquisition of Green Building Certifications (fiscal 2016)

Long-life quality housing	7,530 units (single-family houses)
Low-carbon building certification	1,877 units
BELS certification	2,045 units
LEED certification	Platinum certification: 1 (our Head Office building in Tokyo)



Prevention of Global Warming (Energy / Climate Change)

Topics

Example

SECUREA Toyota Kakimoto, a smart community in Aichi prefecture, introduces “Electric Power Interchange” between houses.

SECUREA Toyota Kakimoto, our smart community, has introduced a technology known as “electric power interchange” between houses. This is the first such example in the Chubu area. In addition, this initiative has introduced hybrid systems*1 that combine photovoltaic power generation and household lithium-ion batteries (6.2 kWh) with the HEMS (Home Energy Management System)*2 in all households. Moreover, the “SMA × ECO Cloud” enables visualization of the entire community’s energy usage. Combined with a photovoltaic power generation system on the regulating reservoir, these innovations will enable us to achieve our ZET (Net Zero Energy Town) objective.

Also, for one year we will open our Energy Self-sufficient Model House to the public. This innovative structure features a high-capacity photovoltaic power generation system, household lithium-ion batteries, an underfloor heat exchange system, and high thermal insulating values. We continue to evaluate the energy self-sufficiency of this house, its equipment specifications, and its performance as a residence.



SECUREA Toyota Kakimoto

*1 A system integrating a photovoltaic power generation system and a power conditioner for batteries in order to provide a stable supply of electric power under normal conditions or even in a power outage. The hybrid power conditioner and lithium-ion battery units are manufactured by ELIY Power Co., Ltd.

*2 An automated system incorporating ICT that supports integrated energy management for residential buildings.

Example

Introduced “eco navigator” system for the renovation business

When we suggest energy-efficient renovations to our customers, it is essential that we conduct a simulation of utility costs after the proposed renovation to confirm the benefits compared with the utility expenses before the renovation. In fiscal 2016, in order to improve our abilities to offer these proposals, we introduced our eco navigator utility cost simulation system in our renovation department. This innovative system has been put to use and evaluated when proposing new house designs, which has enabled us to improve significantly the nature of the simulation as well as its suitability for renovation purposes. In particular, by increasing the number of input variables as part of the information on existing houses, including the addition of insulation, we were able to enhance our capability to propose solutions, as we have greatly increased the scope of facilities encompassed within renovations while increasing the accuracy of our simulations.

In the future, we intend to employ our eco navigator system to strengthen our relationships with our existing customers during home inspections. At the same time, we are able to enhance the solutions we propose to those living in houses built by our competitors. This innovation will enable us to extend the life of existing houses and expand our scope of distribution.



Screen of eco navigator

Example

Our proprietary technology supports the first-ever ZEB office in Hamamatsu, Shizuoka.

Sansho Co., Ltd.’s new corporate building in Hamamatsu, Shizuoka prefecture, is a ZEB office that benefits from significant energy efficiency while maintaining a comfortable indoor environment. This structure, the first ZEB building in that city, incorporates more than 20 environmental innovations utilizing our advanced technologies. This building has been categorized as Rank S (self-assessed) under CASBEE Shizuoka, the Shizuoka Prefecture Comprehensive Assessment System for Built Environment Efficiency.

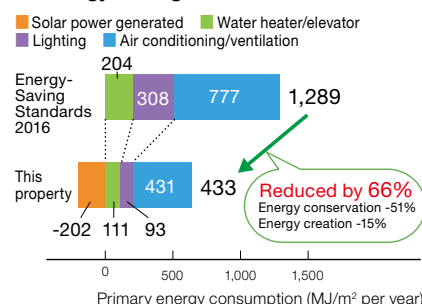
A sunlight control device with a light-refracting glass screen and automatically rotating solar-tracking louvers has been installed in front of the building yet it retains its original appearance as an office building. The light-refracting glass screens mounted outside the window sashes represent our original patent-pending technology that transmits the required amount of natural lighting onto the ceiling surface in order to reduce artificial lighting requirements.

In anticipating a potential Tonankai earthquake, we have added vibration-damping features to this earthquake-resistant structure while keeping costs down. Moreover, we are giving consideration to many best current practices for business continuity planning by incorporating lithium-ion batteries, a photovoltaic power generation system, and underground stormwater reservoir provided for flood control and flood suppression in the event of torrential rains.



Sansho Co., Ltd.’s new corporate building

Energy-saving effect



Topics

Example LEED platinum certification acquired at Tokyo Office Building of Daiwa House Industry.

In order to apply the expertise we have gained with respect to LEED* certification and future global needs, Daiwa House Industry has taken steps to obtain Platinum certification of its Tokyo Office Building, the highest rank that exists among LEED-EBOM building certifications, which was granted in March 2017.

Several initiatives were particularly highly evaluated at our Tokyo Head Office building, including stringent enforcement of the requirement for staff to vacate the building at 8 p.m. and water-saving measures requiring kitchen wastewater be used for toilet flushing. The building also earned praise for its operations management in compliance with international sustainability standards for all evaluation items: "site selection," the assessment of local conditions and site use from the perspective of proximity to public transit and countermeasures against the "heat island" phenomenon; "materials and resources," the use of sustainable building materials and a focus on waste reduction; and "indoor environment," a commitment to improving indoor air quality and enhancing solar radiation.

* An international building environmental performance evaluation system developed by the U.S. Green Building Council. Specifically, LEED-EBOM refers to LEED certification of Existing Buildings: Operations & Maintenance.



Tokyo Office Building of Daiwa House Industry



LEED certification plaque

Example Using vacant land effectively in the aftermath of the Great East Japan Earthquake

In November 2016, following the Great East Japan Earthquake, we started construction on DREAM Solar Sandaimyoin Hammock Garden Units I/II/III, a 4.0 MW photovoltaic power generation facility in Iwaki, Fukushima prefecture. This project is intended to make effective use of a disused campground site. Committed to the concept of not damaging the natural landscape during construction, we plan to start selling electricity in January 2018 with the goal of operating a solar power plant in harmony with the natural environment.

Under our theme of "wind, sun and water," the Daiwa House Group is promoting renewable energy businesses that make use of our own unused sites as well as vacant land in the possession of municipalities and various companies. Our goal is to develop our power generation business to generate a total of 252 MW of renewable energy by fiscal 2018.

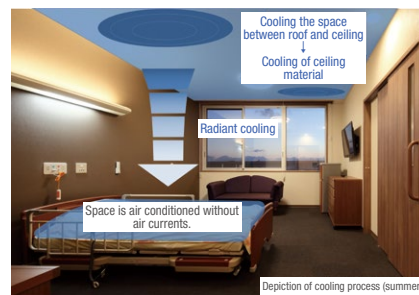


Photovoltaic power generation system constructed in a disused campground

Example Development and introduction of radiation cooling and heating system for medical facilities

Fujita Corporation, a member of our Group, has developed a radiant cooling and heating system that employs the ceiling surface as an air conditioning system to eliminate the sensation of airflow. Using a general-purpose air conditioner, this system heats and cools the ceiling surface. In addition to controlling temperature and dehumidification, this system accommodates the needs of hospitalized patients by offering the choice of whether to sense airflow or turn it off to avoid the discomfort of draughts. It is suitable for use in medical facilities where a variety of individuals must remain for long periods.

In 2014, we introduced tests for rooms in medical facilities that enabled us to verify the level comfort and the facility's energy efficiency. As a result, we were able to provide a draught-free environment and reduce annual power consumption attributable to air conditioning by 5% to 10% compared with conventional systems. In the future, we intend to expand the scope of application of this system to other types of facilities, promote its adoption, and further improve its energy-efficiency through continued development.



Conceptual image of operation of radiant cooling and heating system (summer)

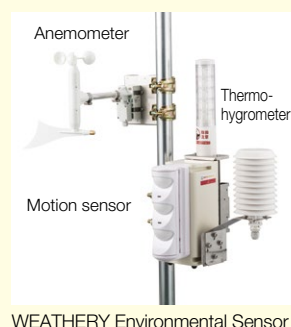
Column

Adapting to climate change

— Taking countermeasures against heat stroke on construction sites (Our Safety Management Department and Confederation of Partner Companies)

In recent years, extremely hot days have been increasing due to the effect of global warming, rapidly elevating the risk of heat stroke. In particular, on construction sites, where workers work outdoors, it is extremely important to take countermeasures against heat stroke in response to climate change.

Daiwa House Industry and the Confederation of Partner Companies have taken countermeasures against heat shock by establishing rest areas on construction sites where workers are shaded from solar radiation, keeping water, salt and ice packs in stock, and implementing training for preventing heat stroke. In fiscal 2016, we collaborated with a manufacturer in the joint development of the WEATHERY environmental sensor. This environmental sensor incorporates three sensors: motion, wind speed, and temperature & humidity. When it detects a temperature, humidity, or wind speed exceeding a reference value, it notifies the administrator by e-mail while also triggering an indicator light and voice alert. This device transmits the weather status even from an unmanned site, alerting personnel to take steps to prevent heat stroke or prepare for strong winds as a preventive measure. As of May 15, 2017, this sensor has been installed at 113 construction sites. We will continue to promote the popularization of this innovative system.



WEATHERY Environmental Sensor



Focal theme

2

Harmony with the Natural Environment (Preservation of Biodiversity)

In order to preserve and improve our through material procurement and by

Policy and Concept

Social issues

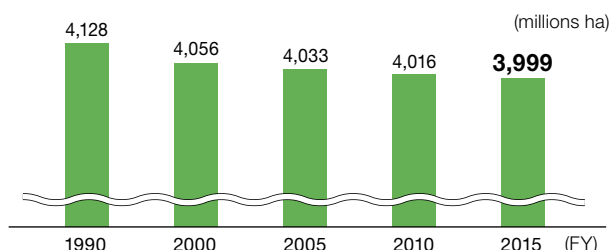
As recognized by the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015, our daily lives are supported by various natural blessings (known collectively as “ecosystem services”) that include the air we breathe and the food we eat. To ensure these benefits remain sustainable well in the future, the Conference participants reaffirmed the importance of conserving the forests, oceans, and other ecosystems that produce these benefits. However, biodiversity in Japan remains on a downward trend*1 as a result of development and other human activities.

Forests currently account for about 4 billion hectares, or about 31% of the total land area, but they continue to recede*2. The decline and deterioration of forests is having a serious effect on global warming and loss of biodiversity; therefore, we must take steps to implement sustainable forest management while eliminating illegal logging, one of the aggravating factors.

*1 Source: Ministry of the Environment “Comprehensive Assessment of Biodiversity and Ecosystem Services” (JBO 2)

*2 Source: Forests and Forestry White Paper, 2016 edition

Trend in global forested area



Source: United Nations Food and Agriculture Organization (FAO) “World Forest Resource Assessment (FRA) 2015”

Our Group's effect on society and the environment

The development projects in which our Group participates over the course of a year cover about one million square meters, which has a not insignificant effect on the natural environment. Before undertaking these development projects, we first make an effort to gain a thorough understanding of the natural environment's potential on the site. We then seek to implement the commercial development while minimizing the loss of this potential. Moreover,

in our external structural plans related to the construction of houses and buildings, we contribute significantly to the formation of local ecosystem networks by improving site greening, all the while focused mainly on local native species and the like.

On the other hand, the structural materials and interior materials we utilize for these houses and buildings involve the consumption of large quantities of lumber. In a given year, the Daiwa House Group consumes about 292,000 m³ of wood sourced from countries of origin located around the world. In an effort to minimize global deforestation, we are encouraging the use of timber that is obtained legally and sustainably through our supply chain.

Our response to the risks and opportunities facing our Group

In the event that a development project contributes to the loss of a local ecosystem, we face the risk of a loss of business opportunities or the cost of restoring the ecosystem. As we procure wood over the long term, demand for legally and sustainably harvested wood will surely increase, as this is one of the main materials our Group uses. Concerns have arisen that procuring such wood will become difficult, possibly generating a hike in the purchase price.

In response, we have adopted our Biodiversity Guidelines [Development & Community Creation]. One of the management indexes we have established for developments above a certain scale is “compliance with (development) voluntary standards.” For wood procurement, we have formulated our Biodiversity Guidelines [Wood Procurement]. We are taking steps to minimize risk by extending its scope across our Group and revising our wood evaluation criteria from time to time in collaboration with environmental NGOs.

On the other hand, house purchasers and facility owners are beginning to find ever more value in maintaining harmony with the natural environment and conserving biodiversity more than ever. Therefore, the value added to houses and buildings that accommodate user needs is increased, and expansion of environmental greening projects and the like can be expected. Our Group proactively promotes housing, facilities, and town development in harmony with the natural environment and takes into consideration the protection of biodiversity; at the same time, we are working to create a mechanism to maintain and preserve greenery. Through these efforts, we aim to improve the appeal of the town, protect asset values, and contribute to the formation of a positive community.

Endless Green Program 2018		Long-Term Environmental Vision “Challenge ZERO 2055”	
Management indicator	2018 targets	2030 (milestone)	2055 (final goal)
Ratio of C-ranked wood in procured wood	0%	Zero deforestation resulting from wood procurement as a building material for houses and buildings	Zero deforestation arising from material procurement for all business segments
Surface area of green spaces	910,000 m ²	Expansion of green spaces	No net loss of green space (green space lost ≤ green space created)
Compliance rate with voluntary standards for biodiversity conservation (development)	100%	Determining quantity of green space lost	

Contribution to SDGs
For details, see p. 121.



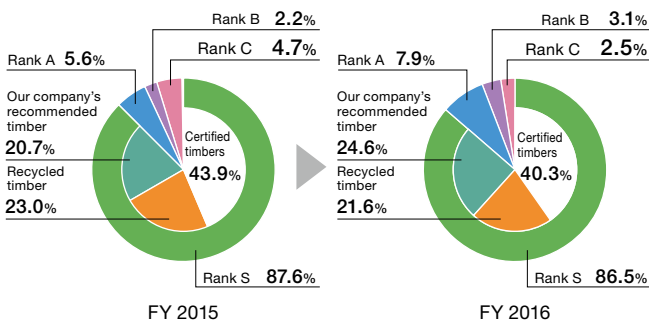
natural capital, our Group shall achieve no net loss of green space by ensuring zero deforestation
developing communities filled with greenery

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊 : Goal for fiscal 2016 achieved 😊 : Goal for fiscal 2016 not achieved (improved from the previous year) ☹️ : Goal for fiscal 2016 not achieved (worsened from the previous year)

Ratio of C-ranked wood in procured wood 😊

■ Assessment result of procured timber



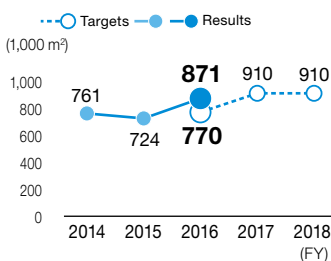
C-ranked wood associated with sustainability issues reduced to 2.5% of total

In fiscal 2016, we shared our procurement standards with our business partners through our CSR Procurement Guidelines to increase the ratio of S-ranked timber while improving the C-ranked.

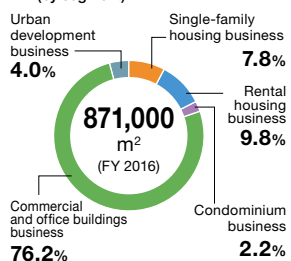
As a result of this initiative, our usage of S-ranked sustainable timber remained mostly flat, declining to 86.5% from 87.6% in fiscal 2016, while our usage of C-ranked timber declined to 2.5% from 4.7%. We intend to reduce our usage of C-ranked timber to 0% by fiscal 2018.

Surface area of green space 😊

■ [Community creation] Trend in surface area of green space



■ [Community creation] Breakdown of green covered areas (by segment)



The green covered area totaled 871,000 m² for the fiscal year, which is equivalent in area to 18 Tokyo Domes, thus meeting our target.

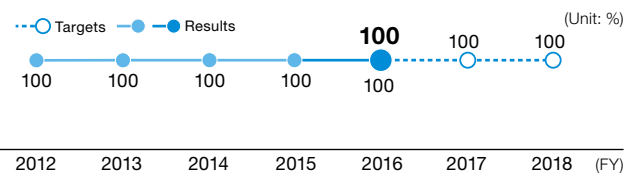
In fiscal 2015, in the absence of the significant growth that had continued until last year, the surface area of green space we created totaled 724,000 m², representing a decrease of 4.9%. In fiscal 2016, we promoted green spaces and adopted a target greening rate categorized by building application. Due to an increase in large-scale projects, we developed a total of 871,000 m², which represents an increase of 20% above the fiscal 2015 level.

By fiscal 2018, we intend to improve the quality of green spaces in addition to increasing the surface area of green space to 910,000 m², which represents a 25% increase above the fiscal 2015 level.

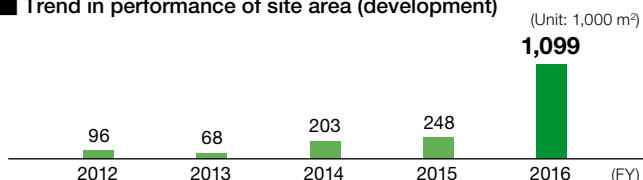
Compliance rate with voluntary standards for biodiversity conservation (development) 😊

■ [Development]

Trend in compliance rate with voluntary standards for biodiversity conservation



■ Trend in performance of site area (development)



Maintaining and continuing compliance with voluntary standards for biodiversity conservation on large development projects.

In fiscal 2016, the site (developed) area of our development sector expanded significantly to 1.099 million m². Our rate of compliance with our own voluntary standards* according to our Biodiversity Guidelines [Development & Community Creation] has remained stable at 100% every year since 2012. We are committed to maintaining this rate of compliance in the future.

* For our large-scale development projects, our evaluation tool comprising 30 independently determined and self-evaluated items applied a rank of B or higher regarding our compliance with our voluntary standards. These evaluations are performed by the individuals in charge of the respective projects, and the state of compliance with standards is determined by the various departments of the Head Office.



Implementation report on the Endless Green Program 2018

Focal
theme

2

Harmony with the
Natural Environment
(Preservation of Biodiversity)

Preserving biodiversity in our procurement and business activities

Concept and Policy

Biodiversity-conscious use of resources

The business operations of the Daiwa House Group are dependent on the abundant natural capital provided by our environment. In particular, our procurement activities can have a major impact on biodiversity and the natural environment. The aspect of our natural capital that is most affected by our Group is wood. So, in light of the status of logging areas, we are working to promote the adoption of certified wood and recycled wood as part of our wood procurement in consideration of the legality and sustainability of logging areas with the goal of meeting our Biodiversity Guidelines [Wood Procurement] in terms of reducing deforestation to zero.

Moreover, in our business activities, we engage in biodiversity preservation efforts such as conducting ecosystem surveys on the regulating reservoir located on our grounds.

Excerpt from our Biodiversity Guidelines [Wood Procurement]

1. Certified wood
Procure wood that has been certified by various organizations.
2. Recycled wood
Procure wood recycled from construction scrap.
3. Our company's recommended wood
When procuring wood that is not classified as certified or recycled, verify if it meets or exceeds certain standards in terms of legality (three items) and sustainability (eight items) and procure only wood that is judged to meet a certain minimum level.

Related page P054 CSR Procurement Guidelines
P173 Full text of Biodiversity Guidelines [Wood Procurement]

Management

Management of a CSR Procurement Subcommittee spanning several business segments

In 2010, with the introduction of our Biodiversity Guidelines [Wood Procurement], we struck a CSR Procurement Subcommittee that spans the purchasing, development, construction, CSR, and environmental segments of our Group. To ensure implementation of CSR procurement in our various companies, we constructed our system in cooperation with purchasing and construction personnel in charge of branch offices. Moreover, we promoted procurement according to these guidelines and instituted the PDCA cycle.

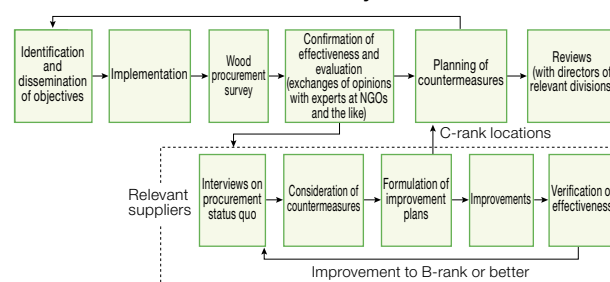
Conducting wood procurement survey at our suppliers

In line with our Biodiversity Guidelines [Wood Procurement], we have conducted the wood procurement survey once a year since 2011. This survey requests that our suppliers conduct a survey of the legality and sustainability of the wood that we have procured during the preceding year, and we evaluate the wood according to the categories S, A, B, or C based on the survey results. It also calls for suppliers providing C-ranked wood to implement

improvements. In addition to being publicly released, the survey results are reported to stakeholders such as environmental NGOs in order to solicit professional guidance and advice.

Note: Wood covered by the survey includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

Flow of Wood Procurement Survey



Survey results evaluated according to wood procurement evaluation criteria

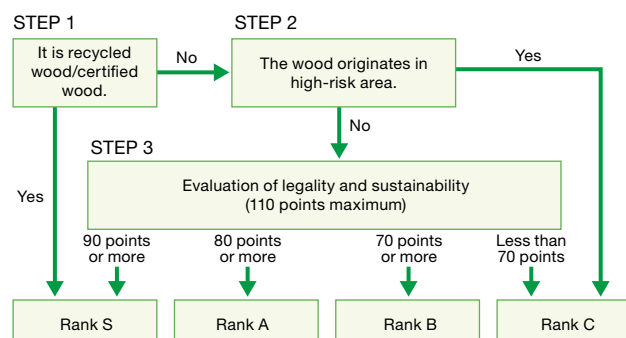
Using the results of the wood procurement survey, our Group evaluates procured wood according to the wood procurement evaluation criteria in four ranks: A through C and S. First, recycled wood/certified wood*1 is evaluated as rank S. Next, if the wood originates from a high-risk area*2, it is evaluated as rank C. For wood not originating in a high-risk area, we evaluate the legality and sustainability, assigning rank S for scores of 90 points or more, rank A for scores of 80–89 points, rank B for scores of 70–79 points, and rank C for scores below 70 points, out of a potential total of 110 points. Regarding the evaluation criteria, we exchange opinions with environmental NGOs and other experts and revise the criteria as necessary.

Regarding risks (related to compliance with laws and ordinances, biodiversity, human rights, and the like) in each country, we utilize the Forest Stewardship Council's risk evaluation tool, the Global Forest Registry, to clarify the situation.

*1 Wood certified by only three institutes (FSC, PEFC and SGEC) is assigned rank S.

*2 Locations of problematic legality and sustainability, whose evidence is clear and the interests of stakeholders are high.

Evaluation flow of survey results



Major efforts

Expanding the implementation of the Biodiversity Guidelines [Wood Procurement]

In keeping with our own Biodiversity Guidelines [Wood Procurement], we are promoting the sustainable use of wooden construction materials in our various different business segments, including single-family and rental housing, condominiums, and commercial facilities. Beginning in fiscal 2013, we conducted a survey on wood procured by some of the Group companies. In addition to publishing the results from fiscal 2014, we are working to expand the number of companies participating in this survey.

Since fiscal 2008, as part of our commitment to sustainable procurement, all our Group companies have been ensuring that the paper used in our offices qualifies as Forest Cultivation Paper™.*

* A collective name for various kinds of paper that meet our company's own environmental standards, including paper certified by Forest Certification Systems

■ Increase in the number of companies participating in the Wood Procurement Survey

FY 2010–2013	1 company Daiwa House Industry Co., Ltd.
FY 2014	3 companies Daiwa House Industry Co., Ltd., Royal Home Center Co., Ltd., DesignArc Co., Ltd.
From FY 2015	6 companies Daiwa House Industry Co., Ltd., Royal Home Center Co., Ltd., DesignArc Co., Ltd., Daiwa Lease Co., Ltd., Fujita Corporation, Cosmos Initia Co., Ltd. (sample survey only)

Reducing the ratio of C-ranked wood

The fiscal 2016 survey, similar to that of the preceding year, covered the wood our Group uses in housing and rental housing products (obtained through centralized purchasing); in general construction (obtained through decentralized purchasing); and for major parts (including structural materials, framing/crosspieces, wood for below-grade applications and finishing materials).

The results for fiscal 2016 indicate that 86.5% of the wood used, including certified wood and recycled wood, was evaluated as S-ranked wood (87.6% in the previous year), maintaining a high level. On the other hand, our use of C-ranked wood decreased to 2.5% (from 4.7% in the preceding fiscal year). This is the result of our requesting suppliers of C-ranked wood as determined in the preceding year's inspection to improve procurement from low-risk areas and to switch sources.

At the CSR Procurement Subcommittee meetings across our Group companies, we will continue to share the results and any issues that arise regarding each company. We will continue to promote the adoption of recycled wood and certified wood and will interview suppliers of C-ranked wood and the like. We intend to continue adopting improvement initiatives.

Efforts to preserve biodiversity in the workplace

At our Mie Plant, it was discovered that there was a habitat of a near-threatened freshwater mussel in a regulating reservoir of approx. 6,000 m² in the plant premises. To protect this mussel, we have been promoting biodiversity conservation initiatives continuously since 2012. Activities that we have been undertaking include reservoir draining for cleaning, installation of fishways, and publication of a "Biodiversity Research Report."

In fiscal 2016, we collaborated with community residents for the first time and jointly participated in the draining of the reservoir, the second time this had been performed. We invited lecturers in cooperation with NPOs and collected and classified fish and shells together with about 100 participants, including elementary

school students. We also held a study session using harvested creatures.

Through these initiatives, we have enhanced networks with administrative organs, external environmental organizations and individuals, and have promoted continuous activities in collaboration with many stakeholders.



Implementation Report (excerpt)
Posted survey results and implementation status

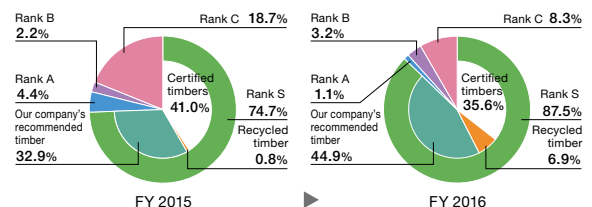
Topics

Comments from employee of the Group company conducting the Wood Procurement Survey (Daiwa Lease Co., Ltd.)

At Daiwa Lease Co., Ltd., a member of the Daiwa House Group, we have been conducting wood procurement surveys since fiscal 2015. In fiscal 2015, low-risk S-ranked and A-ranked wood accounted for 79% of total wood procured, with C-ranked wood accounting for 19%. Regarding wood employed for below-grade applications, C-ranked wood accounted for 34%. For this reason, we have taken steps to make improvements in this area by contacting those suppliers who provide C-ranked wood and requesting a shift in procurement to wood sources from low-risk areas. In fiscal 2016, the proportion of wood used that was C-ranked or below was 15%; this was less than half the level of the previous fiscal year. The proportion of C-ranked wood used as a whole also decreased to 8.3%.

Going forward, we will continue our efforts by working together with our suppliers with the goal of achieving 0% C-ranked wood.

■ Assessment result of used timber (Performance of Daiwa Lease Co., Ltd.)



Takahiro Yamashita
Manager
Purchasing Department
Daiwa Lease Co., Ltd.





Implementation report on the Endless Green Program 2018

Focal
theme

2

Harmony with the
Natural Environment
(Preservation of Biodiversity)

Preserving biodiversity through our products and
services

Concept and Policy

Proposals for town planning with an emphasis on harmonious coexistence between people and nature

In addition to our initiatives to promote green town planning as part of our effort to preserve and restore our natural capital and ecosystem services, the Daiwa House Group is striving to transform the way people live and work to ensure greater harmony with nature. In keeping with this approach, we are taking steps to implement a policy of “no net loss of green space” by creating more green space than is lost to development. Moreover, we are seeking greater harmony with nature in our business operations and are promoting communities filled with greenery.

Biodiversity Guidelines

[Development & Community Creation]

Daiwa House Industry, acknowledging the importance of contributing to the creation of a rich network of ecosystems, remains committed to minimizing its impact on biodiversity through its construction of large-scale real estate developments, housing and buildings in urban areas. We are now promoting initiatives in keeping with the six points in our guidelines.

Biodiversity Guidelines [Development & Community Creation]

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve a sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

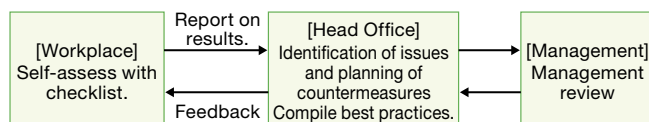
Related page P173 Biodiversity Guidelines

Management

Implementation of Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry employs its own checklist containing specific steps that should be taken to address six priority items in built-for-sale houses, rental houses, condominiums, and developments of a scale exceeding 3,000 m² in accordance with the Biodiversity Guidelines [Development & Community Creation]. For each property, we quantitatively assess the proposals in detail to ensure compliance with the voluntary standards. Moreover, we are taking steps to implement horizontal development through case studies in addition to using the checklist to ascertain whether projects mainly exceeding a certain scale are in compliance with our voluntary standards.

■ Implementation flow of Biodiversity Checklist



Implementation of Planting Design Guidelines

In our condominium business, external experts provided supervision as we implemented the Planting Design Guidelines in 2014. We use these guidelines when we systematically formulate and design a greening design concept, select tree types, or perform planting management and maintenance.

Major efforts

Promoting greening with standardized planting

Under our theme “Greening Will Change Communities,” our Group promotes the greening of development and contracting projects as well as the creation of communities of greenery. Specifically, we are seeking to improve quality in addition to increasing the amount of greenery while linking the green areas created by the Group into this ecological network.

In fiscal 2016, in our housing business, we revised the in-house promotion system and developed a planting plan tool to provide customers with a higher quality planting plan. With regard to the proposed tools, in particular, we are planning to provide “House & Garden Design” that summarizes approaches to landscaping and exteriors, a “Tree Planting List” that summarizes the features and properties of typical garden trees, and a “Garden Coordination” guide that summarizes coordination methods. We arranged these three tools to improve the external and planting plan.

In the housing business going forward, we will provide our customers with suggestions on how we can introduce high-quality greenery using a variety of tools. Moreover, we will promote initiatives in other sectors such as our rental housing business, commercial and office buildings business, and Group companies. We will continue to promote business development with consideration for the ecosystem.

Promotion of the environmental greening business

Daiwa Lease, our Group company, promotes its own environmental greening project “ECOLOGREEN” under the theme of “Greening will change communities.” The company makes proposals on comprehensive greening, including wall, rooftop, exterior and indoor greening. In addition, we are working to create green space and green lifestyles by expanding green space in facilities where many people gather (such as commercial facilities of our Group). As a result of these efforts, the surface area of green space under Daiwa Lease in fiscal 2016 totaled 41,300 m², representing an increase of 30% over the total for the preceding fiscal year.

In addition, we have adopted the term “VERDENIA” as a name for spaces that maximize the relaxation effect of plants, thereby introducing a new development in indoor greening that employs scientific research on office spaces. Such environments cater to our preferences for sound, scent, color, and the other senses. We therefore recommend the development of office spaces that are in close proximity with plants while catering to the five senses. We are creating “relaxing communities” and offices incorporating plants and continue to introduce reforms to conventional corporate methods of working.



BIVI Senriyama



VERDENIA

Implementation of an ongoing monitoring survey

In preserving biodiversity, we believe that environmental surveys are important not only when a development is being pursued but also thereafter. Particularly in areas where valuable species have been confirmed to exist, we conduct ongoing monitoring in collaboration with government agencies and other stakeholders.

Project	Business type	Start of fiscal year	Location	Area	Surrounding environment	Activity / status report
Tama New Town	Development	2009	Hachioji, Tokyo	322,102 m ²	Residential area with artificial hill	Monitoring to continue after development. Survey results compiled into a list (not disclosed).
Hokusetsu Sanda Second Techno Park District	Development	2010	Sanda, Hyogo prefecture	971,289 m ²	Industrial complex (marsh in project area)	Monitoring to continue after development. Control transferred to Sanda after fiscal 2013 (survey to continue).
Construction of a new electric equipment assembly plant	Contract	2016	Fujisawa, Kanagawa prefecture	4,003 m ²	Industrial area	Report on survey result issued by City of Fujisawa (not disclosed).

Topics

Example

15th Roof, Walls and Special Greening Technology Competition: Fujita Corporation awarded prize of the Minister of Land, Infrastructure and Transport

Co-op Plaza, a construction project completed by Fujita Corporation, a member of the Daiwa House Group, is a medium-sized office building located on Meiji Street in Shibuya-ku, Tokyo. Eight varieties of evergreen vines were planted on balconies on the eastern and western sides of each of the eight stories. The vines climbed metallic gutter chains suspended from each story. This planting covered a wall surface measuring a full 1,800 m². During planning and construction, planting tests and growth observations were carried out with in collaboration with the customers, the design company, and partner companies, as planting was done according to the growth characteristics of each of the

eight varieties of plants. A half year following the planting, the participants were able to enjoy an abundant volume of greenery as well as flowers, just as the plan had envisaged. The efforts to combine these buildings and the natural environment have been highly appreciated, and this effort garnered the MLIT Minister's Award in the walls and special greening technology category at the 15th Roofs, Walls and Special Greening Technology Competition. We will continue to monitor this initiative and extend it nationwide while applying the expertise we have gained.



Benefits such as diffusion of sunlight and fall prevention during maintenance work



Nine-month demonstration project to determine proper spacing and characteristics of plants

Example

Preserving and planting greenery through the single housing complex certification

Traditionally, adding greenery to rental housing projects, which are considered profitable properties, priority is given to securing parking lots and the like rather than green areas, so the ratio of green space tends to be small. For this reason, we use a single housing complex certification because there is no risk that the site will be divided in the future. This enables us to implement integrated development, construction, management, and operation. It is possible for us to formulate a greening plan for the entire site and nurture some verdant greenery while controlling the initial investment. Specifically, substantial greenery was planted on the premises at Roigent Parks Lake Town constructed in the city of Koshigaya in Saitama prefecture. We are seeking to improve profitability while performing maintenance with the use of sprinkling equipment and the hiring of permanent caretakers.

Situated on a site of 17,000 m², Roigent Parks Lake Town is home to 306 households in 18 three-story buildings containing rental units. The proportion of green space occupying the site is about 20%. This green area was planted with 300 tall and medium-height trees of 88 regional species. The result is a town developed in harmony with the local environment. In the future, we will seek the advice of experts before undertaking pruning so that the green area appears to have the appearance of a typical mixed forest. This property benefits from increased asset value and was popular enough to sell out before the buildings were even completed. We will continue to take on such innovative projects in order to increase greenery throughout the country.



Entrance to Roigent Parks Lake Town



Roigent Parks Lake Town site



Focal theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

With the aim of contributing to the
resources by extending the service life

Policy and Concept

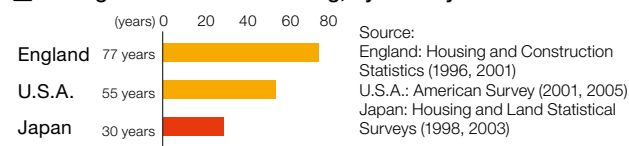
Social issues

As the world population continues to increase and emerging economies achieve economic growth, consumption of the world's natural resources has surged over the years. Consequently, environmental damage resulting from resource depletion and increasing waste generation has grown serious. The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in 2015 underpinned the intention to dramatically reduce waste generation by 2030. The concept of a "circular economy" that continues to recycle and reuse products and parts of value is also gaining increasing attention, particularly in Europe.

In Japan, as various recycling laws continue to progress and expand, a foundation is being established to encourage the emergence of a society committed to recycling. At the same time, the "scrap & build" approach to houses and buildings has remained common practice since the period of high economic growth. For example, the service life of a Japanese house averages about 30 years at present, which is extremely short-lived compared to the life of the typical house in Europe or North America. This is also considered an issue from the viewpoint of effective use of resources.

Moreover, with regard to water resources, the United Nations warns that the world's available water will decrease by 40% by 2030. Japan, meanwhile, enacted the Basic Act on the Water Cycle in 2014 as it continues to promote the appropriate and efficient use of water.

■ Average service life of housing, by country



Our Group's effect on society and the environment

When one looks at the life cycle of a house or building from the perspective of resource conservation, it is evident that a new building uses many resources, some of which are discarded as scrap during the construction process. Moreover, after being used for many years, the structure must be demolished after it has served its purpose, with all components finally discarded as waste. Clearly, a policy of conservation of these natural resources would lead to waste reduction, use of recycled materials, recycling, and resource conservation in addition to extending the service lives of houses and buildings. Extending the

durability of these structures would have significant benefits. The Daiwa House Group constructs a number of buildings for various applications. By leading the shift away from the scrap & build approach and toward a society focused on maintaining and preserving high-quality housing stock for the long term, we are contributing significantly to minimizing our use of resources in new construction.

In addition, waste generated during the construction process can be reduced by improving production efficiency at the factory, which also contributes to resource conservation. Furthermore, by reusing and recycling waste generated in both construction and demolition, we not only benefit our own company but also restrict the consumption of new resources by various industries.

Our response to the risks and opportunities facing our Group

Improper handling of waste remains a risk if there is a lack of mechanisms for recycling resources and properly managing the construction waste discharged from the tens of thousands of construction sites created every year. Concerns have also arisen about the potential for future increases in management costs due to stringent regulations on waste and water resources as well as increased processing costs due to the shortage of industrial waste disposal sites. In response, we at Daiwa House Industry have strengthened our management system by assigning waste management specialists to each district and conducting evaluations on all of waste disposal companies. We also have established a system for collecting and recycling construction by-products generated at housing construction sites within our own plants. We have reduced the risk of improper handling and improved the recycling rate at the same time.

Meanwhile, we recognize a business opportunity in markets for houses and buildings with a long service life. For example, in our proposals for new construction, we emphasize that customers can obtain tax benefits by acquiring a "long-life quality housing certification," and we expect to obtain higher unit prices reflecting the higher added value of such housing. Therefore, we are seeking to publicize the ratio of certified long-life quality housing we provide as a standard specification; so far, we have obtained certifications for about 80% of our single-family houses. We have also established a long-term warranty system and are marketing our renovation and maintenance services through inspection opportunities and the like, leading to an increase in orders for home renovations. Moreover, working in collaboration with other companies in this industry, we have established a system for properly evaluating and marketing existing houses. We are focused on improving our rate of acquisition of brokerage contracts when people make plans to move.

Endless Green Program 2018		Long-Term Environmental Vision "Challenge ZERO 2055"		Contribution to SDGs For details, see p. 121.
Management indicator	2018 targets	2030 (milestone)	2055 (final goal)	
Construction waste emissions (manufacturing; compared with fiscal 2012 level)	-4.0%*	Zero waste emissions during the life cycle of houses and buildings	Zero waste emissions across all business segments	11.3 11.6 12.2 12.4 12.5
Construction waste emissions (new construction; compared with fiscal 2012 level)	-27.0%*			
Recycling rate	Manufacturing			
	New construction			
	Civil engineering			
	Demolition			
	Renovation	≥85%		
Water consumption per unit of sales (compared with fiscal 2012 level)	-24.0%*	Managing global water risk throughout the supply chain		
Ratio of houses certified under the Long-Life Quality Housing Certification System	90%	Extending the service life of houses and buildings		
Adoption rate of pre-engineered buildings	32%*			

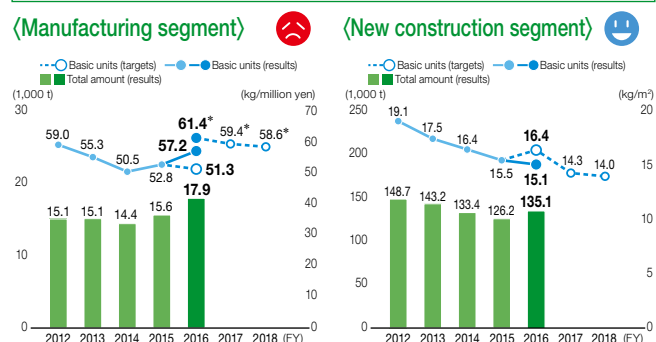
* Target values have been revised as a result of our review of the scope of coverage.

emergence of a society committed to recycling, our Group is pursuing the sustainable use of of houses and buildings and working toward zero emissions of waste.

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊: Goal for fiscal 2016 achieved 🟡: Goal for fiscal 2016 not achieved (improved from the previous year) 🟠: Goal for fiscal 2016 not achieved (worsened from the previous year)

Construction waste emissions



* For fiscal 2017, we revised our targets to exclude the waste emissions arising from retirement of leased property.

Reducing waste in new construction projects by promoting pre-cutting

Looking to production, we undertook a review of the dimensions of the materials supplied in an effort to reduce the amount of wood scraps from external wall materials and wooden crosspieces. However in fiscal 2016, our waste emissions increased due to the need for temporary emergency housing in response to the Kumamoto Earthquake and other events, so we were unable to achieve our target.

In the future, we intend to share examples of improvements achieved by our Group companies and work to further reduce waste emissions.

Looking to the construction of new housing, we succeeded in reducing waste emissions in fiscal 2016 by 20.9% compared to fiscal 2012 levels, thus achieving our target. We achieved this by improving the accuracy of plasterboard pre-cuts for our xevo Σ single-family housing product. We remain committed to continued reduction of waste emissions at our construction sites.

Recycling rates

	FY 2014 results	FY 2015 results	FY 2016 targets	FY 2016 results	FY 2017 targets	FY 2018 targets
Manufacturing	98.8%	98.7%	95%	98.6%	95%	95%
New construction	96.5%	93.5%	95%	97.7%	95%	95%
Civil engineering	98.8%	99.3%	95%	99.8%	95%	95%
Renovation	77.4%	78.7%	80%	80.0%	82%	85%
Demolition	95.8%	96.5%	95%	96.0%	95%	95%

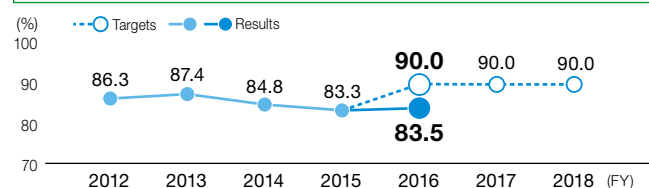
Maintaining high recycling rates across all processes

The members of the Daiwa House Group continually strive to sort waste conscientiously at our construction sites, sharing recycling routes among worksites and reducing the types of waste that are difficult to recycle.

In fiscal 2016, we continued to maintain our high recycling rate and in some instances improved it further, not only in our manufacturing and new construction businesses, but also in the renovation and demolition of existing houses. We achieved our targets across all processes.

In the collection and transportation of industrial waste and selection of disposal companies, we adopted evaluation criteria to minimize risks such as inappropriate disposal by contractors.

Ratio of houses certified under the long-life quality housing certification system

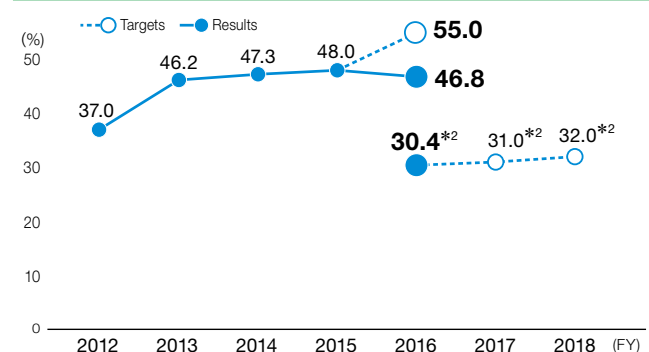


Maintaining our high certification rate for long-life quality housing at 83.5%

In our housing business, we have been seeking to obtain long-life quality housing certifications under the terms of the Act on the Promotion of Popularization of Long-life Quality Housing.

In fiscal 2016, although we were able to maintain our consistently high level of certification at 83.5%, we failed to achieve our target. We will continue to seek such certifications in the future.

Adoption rate of priority applications for pre-engineered buildings*1



Adoption rate of products utilizing recycled resources (pre-engineered buildings) declined 46.8%

In the commercial and office buildings segment, we are promoting the adoption of products incorporating recycled resources that minimize the generation of waste.

In fiscal 2016, as the size of properties increased, the rate of adoption of such products by drug stores and facilities for the elderly increased, while the adoption rate at convenience stores — which tended to have high adoption rates — declined. As a result, the overall adoption rate for products incorporating recycled resources declined. We will continue to focus on improving the adoption rate and contributing to resource recycling.

*1 Scope of application: Convenience stores, drug stores, nursing care facilities

*2 In fiscal 2017, we changed the calculation method for determining the adoption rate of pre-engineered buildings, shifting from the absolute number of buildings to the calculation of floor area.



Implementation report on the Endless Green Program 2018

Focal
theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Waste reduction and zero emissions at production and construction sites

Concept and Policy

Reducing the generation of waste and promoting the recycling of resources

The Daiwa House Group manufactures all housing and pre-engineered building products at its own plants in keeping with its corporate mission to promote “the industrialization of construction.” As a result, the waste generated at our production and construction sites is primarily the result of “carrying excess materials in case of need” and “reworking due to manufacturing or construction errors.” To counter these tendencies in the production phase, we use drawings to ensure accurate calculation of the amount of material required and seek to improve the precision of these drawings in order to eliminate the need to bring in excess material. In the construction phase, we reduce the generation of waste at construction sites by assembling materials on-site that have already been pre-cut to the required measurements.

Furthermore, we are promoting the recycling of waste by thoroughly sorting waste at all stages of production, construction, dismantling, and renovation.

Management

Adopting product development, design and construction processes conducive to resource conservation and recycling

When adopting new materials and parts in our housing and pre-engineered building products, we verify their performance during construction in addition to practicing resource-efficient design by improving current products and minimizing the amount of scrap material generated from on-site processes. We are promoting the reduction of waste generation by improving the layout procedures we use for materials. We also promoting re-use and recycling of the waste materials generated at construction sites and are sorting waste thoroughly according to voluntary standards that are more stringent than those required by law.

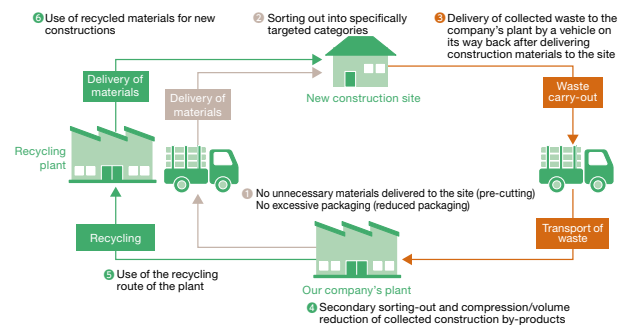
As part of our efforts to use recycled construction materials in general construction, in 2008 we established an initiative to promote the adoption of “green procurement items” (30 check items). A supplier that meets at least 10 of these 30 items is recognized as a “green procurement site.”

Related page ▶ P178 30 green procurement items

Improving the recycling rate with our Plant Depo

At our residential new construction sites, we at Daiwa House Industry have introduced a system we call Plant Depo that is intended to reduce the improper treatment of waste while promoting the recycling of construction waste. Through this system, we collect construction waste at the construction site and truck it to the plant using the same truck used to transport materials to the construction site. There, it undergoes secondary sorting and is compressed to reduce its volume. By using this plant recycling route, we have achieved zero emission of waste.

■ Plant Depo System



Major efforts

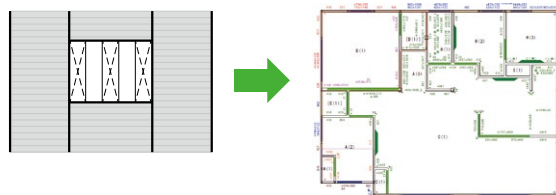
Reducing waste by pre-cutting gypsum board

In our house construction business, we apply layout criteria for gypsum board as established by our Product Development Department. As a result, for our xevo Σ and other products, we have developed layout drawings for gypsum board. This enables us to pre-cut the material in order to reduce waste on the construction site. We have also created a system to collect feedback from the design and construction departments so that we can adopt continual improvements. As a result, in fiscal 2016, we were able to reduce the amount of gypsum board waste generated in construction of our flagship xevo Σ product by about 30% relative to the amount generated in fiscal 2015.

■ Gypsum board layout criteria

Example: Outer perimeter of the opening should be cut vertically.

A layout drawing is developed for each residence according to the layout criteria.



Dissemination of pre-engineered buildings for business use such as shops and offices

Daiwa House Industry has developed system architecture products designed for standardized outer walls and structural members of similar size and specification and is promoting their adoption by offices, stores, facilities for the elderly, warehouses, and medium-sized plants. In addition to conserving resources through comprehensive rationalization of steel-frame buildings, these pre-engineered products can be factory-manufactured and processed to the specified design dimensions for principle members; moreover, they help to minimize the generation of waste at the construction site.

In fiscal 2016, the adoption rate of pre-engineered building products for target building applications was 46.8%.



Daiwa KOMFORT (our Ryugasaki Plant Office Building)

Concept and Policy

Building longer-lived structures and creating a mechanism for evaluation and distribution of resale housing

As houses and buildings tend to require substantial resources in their construction, extending their service lives can be considered an ideal resource conservation measures. In addition to designing and developing houses and buildings with an extended service life, we believe that proper maintenance can extend the useful life of a structure. Consequently, we have established our own support service and long-term warranty system.

We are also focusing on developing a system for evaluating and distributing existing houses in anticipation of creating excellent housing stock in the future.

Management

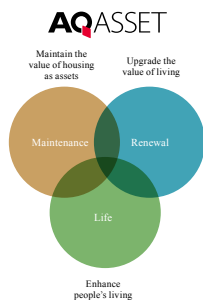
Our long-term warranty system

In our housing business, we provide a unique support service we have termed AQ Asset. This system supports the residential use and daily life of our customers after they have taken up residence in a house, providing long-term maintenance* to underpin the 50-year guarantee and provide future remodeling and services that can enrich daily life.

One aspect of this service is AQ Support, a security and inspection program targeting steel-frame and wooden structures of up to three stories. In order to maintain the basic performance and asset value of the building, this service includes a 20-year warranty on the foundation, walls, and other main structural components and a 15-year warranty on rainwater permeation. The warranty period can be extended with regular inspections and evaluations. In addition, we offer a customer housing consultation service that can be reached on a 24/365 basis with a customer center available for all types of problems. We also provide suggestions for renovations at the time of inspection.

Our meticulous support and maintenance make it possible for customers to live in a building for many years, which in turn leads to the preservation of resources.

* Requires a fee-based periodic diagnosis and maintenance service.



Inspection work

Major efforts

Promoting quality housing with a long service life

In addition to ensuring the basic performance of our housing products in the areas of durability, seismic resistance, and energy efficiency, our company is responding to future changes in family

structure, housing developments, versatility, ease of maintenance, and upkeep. For example, in the area of durability, we are using the electrodeposition painting method for major structures, which results in a service life exceeding 75 years.* Moreover, after we took steps to popularize this approach through Japan's "Long-Life Quality Housing Certification System," the recognition rate for fiscal 2016 increased to 83.5%. We will continue to promote the effort to extend the service life of housing.

* According to Japanese housing performance labeling standards, the highest rating is accorded to houses whose structural framework has been evaluated as being able to last three generations (75–90 years).

Collaborating in the development of a system for properly assessing and distributing quality housing stock and utilizing SumStock

In recent years, the conventional approach of "scrap & build" has become discredited. Today, the trend is toward extending the service life of a building with the intention utilizing a quality product for a long period of time. Therefore, in 2008, the Provision of Quality Housing Stock Association ("SumStock") was established with the participation of Daiwa House Industry and nine other housing manufacturers. SumStock's purpose is to promote the development of high-quality housing stock, assess each unit with a unique assessment method, and keep this housing stock in use. The main activities of this organization are promotion and popularization through the formulation of the SumStock assessment manual, training of SumStock housing sales professionals*, and development of a website.

SumStock employs a unique assessment method — the "SumStock assessment" — to evaluate buildings that satisfy the following three conditions:

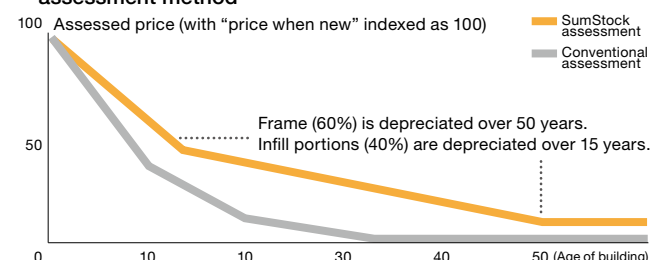
1. housing history (blueprints, previous renovations, and maintenance information, compiled and managed);
2. long-term inspection maintenance program (when subject to a long-term inspection system for more than 50 years after construction as part of a maintenance program);
3. evaluation of earthquake-resistance (seismic performance according to the new seismic code).

Our newly built single-family houses meet all three conditions of SumStock. Therefore, when customers sell their homes because of a change in their stage of life, the house sales professionals of our Group's Nihon Jyutaku Ryutu Co., Ltd. conduct evaluations according to the SumStock assessment. We maintain the proper value and security of the house for the next customer, which contributes to a smoother sale and better moving experience.

* Professionals with knowledge of architecture. These are qualified personnel who have completed the training curriculum prescribed by the Provision of Quality Housing Stock Association.



■ Comparison of SumStock assessment and conventional assessment method



The above is a typical example for comparison purposes only; the diagram, evaluation, and assessment will differ depending on the details of the property.
Source: Provision of Quality Housing Stock Association



Implementation report on the Endless Green Program 2018

Focal
theme

3

Conservation of Natural Resources
(Longer Durability / Waste Reduction /
Water Resource Conservation)

Water resource conservation

Concept and Policy

Extended targets for water usage reduction and risk assessment

The supply of water is expected to become precarious in the future due to the effects of climate change; consequently, concern about protecting our water resources is increasing worldwide. Therefore, we have extended our targets for reducing water consumption to our entire Group, and we are focusing on the initiatives adopted by Group companies whose facilities consume large quantities of water. The risks to our water resources also vary greatly because of regional characteristics, so we evaluate water risk at each facility and undertake management appropriate to the local risk level. We intend to expand the scope of this project in the future by identifying water risks at the point of origin of the materials, such as timber, that we procure. More specifically, we promote water risk management throughout our supply chain.

Management

Assessing water risk at all Daiwa House Group worksites

In order to identify the water risk at Group facilities noted for their high water consumption (plants, hotels, and resort/sports facilities), we employ the WWF-DEG Water Risk Filter* to quantify the water risk at facilities inside Japan and around the world. Facilities of the Daiwa House Group in Japan account for the majority, and many facilities have relatively low water risk.

However, since our Group procures large quantities of timber and other raw materials that are largely affected by water, we are committed to conducting water risk assessments in the supply chain in the future and will promote water risk countermeasures.

* A tool for quantifying water-related risk developed jointly by the World Wide Fund for Nature (WWF) and the Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG)

Scope of water risk assessments

(locations)

Segment	Company name	Nationality	Number of sites
Plants	Daiwa House Industry	Japan	10
	Daiwa Lease	Japan	14
	DesignArc	Japan	3
	Sports Club NAS	Japan	1
Resort facilities	Daiwa Resort	Japan	28
	Nishiwaki Royal Hotel	Japan	1
	Cosmos Initia	Australia	2
Sports facilities	Sports Club NAS	Japan	61
	Daiwa Royal Golf	Japan	10
Hotels	Daiwa Royal	Japan	45
	Osaka Marubiru	Japan	1

Water risk assessment results and water consumption by level

(locations)

Segment	Nationality	Risk level* (Low) ← → (High)				
		1	2	3	4	5
Plants	Japan		28			
Resort facilities	Japan		29			
	Australia			2		
Sports facilities	Japan		71			
Hotels	Japan		46			
Total water consumption at each risk level			6,002,000 m ³	135,000 m ³		

Risk levels. 1: Very limited risk, 2: Limited risk, 3: Some risk, 4: High risk, 5: Very high risk

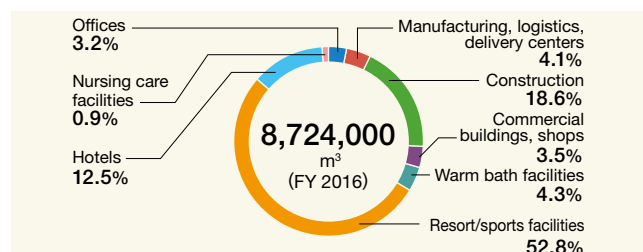
Major efforts

Promoting water conservation at resort/sports facilities

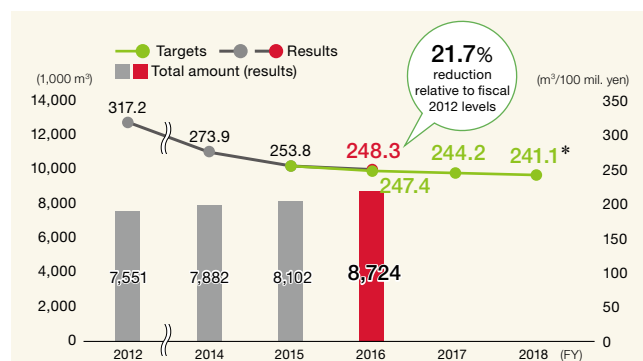
In the Daiwa House Group, about 65% of the water consumption in the entire Group is accounted for by resort/sports facilities with large public baths and swimming pools as well as hotel facilities with modular baths. Therefore, this segment is the focus of most of our water-saving initiatives.

In fiscal 2016, as a result of increased water consumption due to the addition of new bath facilities, the amount of water consumed per unit of sales in our Group decreased by 21.7% compared with fiscal 2012, registering a year-on-year improvement but failing to reach the target of 22%.

Water consumption by segment



Trend in total water consumption and unit consumption



* Due to revision of FY 2015 results, the target for FY 2018 has been modified.

Water-saving measures at individual facilities (fiscal 2016)

Segment	Company name	Water-saving measures
Resort facilities	Daiwa Resort	• Installation of flow meters and addition of valves to control flow rate and provide added control • Installation of water-saving equipment
	Nishiwaki Royal Hotel	• Introduction of replacement water-saving equipment
Sports facilities	Sports Club NAS	• Installation of water-free toilets
Hotels	Daiwa Royal Golf	• Adjustment of water flow of showers and bath faucets
	Daiwa Royal	• Installation of a water-saving showerheads and faucets

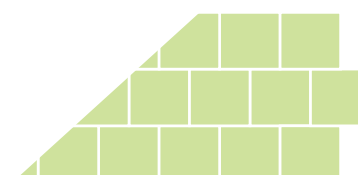
Conservation of Natural Resources (Longer Durability / Waste Reduction / Water Resource Conservation)

Topics

Example Collaborating with roof tile manufacturers to determine the effectiveness of precut tiles

General-purpose commercial roof tiles and the standard roof tiles used by Daiwa House Industry have different widths (based on the traditional Japanese shaku scale), which tends to result in an increased number of tile offcuts. Therefore, in fiscal 2016 the Mie Technical Training Center of the Company undertook construction testing of a roof tile developed by Iraka Solar Ltd. and manufactured by Marusugi Co., Ltd. Since this roof tile conforms to our standard dimensions, it is possible to cut the roof tiles to create patterns needed for installation at the roof edge. As a result, the roof tiles can be easily pre-cut at the factory, thus reducing by 160 to 180 kg the amount of tile waste generated at the construction site when tiling a conventional hipped roof. In addition, this approach improves construction efficiency and eliminates the labor required to dispose of the scrap.

Beginning in fiscal 2017, we adopt pre-cut roof tiles in order to reduce the generation of waste material with the expectation that this method will come into wide use in the future. Moreover, as many other companies in the same industry have adopted the traditional *shaku* scale, we have asked other roof tile manufacturers to consider adopting this size of roof tile.



Cutting pattern

Example Product development for pre-engineered buildings

Pre-engineered buildings are products of the commercial and office buildings segment of Daiwa House Industry. In this business segment, we have reduced the use of steel frames, concrete, and other resources by incorporating our proprietary structural designs. In addition to improving our plant production rate, we have reduced the amount of waste generated at the construction site.

The summer Olympic Games and Paralympic Games to be held in Tokyo in 2020 are driving demand for temporary ancillary facilities. In response to this demand, we are developing sustainable products that make full use of the advantages of pre-engineered buildings. Specifically, by developing floors and ceilings designed to be dismantled and relocated, we can accommodate the need for relocation (re-stocking and rebuilding) of temporary structures. By adopting construction methods that reduce waste, we are taking steps to create a system that uses resources more efficiently.

Furthermore, by adopting a simple product structure through systemization, we are improving productivity at our factories. We will also introduce BIM* in the future to strengthen management of information on the materials we use. In so doing, we will standardize and streamline operations; improve the efficiency of design, production, construction and transfer; improve productivity and production capacity; and improve the adoption rate of pre-engineered buildings.

Going forward, we intend to continue proactively promoting the development and popularization of such resource-conserving products.

* Building Information Modeling, a comprehensive management system for various types of information related to buildings, such as building design, structural calculations, and cost.



Construction of roof panel

Example Renewed water-saving devices to those with constant-flow valves (Daiwa Royal)

Daiwa Royal Co., Ltd., a member of our Group, has installed and accommodated a variety of devices designed to conserve water in hotel rooms, but in some cases the water discharge rate and water pressure do not meet customer preferences. On occasion, this contributed to a less-than-satisfactory evaluation. After researching the installation of devices with high water-saving effect, we decided to equip such bathrooms with highly water-conserving showerheads that still managed to create the sensation of a higher water flow. For bathroom vanity faucets, we installed a water-saving device with a flow adjustment function and unified flow rate. Initially, when these devices went into use at the Daiwa Roynet Hotel Hakata Gion, we achieved a reduction in water consumption of 15.7% per customer for the 20 months after introduction. We eventually introduced these innovations in seven hotels as of March 2017. We will continue to develop environment-friendly hotels focused on the effective use of resources.



Water-saving showerhead



A water-saving device with a flow adjustment function



Focal theme

4

Prevention of Chemical Pollution

We shall institute appropriate management risk (ultimately to zero) of adverse impacts

Policy and Concept

Social issues

In line with the commitment signed in 2002 at the World Summit on Sustainable Development (Johannesburg Earth Summit 2002) which stipulates that “chemicals should be used and produced in ways that do not harm human health and the environment,” Europe and the U.S.A. promoted the regulation of chemical substances through TSCA*1, the EU/REACH regulation*2, and the RoHS Directive*3. Domestically, restrictions on the management of various chemical substances — such as amendment of the PRTR Law*4 and the Chemical Substances Control Law*5 — have been strengthened. In 2016, risk assessments are required to be undertaken for chemical substances in the interests of occupational health and safety. With respect to housing and buildings, issues have arisen related to “sick house” and “sick building” syndrome. The introduction of regulations has brought some improvements, but further horizontal approaches are required from both an architectural and medical perspective.

Regarding issues of soil contamination, a higher management level is required in the effort to prevent negative health effects and the spread of pollution. The presence of contaminated soil or the potential for soil contamination, as well as the increase in so-called idle brownfield lands that cannot be sold or reused, has become a social issue.

- *1 The Toxic Substances Control Act is a regulation on toxic substances that took effect in the U.S.A. in 1977.
- *2 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007
- *3 RoHS (Restriction on Hazardous Substances): An EU Directive on the restriction of hazardous substances in electric and electronic equipment, which prohibit the use of these substances
- *4 The Pollutant Release and Transfer Register (PRTR) and SDS system have underpinned the law aimed at promoting voluntary improvement of chemical substance usage by business operators and are preventing obstacles to environmental protection.
- *5 A law aimed at controlling environmental pollution by introducing a preliminary examination of new chemical substances and applying regulations appropriate for the properties of the chemical substances

Our Group's effect on society and the environment

The plants and construction sites of our Group utilize various chemical substances that can affect the surrounding environment when discharged into the air and water. For this reason, we undertake thorough and appropriate management of these chemical substances and minimize their impact by seeking to reduce their use or by adopting substitutes for hazardous chemical substances in the interests of prevention.

Regarding the use of our housing and buildings after delivery, while there are growing concerns about the health effects of volatile organic compounds (VOCs) emitted from building materials, we are seeking to reduce risks by collaborating with suppliers to develop and popularize low-VOC building materials and by providing appropriate information.

The majority of our construction projects — some several thousand

annually — involve drilling, thus we are always faced with the risk of spreading soil contamination. Therefore, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately. Additionally, we provide solutions entailing appropriate and reliable soil contamination countermeasures, and we support the commercialization of brownfields in order to promote the proactive use of such land. In this way, we are contributing to the treatment of long-neglected pollutants while preventing the spread of new pollutants.

Our response to the risks and opportunities facing our Group

In the event human health is affected by so-called sick house syndrome caused by building materials that emit harmful chemical substances in the houses and buildings developed by our company, we would be exposed to the risks of lost credibility in the marketplace, onerous costs associated with remediating the problems, and tarnishing of our brand image. In response, we have established Chemical Substance Management Guidelines and have shared them with our suppliers. We confirm the details of any restrictions on the use of substances and the quantity of emissions stipulated in the Guidelines. Regarding indoor air quality, we also set voluntary standards that are more stringent than the maximum values established by the government. Every year, we implement improvements to a given number of properties after measuring and assessing the measured values. Furthermore, by responding to requirements related to health considerations for houses and buildings, we can improve our competitiveness and increase our market share. Toward that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials and are promoting the development and popularization of health-conscious specifications with more emphasis on the indoor air environment.

Meanwhile, apart from compliance with all relevant laws and regulations, we face the risks that soil contamination could be discovered after a land purchase, making it difficult to commercialize, or that soil contamination detected after development and sale would cause a considerable decline in asset value. Therefore, before purchasing a site for a project, we conduct surveys of the topography and land history before buying any property as a matter of principle. If any risk of soil contamination is present, we conduct a soil survey. Should soil contamination be detected, we take appropriate pollution control measures. In recent years, the need to make use of land such as vacant lots at factory sites and gas stations has been increasing. Our ability to respond to these needs has given us a competitive advantage, and our orders are growing. We have therefore strengthened our ability to deal with complicated soil contamination projects by building a strong network of land surveyors and remediation companies in addition to developing our own remediation technology.

Endless Green Program 2018		Long-Term Environmental Vision “Challenge ZERO 2055”	
Management indicator	2018 targets	2030 (milestone)	2055 (final goal)
Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)	-40%	Chemical pollution: Minimizing the risk (ultimately to zero) Soil contamination: Minimizing the risk (ultimately to zero)	
Reduction of VOC emissions per unit of sales (compared with fiscal 2013 levels)	-10%*		
Compliance rate with voluntary standards for indoor air quality of residential facilities	≥100%		
Serious risks of soil contamination during land purchases	Zero		

Contribution to SDGs
For details, see p. 121.

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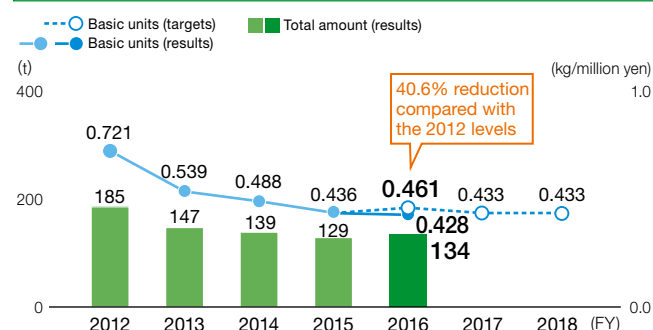
* We have adopted more stringent targets as we work to reduce VOC emissions.

of chemical substances throughout the life cycle of houses and buildings in addition to minimizing the on the health of people and ecosystems.

Self-assessment of the Main Goals and Results of “Endless Green Program 2018”

😊: Goal for fiscal 2016 achieved 😊: Goal for fiscal 2016 not achieved (improved from the previous year) 😞: Goal for fiscal 2016 not achieved (worsened from the previous year)

Release and transfer of PRTR-listed chemicals



Reducing our use of chemical substances by adopting innovative construction methods and using weaker paint solvents

Our Group is working to reduce our use of PRTR-listed chemical substances and is focused on welding and painting processes in order to reduce our emissions of volatile organic compounds (VOC)*1.

In fiscal 2016, the amount of chemical substances subject to PRTR released and transferred per unit of sales in our Group decreased by 40.6% from the levels of fiscal 2012, achieving our target. In addition, the Group's VOC emissions per unit of sales were 12.6% lower than the fiscal 2012 level, achieving our target.

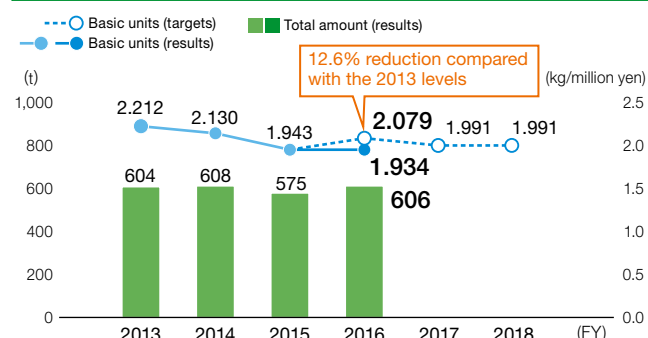
In fiscal 2016, we reduced the amount of paint used in certain single-family houses and rental housing segments by eliminating repairs to surface materials by adopting the use of metal fittings with reverse-side fastening instead of the conventional screw surface fastening. In addition, we adopted studs for boundary wall panels*2 and worked to reduce the amount of welding required. Furthermore, in our commercial and office buildings segment, we have developed weaker solvents for our corrosion-resistant paints, and our three plants in total are making the switch.

Daiwa Lease, one of our Group companies, has adopted set targets and promoted efforts to reduce the use of corrosion-resistant paints and solvents by adopting weaker solvents and water-based repair paints. Moreover, in order to improve the coating efficiency of paints, we have modified the pressure in our spray-painting equipment.

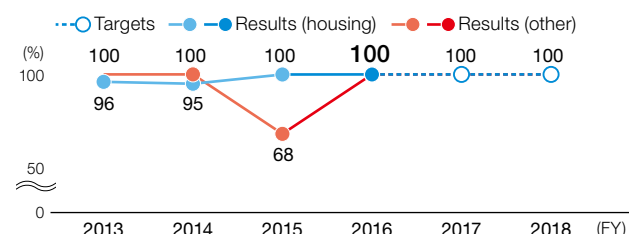
*1 VOC (Volatile Organic Compounds)

*2 A panel construction method using metal fittings, screws, and lightweight metal (bar material of lightweight steel) for on-site assembly

VOC emissions



Compliance rate with voluntary standards for indoor air quality of residential facilities



Serious risks of soil contamination during land purchases



FY 2016 targets	FY 2016 results	FY 2017 targets	FY 2018 targets
Zero	Zero	Zero	Zero

Continuing to reduce serious risk of soil contamination to zero

We have adopted a basic policy on soil contamination countermeasures and have established special departments to address and minimize soil contamination risks.

In fiscal 2016, we maintained and extended our record of zero serious risk of soil contamination associated with land purchases.

In principle, when purchasing land, we conduct a survey before purchasing any property. For purchased land, if it is determined that a risk of contamination exists, we sell it only after conducting soil investigation and implementing soil remediation measures.



Implementation report on the Endless Green Program 2018

Focal
theme

4

Prevention of Chemical
Pollution

Reducing chemical substances in our procurement and business activities

Concept and Policy

Reducing chemical substances and minimizing soil contamination risk in development, planning, and production processes

In order to minimize the risk of chemical substances in our plants, the Daiwa House Group is focusing on those chemicals targeted by the PRTR* and is prioritizing those exhibiting especially high toxicities such as carcinogenicity, reproductive toxicity, and mutagenesis. These are the chemicals whose use we seek to reduce. Furthermore, in an effort to control air pollution, we are taking steps to reduce the amounts of VOCs present in paints. Moreover, in terms of soil contamination countermeasures, we conduct comprehensive soil surveys and are implementing countermeasures at our plants and construction sites while ensuring appropriate management.

* PRTR (Pollutant Release and Transfer Register): A system that requires business operators to report the release and transfer of chemical substances once a year to the government, which then tabulates and publicizes the collected data.

Management

Promotion system implemented through a cross-segment working group

In order to reduce the amounts of chemical substances handled in our plants, we hold periodic meetings of a cross-segment joint working group that includes participants from the development and manufacturing segments. Our development segment, as part of its commitment to continuous improvement, investigates ways to substitute less toxic alternatives for current materials, using reports on the status of chemical substance usage in our plants, as well as this segment selects new materials with low toxicity when setting materials. Moreover, our Group companies are collaborating to share information and promote improvement initiatives.

Preventing air pollution and water pollution

In addition to having taken preventive steps by performing measurements and inspections according to the terms of the Air Pollution Control Law and Water Pollution Control Law at all of our plants, we at Daiwa House Industry have strengthened our management system and are continuing to comply with emissions standards regarding soot and drainage.

With regard to wastewater in particular, we perform ongoing maintenance and are more stringently monitoring the discharge from the wastewater treatment facility for the electrodeposition coating apparatus, which is the main source of discharge to public waters (coastal bodies of water and waterways). In addition, our plants in Kyushu, Nara, and Ryugasaki introduced D's FEMS* and are monitoring for abnormalities with the drainage facilities. We will continue to take steps to prevent air and water pollution.

* Our unique plant energy management system

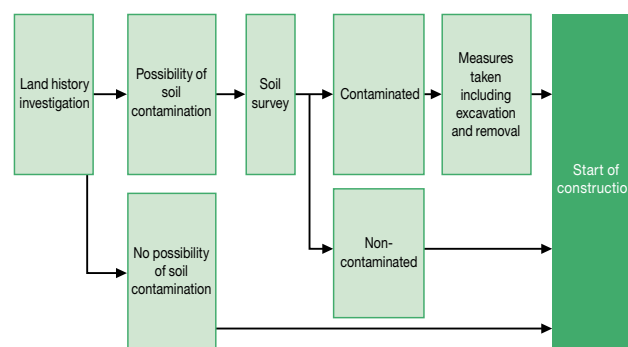
Preventing the spread of soil contamination accompanying land transactions and construction

In principle, prior to purchasing any land, we investigate into the history of the land we intend to market later. If it is determined from

the soil history investigation that soil contamination might be present, we undertake a soil survey. If soil contamination is found, we will sell the property only after contamination countermeasures have been put in place. Moreover, when soil is carried in or carried out during construction work, we confirm the regional source of that soil and conduct a quality inspection on the soil and in areas where a contamination risk arises from the soil that is carried in or out. We then select an appropriate disposal site based on the results of the soil survey and take steps to prevent secondary contamination.*

* Spread of contaminated soil into non-contaminated areas

Flow for prevention of soil contamination risk in association with land transactions



Major efforts

Measures to address soil contamination at our holdings (plants)

As one of our efforts to comply with the Soil Contamination Countermeasures Act and ensure risk management, soil inspections are conducted regularly at our plants. The expansion and renovation of our Ryugasaki and Kyu-Shikoku Plants conducted in fiscal 2016 fell under Article 4, "Change to the Form or Nature of Land of at least 3,000 m²" of the Soil Contamination Countermeasures Act. We therefore conducted soil contamination surveys, including depth surveys involving soil boring. The results of the surveys revealed that soil on the premises was partially contaminated. We reported the details of the results to the government agency in charge and took the necessary measures. We are planning to test the soil at the other plants as well.



Soil testing (Ryugasaki Plant)

Related page P179 Measures to address soil contamination at our holdings

Concept and Policy

Improvement in the indoor air quality of residential facilities

To minimize (ultimately zero) the risk of chemical substances, it is important to reduce the use of toxic chemicals and substitute them with benign alternatives at the development and planning phases of our houses and buildings and to confirm that no indoor air quality problems are present after construction. At Daiwa House Industry, we are taking steps to improve indoor air quality in residential housing by enforcing countermeasures against the sick house phenomenon by using industry-leading building materials and by constructing houses to healthy specifications that meet standards for the presence of VOCs.

Chemical Substance Management Guidelines

In 2010, we formulated our Chemical Substance Management Guidelines and put them into effect. We did so in an effort to minimize the chemical substances present in our products, share this information with our suppliers, and minimize the use of high-risk materials so as to provide products with little impact on the health of stakeholders and the environment. These Guidelines are being applied mainly to our housing products (single-family, low-rise rental housing). In 2015, we positioned these Guidelines as part of our CSR Procurement Guidelines. Regarding the use of prohibited substances and restricted substances, we have adopted the goal of extending the targets to encompass all products we procure.

In these new guidelines, we have designated about 480 types of managed substances, with each assigned coverage under one of the three levels of management: “use prohibited;” “control required / use restricted;” and “monitoring required.”

■ Management levels under the Chemical Substance Management Guidelines

Management level	Target
Level 1 <Use prohibited> Substances and substance groups that are prohibited to be used in all products	All procured products
Level 2 <Control required / Use restricted> Substances and substance groups for which the status of use in major construction materials should be identified. (Some materials have restrictions on their use.)	
Level 3 <Monitoring required> Substances and substance groups for which the status of use in major construction materials should be identified.	Housing products (single-family, low-rise rental housing)

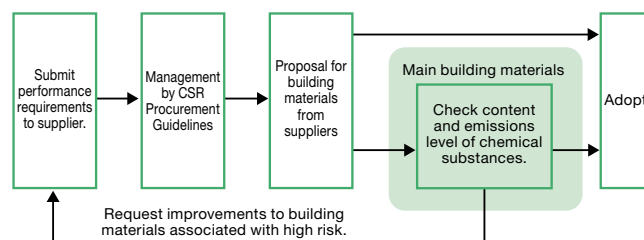
Related page ▶ P054 CSR Procurement Guidelines
P093 Supply Chain Management
P180 Chemical Substance Management Guidelines

Management

Implementation of the Chemical Substance Management Guidelines

Through the use of these Guidelines, we identified the chemical substances used in our building materials and took steps to minimize the risk of these substances by monitoring for their presence or absence as well as the amounts contained and emitted. In fiscal 2016, as part of our CSR Procurement Guidelines, the scope of these Guidelines was extended to include Daiwa Lease Co., Ltd., DesignArc Co., Ltd., and Cosmos Initia Co., Ltd. in addition to Daiwa House Industry.

■ Operation flow of Chemical Substance Management Guidelines



Establishing the voluntary standards for specific measured substances under the Housing Quality Assurance Act

In order to contribute to a better indoor air environment, we established the goal of setting the voluntary standards more stringent than the national guidelines set for five substances*1 under the Housing Quality Assurance Act*2 as specific measured substances. We conduct indoor air quality measurements every year for a certain number of residential facilities at completion of construction to evaluate and improve the air quality.

*1 Formaldehyde, toluene, xylene, ethylbenzene, and styrene

*2 Act regarding the promotion of quality assurance of houses

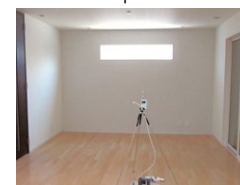
Major efforts

Proactively adopt low-VOC building materials and improve indoor air quality concentrations.

Daiwa House Industry as well as our Group companies Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd. provide many residential facilities. To contribute to better indoor air environments, all the interior finishing materials we use are rated as Japanese formaldehyde emission class F☆☆☆☆.* Moreover, even for interior finishing materials applied to foundations, we are proactively adopting formaldehyde-free glass wool and rock wool and the like.

In addition, we conduct indoor air quality concentration tests at a given number of properties following construction every year and undertake assessments and improvements. The scope of these tests includes built-for-sale houses and rental apartments; residential buildings such as nursing facilities where the period of residence is typically lengthy; and, in 2014, we expanded the scope of application of this system to include hotels and hospitals.

In the future, we intend to conduct investigations of a given number of properties with consideration for the intended use of the building and changing conditions such as the region and climate. Upon receiving the results of the analysis, we will undertake to improve the indoor air environment.



Measuring indoor air quality concentrations

* The rank with the least release, with no restrictions on use for indoor finishes

Developing and publicizing health-oriented specifications

Since fiscal 2015, we have been testing and evaluating our main wooden construction materials with a more realistic method by employing a chamber test* that measures the release of formaldehyde and other chemical substances emitted by these materials. The results of these tests have directed us toward the use of substitute building materials with lower emissions of formaldehyde and the like.

Furthermore regarding single-family housing, we are adhering to health-oriented specifications that focus on the indoor air environment, and are providing housing that considers the air environment even more.

* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials



Eco Communication

Concept and Policy

We, as the Daiwa House Group, are committed to continuously improving our environmental activities through communicating our approach and efforts to address environmental issues in an easy-to-understand way, both internally and externally, as well as in dialogues with stakeholders. Believing in the importance of communication between employees and stakeholders with whom they are in daily contact, we encourage our employees to improve their awareness and knowledge of environmental issues and to practice environmental responsibility.

Development of communication with stakeholders (external communication)

Dialogue with experts and investors

We at Daiwa House Industry engage in dialogue with experts, NGOs, and other external stakeholders as required when we seek to adopt new policies and targets, update the content, and modify the nature of our Group initiatives.

Specifically, when we formulated our Endless Green Program 2018 (EGP2018) as part of our Action Plan for the Environment in fiscal 2015, we exchanged opinions with our customers (for single-family houses and commercial facilities), business partners, and shareholders and investors in order to identify the priority issues of our Group. Following that, we conferred with several experts in order to determine whether the priority issues identified have validity and determined the materiality (priority issues) of our Group. The results were reflected in EGP2018.

In recent years, we have witnessed an increase in the number of questions and evaluations received from institutional investors and external assessment agencies concerning our Group's environmental policy and approach. Consequently, we continued to participate in the Environmental Information Disclosure Infrastructure Project conducted by the Ministry of the Environment in fiscal 2016. Regarding issues related to corporate ESG (environmental, social and governance) information, we exchanged opinions on the system with financial institutions at various platforms and have worked to identify matters of interest to financial institutions and others. In addition, we held discussion meetings on our own with institutional investors (specifically, asset managers) on ESG on four separate occasions where we deepened our mutual understanding by conducting interviews on the method of using corporate ESG information.

We will continue to engage in dialogue with such experts and others to promote understanding of our Group and to ensure the transparency of the review process. In implementing our initiatives, our company incorporates diverse opinions from a broad perspective that are grounded in the latest knowledge, as such an approach enables us to increase the effectiveness of our initiatives.



Dialogue with institutional investors

Strengthening information dissemination through our environmental website

Daiwa House Industry provides information on its environmental activities through its websites, environmental reports, exhibitions, and various other means. With particular emphasis on websites as a medium between our Group and various kinds of stakeholders, we constantly improve the content.

In the Environmental Initiatives section of our Group's environmental website, we have posted a variety of content that includes our Special Eco-Report, which introduces leading examples of environmental efforts as well as "Environment-friendly Housing around the World," which introduces housing well adapted to local conditions. Also featured are videos explaining Challenge ZERO 2055, our Group's long-term environmental vision, as well as one-minute animations introducing our Group's interest in the Development of Zero-Energy-Loss Towns. Updated information is made available on social networking sites such as Facebook and is presented at exhibitions and lecture meetings.

Moreover, we regularly publish our online magazine *SUSTAINABLE JOURNEY*, which was published in booklet form for the general public. In addition, we present widely read information on the topics of smart cities and sustainable methods used around the world. This online magazine can be easily accessed by anyone.

We have also noted that inquiries from stakeholders outside Japan are increasing, and we continue to expand our English-language website as a global response to the need for such relevant environmental information. We are focused on improving the content of these initiatives.



SUSTAINABLE JOURNEY



EcoPro 2016

Development of environmental communication activities in cooperation with local communities

Eco Workshops for Children

In 2005, we launched Eco Workshops for Children designed to help children, who will create the next generation, learn and understand the importance of the global environment. In the workshop, children, together with their parents, create a model of a house while thinking about environmental issues and finding out what they themselves can do.

This workshop, held on the theme of "housing," makes models of comfortable eco-friendly houses that are easy to keep cool in summer and warm in winter. In fiscal 2016, the workshop attracted 296 participants, with the cumulative total reaching 6,009 as of March 31, 2017. Through workshops, we intend to provide opportunities for children to learn about the environment and will continue to implement environmental communication initiatives in collaboration with the communities in which we operate.



Eco Workshops for Children



Model house made by children

Environmental education program for young children

We have developed the Eco-Workshop for Children, an environmental education program for elementary school students. While this initiative has received high praise, many customers and workers with very young children attending kindergartens and nursery schools have requested an environmental education program. In response, we began developing an environmental education program for young children in fiscal 2016.

This program entails picture stories and shows on the theme of "Environment-Friendly Housing around the World." It introduces housing adapted to various local climates around the world and is a popular section of our website. In addition, "Environmental Efforts" has quizzes and exercises in building a house using blocks made of cardboard. This program is based on the educational content promoted by Japan's Ministry of Education, Culture, Sports, Science and Technology.

In addition, an effort to create a Thanksgiving Festival for our customers was sponsored by our Kurashiki Branch in June 2017, and many children enjoyed this program.

In the future, we will continue new initiatives aimed at those attending kindergartens and nursery schools and will extend this program to worksites around Japan.



Children listening to an illustrated story



Building houses with cardboard blocks

■ Main achievements in 2016

Objective	Activities	Results in FY 2016
Strengthening information dissemination	SUSTAINABLE JOURNEY	11 new articles added (33 in total)
	Exhibiting at environmental exhibitions	EcoPro 2016, JAPAN BUILD 2016 – International Building & Urban Development Expo
	Disseminating information on our environmental website	Website updated and 5 new items added to Japanese-language version and 2 items to English-language version
	Issuing CSR reports and environmental reports	Once (July)
Promoting dialogue and cooperation	SAKURA PROJECT	54 locations, 16,522 participants, 122 trees planted
	Eco Workshops for Children	296 participants (6,009 in total)
	Local environmental activities	256
	Dialogue with experts	Five times in June, August and September 2016
	Dialogue with investors	Four times in August and December 2016 and March 2017

Improving environmental awareness of all executives and employees and implementing environmental activities (internal communication)

Horizontal development utilizing the company's intranet and internal environmental bulletin

Through the bimonthly publication of our environmental bulletin *We Build ECO Press*, we are introducing to our Group members the

leading environmental practices and eco initiatives of our employees.

We are also promoting company-wide environmental activities by explaining the Endless Green Program 2018, publishing environmental education materials, and publicizing environmental events on our intranet.

In fiscal 2016, we published "Workplace Environmental Initiatives" on our intranet. This is a collection of environmental initiatives categorized by subject that have been effective at each worksite. In this way we are promoting horizontal development of our environmental initiatives by introducing various best practices.

In the future, we intend to further enrich our content and promote increased environmental awareness and action among our employees.



Internal environmental bulletin "We Build ECO Press"

事業所環境活動事例 事業所・事業部門		2016年	2015年	2014年	2013年	2012年	2011年	2010年	2009年	2008年	2007年	2006年	2005年	2004年	2003年	2002年	2001年	2000年	1999年	1998年	1997年	1996年	1995年	1994年	1993年	1992年	1991年	1990年	1989年	1988年	1987年	1986年	1985年	1984年	1983年	1982年	1981年	1980年	1979年	1978年	1977年	1976年	1975年	1974年	1973年	1972年	1971年	1970年	1969年	1968年	1967年	1966年	1965年	1964年	1963年	1962年	1961年	1960年	1959年	1958年	1957年	1956年	1955年	1954年	1953年	1952年	1951年	1950年	1949年	1948年	1947年	1946年	1945年	1944年	1943年	1942年	1941年	1940年	1939年	1938年	1937年	1936年	1935年	1934年	1933年	1932年	1931年	1930年	1929年	1928年	1927年	1926年	1925年	1924年	1923年	1922年	1921年	1920年	1919年	1918年	1917年	1916年	1915年	1914年	1913年	1912年	1911年	1910年	1909年	1908年	1907年	1906年	1905年	1904年	1903年	1902年	1901年	1900年	1899年	1898年	1897年	1896年	1895年	1894年	1893年	1892年	1891年	1890年	1889年	1888年	1887年	1886年	1885年	1884年	1883年	1882年	1881年	1880年	1879年	1878年	1877年	1876年	1875年	1874年	1873年	1872年	1871年	1870年	1869年	1868年	1867年	1866年	1865年	1864年	1863年	1862年	1861年	1860年	1859年	1858年	1857年	1856年	1855年	1854年	1853年	1852年	1851年	1850年	1849年	1848年	1847年	1846年	1845年	1844年	1843年	1842年	1841年	1840年	1839年	1838年	1837年	1836年	1835年	1834年	1833年	1832年	1831年	1830年	1829年	1828年	1827年	1826年	1825年	1824年	1823年	1822年	1821年	1820年	1819年	1818年	1817年	1816年	1815年	1814年	1813年	1812年	1811年	1810年	1809年	1808年	1807年	1806年	1805年	1804年	1803年	1802年	1801年	1800年	1799年	1798年	1797年	1796年	1795年	1794年	1793年	1792年	1791年	1790年	1789年	1788年	1787年	1786年	1785年	1784年	1783年	1782年	1781年	1780年	1779年	1778年	1777年	1776年	1775年	1774年	1773年	1772年	1771年	1770年	1769年	1768年	1767年	1766年	1765年	1764年	1763年	1762年	1761年	1760年	1759年	1758年	1757年	1756年	1755年	1754年	1753年	1752年	1751年	1750年	1749年	1748年	1747年	1746年	1745年	1744年	1743年	1742年	1741年	1740年	1739年	1738年	1737年	1736年	1735年	1734年	1733年	1732年	1731年	1730年	1729年	1728年	1727年	1726年	1725年	1724年	1723年	1722年	1721年	1720年	1719年	1718年	1717年	1716年	1715年	1714年	1713年	1712年	1711年	1710年	1709年	1708年	1707年	1706年	1705年	1704年	1703年	1702年	1701年	1700年	1699年	1698年	1697年	1696年	1695年	1694年	1693年	1692年	1691年	1690年	1689年	1688年	1687年	1686年	1685年	1684年	1683年	1682年	1681年	1680年	1679年	1678年	1677年	1676年	1675年	1674年	1673年	1672年	1671年	1670年	1669年	1668年	1667年	1666年	1665年	1664年	1663年	1662年	1661年	1660年	1659年	1658年	1657年	1656年	1655年	1654年	1653年	1652年	1651年	1650年	1649年	1648年	1647年	1646年	1645年	1644年	1643年	1642年	1641年	1640年	1639年	1638年	1637年	1636年	1635年	1634年	1633年	1632年	1631年	1630年	1629年	1628年	1627年	1626年	1625年	1624年	1623年	1622年	1621年	1620年	1619年	1618年	1617年	1616年	1615年	1614年	1613年	1612年	1611年	1610年	1609年	1608年	1607年	1606年	1605年	1604年	1603年	1602年	1601年	1600年	1599年	1598年	1597年	1596年	1595年	1594年	1593年	1592年	1591年	1590年	1589年	1588年	1587年	1586年	1585年	1584年	1583年	1582年	1581年	1580年	1579年	1578年	1577年	1576年	1575年	1574年	1573年	1572年	1571年	1570年	1569年	1568年	1567年	1566年	1565年	1564年	1563年	1562年	1561年	1560年	1559年	1558年	1557年	1556年	1555年	1554年	1553年	1552年	1551年	1550年	1549年	1548年	1547年	1546年	1545年	1544年	1543年	1542年	1541年	1540年	1539年	1538年	1537年	1536年	1535年	1534年	1533年	1532年	1531年	1530年	1529年	1528年	1527年	1526年	1525年	1524年	1523年	1522年	1521年	1520年	1519年	1518年	1517年	1516年	1515年	1514年	1513年	1512年	1511年	1510年	1509年	1508年	1507年	1506年	1505年	1504年	1503年	1502年	1501年	1500年	1499年	1498年	1497年	1496年	1495年	1494年	1493年	1492年	1491年	1490年	1489年	1488年	1487年	1486年	1485年	1484年	1483年	1482年	1481年	1480年	1479年	1478年	1477年	1476年	1475年	1474年	1473年	1472年	1471年	1470年	1469年	1468年	1467年	1466年	1465年	1464年	1463年	1462年	1461年	1460年	1459年	1458年	1457年	1456年	1455年	1454年	1453年	1452年	1451年	1450年	1449年	1448年	1447年	1446年	1445年	1444年	1443年	1442年	1441年	1440年	1439年	1438年	1437年	1436年	1435年	1434年	1433年	1432年	1431年	1430年	1429年	1428年	1427年	1426年	1425年	1424年	1423年	1422年	1421年	1420年	1419年	1418年	1417年	1416年	1415年	1414年	1413年	1412年	1411年	1410年	1409年	1408年	1407年	1406年	1405年	1404年	1403年	1402年	1401年	1400年	1399年	1398年	1397年	1396年	1395年	1394年	1393年	1392年	1391年	1390年	1389年	1388年	1387年	1386年	1385年	1384年	1383年	1382年	1381年	1380年	1379年	1378年	1377年	1376年	1375年	1374年	1373年	1372年	1371年	1370年	1369年	1368年	1367年	1366年	1365年	1364年	1363年	1362年	1361年	1360年	1359年	1358年	1357年	1356年	1355年	1354年	1353年	1352年	1351年	1350年	1349年	1348年	1347年	1346年	1345年	1344年	1343年	1342年	1341年	1340年	1339年	1338年	1337年	1336年	1335年	1334年	1333年	1332年	1331年	1330年	1329年	1328年	1327年	1326年	1325年	1324年	1323年	1322年	1321年	1320年	1319年	1318年	1317年	1316年	1315年	1314年	1313年	1312年	1311年	1310年	1309年	1308年	1307年	1306年	1305年	1304年	1303年	1302年	1301年	1300年	1299年	1298年	1297年	1296年	1295年	1294年	1293年	1292年	1291年	1290年	1289年	1288年	1287年	1286年	1285年	1284年	1283年	1282年	1281年	1280年	1279年	1278年	1277年	1276年	1275年	1274年	1273年	1272年	1271年	1270年	1269年	1268年	1267年	1266年	1265年	1264年	1263年	1262年	1261年	1260年	1259年	1258年	1257年	1256年	1255年	1254年	1253年	1252年	1251年	1250年	1249年	1248年	1247年	1246年	1245年	1244年	1243年	1242年	1241年	1240年	1239年	1238年	1237年	1236年	1235年	1234年	1233年	1232年	1231年	1230年	1229年	1228年	1227年	1226年	1225年	1224年	1223年	1222年	1221年	1220年	1219年	1218年	1217年	1216年	1215年	1214年	1213年	1212年	1211年	1210年	1209年	1208年	1207年	1206年	1205年	1204年	1203年	1202年	1201年	1200年	1199年	1198年	1197年	1196年	1195年	1194年	1193年	1192年	1191年	1190年	1189年	1188年	1187年	1186年	1185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Topics

Residents' workshop on community development and utilization of community association land

Daiwa House Industry's Tama New Town Higashiyama, a single-family housing development, is a large-scale development consisting of 681 blocks. Locations for two community centers had been assigned in line with administrative guidance.

The one existing community center was already in daily use by residents, but construction of the other facility had not been planned, so residents led an effort to make use of this land effectively. As a result, the community association agreed to the use of the land as a vegetable garden, and a new residents' organization called Higashiyama Agri Club was established within the community association. After local farmers held a nine-month workshop for participants, work began in February 2016. The first harvest festival, a local social gathering celebrating the bounty from the first harvest, proved to be a great success. Monthly workshops are now an ongoing activity.

Making use of the unused community association site as a vegetable garden made it possible to reduce maintenance costs, which otherwise would have been a permanent burden on the community association. Now, the garden provides daily nourishment and fosters a new community of club members (community residents).

In the future, we will continue to create opportunities for residents to interact and foster community activities.



Workshops



Harvest festival

Contribution to SDGs

The Daiwa House Group has formulated its Long-Term Environmental Vision (targets for 2055). In order to realize this vision, we have identified milestones to be attained between 2025 and 2030. For each theme, we have established relationships between our Group's initiatives and 2030 targets of the SDGs*1. This effort is intended to contribute to the emergence of a sustainable society as adopted at the United Nations Sustainable Development Summit in 2015.

SDGs		Environmental theme			
Goals	Targets*2	Prevention of global warming	Harmony with the natural environment	Conservation of natural resources	Prevention of chemical pollution
3 GOOD HEALTH AND WELL-BEING	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	—	—	—	P115–118
	3.d Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.	—	—	—	—
7 AFFORDABLE AND CLEAN ENERGY	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	P095–102	—	—	—
	7.3 By 2030, double the global rate of improvement in energy efficiency.	—	—	—	—
11 SUSTAINABLE CITIES AND COMMUNITIES	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels.	P095–096, 099–102	—	—	—
	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	—	—	P109–112, 114	—
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.	—	—	P109–111, 114	P115–118
	11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.	—	P103–104, 107–108	—	—
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.	—	—	P109–114	—
	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	—	—	P109–111, 113–114	P115–117
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	—	—	P109–111	—
	12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	—	P103–104, 107–108	—	—
13 CLIMATE ACTION	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	P102	—	—	—
	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	P095–101	—	—	—
15 LIFE ON LAND	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.	—	P103–108	—	—
	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	—	P103–106	—	—

*1 A total of 17 goals and 169 targets have been set concerning energy, climate change, and health and welfare.

*2 Source: United Nations' "Transforming our world: 2030 Agenda for Sustainable Development"

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CSR Management



Foundation of CSR Management

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Foundation of CSR Management

Commitment from the Executive Officer in Charge

Concept

Social issues

In order for a company to be an entity capable of satisfying requirements of society and be trusted by stakeholders, it is indispensable to accurately grasp social issues by always and carefully predicting the trends ahead of the times. In addition, we consider it important to continuously seek to realize fair and transparent corporate governance.

Furthermore, we shall consider the measures against the problem of a declining birthrate and aging population in Japan as a social issue to be addressed by companies. This problem affects every aspect of the management foundation, and it is indispensable for companies to actively address such duties as making workplaces worth working at for both men and women and utilizing the aged as well as supporting employees for childbirth and childcare with a long-term outlook while a labor shortage is feared.

Risks and opportunities for the Daiwa House Group

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

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

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

Commitment to our activities

Management taking offense-defense balance into consideration

The Daiwa House Group aims at consolidated sales in the amount of 10 trillion yen when celebrating the one hundredth anniversary of its foundation. In order to achieve such an aim, the existing business is not sufficient, and it is indispensable to develop new fields of the business. It is also indispensable to expand the business not only in the domestic market but also in overseas markets with a global outlook.

In carrying on such "offensive" management, we have to firmly reinforce the organizational "defense" and establish the system for implementing sound and transparent management. We published the "Corporate Governance Guidelines" in 2015 and has continuously sought to implement management from the diverse and long-term

viewpoints since then. Especially in fiscal 2017, we established the basic policy stipulating that "We shall walk on the main street to continue to grow as a sustainable corporate group by taking the offense-defense balance into consideration" and started our efforts to newly review the foundation of CSR Management.

Thoroughgoing enforcement of risk management and corporate compliance on basis of respect for human rights

In order to realize the thoroughgoing enforcement of risk management and corporate compliance, the Daiwa House Group checks whether it violates any law, ordinance or regulation by implementing business audits and endeavors to surely remedy faults found in the audits from the viewpoint of "strong defense will strengthen offense." As new efforts, "faults found in business audits but not remedied" are added to work transfer documents from predecessors to successors for the managers of the worksites, and the status of such remedies is to be verified at the time of transfers of such managers based on the "Audit Reports."

Furthermore, in order to thoroughly enforce compliance with various laws, ordinances and regulations such as the Construction Business Act, the Building Lots and Buildings Transaction Business Act and the Labor Standards Act, the managers of the worksites are building mechanisms such as guidance, education, confirmation and cooperation at the operating sites they oversee.

The spirit of such laws, ordinances and regulations contains the concept of respecting human rights by protecting customers and securing employees and business partners. The Daiwa House Group will continue its activities for raising human rights awareness mainly for employees doing actual business in addition to building a mechanism to protect the human rights of stakeholders.

Activation of the human resources constituting foundation

When grasping the foundation of CSR Management from the wider viewpoint, we think that many aspects are supported by stakeholders, especially employees.

The Daiwa House Group started its efforts at the earliest stage to create the environment where employees are able to work without any anxiety for a long time. For example, when it celebrated the fiftieth anniversary of its foundation in 2005, it built the system for granting a one-time allowance in the amount of one million yen per head for childbirth by taking the times with a low birthrate into consideration. We granted the allowances to about 7,800 employees for about twelve years after that.

On the other hand, we have attached importance to the promotion of activities of women and endeavored to build the mechanism and reinforce the supporting system for such activities from the viewpoint of diversity. We have also endeavored to create workplaces where experiences accumulated in the course of lives of the aged can be utilized by extending the retirement age to 65 as from 2013 and taking other actions in expectation of further activities of the aged.

In addition, we endeavor to improve productivity by improving the way of working and creating new ideas and devices in order to shorten currently long working hours. Each of the worksites will endeavor in cooperation with departments of the Head Office to grasp its present situation and implement the way of working suited to the actual situation of its worksites.

We consider it important to continue such efforts without abandoning them and intend to continue our efforts to verify and improve the systems. We expect that the foundation of CSR Management will not remain nominal but will be reinforced further once we are able to create the workplaces where various types of employees have comfort and willingness to work.

Aiming at Building of Foundation of CSR Management

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

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

[Priority issues]

Ethical conduct

P138–139

In the “In-House CSR Awareness Survey” for surveying the actual situation of ethical conduct in the Company, we have fixed the target score at 80 points out of 100 for fiscal 2018. The actual score in fiscal 2016 was 76.1 points. We will continue our efforts to enhance the CSR awareness.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
In-house CSR awareness survey	76.1 pts	80 pts

[Priority issues]

Creation of a CSR mindset

P143–144

Regarding the “number of worksites visited for the CSR training program” as one of the efforts to create the CSR mindset in the Company, we fix the target number for each fiscal year and have fixed it at 83 for fiscal 2018. The actual number in fiscal 2016 was 37 and exceeded the target number for that fiscal year. We will endeavor to reach the target for fiscal 2018.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
No. of worksites visited for the CSR training program	37	83

[Priority issues]

Human rights awareness-raising

P127–132

Regarding the rate of attendance at the training program for raising the human-right awareness of the employees of Daiwa House Industry, while the target rate is 200% (expecting two attendances per person a year) for fiscal 2018, the actual rate was 183.8% in fiscal 2016. Regarding the rate of attendance of the employees of Group companies, while the target rate is 100% for fiscal 2018, the actual rate was 122.3% in fiscal 2016, and the target was reached. We will promote our efforts for continuously raising the human-rights awareness to reach the target.

Individual indices (Excerpted)	FY 2016 results	FY 2018 targets
Human rights awareness-raising activities		
① Our employees	① 183.8%	① 200%
② Employees of our Group companies	② 122.3%	② 100%

Katsutomo Kawai

Executive Vice President
General Manager of Management Administration
Headquarters





Corporate Governance

Concept and Policy

■ Promoting Corporate Governance

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

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

Management

Corporate governance system

We choose to be a Company with an Audit & Supervisory Board and have a Board of Directors that has strong decision-making power over operational execution so as to enable accurate and swift deliberations and decision-making on how to respond to society's needs through our business operations. In this structure, we appoint independent external directors to increase transparency and soundness in our business management. The Audit & Supervisory Board, the majority of whose members are external auditors independent of the Board of Directors, regulates the Board of Directors. This organizational design enables the Directors who are also Executive Officers to fulfill their management functions, allowing independent external directors, auditors, and the Audit & Supervisory Board to play the central role in supervisory functions. To increase transparency in processes relating to the nomination of directors and officers

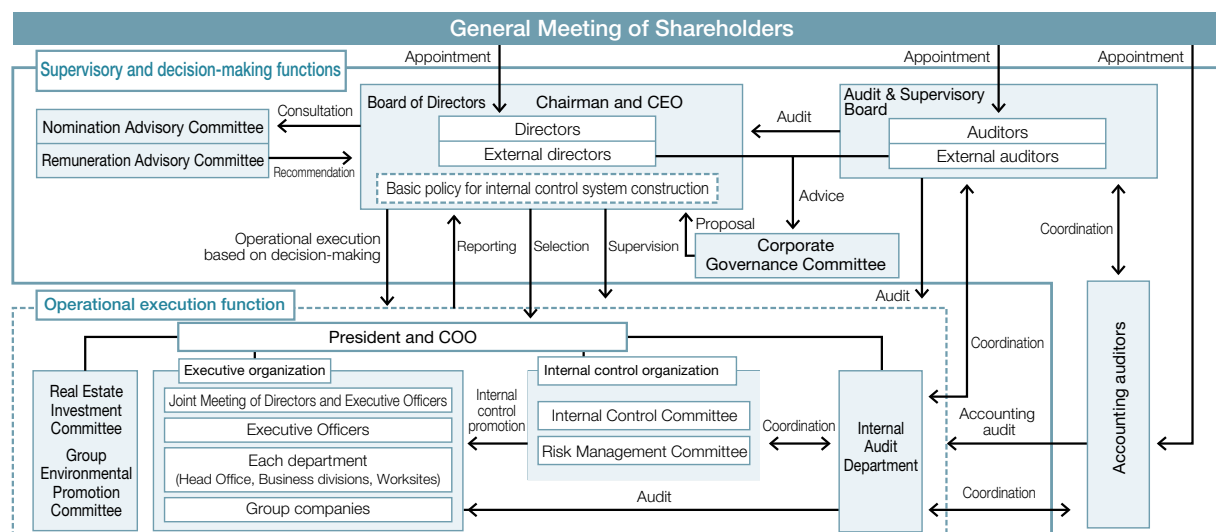
and remuneration, we have a Nomination Advisory Committee and a Remuneration Advisory Committee, the majority of whose respective members are external directors headed also by an independent external director. In this manner, our corporate governance is placed within a structure well-balanced with operational execution and supervisory functions. We also have the Corporate Governance Committee to deliberate on overall management visions, strategies, and other subjects, so as to effectively incorporate the knowledge and expertise of external directors into the company's management for sustainable growth and medium- to long-term corporate value enhancement.

Audit & Supervisory Board

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

Having received a mandate from shareholders as independent entities to audit execution of duties of Directors and Executive Officers, Audit & Supervisory Board Members fulfill their duty to ensure healthy and sustained corporate growth and establish a high-quality corporate governance system worthy of society's trust. In light of the characteristics of their full-time position, full-time Audit & Supervisory Board Members work proactively to put in place audit environments and collect information. In addition, they routinely monitor and verify the status of internal control system construction and operation. External Audit & Supervisory Board Members express their opinions frankly, being that they are appointed as part of a legal requirement for augmenting the independence and neutrality of the audit structure and taking into consideration the reason for their appointment, and recognizing that they are expected to express their audit opinions neutrally and objectively.

■ Corporate governance system



Evaluation of Board of Directors

We evaluate the effectiveness of the Board of Directors annually based on the Corporate Governance Guidelines established to realize sustainable growth and medium- to long-term corporate value enhancement. We analyze and evaluate the whole Board of Directors by self-assessment of the Directors through a questionnaire survey method and assessment by the Audit & Supervisory Board and the Board of Directors. In fiscal 2016, we have confirmed the structure of the Board of Directors, its decision-making process, administration status of the Board of Directors including performance management, status of support to external directors, and job performance status of the Directors and have determined that the effectiveness of our Board of Directors is maintained adequately.

We also overhaul our management system every year by conducting a self-review of each item set in the Corporate Governance Guidelines. As for fiscal 2016, we assess that our management system is operated in line with the Guideline in general.

On the other hand, we confirmed again the importance for the Board of Directors to further deepen their involvement in certain items.

Also, we resolved to add a new article on priority items concerning medium- to long-term management and to address them. We will continue striving to improve the effectiveness of the Board of Directors and our management system.

Committee on supervisory and decision-making functions

Corporate Governance Committee

The Corporate Governance Committee is composed of external directors, external Audit & Supervisory Board Members and full-time Audit & Supervisory Board Members, the CEO, COO and CFO and Representative Directors. This committee conducts exchanges of views on vision, strategies and other items related to corporate governance and overall company management from diverse perspectives and based on a long-term viewpoint. By incorporating into corporate management the full extent of the knowledge and wisdom of external directors and external Audit & Supervisory Board Members, the Committee aims to create a “better company,” convening with the principal purpose of contributing to enhancing corporate value over the medium- to long-term. (Chairman: Chief Executive Officer (CEO), Frequency: twice a year in principle)

Nomination Advisory Committee

The Nomination Advisory Committee receives explanations from Representative Directors on the contents of the General Meeting of Shareholders proposals regarding the appointment or dismissal of Directors and the evaluation of individual Directors, discusses the validity and states its opinion therefore maintaining objectivity concerning the nomination of individual Directors. The Nomination Advisory Committee formulates and declares “Independence Standards for Outside Executives” on the appointment of independent and neutral external directors. In principle, external directors who fulfill the Standards are appointed. (Chairman: independent external director, Frequency: annually in principle)

Committee related to execution of operations

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

Joint Management Council

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

Internal Control Committee

To implement appropriate internal controls in accordance with the Basic Policy on Construction of the Internal Control system, the Committee requests reports on the system's operational status and provides supervision. (Director: President, Chairman: General Manager of Management Administration Headquarters)

Risk Management Committee

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

Real Estate Investment Committee

To contribute to the rational and effective decisions on capital investments in real estate development business, the Committee assesses their feasibility and evaluates risks. (Chairman: President)

Group Environmental Promotion Committee

To realize the Company's social responsibility and roles against nature capital in line with the Environmental Vision, this Committee acts as the body providing companywide instruction and management on environmental activities. (Director: President, Chairman: General Manager of Technology Headquarters)

Remuneration of Directors – Remuneration Advisory Committee

The Remuneration Advisory Committee receives advice on the policies for determining the remuneration of Directors and Executive Officers, as well as the content of individual remuneration, and states its opinion therefore maintaining objectivity of the functions regarding remuneration of individual Directors and Executive Officers. In order to ensure objectivity, the Committee proactively utilizes external research and other data, and examines the appropriateness of the process for determining remuneration. (Chairman: independent external director, Frequency: annually in principle)



Incentive system for medium- to long-term corporate value enhancement

The remuneration of our Executive Officers links to the company performance and comprises appropriate incentives (remuneration and investment system) as a value equivalent to corporate value creation so as to create and secure excellent management human resources and to contribute to sustainable development as a listed company.

Elements of these incentives consist of fixed remuneration and an annual bonus as short-term monetary reward, Compensatory Stock Options which in order to exercise are subject to achieving performance goals set in our Medium-Term Management Plan, as an investment system linked to medium-term performance and stock price, as well as a stock awards plan in which issued stocks fluctuate in accordance with ROE performance. This well-balanced incentive system is structured against short-, medium- and long-term management responsibility assumed by the Directors.

As a motivation for the employees to increase our corporate value, we encourage them to acquire treasury stock through our employment stock ownership program. Specifically, we have introduced “Long-term stock ownership incentive system,” through which we provide incentives added to the monthly incentive system in a phased manner according to period of contribution/ownership, and Employee Stock Ownership Plan (ESOP) for formulating the 5th Medium-Term Management Plan. Our executives and employees are united to increase our sustainable corporate value.

Groupwide efforts to promote internal control

Daiwa House Group instituted Regulations for Group Management in 2007. By these regulations, each company of our Group, as a basic principle, ensures to further develop their business with a spirit of independence and self-reliance and the rule to require reporting to Daiwa House Industry concerning priority items was adopted. Under moderate influence of administration and discipline by Daiwa House Industry, we respect flexible and efficient business conduct of each Group company and guarantee the appropriateness of their business.

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

Human Rights Management

Concept and Policy

Daiwa House Group supports international standards including the Universal Declaration of Human Rights established by the United Nations and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO)*. We also place compliance with “Guiding Principles on Business and Human Rights” which is a global standard approved by the UN Human Rights Council as our foundation. We pursue our business activities while respecting the dignity and basic human rights of our customers, business partners, employees and all other stakeholders. We support the “Children’s Rights and Business Principles” released by the UN Global Compact and UNICEF and conduct our work based on this principle.

In concrete terms, Daiwa House Group declares in its Principles of Corporate Ethics and Code of Conduct its stance on respect for human rights: “We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.”

For our business partners, we have established the CSR Procurement Guidelines as comprehensive social and environmental standards concerning human rights, labor practices, environmental protection, and bribery (including anticorruption), and which clearly states about respecting human rights as one of the codes in the Business Partner Code of Conduct, so therefore we will respond to human rights issues that occur in our supply chain in a responsible manner.

From now on we will take measures toward respecting human rights at overseas sites in response to globalization of our business, understand and monitor the effects from the standpoint of human rights due diligence, pick out issues, strengthen our improvement mechanism, and by adapting to the needs of the times, continuously raise awareness of all of our executives and employees who are our foundation of human rights management.

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

Daiwa House Group Principles of Corporate Ethics and Code of Conduct (Parts relating to human rights are excerpted)

Respect for human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.

1. Creating an environment that respects human rights

We will strive to deepen understanding by participating in human rights awareness-raising activities. We will bear that in mind in our words and behavior to respect the personality and individuality of each person and to create an environment that respects human rights.

2. Fair recruiting activity

Based on the concept of fair recruitment and selection, we will only judge and select applicants based on aptitude and capability.

3. Elimination of discriminatory business conduct

We will not discriminate in our business activities, or perform acts to contribute to discrimination.

4. Reception of diversity

We will build up a corporate culture that can make use of perspectives and ideas of people varying in values, gender, generation, ethnicity, language, culture, and lifestyles.

5. Dealing with undue pressure on corporations using buraku discrimination

We will deal organizationally against undue pressure on corporations using buraku discrimination with a dauntless attitude and will never accept unreasonable demands.

Daiwa House Group CSR Procurement Guidelines (Parts relating to human rights are excerpted)

(1) Business Partner Code of Conduct

7. Respect human rights: respect the dignity and basic human rights of all people relating to our business activities and do not abuse human rights.

(2) Corporate Activities Guidelines

7-1. Elimination of all forms of forced or compulsory labor

Do not make employees work against their will by unreasonably binding them mentally or physically.

7-2. Abolition of child labor

Do not employ children below the minimum working age (the minimum working age is 15 years old in principle, and labor that has possibility to impair their health, safety, and morality will be 18 years old) provided in the law of each country.

7-3. Abolition of any form of harassment

Respect the individuality of employees and do not perform behaviors or harassment that deny their individuality. Do not perform sexual harassment.

(3) Guideline for Products

② Biodiversity Guidelines [Wood Procurement]

- Areas and tree species that have issues or clear grounds of legality and sustainability such as human rights violations and government corruption are set and assessed as “high risk areas” (in fiscal 2016, three areas were set).

- Assess only three forest certifications, FSC, PEFC and SGECC that have strict standards on human rights and biodiversity.

* Example items of human rights in assessing wood procurement

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

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

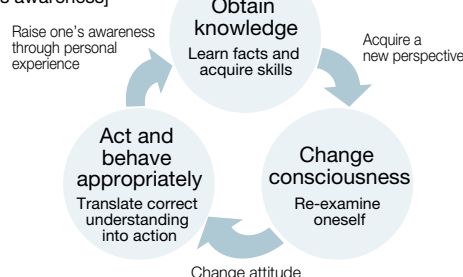
We also inform employees annually about human rights awareness-raising activities in all of the worksites in our Group, the policy on building a human rights management structure and “Human Rights Awareness-Raising Activity Policies” through our in-house notices at the beginning of the term.

Related subjects The 79th Human Rights Awareness-Raising Activity Policies
<http://www.daiwahouse.com/sustainable/csr/pdfs/2017/jinkenhoujin.pdf>

- Our Vision on Human Rights Awareness-Raising - Just and fair response at all times

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

[Cycle of raising human rights awareness]



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

We provide products and services to customers in various situations, helping them to achieve abundance in their lives.

We make sincere efforts for human rights, thereby enhancing the company's corporate value and winning our shareholders' trust.

We nurture the spirit of solidarity with our business partners, building an equitable relationship founded on mutual understanding.

We work to create a corporate climate in which employees' diverse characteristics are positively accepted, dedication to work is correctly rewarded, and members mutually enhance each other's abilities and character.

We strive to understand community residents' feelings and contribute to building a society that is founded on solidarity and is free of prejudice.

The Daiwa House Group employees adopted “Our Vision on Human Rights Awareness-Raising” to share their future vision through human rights awareness-raising (education). (April 2015)

■ Priority issues of the Medium-Term CSR Plan concerning human rights and the page this report is published on

Target	Priority issues of Medium-Term CSR Plan on human rights	Main themes on human rights	Pages published on
Customers	Provide high quality products	Product safety	P25–28
	Proper communication with customers	Restriction of marketing communication leading to human rights violations, personal information management	P28–30
Employees	Provide a safe and healthy work environment	Occupational safety and health	P39–41
	Creating work environments and systems where a diverse range of employees can work flexibly	Abolition of discrimination, promotion of diversity	P46–47
Business partners	Encourage business partners in CSR efforts	Responding to human rights and labor practices in the supply chain	P54–57
	Improve labor conditions and ensure human resources for construction subcontractors	Safety and health of employees in our construction-related business partners, improvement of work environment	P57–59
Community residents	Active involvement in, and collaboration with other parties for local community development	Cooperation and assistance with NPOs Exchange with community residents at plants	P67–73
Foundation of CSR management	Responding to human rights issues	Prevention of all forms of discrimination and harassment	P127–132
	Human rights awareness-raising	Human rights awareness-raising activities taking into account the influence of employees on individual stakeholders	



Foundation of CSR Management

Management

Daiwa House Group is fully aware that no corporate entity can operate its business without its employees, and “business activities that respect human rights” and “business activities that are not complicit in violating human rights” by corporate entities are examples of duties fairly conducted by each and every employee. Therefore, we have organized a system to survey and understand human rights risks and to respond (including improvement and relief) according to the philosophy that awareness-raising and education activities for employees engaged in all of the operations is the most important commitment in human rights management. Details of concrete surveys and the implementation status of services will be described below.

In particular, we recognized “discrimination” as a “social issue that cannot be explained reasonably by ignoring personal individuality

and based on the person’s affiliated group or social category and that is treated differently (detrimentally).” Real estate including buildings are not only valuable to customers. Construction of buildings has business characteristics in which our employees take the lead and create through direct communication with customers, business partners, community residents and various stakeholders. Therefore, if our employees do not correctly understand about human rights they may be complicit in discrimination unconsciously.

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

Human rights management system

Target stakeholders	Policy	Impact study and monitoring	Planning and implementation of response to issues	Whistleblowing system and consulting services
All stakeholders	Principles of Corporate Ethics and Code of Conduct	Understanding of human rights issues through engagement with “various organizations and NGOs” representing individual stakeholders. Understanding from the following surveys	CSR Department mainly promotes responses of each department in the Head Office and worksites responsible for handling human rights issues	Response to human rights issues given to the following various whistleblowing systems · Official Website consultation service (e.g. consultation on the Act on the Elimination of Disability Discrimination)
Customers	CS philosophy	· Survey relating to CS · Inspection relating to safety and quality of buildings	· Improvement via CS Committee · Improvement of building safety in accordance with quality assurance system	· Daiwa House Industry Customer Consulting Center
Our employees	· Vision on Human Rights Awareness-Raising · Human Rights Awareness-Raising Activity Policies (policies by the President and COO)	· Survey on actual conditions of human rights · CSR awareness survey · View Research 100	· Human rights awareness-raising training operation plan (including human rights awareness-raising organization chart) · Workplace awareness improvement based on CSR awareness survey	· Corporate Ethics and Human Rights Helpline · Risk Information Hotline · Auditors whistleblowing system · General Affairs Department of all of the worksites (consulting services for harassment, etc.)
Business partners (construction subcontractors, employees of suppliers)	· CSR Procurement Guidelines	· Self-assessment on CSR Procurement Guidelines · CSR wood procurement survey · Questionnaire survey for business partners	· Improvement request to business partners via CSR Procurement Subcommittee · Improvement of our worksites based on questionnaire survey for business partners	· Partners Hotline

Detecting risks relating to human rights

To understand the human rights awareness and actual status of its employees, the Daiwa House Group conducts fact-finding survey every four years. As for the results of the survey, the Head Office’s department in charge analyzed collected data by worksite and by Group company and summarized the results in “Feedback sheet,” so the problems and issues have been clearly visualized.

Human rights awareness-raising promoters are supposed to make use of the problems and issues revealed by the survey in planning future human rights awareness-raising activities.

Corporate Ethics and Human Rights Helpline

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

In the process of working toward resolution, the wishes and privacy of the consulter are respected including whistleblowing under anonymity and hearings of the persons concerned are held to confirm the facts based on compliance with confidentiality. Along with such actions, appropriate measures are taken to prevent recurrence. Once the problem has been resolved, a followup investigation is carried out to ensure, in some cases,

that the reporter will not be subject to retaliatory treatment or that improvements have been made, thus always protecting hotline users.

As measures for recurrence prevention, information is shared among related worksites and departments via the persons in charge of the hotline to raise general awareness of the risks. Training programs are also organized to draw attention to such issues. Also, points of contacts for reporting and consultation for Group employees have been put in place at the CSR, Legal, and Human Resources Departments, facilitating the detection of legal irregularities, violations of human rights, workplace problems, and the like. Several contact points are available within the company to lower the psychological barrier that employees may feel about reporting or seeking advice, thus easing the way for them to reach out at an early stage.

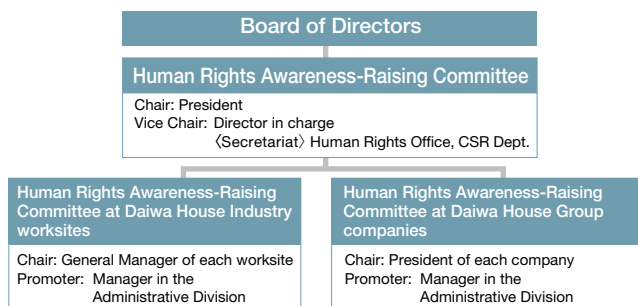
In addition, as with the Corporate Ethics and Human Rights Helpline, we accept issues relating to human rights via the Partners Hotline which is a whistleblowing system from business partners in relationship between Daiwa House Group employees and business partners.

System for promoting human rights awareness-raising activities

The Group has organized Human Rights Awareness-Raising Committee headed by the President, as described below, to periodically check the implementation status of the human rights awareness-raising activities of the entire Group.

Additionally, human rights awareness-raising promoters are assigned to each worksite of the company and Group companies to ensure provision of trainings at each workplace and swift response and reporting on individual human rights problems.

■ Organization of the Human Rights Awareness-Raising Committee



Implementation of human rights education

The company is focused on human rights awareness-raising training for obtaining proper knowledge. At each worksite, all employees are ensured to receive human rights awareness-raising trainings more than twice a year (more than once a year at each Group company). All training programs by job grade deal with human rights-related theme to promote understanding and dissemination of the relation between our position/assignment and human rights.

Guidelines for land use surveys

As a building constructor that is essentially linked with land use, we pay particularly close attention to avoid complicity in buraku discrimination (also called the “dowa issue”), discrimination against the descendants of Japan’s feudal-period outcasts historically associated with specific geographic locales. For this purpose, in 2011, we drew up anti-discrimination guidelines for our market research and other activities, along with a check sheet.

Major efforts

Total number of discrimination cases and corrective actions implemented

In all of our worksites and Group companies, we have positioned human rights awareness-raising promoters and constructed frameworks to promptly respond and report on individual human rights issues. In fiscal 2016, no individual and specific discrimination case was reported.

* In addition to reporting to this organization, we operate a hotline for in-house breach notification and consultation for employees called Corporate Ethics and Human Rights Helpline, and implement consultation and handling of harassment.

Related page ▶ P134 Whistleblower systems (grievance mechanisms)

Results of applying human rights due diligence to stakeholders in business

■ Assessment of employees human rights risks

We respond promptly, individually and specifically to consultations concerning violation of human rights from customers and stakeholders other than our employees and employees of our business partners (consultation cases in fiscal 2016 were zero), and conducts a CSR awareness survey annually as an effort to confirm the level of employees understanding and permeation of Daiwa House Group Principles of Corporate Ethics including respect of human rights. We have been conducting this survey from fiscal 2004 and in fiscal 2016 we received 46,438 cases from the entire Group. Besides this survey we conduct every four years the actual conditions survey on human rights issues in each workplace with the aim of understanding actual conditions of human rights awareness and violation of human rights. This survey was conducted in 2015 at Daiwa House Industry and in 2013 at Group companies (28 companies), and there were 11,237 responses (response rate: 75.6%) and 14,814 responses (67.5%),

respectively. Results of these responses were provided to all of the worksites and Group companies as feedback and are utilized in improvement.

Several opinions to improve the work environment are written in the above surveys and given to the Corporate Ethics and Human Rights Helpline every year. For the purpose of respecting fundamental human rights at work, we have adopted a computerized management system to accurately register daily working hours and attendance and absence at all the offices. This is a centralized data management system that records attendance and quitting times and handles procedures such as the issuance of orders and approval for overtime work. At the same time, we have been taking various measures to reduce working hours, by eliminating late-night overtime work, thus reducing the physical and psychological burden on employees, and reviewing the way the company works in general. For example, we have adopted a “lock-out” system on a Groupwide basis, under which all the offices are automatically closed at nine in the evening. Meanwhile, we have been making continuous efforts to streamline work and increase efficiency. In fiscal 2011, the Human Resources Department commenced a periodic office inspection. In fiscal 2012, a new working hour control system was introduced. In this system, office computers can be made inaccessible outside regular working hours if their users have not undergone formalities to obtain approval for overtime work or working on holidays. In this manner, employees are protected from taking on excessive workloads by both motivational and systematized measures aimed at eliminating illegitimate overtime work.

■ Assessment of business partners human rights risks

The company carries out questionnaire surveys toward business partners on a worksite level to check if there are problems that may lead to violations of laws and regulations as well as actual conditions of human rights violations. After carrying out the questionnaire survey, each worksite prepares an improvement plan and conducts improvement activities to prevent a problem from occurring. We also report the survey results and improvement plan to our business partners.

To identify risk factors in our supply chain, we check and monitor primary subcontractors’ work progress in construction sites and plants, using our checklist that includes such items as workplace safety, labor relations including child labor and forced labor, and waste disposal. If there is any problem, we will take correction measures in a timely manner, and take action to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question.

With regard to wood procurement, which involves particularly high environmental and human rights risks among other materials that we purchase, we conduct an annual monitoring survey of business partners placed under the responsibility of the Purchasing Department, which accounts for most of our wood procurement, the Product Development Department, the Design & Construction Department, the Condominium Promotion Division, and five Group companies. For a business partner that fails to satisfy our requirement standards, we conduct a survey interview and take corrective actions.

Last year, no formal complaint was filed against our company concerning forced or compulsory labor. The entire class of executives is made thoroughly aware that appropriately regulating employees’ working hours is the very least that we should observe in compliance with the labor law. Likewise, no formal complaint was filed against the company concerning child labor. Under the company’s Code of Conduct, we declare our practice of fair recruitment. While it’s natural for us to observe the ban of child labor as stipulated by the Labor Standards Act, we are also working on fair recruitment/selection of employees as a promoter company of the Fair Recruitment and Human Rights Center. In December 2015, we acquired certification as a “company proactively committed to fair recruitment and human rights awareness-raising” from the said Center.



Stakeholder engagement in applying human rights due diligence

Engagement with employees

We organize the aggregated results of the CSR awareness survey on a sheet so that year-on-year change and Groupwide averages can be compared and provides feedback to worksites and departments. In individual workplaces, employees confirm their issues and areas lacking effort, and then draw up an improvement plan and report the plan to the Head Office. We implement a mechanism in which outcomes of the current fiscal year can be confirmed from survey results of the next fiscal year and are making improvements continuously.

Results of the actual conditions survey on human rights issues are analyzed per worksite and Group company by the department in charge of the Head Office, and “feedback sheets” stating overview towards improvement are prepared and questionnaire points and issues are visualized. Human rights awareness-raising promoters take into account and make use of problems and issues when planning human rights awareness-raising activities such as future training.

Engagement with business partners

Results of the questionnaire survey for business partners and improvement plans based on these results are explained and informed by utilizing the opportunities of meetings that business partners’ employees attend such as the consultative meeting to promote occupational safety and health held in worksites. Also, we implement a mechanism to assess the results of these actions by survey results of the next fiscal year.

We also conduct dialogue on safety and work environment through meetings with member organizations (the Trillion Club, the Confederation of Partner Companies) of suppliers and construction-related business partners.

Related page P144 PDCA Cycle for CSR Management of worksites
P55 Member organizations in our supply chains

Response to human rights violation

Grievance mechanism relating to employees human rights

In fiscal 2016, the Corporate Ethics and Human Rights Helpline received 150 cases of whistleblowing and consultation mainly on the work environment. In resolving complaints, we respect to the extent possible the intention of consulters, and in some cases, confirm the facts by hearing from parties concerned and then impose disciplinary actions or directly instruct to the actor as a corrective action.

Related page P134 Whistleblower systems (grievance mechanisms)

Response to issues relating to harassment by employees

At the company, moral harassment, especially the kind bordering on power abuse, and sexual harassment are strictly forbidden as prescribed under the company regulations and communicated via in-house notices. Offenders are subjected to punishment. Through seminars and educational booklets, we repeatedly impress upon employees the fact that moral harassment is more than just a problem for the persons concerned and that it should be viewed as an organizational problem that can lead to the lowering of morale in the workplace concerned. As for sexual harassment, considering the importance of early responses and easy access to advice, points of contact for reporting and consultation are put in place at the Head Office as well as all the worksites. Since victims of sexual harassment are mostly women, both male and female

consultants are appointed. Moreover, a mechanism has been put in place to reinforce coordination between the Head Office and worksites in this regard. For example, all the worksites are required to submit a report to the Head Office every three months, detailing progress of preventive measures that they have devised, such as antiharassment training programs and the diffusion of information on contact points, and also notifying the number of consultations. In fiscal 2016, the total number of Corporate Ethics and Human Rights Helpline users reporting or seeking advice on harassment and responded to was 35 (33 cases in fiscal 2015).

Cooperation with human rights organizations and initiatives

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

[Major cooperation organizations]

- ① Buraku Liberation and Human Rights Research Institute
This organization works toward the elimination of all forms of discrimination and the realization of a society in which all human rights are respected.
- ② Corporate Federation for Dowa and Human Rights Issues, Osaka
This organization is aimed at generalizing correct understanding and knowledge about buraku discrimination from the corporate CSR perspective in cooperation with local governments, based on the belief that the earliest resolution of the dowa issue is a task of national importance.
- ③ Fair Recruitment and Human Rights Center
This organization was established to encourage proactive corporate initiatives for the establishment of fair recruitment criteria and the promotion of in-house human rights training programs.
- ④ Association of Osaka City Corporations for Human Rights
This is an association of particularly socially influential Osaka-based corporations that engage in mutual improvement and awareness-raising to build a “brighter society.”
- ⑤ New Media Human Rights Organization
This non-profit organization (NPO) was established to contribute to solving a variety of human rights-related problems that occur on the Internet.
- ⑥ Multi-Ethnic’ Human Rights’ Education Center for Pro-existence
This NPO was established to promote necessary changes for the realization of a society in which true harmony and solidarity exist between Japanese and non-Japanese, on the assumption that Japan will become a multi-ethnic society in the 21st century.
- ⑦ Normalization Club
This social welfare corporation engages in social welfare projects and operates or manages social welfare facilities that support the daily lives of, and provide community-based welfare services for, the elderly and people with disabilities. The organization is aimed at realizing a society in which the human rights of all persons are respected, regardless of the presence or absence of disabilities.
- ⑧ Osaka Real Estate Marketing Association
This is a voluntary organization of corporations that pledge to respect human rights in their business operations and wish to improve their marketing capabilities and human rights consciousness, toward the goal of building a society free of discrimination.

Implementation status of human rights awareness-raising activities against employees

Human rights awareness-raising training

All the employees of the company receive human rights awareness-raising trainings more than twice a year. Each of our 93 branch offices and plants across the nation as well as the Head Office, Tokyo Head Office and the Taiwan branch office voluntarily selects its own human rights theme and provides training. After trainings are provided, Human Rights Office of CSR Department collects and checks training report of all participants.

When we detect the problematic ideas or obviously wrong understanding in participants' questions through the report in case they are dissatisfied or have doubts about training contents, we reply to them individually to raise the awareness of the employees. Therefore, they include, for example, training programs for Directors and Executive Officers, employees in executive and supervisory positions, and new recruits, to enable employees to learn to fulfill their responsibilities commensurate with their positions.

We have developed original DVDs and materials on the subject on the Act on the Elimination of Disability Discrimination enforced in April 2016, and distributed to all of the worksites and Group companies. We also conducted "Universal Service Experience Training" practically teaching how to serve and treat wheelchair users, the visually impaired and the hearing impaired to those worksites interested.

In April 2016, we implemented human rights awareness-raising trainings for the first time at our overseas base (Taiwan branch office). In April 2017, we conducted training on the subject of "the disabled in Taiwan" by inviting a speaker from a local NPO, Taiwan Access for All Association. We will continue to select human rights theme and provide trainings not only in Japan but also overseas in consideration of culture, custom and others of the region.



Human rights awareness-raising training conducted at the Taiwan branch office

Implementation status of human rights awareness-raising training

Type of training	Total number of participants	Total training hours*	Participation rate
① Daiwa House Industry worksite training	34,896	17,448 hours	183.8%
② Daiwa House Industry Head Office hosted training (grade-specific programs)	1,942	2,913 hours	—
③ Group companies training	43,111	21,556 hours	122.3%

* ① and ③ are aggregated as 0.5 hours, and ② as 1.5 hours.

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

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

Other measures to avoid complicity in human rights violations

We conduct human rights awareness-raising training and other awareness-raising activities in a continuous manner and according to schedule so that employees will not be complicit in violating human rights. In compliance with the Daiwa House Group Principles of Corporate Ethics, in which we declare that we take a firm attitude and collectively act and "cut off all ties with antisocial forces, regardless of the reason," all the executives and employees share the same commitment to not having any contact with antisocial forces (such as organized crime groups). For this purpose, we maintain regular contact with related external organizations including the police, lawyers, and the National Center for Removal of Criminal Organizations. In our major contracts, such as basic service contracts with our business partners, a clause is always included for the elimination of antisocial forces to enable us to immediately cancel the contract if the business partner is found to be an antisocial force. Furthermore, in February 2016, we established "Regulations for Responding to Anti-social Forces," which sets out how to respond to anti-social forces as an organization, obligatory pre-transaction attribute examination of business partners and others. The regulations have been operated since April.

Implementation status of human rights awareness-raising activities with business partners

We established the Business Partner Code of Conduct in 2006 and CSR Procurement Guidelines in 2015 and has presented comprehensive policies calling on business partners such as protecting human rights and law compliance. At the establishment of CSR Procurement Guidelines, we conducted briefing meetings to inform our business partners. Furthermore, we conducted a self-assessment in April to May, 2017 in order for the Guidelines to gain foothold. As for physical safety, an important human right for workers, we have conducted business owners training targeted at business owners of our business partners, as well as new visitor education, and supervisors/safety managers education targeted at workers.

Related page P56 Encouraging business partners to respect human rights and institute good work practices

Response to rights of indigenous people

As we procure wood from all over the world, we have established CSR Procurement Guidelines – Biodiversity Guidelines [Wood Procurement] as our policy in order to avoid complicity in biodiversity destruction or human rights violations. In accordance with these Guidelines, we conduct surveys on wood procurement annually, and in assessing the survey results, we set it as an assessment item so no procurement is conducted from areas categorized as "high risk areas (tree species)" with high possibility to violate the rights of indigenous people. In case we confirm actual conditions of procurement from such areas, we will conduct corrective activities against relevant suppliers. Furthermore, we timely amend assessment items including high risk areas based on information obtained from NGOs and forest certification bodies possessing detailed information on logging areas worldwide. Since the establishment of these Guidelines in 2010, the most recent amendment of assessment items was performed in fiscal 2016.

In fiscal 2016, wood procured from high risk areas accounted for 2.5% of the total in the survey and has improved 2.2% from the last fiscal year (4.7%).

Related page P105–106 Preserving biodiversity in our procurement and business activities



Risk Management

Concept and Policy

The Daiwa House Group considers it important to identify risks associated with the economy, financial market trends, compliance, environments, quality, information security, human rights and others that may influence the management of the Group so that it can prevent and control these risks and minimize the loss caused by them, in order to avoid adverse effects not only on us but also on our stakeholders who are involved in our businesses.

In fiscal 2016, the General Manager of Management Administration Headquarters who also serves as the Executive Vice President promoted risk management activities based on the major policy “Cultivate a Corporate Culture based on ‘Being Complete in Small Things’” and a priority item “Thorough Risk Management and Compliance – Comply with the Construction Business Act, the Building Lots and Buildings Transaction Business Act and the Labor Standards Act.”

In addition, we have set priorities as below for fiscal 2017.

The fiscal 2017 Policies set by the General Manager of Management Administration Headquarters (Excerpted)

Thorough risk management and compliance

- ① Identify issues through an operational audit (audit report)
- ② Comply with the Construction Business Act
- ③ Comply with the Building Lots and Buildings Transaction Business Act
- ④ Comply with the Labor Standards Act

Management

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

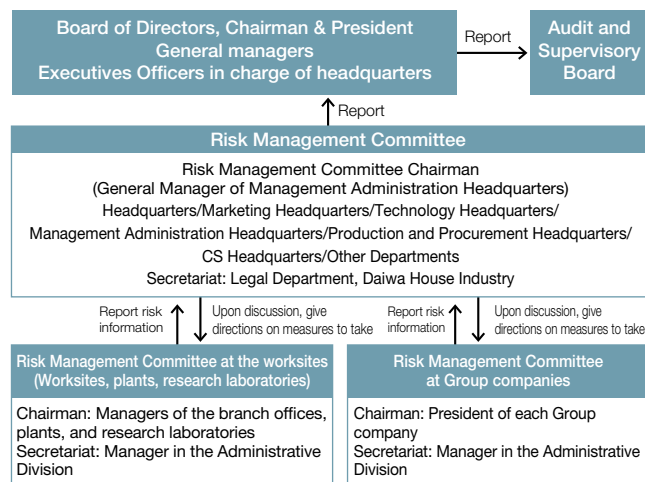
Further, we have established the Risk Management Committee as a meeting structure specialized in risk management, and made it mandatory to individually report any risk cases immediately to the Head Office Risk Management Committee Secretariat. Through this initiative, reported information on risks associated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

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

The Risk Management Committee Chairman is, as a director of the risk management, responsible for developing the Daiwa House Group's risk management system and implementing risk preventive measures.

Furthermore, managers of risk management are assigned at each department to monitor risks continuously. Serious scandals and accidents occurred at other companies are also notified to the chief administrators immediately, to whom required education is provided. On top of that, a division has been established to audit everyday risk management situation at each department. Matters relating to risk management collected through the above are periodically reported to the Board of Directors and the Audit and Supervisory Board to take necessary actions.

Organizational chart for communicating risk information



Whistleblowing systems (grievance mechanisms)

With an aim to collect risk information that is not appropriate to report to a Risk Management Committee member or a branch manager at an early stage, our Group has established the Risk Information Helpline within the Risk Management Committee Secretariat, in accordance with the Whistleblower Protection Act. With this, we have made it possible to report any risk information anonymously.

As one of the whistleblower systems, we have launched the Corporate Ethics and Human Rights Helpline. With this Helpline, which can help prevent corruption including bribery, we are working toward the prevention and early detection of workplace wrongdoings such as violations of law and acts of dishonesty. We are making every possible effort to protect the privacy of whistleblowers and prevent unfavorable treatment toward them including reception of anonymous reporting on violations of the Code of Conduct and policies. Furthermore, information on critical cases is shared at training for General Affairs and Accounting General Managers, compliance training and legal training, etc., to ensure such cases are widely disseminated within the Group.

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

Understanding risks in the supply chain

For thorough risk management at each worksite of the supply chain, the Production and Procurement Headquarters is working in cooperation with the plants and branch offices by focusing on safety, quality and compliance.

Specifically, the Department links the five categories of safety, quality, operations, procurement and environments with risk management through operational audits. It considers some of the issues pointed out by an audit and their contents as plant risks, and such risks are managed through the PDCA Cycle by the Plant Risk Management Committee, and the Department discusses the PDCA Cycle and gives instructions of the Head Office Risk Management Committee to the plants and branch offices. In this way, the PDCA Cycle is repeated at plants and the Head Office.

Related page P58 Support for issues faced by plant subcontractors

The operation of a risk information network system to be started

For quick and effective collection, sharing and analysis of risk information, our Group has been building a new network system. This system is expected to launch in fiscal 2017.

Major efforts

Precautionary approach

1. Internal Control Committee

In July 2015, the Board of Directors resolved that an Internal Control Committee shall be established. This Committee receives reports on the internal control situations within the entire Group with an aim to verify and correct any internal control defects. It consists of Executive Officers in charge of Administrative Divisions and Headquarters.

The Committee mainly discusses reports on the internal control situations within each department, the building of overseas internal control systems, the establishment of the Auditors' Whistleblower System, internal audit result reports and others.

2. Risk Management Committee

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

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

Whistleblower systems (grievance mechanisms)

① Corporate Ethics and Human Rights Helpline

I Purpose

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

Anyone in our Group can receive consultation through this Helpline when it is difficult to solve or improve the situations involving violations of law or acts of dishonesty, etc., within the workplace, or if an emergency response is required.

I Start of the operation

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

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

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

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

I Operation

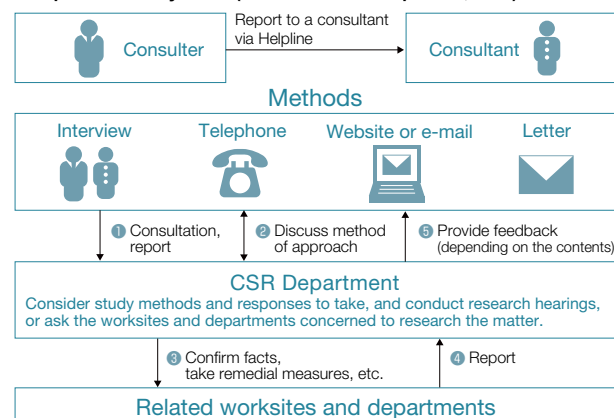
In order to internally deal with issues after confirming the facts as much as possible, as a rule, only the consuler can contact the Helpline.

When solving problems, the consuler's intention is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrence. We do our best to protect the privacy of the consuler and people involved as well.

According to the Whistleblower Protection Regulations, whether the consuler is suffering retaliation after the problem is solved and whether improvements are made after actions are taken are checked depending on the consultation contents in order to make sure that the consuler can work comfortably.

The Helpline can be used anonymously as well.

■ Operational system (website and telephone, etc.)



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



I Others

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

② Risk Information Hotline

Our Group has established the Risk Management Regulations and made it mandatory that when a risk case arises, its details are reported to the Risk Management Committee by the branch manager or persons in similar positions on an as needed or regular basis. However, it is expected that there will be risk information which will not be appropriate to report via this route (for example, information that may be covered up if it is reported to one's senior), and it is thought that it is important to know the signs and recognize a risk as a risk in order for us to manage risks.

Therefore, it is necessary to prepare a route through which our employees can report about risks in a simple and prompt manner when they think, "This is a risk, isn't it?" "Would it cause disadvantage for the company if I don't do anything about it?" "Are the company rules not being followed here?" From these perspectives, we have established the Risk Information Hotline as a point of contact for the whistleblowers regarding risk management.

I Operation

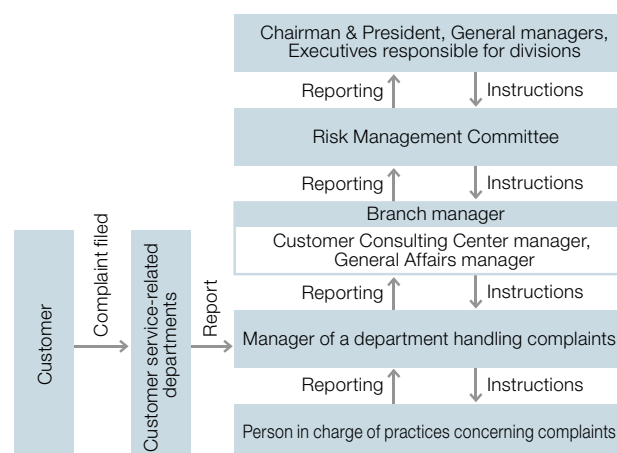
Information can be provided by telephone or by completing and sending a reporting form via the intranet. In order to prevent unfavorable treatment toward consulers, the Risk Management Regulations stipulates to the effect that consulers must not be unfavorably treated. This Hotline is available to be used by all the executives and employees including those working within the Group and can be used anonymously as well.

③ Complaints and opinions from customers

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

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

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



④ Partners Hotline

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

Similarly with the Corporate Ethics and Human Rights Helpline, a wide range of information is received such as that on labor problems, human rights and bribery including anti-corruption. This Hotline can be used anonymously, too.

In fiscal 2016, we received 16 reports and have already dealt with all of them.

⑤ Auditors' Whistleblower System

In October 2016, our Group started the operation of the Auditors' Whistleblower System through which information can be provided to our auditors who are responsible for supervision.

I Operation

In accordance with the Auditors' Whistleblower Regulations, we receive information regarding violations of law, acts against the company regulations and corporate ethics, etc., acts that may adversely affect the health and safety of our stakeholders, and acts that may lead to the deterioration and destruction of the global environment and others.

This Hotline is available to be used by all the executives and employees including those working within the Group and information can be provided via the intranet. It can be used anonymously as well.

The results of the whistleblower system operation

The numbers of reports received via our whistleblower systems (grievance mechanisms) for fiscal 2016 are as below. When solving problems, in accordance with the Whistleblower Protection Act and the company regulations, the intention of the consulers is respected as much as possible and the facts are confirmed through interviews with people involved and other means and then efforts are made to take appropriate actions and prevent reoccurrences.

	FY 2014	FY 2015	FY 2016
Corporate Ethics and Human Rights Helpline	175	131	150
Risk Information Hotline	1	6	9
Partners Hotline	16	16	16

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

Establishing an anti-bribery system

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

Related subject ▶ P140 Anti-corruption / Fair Trade

Reports on business in high-risk countries

When doing business in a country or a region, or with an individual or an entity, subject to sanction measures imposed by the Security Council, the U.S. government and other institutions which implement such measures, it is required to report the details of the business to financial institutions, etc., and there are risks associated with remittance restrictions, etc. Thus, we have made it mandatory to promptly report any such business to the Risk Management Committee at the planning stage.

Risk-reporting rule

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

No anti-competitive practices, etc., subject to legal action

In our Group, there were no cases subject to legal action due to an anti-competitive, anti-trust or monopolistic practice in fiscal 2016.

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

Reserves in anticipation of a violation of law and litigation

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

Initiatives for improved Group IT governance

In the recent social environments, how the information of a company should be controlled across the Group is one of the major management challenges.

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

In addition, we have prepared the information security support system with the Information Systems Headquarters that has been promoting our IT use and utilization as the leader, and through communications with the persons in charge of IT in the Group companies, we provide security topics, understand the actual security levels and give guidance on how to solve problems.

In fiscal 2016, considering the current situation around cyber attacks becoming more sophisticated, we adopted the latest security technologies and are sequentially implementing them in the Group companies. In addition, a common infrastructure and management administration foundation system is being used across the Group to facilitate the standardization of business processes and the appropriate use and utilization of its information assets.

Through these approaches to the establishment of a security system, we are working to enhance our IT governance in the entire Group.

Business continuity management

We aim to become a Disaster-resistant Company in order for us to fulfill corporate social responsibilities in case of a large scale disaster or other crisis that can cause extensive damage, by continuing important operations that support our business activities and by making efforts toward early restoration if the business is discontinued by any chance. Particularly, we consider an earthquake hazard as the most critical risk and are taking measures.

After an earthquake if a seismic intensity of upper 6 or higher occurs, we will set up a disaster countermeasures office within the Head Office and a local disaster countermeasures office near the devastated area, and our employees at each office will do predetermined duties so that we can promptly check and investigate affected property and build temporary houses based on requests from the Japan Prefabricated Construction Suppliers and Manufacturers Association. In addition, we have determined what to do in case the Osaka Head Office is affected, including transfer of operations to the Tokyo Head Office and/or a substitute Head Office in order to prevent our operations from not functioning.

After the Great East Japan Earthquake in 2011, we immediately set up disaster countermeasures offices and started preparing for the construction of temporary houses. The construction began on March 19, which was 8 days after the earthquake, and we built 11,041 temporary houses as the Group. Also in the 2016 Kumamoto Earthquakes, we made similar preparations and built 1,016 temporary houses as the Group.

Things to do after a disaster

- Confirm employees' safety and get information on affected branch offices
- Set up a disaster countermeasures office and a local disaster countermeasures office
- Transfer the operation of an affected call center to other call centers
- Select a substitute plant and transfer the production of the affected plant to the substitute one
- Organize an Affected Property Checking and Investigation Team and dispatch it to the affected area
- Organize a Temporary Housing Construction Team and dispatch it to the affected area
- Send relief supplies
- (In case the Osaka Head Office is affected) Transfer the duties associated with payments to external organizations to the Tokyo Head Office



Evaluation of ESG aspects in business investments

We evaluate the ESG aspects of a target company prior to signing an M&A contract as part of due diligence.

In addition, we evaluate the superiority, synergy possibilities in qualitative aspects, business risks and other factors of a target company by investigating its financial and tax aspects, as well as its business and legal aspects including business models, internal control systems, compliance levels, lawsuits, environments, human resources and labor management.

We assume the possibility that risks extracted through these evaluations and investigations will actually occur and the influence that they may give on the corporate value when they actually occur, and then we make a decision whether or not we will proceed with the deal and make necessary preparations for the contents of the M&A agreement.

Corporate Ethics / Compliance

Concept and Policy

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

In April 2004, our Group adopted the Principles of Corporate Ethics and Action Guidelines, which defined the rules of conduct to serve as a basis for realizing our company philosophy and policies. In 2014, we revised these to the Principles of Corporate Ethics and Code of Conduct, with approval of executive officers in charge of each division who also serve as a director, in response to changes of social situations in and outside Japan, and in order for each and every employee to put the Company Philosophy and the message we send in every aspect of our corporate activities, Co-creating a Brighter Future, into action even more.

■ Daiwa House Group Principles of Corporate Ethics

Believe One Heart

With our customers

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

With the compliance

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

With an ideal work environment

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

With business partners

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

With the environment

In line with our belief that environmental issues are a matter of concern for the whole world, we work to protect the natural environment and to bring about a society where people can live in harmony with nature.

With the communities

We respect the culture and customs of each region, and support the sustainable development of local communities through our business activities and social contributions.

Respect for human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, sexual orientation, gender identity, presence/absence of disability, age, creed, or social status.

Related subject Principles of Corporate Ethics and Code of Conduct
http://www.daiwahouse.com/about/csr/pdf/code_of_coduct.pdf

Management

With an aim to share the Principles of Corporate Ethics and Action Guidelines with our employees and help them put these into action, our Group has been producing an educational booklet titled CASEBOOK and distributing it to all employees since fiscal 2005. CASE BOOK is written so that the employees can understand the essence of Principles of Corporate Ethics and Code of Conduct through various cases and grow into employees who are capable of making judgments based on the Corporate Ethics in any situation. In response to changes of situations in and outside the Group, we revise the booklet every two years. The seventh edition was published in fiscal 2016 and it has been read out together in morning assemblies and on other occasions in the workplaces.



Furthermore, we conduct a CSR awareness survey once a year to monitor employees' awareness toward corporate ethics and compliance. The survey results are analyzed, feedback is provided, and the worksites and the Group companies make improvement plans and act on these plans, and in this way, the PDCA Cycle is repeated.

We operate various whistleblower systems such as the Customer Consulting Center for our customers, the Partners Hotline for our business partners, the Corporate Ethics and Human Rights Helpline, the Risk Information Hotline and the Auditors' Whistleblower System for our employees, as well as the Inquiries sections on the official websites, enabling these stakeholders to provide information to us in case they see any illegal, unacceptable, or suspicious activity.

For violations of law and our company regulations, we find the cause and the details based on the reports to the Disciplinary Committee with the President and COO as the chairman, and make the violator take responsibility. We share causes of violations in the corporate newsletters, through educational activities in the Corporate Ethics Month promoted by the Japan Federation of Economic Organizations and at training programs, in order to prevent them from reoccurring.

Policy regarding taxation

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

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

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



Foundation of CSR Management

Major efforts

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

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

In fiscal 2016, 76 such training programs were held, in which a total of 4,006 employees participated. During fiscal 2017, in addition to training programs organized by the Head Office, the worksites were encouraged to hold their own programs handling issues relating to compliance, promoting the continuation of independent and proactive compliance-related activities.

FY 2014	FY 2015	FY 2016
4,024 persons	4,864 persons	4,006 persons

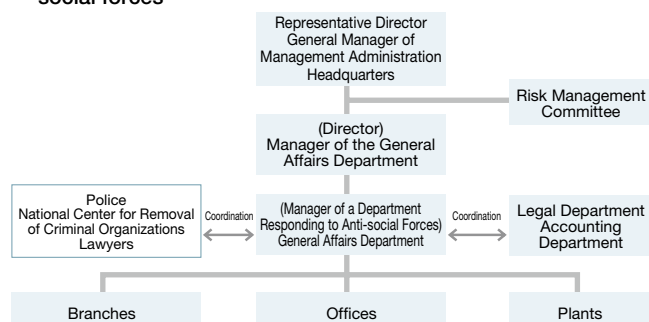
Complete prevention of connection with anti-social forces

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

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

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

Organizational chart for implementation of exclusion of anti-social forces



Function

Positions	Basic Function
General Manager of Management Administration Headquarters	Determination of Policy and Instruction for Resolution of Situation
General Manager of the General Affairs Department	Direction of Practical Measures taken for Resolution of Situation
General Affairs Department Legal Department Accounting Department	Practical Measures; Actual Consultation with Police
Branch Manager Plant Manager General Affairs and Accounting Manager	Improvement in Systems for Exclusion of Anti-Social Forces at Branch Offices and Other Operating Sites (*)
Common Employee	The employees shall have strong awareness about exclusion of anti-social forces, gather information thereon daily and report such information to the General Affairs Department.

* Systems for exclusion of anti-social forces at branch offices and other operating sites

Person in Charge	Function and Duty
Person responsible for Meeting	Grasping of Purpose and Demand, Fixing of Time for Meeting, etc.
Person in charge of Recording (Clerk)	Recording of Words and Deeds of Visitors, Use of Recorder, etc.
Person in charge of Observation	Observation etc. of Appearance, Clothes, Characteristics, Belongings, etc.
Person in charge of Reporting	Reporting to Police, etc.

Prevention of insider trading

Daiwa House Industry improves its system for preventing insider trading from happening and implements a training program for it Groupwide.

We have designated the person responsible for controlling insider information as the “Information Controlling Manager,” and the General Manager of Management Administration Headquarters has taken up such position. Generated insider information shall be immediately reported to the Information Controlling Manager.

We have built a system in which any of the executives and employees thereof and senior management of the Group company shall notify the General Manager of Management Administration Headquarters and obtain his or her approval before buying or selling any share or the like of Daiwa House Industry. Daiwa House Industry has built a system for employees of the Group company in which any of such employees shall notify the Information Controlling Manager appointed by each company and obtain his or her approval before buying or selling any share or the like thereof. When an applicant for such approval notifies his or her intention to do so, he or she shall check by himself or herself whether he or she has any insider information, and his or her superior (person in charge of controlling information) shall also check it. Thus more than one person checks it to prevent any insider trading.

Furthermore, training programs are implemented for new employees straight out of school and personnel employed in mid-career at the time of their entrances into the Daiwa House Group, thereby raise the awareness of them about the prevention of insider trading from happening. In addition, it continues to raise the awareness of them with the CASEBOOK, etc.

Anti-corruption / Fair Trade

Concept and Policy

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

Basic policies on prevention of bribery

The Daiwa House Group sets forth in the “Principles of Corporate Ethics” not only the policy on prohibition of bribery but also the requirement of fair competition. In particular, it specifically stipulates as the measures against bribery that “we shall not offer any bribe to any politician or officer or staff member of any government or municipal office or local self-governing body” and that “we shall refrain from any act that may be suspected to be aimed at getting any favor for any permission, approval or the like even if such act is a legal donation, attendance at a social gathering or the like.”

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

Furthermore, as results of the overseas business expansion, the increase in the risk of offering bribes to foreign government officials accompanying such expansion and increased domestic and overseas desires to further improve the systems for preventing offers of bribes, we consider it necessary to reinforce the system for prevention of offers of bribes. Therefore, it takes the following new measures:

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

Under the “Business Principles for Countering Bribery” of Transparency International and the “Guidelines for the Prevention of Bribery of Foreign Public Officials” of the Ministry of Economy, Trade and Industry of Japan, the Daiwa House Group has developed and determined the “Basic Policies on Prevention of Offers of Bribes” and stated that it prohibits any bribery because it hinders fair competition and aggravates social corruption.

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

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

The main rules thereof are as follows: ① selecting and appointing a director responsible for preventing offers of bribes; ② establishing the consultation hotline and whistleblower hotline for ordinary times and emergencies; ③ prohibiting offers of benefits, etc., to public officials, etc., in principle and allowing exceptions through procedures, etc., for getting prior approvals; ④ controlling third parties such as agents; ⑤ giving training to persons engaged in overseas businesses; ⑥ conducting audits by the Internal Audit Department; ⑦ reviewing them by management; ⑧ taking disciplinary actions against persons violating the Rules; and ⑨ supporting the Group companies in improving their systems.

③ Establishment of “Anti-Bribery Bylaws,” etc., made applicable to practical business affairs

In fiscal 2017, we plan to establish the “Anti-Bribery Bylaws” by making the “Anti-Bribery Regulations” more specific and applicable to practical business affairs. It desires to address anti-corruption by making the contents of these Regulations and Bylaws, etc., thoroughly known to and enforced on its executives and employees.

Basic policy on fair trade

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

Policy regarding political contributions

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

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

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



Management

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

■ Enforcement of anti-corruption with internal audits

To secure the transparency and fairness of business management pursuant to the Principles of Corporate Ethics, when asked for the investigation of corruption or illegal acts by the CSR Department or other relevant divisions, we conduct ad hoc internal audits to confirm the facts.

We have created the in-house supervisory mechanism, under which internal audits are implemented by Auditors and the Internal Audit Department; internal control activities over financial reporting are conducted by the J-SOX Department; issues are presented to the Risk Management Committee; and the Corporate Ethics and Human Rights Helpline is operated. We conduct corruption risk assessment by immediately making judgements on the information collected through such routes.

■ Enforcement of anti-corruption by Partners Hotline

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

■ Promotion of fair trade based on questionnaire survey toward business partners

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

■ Employee education on anti-corruption and fair trade

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

Major efforts

Awareness-raising activities intended for employees about prevention of bribery (corruption)

■ Making Code of Conduct common knowledge

The Daiwa House Group declares in the “Daiwa House Group Principles of Corporate Ethics and Code of Conduct” that it will never offer any bribe to any public official or do any act that may be suspected to be an offer of any bribe thereto. It endeavors to make all of its executives and employees have the knowledge about such prohibition and enlighten them about it by mentioning it in the “CASEBOOK.”

We shall refrain from any act that may be suspected to be aimed at getting any favor or any permission, approval or the like even if such act is a legal donation, attendance at a mere social gathering or the like.

Penalties and dismissals of employees for acts offering bribes

There was no case in fiscal 2016 where the Daiwa House Group imposed a penalty on any employee or dismissed him or her for his or her corrupt practice such as an offer of a bribe.

Prevention of money laundering

We endeavor to prevent any money laundering. The Act on Prevention of Transfer of Criminal Proceeds obligates home builders, financial product traders, etc., to take such actions as verifying trades specified therein before starting such trades in order to prevent money laundering and terrorism financing. We endeavor to prevent money laundering by thoroughly enforcing the verification procedure at the time of trades as provided for therein after drawing up the “Questions and Answers about the Act on Prevention of Transfer of Criminal Proceeds” and making all employees acquire thoroughgoing knowledge thereof and act properly pursuant thereto.

Risk assessment of corruption

We have included the provision for grasping and assessing risks of offers of bribes in the “Anti-Bribery Regulations.” In order to detect and assess risks of offers of bribes surrounding the Daiwa House Group, it carried out survey questionnaires for its Overseas Division and local subsidiary corporations about risks of offers of bribes in fiscal 2016.

Management of Intellectual Property Rights

Concept and Policy

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

Management

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

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

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

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

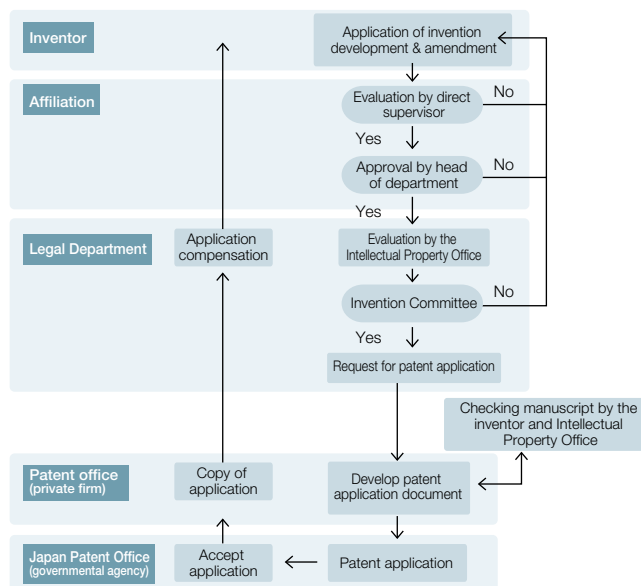
Intellectual Property Office

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

Invention Committee

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

■ Diagram of the intellectual property rights management system



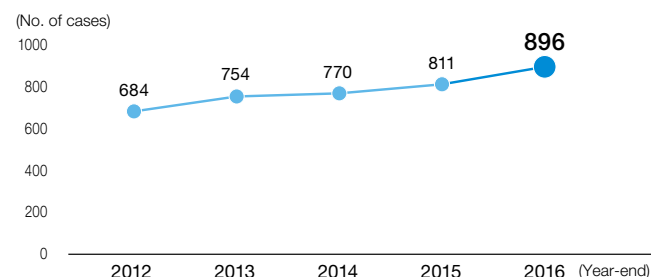
Major efforts

Number of patents owned

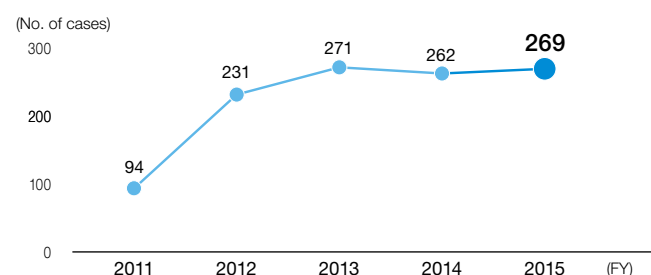
The number of patents owned (including those acquired outside Japan) was 896 as of the end of fiscal 2016, an increase of 85 from the end of fiscal 2015. The number of patents applied in Japan during fiscal 2015 was 269. The number of application is increasing as business segments in which we operate expands. The fields in which we have made patent applications reflect such trend: besides housing/building construction, or our pivotal business segment, in recent years percentages of the total number of our applications have been increasing in communication, robot and agriculture, which are related to our newly launched business segments.

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

Number of patents owned



Number of patent applications



CSR Management

Concept and Policy

The Daiwa House Group considers CSR Management necessary to realize a sustainable society, the sustainable growth of the Group and the enhancement of its medium and long-term corporate value. In order to implement CSR Management, it is necessary to carry it on under our CSR Guidelines so that it can acquire the social ability to satisfy requirements and expectations of society (stakeholders).

Daiwa House Group CSR Guidelines

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

Related page P7-10 Message from the Chairman and CEO
P15-18 Message from the President and COO

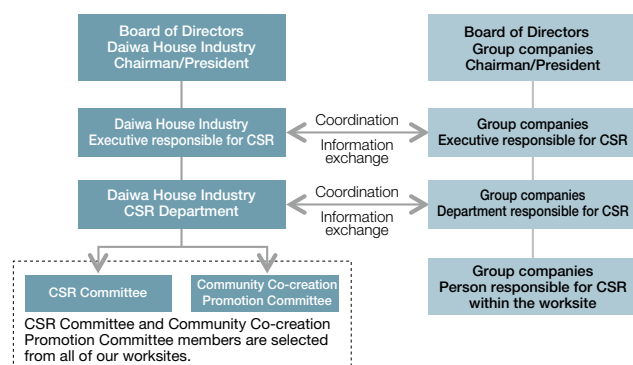
Management

CSR promotion organization structure

CSR Department and other departments of the Head Office led thereby have functions of planning and adjusting CSR-related policies, systems and items to implement in relation to CSR Management, and the Board of Directors decide important matters.

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

■ CSR promotion organization structure of the Daiwa House Group

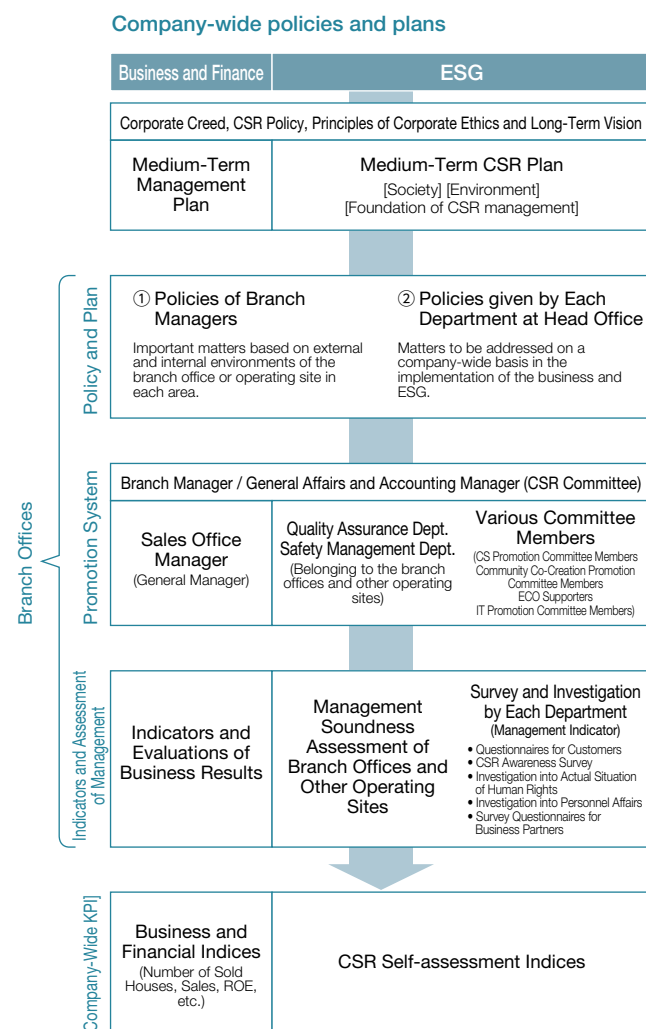


CSR Management system

We have clarified the fact that the managers of the worksites are the “representatives of the President” in the organization and transferred the powers to manage 83 worksites to their managers in the whole country. Such managers implement the CSR Management suited to the characteristics of local communities and the conditions in such offices and sites by existing together with stakeholders such as local customers and business partners.

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

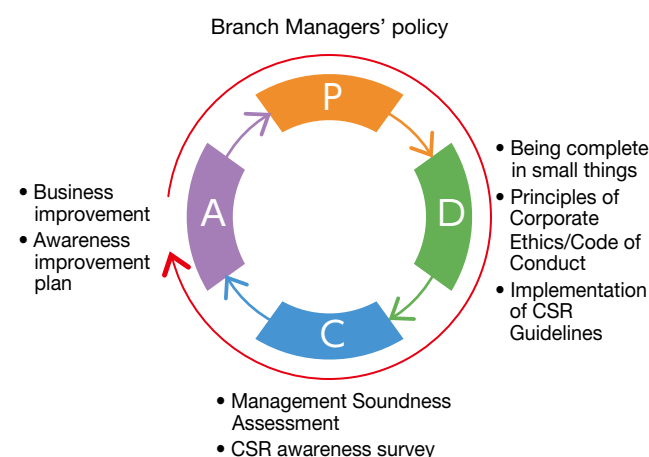
■ CSR management systems of Daiwa House Industry



Management soundness assessment of worksites

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

■ PDCA Cycle for CSR Management of worksites



■ List of assessed items in management soundness assessment of worksites

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

Major efforts

Main efforts by worksites in PDCA Cycle of CSR Management

Each of the worksites of Daiwa House Industry endeavors to improve CSR Management by implementing the cycle of Plan (Policy and Plan), Do (Implementation), Check (Confirmation and Evaluation) and Action (Improvement) thereof under the CSR Management System. The main efforts in the PDCA Cycle are as shown below. The Group companies also implement the similar PDCA Cycles.

■ Formulation of branch managers' policy (Plan)

The company provides explanation on its management policy with the managers of its nationwide branch offices at the annually-held “Nationwide Branch Managers' Meeting.” At this meeting, in addition to the business policies and plans, the company-wide policies and plans in relation to the ESG including strict observance of corporate ethics and compliance, risk management, personal development, ensuring occupational safety and health at the workplace are announced. And at all of our branch offices, Branch Manager's Policy is formulated in light of the above-stated policies, plans and issues, etc., that each branch office has.

■ Thorough enforcement of the Principles of Corporate Ethics and Code of Conduct (Do)

Each of the worksites does business in cooperation with various stakeholders and establishes its organizational foundation by endeavoring to develop its human resources, improve the quality of buildings and take other actions under the Branch Manager's Policy. The Daiwa House Group has drawn up the “CASEBOOK” as an educational pamphlet and distributed copies to all employees thereof in order to enable them to share the way of thinking shown in the “Principles of Corporate Ethics and Code of Conduct” constituting the basis of such endeavors and act thereunder. The Daiwa House Group has issued the seventh edition of the CASEBOOK in fiscal 2016, which the employees read together at each workplace of the worksites by making use of morning meetings, etc. In addition, it implements the training program of the CSR and human rights awareness-raising regularly.

■ Implementation of CSR awareness survey (Check)

Since fiscal 2004, the Daiwa House Group has been conducting an in-house CSR awareness survey to gauge the status of practice of the Principles of Corporate Ethics and Action Guidelines (later Code of Conduct) by employees in their respective workplaces. It is a completely original questionnaire survey conducted on the Group's intranet in which participants answer anonymously about 50 questions regarding their workplaces. The results are converted into numerical points, and average values are obtained. We are conducting self-check (self-diagnosis) by comparing the results with those of the previous year to see changes in the employees' awareness during the year, and each worksite compares the results with the across-the-board average to find out the points they need to make additional efforts.

■ Workplace awareness improvement plan (Action) based on CSR awareness survey

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

Cooperation with Industry Organizations

Concept and Policy

The Daiwa House Group believes it just as important to communicate with industry organizations that represent financial circles and the housing industry as it is with customers, employees, business partners, community residents living near our business sites and shareholders. By maintaining a dialogue with these industry organizations, both the organizations and we ourselves better understand the roles we are expected to play in society, release information both internally and externally, and take the lead in making policy proposals. Through our partnerships and other forms of relations with these organizations, we can contribute to important themes for building a sustainable world.

Leadership and policy proposals

Daiwa House Industry is a member of various financial and industry organizations and sits on a number of committees that focus on economic and social matters. As part of the housing industry, we are often called upon to demonstrate leadership and release information for the purpose of formulating and proposing policies to government.

Japan Business Federation

The Japan Business Federation was established to stimulate and release the business potential of individuals and entire regions, and to promote the sustainable development of the Japanese economy and improvements to the standard of living in Japan.

Japan Federation of Housing Organizations

The Japan Federation of Housing Organizations represents a plethora of industries that accommodate a wide diversity of housing structures and building methods. It was established to respond to social demands placed on the housing industry as well as internal issues within the housing industry, and to contribute to better quality housing and a higher standard of living.

Japan Prefabricated Construction Suppliers and Manufacturers Association

Two of the pillar missions of the Japan Prefabricated Construction Suppliers and Manufacturers Association are to develop a broad range of activities, beginning with technology and human resource development, aimed at improving the quality and performance of prefabricated structures, and to build emergency housing in times of disaster.

Industry organization	Committees, etc.
Japan Business Federation	<ul style="list-style-type: none"> Board of Directors Committee on Urban Policy and Housing Development
Japan Federation of Housing Organizations	<ul style="list-style-type: none"> Policy Committee Subcommittee on Project CS & Work Safety Management International Exchange Committee
Japan Prefabricated Construction Suppliers and Manufacturers Association	<ul style="list-style-type: none"> Board of Directors (Chaired by our CEO) Housing Committee / Work Safety Subcommittee / Housing Stock Subcommittee / CS & Quality Committee / Committee on Warranties and Insurance against Defects / Education Committee
Foundation for Housing Production Promotion	<ul style="list-style-type: none"> Board of Directors (Our COO serves as vice-president)

Dialogue and cooperation with external organizations

We discuss social themes and cooperate in related efforts with diverse industry organizations.

Consortium for Building Research & Development

The Consortium for Building Research & Development was established following a proposal by the Building Research Institute with the objective of effectively utilizing research, development and corporate resources (capital, human resources, infrastructure and know-how) to improve the quality and appeal of buildings and housing, and to build platforms for cooperative research that do not impede or impair a competitive research and development environment.

Senior Housing Promotion Organization

The Senior Housing Promotion Organization was established for the purpose of promoting good quality, secure living and contributing to the sound development of local communities by having related businesses and other organizations do investigative research and share information on senior living and housing and the correlations thereof with welfare, etc.

Provision of Quality Housing Stock Association

The Provision of Quality Housing Stock Association consists of a number of housing manufacturers that aspire to keep good quality housing on the resale market. They have established new inspection standards and created a secure and reliable brand, "SumStock," which they are working to diffuse.

Osaka Gender Equality Foundation

The Osaka Gender Equality Foundation was established to promote equal opportunities for men and women in Osaka City by creating an environment where motivation and diversity drive activity, people help one another and life is fair and safe.

Theme	Organization
Technology development	Consortium for Building Research & Development
Senior housing	Senior Housing Promotion Organization
Housing stock recycling-oriented society	Provision of Quality Housing Stock Association
Diversity	Osaka Gender Equality Foundation (Our employee serves as director)
Human rights	Buraku Liberation and Human Rights Research Institute Fair Recruitment and Human Rights Center Multi-Ethnic Human Rights Education Center for Pro-existence (NPO)
Community co-creation	Yamashina Daigo Kodomo no Hiroba (NPO)

Related page P68 Number of cases and costs of community co-creation activities
P131 Cooperation with human rights organizations and initiatives

Assessment by External Organizations (FY 2016 results)

3 years in a row a “Nadeshiko Brand” award

In 2005, we began promoting an empowerment initiative on the pillar concepts of “increased hiring, longer retention and better utilization of women” in our workforce. We are also training women for managerial positions with the goal of having 500 women managers across the Daiwa House Group by 2020. And, in June 2016, we brought onboard our first-ever woman to serve as an outside director. At Daiwa House Industry, we are proactively assigning women employees to sales and construction jobs that historically belonged to men and, by retraining women in office positions to be follow-up service inspectors, we are strategically expanding the scope of work women have traditionally done.

These efforts of ours were recently acknowledged in the public arena as Daiwa House Industry was selected for the 2016 “Nadeshiko Brand” award that is given by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to listed companies that make noteworthy efforts to promote the active participation of women in the workplace. This was the third year in a row that Daiwa House Industry was chosen for the award.



2017 health related commendations

In February 2017, Daiwa House Industry was chosen for two commendations: the “2017 Health and Productivity Stock Selection” of listed companies chosen by Japan’s Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for their noteworthy efforts to manage employee health and the “2017 Excellent Enterprise of Health and Productivity Management (White 500)” that the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi award to companies that work with insurers to provide good healthcare to their workforce. This year’s honors were based on strong evaluations of the following three points.

1. Introduction of a health analysis system and data-based lifestyle improvement activities
2. Encouraging employees to take their earned paid leave
3. Training and follow-up program for persons with or at risk of metabolic syndrome



Major awards and recognitions from external organizations for FY 2016

Awards/Listed indices	Implementing organization	Evaluation results/Score
FTSE4Good	FTSE Russell	ListED / 3.2 out of 5 points
STOXX® Global ESG Leaders indices	STOXX Ltd.	ListED
MSCI Global Sustainability Indexes	MSCI Inc.	ListED / AA rating (AAA - CCC)
Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)	Jointly developed by S&P Dow Jones Indices LLC and Robeco SAM	ListED / 64 out of 100 points
MS-SRI	Jointly developed by Morningstar Japan Inc. and Center for Public Resources Development	ListED
2017 Competitive IT Strategy Company	Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange	ListED
CSR Corporate Ranking	Toyo Keizai Inc.	32nd of 1,408 companies in Japan
Channel NewsAsia Sustainability Ranking	Channel NewsAsia Corp. CSR Asia Ltd., Sustainabilitytics	50th out of 1,200 companies in Asia

Related page P81–83 External Evaluation of Daiwa House Industry’s IR

Good Design Awards for 4 products and 1 project

Other Housing and Living Space Category

- “Hibarigaoka feels” condos (1 Bangai, 2 Bangai and Keyakidori)
Daiwa House Industry Co., Ltd., Cosmos Initia Co., Ltd. and Orix Real Estate Corp.



Appearance of “Hibarigaoka feels”

Regional/Community Development and Social Contribution Activities Category

- “Machini-Wa Hibarigaoka” area management
Machini-Wa Hibarigaoka Co., Ltd., Daiwa House Industry Co., Ltd., Sumitomo Realty & Development Co., Ltd., Cosmos Initia Co., Ltd., Orix Real Estate Corp., Urban Renaissance Agency and Hitotowa Inc.



Hibari Terrace 118

Other Housing and Living Space Category

- “Initia Nerima Toyotama” condos
Cosmos Initia Co., Ltd.
- “Henshu Suru Ie” renovated house
Cosmos Initia Co., Ltd.
- “Ayase O-tei Renovation Project” renovated storehouse
Cosmos More Co., Ltd.



Event

Cooperation with Government Agencies, External Organizations, etc.

Concept and Policy

The Daiwa House Group regards cooperation with various organizations, in addition to the internal and external dissemination of information, as the most important communication effort. In this context, we assume leadership in achieving a more environmentally conscious and sustainable society through active participation in verification projects organized by the national government and its agencies, the promotion of environmental activities by industry organizations, the submission of proposals on environmental policies, and partnerships with various organizations.

Active participation in verification projects conducted by the national government, etc.

Daiwa House Industry actively participates in verification projects (e.g. ZEH, ZEB) and campaigns organized by the national government and its agencies to provide feedback on their policies and cooperates in promoting environmental activities. We have been involved in the Environmental Information Disclosure Infrastructure Project of the Ministry of the Environment since fiscal 2013. We will continuously provide feedback on the development of information disclosure infrastructure that facilitates the use of environmental information disclosed by companies by investors and others concerned.

Major programs the Group participates in

Organizer	Program
Ministry of Economy, Trade and Industry	Net Zero Energy House Support Project Net Zero Energy Building Verification Project
Ministry of Land, Infrastructure, Transport and Tourism	Leading-edge CO ₂ saving project for houses and buildings
Ministry of the Environment	<ul style="list-style-type: none"> Green Value Chain Platform Environmental Information Disclosure Infrastructure Project "Fun to Share" climate change campaign Smart Life Japan Energy Conservation Campaign Businesses Recycling Challenge!

Related page P169 Reducing CO₂ Emissions in the Value Chain

Leadership among industry organizations and policy proposals

We participate in various committees on environmental issues of organizations of which we are a member, such as the Japan Federation of Housing Organizations and the Japan Prefabricated Construction Suppliers and Manufacturers Association. In these committees, we assume leadership in planning and promoting environmental action plans concerning climate change, conservation of natural resources, harmony with the natural environment, prevention of chemical pollution, and other environmental issues that should be addressed with the concerted efforts of the industry. We also provide information necessary to develop policies and make proposals on policies from the perspective of marketing and development.

Major organizations of which we are a member, and activities we participate in

Industry organization	Committees, etc.
Japan Federation of Housing Organizations	<ul style="list-style-type: none"> Building Regulatory Rationalization Committee Housing Performance Improvement Committee Townscape Environment Committee Environmental Management Subcommittee Housing Stock Committee
Japan Prefabricated Construction Suppliers and Manufacturers Association	<ul style="list-style-type: none"> Housing Committee / Environment Subcommittee Housing Committee / Technology Subcommittee / Energy Saving WG Housing Committee / Housing Stock Subcommittee, etc.
Japan Chemical Industry Association	Chemical Risk Forum
Provision of Quality Housing Stock Association	<ul style="list-style-type: none"> Planning & Administration Committee Assessment Training Committee

Dialogue and cooperation with government agencies

We participate not only in public relations activities via industry organizations but also in various committees and workshops of government agencies and their affiliate organizations. We take these opportunities to promote dialogues and cooperation to avoid business risks and create business opportunities through discussions on policies regarding environmental issues, and by sharing information and exchanging opinions on efforts made by non-governmental organizations.

Major activities

Organizer	Committees, etc.
Ministry of Economy, Trade and Industry	<ul style="list-style-type: none"> Smart Community Alliance Standardization Promotion Council for Housing Materials of Long-term Use
Institute for Building Environment and Energy Conservation	Housing Energy Saving Performance Review Committee
Japan Sustainable Building Consortium	<ul style="list-style-type: none"> Environmental Assessment Method Research Committee CASBEE Research & Development Committee Smart Wellness Housing Research and Development Committee
Environmentally Symbiotic Housing Promotion Council	Survey and Research Subcommittee, Promotion Subcommittee, etc.
Smart Wellness Community Council	Health & ICT Literacy Improvement Project, etc.

Cooperation with NGOs, NPOs and other local and citizens' groups

We build partnerships with NPOs and NGOs that have abundant information and knowledge about environmental issues and have innovative experience in the environment field. We cooperate with them while complementing each other's knowledge to promote environmental activities.

Major organizations with whom we have partnerships

	Organizer	Committees, etc.
Citizens' groups	World Wide Fund For Nature (WWF) Japan	Implementation of the Wood Procurement Guidelines, sharing of information on risk areas, etc.
	ZERI (Zero Emission Research and Initiative) Japan	Spread of and education on zero emissions activities
	Japan Healthy House Association	Research concerning healthy housing and dissemination and awareness raising concerning healthy living style
	Reforestation Commercialization Research Group, Japan Project-Industry Council (JAPIC)	Development and industrialization of new forestry systems, making proposals concerning local revitalization, etc.
Local organizations	Green Purchasing Network	Dissemination of green purchasing
	Yoshinoyama Hoshokai	Cherry tree conservation activity at Mt. Yoshino
	Japan Forest-Volunteer Association	Conservation activities for Mt. Rokko

Related page P105 Preserving biodiversity in our procurement and business operations

Assessment by External Organizations (FY 2016 results)

Global Environment Award

At the 26th Global Environment Awards sponsored by the Fujisankei Communications Group, our “ZET* Diffusion and Expansion” efforts were recognized with the “Minister of Land Infrastructure, Transport and Tourism Award.”

With governmental support from both the national and local levels, Daiwa House materialized the first-ever Net Zero Energy Town (ZET) in “SMA-ECO Town Harumidai,” but since then, we have lowered the cost of community development by employing new technologies and schemes of ours to — for example — efficiently utilize natural energy and build mechanisms that “generate income for the community.” The resulting ZET relied on almost no public funding at all.

We have also steered development toward a sustainable community in line with our vision of “community value into the future” that we adopted in 2015.

* ZET (Net Zero Energy Town) ... A community where net energy consumption is 0 or almost 0



Winners of the 26th Global Environment Awards

Received the Energy Conservation Center Chairman Prize in the Energy Conservation Grand Prize

At the 2016 “Energy Conservation Grand Prize,” our “ZEB Promotional Efforts for Large Retail Stores” were commended with the “Energy Conservation Center Chairman Prize” in the “Successful Case of Energy Conservation Category.”

Since April 2013, we have been building and renovating stores in the Daiwa House Group’s Royal Home Center chain with proprietary technologies we developed under our ZEB initiative and the leadership of our CGO (Executive Officer in Charge of the Environment). At the newly built Royal Home Center Nagakute (Aichi Pref.), we have reduced CO₂ emissions by about 70%*, while for the Royal Home Center Tsushima (Aichi Pref.), we built

the first-ever ZEB with over 10,000 m² of floor space. Furthermore, we renovated existing stores, including Nara and Mozume branches (both in Nara Pref.) to conserve energy and, in the process, reduced CO₂ emissions by 44.1% compared to fiscal 2015 levels.

* Compared using the criteria stipulated the “Revised Energy Conservation Standards” announced by the government in 2013.



Royal Home Center Tsushima Branch

Top honor at the 20th Environmental Communication Awards

The “Daiwa House Group Environmental Report 2016” was given the “Minister of the Environment Award” at the “20th Environmental Communication Awards.” This was the highest award in the Environmental Report Category.

What earned us the award were high evaluations of our long-term environmental vision that went as far as our 100-year anniversary in 2055, the fact that action plans are formulated and executed on an annual basis against medium-term targets set in 3-year intervals and interim targets around 2030, the continuity of our environmental efforts, in that they are practiced throughout the workforce from top management to production and worksites, and our stalwart attitude to continuously and endlessly make those efforts. The report itself also received positive reviews for being easy to understand in its entirety from the messages from top management to the practices at the frontline of business.



Environmental Report 2016



Grand Prize logo mark

Major awards and recognitions from external organizations for FY 2016

Awarded category	Award name	Organizer	Reason for the award	
Environmental management	A-, CDP Japan 500 Climate Change Report 2016	CDP (Carbon Disclosure Project)	Activities for slowing climate change	Daiwa House Industry
ECO products	Energy Conservation Center Chairman Prize, Energy Conservation Grand Prize (product and business model section) 2016	Energy Conservation Center, Japan	ZEB promotional efforts for large retail stores	Daiwa House Industry
	“Minister of Land Infrastructure, Transport and Tourism Award,” 1st Advanced Urban Development Competition	Ministry of Land, Infrastructure, Transport and Tourism	SMA-ECO Town Harumidai	Daiwa House Industry
	“Minister of Land Infrastructure, Transport and Tourism Award,” 26th Global Environment Awards	Fujisankei Communications Group	Diffusion and expansion of ZET (Net Zero Energy Towns)	Daiwa House Industry
	Platinum Certification, LEED-EBOM (Existing Buildings: Operation & Maintenance) Certification	US Green Building Council	Daiwa House Industry Tokyo Bldg.	Daiwa House Industry
ECO communication	“Minister of the Environment Award,” 20th Environmental Communication Awards	Ministry of the Environment, Global Environmental Forum	Daiwa House Group Environmental Report 2016	Daiwa House Group

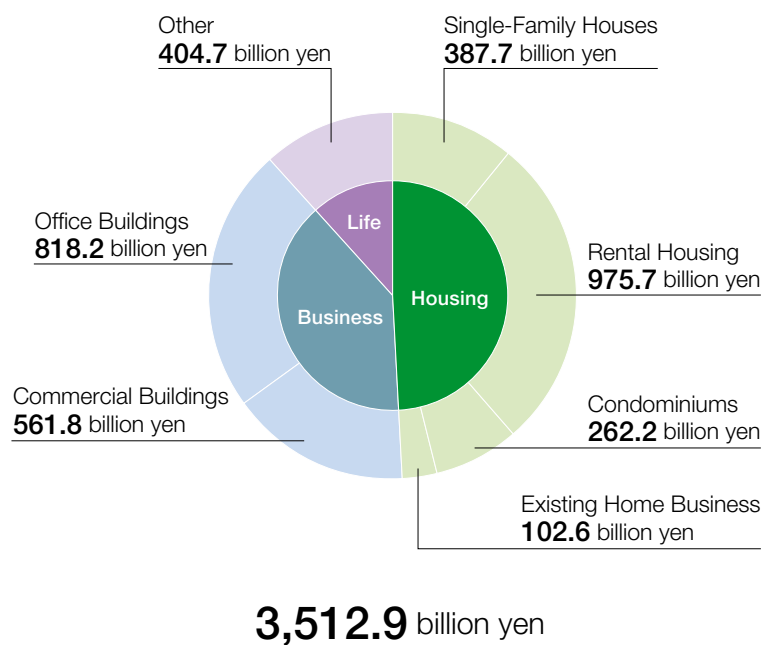
Summary of the Daiwa House Group

Company Summary (as of March 31, 2017)

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: 1,720,394 million yen Consolidated: 3,512,909 million yen

Sales (for the fiscal year ending in March 2017)

(Note: Percentage after subtracting transactions within the Group)



Organization

Organizational chart (as of March 31, 2017)



Japan

Housing

- **Single-Family Houses**
Daiwa House Industry Co., Ltd.
- **Rental Housing**
Daiwa House Industry Co., Ltd.
Daiwa Living Management Co., Ltd.
Daiwa Living Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
- **Condominiums**
Daiwa House Industry Co., Ltd.
Cosmos Initia Co., Ltd.
Daiwa LifeNext Co., Ltd.
Global Community Co., Ltd.

Business

- **Existing Home Business**
Daiwa House Industry Co., Ltd.
Daiwa House Reform Co., Ltd.
Nihon Jyutaku Ryutu Co., Ltd.
- **Commercial Buildings**
Daiwa House Industry Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa Information Service Co., Ltd.
Daiwa Royal Co., Ltd.
Daiwa LifeNext Co., Ltd.
- **Office Buildings**
Daiwa House Industry Co., Ltd.
Fujita Corporation
Daiwa Lease Co., Ltd.

Life

Daiwa House Industry Co., Ltd.
Royal Home Center Co., Ltd.
Daiwa Logistics Co., Ltd.
DesignArc Co., Ltd.
Daiwa Lantec Co., Ltd.
Daiwa Resort Co., Ltd.
Daiwa Royal Golf Co., Ltd.
Daiwa Royal Co., Ltd.
Osaka Marubiru Co., Ltd.
Daiwa Lease Co., Ltd.
Daiwa House Insurance Co., Ltd.
Daiwa House Financial Co., Ltd.
Eneserve Corporation

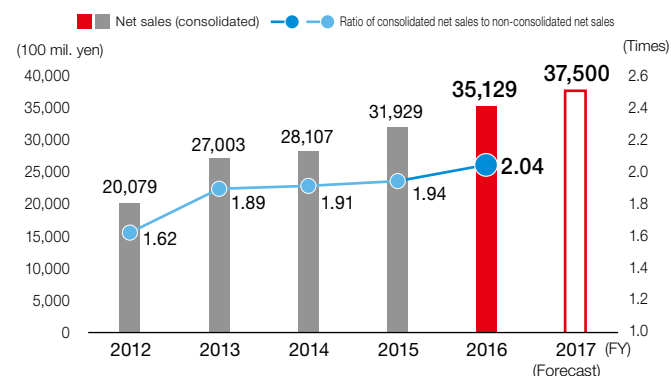
(Note) Listed above are major affiliate companies affecting the sales of the Daiwa House Group.

Overseas

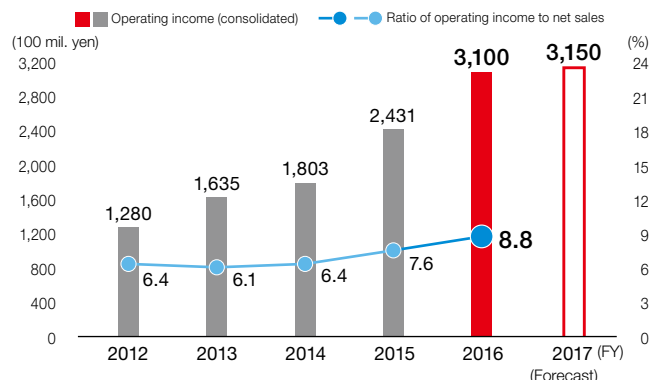
DH (Dalian) Administrative Management Consulting Center Co., Ltd.
● Business process outsourcing (BPO)
Dalian Dahezhongsheng Estate Co., Ltd.
● Real estate development
Dalian Yihe Property Management Co., Ltd.
● Real estate management
Dalian Civil Aviation Hotel Co., Ltd.
● Management & operation of hotels
Tianjin Jiuhe International Villa Co., Ltd.
● Management of serviced apartments
Daiwa House (Wuxi) Real Estate Development Co., Ltd.
● Real estate development
Daiwa House (Changzhou) Real Estate Development Co., Ltd.
● Real estate development
Daiwa Baoye (Wuxi) Property Management Co., Ltd.
● Real estate management
Shanghai Hebao Property Service Co., Ltd.
● Real estate management
Baoye Daiwa Industrialized House Manufacturing Co., Ltd.
● Production & sale of industrialized housing parts and materials
Daiwa House California Inc.
● Real estate development
Daiwa House Texas Inc.
● Real estate development
Daiwa House Guam Co., Ltd.
● Construction
Daiwa House Australia Pty Ltd
● Real estate development
Daiwa House Vietnam Co., Ltd.
● Industrial park development/
Business process outsourcing (BPO)
Daiwa House Real Estate Development Co., Ltd.
● Rental factories
PT Daiwa Manunggal Logistik Properti
● Development, operation & management of logistics facilities
PT Daiwa Tetra Manunggal Konstruksi
● Construction
Daiwa House Malaysia Sdn. Bhd.
● R&D of single-family houses and industrialized methods
KD Living, Inc.
● Rental housing
Daiwa Living California Inc.
● Rental housing
Daiwa Living Australia Pty Ltd
● Management of serviced apartments
Fujita (China) Construction Co., Ltd.
● Construction
Fujita Research
● Research into overseas construction technology
Fujita Corporation Vietnam
● Construction/ Real estate development
Fujita Philippines Construction and Development, Inc.
● Construction
Fujita Engineering India Pvt., Ltd.
● Construction
Fujita Corporation Singapore Pte. Ltd.
● Investment business
Fujita Corporation (M) Sdn. Bhd.
● Construction
Fujita Integral Mexico S.A. de C.V.
● Construction/ Environmental business/ Real estate development
Fujita Corporation (Thailand) Ltd.
● Construction
Cosmos Australia Pty Ltd
● Real estate development/ Tourism

Highlight of Financial Results and Consolidated Financial Indicators

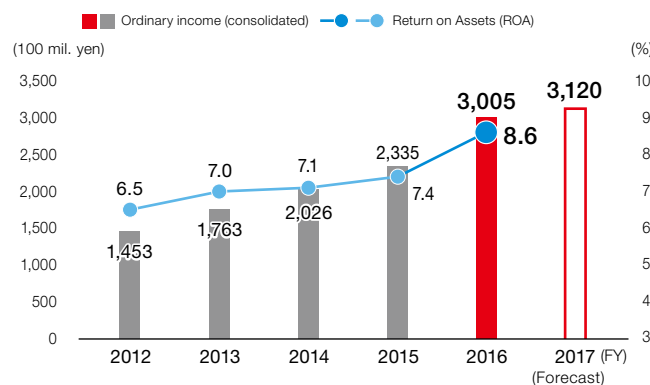
Net sales (consolidated)/Ratio of consolidated net sales to non-consolidated net sales



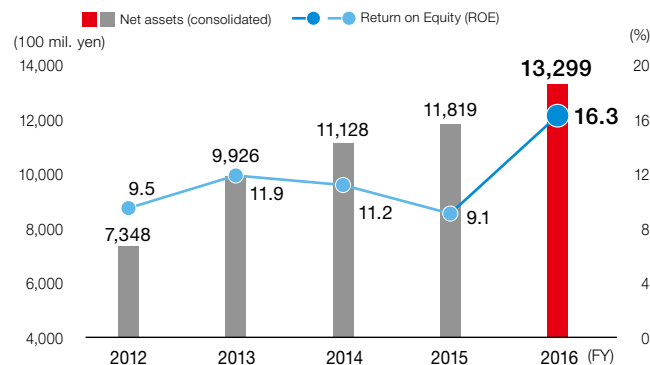
Operating income (consolidated)/Ratio of operating income to net sales



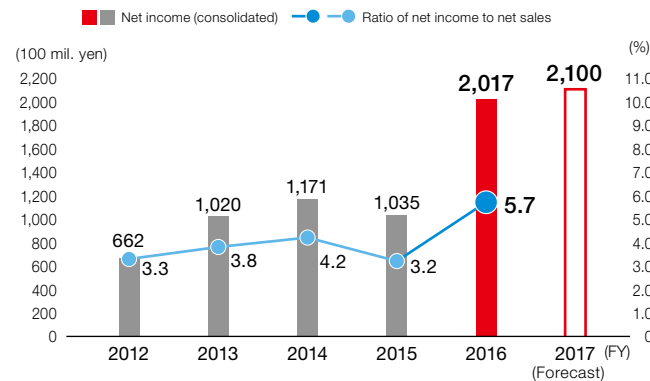
Ordinary income (consolidated)/Return on Assets (ROA)



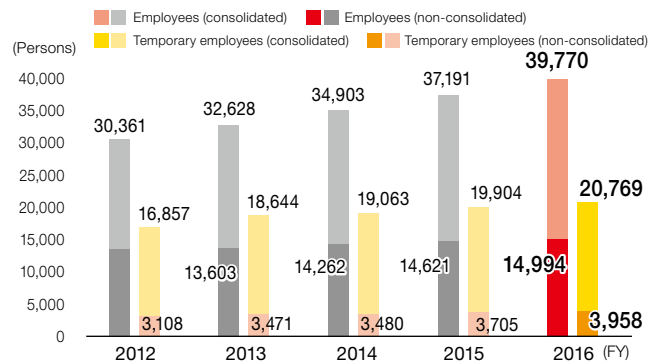
Net assets (consolidated)/Return on Equity (ROE)



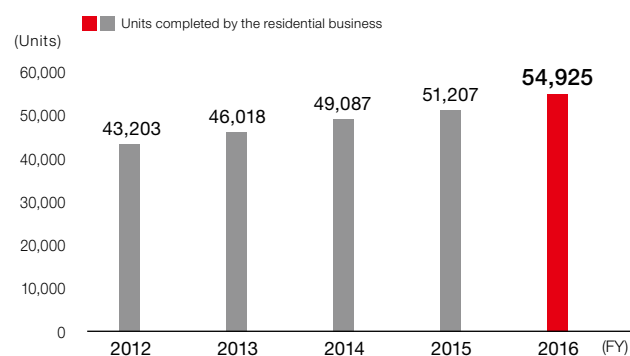
Net income (consolidated)/Ratio of net income to net sales



Number of employees (consolidated/non-consolidated)



Units completed by the residential business (Total of single-family houses, condominiums, and rental housing)



CSR Self-Assessment Indices (CSR Indicators)

Fiscal 2016 results

In fiscal 2006, the Daiwa House Group implemented a CSR self-assessment index to measure CSR activity results and “visualization.” This has been beneficial in making improvements to CSR activities.

Along with the start of the 5th Medium-Term Management Plan, we formulated a Medium-Term CSR Plan aimed at strengthening our management foundation. Progress is managed annually by related departments (implementation period: fiscal 2016-fiscal 2018) using assessment indices that were revised according to the plan, with the goal of achieving performance objectives and strengthening management foundation.

In fiscal 2016, in our self-assessment, we scored 703 points on the 26 priority issues and 49 indices, against our fiscal 2018 target of 1,147 points, resulting in 61.3% as a rate of progress.

Social

Customers (full points: 175)

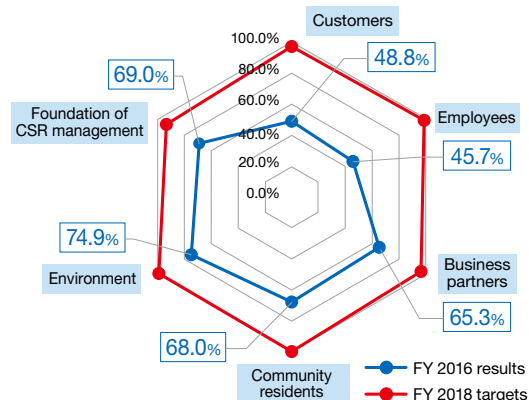
Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2016			
				Targets	Points	Results	Points		
Provide high quality products	No-charge after-service amount within one-year of handover	Rate of long-life quality housing (Single Family Housing Promotion Division)	25 pts	90% or above	24 pts	22 pts	83.5%	21 pts	20 pts
		No-charge after-service amount within one-year of handover (Apartment Promotion Division)		Below 10 pts		25 pts	1.051 pts		25 pts
		No-charge after-service amount within one-year of handover (General Construction Promotion Division)		Below 10 pts		25 pts	13 pts		20 pts
		No-charge after-service amount within one-year of handover (Commercial Construction Promotion Division)		Below 10 pts		25 pts	15.7 pts		20 pts
	Percentage of implementation of special inspection regarding product performance and specifications	Percentage of implementation of special inspection regarding product performance and specifications (Single Family Housing Promotion Division)	25 pts	100%	25 pts	25 pts	92.9%	10 pts	15 pts
		Percentage of implementation of special inspection regarding product performance and specifications (Apartment Promotion Division)		100%		25 pts	83.3%		5 pts
Proper communication with customers	Improved skill for communicating with customers	Rate of participation in new employee training (Single Family Housing Promotion Division)	25 pts	100%	25 pts	25 pts	100%	13 pts	25 pts
		Rate of participation in new employee training (Apartment Promotion Division)		100%		25 pts	98.2%		20 pts
		Rate of employee participation in training for each level, and local seminars (General Construction Promotion Division)		95%		25 pts	79.7%		0 pts
		Rate of participation of beginner employees (new employees - third year) training, and tax training for all employees (Commercial Construction Promotion Division)		100%		25 pts	94.2%		10 pts
		Rate of participation in role-playing competitions for sales employees within two years of joining the company (Condominium Promotion Division)		100%		25 pts	93.0%		10 pts
	No. of complaints made to the head office	Degree of satisfaction of support during construction and after concluding agreement in one-month questionnaire (Single Family Housing Promotion Division)	25 pts	80% or above	25 pts	25 pts	68.2%	3 pts	15 pts
		No. of complaints made directly to the head office (Apartment Promotion Division)		0		25 pts	193		0 pts
		No. of complaints made directly to the head office (General Construction Promotion Division)		0		25 pts	14		0 pts
		No. of complaints made directly to the head office (Commercial Construction Promotion Division)		0		25 pts	54		0 pts
		No. of complaints made directly to the head office (Condominium Promotion Division)		0		25 pts	26		0 pts
Long-term efforts to earn trust 🌟	Customer (owner) satisfaction	Degree of satisfaction in one-month questionnaire (Single Family Housing Promotion Division)	25 pts	80% or above	23 pts	25 pts	68.3%	13 pts	15 pts
		Intention of recommendations in resident questionnaire and owner questionnaire (Apartment Promotion Division)		80% or above		25 pts	28.2%		0 pts
		Degree of satisfaction in handover questionnaire by customer (General Construction Promotion Division)		80% or above		25 pts	95.1%		25 pts
		Degree of satisfaction in relationship DM with existing owners (Commercial Construction Promotion Division)		80% or above		25 pts	69.2%		15 pts
		Degree of satisfaction three months before taking residence (Condominium Promotion Division)		1.25 pts		15 pts	1.18 pts		14 pts

■ Points obtained out of full points by stakeholder and progress rate

Target stakeholder	Priority issues (The most important priority issues)	Indices	Full points	FY 2018 targets	FY 2016 results	Rate of progress
Customers	3 (1)	7	175	170	83	48.8%
Employees	4 (2)	10	250	247	113	45.7%
Business partners	3 (2)	8	200	193	126	65.3%
Community residents	2 (1)	5	125	125	85	68.0%
Environment	6 (-)	11	225	223	167	74.9%
Foundation of CSR management	8 (-)	8	200	187	129	69.0%
Total	26	49	1,175	1,147	703	61.3%

■ Progress rate graph by stakeholder

(fiscal 2016 results against fiscal 2018 targets)



* When translating results into points, figures were rounded down to the nearest decimal.

* There are two priority issues. Of which, for the most important priority issues (★), three indices are set to implement weighted scoring.

* Underlined figures in the Assessment method denote points obtained in fiscal 2016.

Assessment method

Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25 pts.

60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, Below 10 pts: 25 pts

60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, Below 10 pts: 25 pts

60 pts or above: 0 pts, 40 pts–below 60 pts: 5 pts, 30 pts–below 40 pts: 10 pts, 20 pts–below 30 pts: 15 pts, 10 pts–below 20 pts: 20 pts, Below 10 pts: 25 pts

Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts, 100%: 25 pts

Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts, 100%: 25 pts

Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts

Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts

Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 92%: 15 pts, 92%–below 95%: 20 pts, 95% or above: 25 pts

Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts

Below 80%: 0 pts, 80%–below 90%: 5 pts, 90%–below 95%: 10 pts, 95%–below 98%: 15 pts, 98%–below 100%: 20 pts, 100%: 25 pts

Rate of how much evaluations of sales' handling after concluding the agreement, and that reporting and contacting during implementation by the construction in the one-month CS questionnaire were the highest very good occupied the total
Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts

5 or above: 0 pts, 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception

5 or above: 0 pts, 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception

5 or above: 0 pts, 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception

5 or above: 0 pts, 4: 5 pts, 3: 10 pts, 2: 15 pts, 1: 20 pts, 0: 25 pts * Letter to representative; telephone calls, emails, and visits to head office reception

Rate of how much I'm happy I used your company, and the highest evaluation of very good in the Overall Handling in the one-month CS questionnaire occupied the total
Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts
Calculated the average of the above.

Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts

Rate that Very satisfied and Satisfied in the Overall Evaluation in the handover questionnaire by customer occupy the total
Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts

Below 30%: 0 pts, 30%–below 50%: 5 pts, 50%–below 60%: 10 pts, 60%–below 70%: 15 pts, 70%–below 80%: 20 pts, 80% or above: 25 pts

For the overall evaluation points: With Very Satisfied = 2; Satisfied = 1; Dissatisfied = -1; and Very Dissatisfied = -2, calculated the average of seven items (Handling from visiting the site to concluding agreement, handling residents explanatory meeting, handling private viewings, handling after concluding agreement, handling temporary after-care, handling of three-month inspection, and degree of purchasing satisfaction) The above percentages were converted to a scale of 25.

* Zero points are allocated to negative results.

CSR Self-Assessment Indices (CSR Indicators)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2016			
				Targets	Points	Results	Points		
Long-term efforts to earn trust 🌟	Long-term viewpoint evaluations	Degree of satisfaction in ten-year inspection questionnaire (Single Family Housing Promotion Division)	25 pts	100%	24 pts	25 pts	96.4%	13 pts	20 pts
		Increase/decrease in re-ordering rate (Apartment Promotion Division)		20% or above		25 pts	39.1%		25 pts
		Increase/decrease in re-ordering rate to total amount of orders (General Construction Promotion Division)		20% or above		25 pts	-4.4%		0 pts
		Rate of reordering by existing owners (Commercial Construction Promotion Division)		30% or above		25 pts	26.5%		10 pts
		Degree of total satisfaction in condominium association's board of directors questionnaire after 10 years (Condominium Promotion Division)		80% or above		20 pts	58.2%		14 pts
	Questionnaire evaluation after taking residence	Rate of highest evaluation of intention to introduce in one-month questionnaire (Single Family Housing Promotion Division)	25 pts	70% or above	24 pts	25 pts	62.3%	10 pts	20 pts
		Intention to introduce in questionnaire evaluation after taking residence (Apartment Promotion Division)		65% or above		25 pts	27.7%		0 pts
		Rate of orders from introductions by owner member (Commercial Construction Promotion Division)		5% or above		25 pts	0.6%		0 pts
		Degree of recommendations to friends and acquaintances (Condominium Promotion Division)		95% or above		23 pts	91.4%		22 pts

■ Employees (full points: 250)

Priority issues	Indices	Point allotment	FY 2018		FY 2016	
			Targets	Points	Results	Points
Provide a safe and healthy work environment	Rate of obtainment of paid holidays	25 pts	70%	25 pts	53.5%	15 pts
	Diagnosis (living practices) score in the health analysis score	25 pts	70 pts	25 pts	53.8 pts	5 pts
Develop human resources ★	Degree of satisfaction of employees to overall human resources training	25 pts	85 pts	22 pts	67 pts	10 pts
	Evaluation of OJT	25 pts	① 80% ② 80%	25 pts	① 85.9% ② 73.5%	23 pts
	Rate of acquisition of professional qualifications by young employees	25 pts	① 20% ② 25%	25 pts	① 14.8% ② 40.5%	15 pts
Create work environments and systems where a diverse range of employees can work flexibly ★	Acquisition rate of male absence from work for child-rearing	25 pts	50%	25 pts	32.9%	5 pts
	No. of female managers	25 pts	160	25 pts	108	0 pts
	Rate of employees with disabilities	25 pts	2.30%	25 pts	2.19%	10 pts
Provide employment opportunities for exceptional human resources	Rate of hiring of new graduate females (general employees)	25 pts	30%	25 pts	23.2%	5 pts
	No. of hirings of qualified engineers	25 pts	150	25 pts	151	25 pts

■ Business partners (full points: 200)

Priority issues	Indices	Individual indices	Point allotment	FY 2018		FY 2016	
				Targets	Points	Results	Points
Fair competition	Rate of conflict resolution within one month from reporting by business partners with regard to subcontracting law		25 pts	100%	25 pts	87.5%	21 pts
	Responsible action toward all business partners	Questionnaire survey for business partners about Daiwa House Industry employees' conduct	25 pts	① 70% ② 75%	18 pts	① 68.4% ② 72.0%	17 pts
		Appropriateness of duties contracted to business partners based on in-house criteria		80% or above		73.0%	
Encourage business partners in CSR efforts ★	Education of in-house employees	Rate of participation in training by level of purchasing employees	25 pts	95%	25 pts	95.0%	21 pts
		Rate of participation in training by construction managers		100%		91.0%	
	Evaluation of business partners and purchasing work based on in-house criteria		25 pts	4.5 pts or above	25 pts	4.2 pts	20 pts
	Rate of response of self-checks based on the Business Partner Code of Conduct		25 pts	70%	25 pts	15.2%	0 pts
Improve labor conditions and ensure human resources for construction subcontractors ★	No. of employees trained on-site		25 pts	① 500 ② 330	25 pts	① 214 ② 267	3 pts
	No. of labor accidents		25 pts	-20% (compared with the previous year)	25 pts	-20.6%	25 pts
	No. of support company members		25 pts	4,800	25 pts	4,658	19 pts

Assessment method
For Very Good, and Good in the total degree of satisfaction of the CS 10-year questionnaire: Below 80%: 0 pts, 80%–below 85%: 5 pts, 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts , 100%: 25 pts
Below 0%: 0 pts, 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts
Below 0%: 0 pts , 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts * Zero points are allocated to negative results.
Below 25%: 0 pts, 25%–below 26%: 5 pts, 26%–below 27%: 10 pts , 27%–below 28%: 15 pts, 28%–below 29%: 15 pts, 29%–below 30%: 20 pts, 30% or above: 25 pts
Rate of selection of Very Satisfied, or Satisfied in the 7 levels in the total degree of satisfaction in a questionnaire conducted by Daiwa LifeNext Co., Ltd., a group management company The above percentages were converted to a scale of 25.
Below 20%: 0 pts, 20%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts, 60%–below 70%: 20 pts , 70% or above: 25 pts
Below 30%: 0 pts , 30%–below 35%: 5 pts, 35%–below 45%: 10 pts, 45%–below 55%: 15 pts, 55%–below 65%: 20 pts, 65% or above: 25 pts
Below 1%: 0 pts , 1%–below 2%: 5 pts, 2%–below 3%: 10 pts, 3%–below 4%: 15 pts, 4%–below 5%: 20 pts, 5% or above: 25 pts
Average of three times of rate of selecting Will Actively Recommend, or I Would Recommend, in the Degree of recommendations to friends and acquaintances, in the questionnaire after taking residence (three months, one year, and two years) The above percentage was converted to a scale of 25 pts.

Assessment method
Below 30%: 0 pts, 30%–below 40%: 5 pts, 40%–below 50%: 10 pts, 50%–below 60%: 15 pts , 60%–below 70%: 20 pts, 70% or above: 25 pts
Below 50 pts: 0 pts, 50 pts–below 55 pts: 5 pts , 55 pts–below 60 pts: 10 pts, 60 pts–below 65 pts: 15 pts, 65 pts–below 70 pts: 20 pts, 70 pts or above: 25 pts
Measured degree of satisfaction of status of overall human resources training for all employees Below 50 pts: 0 pts, 50 pts–59 pts: 5 pts, 60 pts–69 pts: 10 pts , 70 pts–79 pts: 15 pts, 80 pts–89 pts: 20 pts, 90 pts or above: 25 pts
① Degree of new employee satisfaction of OJT Below 60%: 0 pts, 60%–69%: 5 pts, 70%–79%: 10 pts, 80% or above: 15 pts ② Rate of self-assessment of older employees Below 60%: 0 pts, 60%–69%: 4 pts, 70%–79%: 8 pts , 80% or above: 10 pts Total of ① and ②
① Passing rate of registered real-estate brokers Below 10%: 0 pts, 10%–below 15%: 5 pts , 15%–below 20%: 10 pts, 20% or above: 15 pts ② Passing rate of the examination for second-class architects Below 15%: 0 pts, 15%–below 20%: 4 pts, 20%–below 25%: 8 pts, 25% or above: 10 pts Total of ① and ②
Below 30%: 0 pts, 30%–below 35%: 5 pts , 35%–below 40%: 10 pts, 40%–below 45%: 15 pts, 45%–below 50%: 20 pts, 50% or above: 25 pts
Below 120: 0 pts , 120 or above: 5 pts, 130 or above: 10 pts, 140 or above: 15 pts, 150 or above: 20 pts, 160 or above: 25 pts
Below 2.10%: 0 pts, 2.10%–below 2.15%: 5 pts, 2.15%–below 2.20%: 10 pts , 2.20%–below 2.25%: 15 pts, 2.25%–below 2.30%: 20 pts, 2.30% or above: 25 pts
Below 22%: 0 pts, 22%–below 24%: 5 pts , 24%–below 26%: 10 pts, 26%–below 28%: 15 pts, 28%–below 30%: 20 pts, 30% or above: 25 pts
No. of hirings of First-class Architects, Second-class Architects, First-class Construction Managing Engineers, First-class Electrical Construction Managing Engineers, First-class Plumbing Construction Managing Engineers, First-class Civil Construction Managing Engineers, and others Below 110: 0 pts, 110–below 120: 5 pts, 120–below 130: 10 pts, 130–below 140: 15 pts, 140–below 150: 20 pts, 150 or above: 25 pts

Assessment method
Rate of conflict resolution within one month from reporting, converted to a scale of 25
① Rate of response ② Percentage of respondents who stated “no problem” with regard to Daiwa House Industry employees Average of ① and ②, converted to a scale of 25
Supervision of purchasing duties handled by the Purchasing Department at branch offices across Japan (in-house criteria) Percentage of branch offices evaluated “Fair” under quantitative evaluation items, converted to a scale of 25
Below 75%: 0 pts, 75%–below 80%: 5 pts, 80%–below 85%: 10 pts, 85%–below 90%: 15 pts, 90%–below 95%: 20 pts, 95% or above: 25 pts
Evaluating point = (participation rate - 86%) × 12/14 + 13 * Average rate of participation in training by construction employees over 3-year period ending in FY 2015 = 86%
Supervision of purchasing duties handled by the Purchasing Department at branch offices across Japan (in-house criteria) For nationwide average points of quantitative evaluation points (question 2) Below 2.5 pts: 0 pts, 2.5 pts–below 3 pts: 5 pts, 3 pts–below 3.5 pts: 10 pts, 3.5 pts–below 4 pts: 15 pts, 4 pts–below 4.5: 20 pts , 4.5 pts or above: 25 pts
Below 50%: 0 pts , 50%–below 54%: 5 pts, 55%–below 60%: 10 pts, 60%–below 65%: 15 pts, 65%–below 70%: 20 pts, 70% or above: 25 pts
① Housing: Evaluation points for no. of construction shop training assistants = (no. of assistants - 400) × 12/100 + 13 * Average no. of construction shop training assistants over 3-year period ending in FY 2015 = 400 ② Architecture: Evaluation points for no. of excellent people in engineer/technician certification system = (no. of certifications - 250) × 12/80 + 13 * No. of certified persons at the end of FY 2015 = 250 Average of ① and ②, converted to a scale of 25
Rate of decrease from the previous FY in the number of labor (on-site) accidents Below 0%: 0 pts, 0%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts, 15%–below 20%: 20 pts, 20% or above: 25 pts * FY 2015: 355
Evaluation points = (no. of members - 4,500) × 12/300 + 13 * Average no. of members over 5-year period ending in FY 2015 = 4,500

CSR Self-Assessment Indices (CSR Indicators)

Community residents (full points: 125)

Priority issues	Indices	Point allotment	FY 2018		FY 2016	
			Targets	Points	Results	Points
Active involvement in, and collaboration with other parties for local community development ★	Collaboration with NPOs and NGOs	25 pts	50%	25 pts	42.6%	15 pts
	Participation rate in Endless Donations	25 pts	25%	25 pts	36.9%	25 pts
	Amount conversion of community co-creation activities by branch offices	25 pts	300 million yen	25 pts	148.334 million yen	5 pts
Contribute to the community by sharing business knowledge gleaned through experience	No. of classes given by dispatched instructors (D's School: Risk reduction, living environment)	25 pts	20	25 pts	10	15 pts
	No. of cases of education support (Other: Career education, member of society instructor, on-site experience, and others)	25 pts	70	25 pts	245	25 pts

Environment

Environment (full points: 225)

Priority issues	Indices		Point allotment	FY 2018		FY 2016	
				Targets	Points	Results	Points
Prevention of global warming	Business activities	Rate of decrease from the fiscal 2005 figure in CO ₂ emissions per unit of sales	25 pts	55% reduction	25 pts	53.7% reduction	19 pts
	Products and services	Contribution to CO ₂ reduction	25 pts	4,700,000 t-CO ₂	25 pts	4,960,000 t-CO ₂	25 pts
Harmony with the natural environment (Preservation of biodiversity)	Procurement	Ratio of C-ranked wood	25 pts	0%	25 pts	2.5%	12 pts
	Products and services	Surface area of green spaces	25 pts	910,000 m ²	25 pts	871,000 m ²	20 pts
Conservation of natural resources	Business activities	Rate of decrease from the fiscal 2012 figure in the quantity of construction-derived waste materials [Manufacturing, new construction]	25 pts	Manufacturing: 4.0% reduction New construction: 27.0% reduction	25 pts	Manufacturing: 0.5% reduction*1 New construction: 20.9% reduction	3 pts
		Recycling rate [Manufacturing, new construction, civil engineering, demolition, renovation]		Manufacturing, new construction, civil engineering, demolition: 95% or higher; Renovation: 85% or higher	25 pts	Manufacturing: 98.6% New construction: 97.7% Civil engineering: 99.8% Demolition: 96.0% Renovation: 80.0%	20 pts
	Products and services	Ratio of houses certified under the Long-Life Quality Housing Certification System	25 pts	90%	23 pts	83.5%	20 pts
		Adoption rate of pre-engineered buildings for priority applications*2		32%	25 pts	30.4%*3	17 pts
	Water resource conservation	Rate of decrease from the fiscal 2012 figure in water consumption per unit of sales	25 pts	24% reduction	25 pts	21.7% reduction	11 pts
Prevention of chemical pollution	Business activities	Rate of decrease from the fiscal 2012 figure in release and transfer of PRTR-listed hazardous substances	25 pts	40% reduction	25 pts	40.6%	25 pts
Prevention of soil contamination	Procurement	Serious risks of soil contamination during land purchases	25 pts	0	25 pts	0	25 pts

*1 Starting in fiscal 2017, the waste emissions arising from the retirement of leased properties has been excluded. For this reason, the target has been revised and the actual result in accordance with the new standard is presented.

*2 Priority applications: Convenience stores, drug stores, nursing care facilities

*3 Starting in fiscal 2017, the adoption rate of pre-engineered buildings has been aggregated with a calculation basis changed from the number of buildings to floor area. For this reason, the target has been revised and the actual result in accordance with the new standard is presented.

Governance

Foundation of CSR management (full points: 200)

Priority issues	Indices	Point allotment	FY 2018		FY 2016	
			Targets	Points	Results	Points
Transparency	External assessment of ESG information disclosures	25 pts	① 4.0 ② 80%	25 pts	① 3.2 ② 75.5%	21 pts
Ethical conduct	In-house CSR awareness survey	25 pts	80 pts	25 pts	76.1 pts	20 pts
Stakeholder engagement	Attendants' satisfaction with Stakeholders' Meeting	25 pts	100%	25 pts	① 68% ② 92%	20 pts
Creation of a CSR mindset	No. of branch offices visited for CSR training	25 pts	83	25 pts	37	25 pts
Risk management	Incidence rate of risks specified to be handled with priority	25 pts	50% reduction	12 pts	0.3% reduction	0 pts
Safety	Safe driving management	25 pts	20% or more reduction	25 pts	10%	15 pts
Human rights awareness-raising	Human rights awareness-raising	25 pts	① 200% ② 100%	25 pts	① 183.8% ② 122.3%	23 pts
Handle human rights issues	Response to Corporate Ethics and Human Rights Helpline users (rate of conflict resolution)	25 pts	100%	25 pts	84.66%	5 pts

Assessment method
No. of collaborative activities performed by head office and branch offices in fiscal 2016: 2,292. Of which, collaboration with NPOs and NGOs: 977 Below 30%: 0 pts, 30%–below 35%: 5 pts, 35%–below 40%: 10 pts, 40%–below 45%: 15 pts , 45%–below 50%: 20 pts, 50% or above: 25 pts
Below 20%: 0 pts, 20%–below 22%: 5 pts, 22%–below 23%: 10 pts, 23%–below 24%: 15 pts, 24%–below 25%: 20 pts, 25% or above: 25 pts
Below 100 mil. yen: 0 pts, 100 mil. yen–below 150 mil. yen: 5 pts , 150 mil. yen–below 200 mil. yen: 10 pts, 200 mil. yen–below 250 mil. yen: 15 pts, 250 mil. yen–below 300 mil. yen: 20 pts, 300 mil. yen or above: 25 pts
Below 5: 0 pts, 5–below 10: 10 pts, 10–below 15: 15 pts , 15–below 20: 20 pts, 20 or above: 25 pts
Below 10: 0 pts, 10–30: 5 pts, 30–50: 10 pts, 50–60: 15 pts, 60–70: 20 pts, 70 or above: 25 pts

Assessment method
Using 50% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 55% converted to a scale of 25
Using 4,380,000 t-CO ₂ (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 4,700,000 t-CO ₂ converted to a scale of 25
Using 4.7% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 0% converted to a scale of 25
Using 724,000 m ² (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 910,000 m ² converted to a scale of 25
[Manufacturing] Using 0% as a benchmark, rate of progress against fiscal 2018 targets of 4.0% converted to a scale of 25 [New construction] Using 19% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 27% converted to a scale of 25
[Manufacturing, new construction, civil engineering, demolition] Using 90% as a benchmark, rate of progress against fiscal 2018 targets of 95% converted to a scale of 25 [Renovation] Using 78.7% as a benchmark, rate of progress against fiscal 2018 targets of 85% converted to a scale of 25
Ratio of houses certified under the Long-Life Quality Housing Certification System, converted to a scale of 25
Using 27% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 32% converted to a scale of 25
Using 20% (fiscal 2015 results) as a benchmark, rate of progress against fiscal 2018 targets of 24% converted to a scale of 25
Using 35% as a benchmark, rate of progress against fiscal 2018 targets of 40% converted to a scale of 25
0: 25 pts , 1 or above: 0 pts

Assessment method
① Converted 4.0 to a scale of 25 as a benchmark for 2.0 in fiscal 2015 of the FTSE 4Good rating ② Converted 80% to a scale of 25 as a benchmark for 68.4% in fiscal 2015 for the status of GRI handling of ESG disclosure information. Took an average of the evaluation points above, and used external evaluation.
Below 50 pts: 0 pts, 50 pts–below 70 pts: 10 pts, 70 pts–below 75 pts: 15 pts, 75 pts–below 80 pts: 20 pts , 80 pts or above: 25 pts
① Percentage of those who found the meeting ambience conducive to frank discussions ② Percentage of those who found the company's information easy to understand ① and ② were both converted to a scale of 25 pts to calculate the average.
FY 2016: 0: 0 pts, 1–20: 10 pts, 21–25: 15 pts, 26–29: 20 pts, 30 or above: 25 pts FY 2017: Below 30: 0 pts, 31–50: 10 pts, 51–55: 15 pts, 56–59: 20 pts, 60 or above: 25 pts FY 2018: Below 60: 0 pts, 61–80: 10 pts, 81–82: 20 pts, 83: 25 pts
Rate of reduction of generating risks specified to be handled with priority The above percentage converted to a scale of 25
Rate of reduction of accidents causing injury during work Below 1%: 0 pts, 1%–below 5%: 5 pts, 5%–below 10%: 10 pts, 10%–below 15%: 15 pts , 15%–below 20%: 20 pts, 20% or above: 25 pts
① Rate of participation in human rights awareness training (non-consolidated) (Calculated by dividing the total number of recipients by the number of people as of March 31, 2016) ② Rate of human rights awareness training implementation (31 companies in Group) ① and ② were both converted to a scale of 25 pts to calculate the average.
Below 80%: 0 pts, 80%–below 85%: 5 pts , 85%–below 90%: 10 pts, 90%–below 95%: 15 pts, 95%–below 100%: 20 pts, 100%: 25 pts



Materials and Data Section (Environment)

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Calculation and Reporting of Environmental Data

■ Basics

◇ **Report period:** April 1, 2016 to March 31, 2017

Reference: Number of consolidated subsidiaries: 162 (99 in Japan, 63 outside Japan)

◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. and its consolidated subsidiaries in Japan

(As of March 31, 2017)

The scope of these environmental data encompasses the domestic business operations of Daiwa House Industry and its consolidated subsidiaries, which are the target organization of Endless Green Program 2018, our Environmental Action Plan.

Excluded from the data, however, are smaller companies that impart no environmental impact for each indicator.

The coverage rate of the target companies is estimated at 96%.

Regarding the environmental impact of sites outside Japan that are excluded from the data, we report only CO₂ emissions and water consumption on pages 163 and 176 of Materials and Data Section because sales of our businesses outside Japan represent only 3% of consolidated net sales.

In addition, in the event of a change in the number of consolidated subsidiaries subject to environmental management, the following measures are undertaken in order to facilitate the comparison of any such change.

[When the number of relevant organizations decreases during the term (due to a sale, etc.)]

Data on the relevant organization is excluded from the relevant year's data and is also excluded from data from the preceding years.

[When the number of relevant organizations increases during the term (due to an acquisition etc.)]

If the environmental impact is large: Data on the relevant organization is excluded from the data for the relevant year or base year but is included beginning with the subsequent term of the Environmental Action Plan; past data is also included.

If the environmental impact is small: Data on the relevant organization is included beginning with the subsequent fiscal year.

◇ Main referential guidelines

- "Sustainability Reporting Guideline 4th Edition" by the GRI (Global Reporting Initiative)
- "GHG Protocol Corporate Accounting and Reporting Standard (Revised)" by the WBCSD/WRI
- "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" by the WBCSD/WRI
- "Environmental Report Guideline (2012 Edition)" by the Ministry of the Environment
- "Guidelines on Calculation Method for Greenhouse Gas Emissions for Business Operators" by the Ministry of the Environment
- "Basic Guidelines on Calculating Greenhouse Gas Emissions through Supply Chain Ver. 2.4" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Guidelines for Calculating CO₂ Emission Reduction Contribution Amount" by the Japan Chemical Industry Association

◇ Report on preceding data

In general, the time period covered by our reports is the preceding 3 to 5 years.

If a calculation method or the scope of reporting is changed, corrections and reports are included in the above-mentioned periods as well as in the benchmarks for the base year.

◇ CO₂ emission factor

As a general rule, our Group uses fixed values during the period covered by the Environmental Action Plan (three years) in order to ascertain accurately the improvement status of the Company itself.

Regarding fuel, etc., we use values based on the Energy Efficiency Act (Act on the Rational Use of Energy) and the Act on Promotion of Global Warming Countermeasures. Regarding purchased electric power, we use the actual values (average of each member company) released by the Federation of Electric Power Companies of Japan in fiscal 2005. The same emission factor used for purchased electric power is used in calculating the offset of renewable energy (power sales).

• Purchasing power	0.423 t-CO ₂ /MWh	• Kerosene	2.489 t-CO ₂ /kl
• Gasoline	2.322 t-CO ₂ /kl	• City gas	2.234 t-CO ₂ /1,000m ³ (N)
• Light oil	2.585 t-CO ₂ /kl	• LP gas	2.999 t-CO ₂ /t
• No. 2 fuel oil	2.710 t-CO ₂ /kl		

The calculation of CO₂ is affected by inherent uncertainty resulting from the incomplete scientific knowledge used to determine emission factors and numerical data.

◇ Heat quantity conversion factor

In the Daiwa House Group, energy consumption is calculated using the Joule (J), a derived unit of energy in the International System of Units (SI), and the following heat quantity conversion factors are used for each energy type. Regarding renewable energy (consumed in-house), it is assumed that electric power purchases have been reduced by its use; therefore, the same heat quantity conversion factor used for purchased electric power is used.

• Purchasing power	9.76 GJ/MWh	• Kerosene	36.7 GJ/kl
• Gasoline	34.6 GJ/kl	• City gas	44.8 GJ/1,000m ³ (N)
• Light oil	37.7 GJ/kl	• LP gas	50.8 GJ/t
• No. 2 fuel oil	39.1 GJ/kl		

Results of the Action Plan for the Environment (EGP2018) and Self-Assessment

We achieved our targets in 18 of the 25 management indicators related to environmental initiatives. Four items have worsened in comparison with the results for the preceding fiscal year.

■ Environmental activities

Environmental theme	Focal theme		Management indicator		Scope	FY 2015 Results	FY 2016 Targets	FY 2016 Results
Prevention of global warming	Business activities	Reducing CO ₂ emissions associated with business operations	CO ₂ emissions per unit of sales (compared with fiscal 2005 level)		Daiwa House Group	50% reduction	51% reduction	53.7% reduction
			CO ₂ emissions (compared with fiscal 2005 level) (after offset by power generation using renewable energy sources)			30% reduction	31% reduction	35.4% reduction
			Ratio of renewable energy power generation to electric power purchased		Daiwa House Group	37%	40%	54%
	Products and services	Expanding our contribution to CO ₂ reduction by popularizing ECO products and services	Contribution to CO ₂ reduction		Daiwa House Group	4,380,000 t-CO ₂	4,300,000 t-CO ₂	4,960,000 t-CO ₂
Harmony with the natural environment	Procurement	Promoting sustainable wood procurement	Ratio of C-ranked wood in procured wood		Daiwa House Group	4.7%	3.4%	2.5%
	Products and services	Promoting the preservation and creation of green spaces in development and town planning	Surface area of green spaces		Daiwa House Group	724,000 m ²	770,000 m ²	871,000 m ²
			Compliance rate with voluntary standards for biodiversity conservation		Daiwa House Industry	100%	100%	100%
Conservation of natural resources	Business activities	Reducing waste at the production/construction stages	Manufacturing	Construction waste emissions per unit of sales (compared with fiscal 2012 level)	Daiwa House Group	10.5% reduction	13% reduction	3.0% reduction
			New construction	Construction waste emissions per unit of construction site surface area (compared with fiscal 2012 level)	Daiwa House Group	18.9% reduction	14% reduction	20.9% reduction
		Promoting recycling of construction waste	Manufacturing	Recycling rate	Daiwa House Group	98.7%	≥95%	98.6%
			New construction	Recycling rate	Daiwa House Group	93.5%	≥95%	97.7%
			Civil engineering	Recycling rate	Daiwa House Group	99.3%	≥95%	99.8%
			Demolition	Recycling rate	Daiwa House Group	96.5%	≥95%	96.0%
			Renovation	Recycling rate	Daiwa House Group	78.7%	≥80%	80.0%
	Products and services	Popularizing housing and buildings that conserve natural resources and promote recycling	Housing	Ratio of houses certified under the Long-Life Quality Housing Certification System	Daiwa House Industry	83.3%	90%	83.5%
			Building	Adoption rate of pre-engineered buildings*2 (the absolute number of buildings)	Daiwa House Industry	48%	55%	46.8%
	Business activities	Reducing water consumption associated with business operations	Water consumption per unit of sales (compared with fiscal 2012 level)		Daiwa House Group	20.0% reduction	22% reduction	21.7% reduction
Prevention of chemical pollution	Business activities	Suppressing the use of chemical substances at the production stage	Release and transfer of PRTR-listed substances per unit of sales (compared with fiscal 2012 levels)		Daiwa House Group	39.5% reduction	36% reduction	40.6% reduction
			Reduction of VOC (volatile organic compounds) emissions per unit of sales (compared with fiscal 2013 levels)		Daiwa House Group	12.2% reduction	6% reduction	12.6% reduction
	Products and services	Improving indoor air quality in residential facilities	Compliance rate with voluntary standards		Daiwa House Group	68%	≥100%	Achieved in all segments

■ Basics of environmental management

Basic policy	Focal theme		Management indicator		Scope	FY 2015 Results	FY 2016 Targets	FY 2016 Results
Basics of environmental management	Expand environmental activities globally to business partners.		Understanding environmental impacts at operation sites outside Japan		Daiwa House Group	Wholly owned subsidiaries (9 companies)	Wholly owned subsidiaries (10 companies)	Identifying the CO ₂ emissions and water consumption of all operation sites and consolidated subsidiaries outside Japan
			Environmental initiatives through business partner organizations		Daiwa House Industry	Formulation of CSR Procurement Guidelines	Development of CSR Procurement Guidelines	Introduction to 5 Group companies
	Raise all employees' awareness of participation in environmental management.		Formulation and implementation of environmental performance assessment system	Number of companies below Rank D	Daiwa House Group	—	0/21 companies	2 companies
				Number of worksites below Rank D	Daiwa House Industry	—	0/83 worksites	2 worksites
			Implementation rate of worksite ECO training		Daiwa House Industry	96%	100%	95%

*1 For fiscal 2017, we revised our targets to exclude the waste emissions arising from retirement of leased property. *2 Scope of application: Convenience stores, drug stores, nursing care facilities

*3 In fiscal 2017, we revised our targets to change the calculation method for determining the adoption rate of pre-engineered buildings, shifting from the absolute number of buildings to the calculation of floor area.

🟢: Goal for fiscal 2016 achieved

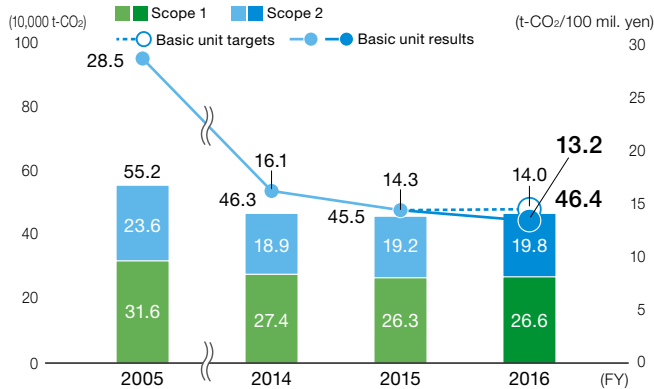
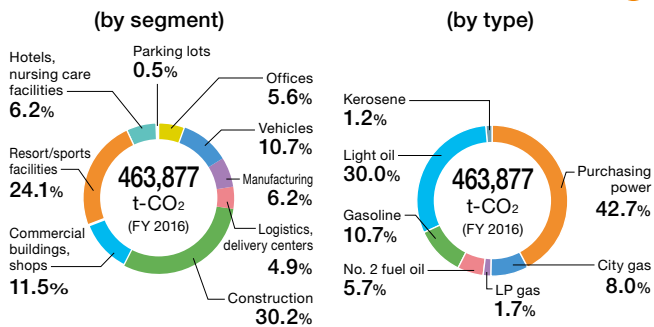
🟡: Goal for fiscal 2016 not achieved (improved from the previous year)

🔴: Goal for fiscal 2016 not achieved (worsened from the previous year)

	Self-Assessment	FY 2017 Targets	FY 2018 Targets	Related page
🟢	At our own newly constructed facilities, we created a leading model project aiming at ZEB and reduced CO ₂ emissions. At existing facilities, we promoted active investment in energy efficiency, including operational improvements and adoption of high-efficiency air conditioners, water heaters and LED lighting. As a result, we achieved our targets.	53% reduction	55% reduction	P096, 163
🟢		34% reduction	35% reduction	P096
🟢	We steadily expanded our mega solar business, centering on the DREAM Solar Project we are implementing throughout our Group, and we are operating 183 MW of photovoltaic power generation and 9 MW of wind power. The amount of electricity generated annually totaled 1.5 times that of the preceding year. As a result, purchased electricity increased about 3% as a result of business growth, but we still achieved our targets.	57%	60%	P096, 165
🟢	Due to a decline in FIT prices, the contribution to CO ₂ reduction provided by photovoltaic power generation decreased. However, in addition to adding thermal insulation and energy-efficient equipment, the contribution from the retail electric power business increased, enabling us to exceed our targets significantly.	4,500,000 t-CO ₂	4,700,000 t-CO ₂	P096, 167
🟢	In terms of C-ranked wood from previous fiscal year's survey, as a result of improvements such as the shift to procuring from low-risk areas, the ratio of C-ranked wood improved by 2.2 points; thus we were able to achieve our targets.	2.7%	0%	P104, 171
🟢	In some businesses, green coverage and the surface area of green spaces per house remained lackluster, but in the businesses of commercial facilities, office buildings and urban development, the surface area of green spaces increased significantly due to the increase in large-scale projects, achieving our targets.	910,000 m ²	910,000 m ²	
🟢	In all projects related to development and urban development, we complied with voluntary standards and achieved 100% of our targets.	100%	100%	
🔴	Due to the provision of support for emergency temporary housing by Daiwa Lease following the Kumamoto Earthquake and the establishment of a production line at DesignArc, waste emissions increased and the targets were not achieved.	2.8%*1	4.0%*1	P110, 175
🟢	Progress with the use of pre-cut gypsum board for xevo 2 single-family houses has progressed, resulting in reduced waste emissions, thus achieving the targets.	25% reduction	27% reduction	
🟢	By promoting collection of sorted waste and a review of waste disposal routes, we were able to maintain a high recycling rate, thus achieving the targets in all segments.	≥95%	≥95%	P110, 174
🟢		≥95%	≥95%	
🟢		≥95%	≥95%	
🟢		≥95%	≥95%	
🟢		≥82%	≥85%	
🟡	Although we maintained high standards in promoting the popularization of housing satisfying the requirements of long-life quality housing certifications, we were not able to achieve our targets.	90%	90%	P110, 178
🔴	Although we strove to improve products and increased adoption by tenants, due to the increase in large-scale projects, convenience stores — which tended to have a high adoption rate — declined. Thus, we could not reach our targets.	31%*3	32%*3	
🟡	After advancing the introduction of water-saving equipment at hotels and sports facilities with typically high water consumption, we improved our results compared with the preceding fiscal year, but an increase in the number of bathing facilities with high water consumption prevented us from achieving our targets.	23% reduction	24% reduction	P113, 176
🟢	We took steps to reduce our paint consumption by changing our construction methods and increasing our painting efficiency. We achieved our targets by promoting the use of weak solvents for paints and thinners as well as water-based paints.	40% reduction	40% reduction	P116, 179
🟢		10% reduction	10% reduction	
🟢	We were able to achieve our targets in all segments by switching to low-emission building materials and by promoting ventilation before measurement.	≥100%	≥100%	P116

	Self-Assessment	FY 2017 Targets	FY 2018 Targets	Related page
🟢	We introduced environmental policies at all operating sites and consolidated subsidiaries outside Japan and conducted surveys on environmental impacts.	Operating sites and all consolidated subsidiaries outside Japan	Operating sites and all consolidated subsidiaries outside Japan	P163, 176
🟢	We instituted the policies at five group companies (Royal Home Center, DesignArc, Daiwa Lease, Fujita, and Cosmos Initia), conducted briefing sessions, and collected consent forms.	Development of CSR Procurement Guidelines	Development of CSR Procurement Guidelines	P093–094, 106, 118
🟡	While managing processes at our Group companies and worksites, we promoted environmental initiatives and conducted follow-up in an effort to achieve our targets, but some companies and worksites could not achieve their targets.	0/21 companies	0/21 companies	P091
🟡		0/82 worksites	0/82 worksites	
🔴	We introduced implementation practice at Outstanding Worksites in order to provide training at all worksites, but were unable to achieve our goals.	100%	100%	P092

ECO process

CO₂ emissionsCO₂ emissions and basic unitBreakdown of CO₂ emissionsCO₂ emissions (by segment)Unit: t-CO₂

	2014	2015	2016
Offices	27,285	26,723	26,129
Vehicles	55,415	54,940	49,850
Manufacturing	27,581	28,536	28,823
Logistics, delivery centers	23,048	22,294	22,641
Construction	145,599	135,661	139,900
Commercial buildings, shops	53,820	51,568	53,553
Resort/sports facilities	105,322	109,057	112,024
Hotels, nursing care facilities	24,555	24,286	28,675
Parking lots	739	2,038	2,281

CO₂ emissions (by type)Unit: t-CO₂

	2014	2015	2016
Scope 2			
Purchasing power	189,034	191,841	197,996
City gas	31,577	33,644	37,238
LP gas	8,732	8,096	7,927
Scope 1			
No. 2 fuel oil	26,756	25,313	26,612
Gasoline	55,694	54,620	49,555
Light oil	146,426	136,424	139,180
Kerosene	5,144	5,168	5,369

CO₂ emissions from operating sites outside Japan (reference)

(by segment)

Unit: t-CO₂

	2015	2016
Offices	1,127	2,798
Vehicles	1,858	2,001
Resort facilities	4,682	4,897
Total	7,668	9,696

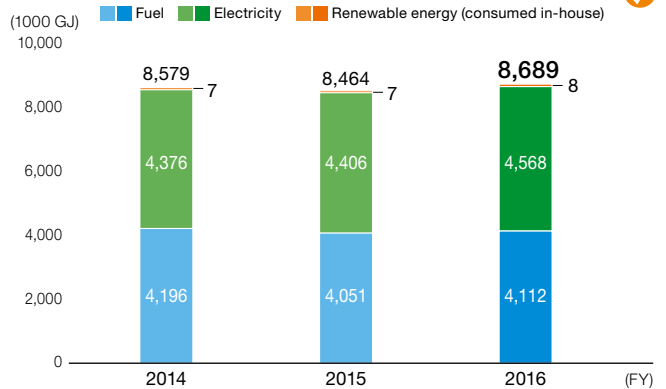
(by territory)

Unit: t-CO₂

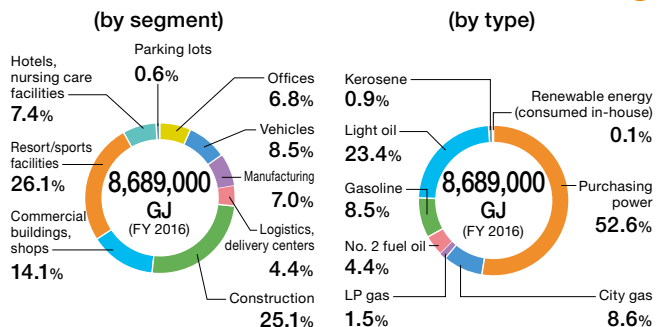
	2015	2016
Asia	1,107	1,146
North America	49	169
Southeast Asia	399	2,096
Oceania	5,853	6,052
Western Asia	260	232
Total	7,668	9,696

Energy consumption

Energy consumption



Breakdown of energy consumption



Energy consumption (by segment)

Unit: 1000 GJ

	2014	2015	2016
Offices	607	582	589
Vehicles	826	812	742
Manufacturing	577	599	612
Logistics, delivery centers	382	372	381
Construction	2,282	2,128	2,181
Commercial buildings, shops	1,232	1,178	1,226
Resort/sports facilities	2,108	2,204	2,266
Hotels, nursing care facilities	548	541	640
Parking lots	17	47	53

Energy consumption (by type)

Unit: 1000 GJ

	2014	2015	2016
Purchasing power	4,376	4,406	4,568
City gas	621	675	747
LP gas	148	137	134
No. 2 fuel oil	386	365	384
Gasoline	830	808	738
Light oil	2,136	1,990	2,030
Kerosene	76	76	79
Renewable energy (consumed in-house)	7	7	8

〈Calculation method and scope of coverage of environmental data〉

■ CO₂ emissions / Energy consumption

◇ Overview

"CO₂ emissions" refers only to CO₂ emissions originating from energy, and energy consumption is calculated on a heat quantity basis. Note that CO₂ emissions from offices outside Japan are excluded because they are reference values only. The emissions are calculated by multiplying the CO₂ emission factor and heat quantity conversion factor for each type of energy based on purchasing data for electricity and fuel, respectively. It also includes a partial estimate for the construction segment.

◇ Scope and calculation criteria

Segment	Target	Scope (Number of locations as of March 31, 2016)		Calculation criteria
Offices	Daiwa House Group	All offices (head office, affiliates, branch offices and sales offices), research labs, training centers and exhibition halls	Total 898 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
			Offices 651 locations	
			Research laboratories 2 locations	
			Training centers 5 locations	
			Exhibition halls 240 locations	
Vehicles	Daiwa House Group	All company vehicles and privately owned permitted vehicles	Total 13,450 vehicles	At each site, we use gasoline credit card billing data or refueling receipts to determine the amount of gasoline consumed and multiply it by the respective CO ₂ emission factor.
Manufacturing	Daiwa House Group	All production sites	Total 30 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
Logistics, delivery centers	Daiwa House Group	Transport	Total 566 vehicles	At each site, we use the monthly bill from the fuel supplier to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
		Delivery center	Total 59 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
Construction*	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total 8,945,000 m ²	We estimate the overall situation by multiplying the sales floor area (sales amount) in the data collection period by the energy consumption per sales floor area (or sales amount) at a sample property. From this figure, we estimate the energy consumption by subtracting the energy consumption reduction estimated based on the implementation rate of energy-efficiency initiatives. This is calculated by multiplying the above energy consumption by the respective CO ₂ emission factor.
			Housing construction 3,533,000 m ²	
			Building construction 5,412,000 m ²	
			Civil engineering 213 projects	
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company	Total 406 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor. Note: Excludes the tenants' portion. (However, some tenant portions are included in facilities where such inclusion is required under the Energy Efficiency Act.)
			Commercial buildings 349 locations	
			Home improvement centers 57 locations	
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total 116 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
			Resort hotels 29 locations	
			Golf courses 10 locations	
			Fitness clubs 72 locations	
			Warm bath facilities, Restaurants 5 locations	
Hotels, nursing care facilities	Daiwa House Group	Urban hotels and nursing care facilities operated by our company	Total 52 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.
			Urban hotels 46 locations	
			Nursing care facilities 6 locations	
Parking lots	Daiwa House Group	Parking lots operated by our company	Total 2,134 locations	At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the amount of energy used and multiply it by the respective CO ₂ emission factor.

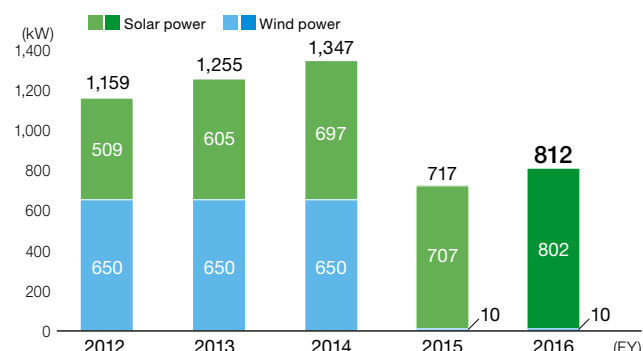
Note: Beginning in fiscal 2016, we identify the energy consumption of sample units for each application in some segments and review this value every year. Further, the preceding year's data is calculated with the same method.

Offices outside Japan (Reference)

Offices	Daiwa House Group	Offices	Total 56 locations	At each site, we determine energy consumption* ¹ based on invoices from electric power and fuel suppliers and multiply the values by the CO ₂ emission factor for the respective country* ² . * ¹ At some sites, we prepare an estimate from the amount billed. * ² From GHG protocol or IEA CO ₂ emissions from fuel combustion
Vehicles	Daiwa House Group	Company vehicles		
Resort facilities	Daiwa House Group	Resort hotels operated by our Group	Total 2 locations	

Renewable energy

Installed generation capacity of renewable energy (consumed in-house)

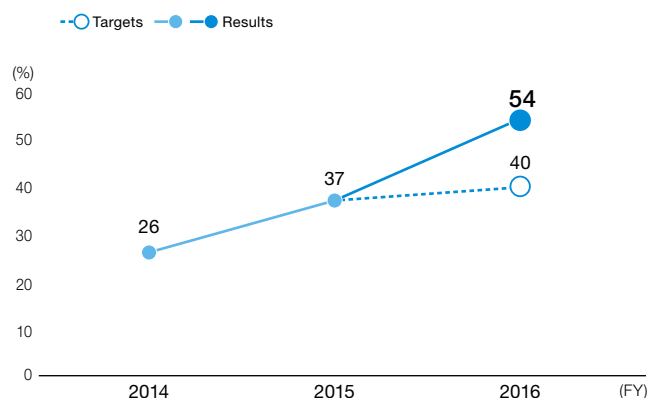


Installed generation capacity of renewable energy (consumed in-house) (by segment)

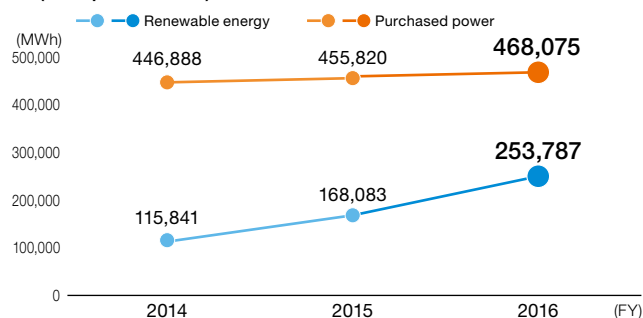
Unit: kW

	2012	2013	2014	2015	2016
Offices	116	116	152	191	277
Manufacturing	110	176	176	166	165
Logistics, delivery centers	128	128	128	81	81
Commercial buildings, shops	108	108	128	128	128
Resort/sports facilities	660	690	726	121	131
Hotels, nursing care facilities	30	30	30	30	30
Parking lots	7	7	7	0	0

Ratio of renewable energy generated (total power sales) to electric power purchased



Electric power purchased and renewable energy generated (total power sales)

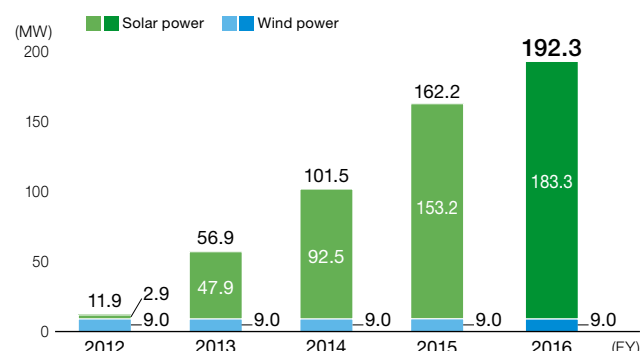


Breakdown of renewable energy generated (total power sales)

Unit: MWh

	2014	2015	2016
Wind power generated	26,926	26,549	28,344
Solar power generated	88,914	141,534	225,443

Installed generation capacity of renewable energy (total power sales)



Leading-edge CO₂ saving project

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (new construction)

Project	Date completed	Application	Extended area	Number of stories	Environmental performance
Toyohashi Branch, Daiwa House Industry	June 2016	Offices	2,659 m ²	Three floors above ground	CASBEE: Rank A BEI: 0.68 Photovoltaic power generation system 21.42 kW (Roof) D's Frame (greening panels, louvers) LED lighting, lithium-ion batteries (for BCP)
Royal Home Center Minami-Senju Branch	March 2016	Commercial buildings	17,197 m ²	Two floors above ground	CASBEE: Rank A Adopted "Mega Cool" indirect evaporative cooling air conditioner, photovoltaic power generation (20 kW), light ducts, daylight, window film, LED lighting, high-efficiency air conditioning, demand control
Royal Home Center Takarazuka Branch	April 2016	Commercial buildings	12,459 m ²	Two floors above ground	CASBEE: B+ Rooftop greening, demand control, LED lighting, high-efficiency air conditioning
Sports Club NAS Fujisawa	August 2016	Sports facilities	5,104 m ²	One floor below ground, five floors above ground	Inverter facility for photovoltaic power generation system/cogeneration
Daiwa Roynet Hotel Kyoto Ekimae	August 2016	Hotels	10,428 m ²	One floor below ground, five floors above ground	BEI value 0.66 All LED lighting High-efficiency water heater
Daiwa Roynet Hotel Koriyama Ekimae	February 2017	Hotels	12,667 m ²	Thirteen floors above ground	BEI value 0.694 All LED lighting High-efficiency water heater

Leading-edge project to reduce CO₂ emissions at our Company and Group facilities (existing)

Buildings	Uses	Standard year	CO ₂ reduction ratio (Base year ratio)		
			FY 2015 results	FY 2016 targets	FY 2016 results
Daiwa House Osaka Building	Offices	2005	39.0%	39.6%	37.9%
Daiwa House Tokyo Building		2005	29.7%	30.4%	29.7%
Iias Tsukuba	Commercial buildings	2010	14.2%	14.6%	-4.7%
BiVi Fukuoka		2009	26.4%	29.2%	39.7%
Combox Komyoike		2009	44.3%	44.6%	42.8%
Shonan Mall FILL		2007	41.8%	40.0%	42.4%
Royal Home Center Nishinomiya Branch	Resort hotels	2005	43.2%	44.3%	46.8%
Hamanako Royal Hotel		2007	36.3%	40.2%	33.8%
Ise-Shima Royal Hotel		2007	37.8%	42.5%	36.9%
Amanohashidate Miyazu Royal Hotel	Plants	2009	38.5%	40.2%	34.7%
Kyushu Plant, Daiwa House Industry		2005	62.1%	63.0%	65.3%
Kanto Plant, Daiwa Lease		2007	60.0%	60.7%	59.3%
Mie Plant, DesignArc		2007	15.9%	21.3%	9.2%

〈Calculation method and scope of coverage of environmental data〉

■ Installed generation capacity of renewable energy (consumed in-house)

◇ Overview

The capacity of renewable power generation facilities (such as wind power and photovoltaic power generating facilities) owned and operated by our Group indicates the amount of power being consumed in-house as of the end of the fiscal year.

◇ Scope and calculation criteria

Same as those for CO₂ emissions; however, segments of vehicles, transportation, and construction are excluded.

■ Installed generation capacity of renewable energy (total power sales)

◇ Overview

The capacity of power generation facilities indicates the capacity of renewable power generation facilities (wind power generation, photovoltaic power generation, hydroelectric power generation, etc.) that our Group manages (and operates) as a power producer as of the end of the fiscal year. In calculating the capacity of these power generation facilities, only the total amount of electricity sales is used, as in-house consumption is excluded. Moreover, the power generation facilities operated by Eneserve Corporation, which sells electricity as a specific Power Producer and Supplier (PPS), are excluded.

■ Ratio of renewable energy generated (total power sales) to electric power purchased

◇ Overview

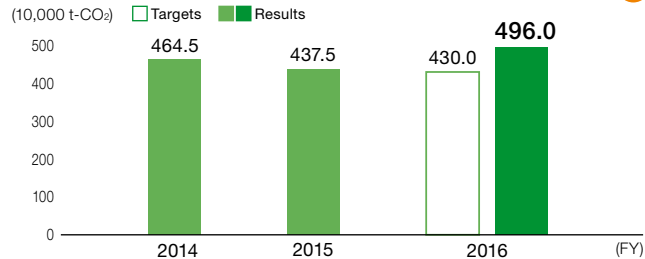
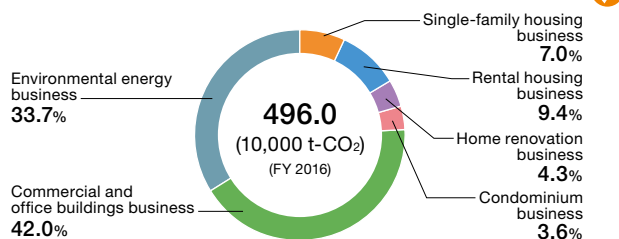
The ratio of renewable energy generated (total power sales) to electric power purchased indicates the ratio of sales to the electric power system of electricity from renewable energy power generation facilities operated by our Group to purchases of electricity of our Group. A ratio of 100% or larger can indicate that indirect CO₂ emissions from purchased electric power are net zero.

◇ Calculation formula

Ratio of renewable energy generated (total power sales) to electric power purchased (%)

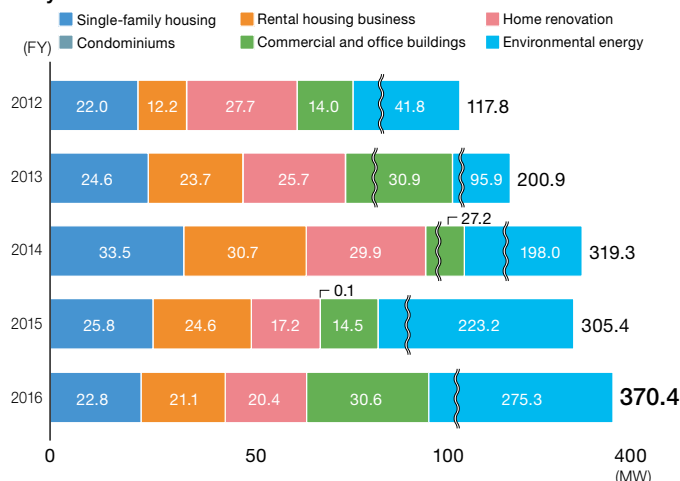
$$= \frac{\sum (\text{Sales of renewable energy (total power sales) from power generation facilities (MWh)})}{\sum (\text{Purchased power (MWh)})}$$

ECO products

Contribution to CO₂ reduction■ Contribution to CO₂ reduction■ Breakdown of contribution to CO₂ reduction■ Contribution to CO₂ reduction (by segment)Unit: 10,000 t-CO₂

Segment	2014	2015	2016
Single-family housing business	42.1	38.1	34.7
Rental housing business	48.2	42.7	46.7
Home renovation business	28.1	17.7	21.1
Condominium business	15.7	12.7	18.0
Commercial and office buildings business	164.2	143.4	208.4
Environmental energy business	166.1	182.9	167.0

■ Trend in installed capacity of photovoltaic power generation systems



■ Trend in installed capacity of photovoltaic power generation systems (by segment)

Unit: kW

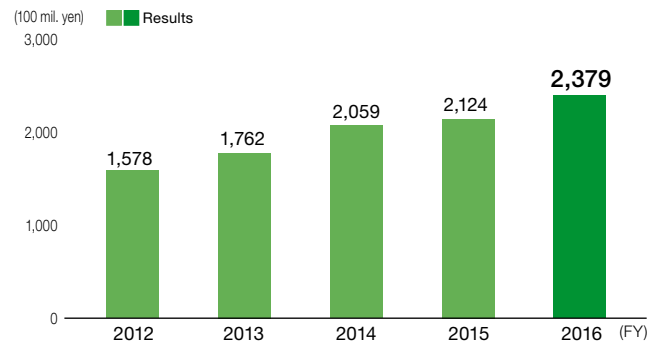
Segment	2012	2013	2014	2015	2016
Single-family housing business	21,997	24,627	33,539	25,817	22,808
Rental housing business	12,175	23,745	30,719	24,631	21,123
Home renovation business	27,715	25,715	29,855	17,220	20,442
Condominium business	45	26	22	69	45
Commercial and office buildings business	14,045	30,940	27,207	14,469	30,629
Environmental energy business	41,804	95,868	198,002	223,235	275,338

Status of certification and acquisition of Green Building Certifications

Name of certification	Segment	Unit	2015	2016
Long-life quality housing	Single-family housing business	Units	7,640	7,530
Low-carbon building certification	—	Units	—	1,877
BELS certification	—	Units	—	2,045
LEED certification	Offices	—	—	Platinum certification (our Tokyo Head Office building)

Environmental businesses

■ Sales of environmental businesses



■ Sales of environmental businesses (by segment)

Unit: 100 mil. yen

	2012	2013	2014	2015	2016
Environmental energy business	317	517	720	807	921
Existing home business	764	751	798	813	875
Leasing business	485	482	523	474	523
Environmental greening business	10	10	15	25	45
Environmental engineering business	2	3	3	5	15

〈Calculation method and scope of coverage of environmental data〉

■ Sales of environmental businesses

◇ Overview

Apart from the environmental considerations of construction contracting, which is the core business of the Daiwa House Group, projects that are undertaken as diversified businesses themselves contribute to the emergence of a low-carbon society, a society committed to recycling, and a society in harmony with nature are termed "environmental businesses" and their progress is evaluated in terms of sales.

◇ Scope of coverage

The table below shows the calculation range of the five relevant businesses operated by Daiwa House Industry and its Group companies.

Segment	Scope	Scope of calculation
Environmental energy business	Daiwa House Industry	Total sales of environmental energy business
	Daiwa Energy	Total sales
	Eneserve	Total sales
Existing home business	Daiwa House Industry	Total sales of existing home business
	Daiwa House Reform	Total sales
	Nihon Jyutaku Ryutu	Total sales of existing home business
Leasing business	Daiwa Lease	Total sales of distribution and construction leasing business (excluding distribution and construction)
Environmental greening business	Daiwa Lease	Total sales of environmental greening business
Environmental engineering business	Fujita	Total sales of environmental engineering business

Calculation method and scope of coverage of environmental data

Contribution to CO₂ reduction

Overview

"Contribution to CO₂ reduction" is a numerical value representing how much we contributed to reduction of CO₂ emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions. Using flow-based calculations, our Group calculates CO₂ emissions at the use and operation stages for products (housing, buildings, photovoltaic power generation, etc.) in use up to the end of their service life for the relevant fiscal year. We then calculate the contributed reduction in CO₂ emissions by subtracting the result from the CO₂ emissions generated by a comparable equivalent product. As for the contributed reduction of an ESCO*, the value is calculated by the existing home base method, and the annual CO₂ emissions of all facilities subject to ESCO services during the fiscal year (cumulative amount for an existing house) are calculated. We calculate the contributed reduction by deducting it from the CO₂ emissions of a comparable facility.

* Initialism for "energy service company," a business that reduces the costs of its customers' utilities and water and is compensated for any reduction achieved.

Calculation formula

[Example of flow base method]

- Method ① (New houses): contribution to CO₂ reduction (t) = {(Annual CO₂ emissions per house (t/house · year) in the usage or operation stages of the products being compared) – (Annual average CO₂ emissions per house (t/unit · year) in the usage or operation stage of products offered during the fiscal year)} × Number of houses sold in current fiscal year × Number of assumed years of use
- Method ② (New buildings): contribution to CO₂ reduction (t) = Σ [Total floor area (m²) × Annual energy consumption per unit of floor area by application or scale (MJ/m² · year) × Energy reduction rate (%) × CO₂ emission factor (t/MJ) × Estimated number of years of use]
Note: Energy reduction rate (%) = 1 - BEI* * Design energy consumption (MJ/year) ÷ Reference energy consumption (MJ/year)
- Method ③ (energy generation facility): contribution to CO₂ reduction (t) = Σ [Annual renewable energy generated (kWh/year) × CO₂ emission factor (t/kWh) × Estimated number of years of use]
Note: Includes power sales.
- Method ④ (Energy efficiency improvement): contribution to CO₂ reduction (t) = Σ [(Annual CO₂ emissions (t/year) before energy-efficiency retrofits – Annual CO₂ emissions (t/year) after energy-efficiency retrofits) × Estimated number of years of use]
- Method ⑤ (Electricity retailing): contribution to CO₂ reduction (t) = Σ [(Adjusted emission factor of general electric power supplier (t-CO₂/kWh) – Adjusted CO₂ emission factor in current fiscal year (t-CO₂/kWh)) × Supplied electric energy (kWh)]

[Example of base method for existing home]

Contribution to CO₂ reduction (t/year) = Σ [(Annual CO₂ emissions (t/year) of comparable facilities) – (Annual CO₂ emissions (t/year) of equipment subject to ESCO services provided during year)]

Scope and calculation criteria

Segment	Scope	Calculation criteria		
		Calculation Methods and Calculation Tools	Comparison	Estimated number of years of use*
Daiwa House Industry	Single-family housing business	[Calculation method] Flow base method ① [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.)	[Single-family house] Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 m ²	Frame: 30 years Equipment: 15 years Photovoltaic power generation: 20 years
	Rental housing business	[Calculation of energy consumption] Assuming that all dwellings supplied during the fiscal year share the same construction site and plan as the comparable dwelling unit, the average annual energy consumption per house is calculated with the program methodology with consideration for the rate of introduction of each energy-efficiency measure in the relevant year.	[Lease (low-rise)] Construction site: Osaka City, Family composition: 3-person family. Plan: Our standard plan. Low-rise dwelling unit area: 50.49 m ² [Common specifications] 2016 Energy efficiency standard (reference specification)	Frame: 30 years Equipment: 15 years Photovoltaic power generation: 20 years
	All newly built houses of the rental housing business (medium- and high-rise)	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference	60 years
	Condominium business	All housing starts of condominium business		
	Commercial and office buildings business	All construction projects of at least 300 m ² of the commercial and office buildings business, and installation of photovoltaic power generation systems	[Calculation method] Flow base methods ② · ③ [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference
Daiwa Lease	Commercial and office buildings business	All construction starts of the commercial and office buildings business (excluding lease items)	[Calculation method] Flow base method ② [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference
	Office buildings business	All construction starts of projects of at least 300 m ² of the office buildings business and installation of photovoltaic power generation systems	[Calculation method] Flow base methods ② · ③ [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference
Fujita	Office buildings business	All construction starts of projects of at least 300 m ² of the office buildings business and installation of photovoltaic power generation systems	[Calculation method] Flow base methods ② · ③ [Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program	Energy Efficiency Act: 2013 or 2016 standard building as reference
	Home renovation business	All energy-efficiency retrofits and energy-generation installation projects of the home renovation business	[Calculation method] Flow base methods ③ · ④ [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.) [Calculation of power generated/energy-saving effect] Assuming that all the energy-efficiency retrofits and energy-generation installations for the fiscal year share the same construction site and plan as the comparable dwelling unit, the effect of each energy-efficiency measure is calculated with the program methodology, and the reduction effect is multiplied by the number of units constructed during the year.	Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 m ² Exterior insulation: 1980 Energy efficiency standard, Hot-water supply: General gas water heater. Cooker: Gas stove. Power generation facilities: None
Daiwa House Reform	Home renovation business	All energy-efficiency retrofits and energy-generation installation projects of the home renovation business	[Calculation method] Flow base methods ③ · ④ [Calculation tool used] Energy Efficiency Act/Energy Consumption Performance Calculation Program for houses (Equipment that cannot be evaluated by this program is evaluated with our own calculation.) [Calculation of power generated/energy-saving effect] Assuming that all the energy-efficiency retrofits and energy-generation installations for the fiscal year share the same construction site and plan as the comparable dwelling unit, the effect of each energy-efficiency measure is calculated with the program methodology, and the reduction effect is multiplied by the number of units constructed during the year.	Insulation upgrade: 15 years Lighting fixture replacement: 15 years Air conditioner replacement: 15 years Photovoltaic power generation: 20 years
	Environmental energy business	All ESCO businesses, energy-efficiency and energy-generation solution projects	[Calculation method] Flow base methods ③ · ④, existing home base method (ESCO projects only) [Calculation of power generated/energy-saving effect] Calculated with our unique simulation (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility
Daiwa Energy	Environmental energy business	All ESCO businesses, energy-efficiency and energy-generation solution projects	[Calculation method] Flow base methods ③ · ④, existing home base method (ESCO projects only) [Calculation of power generated/energy-saving effect] Calculated with our unique simulation (in combination with trial calculations by the manufacturer).	[Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit [Example of energy-generation solution] Before introduction of energy-generating facility
	Environmental energy business	All Power Producer and Supplier (PPS) business	[Calculation method] Flow base method ⑤ [Calculation of power sales] The amount of electricity supplied by each supply area of the general electric power supplier is calculated, and any differences between adjusted emission factors are accounted for.	Adjusted emission factors are published by Hokkaido Electric Power, Tohoku Electric Power, Tokyo Electric Power, Chubu Electric Power, Hokuriku Electric Power, Kansai Electric Power, Chugoku Electric Power, Shikoku Electric Power, Kyushu Electric Power, and Okinawa Electric Power.

* In fiscal 2016, the assumed number of years of service was changed to the durable life indicated in CASBEE – Buildings (new construction) 2016 edition. Data for previous fiscal years is calculated the same way.

Green Building Certifications

Overview

In order to promote the emergence of zero energy houses and buildings, our Group is obtaining certification with accreditation systems that require a certain level of energy efficiency.

Long-life quality housing certification

See p. 178: Conservation of natural resources, Long-life quality housing certification rate

Low-carbon building certification

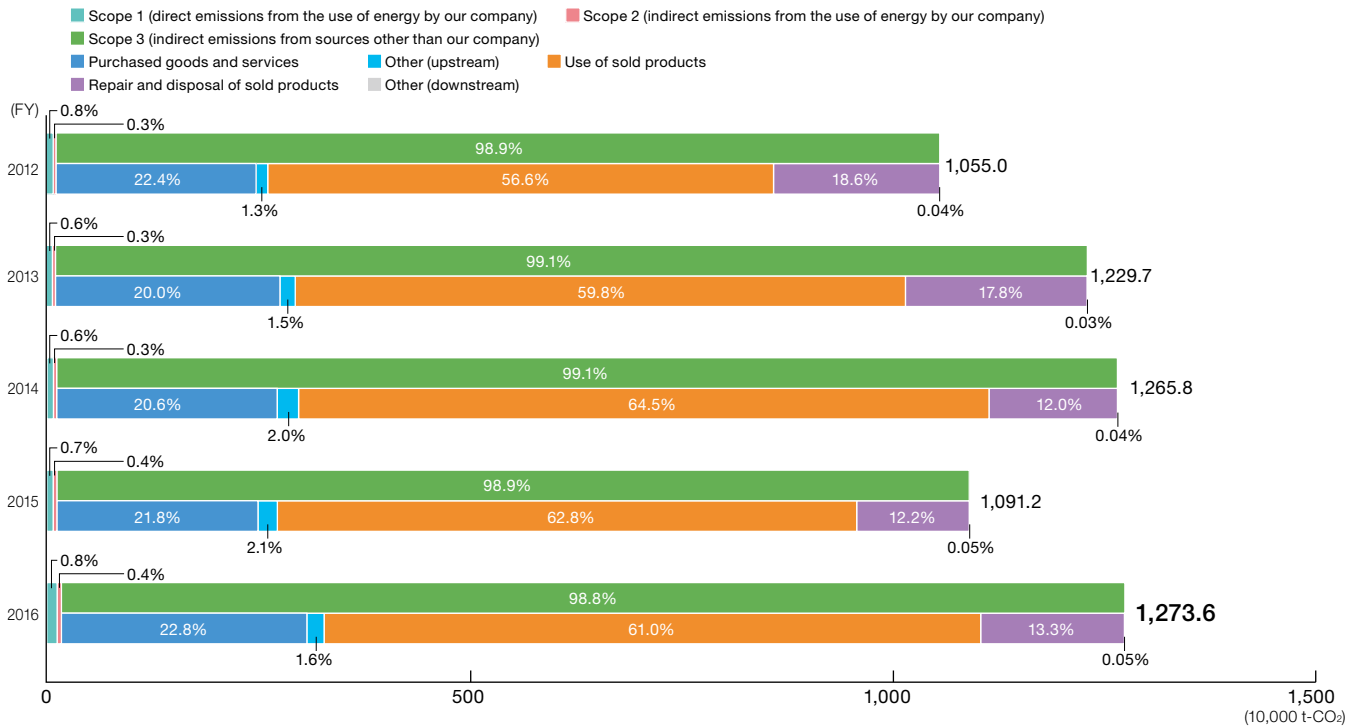
Buildings and housing that contribute to reduced CO₂ emissions and are certified by competent administrative agencies.

BELS certification

This is the abbreviation for Building-Housing Energy-efficiency Labeling System, a system whereby third-party evaluation agencies evaluate and certify the energy efficiency of newly built and existing buildings. Ratings are given according to the performance level: one to five stars (★).

LEED certification

This is an international environmental performance evaluation system for buildings developed by the Green Building Association of the U.S.A. Four certifications are offered: Platinum, Gold, Silver and Standard.

Reducing CO₂ emissions in the value chain■ Reducing CO₂ emissions in the value chain■ Scope 1, 2 & 3 CO₂ emissionsUnit: 10,000 t-CO₂

Category		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Percentage of total
Scope 1		8.0	7.7	7.2	7.4	10.6	0.8%
Scope 2		3.5	3.7	4.3	4.4	4.7	0.4%
		1,043.5	1,218.3	1,254.2	1,079.4	1,258.2	98.8%
Scope 3	Purchased goods and services	236.3	245.6	260.2	237.7	290.7	22.8%
	Capital goods	4.8	8.4	14.4	10.7	5.4	0.4%
	Fuel- and energy-related activities (not included in scope 1 or scope 2)	1.4	1.2	1.2	1.2	1.4	0.1%
	Upstream transportation and distribution	3.7	4.3	4.2	4.6	4.5	0.4%
	Waste generated in operations	2.9	3.4	4.4	5.2	8.4	0.7%
	Business travel	0.4	0.5	0.4	0.5	0.5	0.04%
	Employee commuting	0.3	0.5	0.6	0.5	0.5	0.04%
	Upstream leased assets	0.01	0.02	0.02	0.02	0.02	0.001%
	Downstream transportation and distribution	—	—	—	—	—	(Not applicable)
	Processing of sold products	—	—	—	—	—	(Not applicable)
	Use of sold products	596.7	735.5	816.6	684.8	776.7	61.0%
	End-of-life treatment of sold products	196.7	218.5	151.7	133.5	169.3	13.3%
	Downstream leased assets	0.4	0.4	0.5	0.5	0.6	0.05%
	Franchises	—	—	—	—	—	(Not applicable)
	Investments	—	—	—	—	—	(Not applicable)
Total		1,055.0	1,229.7	1,265.8	1,091.2	1,273.6	100.0%

◀ Calculation method and scope of coverage of environmental data ▶

■ Reducing CO₂ emissions in the value chain

◇ Target

Daiwa House Industry (Non-consolidated)

◇ Overview

For Scope 1 and 2, see p. 164 (Some calculation methods have been changed, but we have not made retroactive adjustments.)
Scope 3 is calculated with the calculation formula shown at right; primary data based on our actual results is used, and secondary data of high reliability is used for CO₂ emissions per amount of activity. For secondary data, we use the latest version available every year; we have not made any retroactive adjustments.

◇ Calculation formula

CO₂ emissions (t) = $\sum \{(\text{Amount of activity}) \times (\text{CO}_2 \text{ emissions per amount of activity})\}$

◇ Source (Secondary data used)

- ① Emission basic unit database (ver. 2.4, Ministry of Economy, Trade and Industry, Ministry of the Environment) for calculation of greenhouse gas emissions of the organization throughout its supply chain
- ② "Basic database ver. 1.01 (domestic data)" of the Carbon Footprint Communication Program (Japan Environmental Management Association for Industry)
- ③ The Comprehensive Assessment System for Built Environment Efficiency System (CASBEE) Single-family Houses (Newly Built) and Buildings (Newly Built), LCCO₂ Calculation Tool, 2016 edition (Japan Sustainable Building Consortium)

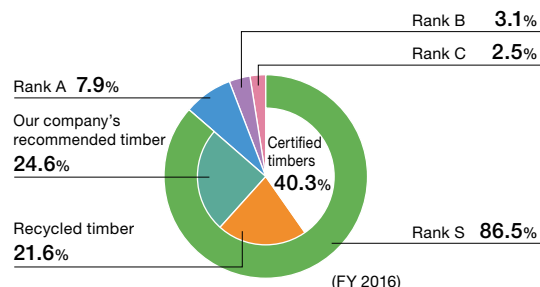
◇ Scope and calculation criteria

Category	Scope 3 target categories	Scope [Explanation of non-applicable categories (◆)]	Calculation criteria [Emissions = Activity × CO ₂ emissions per activity (basic unit)]	
			Activity	Basic unit (source)
Upstream	1 Purchased goods and services	Collection, manufacture, and transportation of materials required for construction of single-family houses, rental houses, condominiums, and non-residential buildings; as well as purchased water and paper (during condominium construction and use)	Supply area by application	Basic unit per area (Source ③)
	2 Capital goods	Collection, manufacture, and transportation of purchased or acquired capital goods	Capital investment	Basic unit per amount of capital investment (Source ①)
	3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	Collection, production, and transportation of purchased or acquired fuels and energy (those not included in scope 1 or 2)	Purchased fuel and energy consumption	Basic unit per unit of fuel and energy used in collection, production, and transportation stages (Source ①, ②)
	4 Upstream transportation and distribution	Procurement and transfer of cargo owned by our company; transportation of waste responsible for emissions	Heat output of fuel related to shipper's transport	Basic unit per unit of heat generated (according to Energy Efficiency Act)
	5 Waste generated in operations	Disposal and treatment of industrial waste generated at production sites and construction/demolition sites	Waste emissions per item	Basic unit of the disposal/treatment stage by item (Source ①)
	6 Business travel	Employee travel & accommodations for business reasons (inside or outside Japan)	Business trip expenses by means of travel	Basic unit per transportation expense by means of travel (Source ①)
	7 Employee commuting	Employee travel between home and work locations	Commuting expenses by means of travel	Basic unit per transportation expense by means of travel (Source ①)
	8 Upstream leased assets	Operation of data center and document management warehouse on leased property	Occupation area (warehouse/data center)	Basic unit per area (Source ③)
Downstream	9 Downstream transportation and distribution	◆ Because there is no process of transportation/distribution of products (houses, buildings) sold, there is no CO ₂ emission corresponding to this category.	Not applicable	Not applicable
	10 Processing of sold products	◆ Because there is no processing of products (houses and buildings) sold, no CO ₂ emissions apply to this category.	Not applicable	Not applicable
	11 Use of sold products	Lifetime use of single-family houses, rental houses, condominiums, and non-residential buildings (Single-family houses/Rental housing/Sale of goods/Food stores/Plants/Warehouses: 30 years, Other: 60 years) We include the use of products provided together with the lease. CO ₂ emissions associated with repair and renovation are included in Category 12.	Supply area by application	Annual CO ₂ emissions per supply area by application (in-house calculation) × expected number of years of use
	12 End-of-life treatment of sold products	Repair, renovation, demolition, disposal of single-family houses, rental houses, condominiums, and non-residential buildings in their service life	Supply area by application	Basic unit per area (Source ③)
	13 Downstream leased assets	Operation of rental buildings owned by our Company	Lease area (office)	Basic unit per area (Source ③)
	14 Franchises	◆ Since we operate no franchising system, no CO ₂ emissions correspond to this category.	Not applicable	Not applicable
	15 Investments	◆ In terms of scope 1 and 2 emissions at the investment destination, as a result of estimates based on partial actual data, emissions total a maximum of 2% of total Scope 3 emissions. In light of the difficulty of collecting data, it is determined that the emissions are low enough to disregard.	Not applicable	Not applicable

ECO process

Eco-friendly wood procurement

Assessment result of used timber



Assessment result of used timber

[Overall]

	2014	2015	2016
Rank S	81.5%	87.6%	86.5%
Rank A	7.4%	5.6%	7.9%
Rank B	3.8%	2.2%	3.1%
Rank C	7.3%	4.7%	2.5%

[Within Rank S]

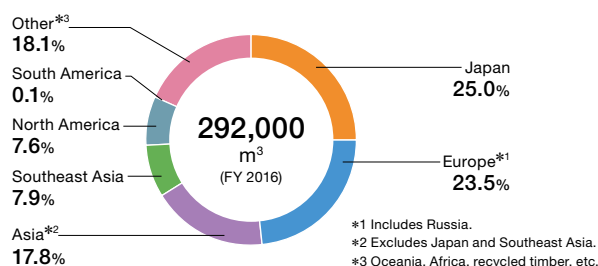
	2014	2015	2016
Certified timbers	66.7%	43.9%	40.3%
Recycled timber	7.9%	23.0%	21.6%
Our company's recommended timber	6.9%	20.7%	24.6%

Volume of timber procured in segments to be evaluated

Unit: m³

	2013	2014	2015	2016
Daiwa House Industry	206,810	207,836	254,132	246,277
Royal Home Center	—	30,263	25,723	27,509
DesignArc	—	1,037	1,726	2,854
Daiwa Lease	—	—	6,073	5,963
Fujita	—	—	5,185	9,443
Cosmos Initia	—	—	140	91
Total	206,810	239,136	292,979	292,137

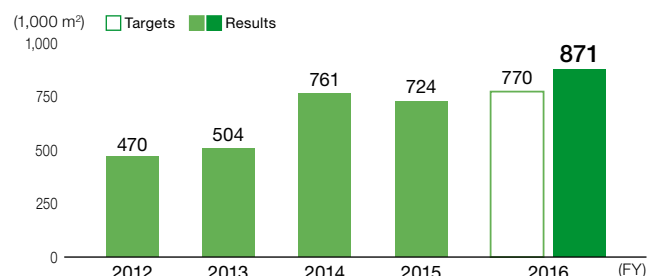
Ratio of timber used by logging area



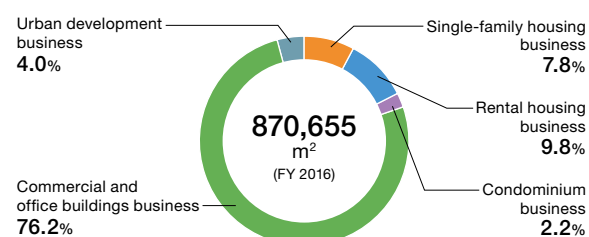
ECO products

Preserving biodiversity in relation to development and town planning

Surface area of green space

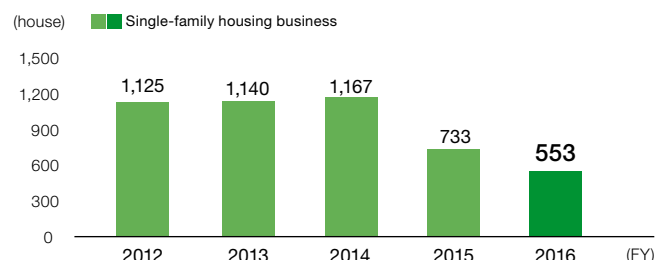


Breakdown of green covered areas

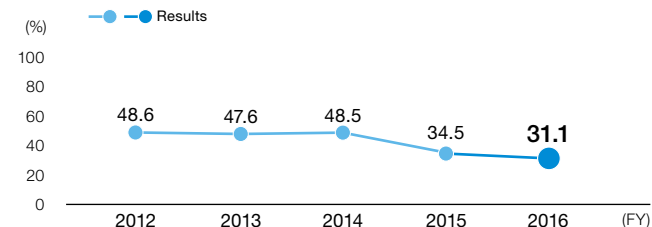


Environmentally symbiotic housing

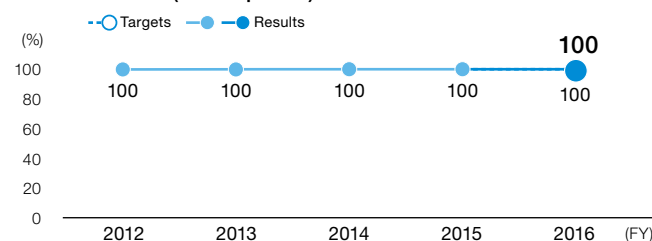
Number of certified environmentally symbiotic housing



Certification rate of environmentally symbiotic housing (only built-for-sale houses)



Compliance rate with voluntary standards for biodiversity conservation (Development)



〈Calculation method and scope of coverage of environmental data〉

■ [Community creation] Surface area of green space

◇ Overview

"Surface area of green space" refers to the total green area created by the Daiwa House Group and construction contractors as part of external construction work undertaken in relation to the sale of built-for-sale houses.

Note: The building area is the horizontal projected area of the building. However, for single-family houses, we use the assumed building area (site area × legal building-to-land ratio).

◇ Calculation formula

Surface area of green space (m²)
= Σ(Surface area of green space (m²) of target units in each project)

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All unit sales of built-for-sale houses
Rental housing business	Daiwa House Industry	[With greening regulations] All new buildings [Without greening regulations] Site area of at least 1,000 m ²
Condominium business	Daiwa House Industry	All construction starts (excluding JV non-managed units)
Commercial and office buildings business	Daiwa House Industry	[With greening regulations] All construction starts [Without greening regulations] Site area of at least 3,000 m ²
	Daiwa Lease	[With greening regulations] All construction starts
	Fujita	[With greening regulations] All construction starts
Urban development business	Daiwa House Industry	All construction starts

■ Environmentally symbiotic housing certification

◇ Overview

In promoting town development in harmony with nature, we utilize the environmentally symbiotic housing certification system implemented by the Institute for Building Environment & Energy Conservation as an indicator to measure progress. Certification is based on system supply type accreditation (Certificate Nos. CS2011-3, CS2011-4) for single-family houses. In developing large-scale housing complexes and the like, we use mainly the parallel complex supply type; for condominiums, we mainly use the individual supply type.

◇ Calculation formula

Certification rate of environmentally symbiotic housing (%)
= Σ(Number of certified dwellings as built-for-sale houses)
÷ Σ(Number of dwellings sold as built-for-sale houses)

◇ Scope

Segment	Target	Scope	
		Number of certified houses	Certification rate
Single-family housing business	Daiwa House Industry	All housing sales	All sales of built-for-sale houses
Condominium business	Daiwa House Industry	All housing sales	

■ [Development] Compliance rate with voluntary standards for biodiversity conservation

◇ Overview

Our voluntary standards for biodiversity preservation [Development] are based on our Biodiversity Guidelines [Development & Community Creation]. In the evaluation tool comprising 30 items uniquely determined by Daiwa House Industry for large-scale development projects, the evaluation rank must be Rank B or better. The evaluation is conducted by the persons in charge of each unit, and the status of compliance with the standards is confirmed by our head office.

◇ Calculation formula

Compliance rate with voluntary standards for biodiversity conservation (%)
= Σ(Site area of units in compliance with voluntary standards (m²))
÷ Σ(Site area of units under evaluation (m²))

◇ Scope

Segment	Target	Scope
Development	Daiwa House Industry	Our company-developed projects with a development area exceeding 3,000 m ²

■ Legality & sustainability evaluation of used timber and amount of timber procured

◇ Overview

In line with our Biodiversity Guidelines [Wood Procurement], we have established certification criteria for three types of wood: certified wood, recycled wood, and our company's recommended wood.

Once a year, we conduct a wood delivery survey with wood suppliers and confirm compliance with the certification criteria.

[Wood not classified as certified or recycled is categorized according to one of the following four classes: Rank S (recommended), Rank A (standard), Rank B, (purchase is acceptable), and Rank C (requires improvement).]

Note: Evaluation criteria were partially revised in fiscal 2015.

◇ Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	Single-family houses constructed (steel frame/wooden construction)
Rental housing business	Daiwa House Industry	Industrialized rental housing constructed (steel frame)
Condominium business	Daiwa House Industry, Cosmos Initia	Condominiums sold (Sample units)
Commercial and office buildings business	Daiwa House Industry, Daiwa Lease, Fujita	Wooden buildings, medical care & residential buildings constructed
Other	Royal Home Center	Wood products sold
	DesignArc	Wooden building materials manufactured

* Target materials: Includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

Biodiversity Declaration

Biodiversity Declaration
(Adopted October 2010)

Philosophy of Biodiversity

As a global corporate citizen cognizant of the natural blessings granted by biodiversity while remaining committed to eco-friendly business operations, we shall contribute to the sustainable development of society in order to co-create a brighter future for humanity and the natural world.

Biodiversity Action Guidelines

1. We shall promote business operations that enable people to live in harmony with nature.

Recognizing the importance of nature's blessings, we aim to ensure our business operations are in harmony with the air, water, earth, living creatures, and other aspects of nature's circulation functions.

2. We shall introduce communities co-created by humanity and the natural world.

We shall recognize how biodiversity is affected by construction and shall strive to avoid and reduce any damage while proposing eco-friendly city planning.

3. We shall use natural resources with care, mindful of any impact on the ecosystem.

To maintain high ethical standards, we shall collaborate with suppliers to ensure we utilize only sustainable resources and shall not merely comply with laws and regulations concerning biodiversity.

4. We shall contribute to biodiversity through research and development.

We shall promote R&D related to biodiversity preservation from a global perspective and share the results with society.

5. We shall maintain open communication and collaborate with our stakeholders.

We shall broaden the range of initiatives related to biodiversity preservation in terms of both our business operations and social contribution initiatives through communication and collaboration with local government, NGOs, and other stakeholders.

**③ Biodiversity Guidelines
[Development & Community Creation]**

1. Ascertain the potential of the natural environment

We will identify the local characteristics related to the biological environment, including the site and its surroundings, and will adopt a policy concerning preservation and creation of the biological environment on which it is based.

2. Preserve and plant greenery

We will actively incorporate regional adaptive seeds and make efforts to ensure the quantity and quality of greenery, and we will propose the development of green spaces with consideration for the habitat of small wild animals and planting conditions.

3. Be careful to preserve a sufficient natural environment as a habitat for small animals

We will make efforts to consider preserving the habitat and natural environment by improving green spaces and water areas that promote the habitat behavior of small wild animals and other creatures.

4. Take care to create a connected network of habitable environments for the ecosystem

In emphasizing the interconnection of ecosystems, we strive to ensure the continuity of green space arrangements and land use by considering the scope of travel of living creatures.

5. Take steps to minimize the environmental impact of construction work

We will consider the plants and animals inhabiting the surroundings as we strive to reduce the impact of noise, vibration, exhaust, and other such factors.

6. Pay adequate consideration to ecological maintenance and management

In order to maintain a good biological environment, we will plan and propose facilities and management policies necessary for maintaining and managing green spaces.

CSR Procurement Guidelines
(Adopted July 2015)

(1) Business Partner Code of Conduct

(2) Corporate Activity Guidelines

(3) Guidelines for Products

Chemical Substance Management Guidelines

**① Biodiversity Guidelines
[Wood Procurement]**

**② Items to be Evaluated for
Legality and Sustainability**

**③ Biodiversity Guidelines
[Development & Community Creation]**

① Biodiversity Guidelines [Wood Procurement]

1. Certified wood

Procure timber certified by the FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forestry Certification) and SGEC (Sustainable Green Ecosystem Council).

2. Recycled wood

Procure wood recycled from construction scrap (particleboard*, etc).

3. Our company's recommended wood

When procuring wood that is not classified as certified or recycled, verify if it meets or exceeds certain standards in terms of legality and sustainability and procure only wood that is judged to meet a certain minimum level.

* Sheet goods made of wood chips bonded with adhesive that are heated and molded to specific thickness and dimensions

② Items to be Evaluated for Legality and Sustainability

(1) Confirmation of legality

- Ensure the source of supply has been clearly identified (traceable to the logging site).
- Confirm that the cutting rights have been secured.
- Confirm compliance with forestry laws and other relevant rules.

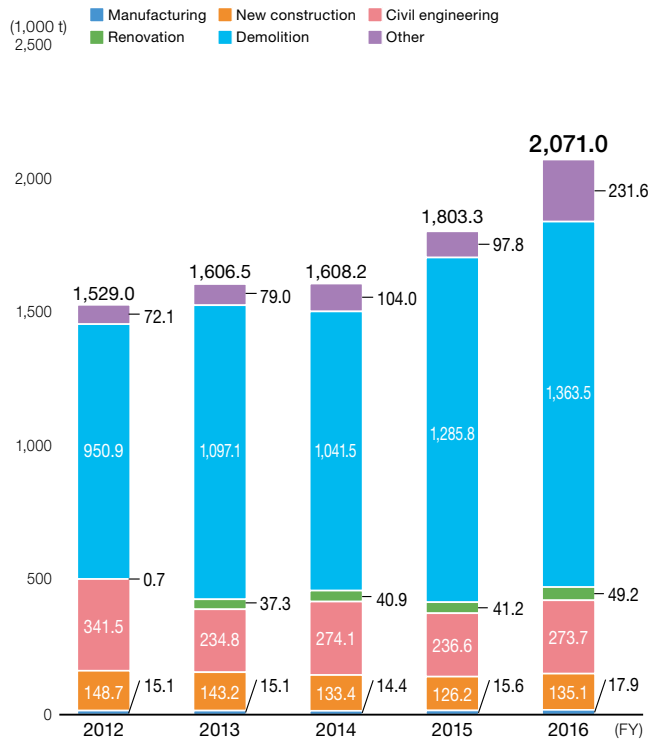
(2) Confirmation of sustainability

- Comprehensively determine sustainability with the following eight items.
- The logged timber is not an endangered species.
 - The logging method avoids large-scale logging of natural forests.
 - Endangered species in the logging areas and surrounding areas have been considered for conservation.
 - The timber is not produced in a disputed region.
 - Working conditions are in compliance with the local government.
 - The forest reserves can be maintained (forests within the area can be renewed after logging).
 - The timber is Japanese domestic timber.
 - The timber is a fast-growing species that quickly becomes available for logging again.
(No extensive cutting of wild trees occurs in the cultivation of this fast-growing timber.)

ECO process

Waste emissions

■ [Overall] Construction/demolition waste emissions



■ [Overall] Breakdown of construction/demolition waste emissions (by treatment)

Unit: %

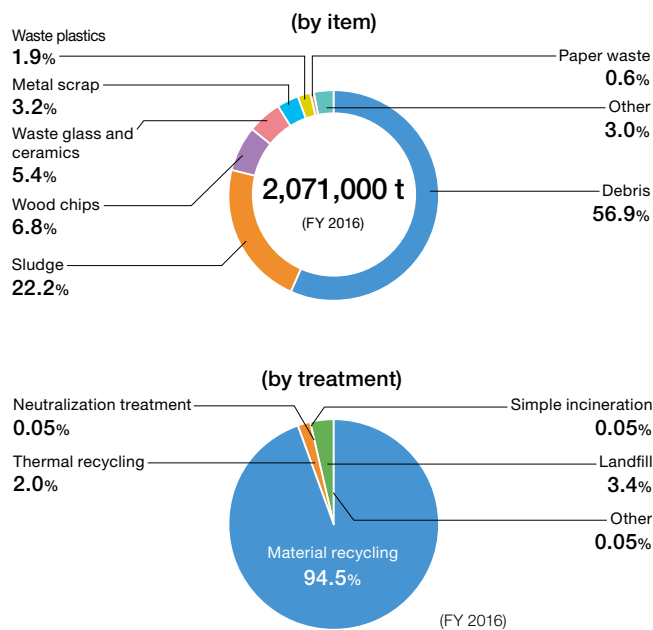
		2012	2013	2014	2015	2016
Recycling	Material recycling	95.4	93.8	93.2	93.7	94.5
	Thermal recycling	2.0	2.2	2.8	2.3	2.0
	Neutralization treatment	—	—	0.01	0.03	0.05
Final disposal	Simple incineration	0.07	0.04	0.03	0.03	0.05
	Landfill	2.6	3.8	3.9	3.7	3.4
	Other	0.05	0.13	0.12	0.17	0.05

■ [Overall] Trend in recycling rates (by segment)

Unit: %

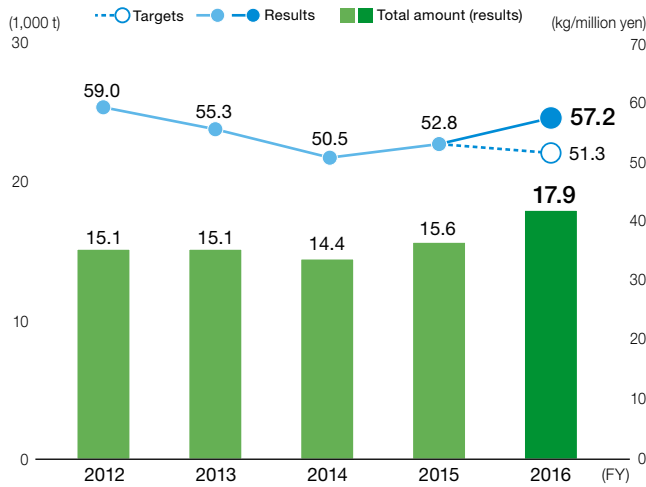
	2012	2013	2014	2015	2016
Manufacturing	97.6	98.6	98.8	98.7	98.6
New construction	93.4	96.3	96.5	93.5	97.7
Civil engineering	99.8	99.8	98.8	99.3	99.8
Renovation	77.4	75.9	77.4	78.7	80.0
Demolition	96.9	95.4	95.8	96.5	96.0

■ [Overall] Breakdown of construction/demolition waste emissions

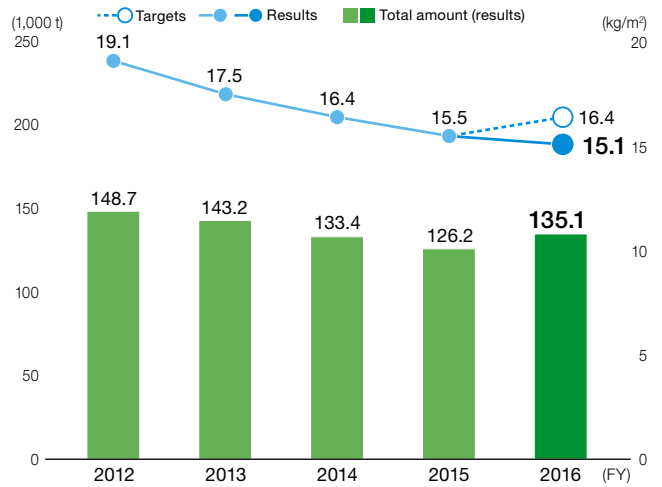


Conservation of Natural Resources

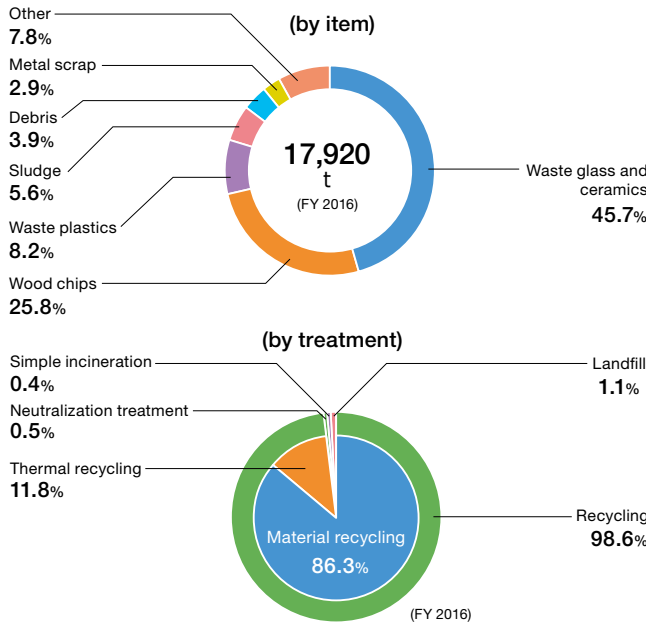
■ [Manufacturing] Waste emissions and basic unit



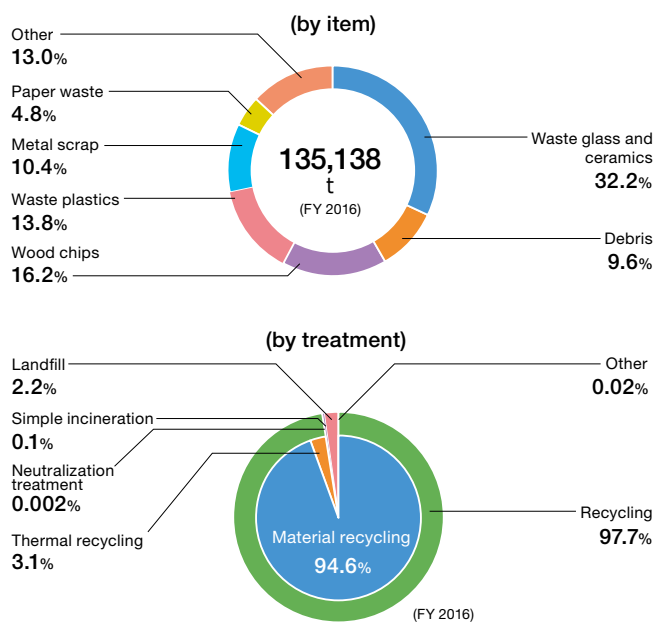
■ [New construction] Waste emissions and basic unit



■ [Manufacturing] Breakdown of waste emissions



■ [New construction] Breakdown of waste emissions



■ [Manufacturing] Waste emissions (by company/segment)

Unit: t

	2012	2013	2014	2015	2016
Daiwa House Industry	10,495	11,184	11,047	11,712	13,333
Daiwa Lease	4,060	3,341	2,802	3,303	3,986
DesignArc	593	582	546	593	601

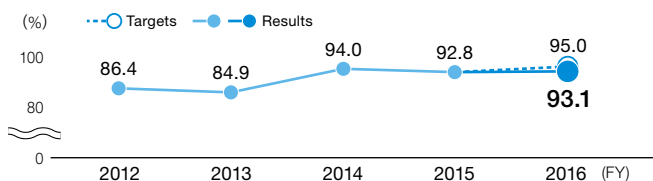
■ [New construction] Waste emissions (by company/segment)

Unit: t

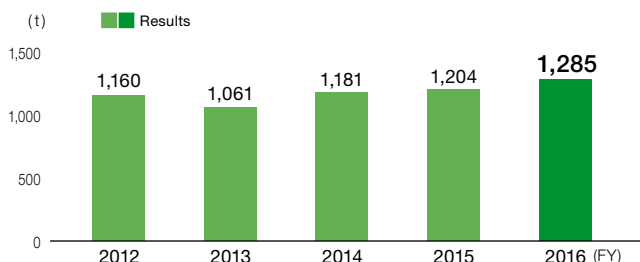
	2012	2013	2014	2015	2016
Daiwa House Industry (housing)	18,441	21,243	19,105	18,995	17,920
Daiwa House Industry (architecture)	59,106	61,662	70,914	64,798	70,759
Daiwa Lease	17,971	20,516	16,811	19,353	24,056
Fujita	53,219	39,807	26,553	23,059	22,403

Paper consumption, green purchasing ratio, and steel consumption

Green purchasing ratio



Paper consumption

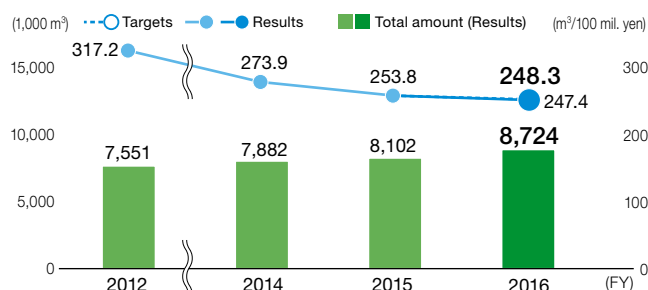


Steel consumption

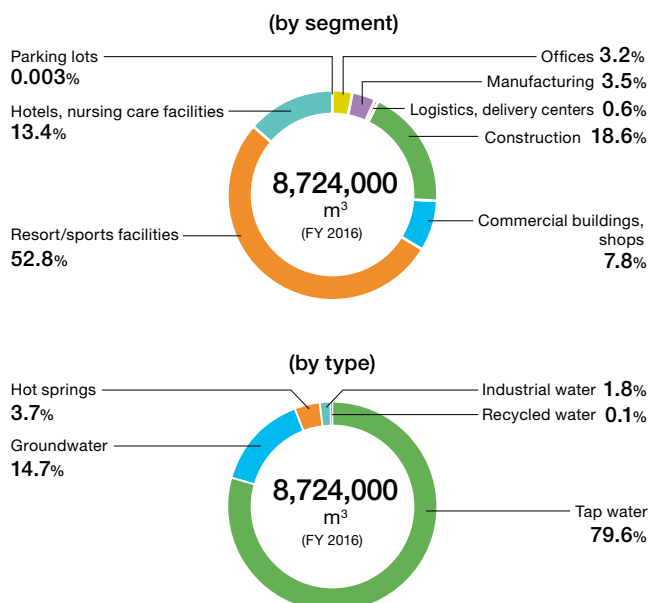
	2012	2013	2014	2015	2016
Daiwa House Industry	182,421	209,283	210,171	204,826	209,793

Water consumption

Trend in water consumption (water intake) and basic unit



Breakdown of water consumption (water intake)



Water consumption (water intake) (by segment)

	2014	2015	2016
Offices	285	271	282
Manufacturing	372	346	307
Logistics, delivery centers	53	54	55
Construction	1,423	1,473	1,626
Commercial buildings, shops	642	637	680
Resort/sports facilities	4,087	4,261	4,606
Hotels, nursing care facilities	1,020	1,061	1,167
Parking lots	0.1	0.3	0.3

Water consumption (water intake) (by type)

	2014	2015	2016
Tap water	6,380	6,371	6,948
Groundwater	1,185	1,405	1,280
Hot springs	307	316	327
Industrial water	0	0	158
Recycled water	9	10	11

Drainage discharge (by point of discharge)

	2016
Rivers and lakes	1,242
Brackish water intake source/sea	621
Groundwater	0
Sewer	5,172
Total	7,036

Water consumption (water intake) at worksites outside Japan (by territory)

	2016
Asia	39
North America	0.1
Southeast Asia	82
Oceania	135
Western Asia	57
Total	313

Water consumption (water intake) at worksites outside Japan (by segment)

	2016
Offices	178
Resort facilities	135
Total	313

Water consumption (water intake) at worksites outside Japan (by type)

	2016
Tap water	178
Groundwater	135
Total	313

Water drainage discharge at worksites outside Japan (by point of discharge)

	2016
Brackish water intake source/sea	60
Sewer system	178
Discharge to other areas	12
Total	250

〈Calculation method and scope of coverage of environmental data〉

■ Waste generation & recycling rate related to construction and demolition

◇ Overview

Construction byproducts generated in plants and at construction sites, excluding those that have been sold as valuable resources, are defined as "construction waste." Moreover, even at the same construction site, waste associated with demolition is distinguished as "demolition waste." Furthermore, "construction-generated soil" and "construction sludge" accompanying ground preparation are excluded from calculations of "construction waste." In addition, the total "sales" of each plant are used as the basic unit denominator of the production department, and the total "sales area" of each site is used as the basic denominator of the construction department.

◇ Calculation formula

[Manufacturing] Construction waste emissions (t)

$$= \Sigma(\text{Construction byproducts generated (t)}) - \Sigma(\text{Sales of valuable resources (t)})$$

 [New construction] Construction waste emissions (t)

$$= \Sigma(\text{Construction byproducts generated (t)}) - \Sigma(\text{Sales of valuable resources (t)}) - \Sigma(\text{Construction sludge generated (t)})$$

 [Common] Recycling rates of construction waste (%)

$$= \frac{\Sigma(\text{Amount of material recycled (t)}) + \Sigma(\text{Amount thermally recycled (t)})}{\Sigma(\text{Construction waste emissions (t)})}$$

Note: Construction sludge is included in the calculation of the recycling rate.

◇ Scope of coverage

Segment	Target	Scope
Manufacturing	Daiwa House Group	All production sites
New construction	Daiwa House Group	All new construction sites
Civil engineering	Fujita	All civil engineering sites
Renovation	Daiwa House Group	All renovation sites (except for some small-scale sites)
Demolition	Daiwa House Group	All demolition sites

■ Paper consumption & green purchasing ratio

◇ Overview

Regarding our paper consumption, we calculate the actual value of the paper purchased (m²) using the weight conversion method. We have adopted our own Green Purchasing Standards for the main items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in our offices. In calculating our green purchasing ratio, we use the following formula on a monetary basis.

◇ Calculation formula

Paper consumption (t)

$$= \Sigma(\text{Purchased paper (m}^2\text{)} \times \text{weight per unit area (t/m}^2\text{)})$$

 Green purchasing ratio (%)

$$= \frac{\Sigma(\text{Amount of Green Purchasing Standards-compliant goods purchased (yen)})}{\Sigma(\text{Total purchase price of target items (yen)})}$$

◇ Scope of coverage

Segment	Target	Scope (Number of locations as of March 31, 2016)	
Office work	Daiwa House Industry	All offices (head office, affiliates, branch offices, sales offices) and research labs	210 locations in total

■ Green purchasing standards

Classification	Main Items	Standards
Paper	Catalogs, etc.	It must be made with Forest Certified Paper.
	Copy paper, forms	It must satisfy one or more of the following conditions i-iii: i) It must be an Eco Mark* ¹ certified product. ii) It must comply with the Green Purchasing Law. iii) It must be listed in the GPN database* ² .
Stationery	Office supplies	
Office furniture	Chairs, desks, shelves, storage fixtures (other than shelves), low partitions, etc.	It must be a product recommended by the Japan Office Institutional Furniture Association (JOIFA) as an environmental product (compliant with the Green Purchasing Law).
Office equipment	Copiers, multifunction machine, fax machines, etc.	It must meet one or more of the following conditions i-ii: i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo* ³ .
	Personal computers, printers, etc.	It must meet one or more of the following conditions i-iii: i) It is compliant with the Green Purchasing Law. ii) It bears the International Energy Star logo* ³ . iii) It is certified under the PC Green Label System* ⁴ .

*1 An environmental label attached to products recognized as contributing to environmental preservation following a review by the Japan Environmental Association

*2 A database of environmental products managed by the Green Purchasing Network (GPN)

*3 A logo mark displayed on office equipment that meets energy efficiency standards set by the International Energy Star Program

*4 A labeling system for eco-friendly personal computer products operated by the PC 3R Promotion Center

■ Water consumption

◇ Overview

This represents the total annual water consumption from the water supply, groundwater, and hot springs and is calculated from purchasing data at each location. For the construction segment, we estimate the total consumption by multiplying the water usage for the sales floor area as determined by a sample survey of the sales floor area during the counting period.

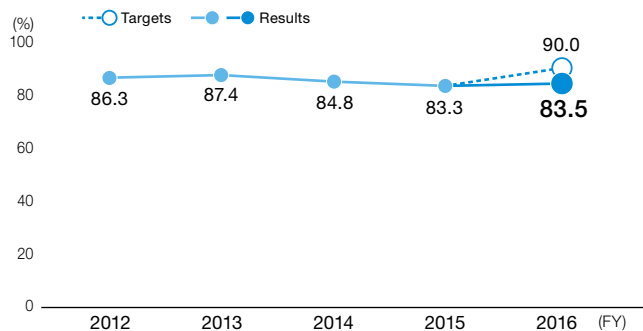
◇ Scope

Segment	Target	Scope (Number of locations as of March 31, 2016)	
Offices	Daiwa House Group	All offices (head office, affiliates, branch offices and sales offices), research labs, training centers, exhibition halls and model houses	Total 898 locations
Manufacturing	Daiwa House Group	All production sites	Total 30 locations
Logistics, delivery centers	Daiwa House Group	All delivery centers required for transporting materials (our company operations only)	Total 59 locations
Construction	Daiwa House Group	Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation)	New construction: Total 8,945,000 m ² Civil engineering: Total 213 projects
Commercial buildings, shops	Daiwa House Group	Commercial buildings and shops operated by our company (In principle, tenants are excluded)	Total 406 locations
Resort/sports facilities	Daiwa House Group	Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company	Total 116 locations
Hotels, nursing care facilities	Daiwa House Group	Urban hotels and nursing care facilities operated by our company	Total 52 locations
Offices outside Japan (Reference)	Offices	Offices	Total 56 locations
	Resort facilities	Resort hotels managed by our Group	Total 2 locations

ECO products

Ratio of houses certified under the Long-Life Quality Housing Certification System

Ratio of houses certified under the Long-Life Quality Housing Certification System

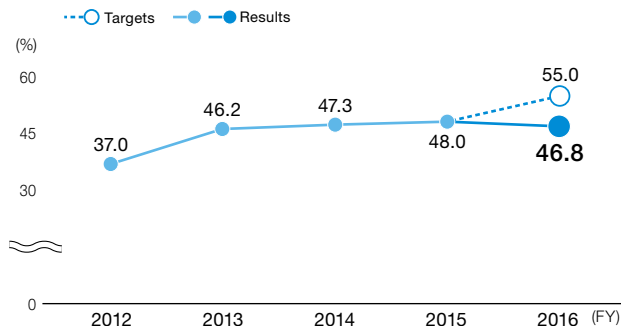


30 green procurement items

Classification	No.	Item	Classification	No.	Item
Soil	1	Soil conditioner	Preparation	16	Lumber
Temporary installation	2	Mesh sheeting		17	Plywood
Formwork	3	Alternative formwork		18	Free access floors
Concrete	4	Mixed cement	Finishing	19	Glass
	5	Eco-cement & concrete products		20	Tile
	6	Recycled asphalt concrete		21	Aqueous paint
Paving, etc.	7	Recycled stone		22	Tile carpet
	8	Blocks		23	Flooring
	9	Permeable pavement		24	Vinyl floor coverings
Steel	10	Rooftop greenery		25	Eco wall coverings
	11	Recycled steel		26	Fabric blinds
Preparation	12	Recycled wood panels	Facilities	27	Air conditioners
	13	Gypsum board		28	Gas heat pump air conditioners
	14	Rockwool acoustic insulation panels		29	Transformers
	15	Thermal and acoustic insulation materials		30	Fluorescent lighting fixtures, lamps

Building products utilizing recycled resources

Adoption rate of building products utilizing recycled resources (pre-engineered buildings)



<Calculation method and scope of coverage of environmental data>

Ratio of houses certified under the Long-Life Quality Housing Certification System

Overview

In promoting the effective use of resources, we utilize the Long-Life Quality Housing Certification System under the terms of the "Act on the Promotion of Popularization of Long-Life Quality Housing" as an index to measure progress. In the certification system, requirements are also stipulated including resistance to deterioration involving structural frameworks, seismic resistance, versatility, ease of maintenance and renewal, features to accommodate the elderly, energy-efficiency measures, housing sizes exceeding a certain level, and ensuring good landscaping.

Calculation formula

Ratio of houses certified under the Long-Life Quality Housing Certification System (%)

$$= \frac{\sum(\text{Number of long-life quality housing certified buildings})}{\sum(\text{Number of buildings sold})}$$

Scope

Segment	Target	Scope
Single-family housing business	Daiwa House Industry	All buildings sold

Building products utilizing recycled resources

Overview

Pre-engineered buildings feature standardized structural frameworks and outer walls and are manufactured in plants. These building products are designed to minimize the generation of waste at the construction site while allowing for easier separation and disassembly. Pre-engineered building products are defined as "building products utilizing recycled resources." Currently, six kinds of pre-engineered building products are available — Daiwa FLEST, Daiwa KOMFORT, D's OPT, D's READ, D's WOOD, and D's Saju — with a focus on convenience stores, drugstores, and nursing care facilities.

Calculation formula

Adoption rate of pre-engineered buildings for priority applications (%)

$$= \frac{\sum(\text{Number of priority-application buildings adopting pre-engineered structures})}{\sum(\text{Number of priority-application buildings})}$$

Scope

Segment	Target	Scope
Commercial and office buildings business	Daiwa House Industry	[Number of buildings] All construction (steel frame) [Priority applications] Convenience stores, drugstores, nursing care facilities

30 green procurement items

Overview

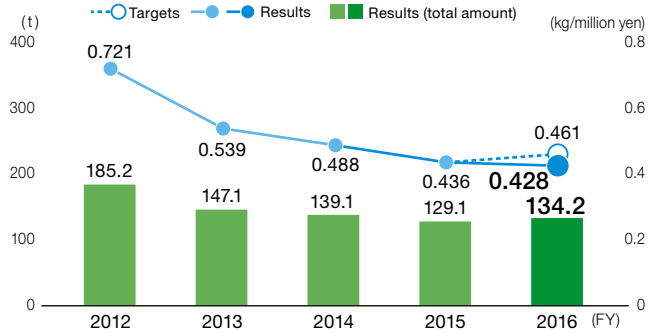
Established in 2008 to promote utilization of recycled building materials in our commercial facility business. Properties that incorporate more than 10 of the 30 items are referred to as "green procurement sites."

* Applies to new construction sites with a floor area of at least 2,000 m²

ECO process

Release and transfer of PRTR-listed substances

■ Release and transfer of PRTR-listed substances and basic unit

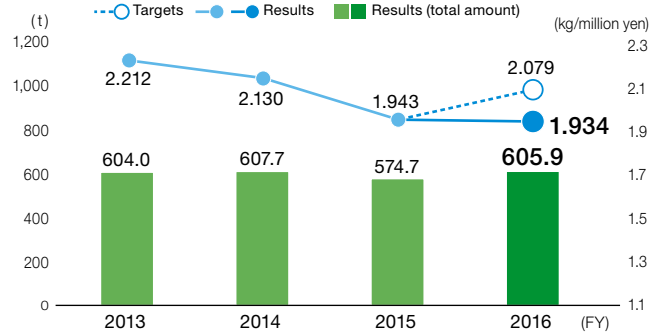


■ Change in release and transfer of PRTR-listed substances (by company/segment)

Breakdown by segment	2012	2013	2014	2015	2016
Daiwa House Industry (housing)	46.3	44.3	43.9	40.3	42.2
Daiwa House Industry (architecture)	20.3	19.2	26.6	30.8	22.9
Daiwa Lease	114.4	78.7	63.6	52.9	64.9
DesignArc	4.3	4.9	5.0	5.1	4.2

VOC emissions

■ VOC emissions and basic unit



■ Change in VOC emissions (by segment)

Breakdown by segment	2013	2014	2015	2016
Daiwa House Industry (housing)	244.5	271.6	250.7	275.9
Daiwa House Industry (architecture)	134.9	134.4	127.9	112.6
Daiwa Lease	219.4	196.6	190.9	213.1
DesignArc	5.1	5.1	5.2	4.4

■ Measures to address soil contamination at our holdings

Target area	Detected substance	Unit	Reference value	Maximum concentration	Response status
Former Shikoku Plant (Zone C)	Fluorine (elution amount)	mg/L	0.8	3.3	Designated as a natural exception area under the Soil Contamination Countermeasures Act.
	Fluorine (groundwater)	mg/L	0.8	4.3	
Ryugasaki Plant (District 3)	Boron (elution amount)	mg/L	1	8.8	Initiated contamination control through groundwater monitoring and measures to prevent release.
	Lead (content)	mg/kg	150	1000	

〈Calculation method and scope of coverage of environmental data〉

■ Release and transfer of PRTR-listed substances

◇ Overview

Purchasing data at each site is used to calculate the amount released/transferred of 462 Class-I Designated Chemical Substances prescribed by the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Law).

◇ Scope

Segment	Target	Scope	
Manufacturing	Daiwa House Group	All production sites	Total 30 locations

■ VOC emissions

◇ Overview

Purchasing data at each site is used to calculate the emissions of 326 volatile organic compounds identified by the Osaka Prefectural Ordinance and Japan Paint Manufacturers Association as of fiscal 2010.

◇ Scope

Segment	Target	Scope	
Manufacturing	Daiwa House Group	All production sites	Total 30 locations

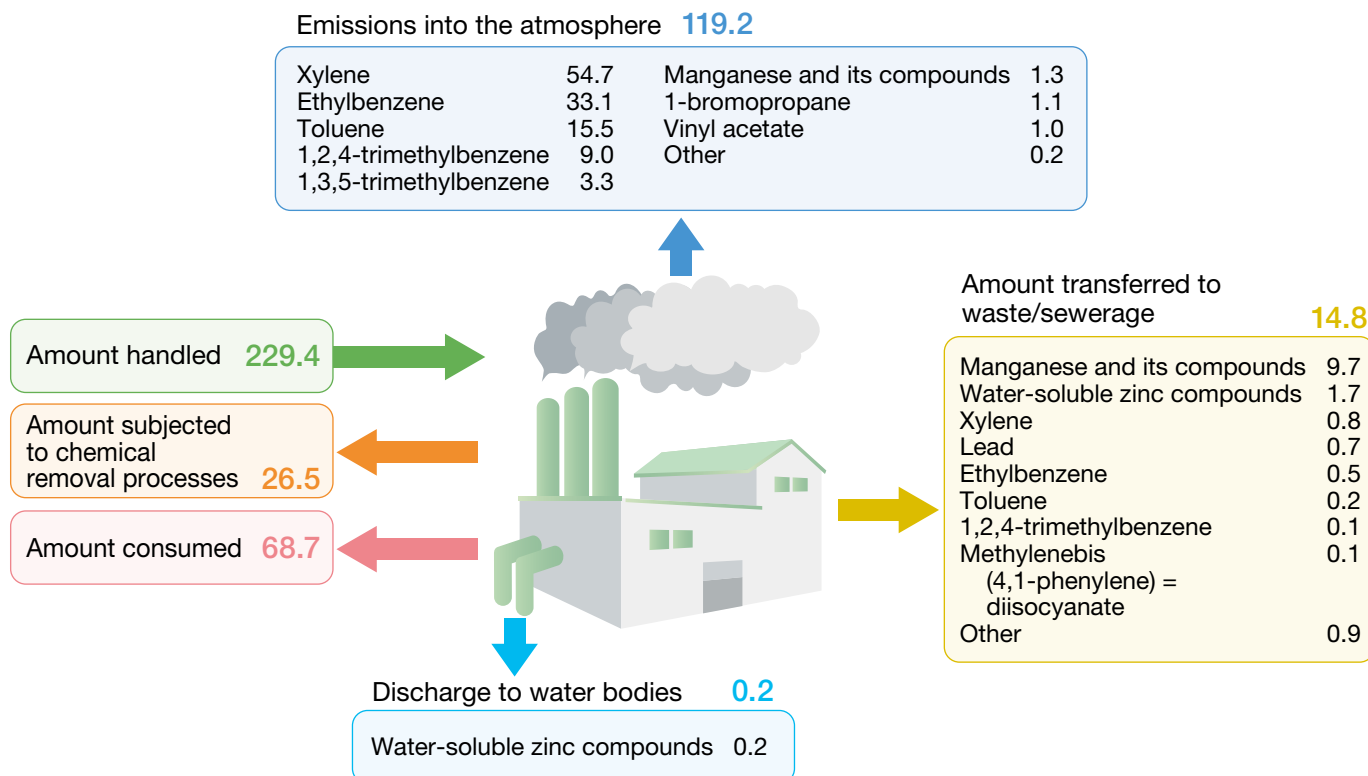
■ Measures to address soil contamination at our holdings

◇ Overview

See p. 117.

Material balance of chemical substances subject to PRTR

Unit: t



PRTR survey results

Unit: kg

Substance number	Name of target chemical substance	Amount handled	Amount consumed	Amount transferred			Emissions			Amount subjected to chemical removal processes
				Total transferred to sewer	Amount of (waste) transferred out of our worksites	Total amount transferred	Emissions into the atmosphere	Discharged to public water bodies	Total emissions	
80	Xylene	60,747	0	0	815	815	54,716	0	54,716	5,214
412	Manganese and its compounds	36,250	25,332	0	9,664	9,664	1,255	0	1,255	0
53	Ethylbenzene	33,606	0	0	495	495	33,105	0	33,105	6
448	Methylenebis (4,1-phenylene) = diisocyanate	33,227	33,113	0	104	104	9	0	9	0
300	Toluene	15,735	0	0	212	212	15,471	0	15,471	52
296	1,2,4-trimethylbenzene	15,480	0	0	136	136	8,987	0	8,987	6,356
71	Ferric chloride	12,541	0	0	0	0	0	0	0	12,541
1	Water-soluble zinc compounds	8,843	6,918	25	1,713	1,738	0	187	187	0
297	1,3,5-trimethylbenzene	3,394	0	0	51	51	3,343	0	3,343	0
438	Methylnaphthalene	2,184	0	0	0	0	11	0	11	2,173
304	Lead	1,695	1,002	0	693	693	0	0	0	0
239	Organotin compounds	1,332	1,265	0	53	53	13	0	13	0
384	1-bromopropane	1,134	0	0	2	2	1,133	0	1,133	0
134	Vinyl acetate	1,059	0	0	16	16	1,043	0	1,043	0
	39 other substances	2,210	1,091	0	796	796	157	0	157	165
999	Grand total	229,436	68,720	25	14,752	14,777	119,243	187	119,430	26,507

CSR Procurement Guidelines (3) Guidelines for Products ④ Chemical Substance Management Guidelines

Management level	Managed substances	Target
Level 1 Substances and substance groups that are prohibited to be used in all products	Substances prohibited under Japanese law About 130 substances/groups	All procured products
Level 2 Substances and substance groups for which the status of use in major construction materials should be identified. (Some materials have restrictions on their use.)	Materials identified by the Ministry of Health and Welfare and some of the approved candidate substances under REACH*1 guidelines About 10 substances/groups	
Level 3 Substances and substance groups for which the status of use in major construction materials should be identified.	Substances regulated under REACH, RoHS*2 and so on About 140 substances/groups	Housing products (single-family, low-rise rental housing)

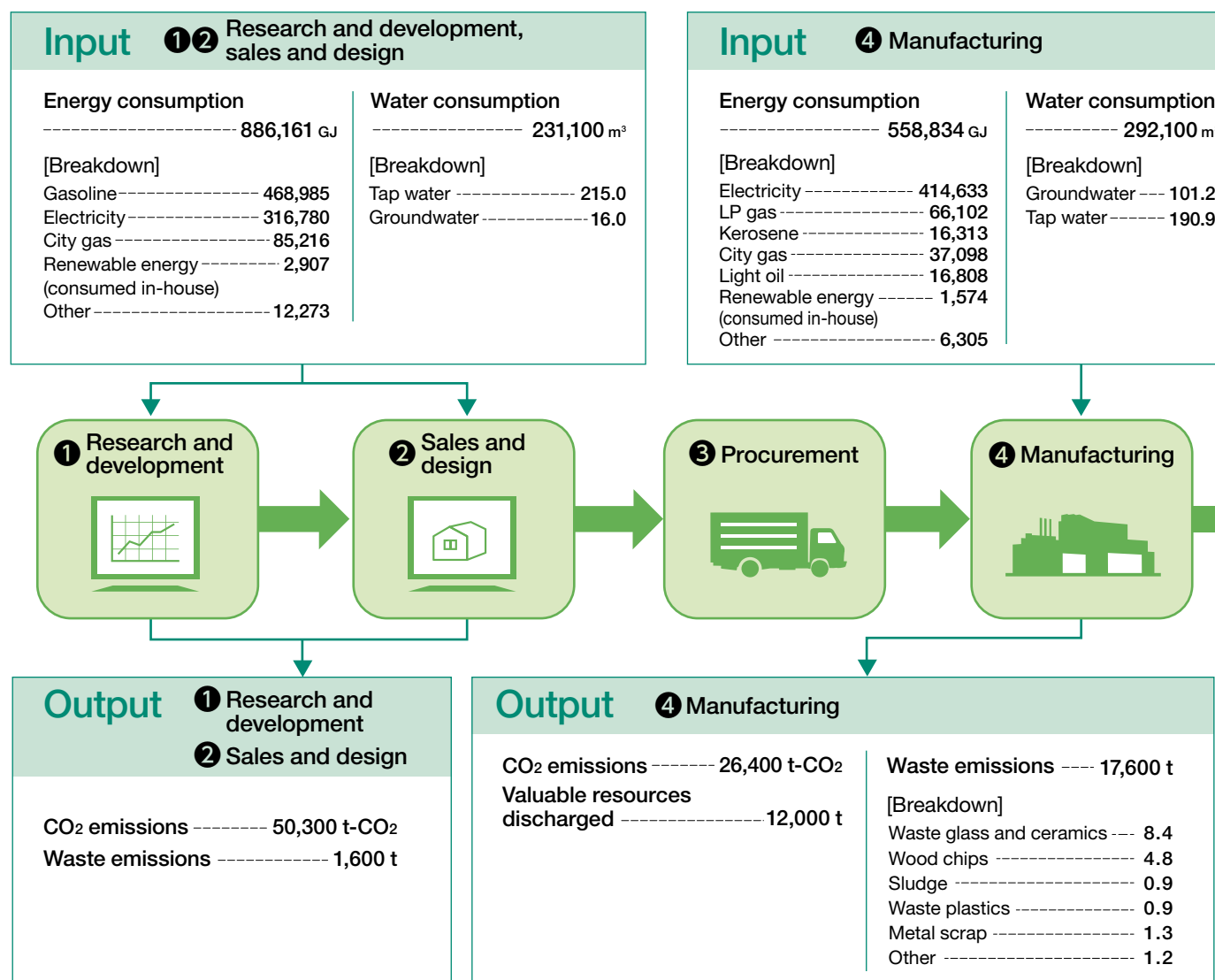
*1 REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The new EU chemicals legislation in force since June 2007

*2 RoHS (Restriction on Hazardous Substances): An EU Directive on the restriction of hazardous substances in electric and electronic equipment, which prohibit the use of these substances

Related page ▶ P54 CSR Procurement Guidelines

Flow of Materials Imparting Environmental Load and Environmental Accounting

Flow of materials imparting environmental load



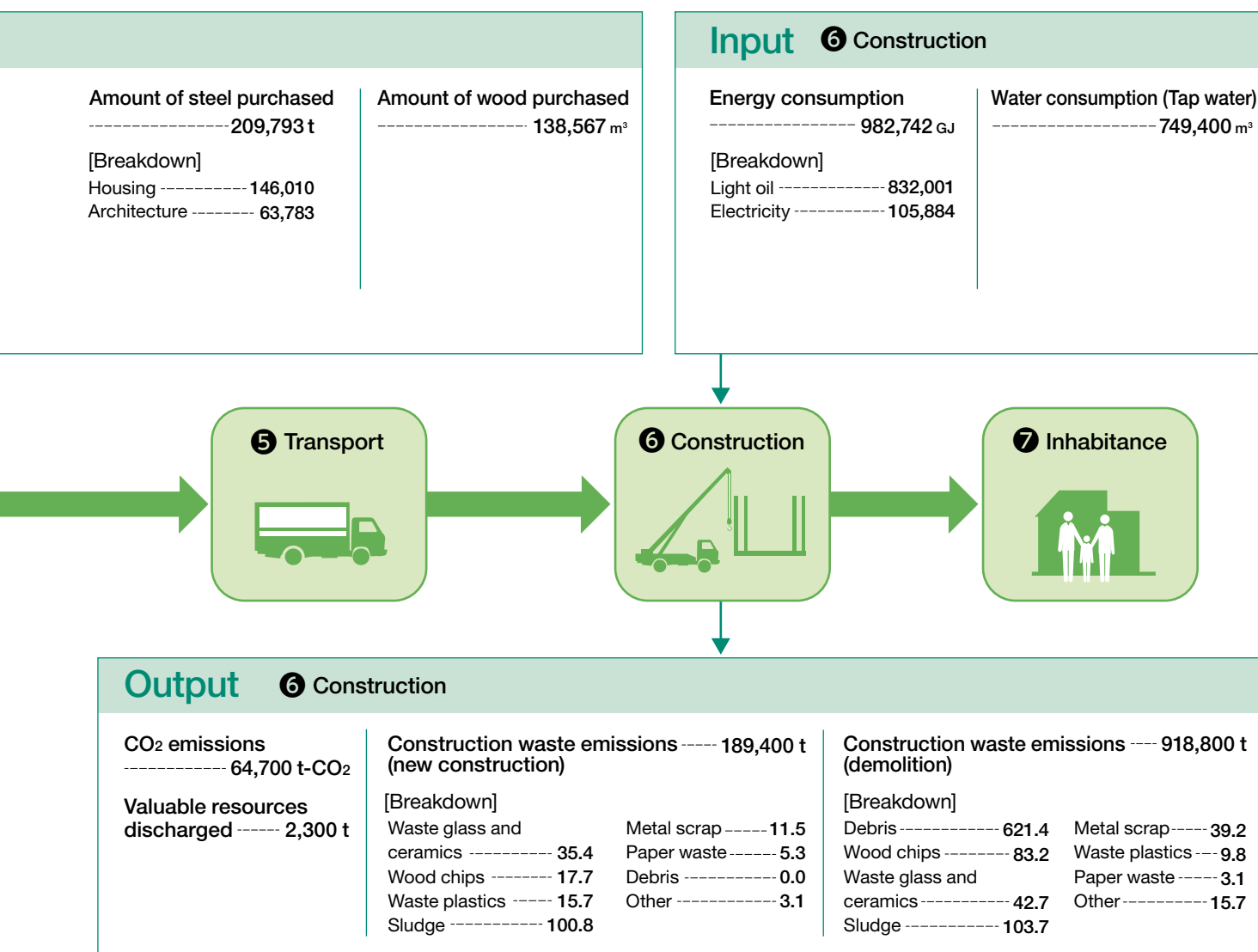
Environmental accounting

① Environmental preservation costs

Item	Major content	2014	2015	2016
		Amount invested (thousands of yen)	Amount invested (thousands of yen)	Amount invested (thousands of yen)
Cost within business area	Cost of measures to control pollution related to air, water, and noise	3,089	18,895	5,637
	Cost of prevention of global warming (energy efficiency)	75,754	50,478	65,548
	Cost of waste reduction measures	654	2,088	0
	Cost of reducing water consumption	508	2,029	5,124
Upstream/downstream costs	Green purchasing fees, cost of purchasing returnable boxes	6,644	2,019	5,397
Administrative costs	Environmental education costs, EMS maintenance expenses, etc.	502	455	624
Total		87,151	75,964	82,330

② Environmental preservation effect

Effect		Item	Unit	2014	2015	2016
Business area	Effect on input resources	Energy consumption, crude oil equivalent (production system)	GJ	521,614	552,770	563,228
		Energy consumption, crude oil equivalent (distribution system)	GJ	619,095	628,155	656,001
	Effect on environmental load and waste	Waste generated	t	11,047	11,712	13,333
		CO ₂ emissions (production systems)	t-CO ₂	25,016	26,180	26,418
		CO ₂ emissions (distribution system)	t-CO ₂	42,453	43,074	44,983
		Water resource consumption	m³	356,730	330,447	292,074



③ Economic effects of environmental preservation

Unit: 1,000 yen

Item		2014	2015	2016
Revenue	Sales of valuable resources*	42,715	1,106	1,696
Cost savings	Cost savings from energy-efficiency efforts	16,957	16,774	11,025
	Cost savings from waste-reduction efforts	50,739	27,830	22,715
Total		110,411	45,710	35,436

* Revenue obtained from effects of environmental conservation implemented during the fiscal year

〈Calculation method and scope of coverage of environmental data〉

■ Flow of materials imparting environmental load

- ◇ **Report period:** April 1, 2016 to March 31, 2017
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:**
 - ① Research and development: All offices (head office, affiliates, branch offices and sales offices), research labs, training centers and exhibition halls
 - ② Sales and design: All company vehicles and privately owned permitted vehicles
 - ④ Manufacturing: All production sites
 - ⑥ Construction (energy & water): Construction sites of housing/buildings (new construction)
 - Construction (construction waste): Construction sites of housing/buildings (new construction/demolition)
- ◇ **Calculation criteria:**
Regarding "Calculation and Reporting of Environmental Data" on p. 160, and up to "Calculation method of environmental data" in the previous section, the target management value excluded from the Endless Green Program 2018 is included.

■ Environmental accounting

- ◇ **Report period:**
April 1, 2016 to March 31, 2017
- ◇ **Reporting organizations:** Daiwa House Industry Co., Ltd. (Non-consolidated)
- ◇ **Scope:**
10 plants in total
- ◇ **Referential guidelines:**
"Environmental Accounting Guidelines 2005 Edition," by the Ministry of the Environment

Third-Party Opinion (on the Daiwa House Group's CSR Activities)



Mizue Unno

Managing Director
So-Tech Consulting Inc.

Ms. Unno is a consultant in the field of CSR and sustainability who offers advice and recommendations on business management and provides support for practical corporate activities from the perspective of global management.

Since fiscal 2016, the Daiwa House Group has been implementing a Medium-Term CSR Plan under its Medium-Term Management Plan; the CSR Plan is now in the concrete development phase. Below I comment on the promotion of this initiative.

Improvements since the Preceding Year

• Accommodating the supply chain

Wood procurement: In an effort to increase the ratio of sustainable procurement, the Company is also requiring its Group companies to follow this example.

Business partners: The Company is emphasizing self-check confirmation according to its CSR Procurement Guidelines, is focusing on monitoring to ensure future implementation, and is reporting the state of progress.

Construction company: Initiatives such as providing guidance in relation to safety and communication with other companies are progressing. The Company is continuing to work on improving approaches to work at the various worksites.

• Responding to shareholders

A positive attitude is being exhibited because establishing "stewardship" with shareholders differs from governance. One point to note here is that the engagement partner is essentially the shareholder. It would be better to report the dialogue with stakeholders in a separate section.

Future Plans

• Overview of the CSR Plan

The direction and overall structure of the Medium-Term CSR Plan are not clearly visible. The messages from the chairman and the president show enthusiasm for sustainability, but by focusing it on the activities of each stakeholder, the connection with the business strategy is unclear. Moreover, identification of materiality is not included in each report, so it can be difficult to uncover what is important.

• Creating value in terms of society and the environment

Strategic elements that should emphasize how CSR is linked to the co-creation of value have been embedded in the management initiatives of each stakeholder. For example, for a house builder, several pillars can be emphasized, such as zero energy houses in the environmental field or town planning as part of community co-creation. The Company has some innovative new businesses, but it is also important to put these unique aspects and strengths of Daiwa House Group more at the forefront.

• From a corporate viewpoint to a stakeholder viewpoint

The report on initiatives from the Company as a whole is central, and the viewpoint of stakeholders is weak. I would prefer to hear what types of suggestions were presented at the stakeholders' meetings, what kinds of initiatives are being implemented with the various stakeholders that come into contact with everyday business operations, and how the company appears in their eyes.

• CSR Management

Although the system for promoting CSR is posted at the end, I would prefer that management first explain the links to the CSR Plan to create an overall picture of the initiatives. Moreover, although human rights management is explained in another section, this should be positioned as part of management under the umbrella of CSR rather than separately.

• Business development as related to social issues and the value chain

The organization is not aligned with the CSR Plan. The first step is to present the entire CSR Plan and then to break it down into the Value Chain.

The relationship between business activities and SDGs is shown, but SDGs are a global priority. How a company devises ways to address these issues is believed to offer future business opportunities for the company while increasing its value. I hope the Company will be able to take the initiative in this regard and work on its own.

• Integrating social and environmental aspects from the perspective of the entire region

Because the environmental section is independent, initiatives related to both society and the environment are divided and reported separately, which is unfortunate. I suggest that "regional sustainability issues" as a whole be presented from a regional perspective.

Such an approach would contribute to the creation of value through CSR as described in the preceding paragraph and highlight the contribution of SDGs to solving social problems. This is needed to demonstrate how issues that exist in the community and the region are resolved. It would also indicate what a house builder is to do there while straightening the path forward. In addition, individual issues such as health and welfare are related to resource protection and energy use, so product initiatives should be developed at the worksite level.

Our Response to Third-Party Opinion

I would like to express our wholehearted appreciation to Ms. Unno for continuing to provide her valuable opinions on our Group's CSR activities.

Based on the recent demands of a society that places sustainability as an important aspect of corporate activity, since fiscal 2016 our Group has formulated and begun to implement a Medium-Term CSR Plan in harmony with our 5th Medium-Term Management Plan.

In addition, we have renamed our conventional "CSR Report" as our "Sustainability Report," and we are reporting elements that reflect the impact on the environment and society as well as business growth, which affect each stakeholder. In fiscal 2016, we strove to further disclose the information requested by our target readers in relation to governance and supply chain management. However, regarding the connection between CSR and business strategy, and value creation as related to society and the environment, we believe that these are important management issues to be addressed in the future.

Regarding social issues and the value chain, our Group's influence, mainly in the construction industry, is substantial. We intend to further promote our initiatives in the future with the aim of maintaining consistency with our Medium-Term CSR Plan.



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the climate change campaign for building a low-carbon society through
“zero-energy” homes, buildings and communities.

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