Daiwa House Group

# Sustainability Report 2021

**Creating Dreams, Building Hearts**





Our founder, Nobuo Ishibashi (1921–2003)

# 1955

Everything started with this

## Our Founder's Spirit

**Don't do things because they will make a profit, 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 above is what Nobuo Ishibashi, the founder of Daiwa House Industry, often used to say to the Company's employees.
This is the concept from which the Daiwa House Group started.

Daiwa House® Group

# 2005

— 50th Anniversary —

Guided by our founder's spirit

## Group's symbol message

Creating Dreams, Building Hearts

The Daiwa House Group symbol—the Endless Heart—represents our vision of building endless emotional connections with each and every one of our customers, as well as the solidarity of the Daiwa House Group.

As a group that co-creates value for individuals, communities and people's lifestyles, we aim to think outside the box and always to create new value in each successive generation.
We will continue to pass on the ideals on which the Company was founded,
and work to help realize a sustainable society.

# Editorial Policy

## Purpose of Publication

To realize management sustainability, the Daiwa House Group has divided the Sustainability Report 2021 (hereafter "this report") by three purposes.

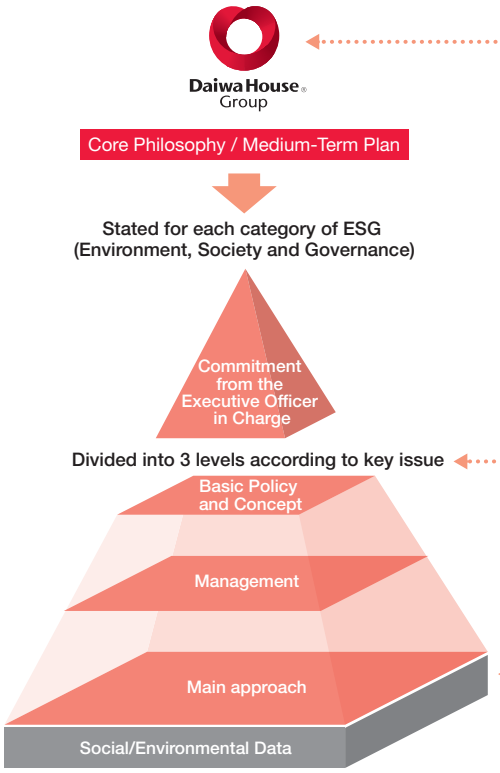
① **Accomplish accountability**: As a group that maintains the stance of Co-creating a Brighter Future, we will take accountability for contributions to society and the environment as well as reduction in environmental impacts through business.

② **Acquire appropriate third-party evaluations**: We will disclose information based on requests from stakeholders who are particularly interested in corporate ESG, including corporate assessment agencies, long-term investors, NGOs, and experts. We especially understand that ESG assessment items of corporate assessment agencies are "a collection of the expectations and demands of a global society and stakeholders," and are aiming to acquire appropriate evaluations.

③ **Utilization for improvements in management**: As part of the "third-party checks" that we use in the PDCA cycle of management, we make improvements by implementing the points cited in third-party ESG evaluations and dialogues reported herein. We feed back the results of ESG evaluations through important meetings to persons in the company like the sustainability representatives from each department who were involved in the preparation of this report, in addition to the key officers and Executive Officer in charge of the Environment who have close relationships with stakeholders, department managers and others who were interviewed for this report.

## Page Layout, Included Content

- This report is broadly comprised of three parts, namely "Managerial Philosophy and Overall Picture," "Implementation Report," and "Third-Party Assessment / Data Section."
- The "Implementation Report" brings into focus the individual efforts taken for each element of ESG (Environment, Society and Governance). It also reports on "Commitment from the Executive Officer in Charge" for each category, as well as the progress of initiatives for respective priority issues of the Action Plan for the Environment (P020) and the Social Medium-Term Plan (P064) that we started in fiscal 2019.
- The description of "Corporate Governance," as is listed in the Contents, is limited to corporate governance (P146–154) as pertains to supervision and decision making, while internal control in this report is positioned in the social domain, and is reported in the chapter on "Risk countermeasures base" (P129–145).




**[Managerial Philosophy and Overall Picture]** P001–012
Through our founder's spirit, core philosophy and Medium-Term plan, we will explain the relationship between our Group's business and ESG as well as the contributions to society and the environment.

**[Implementation Report]** P013–154
- Each category of ESG (Environment, Society and Governance), together with being outlined in "Commitment from the Executive Officer in Charge," is also organized and systematically reported on by their respective key issues in "Basic Policy and Concept," "Management" and "Main Approach."
- Reports are offered on corporate governance and the structure that underpins the building of good relationships with stakeholders (customers, employees, business partners, local communities and shareholders) through business and contributions to the global environment.

**[Third-Party Assessment / Data Section]** P155–198
Along with a self-assessment of results achieved with the Action Plan for the Environment and the Social Medium-Term Plan, we list third-party assessments and detailed data related to society and the environment.

### Reporting Media
The Sustainability Report is published in both Japanese and English.

### Target Readers
The target readers include a wide range of stakeholders such as corporate assessment agencies, long-term investors, NGOs and experts as well as customers, business partners, employees, local communities (including NPOs) and the government.

### Reporting Organizations
The report is centered on Daiwa House Industry and Daiwa House Group companies (381 consolidated subsidiaries, 61 equity-method affiliates and 1 non-equity-method affiliate as of March 31, 2021).

### Report Period
The report mainly focuses on the 2020 fiscal year (April 1, 2020 to March 31, 2021) but activities before and after this fiscal period are included when necessary.

### Referential Guidelines
GRI (Global Reporting Initiative) Sustainability Reporting Standards, International Organization for Standardization "ISO26000," "Environmental Report Guidelines (2018 edition)" from the Japanese Ministry of the Environment, IIRC "International Integrated Reporting Framework," "Guidance for Collaborative Value Creation" from the Japanese Ministry of Economy, Trade and Industry.

### Issued
July 2021 (Issued once a year, next issue scheduled for July 2022)
* English version is scheduled in September 2022

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Information on GHG in this report has received third-party certification, and an accompanying ☑ mark indicates all data subject to such certification. (See Third-Party Assurance Report on P199.)

Message from the President

# Address Challenges Facing Society to Be an Enterprise Treasured by All



I would like to open by expressing my gratitude to stakeholders for the encouragement and understanding they have afforded us in our running of the Daiwa House Group.

Looking back in history, we find that pandemics have forced huge changes in the societies of even ancient Greece and medieval Europe. The current COVID-19 pandemic, too, is showing signs of sparking a storm of world-altering transitions with diverse implications for people's everyday lives. This makes running enterprises with a vision for the future all the more crucial. At the Daiwa House Group, we see times of opacity like today as precisely when we need to return to Daiwa House Industry's founding spirit and address squarely the challenges facing today's society. In that context, we are committed to moving ahead resolutely, working to becoming an enterprise valued by the public for helping make the world a better place.

Keiichi Yoshii
President, CEO

## Reaffirming our mission to provide total living spaces

Fiscal 2020 was a year when all humanity was preoccupied with fighting the pandemic. That predicament served to heighten the value of things necessary to people's lives, prompting us at Daiwa House Group to a renewed awareness that we provide one of the three basic necessities of life—places to live—and, consequentially, our mission. Uptake of working from the home has practically erased the line between on and off duty, and the home—no longer the place for rest and recovery—is now where all of life's activities take place. We at Daiwa House Group now have to accommodate that transition by helping create places for all facets of people's lives—total living spaces.

The robust popularity of our Lifegenic line of bespoke single-family houses available exclusively on the Web, perfectly symbolizes the changes taking place. To order a Lifegenic home via our innovative sales format, a customer starts by going to a website and answering six questions, according to which the system responds with suggestions for the interior and exterior. The sales format and housing line attracted little interest at launch time in October 2019, drawing little more than 30,000 inquiries a month. But when the government declared a state of emergency in April 2020, calls started rolling in, with the number of inquiries surging past 200,000 in the peak month of May 2020. As of April 2021, sales, too, have grown to exceed 700 units. A product and sales format launched experimentally turned out to be a good match for customer needs just as COVID-19 pandemic made gathering potential buyers at housing exhibition sites untenable, and we were able to transform a pinch into a growth opportunity.

In the Logistics, Business and Corporate Facilities segment, logistics facilities are gaining importance to society as their critical role as anchors for getting product to consumers is reevaluated. In addition to generating even higher employment than factories, logistics centers can serve as evacuation sites and bases for recovery work when natural disaster strikes, making them even more crucial to communities. And with work and other aspects of life also moving online, demand for data centers is climbing sharply as well. Both are areas we have long concentrated on, so we will be stepping up our engagement now that they are garnering attention for their diverse utility.

Fiscal 2020 was also a year for the Group to reflect deeply on several irregularities that surfaced in 2019 and fundamentally rethink some of the ways we do business. The COVID-19 pandemic occurred just as the resulting reforms were beginning to show results, and thanks to the progress that had been made we were able to keep the pandemic's repercussions small. Through it all I believe the Daiwa House Group was able to adequately demonstrate its strengths, which include a broad business portfolio and our employees' standing together to face down the unprecedented crisis.

## Confronting hardship, leading the construction industry forward through DX

Of course, it's not that we were unaffected by the pandemic. Taking into account the state of emergency declared for seven prefectures in April 2020, we directed the suspension of work at building sites nationwide. The decision was made to prioritize lives over all else; nonetheless, it was also one with potential for serious consequences affecting not just the company, but all those who work at the sites as well. To soften the blow, we decided to help cover subcontractors' costs associated with work scheduled for execution during the suspension. The decision itself was easy and came quickly, as it is rooted in the Group's founding spirit of advancing together with our suppliers.

Meanwhile, in-house we set about moving ahead with work style reform and making our digital transformation (DX). We had already launched several work style reform initiatives to comply with government requests ahead of the Tokyo Olympics, even before the arrival of the COVID-19 pandemic forced us to accelerate their implementation. One thing learned from actually instituting telework and other like measures, is how hard it can be to work from home. The experience taught us that limiting the workplace to the home can be untenable for some, as many employees told us that it made it almost impossible to draw a line between work time and off time. To address this, in urban centers where we have multiple locations we are currently experimenting with scheme in which employees divide their working hours between their usual "home" office and a "road" office located as closest to their residences. We are hoping that initiatives like this will provide a platform for various work styles and better motivate diverse human resources to flourish in their jobs.

Our digital transformation efforts include deploying building information modeling (BIM), a framework for centralizing the management of all work processes from concept development to design, production, assembly, and management of buildings. It is based on a digital model generated using three-dimensional techniques to reduce labor needs at and bring about unoccupied construction sites. The move was originally designed to help us cope with labor shortages, an inevitable consequence of Japan's declining population; but its effectiveness for coping with the new normal of the with-Corona era persuaded us of its importance for the future. Once we've perfected the system, we intend to back up our purported dedication to the "industrialization of construction"—applying manufacturing techniques to construction—by making information on the system available to the whole industry, as one of our contributions to its future.

## Running the business on strategies balancing growth and stability as we shift to a business division-based system

Another initiative, whose full implementation got underway in April 2021, is a reorganization of our domestic business entities into seven divisions to put Group companies under the control of the division most pertinent to their respective business lines. The move's objective is to foster nimbler decision-making and more robust governance by handing authority and responsibility over to division heads.

Our previous organization, which subordinated entities under business departments and branch offices, tended to blur lines of responsibility and make it difficult for our governance framework to keep pace with their growth amid the swelling of discrete entities' scale and the number of Group companies. And because the old organization put departments and Group companies on equal footing, it hindered their ability to coordinate and work together. With their reorganization under business divisions we are working to optimize the balance between achieving growth and maintaining stability, proactively creating synergies among Group companies for growth while clearly defining lines of responsibility to ensure stability.

Moving forward we will be taking up the challenge of creating new value at each of our business divisions, paying careful attention to details like whether division heads are grasping all the business opportunities they can, listening to what those working the frontlines have to say, and—perhaps most of all—responsibly owning a clear vision for their divisions and running them in line with their commitments.

## Developing human resources, our top priority issue for achieving sustainable growth

Becoming a ¥10 trillion enterprise is a dream our founder left for future generations to make come true, and we are aiming to achieve ¥10 trillion annual turnover by 2055, Daiwa House Industry's 100th anniversary. To do my part in that long-term endeavor, I have committed myself to developing the necessary human resources and am putting my energies into developing an environment and programs for fostering the managerial talent we will need. My utmost priority is to prepare people to be able to competently run the company down the road. My aim is to bring up a full lineup of capable top-level managers from within our midst, without resorting to drafting outside talent, to achieve this goal.

The extraordinary situation the pandemic has forced upon us has helped me better appreciate what the heads of our business divisions, all of them potential candidates to take over from me, are thinking. Unanticipated predicaments put people's values most to the test. One huge takeaway for me—something that I can apply in fostering and appointing tomorrow's leaders—is that I could affirm whether individuals are able to formulate a long-term vision and take action rather than merely react to immediate circumstances.

Meanwhile, I believe that Daiwa House Group has a workforce of unparalleled diversity in Japan. We have employees of over 30 nationalities, and even among management, numerous mid-career hires are flourishing in their jobs. Our employees also have highly varied academic and career backgrounds, and I think the only area where we fall short on diversity measures is the percentage of women in management positions. But we're also in the process of fostering the next generation of capable human resources, and a reversal of the ratio of women to men in our employ is just waiting to happen. And I want to carefully and deeply embed our Group's ideal of diversity into our corporate fabric, as evidenced by our taking active steps to enhance the diversity of decision-making organs such as the board of directors.



A training facility, the Daiwa House Group MIRAI KACHI KYOSO Center (Nara)

In autumn 2021 we will be opening in Nara Prefecture a new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center, after a half-year delay caused by the pandemic. It tends to attract interest for being one of the largest of its kind in Japan; but personally, I think its content is what is important. To ensure that it offers a selection of attractive training programs and that their content never stales, we will be overhauling them once every six months. And we want it to be a facility that invites not just employees, but anyone and everyone from the local community and neighborhood school children to the people involved in its upkeep, to just drop in and acquire new knowledge. We look forward most to children visiting and finding something that inspires them to pursue a dream and make it come true.

## Sharing people's dreams, being of service to society

As described above, our Group is moving resolutely to achieve further growth; but this does not mean we're only after bigger numbers. What counts most is how we become a ¥10 trillion enterprise, and what we must value most as the premise for achieving that dream are key concepts spelled out by our founder: "Don't do things because they will make a profit, but because they will be of service to society." "Always look further into the future." "Make dreams come true." To survive, an enterprise must be a presence society needs, thus the Daiwa House Group must keep dedicating itself to being of service to society, to helping people make their dreams come true.

An example of how we are doing these things, is our work to revitalize residential towns Daiwa House Industry built decades ago. Having developed numerous communities of owner-occupied homes, we helped countless customers make their dream of home ownership come true. But with the passage of time, their communities are facing a plethora of new challenges as their residents age. Simply leaving them to their own devices and moving on to new greenfield projects would be irresponsible of us. Instead, we want to help customers whose initial dream we once helped fulfill, write a new chapter of their dream-come-true story by squarely addressing the challenges they now face. This mindset is the impetus for our Livness Town Project. Now underway in residential communities in places like Miki, Hyogo Prefecture and Yokohama, Kanagawa Prefecture, the project is engaged in diverse trial initiatives. Through it, we are committed to applying the empirical wisdom of the whole Daiwa House Group and leveraging the know-how of our many business endeavors to create new appeal in and bring renewed vitality back to each of these communities.

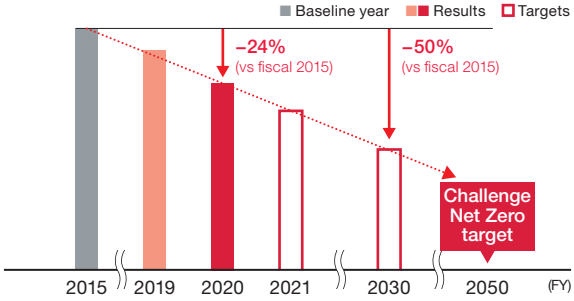
# Business Philosophy Guided by Our Founder's Spirit



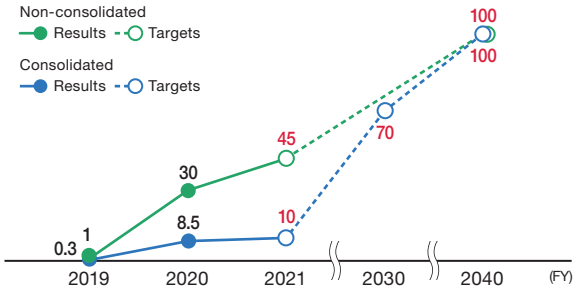
## Moving environmental goals forward—because some things just can't wait

Engagement for the environment is crucial for enhancing corporate value sustainably and over the long haul. With climate change bringing bigger and more frequent natural disasters with each passing year, there's no putting off addressing it. To do our part, the Daiwa House Group is concentrating its energies with specific emphasis on achieving a decarbonized society via Challenge ZERO 2055, our long-term environmental vision aiming for zero environmental impacts. As a result of work to reduce our greenhouse gas (GHG) emissions, enhance our energy efficiency, and increase our use of renewable energy as part of our participation in the EP100, RE100, and SBT international initiatives, during FY2020 the Group was able to generate more electricity with renewables than we consumed, hitting a target for 2030 a full decade ahead of schedule. Now we will be working to achieve GHG emissions neutrality by 2050, a goal originally set for 2055 but moved forward in line with a government policy announced in October 2020. And we hope to leverage the successes of our decarbonization achievement to enhance the competitiveness of our businesses, accelerating our contribution to environmental causes through business as we move ahead with net zero-energy houses (ZEH) and net zero-energy buildings (ZEB), roll out our *Ko"Re"kara City* community development concept for making the zero-energy model happen, and expand the scope of our environmental and energy businesses.

Greenhouse gas emissions (Total)




Renewable energy utilization rate (%)




## Facing society's challenges squarely to be a corporate group treasured by all

The Daiwa House Group is in business to "be of service to society," and making the challenges confronting society the starting point for expanding business opportunities is at the top of our own list of priorities. These points have been since the Company's founding, still are, and will always be the fundamental spirit in which the Group pursues its business goals. Now, in a time unsettled by the COVID-19 pandemic more than ever, we will seriously ponder what is needed and demanded of us, look further into the future , and enhance our corporate value by working to resolve the challenges facing society. And, to be and remain a corporate group valued by the public, we will start by being an enterprise where each of our employees can work with a smile on their face because they're glad, even proud, to work here. I sincerely hope all our stakeholders, too, will continue to stand by us as we take the Group forward into the future.

# Realizing Management Vision that Embodies Our Founder's Spirit

Nobuo Ishibashi pursued businesses that are of service to people while upholding our Company Philosophy (Corporate Creed) from the time he founded the company in 1955. We grew over the ensuing half century by doing business that way — by contributing to society.

Then, on our 50th anniversary, we adopted the "Endless Heart" symbol, Employees' Charter and CSR Guidelines in line with the times, and set the bold goal of "10 trillion yen in sales by our 100th anniversary."

In the Daiwa House Group, we are committed to enhancing sustainable corporate values by establishing and steadily achieving the goals of our Corporate Governance Guidelines and Medium-Term Plans without losing sight of the universal approach embodied in the founder's spirit, all of this with the long-term perspective of building a world in which people can lead fulfilling lives.

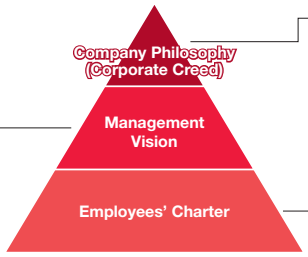
## Universal Approach and Management Philosophy

**Since 1955**

Our Founder's Spirit

Pursuing businesses that are of service to people






### Company Philosophy (Corporate Creed)

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

**Since 2005**

Endless Heart

Daiwa House Group

Our Group official website
The Spirit of Nobuo Ishibashi
https://www.daiwahouse.com/English/innovation/spirit/

### Management Vision

**Connecting Hearts**

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

### Employees' Charter

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

- Strive to improve quality, skill and communications to provide safe, reliable products that are in harmony with the environment, and 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.

**FY2019–2021**

## Medium-Term Plan to Contribute to Society

Business Growth Strategy and Financial Strategy
(The 6th Medium-Term Management Plan)

**E** ENVIRONMENT
Action Plan for the Environment
(Endless Green Program)
P020

**S** SOCIETY
Social Medium-Term Plan
(Endless Social Program)
P064

**G** GOVERNANCE
Enhance corporate governance
P149

**2030**

## The SDGs on which we will focus




**2055**

## Long-Term Outlook

Consolidated sales of ¥10 trillion by 100th anniversary through business useful to society

**Long-Term Environmental Vision**
Challenge ZERO 2055
Taking on the challenge of Zero Environmental Impacts

**Long-Term Social Vision**
Strengthen contact with five types of key stakeholders

**Fulfill the Management Vision　Build a world in which people can lead fulfilled lives**



Feature

# The Decarbonization Challenge



## 1 Decarbonization around the world

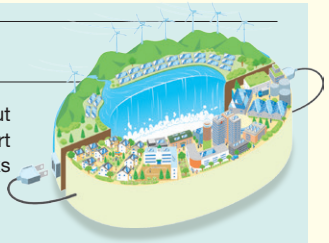
We at the Daiwa House Group believe moving forward under the decarbonization battle flag is an imperative not only out of a sense of mission to protect the Earth's environment, but also to protect our Group's businesses and to be able to roll them out globally. It becomes more obvious with each passing year that climate change-driven meteorological disasters are growing in frequency and intensity. If this continues unmitigated, it will threaten the possibility of safe and secure living and living spaces—the core value the Daiwa House Group provides. With the adoption of the Paris Agreement, the whole world has turned full rudder in the direction of decarbonization, and Prime Minister Suga has declared that Japan, too, wants on the whole to eliminate greenhouse gas (GHG) emissions by 2050.

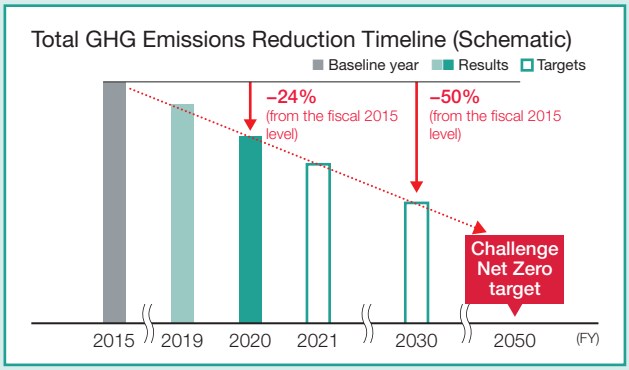
## 2 Decarbonization in our Long-Term Environmental Vision

In fiscal 2016 our Group drew up Challenge ZERO 2055, a long-term environmental vision looking over the horizon to 2055, Daiwa House Industry's centennial. It commits us to taking up the net-zero environmental impact challenge across the Group, around the world, and throughout our supply chains as we help bring about a sustainable world. P017 Long-Term Environmental Vision

### Long-Term Environmental Vision | Mitigating and adapting to climate change

In our push to help the world decarbonize, we are moving all out to conserve energy and leverage renewables as we cut to zero GHG emissions across the life cycle of our products and services. Further, through adaptive measures to avert or minimize the negative effects of climate change, we are working to conduct business in ways impervious to the risks associated with climate-change and ultimately, help bring about a world where people can feel safe and secure.






### TOPICS

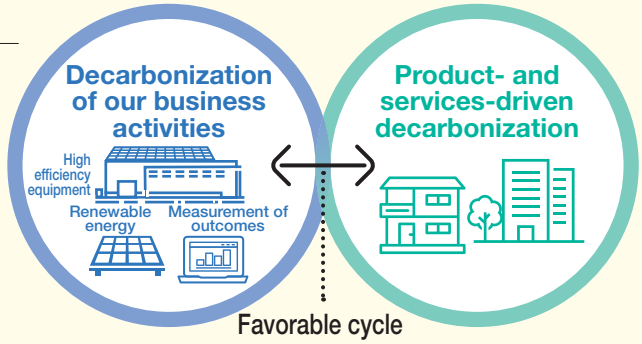
Our board of directors deliberated and resolved revisions to our long-term targets in November 2020, in light of Prime Minister Suga's declaration that Japan would achieve net-zero GHGs by 2050.

[Pre-revision] **GHG emissions (per unit of sales): Down 70% from fiscal 2015 levels by 2055**

[Post-revision] **Challenge Net Zero by 2050**

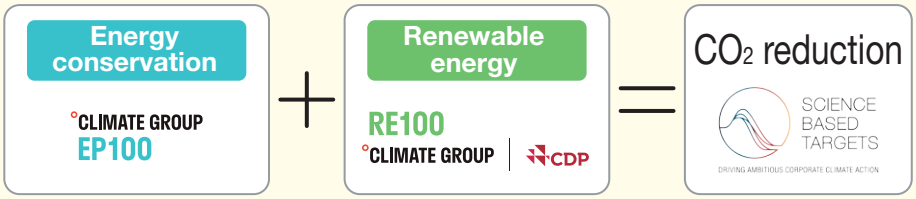
# 3 Our Decarbonization Strategy

Our Group's decarbonization strategy entails ensuring that environmental stewardship and profitability are compatible. While continuing or bolstering current energy-saving measures at facilities we own, we also work to keep costs down. How? Incorporating the expertise we've gained from our own decarbonization into ideas for net-zero housing, buildings, and even town and community developments and then offering them to customers!




## Decarbonization of business activities

Wanting to align our Group's decarbonization with international benchmarks, we joined three international initiatives—SBTi*1, EP100*2, and RE100*3—to step up our efforts by working towards the targets they impose.




### 1. Transition own new builds to ZEBs, update existing facilities

We have made it policy to develop all our own new builds as ZEBs. And we are devoting the equivalent of 15% of our annual energy costs to investing in energy-conserving equipment updates at existing facilities.



Our Group's a new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center in Nara embodies the ZEB concept

### 2. Generating power with renewables on own properties

The Daiwa House Group is proactive in developing and promoting uptake of wind, solar, and hydro generation systems. Leveraging our construction technology and experience operating megasolar installations, we install renewable energy generation systems on Group-owned properties: idle tracts of land, factories and plants, commercial and retail facilities—even logistics centers. And we run a renewable-energy generation business using customers' idle land, offering them one-stop, end-to-end services from land survey and design through operation and management.



DREAM Solar Miyazaki Kunitomi (Miyazaki Prefecture)



DREAM Wind Ehime Seiyo (Ehime Prefecture)

### 3. Using renewable energy

Not only does our Group generate power from renewables, but we use it too—at our offices, construction sites, and plants and factories are purchased renewables. They are totally green powered, making us self-sufficient with electricity generated from renewable energy.

P033 Mitigating and adapting to climate change
Reducing greenhouse gas emissions in our procurement and business activities

**STEP 1**



Renewable energy used at **construction sites**

**7,165MWh**

**STEP 2**



Renewable energy used at **offices and exhibition sites**

**22,866MWh**

**STEP 3**



Renewable energy used at **factories**

**5,706MWh**

Fiscal 2020 data

*1 SBTi is an international initiative that encourages companies to set themselves scientifically grounded GHG emissions reduction targets congruent with the Paris Agreement's 2°C targets.
*2 EP100 is a group of companies that have committed to doubling the energy efficiency of their businesses.
*3 RE100 is a group of companies that have committed to covering 100% of their businesses' power needs with renewable energy.

## Decarbonization of products and services

We apply in our own products and services the very energy-conserving, renewable-power, and energy-storage expertise we've amassed in building and running our own facilities as we work to expand our environment-conscious energy businesses. We develop and encourage uptake of ZEHs and other energy self-sufficient housing, create more ZEBs for office and retail use, develop and build towns and communities 100% powered by electricity generated with renewables, retail electricity as well as manage and operate renewables-powered generating stations that produce it.

### 1. Expanding uptake of ZEH-standard single-family housing

Our ZEHs enable energy-conserving yet comfortable living with their solar generating systems, high efficiency water heaters, and superlative thermal insulation, all provided as standard equipment.

P036 Single-family housing: Further increasing the number of ZEHs


xevo Σ PREMIUM (steel frame)


PREMIUM Gran Wood (wood frame)


Lifegenic (steel frame, Web-exclusive offering)

### 2. Forward with ZEBs (net-zero energy buildings)

We've transformed into reality the concept of ZEBs for a diverse range of applications. We provide ZEBs that function well as logistics hubs and centers, hotels, retail stores, and even mid-size office buildings designed for comfort.

P037 Commercial and office buildings: Promoting understanding, take-up, and growth of ZEBs through seminars


Offices (Kuratani Aluminum Works)



Retail store (Royal Home Center Tsushima)


Hotel (Hotel Shibushi)

### 3. Renewables-powered community development

We lead the drive to net-zero towns by installing solar generation stations in our developments. In 2019, we completed Funabashi Grand Oasis, where power generated from renewable sources effectively covers 100% of the town's electricity needs, and has done so since house building began.


Hidamari-no-Oka (Kuwana City, Mie Prefecture)


SECUREA Toyota Kakimoto (Toyota City, Aichi Prefecture)

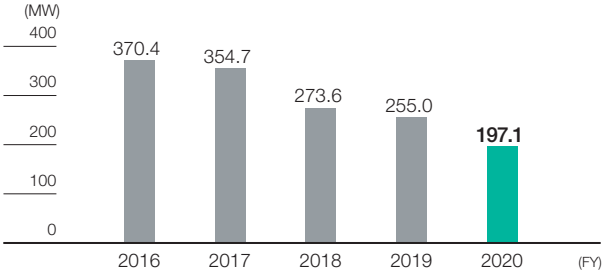

Funabashi Grand Oasis (Funabashi City, Chiba Prefecture)

Our Group official website Zero Energy Community Development:
https://www.daiwahouse.com/English/sustainable/eco/products/index.html#zero-products2

### 4. Design and construction of renewable-energy generating stations

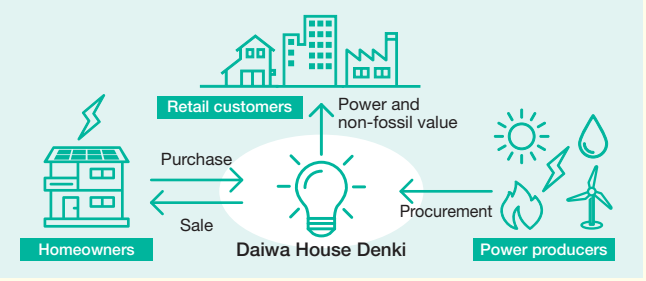
Our Group has undertaken numerous renewable-energy generating projects, leveraging our expertise down the line from concept development to operational management.

**Photovoltaic power generation system installations per year (installed capacity)**



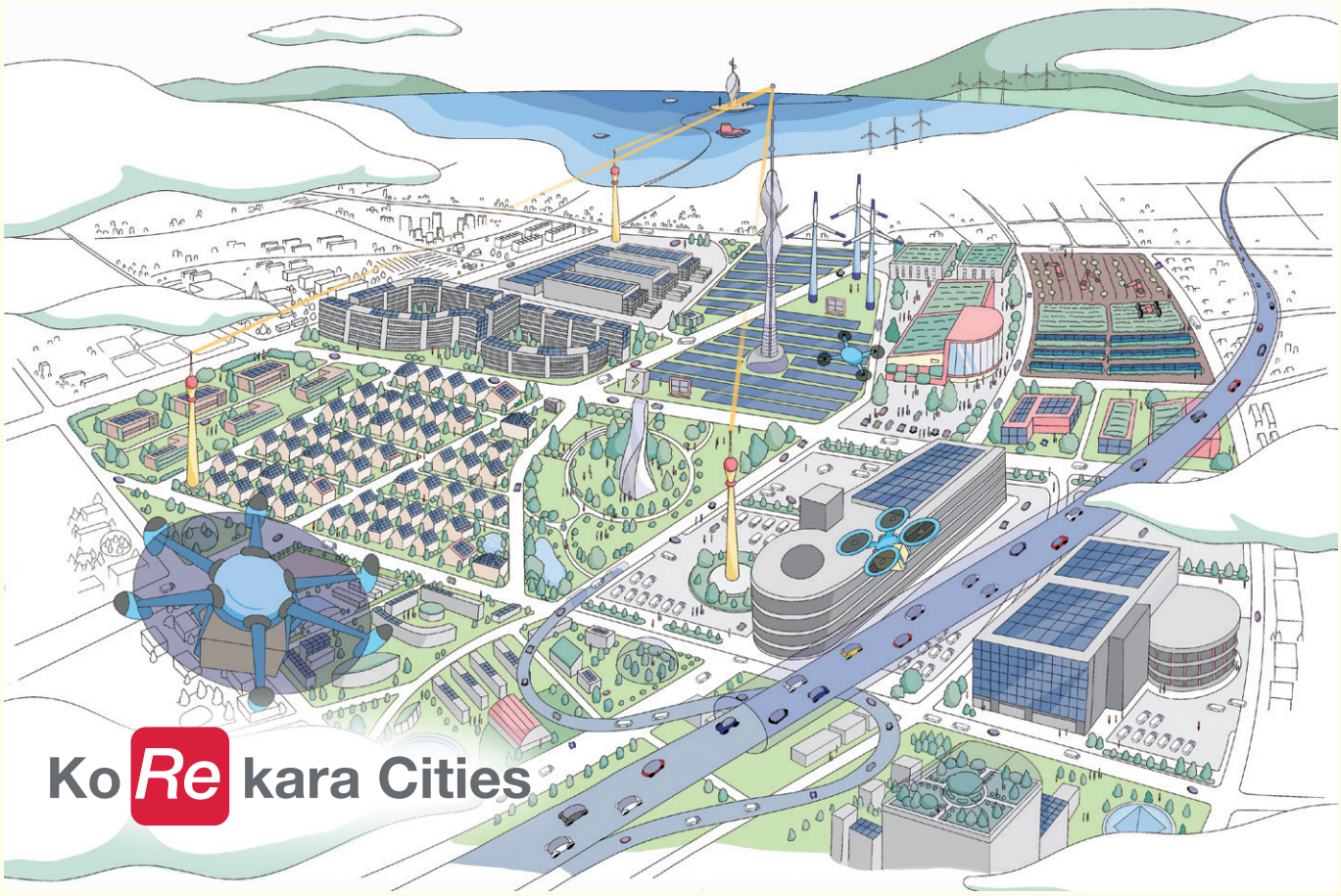

### 5. Retail sales of electricity generated from renewables

Since Japan's feed-in tariff (FIT) program's purchasing term ended, the Daiwa House Group is expanding the scope of the Daiwa House Denki ("electricity") program to buy surplus power from homeowners.




Our Group official website Daiwa House Denki (Post FIT) (Japanese text only)
https://www.daiwahouse.co.jp/ene/denki/

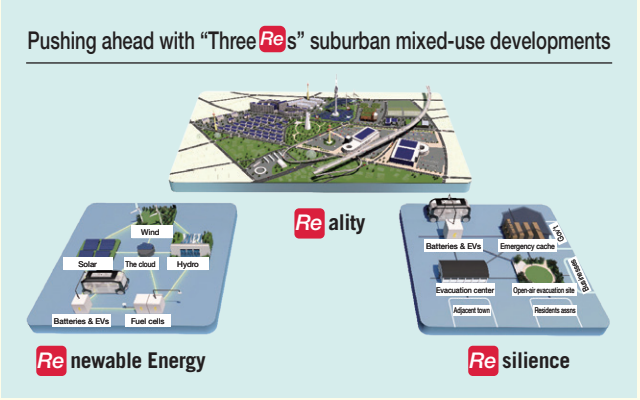
# 4 Daiwa House's Ideas for Building Decarbonized Communities




## The KoReKara City Concept

The name we've given to our new concept in mixed-use developments in suburban area, KoReKara, incorporates into the Japanese word for *from now onward* the *Re* of the three ***Re***s the concept embodies.

The first Re stands for *reality*: Do expeditiously what's possible within the constraints of current technology (reality). The second Re is for *renewable energy*: Cover 100% of developments' power needs with renewables as a first step towards decarbonization and local self-sufficiency in energy. And the third Re signifies *resilience*: Build communities able to keep going and bounce back quickly when disaster strikes.




## The lifestyle KoReKara City offers

COVID-19 fueled stay-at-home demand sparked an e-commerce explosion. And, we believe, the pandemic accelerated teleworking and digital transformation in numerous domains. So we're working on town and community building ideas that will deliver palpable new value—communities and living spaces embodying a new ***Re***ality capable of supporting the new lifestyles these changes bring about and ***Re***silience against disaster, all powered by ***Re***newable energy.

### Reality

Hydrogen-power trucks deliver packages to logistics centers, then then renewables-powered drones take them the final mile



### Renewable Energy

Power generated by logistics center rooftop-mounted solar systems delivered wirelessly to homes on residential lots



### Resilience

When disaster strikes, power is supplied to surrounding homes and evacuation centers as well as homes within the residential blocks



* These are mere example ideas that we are working to transform into reality.

Chapter 01

Implementation Report

# Environment

**Main results in fiscal 2020**

**Mitigating and Adapting to Climate Change**
GHG emissions (per unit of sales)
**39.3% reduction**

**Harmony with the Natural Environment**
Ratio of S-ranked timber in procurement
**95.1%**

**Closed-loop Resource Sourcing and Conservation of Aquatic Environments**
Construction waste recycling rate
**97.7%**

**Prevention of Chemical Pollution**
Release and transfer of PRTR-listed substances
**63.0% reduction**

**Environmental Management**
Number of those who acquired the Eco Test certification
**11,818**

**Eco Communication**
Number of participants in environmental education (Hagu Eco) for children (cumulative total)
**7,352**

**Management**


Commitment from the Executive Officer in Charge ····· 014
Long-Term Environmental Vision ····· 017
Action Plan for the Environment (Endless Green Program) ··· 020
General (Expand environmental contribution business) ··· 022
Reinforcing the Foundation of Environmental Management ··· 023
- Environmental Management
- Supply Chain Management (Environment)
- Eco Communication


**Focal theme**


1 Mitigating and Adapting to Climate Change (Energy) ··· 031
2 Harmony with the Natural Environment (Preservation of Biodiversity) ····· 042
3 Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction) ····· 048
4 Prevention of Chemical Pollution ····· 054



# Long-Term Environmental Vision Revision Expands Scope, Clarifies 2030 Goals, and Sets Stage for Sustainability and Profitability

**Mikio Sasaki**
Managing Executive Officer
Deputy Head of
Technology Headquarters
Head of Environment

Contributions to SDGs




## Commitment from the Executive Officer in Charge

### Expanding the scope of our long-term environmental vision and setting seven new Challenge ZERO goals, we have defined milestones for 2030

Japan committed itself becoming a decarbonized society, achieving carbon neutrality—zero greenhouse gas (GHG) emissions—by 2050 in October 2020, and in December the Ministry of Economy, Trade and Industry (METI) formulated a strategy for green growth. Overseas, meanwhile, the United States returned to the Paris Agreement in January 2021 and convened a summit of leaders from the world's major GHG emitting countries. And China, too, announced in 2020 a decarbonization target, saying it would effectively eliminate $CO_2$ emissions by 2060, demonstrating that the non-binding Paris pledge to limit global warming to 1.5° above pre-industrial levels, is becoming the mainstream goal worldwide. And among the UN's sustainable development goals (SDGs)—a set of aims designed to spur international society on towards a better, sustainable tomorrow—addressing climate change, biodiversity, and other environmental issues has been given a prominent position, as well as being one that is inherently critically to other goals. Environmental concerns are thus increasingly important factors in investing and the running of enterprises.

These developments have prompted us at the Daiwa House Group to position environmental stewardship as a strategic challenge, and we are working actively and systematically to transform it into a business opportunity. This year we updated our Challenge ZERO 2055 long-term environmental vision formulated in 2016 as a roadmap to where we want to be in our centennial year. The revisions add new focal challenges, our "7 Challenge ZERO"s, as well as extend the scope of the original vision's priority themes. And the updated vision defines milestones for 2030 intended to push us to achieving the 2055 ultimate goal: with respect to mitigating and adapting to climate change, carbon neutrality by 2050. In particular, it commits us to accelerating our environmental engagement by vastly raising our 2030 targets for energy efficiency and use of renewables under the vision's highest priority theme, mitigating and adapting to climate change.

## Creating a reinforcing cycle of beneficial outcomes by applying know-how gained through own decarbonization in products and services

The Daiwa House Group is approaching decarbonization from two angles: our business activities and our products and services. In 2018 we joined three international initiatives—EP100, RE100, and SBT—and set ourselves several ambitious targets to accelerate environmental engagement in our business activities. We have long been working to thoroughly maximize the efficiency of our energy use, and joining EP100 provided the impetus for implementing a new policy: make all Group company owned facilities we build going forward Zero Energy. Buildings, once erected, get used for several decades at least, so how a builder goes about maximizing their energy performance at the time of construction, is crucial. The Group therefore resolved that all our own new builds will be Net Zero as a matter of principle—which means we are already busy putting up zero energy buildings for all manner of applications from offices to stores to logistics centers.

A ZEB soft spot is that sometimes they have to top up their needs by drawing power from external sources. This is where our work to achieve our RE100 target comes in. Renewables account for less than 20% of Japan's energy mix, a rather low figure, which means it would be difficult to source renewable energy from outside the company; so we decided to generate our own instead. And this way, we help increase renewables' share of the Japan's power mix as we work to produce 100% of the power we consume from them. During fiscal 2020, we made great strides towards our aim of renewables-sourced energy self-sufficiency across the Group. On the generation side, we have developed and put online 49 megasolar installations across Japan, including our 5MW Toyama Uozu Kannondo DREAM Solar facility. This allowed us to generate more power from renewables than the entire group consumed for the first time in our history—a target originally set for 2030, achieved a decade early! Meanwhile, on the consumption side, at our offices, housing exhibits, construction sites, factories, and other facilities across the nation, we began full-scale sourcing of electricity that is, in substance, 100% generated with renewables at the Group's own power stations.

Naturally we will not rest there, but continue pursuing greater energy efficiency and expanding our use of renewables as we work to reduce the Daiwa House Group's GHG emissions footprint.

To wit: A new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center, scheduled to open in October 2021, is a Group-owned new build that embodies concepts I just described. Designed to be a training and education center where occupants can palpably feel elements of nature—the wind, light, and water—incorporated into the architecture, it will be one of Japan's largest facilities of its kind. As well as building it as a ZEB adeptly incorporating natural elements to minimize energy use, we were also careful to preserve the biodiversity of its setting. We intend to acquire several environmental certifications for it, including LEED Zero from the U.S. Green Building Council. We will also be making the center 100% renewables-powered—i.e., sourcing all its energy from renewables, first powering it from a rooftop solar system and, when that isn't enough, covering the rest of its needs with electricity from Group-owned renewable-energy generating stations.



Toyama Uozu Kannondo DREAM Solar facility (Toyama)



A training facility, the Daiwa House Group MIRAI KACHI KYOSO Center (Nara)



The Daiwa Group's 100% renewables-powered Funabashi Grand Oasis large-scale mixed-use development (Chiba)

Along with the above, we are working to transform into products and services the technologies and expertise we accrue in the course of decarbonizing our business activities, and to encourage their broader adoption throughout society. As well as pouring effort into developing and encouraging uptake of Net Zero Energy Buildings (ZEBs) and Net Zero Energy Houses (ZEHs), we recently launched Anti-Disaster Houses, a single-family housing line engineered to better cope with severe weather-induced disasters, which have been occurring with increasing frequency and intensity lately. These houses are equipped with an all-weather three battery linked system capable of powering, heating, and providing hot water for about 10 days even in cloudy weather. In commercial architecture, we also offer the environmentally friendly D's SMART series of structures that can be used in a multitude of applications, everything from offices or factories to logistics centers. And, leveraging the aggregate capabilities of the entire Daiwa House Group, at locations all across the nation we're building mixed-use developments like the 100% renewables-powered Funabashi Grand Oasis in Chiba prefecture.

In this way, our Group is creating a cycle of beneficial outcomes spanning our business activities, products, and services in which we develop expertise, put it to work in our own buildings and facilities, and provide it in ways that palpably demonstrates to customers the many advantages and benefits of ecofriendly housing, buildings, facilities, and developments.

## Our Ongoing Challenge: Corporate profitability coexisting with environmental sustainability

We are working hard to run the entire Daiwa House Group in an environmentally conscious and responsible manner at all its domestic and overseas locations—what we call "integrated environmental management within our Group and globally." We monitor our progress via our Endless Green Program 2021 (FY2019–FY2021) environmental action plan. What follows is my report on our principal fiscal 2020 achievements for each of the program's key policies.

First, let's look at how we did on Key Policy 1: Decarbonization of products and business activities in pursuit of SBT, EP100, and RE100 targets. We reached our fiscal 2020 goals for ZEHs, which accounted for 58.0%, and ZEBs, which accounted for 39.6% of units sold in their respective product categories. In our single-family housing segment, the good showing is a result of moves to bolster our organization for pitching ZEH homes as well as extending our range of offerings conforming to ZEH standards, both exemplified by the launch of our xevo ADVANCE and other similar products. In our business and corporate facilities and commercial facilities segments, we were able to achieve our target thanks to a rise in the proportion of ZEB-compliant large-scale logistics facilities we built during the year. We believe this is a result of having enhanced our ability to pitch ZEBs through seminars—for both internal training and participation by people from outside the company—that were held online, to communicate the benefits and advantages of ZEBs. In decarbonization of business activities, we met our targets across the board, reducing our GHG emissions per unit of sales by 39.3% and increasing our energy efficiency 1.46 times, both compared to fiscal 2015; reaching a renewables usage rate of 8.5%; and generating 133% of our power needs from renewable energy sources. We believe these achievements are thanks to our ongoing efforts to conserve energy and generate power from renewable sources, though lower operational rates at our resorts and other leisure facilities due to the COVID-19 pandemic also played a role.

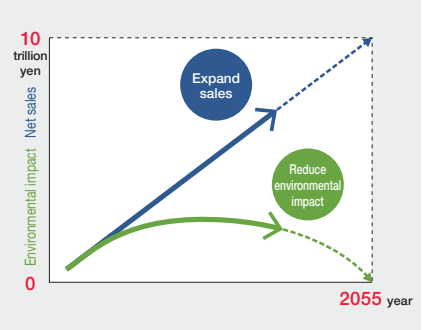
Next, let's move on to Key Policy 2: Win–win cooperation for reducing environmental risks in supply chains. With 80.4% of our principal suppliers having set their own GHG reduction targets, we have reached our goal for this indicator. We attribute this achievement to our forming a decarbonization working group with our suppliers and, through dialog over decarbonization, working towards improvements with them. This action has met with positive responses, and for the second year running the CDP awarded us the highest score for supplier engagement in February 2021.

We also reached our target for Key Policy 3: Developing and encouraging uptake of environmentally conscious products and services to enhance competitiveness, with ¥1,256.4 billion in sales by our environmental contribution businesses. This total reflects the aggregate sales of our renewable-energy power generation business, greening businesses, and energy-saving remodeling and renovation businesses as well as rising uptake of our ZEH and ZEB offerings. The indicator motivates us to strive for higher sales and greater competitiveness as well as to contribute to the environment. And further, we are working to transform into reality a new concept in mixed-use developments, the *Ko"Re"kara City* Model. Drawing on the aggregate strength of our Group's broad range of business interests, the model envisions mixed-use developments that are not only eco-conscious, but disaster-resistant—resilient in the face of disasters—as well.

With respect to Key Policy 4: Advancing strategic eco communication for improving environmental brand and ESG assessment, we maintain ongoing dialogue with institutional investors and ESG assessment organizations as well as actively disclose pertinent information via our sustainability reports, integrated reports, website, and other outreach channels. This work was recognized with a bronze award in the environmentally sustainable enterprise category at the Second ESG Finance Awards Japan.

And finally, let's consider Key Policy 5: Enhancing integrated environmental management within the Group and globally for advancing environmental management. On the belief that human resources capable of running the company in an environmentally sound and responsible manager are essential to our future, we encourage employees to qualify under Japan's Eco Kentei environment and social certification program. We have met our target for this indicator, too, with 11,818 employees having passed the requisite examination to date.

Moving forward, we at the Daiwa House Group will contribute to bringing about a sustainable society, working towards the goals set forth in our long-term environmental vision while continuing the ongoing challenge of squaring environmental stewardship and profitability.




Aim to achieve sales of 10 trillion yen and net zero environmental impacts by 2055, our 100th anniversary

The Company received CDP's highest Supplier Engagement Rating for two years running

The Company received a bronze award in the environmentally sustainable enterprise category at the Second ESG Finance Awards Japan

## Long-Term Environmental Vision

**The Daiwa House Group aims to realize a sustainable society as a group that co-creates value for individuals, communities, and lifestyles and tries to make "zero" environmental impacts within our Group, globally, and through supply chains.**

Our Group formulated the long-term environmental vision "Challenge ZERO 2055" in fiscal 2016, focusing on 2055, which marks the 100th anniversary of the foundation of Daiwa House Industry. We aim to realize a sustainable society and try to create "zero" environmental impacts through three stages (procurement, business activities, and products and services) with four environmental priority themes in mind (mitigating and adapting to climate change, harmony with the natural environment, closed-loop resource sourcing and conservation of aquatic environments, and prevention of chemical pollution). Among these themes, seven targets of particular importance are defined as Challenge ZERO in order to accelerate our initiatives with specific milestones for 2030.

### Four environmental priority themes

| | |
|---|---|
| Mitigating and adapting to climate change (Energy) | We aim for zero $CO_2$ emissions throughout the product life cycle through uncompromising pursuit of energy saving and utilization of renewable energy in order to achieve a decarbonized society. In addition, we devise measures to avoid and minimize the negative impacts of climate change, and strive for the operation of businesses that are highly tolerant of climate change risk to realize a safe and secure society. |
| Harmony with the natural environment (Preservation of biodiversity) | In order to preserve and improve our natural capital, our Group shall prevent any net loss of biodiversity by ensuring zero deforestation through material procurement and by developing communities filled with greenery in harmony with the natural environment. |
| Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction) | With the aim of contributing to the emergence of a society committed to recycling, our Group is pursuing the sustainable use of resources by extending the service life of houses and buildings and working toward zero emissions of waste, as well as the use of recycled materials.<br>We also aim for sustainable utilization of water through reducing water consumption, total recycling of resources, and conservation of aquatic environments throughout our supply chain. |
| Prevention of chemical pollution | We shall institute appropriate management of chemical substances throughout the life cycle of houses and buildings to minimize the risk of adverse impacts on the health of people and ecosystems. |

×

### Phase

**Procurement**
- Resource extraction
- Transport of raw materials
- Material production
- Material transport

**Business activities**
- Office work / Vehicles
- Plant / Logistics
- Construction / Renovation
- Demolition
- Office buildings

**Products and services**
- Single-family / Rental housing
- Condominiums
- Renovations
- Commercial facilities / Office buildings
- Environmental energy

### Seven Challenge ZERO

1. Challenge ZERO for $CO_2$ in community development
2. Challenge ZERO for $CO_2$ in business activities
3. Challenge ZERO for $CO_2$ in the supply chain
4. Challenge ZERO Deforestation
5. Challenge ZERO Harm to Biodiversity
6. Challenge ZERO Waste and Reuse
7. Challenge ZERO Water-Associated Risks

## Goals and milestones of seven Challenge ZERO

The Group upholds Challenge ZERO initiatives with a specific year of 2055 in mind as an ultimate goal (the year 2050 for the item of mitigating and adapting to climate change). We also define the milestones for 2030 to increase effectiveness of the initiatives.

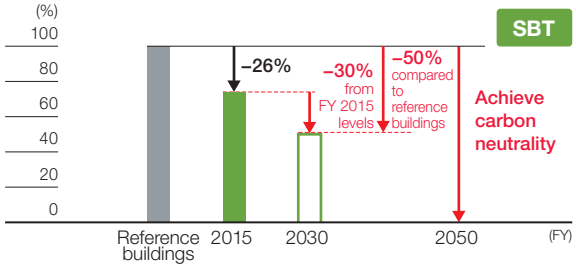
Procurement Business activities Products and services

### 1 Challenge ZERO for $CO_2$ in community development

**Goal for 2050**

Through turning newly constructed buildings into net zero energy buildings and by improving energy efficiency and energy-generation installation at existing buildings, as well as through supplying renewable energy, we aim to achieve carbon neutrality in housing, construction, and community development by 2050.

**Target for greenhouse gas emissions from houses and buildings in use (per m²)**




**» Milestone for 2030**

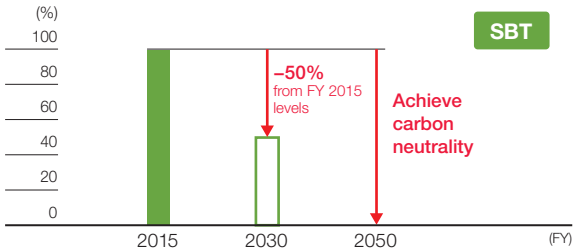
- By 2030, we aim to reduce greenhouse gas (GHG) emissions (by floor area) from newly constructed buildings in the habitation and usage stage by 30% in comparison to FY2015. **[SBT ①]**
- We seek to achieve average ZEH/ZEB for newly constructed buildings for single-family housing by 2025, and for rental housing and non-residential buildings by 2030. We also promote the development of carbon neutral towns with 100% renewable energy through supplying renewable energy.
- We seek to complete renovation of existing buildings to turn them into ZEH/ZEB by application by 2030, while also promoting carbon neutrality through renovations to improve energy efficiency or install energy-generation facilities, as well as the supply of renewable energy.

### 2 Challenge ZERO for $CO_2$ in business activities

**Goal for 2050**

We implement thorough energy-efficiency measures, turn newly built facilities into ZEBs, and utilize renewable energy to achieve carbon neutrality by 2050 in all facilities and all business processes.

**Greenhouse gas emission reduction targets**




**» Milestone for 2030**

- By 2030, we aim to reduce greenhouse gas emissions (total) in all facilities and all business processes by 50% in comparison to FY2015. **[SBT ② (WB2°C*)]**
- By further promoting energy saving for existing facilities and achieving ZEB for facilities to be newly constructed, we aim to double the Groupwide energy efficiency (sales unit per consumed energy) by 2030 from the fiscal 2015 levels. **[EP100]**
- Working to expand renewable energy, we aim to cover 70% or more of the Groupwide use of electricity with renewable energy by 2030. Our goal is to attain 100% renewable energy for all the electricity used in our Group by 2040. **[RE100]**

* A target for keeping global temperature increase well below 2°C above pre-industrial levels, as well as aiming to limit the increase to 1.5°C.

### 3 Challenge ZERO for $CO_2$ in the supply chain

**Goal for 2050**

Through collaboration with suppliers, we aim to achieve carbon neutrality in the supply chain by 2050.

**» Milestone for 2030**

- By 2025, we share with 90% of our key suppliers the greenhouse gas reduction targets in line with the Paris Agreement and cooperate with them in the initiatives for energy efficiency and renewable energy to achieve the targets by 2030. **[SBT ③]**

## 4 Challenge ZERO Deforestation

**Goal for 2055**

Through collaboration with suppliers, we aim to achieve zero deforestation arising from materials procurement at all segments by 2055.

**» Milestone for 2030**

- By 2030, we work with suppliers to eliminate from procurement at our housing and construction businesses all timber that cannot be traced to legal harvest.

## 5 Challenge ZERO Harm to Biodiversity

**Goal for 2055**

We aim to prevent any net loss of biodiversity by 2055 through sustainable business operation that takes into consideration the protection of biodiversity, and enhancement of the amount and quality of green space in housing, construction, and community development.

**» Milestone for 2030**

- By 2030, in all housing- and building-related businesses, we take steps to enhance the amount and quality of green space that take into consideration the protection of biodiversity, aiming to create in aggregate at least 2 million square meters of biodiversity-conducive green spaces.
- We will complete biodiversity assessments of all owned or managed sites and undertake ongoing conservation work at all ecologically significant ones* by 2030.
  * Plants, company-owned forest sites, hotel vicinities, commercial facilities, city parks, etc.
- Through reducing discarded plastics and other efforts, we aim to bring to zero the impact associated with marine plastic waste problems by 2030.
  **[Daiwa Plastics Smart Project]**

## 6 Challenge ZERO Waste and Reuse

**Goal for 2055**

We will use only recyclable or recycled materials at our housing and construction businesses by 2055. Through extending the durability of our buildings, we aim to minimize the volume of resources used and waste emissions.
We also aim to achieve zero waste emissions and total recycling of resources throughout supply chains across the Group.

**» Milestone for 2030**

- By 2030, we seek to extend the durability and increase the variability of our new buildings. Also, by promoting renovation and remodeling of existing buildings, we help create a market for trading quality housing stock at fair valuations.
- We aim to achieve zero waste emissions and total recycling of resources throughout supply chains at in all housing- and building-related businesses by 2030. We also promote the use of recyclable or recycled materials.

## 7 Challenge ZERO Water-Associated Risks

**Goal for 2055**

We aim for sustainable utilization of water through reducing water consumption, total recycling of resources, and conservation of aquatic environments throughout supply chains across the Group by 2055.

**» Milestone for 2030**

- By 2030, we aim to reduce water consumption (per unit of sales) by 40% vs fiscal 2012 at all sites and properties and in all processes.
- By 2030, we aim to complete water risk assessments in all housing- and building-related businesses in our supply chains, and complete waster risk countermeasures at all owned locations and high-risk supplier locations.

## Action Plan for the Environment (Endless Green Program)

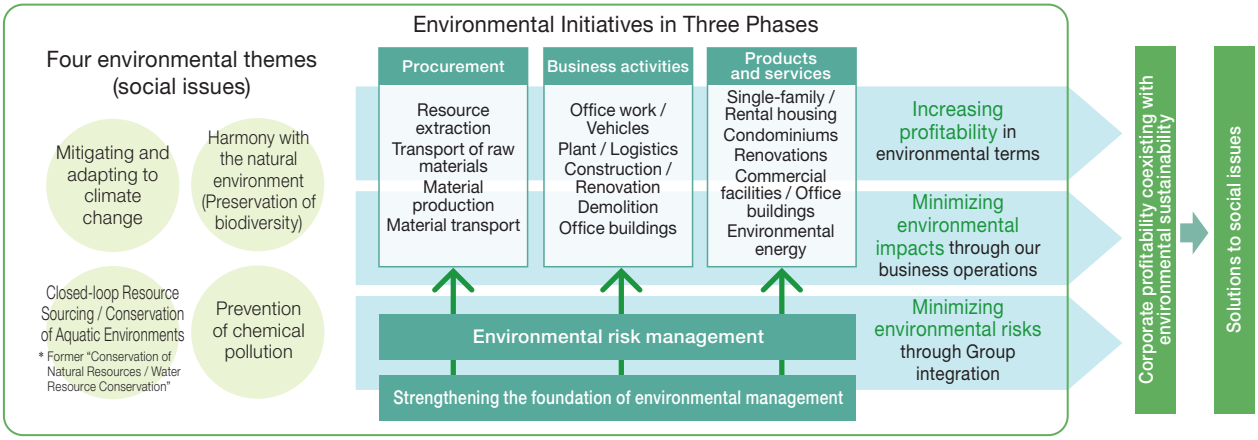
Calculating backward from the long-term environmental vision, Daiwa House Group have set 2030 as a milestone for achieving the vision. We formulate concrete targets and plans as the Endless Green Program (EGP) nearly every three years in accord with the period of a medium-term management plan to promote it.

In the EGP, we identify "four environmental themes (social issues)," which are of much interest to stakeholders and closely related to our business, and we work on them at three phases: procurement; business activities; and products and services.

### History of the Action Plan for the Environment




### Overall Action Plan for the Environment



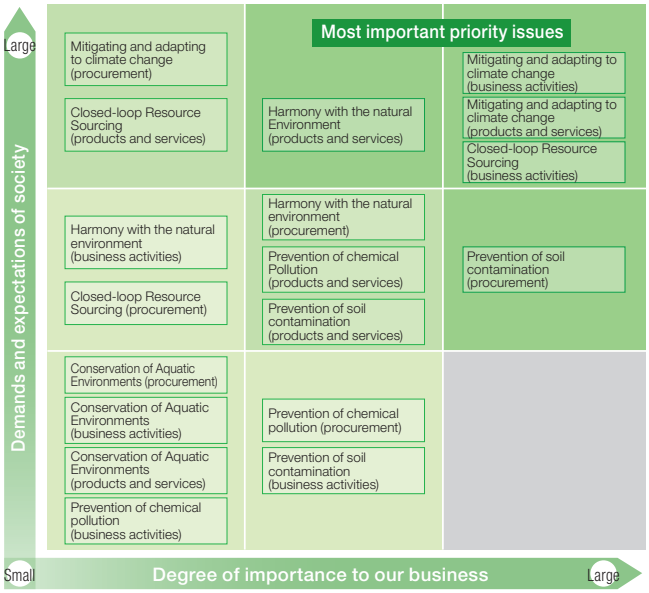

### Identification of materiality (priority issues)

We have extracted priority issues for our Group's environmental initiatives in terms of degree of importance to our business and the demands and expectations of society. Materiality has been identified through experts' validation.

Checked from our effort level, identified priority issues and others are reflected in the target level and basic policies in the Action Plan for the Environment.

Our Group official website Identification of materiality (priority issues)
https://www.daiwahouse.com/English/sustainable/eco/vision/materiality/

### Materiality map



## Action Plan for the Environment (Endless Green Program 2021)

In the Endless Green Program 2021 (fiscal 2019 to 2021), which expands the scope of application to all the Group companies including overseas ones, we are going to accelerate integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability. In particular, we place emphasis on the carbon-free initiative, which is raised as one of the policies in our 6th Medium-Term Management Plan (fiscal 2019 to 2021).

### Key policies of Endless Green Program 2021

❶ **Promoting "carbon-free" in the fields of products and business activities for achieving SBT, EP100, and RE100**

❷ **Promoting win-win cooperation for reducing environmental risks in supply chains**

❸ **Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness**

❹ **Advancing strategic eco communication for improving environmental brand and ESG assessment**

❺ **Enhancing integrated environmental management within the Group and globally for advancing environmental management**

### Basic policies of Endless Green Program 2021

Based on focal policies of Endless Green Program 2021, basic policies are set by theme and phase

| Focal themes | Phase | Basic policies | |
|---|---|---|---|
| General (Expand environmental contribution business) | Products and services | • We aim to strike a balance between environmental stewardship and earnings by developing and promoting environmentally conscious products and services. | |
| Mitigating and adapting to climate change (Energy) | Procurement | • Provide important suppliers with support in setting targets and promoting efforts. | P031 |
| | Business activities | • Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities.<br>• Generate, transmit, and use renewable energy in-house | |
| | Products and services | • Promote ZEH, ZEB and Green Building certification. | |
| Harmony with the natural environment (Preservation of biodiversity) | Procurement | • Procuring sustainable timber. | P042 |
| | Business activities | • Creating green spaces at Group facilities / Start of Daiwa Plastics Smart Project, an initiative to deal with marine plastic pollution | |
| | Products and services | • Promote the preservation and creation of green spaces in projects and community development. | |
| Closed-loop resource sourcing (Greater durability and waste reduction) | Procurement | • Reduce resource consumption. | P048 |
| | Business activities | • Promote 3R activities with construction waste. | |
| | Products and services | • Develop and diffuse recyclable products (high durability, long lasting, less use of resources). | |
| Conservation of aquatic environments | Procurement, Business activities, Products and services | • Identifying and minimizing risks to water resources, and reducing water consumption in our corporate facilities as well as houses and buildings | |
| Prevention of chemical pollution | Procurement | • Increase controls of chemicals used in procured construction materials. | P054 |
| | Business activities | • Reduce the use of toxic chemicals in production stages. | |
| | Products and services | • Further improve indoor air quality of residential houses and facilities. | |
| Strengthening the foundation of environmental management | Environmental risk management | • Put into practice autonomous Group compliance against environmental laws and regulations. | |
| | Environmental education | • Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce. | |
| | Management | • Integrate environmental management across the Group and globally. | |
| | Communication | • Promote environmental communication including strategic and effective information disclosures. | |

# General

## Expand environmental contribution business

### Policy and Concept

**We aim to strike a balance between environmental stewardship and earnings by developing and promoting environmentally conscious products and services.**

The Daiwa House Group sees the environment as a business opportunity. We made "environmental contribution" (environmentally friendly) business sales a KPI under our approach of contributing to the environment through business and making environmental stewardship a value added aspect of what we do. Each company and division defines and sets sales targets for eco-friendly products, and does its best to achieve them using its own initiatives.

P172 Data Section Expansion of sales of environmental contribution businesses

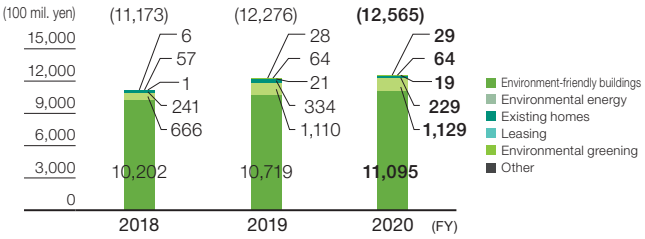
■ Definition of environmental contribution business

| Business | | Definition |
|---|---|---|
| Environment-friendly buildings | Single-family housing | ZEH-compatible products |
| | Rental housing | Buildings with a BEI of 0.85 or less |
| | Condominium | D's SMART Condominiums |
| | Commercial and office buildings | Buildings with a BEI of 0.8 or less |
| Environmental energy business | | Renewable energy, energy saving, electricity retailing business |
| Existing homes business | Home renovation | Photovoltaic systems, storage batteries, energy-efficiency renovation |
| | Sale of existing houses | Resale of existing houses with renovation |
| Leasing business | | Leasing of energy-efficient equipment, leasing of electric vehicles |
| Environmental greening business | | Overall environmental greening business |
| Other business | | Sales of environmentally conscious products |

### Main approach

Starting with the Environmental energy business, each company and division worked toward our fiscal 2020 target for environmentally friendly sales of ¥1.2 trillion, 30% of Group sales. Despite the pandemic, they rose 2.3% from fiscal 2019 to ¥1.26 trillion (roughly 30.4% of consolidated sales), achieving the target.

■ Sales of environmental contribution business (by business)




## Single-family housing: Increasing the number of ZEHs

In fiscal 2020, we released xevo ADVANCE and skye3 in our lineup of houses that meet Zero Energy House (ZEH) standards. We also developed tools to easily determine the solar power generation capacity needed for ZEH compliance and the energy-efficient equipment best suited to our customers' lifestyles. We trained our employees in sales and design, increasing the share of ZEHs in sales to 58.0% (41% in fiscal 2019) and boosting average prices roughly 6% year-on-year.



xevo ADVANCE

## Commercial and office buildings: Increasing the number of ZEBs

We develop and market the D's SMART series, a package of environmentally conscious technologies for multipurpose buildings, to promote Zero Energy Buildings (ZEBs). The share of ZEBs in sales rose to 39.6%, up by 6.2 percentage points from fiscal 2019.

In cooperation with the Energy Conservation Center, Japan and local governments, we regularly hold ZEB seminars to highlight their appeal to customers. We held two online seminars in fiscal 2020.

P037 Commercial and office buildings: Promoting understanding, take-up, and growth of ZEBs through seminars



Kuratani Aluminum Works (Toyama Prefecture)

## Environmental energy: Promoting renewable energy

The Daiwa House Group operates 315 renewable energy power plants generating 426 MW*1 (as of end-March 2021).

In fiscal 2020, we started operating 37 new plants, including large-scale solar power plants in Toyama and Miyazaki prefectures. We used non-fossil fuel energy certificates to significantly expand sales of $CO_2$ free electricity. Our next step will be to focus on new schemes such as the Power Purchase Agreement (PPA)*2 model.

*1 Inhouse consumption is excluded
*2 A direct sale agreement of electricity between the seller and the buyer. The agreement allows the buyer to specify the type of facilities that generate renewable energy to buy



DREAM Solar Miyazaki Kunitomi (Miyazaki Prefecture)

## Other: Promoting greening products

We are promoting sales of D's Green Pallet, a thin planter that can be used for wall greening, and VERDENIA for indoor greening suited to office spaces.



BiVi Senriyama commercial facility (Osaka Prefecture)

# Reinforcing the foundation of environmental management

## Environmental Management

### Policy and Concept

The Daiwa House Group has its Long-Term Environmental Vision shared by our Group companies, and formulates an Action Plan for the Environment in a bid to realize it. Furthermore, we are promoting integrated environmental management within our Group and globally in simultaneous pursuit of reduction in environmental impacts and increase in corporate profitability. One of the basic policies of Principles of Corporate Ethics is "with the environment." Based on a detailed action plan, worksites and principal Group companies make environmental activities subject to the business performance assessment to work on the PDCA cycle.

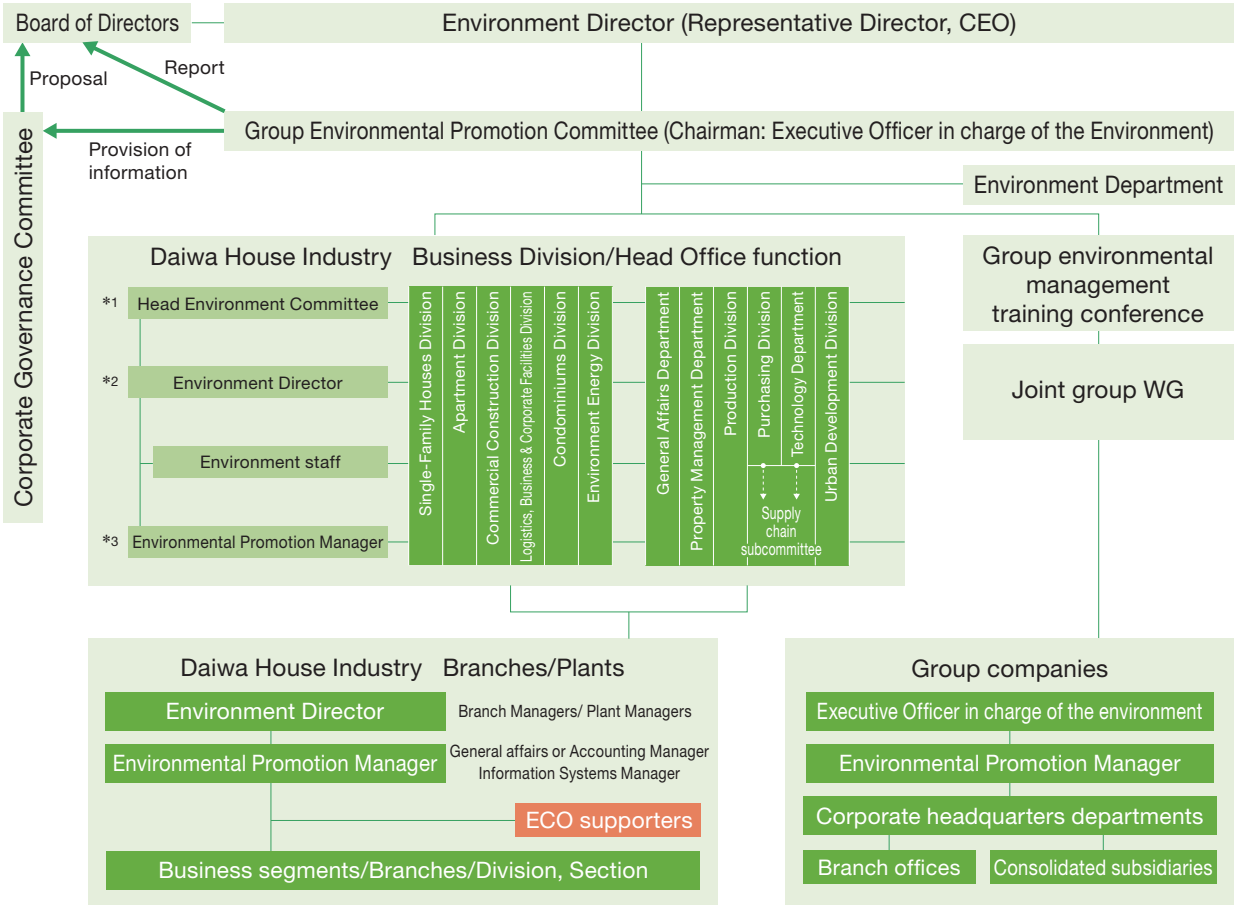
## Promoting Environmental Management

### Environmental management organization

The Group Environmental Promotion Committee oversees our activities involving the environment. The Daiwa House Industry President and Executive Officer in charge of the Environment serve as Environment Director and Chairman, respectively. At biannual meetings, the committee examines risks and opportunities and decides which initiatives we should undertake. Environmental committees chaired by divisional heads and head office functional divisions subordinate to the main committee conduct quarterly reviews and a range of other activities aimed at improvement. Twice yearly we share decisions of the Group Environmental Promotion Committee at an environmental management conference for Executive Officers in charge of the Environment at Group companies.

Important matters concerning our environmental management are reported to the Corporate Governance Committee through the Group Environmental Promotion Committee. The Corporate Governance Committee (including external directors and external auditors) discusses the reports from diverse and long-term perspectives and makes recommendations to the Board of Directors to facilitate sustainable corporate management. In fiscal 2020, the Board of Directors reviewed climate change targets in Challenge ZERO 2055, our long-term vision for the environment, and decided to aim for net zero greenhouse gas emissions by 2050 and significantly lifted our 2030 targets.

■ Environmental management system



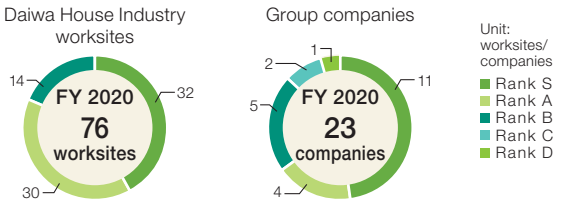

*1 Business divisions only
*2 Appointed from the chief and deputy director class of the business management department in the business division
*3 One person each appointed from the administrative class of the sales, development, design, and construction departments

## Reflect achievements in environmental activities in business performance assessment

The Company evaluates the results of environmental activities at all worksites nationwide and 23 key Group companies with a significant environmental impact. The results are reflected in worksite performance evaluations and assessments for officers' bonuses. The aim is to encourage further participation by management and step up our environmental stewardship efforts.

Our worksites devise an environmental improvement plan at the start of each fiscal year. Progress is evaluated using five ranks (S (highest) through D). The evaluations are reflected in the worksites' performance assessments to motivate our employees to engage in environmental activities. Worksites with the best evaluations are commended as the Most Outstanding ECO Worksites. Those with low scores receive follow-up training by the Environment Department, which helps them to analyze what needs improving and devise and carry out concrete measures.

■ Results of performance assessment for environmental activities




For Group companies we evaluate environmental management based on the environmental management system and the achievement of goals under the Action Plan for the Environment. This is incorporated into the Group performance assessments and reflected in assessments for the officers' bonuses.

We will enhance the performance assessment systems and bonus systems in relation to the environment.

P067 Management soundness assessment

## Training seminars for executive officers

Each year Daiwa House Industry holds a workshop for senior management focusing on socially significant issues in conjunction with the Joint Management Council. In fiscal 2020, we invited executive officers from companies with leading environmental credentials to present about their advanced environmental management practices in an online study session. This was a chance to deepen our understanding of sustainability as a management strategy and the responsibilities and roles of management. Sixty-seven directors, executive officers, and auditors took part.

## Reinforcing the foundation of environmental management with information technology

### Environmental performance data management system

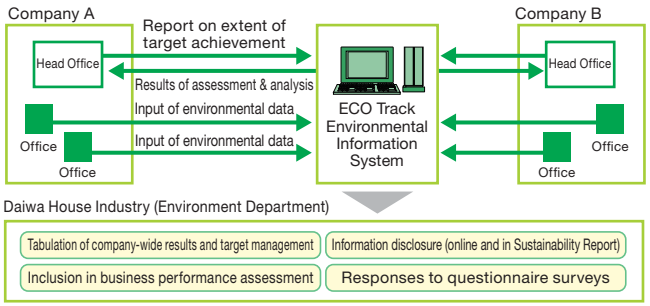
Our Group uses the ECO Track Environmental Information System to manage environmental data in Japan. In addition to centralized data management, we are working to improve the accuracy and efficiency of the data collection process. FileBox, which we use at our overseas worksites, not only makes collection and analysis more efficient, but helps us identify worksites with a heavy environmental impact and those where progress has stalled. We are thus able to zero in on areas that need improvement for more effective environmental stewardship.

### System to comply with environmental laws and regulations

We introduced the Compliance Manager* environmental regulation management system to build integrated infrastructure in this area for the whole Group. The system has standardized environmental regulation management across our companies and we share developments such as new laws and amendments. This has boosted operational efficiency and significantly deepened our understanding of laws and regulations. In addition, risks are centrally managed and mitigated by using the system to visualize compliance with laws and regulations at individual companies.

* A website service that makes it possible to clarify environmental laws and regulations to comply with and check and report compliance degree.

■ Environmental performance data management system (Japan)




## Acquisition of ISO 14001 and implementation of environmental audits

Daiwa House Industry conducts internal environment audits at all worksites, and has acquired ISO 14001 certification, an international standard for environmental management systems, at nine plants considered particularly important. Our Group companies have also acquired ISO 14001, which they update and maintain. Aside from certification, the division in charge uses a manual for each company to conduct periodic environmental audits to verify and provide guidance on the operations of the environmental management system in addition to environmental performance, regulatory compliance, and risk avoidance. The results of the audits are reported to executives as information for management reviews and are used to carry out continuous improvement.

P172 Environmental Data ISO 14001 certification
Environmental Data Sites that have the ISO 14001 certification

## Environmental accidents and complaints (fiscal 2020)

In fiscal 2020 there were no penalties or damages incurred for breach of contract regarding the environment and no serious accidents or complaints.

P142 Sanction measures due to a violation of law and litigation (including ESG-related issues)

## Environmental Education and Awareness-Raising

The Daiwa House Group's compliance rules set out laws, regulations, and social norms to be followed and arrangements to ensure compliance with the Daiwa House Group Principles of Corporate Ethics, Code of Conduct, and other internal standards in operating our business. Training is an important element. Our environmental education system sets out the knowledge and thinking that must be mastered at each level. The company also has a grade-specific list of competencies required for technical staff. This clarifies the knowledge and skills needed for defensive aspects—complying with environmental laws and regulations—and proactive aspects—promoting ZEHs and ZEBs. We help boost employees' knowledge, awareness, and recognition through means such as support for those acquiring environmental qualifications and awards for worthy workplace initiatives. This fosters both proactive and defensive environmental stewardship.

### Environmental education

We provide general and specialized environmental education under annual plans drafted at the start of each fiscal year. General education for all employees covers social trends and Group policies regarding the environment and introduces outstanding case studies. Specialized education focuses on defensive aspects such as waste and soil contamination and proactive aspects such as environmentally friendly design via training and e-learning at the division level to promote environmentally friendly buildings.

P173 Environmental Data Environmental education management

### Eco Test certification

Eco Test certification is a good way to acquire basic knowledge regarding varied and complex environmental issues. We encourage our employees to take the test as part of our efforts to raise environmental awareness. We aim to have 15,000 Eco Test certification holders across the Group by the end of fiscal 2021, and developed glossaries and prep tests in-house toward this end. As of end-March, 2021, we had 11,818 certification holders.

P173 Environmental Data Number of those who acquired the Eco Test certification (The Group)
Environmental Data Employees with main environmental qualifications

### Contest for outstanding environmental activities

Our Challenge! We Build ECO Contest to recognize exemplary environmental activities at worksites attracted 228 entries in fiscal 2020. Prizes were awarded for outstanding activities in the categories of products and services, in-house activities, and eco-communication. The most outstanding entries received the President's Award and the Executive Officer in charge of the Environment's Award. Group companies also hold the Challenge! Group ECO Contest which likewise recognizes outstanding environmental efforts, and is aimed at instilling awareness and inspiring all Group companies to try to improve environmental stewardship.

We keep all Group companies informed by highlighting the outstanding initiatives on our intranet and internal newsletters, Nagomi and ECO PRESS.



Feb–Mar 2021 issue of Nagomi in-house bulletin



Internal environmental newsletter, ECO PRESS: Special issue

# Reinforcing the foundation of environmental management

## Supply Chain Management (Environment)

### Policy and Concept

The Daiwa House Group's materials procurement and construction activities affect the global environment and stakeholders through the supply chain, including those who work in material-producing countries and processing sites, suppliers, and local communities. We believe that collaboration with suppliers is crucial in reducing negative environmental impacts, and collaborate in all phases of our operations through monitoring suppliers, training, and joint development.

In July 2015, we established a Basic Procurement Policy and CSR Procurement Guidelines for suppliers. The policy states that our procurement will consider social and environmental impacts as well as Quality, Cost, and Delivery (QCD). Our guidelines cover all primary suppliers and set out comprehensive social and environmental standards, encompassing human rights, occupational safety, and environmental protection.

We have set specific targets regarding climate change in particular, with detailed guidelines and assessment criteria for chemical substance management and timber procurement, and monitor continually.

■ 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. |

▼

| (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 and reduction of greenhouse gas (GHG) emissions 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 | Promoting "Reduce, Reuse, Recycle," "Resource conservation, Longer durability, Resource recycling" with consideration for product life cycle (manufacturing, use, disposal) and water resource conservation through thorough water saving and water risk management. |
| 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 timber 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 [Basics] |
| ② Biodiversity Guidelines [Timber Procurement] |

Our Group official website CSR Procurement Guidelines (Japanese text only) https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

### Management

Daiwa House Industry has established basic principles related to the environmental protection aspect of our operations in the Business Partner Code of Conduct section of our CSR Procurement Guidelines. We collaborate on environmental activities through three supply chain organizations: the Trillion Club supplies our materials; the Setsuwa Club supplies our facility equipment; and the Confederation of Partner Companies comprises manufacturing and partner subcontractors.

P108 Member organizations in our supply chains

| | Member organizations in our supply chains |
|---|---|
| Procurement | The Trillion Club<br>The Setsuwa Club |
| Construction | The Confederation of Partner Companies |

## Supplier management systems

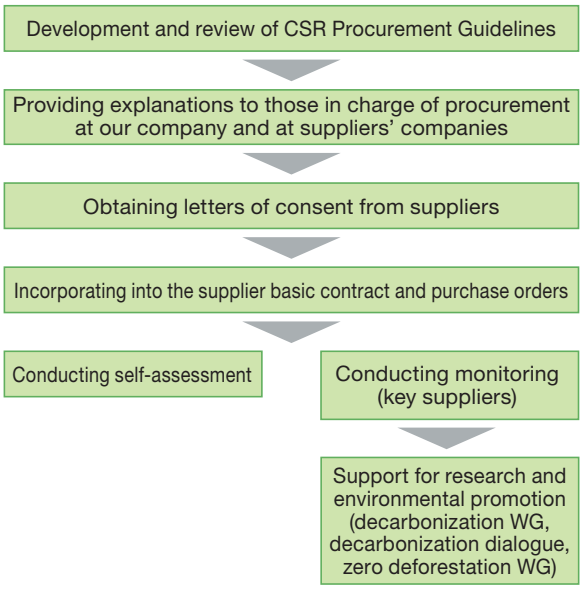
We have a secretariat for each of our supplier organizations which supports their operations. Each supplier coordinates with the secretariat to select priority action areas and projects each fiscal year and works to enhance its environmental stewardship.

## Increasing suppliers' awareness of our environmental policy

In fiscal 2015 we issued CSR Procurement Guidelines for suppliers and briefed them to heighten their awareness of the guidelines. We held similar briefings for Group companies (Royal Home Center Co., Ltd., DesignArc Co., Ltd., Daiwa Lease Co., Ltd., Fujita Corporation, Cosmos Initia Co., Ltd., and Daiwa House Reform Co., Ltd.) and their suppliers. We asked the suppliers for letters agreeing to the CSR Procurement Guidelines after confirming their understanding. To deepen suppliers' awareness of our environmental policies, we partially revised the guidelines in fiscal 2019 and again collected letters of consent. The collection rate for seven group companies was 93.4% (5,074 out of 5,432 suppliers) as of end-April 2021.

Suppliers can self-assess their policies and initiatives on our website. They can check if their compliance with environmental laws and regulations and response to climate change accords with our CSR Procurement Guidelines. The self-assessment rate was 43.5% (2,366 out of 5,439 suppliers) as of end-April 2021.

P111 Issue 8: Promote and improve the efficiency of CSR procurement across the Group
P112 Encouraging business partners in CSR procurement




## Monitoring of supply chain

We monitor suppliers through our supply chain organizations to promote environmental stewardship and discover supply chain risks at an early stage.

### Climate change

The Daiwa House Group surveys primary and some secondary key suppliers yearly on greenhouse gas emission reduction targets and achievements (including numerical figures). In light of the findings, we provide support through decarbonization working groups and decarbonization dialogues, and aim to enhance target setting and associated efforts through continuous engagement.

### Timber procurement

Our company conducts an annual timber procurement survey to check if it is harvested in a legal and sustainable manner. In April each year, we send an assessment form to our suppliers regarding timber procured the previous year. We rank the timber by risk based on survey responses, and ask suppliers that handle timber with low scores to submit an improvement plan to make systematic improvements.

### Water risks

We conduct a survey every three years to evaluate water intake and emission volumes and watershed risks at principal suppliers' production sites. We use the results to develop and improve water risk management arrangements.

### Chemical substances

We ask our suppliers to submit sheets detailing chemical substance usage focusing on wooden building materials, and interior and facility building materials with a high impact on indoor air quality, and evaluate adherence to our Chemical Substance Management Guidelines. We ask suppliers to improve non-compliant materials.

### Waste

We use checklists to understand and monitor waste treatment at construction site and factory business partners (all primary subcontractors) on a regular basis. We rectify any problems immediately and bolster management arrangements by taking actions to prevent recurrences and educating our business partners' employees.

■ List of monitoring by key themes

| Theme | Scope | Description | Response and support system |
|---|---|---|---|
| Climate change | Key suppliers | Greenhouse gas emission reduction targets, results, and achievements | Support to set reduction targets and achieve improvements through decarbonization working groups and decarbonization dialogues |
| Timber procurement | All timber procurement suppliers | Evaluation with the timber procurement assessment form of the legality and sustainability of timber procured | Suppliers that handle timber with low scores are asked to submit an improvement plan, zero deforestation working group |
| Water risks | Key suppliers | Status of water risk management | Build a management structure |
| Chemical substances | Centralized purchasing suppliers | Evaluation with the Chemical Substance Management Guidelines based on the chemical substance usage report sheet | Request correction of non-complying points |
| Waste | Business partners (construction sites and factories) | Waste processing | Correct any problems as they are found, enhance the management structure, and conduct education |

P033 Mitigating and adapting to climate change Reducing greenhouse gas emissions in our procurement and business activities
P044 Harmony with the Natural Environment Preserving biodiversity in our procurement and business activities
P052 Conservation of Aquatic Environments
P057 Implementation of the Chemical Substance Management Guidelines
P113 Checking our supply chains for ESG issues

## Supplier training and support

We collaborate with suppliers through working groups for climate change and timber procurement, focus areas for our Group.

### We launched a decarbonization working group and decarbonization dialogues to address climate change.

Our monitoring confirmed that 80.4% of our suppliers in fiscal 2020 (70.6% in fiscal 2019) had greenhouse gas emissions reduction targets. In order to support suppliers' decarbonization initiatives and ultimately bring about a zero carbon society, we launched a working group with our supplier organizations, the Trillion Club and Setsuwa Club, holding ten sessions in fiscal 2020. Twenty-five companies (mainly respondents without targets) participated, and we discussed issues they faced in target setting and how to overcome them. Among those with targets, we launched decarbonization dialogues for companies where raising targets was deemed an urgent priority due to their size or annual $CO_2$ emissions. We are helping suppliers establish more ambitious $CO_2$ reduction targets and set longer-term targets through one-on-one dialogues.

### Timber procurement: Sustainable timber procurement improvement plan, zero deforestation working group

Based on our timber procurement survey, we asked 59 suppliers whose timber did not meet standards we developed with environmental NGOs to outline how they planned to obtain sustainable timber, and encouraged them to check official documents and switch sources. We also launched working groups with environmental NGOs and some suppliers with a view to zero deforestation. To develop evaluation criteria consistent with this aim, the working group discussed the definition of zero deforestation and what form it should take from the viewpoint of various stakeholders, and developed new policies for the Group.

### Other

The Trillion Club has hosted training and education activities for member companies since fiscal 2017. The club supports engagement in the environment through lectures and sharing energy-saving initiatives via study tours of members' offices and production plants. The Setsuwa Club co-hosts product technology exhibitions featuring members' new environmental technologies and seminars to publicize eco-friendly technologies. The Confederation of Partner Companies promotes horizontal development of improvement activities leading to environmental impact reduction, such as the 3Rs in construction sites, and low-$CO_2$ construction through contests and member journals.

■ Setting rate of suppliers' greenhouse gas emissions reduction targets (fiscal 2020)

| | Number of principal suppliers | Setting rate of greenhouse gas emissions reduction targets | |
|---|---|---|---|
| | | FY 2020 results | FY 2021 targets |
| Daiwa House Industry | 168 companies | 80.4% | Self-imposed targets 90% |
| Daiwa Lease | 20 companies | | |
| Fujita | 16 companies | | |

(as of March 31, 2021)

P045 Conducting timber procurement surveys at our suppliers
P173 Environmental Data Status of dialog with suppliers
P185 Environmental Data Progress in the long-term goal

## Daiwa House Industry chosen for CDP's Supplier Engagement Leaderboard for second year running

Daiwa House Industry has been certification for the second consecutive year for inclusion in the Supplier Engagement Leaderboard operated by the CDP (formerly the Carbon Disclosure Project), thanks to its high Supplier Engagement Rating. This is based on a company's ratings with respect to actions to mitigate climate change in four areas—governance, targets, value chain emissions (scope 3), and supplier engagement strategies. The companies in the Supplier Engagement Leaderboard are selected from over 5,800 corporations from around the globe judged to have taken particularly effective measures in the field of supply chain engagement. The Leaderboard for fiscal 2020 included 396 companies (83 from Japan).




P158 On CDP climate change A List three years running.
Received CDP's highest Supplier Engagement Rating for the second consecutive year

# Reinforcing the foundation of environmental management

## Eco Communication

### Policy and Concept

The Daiwa House Group is committed to continuously improving our environmental activities through communicating our approach and efforts to address environmental issues in an easy-to-understand way in dialogues with stakeholders. We aim for our ESG initiatives to be appropriately evaluated.

### Communication with stakeholders

#### Dialogue with institutional investors and ESG evaluation bodies

In recent years, questions and feedback on our environmental approach and initiatives from institutional investors and ESG (environmental social, and governance) evaluation organizations have been growing. In fiscal 2020, we boosted the quality and amount of information in our sustainability and comprehensive reports, among other channels. We held small ESG meetings online with institutional investors in December and February; participated in the TCFD Consortium Roundtable; and individually met five institutional investors with a keen interest in the environment to deepen mutual understanding of the broader ESG picture. We also exchanged opinions with ESG evaluation organizations on methodologies and items to be assessed. Further, when developing new policies or targets for our environmental initiatives, we talk with outside experts and NGOs to enhance our efforts.

Going forward, we will continue to disseminate environment-related information and hold an ongoing dialogue with our stakeholders, to enhance their understanding of the Group stance and activities, and we will continue to incorporate external opinions into activities to improve their effectiveness.

P039 Response to the Task Force on Climate-related Financial Disclosures (TCFD)
P122 ESP2021 Endless Social Program 2020 Issue 11: Integrate and upgrade financial and nonfinancial communications
P156 Cooperating with Third Parties and Their Assessment
Our Group official website ESG small meetings https://www.daiwahouse.com/English/ir/events/

#### Upgrading communication with environmental website

We release information about the Group's involvement with environmental issues through our websites, sustainability reports, exhibitions, children's environmental education programs, and so on. Among other things, we consider Group websites to be an important means of communicating with various stakeholders, and we constantly endeavor to enrich their contents.

Our environmental website "Efforts for the Environment" hosts videos outlining our long-term environmental vision "Challenge ZERO 2055," environmentally friendly products with examples, and "Environmentally Symbiotic Houses of the World," showing houses around the globe adapted to local characteristics. In addition, we regularly post the digital magazine SUSTAINABLE JOURNEY, aimed at the general public, with suggestions for eco-friendly lifestyles on our website.

In fiscal 2020, we joined an online expo hosted by the Ministry of the Environment, participated in online lectures and other events, and posted a video highlighting our SDG initiatives on our website.



Introductory video on SDGs by the Daiwa House Group

Daiwa House Group websites
Environmental initiatives https://www.daiwahouse.com/English/sustainable/eco/
SUSTAINABLE JOURNEY (Japanese text only) https://www.daiwahouse.com/sustainable/sustainable_journey/

#### Implementation of environmental education for children (Hagu Eco)

We run two environmental education programs aimed at different age groups. For preschoolers we have The King and His House, a picture-card show on building homes in tune with the natural environment, and an activity to build a big model house out of cardboard blocks, so they can understand the power of nature. For elementary school students we hold the Eco Workshop for Children, where employees act as professors to offer tips on building eco houses cool in summer and warm in winter without using electricity and help children think about and build unique, eco-friendly house models.

In fiscal 2020, we only held one session (with 20 participants) due to the pandemic, but since 2005 a total of 7,352 students have participated in 108 sessions. We are looking into running the programs online going forward.


Large house model built by children

P127 Communication base Areas of activity Educational support for the next generation
Company website: "hagueco" (environmental education) (Japanese text only) https://www.daiwahouse.com/sustainable/social/contribution/hagueco/

## Efforts by Group companies

Group companies also provide unique programs suited to the nature of their businesses, as part of ongoing relationship building with stakeholders.

### Eco-First logo (Daiwa Lantec)

The Daiwa House Group received Eco-First certification from the Ministry of the Environment in August 2018. Under the eco-first commitment submitted upon certification, the Group as a whole pledged to try to reduce its environmental burden to zero, and the entire company is working as one on environmental activities under the Eco First logo.

Group company Daiwa Lantec conducts ground surveys and ground reinforcement works, and proudly displays the Eco-First logo on business cards, its company brochure, and company cars. We plan to use the logo to promote our Group's environmental activities and enhance our environmental branding.

Eco First logo



Company brochure



Company car

### Environment page in magazine for customers (Daiwa Lifenext)

Daiwa Lifenext manages condos and publishes a magazine called D-letter for residents. This outlines our group's policies and initiatives to reduce our environmental burden and features environmental tips.

The email magazine for customers provides eco-friendly information they can use in their daily lives and topics on environmental issues.

Going forward, we will continue to promote our Group's initiatives and offer our customers useful information.

* D-letter is published twice yearly (circulation: roughly 250,000)




D-letter, December issue.
In addition to featuring our initiatives, it contained a quiz on reducing plastic waste.

### Reducing water use at sports facilities (Sports Club NAS)

We have installed waterless urinals and water-saving showers at the company's Sports Club NAS facilities. 21 clubs have installed a total of 83 waterless urinals. In fiscal 2020, we published NAS Global Environmental Conservation News highlighting our environmental and energy saving initiatives, and placed stickers encouraging water-saving on the shower stalls. We go beyond just installing facilities and promote environmental initiatives by raising awareness among our employees and customers.



Waterless urinals




NAS Global Environmental Conservation News




Stickers encouraging water-saving

# 1 Mitigating and Adapting to Climate Change (Energy)

Contributions to SDGs: 7.2, 7.3, 11b, 13.1, 13.3

Focal theme 1

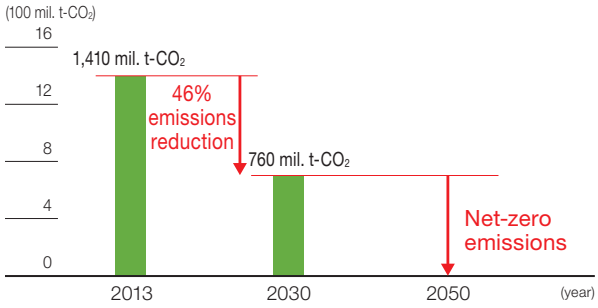
## Mitigating and adapting to climate change (Energy)

## Policy and Concept

### Social issues

Recent years have seen frequent weather-related disasters thought to be caused by global warming in areas around the world and Japan. To curtail such events, countries worldwide adopted the Paris Agreement, which aims to reduce greenhouse gas (GHG) emissions to net zero. Japan has pledged to reach net zero GHG emissions by 2050. However, the household and business sectors together account for roughly 30% of Japan's GHG emissions, and their emissions have risen by about 30% over the past quarter-century. Meeting the 2030 targets would require significant reductions from the two sectors.

■ Japan's greenhouse gas reduction targets

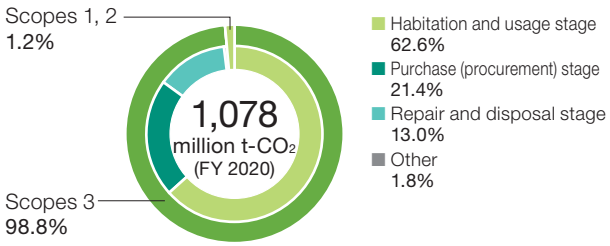



### Our Group's effect on society and the environment

The Daiwa House Group has been working to visualize greenhouse gas emissions* throughout our value chain in order to achieve zero environmental impact over the life cycle. GHG emissions from our Group's business activities are low at 1.2% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions not from our company) account for the vast majority at 98.8%.

In particular, GHG emissions in the habitation and usage stage of houses and buildings, which tend to be used over the long term, account for about 60%. To address this issue, we are increasing the share of energy-efficient, energy-generating and energy-storing products, and helping to reduce GHG emissions attributable to the household and business sectors in Japan. In addition, we are upgrading existing houses and buildings to be more energy efficient and supplying them with electricity from renewable sources.

■ GHG emissions in our value chain




P183 Environmental Data Reducing GHG emissions in the value chain

* Some of the greenhouse gasses such as methane, nitrogen monoxide and chlorofluorocarbons are excluded from targets and results management of our Group as their emissions are low and they do not have great influence.

### Risks and opportunities for the Daiwa House Group and its responses

In Japan, the government has been tightening energy-efficiency regulations on houses and buildings with the Building Energy Efficiency Act and offering incentives for advanced energy-efficient structures such as ZEHs and ZEBs. We maintain and strengthen energy-efficiency measures at Group facilities to reduce the cost of responding to regulations. We are also using our expertise to enhance proposals to our customers in zero-energy housing, buildings, and community development to drive order growth and boost prices. We launched a renewable power generation business on our idle land and aim for further growth using public-sector idle land. We believe it is important to promote the take-up of such products in the longer term independently, without relying on subsidies. Through green building certifications and dialogues with ESG investors and others, we aim to get the environmental real estate market up and running at an early stage.

P039 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

## Road Map for the Long-Term Environmental Vision

| | 1. Challenge Zero for $CO_2$ in community development | | 2. Challenge Zero for $CO_2$ in business activities | | | 3. Challenge Zero for $CO_2$ in the supply chain |
|---|---|---|---|---|---|---|
| 2050 | Achieve carbon neutrality in housing, construction, and community development | | Achieve carbon neutrality in all facilities and all business processes | | | Achieve carbon neutrality in the supply chain |
| 2030 | GHG emissions in use of newly constructed buildings (per square meter) in comparison to FY2015 are down 30% [SBT] | Achieve average ZEH/ZEB for newly constructed buildings * 2025 for single-family housing houses | GHG emissions (total) in comparison to FY2015 are down 50% | Energy efficiency in comparison to FY2015 has doubled | Renewable energy utilization rate 70% | Achieve SBT standard target for 90% of key suppliers (target set to 2025) |
| 2021 | GHG emissions (by floor area) in comparison to FY2015 | ZEH/ZEB rate | GHG emissions (by sales) in comparison to FY2015 | Energy efficiency in comparison to FY2015 | Renewable energy utilization rate | Setting rate of GHG emissions reduction targets of key suppliers |
| | –6% | 70%/40% | –35% | 1.4 times | 10% | 90% |

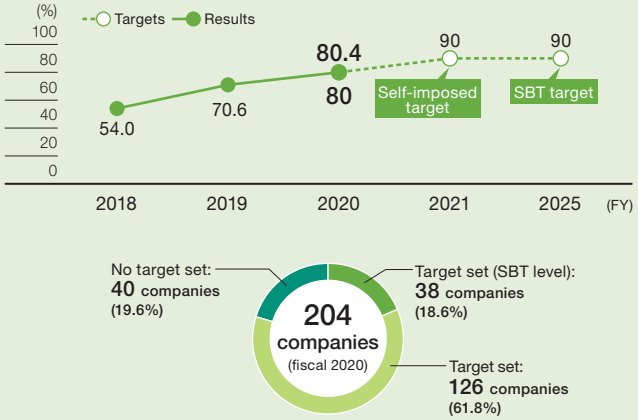
## Self-assessment of the Main Targets and Results of Endless Green Program 2021

: Target for fiscal 2020 achieved : Target for fiscal 2020 not achieved (achieved 90% or more) : Target for fiscal 2020 not achieved (achieved less than 90%)

### 80.4% of principal suppliers set GHG reduction targets, meeting our goal

In fiscal 2020, we maintained our decarbonization working group of principal suppliers and stepped up efforts to encourage those without GHG emissions reduction targets to set them. The share of those with targets rose from 70.6% in fiscal 2019 to 80.4%, meeting our self-imposed target for this metric. We also launched one-on-one decarbonization dialogues with suppliers, deepening our collaboration by sharing our thinking and awareness of how companies should operate in a decarbonized society. We aim to encourage more ambitious GHG emissions reduction targets from our suppliers by maintaining our decarbonization dialogues going forward.

**Setting rate of principal suppliers' greenhouse gas emissions reduction targets**



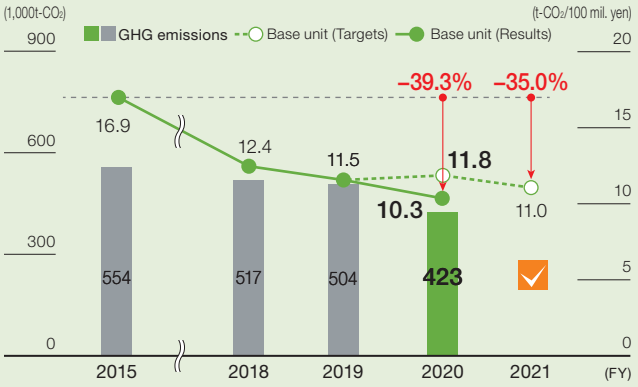




### Measures to prevent the spread of the novel coronavirus reduce energy consumption at business facilities

In fiscal 2020, energy consumption at business facilities decreased due to COVID-19 as offices made use of teleworking and hotel guest numbers declined significantly. In our sales activities, we sold Lifegenic, which enables online house design. Gasoline consumption declined as business negotiations occurred without face-to-face contact. In fiscal 2020, our GHG emissions per unit of sales declined by 39.3% from fiscal 2015, meeting our target. From fiscal 2021 onward, we will manage energy in accordance with the new normal.

**Greenhouse gas emissions due to business operations**

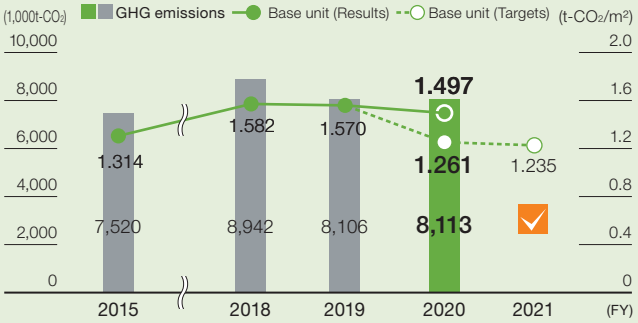



### Although we promoted ZEHs and ZEBs, we failed to achieve our target for greenhouse gas emissions from use of products

In fiscal 2020 we developed tools to support marketing and design and provided training sessions, lifting the ZEH sales ratio to 58.0% and the ZEB sales ratio to 39.6%, both up from fiscal 2019. However, as the share of buildings with energy-intensive applications increased, we missed our target for greenhouse gas emissions (per floor area unit) with a reduction of just 4.7% year-on-year.

Through expanding the lineup of ZEH-compatible products and holding ZEB seminars for customers, we will significantly improve the sales rates of ZEH and ZEB, striving to provide houses and facilities that are both comfortable and energy efficient.

**Greenhouse gas emissions from use of products***




* Refers to Group GHG emissions in the Scope 3/Category 11 (use of products sold)

ZEH, ZEH-M, ZEB:
Refers to Zero Energy Houses, Zero Energy Houses-Mansions (= apartment/condominium complexes), and Zero Energy Buildings that are designed to achieve net zero energy usage yearly, by improving the energy-saving performance with insulation and energy-efficient equipment, and creating energy through solar power generation or similar means.

# 1 Mitigating and Adapting to Climate Change (Energy)

## Self-assessment of the Main Targets and Results of "Endless Green Program 2021"

Focal theme 1

### Mitigating and adapting to climate change (Energy)

### Reducing greenhouse gas emissions in our procurement and business activities

## Basic Policy

### Support for principal suppliers to set targets and promote initiatives

The Daiwa House Group works with our supplier organizations to reduce greenhouse gas emissions in the procurement stage. We help our principal suppliers set and implement measures to achieve GHG emissions reduction targets.

**CSR Procurement Guidelines (Excerpt from "Responding to climate change")**

5-2 Responding to climate change
Promote the reduction of greenhouse gas emissions and energy savings through our products and services as well as business activities (procurement and processing, etc.) and work to utilize natural energy.

Our Group official website CSR Procurement Guidelines (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf
P023 Environmental Management

### Making our newly constructed facilities into ZEBs, increasing the energy efficiency of existing facilities, and continuing with systematic equipment upgrades

The Daiwa House Group is helping to bring about a carbon-free society by reducing GHG emissions from our business activities while developing our renewable energy generation business.

In particular, our Group is deploying technology and expertise from the construction business to reduce energy consumption by introducing advanced, energy-efficient technology in newly built facilities and making extensive operational improvements and systematically updating equipment in existing facilities.

**Policy for our newly-constructed facilities (commercial facilities and offices)**

Our Group aims to build our new company facilities as ZEBs.

**Energy-Efficient Facilities Investment Guidelines for existing facilities**

To promote systematic energy-conservation initiatives in our company's and Group's facilities, we formulated internal Energy-Efficient Facilities Investment Guidelines. These require annual cuts to energy consumption (per unit of sales) of 3% by investing an amount equivalent to 15% of energy costs into energy efficient facilities.

**EMS Introduction and Application Guidelines for existing facilities**

Our Group's Energy Management System (EMS) Introduction and Operation Guidelines promote energy efficiency in business activities. In addition to detecting and reducing wasted energy, we aim to curtail power cost increases from excess demand.

### Generate, transmit, and use renewable energy in-house

Our Group targets renewable energy self-sufficiency: we aim for 100% of the electricity used in business activities to come from renewable energy generated in-house. We plan to use the feed-in-tariff system to accelerate our development of renewables, boosting the share of renewable energy by obtaining certificates for the renewable energy value of electricity generated.

## Management

### Setting principal suppliers' greenhouse gas emissions reduction targets

As approximately 20% of the greenhouse gas emissions attributed to our value chain comes from procurement, we believe it is essential to reduce these emissions at our suppliers' manufacturing stage. We have launched decarbonization working groups comprising our principal suppliers and decarbonization dialogues to help them set and increase greenhouse gas reduction targets to reduce emissions at the procurement stage.

P026 Supply Chain Management (Environment)

### Energy management in business activities

In addition to appointing the Executive Officer in charge of the Environment as Energy Director for the entire company, Daiwa House Industry designates energy directors and project promoters at the sector or department level (plant, commercial facility, office) to run energy management and make the policies more efficient. Regular energy project promoters' meetings are held to discuss and share environmental issues, measures, and future plans.

### Installation of solar power systems on our own facilities

As part of efforts to reduce greenhouse gas emissions, we install renewable energy equipment at our new offices, commercial buildings, sports clubs, and nursing care facilities and are boosting in-house consumption of electricity we generate. The Office Relocation & Opening Manual and the Facilities Setup Policy respectively stipulate that offices and sports facilities must set up solar power generation systems.

## Main approach

### Greenhouse gas emissions reduction at the procurement stage

We are working to get our suppliers to collaborate with us in measures set forth in the "Responding to climate change" section of our CSR Procurement Guidelines. Suppliers can assess their own initiatives, and we survey our 204 primary suppliers for greater detail on GHG emissions reduction targets and results to understand their efforts. In fiscal 2020, we established a decarbonization working group for suppliers without such targets. We shared their problems and challenges and helped them set targets. We also launched one-on-one decarbonization dialogues with suppliers to raise their awareness and encourage them to set more ambitious GHG emissions reduction targets.

P027 Increasing suppliers' awareness of our environmental policy
P183 Environmental Data Reducing GHG emissions in the value chain

### Promoting ZEB in newly-constructed facilities

Our group has a policy to aim at developing all of our new facilities as ZEBs and is working on initiatives to fulfill this aim.

The Daiwa House Group MIRAI KACHI KYOSO Center for training global human resources is scheduled to open in October 2021, and will be one of Japan's largest training facilities. We plan to obtain the following international certifications: (LEED; for green buildings), WELL (health), and SITES (landscape), and Japanese certifications: BELS (energy) and JHEP (biodiversity), in addition to ZEB.

Our Group official website News Release (July 24, 2019) (Japanese text only)
https://www.daiwahouse.com/about/release/house/20190724111532.html



The Daiwa House Group MIRAI KACHI KYOSO Center (Nara Prefecture)

### Energy efficiency activities for existing facilities to attain EP100

The Daiwa House Group runs Group Energy Efficiency Joint Working sessions for 13 main Group companies operating hotels and other commercial facilities that use large amounts of energy. The sessions share cases of energy efficiency investment and improvements by Group companies as well as the latest technological developments, to step up our efforts. We are working to reduce our environmental burden and generate earnings by rolling out energy saving examples across the group such as replacing conventional LEDs with the latest ones and energy-efficient control devices for the compressors of outdoor air-conditioning at hotels. In fiscal 2020, the Energy Conservation Center, Japan audited energy-efficiency measures at four group companies and four facilities. We also developed and deployed a unique energy-saving potential diagnosis tool to identify energy-efficiency measures and visualize scope for improvement as we continue our energy conservation efforts.

P176 Environmental Data Leading-edge project to reduce GHG emissions at our Company and Group facilities (new construction)

## Official start of adoption of renewable energy-derived electricity at worksites and construction sites to attain RE100

In March 2018, the Daiwa House Group joined RE100, an international initiative on renewable energy operated by the Climate Group, an international NPO. Our goal is to attain 100% renewable energy for all the electricity used in our Group by 2040.

We decided to begin full-scale adoption of renewable energy-derived electricity at our worksites, housing showrooms, and construction sites nationwide, including the Daiwa House Osaka Building and Tokyo Building from fiscal 2020.

The power supplied to these locations is effectively 100% renewable energy due to non-fossil fuel energy certificates with tracking information* which certify the renewable energy value of electricity generated at renewable energy power plants we manage and operate nationwide. This facilitates our renewable energy self-sufficiency—we generate, transmit, and use it in-house.

* Non-fossil fuel energy certificates certify the renewable energy value of renewable electricity under the feed-in tariff system (FIT). Those with tracking information specify the renewable energy source that the renewable energy value is derived from.

P185 Environmental Data Progress in the long-term goal




100% renewable energy declaration plaque
Our company certifies worksites that proactively adopt renewable energy as RE100 sites

## Aggressive renewable energy development has seen electricity output exceed usage

In order to accelerate the adoption of renewable energy across the Daiwa House Group, we launched the DREAM*1 Project. Under the concept of Wind, Sun and Water, we are developing wind, solar, and hydroelectric power generation systems.

In fiscal 2020, 49 plants with capacity of 47 MW started operations, including DREAM Solar Toyama Uozu Kannondo (Toyama Prefecture: 5 MW) and DREAM Solar Miyazaki Kunitomi I & II (Miyazaki Prefecture: 4 MW), for a total of 377 renewable energy plants*2 in operation. As of end-fiscal 2020, the Group's renewable energy power generation facilities where we are the generator had capacity of 427 MW*2 and with annual output of 588 GWh, exceeding the Group's power consumption (443 GWh) for the first time.

As a result, our renewable energy rate reached 133% in fiscal 2020, achieving our target of 100% by 2030 ten years ahead of schedule.

*1 D: Daiwa House Group, R: Renewable, E: Energy, A: Asset, M: Management
*2 Includes in-house consumption



DREAM Solar Miyazaki Kunitomi (Miyazaki Prefecture)

## Implementation report on the Endless Green Program 2021

Focal theme 1

# Mitigating and adapting to climate change (Energy)

## Helping to reduce greenhouse gas emissions through our products and services

## Basic Policy

### Promoting ZEH, ZEB and Green Building Certifications

To reduce greenhouse gas emissions from houses and buildings used by customers over long periods, we are promoting advanced, environmentally conscious ZEHs (net Zero Energy Houses) and ZEBs (net Zero Energy Buildings). ZEH refers to single-family housing, rental housing, and condominiums, and ZEB to commercial and office buildings.

We are also working to obtain the Green Building certification recognized by third party institutions as a performance index of our efforts to develop environmentally conscious buildings. We are further stepping up our comprehensive environmentally conscious initiatives inclusive of energy efficiency.

## Management

### Single-family housing: Strengthening ZEH education and developing tools to bolstering marketing capabilities

We are training sales and design staff in the single-family housing business to improve their knowledge of ZEHs. In fiscal 2020, we ran training courses via online lectures and e-learning. We also developed ZEH marketing materials and simple energy calculation tools, enabling our employees to propose ZEHs at their first meeting, boosting our ability to market these to customers.

We also use quarterly data to check on the progress of ZEH sales. Offices that meet the target have this reflected in their performance evaluation and we are strengthening our initiatives in the area.

### Rental housing and condominiums: Forming a ZEH-M promotion organization

We have started efforts in ZEH-M, the government's condominium version of ZEH, in relevant divisions (the single-family housing, rental housing, and condominium divisions). Each works together with headquarters and worksites on policies, action plans, progress checks, and performance management. Profiles of grant-aided ZEH-M projects and construction examples are shared and we are working on systems to facilitate our ability to make ZEH-M proposals to customers, including education and training to instill the required knowledge and sales promotion tools.

### Commercial and office buildings: Expanding ZEB sales through enhanced proposal and design capabilities

We are working to grow ZEB sales through sharing information on ZEB case studies and upgrading our proposal and design capabilities through training and e-learning. Key indicators such as BEI* and ZEB numbers for each worksite are collected quarterly to track progress, and progress versus targets is reflected in performance assessments. These are boosting our engagement in environmental stewardship, allowing us to offer customers buildings with superior environmental performance.

* Building energy index: Shows energy efficiency performance

### Community development: Progress on initiatives by committees

Our Sustainable Community Development Promotion Committee (an organization spanning divisions) developed concepts and specific ideas for community planning guidelines we call Designing for Community Development into the Future. Specialist teams in our Real Estate Investment Committee, which deliberates on development projects above a certain size, evaluate energy efficiency, renewable energy, and resilience measures from the perspective of climate change mitigation and adaptation.

P081 Issue 2: Promote social inclusion in real-estate development

## Main approach

### Single-family housing: Further increasing the number of ZEHs

The Company is engaging in initiatives toward its aim of achieving a ZEH sales rate of 70% or higher for made-to-order single-family houses in fiscal 2021.

In single-family housing, we expanded our lineup of standard houses that are ZEH compliant with the launch of our two-story xevo ADVANCE (April 2020) and three-story skye3 (September 2020) to add to our mainstay steel-frame xevo ∑ (sigma). We also developed a simple energy calculation tool for ZEH determination, strengthened marketing capabilities, and streamlined ZEH determination workflows, boosting the share of ZEH sales to 58.0% in fiscal 2020.



Appearance of xevoADVANCE

## Rental housing and condominiums: Promoting ZEH-M

The company has been working to roll out ZEH-M horizontally by developing materials to assist ZEH-M designers. Our particular aim is to develop superior rental accommodation where each unit is connected to solar power to reduce utility costs and provide peace of mind in case of power outages. As of end-fiscal 2020, we had developed 17 buildings (14 rental buildings and three condominium buildings with a total of 292 units) using ZEH-M subsidy schemes.

Going forward, we plan to continue to promote ZEH-Ms, and offer homes with reduced environmental impact that meet all their residents' needs.



Super high-rise ZEH-M
(Nishi-ku Osaka City, Osaka Prefecture)

## Commercial and office buildings: Promoting understanding, take-up, and growth of ZEBs through seminars

As low awareness of ZEBs is an obstacle to our efforts, we hold ZEB seminars for external parties. The seminars present government policies and goals together with an overview of ZEBs, and our ZEB construction clients give testimonials on the advantages of this type of building. The seminars make ZEBs more familiar, and we hope that they lead to more construction. In fiscal 2020 we held two online ZEB seminars for a total of 666 participants.

We constructed a ZEB featuring a comfortable workspace, significant energy savings, and large-scale solar power generation equipment at Kuratani Aluminum Works, in Imizu, Toyama Prefecture (completed in February 2021). The customer fully understood the appeal and value-added of ZEBs from the initial proposal stage.

As a result of these initiatives, in fiscal 2020 we constructed 92 ZEB specification buildings (ZEB Oriented, ZEB Ready, Nearly ZEB, and ZEB).



Kuratani Aluminum Works
(Toyama Prefecture)

P179 Environmental Data Number of units designed to ZEB specifications or guidance standards

## Community development: Funabashi Grand Oasis, Japan's first large-scale mixed purpose development with 100% renewable energy

Funabashi Grand Oasis, in Funabashi City, Chiba Prefecture, consists of single-family housing (26 lots), rental housing (39 units), rental condominiums (223 units), condominium housing (571 units), and commercial facilities, with a project area of 57,456.19 m². The project uses 100% renewable electricity from the construction through the habitation stage, mainly from the Suganuma Hydroelectric Power Plant (roughly 2 MW output) in Hida City, Gifu Prefecture, which we started fully operating in October 2018. By obtaining non-fossil fuel energy certificates (with tracking information)* for power from the plant, the Daiwa House Group has achieved 100% renewable energy, from generation, through transmission, and use. At end-March 2021, all construction work was finished and the use of 100% renewable power in the habitation stage got into full swing.

In recognition of these efforts, we received two awards in fiscal 2020: the 2020 Minister of the Environment's Award for Climate Action and Encouragement Award in the third Eco-Pro Award from the Sustainable Management Promotion Organization (SuMPO).

* Non-fossil fuel energy certificates separate the environmental value (e.g. no emissions of greenhouse gases) of electricity derived from renewable sources, making it tradable. Tracking information can help identify the power plant where the environmental value was generated.

P085 Advanced examples of social inclusion
Our Group's official website (Japanese text only) https://www.daiwahouse.com/sustainable/eco/products/2020_9.html

## Promoting acquisition of Green Building Certifications

In fiscal 2021 we aim to acquire Green Building certification for at least 80% of the buildings we develop ourselves. Progress in Green Building certification is checked each quarter to improve our efforts. In fiscal 2020, the acquisition of CASBEE* and BELS certification primarily for logistics centers and other D Project buildings, which account for a large percentage of the buildings we develop, lifted the weighting of Green Building certification to 75.5%.

* Comprehensive Assessment System for Built Environment Efficiency

P180 Environmental Data Rate of Green Building Certification obtained

## Expanding sales of 100% renewable energy to households

We started an electricity service called Daiwa House Denki on November 1, 2019, to sell excess power to individuals, and from July 1, 2020, Group company Eneserve started offering Daiwa Power, a menu of effectively 100% renewable energy. In addition to ZEH proposals, we are contributing to making homes carbon neutral by supporting moves to use renewable power.



## Topics

### Case study ZEB office created incorporating customer's wishes (Daiwa Lease)

Group company Daiwa Lease relocated and rebuilt the Morita Group's Fukuoka branch. Under the Morita Group's slogan to "protect the lives of people and the earth," we developed plans around two concepts: global environmental conservation and space accommodating work style reform and diversity. Highly efficient air conditioning, lighting controls, and solar power generation reduced primary energy consumption by 75% compared to a standard building, and the building was the first in Fukuoka Prefecture to be certified Nearly ZEB. The user-oriented design employs VERDENIA, an interior product that combines greenery, natural sounds, and aromas that induce relaxation and communication, and helps improve intellectual productivity.

Going forward, we intend to further promote ZEBs with a deep understanding of customers' corporate image and philosophy and incorporate these into the building appearance.



Approximately 120 solar panels installed (output: 36 kW)



Break room incorporating VERDENIA design

### Case study Adapting to climate change —How to prevent heatstroke on construction sites

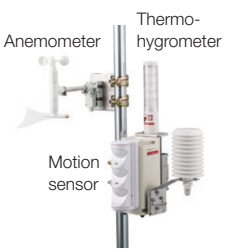
In recent years, global warming has been increasing the number of extremely hot days, and we are at a greater risk for heat stroke. In particular, on construction sites, where workers work outdoors, it is extremely important to prevent heatstroke in response to climate change.

To prevent heatstroke, Daiwa House Industry and the Confederation of Partner Companies set up areas at construction sites where workers can rest in the shade, supply drinking water at all times, and provide educational programs. In fiscal 2016, we deployed the WEATHERY environmental sensor developed in cooperation with its manufacturer at worksites. It incorporates three sensors: motion, wind speed, and temperature & humidity. When it detects a temperature, humidity, or wind speed above a reference value, it triggers an indicator light and voice alert and notifies the manager by email. This enables managers to monitor the weather when offsite, so they can act promptly to prevent heatstroke or prepare for strong winds. In fiscal 2020, we installed a peak of 915 units in August. In March 2020, we participated in the 7th Asia-Pacific Climate Change Adaptation (APAN) Forum jointly hosted by the Ministry of the Environment and the UN Environment Program (UNEP) to share knowledge and promote understanding of climate change adaptation in the region and introduced WEATHERY. We plan distribute the sensor more widely in the future.

P106 Risk assessments of construction site health and safety



Scene of installation




WEATHERY Environmental Sensor

### Case study Issue of Japan's first green bond for mixed-use community development

In September 2020, in order to realize our long-term environmental vision of zero environmental burden and balance of environmental stewardship and earnings, we issued the Daiwa House Group Green Bond and received declarations of investment from 19 investors. A green bond is issued to raise funds to develop environmentally friendly facilities and use in renewable energy and other moves to reduce environmental impacts.

We have used the funds raised in energy conservation, renewable energy, biodiversity-conscious training facilities (Daiwa House Group MIRAI KACHI KYOSO Center), 100% renewable energy community development (Funabashi Grand Oasis), and the development and construction of eco-friendly logistics facilities. Note: this was Japan's first issuance of a green bond aimed at mixed-use community development incorporating renewable energy in all aspects.

Our Group official website Investor Relations Green bond (Japanese text only)
https://www.daiwahouse.com/ir/green_bond/index.html

| | |
|---|---|
| Repayment period | 5 years |
| Issue amount | ¥20 billion. |
| Issue period | September, 2020 |
| Use of funds | ■ The Daiwa House Group MIRAI KACHI KYOSO Center<br>■ Development of towns with 100% renewable energy<br>■ Environment-friendly logistics center |
| Final evaluation | GA1 (Rating and Investment Information, Inc.) |

## Response to the Task Force on Climate-related Financial Disclosures (TCFD)

### Supporting the TCFD Recommendations and Enhancing Disclosure

The impact of climate change is becoming more severe every year, and the frequent occurrence of extreme weather, natural disasters, and other events, for which climate change is thought to be a cause, threatens the safety and security of homes and living, which form the foundation for the value that the Daiwa House Group offers. Meanwhile, since the adoption of the Paris Agreement, nations and governments around the world have taken a sharp turn toward “decarbonization,” and expectations of the role that the private sector should play are changing significantly.

Nevertheless, because the changes in the external environment accompanying climate change are highly uncertain, it is important to hypothesize multiple scenarios and respond to the risks appropriately while recognizing the business opportunities at the same time.

Therefore, in addition to utilizing the “Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets” framework recommended for disclosures by TCFD as a tool for verifying the rationality of our initiatives on climate change, the Daiwa House Group intends to actively disclose information in line with the TCFD recommendations, paving the way to constructive dialogue with investors and others.

In keeping with this idea, the Daiwa House Group announced its support for the TCFD recommendations in September 2018 and joined the TCFD Consortium which was founded in May 2019.

In fiscal 2020 (December 2020 and February 2021), we held small ESG meetings for institutional investors, which we launched in fiscal 2018, and also engaged in individual dialogues with five institutional investors. Previously, there were many opinions proffered and questions about information disclosure and governance, but in fiscal 2020, the focus was mainly on business opportunities.

P029 Eco Communication

#### TCFD Recommended Disclosures

| | |
|---|---|
| Governance | **The organization’s governance around climate-related risks and opportunities**<br>The Board of Directors’ oversight of risks and opportunities and management’s role in assessing and managing climate-related risks and opportunities |
| Strategy | **The impacts on the organization’s businesses, strategy, and financial planning**<br>Risks and opportunities over the short, medium, and long term, their impact on business, strategy, and financial planning, and resilience of strategy taking into consideration climate-related scenarios |
| Risk Management | **The processes used to identify, assess, and manage climate-related risks**<br>Processes for identifying and assessing risks, processes for managing risks, and their integration into the organization’s overall risk management |
| Metrics and Targets | **The metrics and targets used to assess and manage relevant climate-related risks and opportunities**<br>Metrics used by the organization in line with its strategy and risk management process, targets used to manage risks and opportunities and performance against targets |

#### ESG Dialogue with Institutional Investors (Fiscal 2020)

**ESG Small Meeting**
Held in December 2020, number of participants: 31 persons
Held in February 2021, number of participants: 13 persons

**ESG dialogue with institutional investors**
Held individual interviews with five companies

**Main feedback received from institutional investors**
- Issues with and improvement measures for rate of ZEH (net Zero Energy Houses)
- Please inform us about efforts for existing buildings
- What progress have the suppliers achieved with reducing greenhouse gas emissions, and what issues do they face?

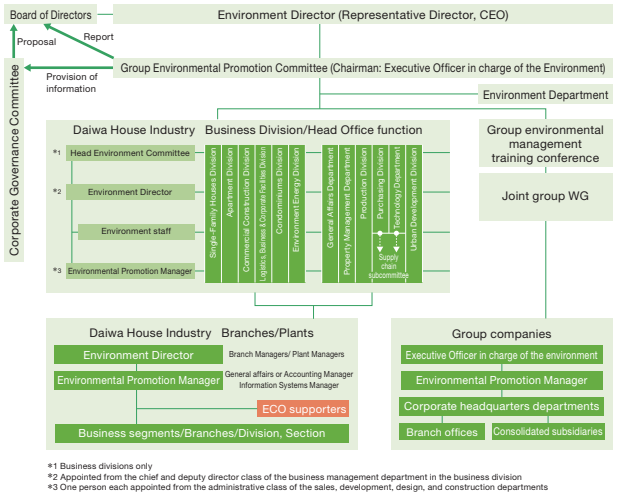
### Governance

The Daiwa House Group has positioned mitigating and adapting to climate change as one of its key management issues and has appointed an Executive Officer in charge of the Environment with responsibility for implementing climate change strategy. We have established the Group Environmental Promotion Committee, which is chaired by the Executive Officer in charge of the Environment. The Committee, which meets biannually, deliberates and make decisions on fundamental matters related to the Group’s environmental activities, including climate change, as well as risks and opportunities related to the environment, and supervises Group-wide environmental activities.

In addition, the Endless Green Program, the environmental action plan formulated every three years alongside the Medium-Term Management Plan, contains the Group-wide strategy, performance targets, plans, and risk management policy on climate change issues, and important matters are reported to the Board of Directors following discussion by the Corporate Governance Committee. During the term of the program, the Executive Officer in charge of the Environment reports on progress to the Board of Directors once a year in time with the compilation of results for each of the management metrics and conducts a timely review of strategy, targets, and plans.

In fiscal 2020 (October 2020), the Japanese government declared its intention to reach net zero greenhouse gas emissions by 2050. In response, our Board discussed long-term and medium-term targets at its November 2020 and March 2021 meetings respectively, and decided to lift both.

P017 Long-Term Environmental Vision
P023 Environmental Management




| Conference body | Principal members | Principal roles in handling climate change | Conference frequencies |
|---|---|---|---|
| Board of Directors | Director, External Director | Supervision of climate change strategy | Monthly |
| Corporate Governance Committee | Representative Director, External Director, Auditor, External Auditor | Discussing and reporting important items about climate change strategy to the board of directors | Biannually |
| Group Environmental Promotion Committee | Executive Officer in charge of the environment, Environment Director (Business division), Head of Head Office function | Drafting and examining climate change strategy and adopting the final text, managing the progress of the Group management metrics | Biannually |
| Group environmental management training seminar | Group companies Executive Officer in charge of the Environment | Promoting climate change strategy across the Group | Biannually |
| Environment Committee (Business division) | Division heads, Environment Director, Environmental Promotion Manager | Implementing climate change strategy, managing the progress of individual management metrics | Biannually |

## Strategy

The risks and opportunities associated with climate change can be considered as those caused by "transitions," such as the strengthening of regulations, advances in technology, and changes in the market that will occur with the move toward a decarbonized economy, and those caused by "physical change," such as acute extreme weather and chronic temperature increases that will result from global warming. In addition, the impact could manifest not only in the short term, but also over the medium-to-long term. Therefore, we have classified the factors involved in the various changes in the external environment associated with climate change into "transitions" and "physical changes," estimated the period that will be impacted, and assessed the financial impact at three levels—large, medium, and small—to identify the significant risks and opportunities.

Moreover, in order to formulate a business strategy that can adapt flexibly to future changes in the external environment based on these risks and opportunities, we evaluated the impact on business using several scenarios. In conducting the scenario analysis, we referred to the Nationally Determined Contribution (NDC) as the scenario for "transitions" and Representative Concentration Pathways (RCP) 8.5 (high-emissions scenario) as the scenario for extreme "physical change" to verify the rationality of our business strategies.

In the recently conducted simplified scenario analysis, demand for the net-zero energy houses and buildings provided by Daiwa House Industry as well as its environmental energy business are expected to expand under any scenario, and we confirmed that the revenue growth is likely to exceed any negative financial impact, reaffirming the rationality of our response to risk and the importance of recognizing business opportunities more proactively. The scope of the simple analysis was limited to the significant risks and opportunities for the housing, commercial and office building businesses, and the environmental energy business, which are the Group's core businesses.

Going forward, we will strive to further expand the businesses included in the scope of analysis as well as to increase the comprehensiveness of the risks and opportunities and refine the scenario analysis.

### Main Risks and Opportunities Related to Climate Change

| Type | | | Details | Period of impact | Level of financial impact |
|---|---|---|---|---|---|
| Risks | Transitions | Policy, laws and regulations | • Cost price increase due to change in specifications owing to tougher regulations of the Building Energy Efficiency Act<br>Reducing greenhouse gas emissions in the household and business sectors is an urgent issue in Japan. The Building Energy Efficiency Act was enacted in 2016, requiring compliance with energy conservation standards from 2017 for non-residential buildings with a floor area of 2,000 square meters or more. This was expanded to buildings with a floor area of 300 square meters or more from 2021. If the scope of the applicability of these requirements expands further or the energy conservation standards are raised higher, this may lead to higher cost prices for the houses and buildings we provide. | Short term | Medium |
| | | | • Increase in operational costs due to expansion of carbon tax and emissions trading system<br>As various countries step up their efforts for decarbonization to achieve the Paris Agreement, Japan has announced a policy of achieving carbon neutrality by 2050, giving rise to the possibility of new regulations and schemes such as a carbon tax and emissions trading system being adopted in Japan. Already a green tax was adopted in Japan, but internationally the tax rate is said to be low. Therefore, there is a high likelihood of it being raised in the future as carbon tax. If the carbon tax rate increases substantially or the emissions trading system expands, we will have to cope with higher operational costs and additional work involved with regulations, possibly leading to lower efficiency. | Medium term | Small |
| | Physical changes | Chronic | • Increase in risk of heat stroke at construction sites due to rise in summer maximum temperatures<br>In Japan, it has been pointed out that the number of heat stroke patients increases significantly when the wet bulb globe temperature (WBGT) is over 28°C (extreme caution), and it is possible that the risk of heat stroke for workers at the construction sites of the Group, which focuses on the Japan market, will increase further in the future. Therefore, should summer maximum temperatures rise, it is possible that the risk of heat stroke will increase for workers at construction sites where outdoor work is unavoidable, which could lead to longer construction periods and lower productivity for onsite work. | Short term | Small |
| | | Acute | • Damage to our facilities due to meteorological disasters and increase in insurance premiums<br>When meteorological disasters like storms and floods occur as climate change becomes increasingly severe, there is a high possibility that various company facilities, including offices, plants, and distribution facilities owned by the Group, will be damaged. Much of this damage can be covered by non-life insurance, however, going forward, if the frequency and intensity of meteorological disasters increase, it could lead to an increase in indirect costs associated with higher insurance premiums or decreased sales due to suspension of service businesses. | Medium term | Small |
| | | | • Impact on supply chain due to meteorological disasters<br>Should the manufacturing sites of suppliers be damaged by meteorological disasters such as localized heavy rain, heavy snow, and typhoons due to extreme weather, and their operations suspended and transportation routes impacted by events such as road closures, it could result in hindrances in construction periods. | Short term | Medium |
| Opportunities | Transitions | Products and services | • Increase in demand for houses and building with low greenhouse gas emissions<br>The core businesses of the Group are contracting and subdivision of houses and buildings, which account for two-thirds of its consolidated net sales. Further, over 95% of these sales are in Japan. The Japanese government has indicated a policy target to achieve net-zero energy for new houses (ZEHs) and buildings (ZEBs) by 2030, and should incentives to support achievement of this target be continued and expanded, it is possible that demand for ZEHs and ZEBs, which have high unit prices per building, will increase. | Present time | Large |
| | | | • Generation of carbon credits through provision of low-carbon houses and buildings<br>As various countries step up their efforts for decarbonization to achieve the Paris Agreement, Japan has announced a policy of achieving carbon neutrality by 2050, giving rise to the possibility of new regulations and schemes such as a carbon tax and emissions trading system being adopted in Japan. Japan has already adopted the J-credit system, but the emission trading system is not applicable nationwide and the demand for credits is limited. If an emissions trading system is adopted nationwide, demand for carbon credits will rise, with the potential to be a business opportunity via new added value for being able to create credits through providing low-carbon houses and buildings. | Long term | Medium |
| | | | • Expansion of environmental energy business due to rising demand for renewable energy<br>Japan's Fifth Strategic Energy Plan, announced in July 2018 is aimed at achieving the targets under the Paris Agreement. Although the plan stated renewable energy will account for 22 – 24% of power sources in the target energy mix for 2030, Japan's renewable energy percentage was 18% as of 2019, which is low relative to other major countries. However, over the past few years, the number of organizations participating in RE100 both in and outside Japan has increased, and it is possible that demand for renewable energy will rise and the environmental energy business involved in the development and supply of these will expand going forward. | Medium term | Large |
| | Physical changes | Products and services | • Rising demand for houses and buildings equipped for meteorological disasters<br>The IPCC's Fifth Assessment Report pointed out the possibility of an increase in the intensity of tropical cyclones, such as typhoons, as global warming progresses. Storms and heavy rain also cause significant damage in Japan, and it takes a long time for life to return to normal afterwards. Therefore, it is possible that demand will rise for comfortable housing free of power outage and other interruptions to daily life even in case of a meteorological disaster, for buildings with energy self-sufficiency that ensures business continuity, and for communities that are resilient. | Medium term | Medium |

## Summary of Scenario Analysis Results

| External Scenario | Reason for selection | Result of analysis | Reflection in policies and strategies |
|---|---|---|---|
| Nationally Determined Contribution (NDC) | This scenario is the most viable as the future vision for Japan, which accounts for the majority of our business, and it is a highly precise scenario. | An increase in operational costs due to strengthening of regulations is expected, which can be covered by revenue growth due to increased sales of ZEHs and ZEBs. | We have decided on a policy of "maximizing sales growth and minimizing profit decline with early development of ZEHs and ZEBs, and cost reductions pushed forward." We monitor progress using the sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies.<br>P166 Results and self-assessment of the Action Plan for the Environment |
| Representative Concentration Pathway (RCP 8.5) | The scenario with the biggest physical impact was selected to hypothesize the most extreme situation. | Additional costs could arise due to suppliers transport being cut off and asset impairment due to damage to our facilities caused by heavy rain and heavy snow, and construction delay damages as extremely hot days will increase, which can be covered by sales growth of products to mitigate and adapt to climate change. | We have decided on policies of "Thoroughgoing measures against heatstroke at construction sites" and "Development and popularization of products with low GHG emissions and products adapted to physical changes." We monitor progress using the number of heatstroke cases, GHG emissions per unit of floor space through provision of products, and sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies.<br>P038 Mitigating and adapting to climate change Topics<br>P166 Results and self-assessment of the Action Plan for the Environment |

## Risk Management

We recognize that climate change risk is one of the risks with a significant impact in the medium- and long-term, and we have integrated this risk into the Group-wide risk management process. We identify and assess risks and opportunities in order to conduct a careful analysis roughly every three years, which we apply to the identification of priority issues for the Medium-Term Management Plan and Action Plan for the Environment which are formulated every three years, with these issues reflected in the major policies and targets of these plans.

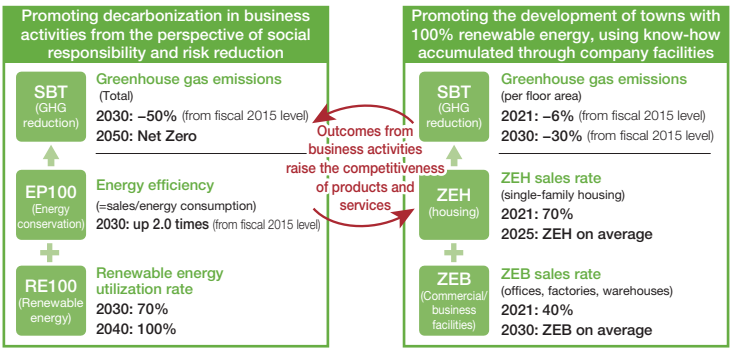
The Environment Department identifies "changes in the external environment" accompanying the transition to a decarbonized economy and "physical changes" associated with global warming. We assess important risks and opportunities based on their likelihood and potential financial impact. Each department considers concrete measures to address the important risks and opportunities thus identified, and we establish key management metrics and targets for the Group, each department, and each worksite in the Action Plan for the Environment and take necessary action. We also manage progress through the biannual Group Environmental Promotion Committee at the Group-wide level, the biannual departmental environmental committee for each department and a biannual ECO diagnosis/training session for each worksite.

P023 Environmental Management
P132 Prepare business continuity plans on the premise of natural disasters/extreme weather

## Metrics and Targets

Aiming to minimize the risks and maximize the opportunities associated with climate change, we have established short-, medium-, and long-term targets for the promotion of initiatives.

We have established these targets as a set of metrics for the 6th Medium-Term Management Plan. We have also established more detailed management metrics and targets in our Endless Green Program, the action plan for the environment formulated to align with the period covered by the Medium-Term Management Plan, in order to accelerate our initiatives with the aim of striking a balance between earnings and environmental sustainability.




## Column Creating Business Opportunities in Anticipation of Physical Changes: The Anti-Disaster House

The past few years have seen frequent serious storm and flood damage due to earthquakes, heavy rain, and typhoons. In April 2019, we released the "Anti-Disaster House," which resists primary damage that occurs due to earthquakes and typhoons (direct damage such as collapse from earthquakes, breakage and inundation from windstorms and floods) and secondary damage that follows (damage that disrupts daily life after disasters, such as power outages). We sold a cumulative total of roughly 350 such houses by the end of fiscal 2020.

This offering features the All-Weather Three Battery Linking System*1 which can secure power, heating, and hot-water for some ten days even when it is raining, "xevo ∑s+ (xevo sigma s plus)"*2 which can reduce the shaking of a building in a massive earthquake using the newly-developed load bearing wall KyureK, and anti-disaster tiles, and anti-disaster and anticrime glass, which can absorb the impact of flying objects in strong winds such as typhoons. In fiscal 2020, roughly 60% of single-family homes had solar power generation systems and about 45% had storage batteries. Going forward, we will continue looking to provide safe and secure housing for customers in order to eliminate anxiety about disasters as well as focusing efforts on strategies to adapt to climate change.

*1 Available only when gas and water supply are secured. Not applicable to some city gas and LP gas areas.
*2 Reduces degree of building shaking by up to half compared with another product of ours "xevo ∑."

P086 Developing houses resilient to repeated earthquakes



Newly developed load bearing wall "KyureK"



Photovoltaic (PV) system | Storage batteries | Ene-Farm

All-weather three-battery linking system

Contributions to SDGs 11.7 12.8 15.1 15.2

Focal theme 2

# Harmony with the Natural Environment (Preservation of Biodiversity)

## Policy and Concept

### Social issues

The 2030 Agenda for Sustainable Development's adoption at a UN summit in 2015 underscores once again the critical nature of conserving ecosystems. This necessitates using lumbering in sustainable ways that prevent the forest destruction, given that while 31% of the Earth's land surface is covered by forest, that area is shrinking by some 4 billion hectares every year*1. To make matters worse, biodiversity and ecosystem services in Japan have been in long-term decline for the past half-century*2.

Recent years have also seen the emergence marine pollution due to improper management of plastic waste as a major problem. By some estimates, a least several million tons of discarded plastic make their way into the seas worldwide every year*3—a clear signal that humanity needs to reduce its reliance on single-use plastic items, a principal cause.

■ Annual changes in forest cover worldwide

| Year | Forest cover (1,000 ha) | Change (1,000 ha/yr) | Net change (%) |
|---|---|---|---|
| 1990 | 4,236,433 | | |
| 2000 | 4,158,050 | –7,838 | –0.19 |
| 2010 | 4,106,317 | –5,173 | –0.13 |
| 2020 | 4,058,931 | –4,739 | –0.12 |

Source: United Nations Food and Agriculture Organization (FAO) "World Forest Resource Assessment (FRA) 2020"

*1 Source: Forests and Forestry White Paper, 2016 edition
*2 Source: Ministry of the Environment "Comprehensive Assessment of Biodiversity and Ecosystem Services 2021" (JBO 3)
*3 Source: *Kaiyo Plastic Gomi ni Kansuru Jokyo* ("The ocean plastic refuse situation"), Ministry of the Environment, February 2019 (in Japanese)

### Our Group's effect on society and the environment

To reduce the environmental impact of the Daiwa House Group's many development projects nationwide, we take steps to ensure that we understand project sites' environmental potential before commencing work. Only then do we move ahead with a project, taking care to minimize any harm to the site's environmental potential. Further, the Company is committed to creating ever-higher quality green spaces and, by having those on owned properties certified, communicating our expertise and its results to customers when pitching ideas for their projects.

Meanwhile, the structural and interior materials we use in our products (houses and buildings) entail consumption of large quantities of lumber. In a given year, the Daiwa House Group consumes some 282,000 $m^3$ of timber from several countries of origin around the world. To help minimize deforestation, we encourage use of legally and sustainably harvested timber throughout our supply chain.

With regard to marine plastic pollution, single-use plastics are used by the Group as well, such as some of the office supplies our businesses consumer and the plastic shopping bags given to customers at our hotels and commercial facilities. To contribute to countering plastic pollution of the ocean, we have established goals for reducing one-way plastic-bag consumption.

### Risks and opportunities for the Daiwa House Group and its responses

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 timber over the long term, demand for legally and sustainably harvested timber will surely increase, as this is one of the main materials our Group uses. Concerns have arisen that procuring such timber 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 timber procurement, we have formulated our Biodiversity Guidelines [Timber Procurement]. We are taking steps to minimize risk by extending its scope across our Group and revising our timber assessment criteria from time to time in collaboration with environmental NGOs. We are also moving ahead with measures, such as charging for them, to discourage use of one-way plastic shopping bags, in light of the reputational risk associated with their use.

Meanwhile, we also see scope for growth in environmental greening businesses and other similar greening projects for the value they add to houses and buildings. Our Group proactively promotes housing, facilities, and community 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 community, enhance asset values, and contribute to the formation of a positive community.

## Road Map for the Long-Term Environmental Vision

| | 4. Challenge ZERO Deforestation | | 5. Challenge ZERO Harm to Biodiversity | | |
|---|---|---|---|---|---|
| 2055 | Zero deforestation arising from materials procurement at all segments | | Prevent any net loss of biodiversity attributable to our business activities or town building | | |
| 2030 | Work with suppliers to eliminate from all our procurement any timber that cannot be traced to legal harvest | | Create in aggregate at least 2 million square meters of biodiversity-conducive green spaces | Complete biodiversity assessments of all owned or managed sites and undertake ongoing conservation work at all ecologically significant ones | Eliminate use of plastic that could end up in the sea |
| 2021 | Ratio of S-ranked timber in procurement | Ratio of C-ranked timber in procurement | Compliance with voluntary standards for biodiversity conservation | Development of the company's facilities filled with greenery (cumulative) | Single-use plastic bag purchases (vs fiscal 2017) |
| | 97% | 0% | 100% | 9 | –70% |

## Self-assessment of the Main Targets and Results of Endless Green Program 2021

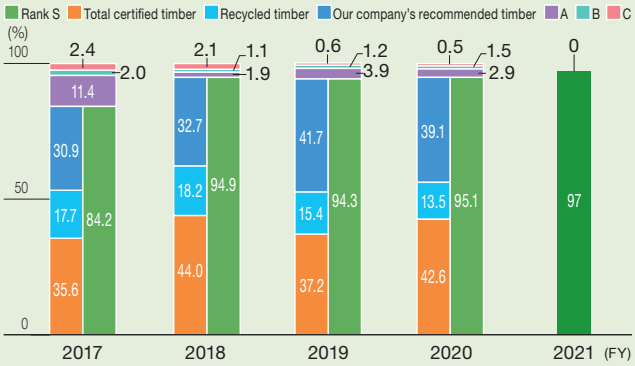
: Target for fiscal 2020 achieved : Target for fiscal 2020 not achieved (achieved 90% or more) : Target for fiscal 2020 not achieved (achieved less than 90%)

### C-ranked timber with sustainability issues was reduced to 0.5%

Continuing on from fiscal 2020, we shared the Company's procurement standards with our suppliers through the CSR Procurement Guidelines, and moved forward on raising the percentage of S-ranked timber used while improving the situation regarding C-ranked timber.

As a result of this initiative, in fiscal 2020, our use of S-ranked timber improved 0.8 percentage point to 95.1% over fiscal 2019, just short of our 96% target. We met our target for C-ranked timber, having improved 0.1 percentage point from fiscal 2019, to 0.5%. Use of C-ranked timber has been for the most part eliminated.

**Timber ratio by rank of procured timber**



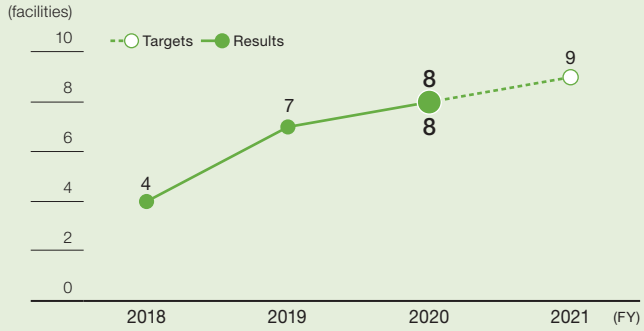

### Target achieved, with the number of greenery development projects*1 amounting to eight

During fiscal 2020, Daiwa Lease's Branch Otsukyo shopping mall in Shiga prefecture joined our roster of facilities that have acquired "Urban Oasis" SEGES*2 certification. This achieves our target of having eight company-owned facilities with plenty of greenery across the Group.

*1 Projects and facilities that have been certified for their greenery and biodiversity by a program such as JHEP, ABINC, and SEGES

*2 SEGES (Social and Environmental Green Evaluation System series): A green certification program operated by the Organization for Landscape and Urban Green Infrastructure to assess the positive impact of green spaces on society and the environment.

**Greened own property developments**



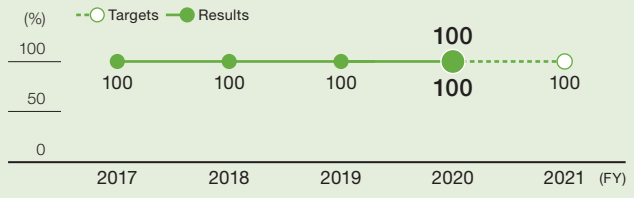

### The target reached by maintaining and continuing compliance with voluntary standards for biodiversity conservation on large development projects

In fiscal 2020, the total area of sites developed by our development segment contracted 15,000 m² from the previous year to 222,000 m². The percentage of compliance with our own voluntary standards* according to our Biodiversity Guidelines (Development & Community Creation) has been stable at 100% since 2012, meeting the target.

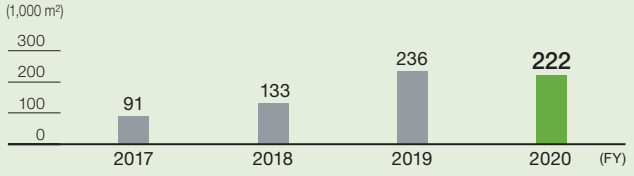
* For our large-scale development projects, our evaluation tool comprising 30 independently determined and self-evaluated items applied a rank of B or higher regarding our compliance with our voluntary standards. These evaluations are performed by the individuals in charge of the respective projects, and the state of compliance with standards is determined by the various departments of the Head Office.

**Compliance with voluntary standards for biodiversity conservation (development)**

■ Compliance with voluntary standards for biodiversity conservation (development)




■ Trend in performance of site area (development)



## Implementation report on the Endless Green Program 2021

Focal theme 2

# Harmony with the Natural Environment (Preservation of Biodiversity)

## Preserving biodiversity in our procurement and business processes

## Basic Policy

### Procuring sustainable timber

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 timber. So, in light of the status of logging areas, we are working to promote the adoption of certified timber and recycled timber as part of our timber procurement in consideration of the legality and sustainability of logging areas with the goal of meeting our Biodiversity Guidelines [Timber Procurement] in terms of reducing deforestation to zero.

P189 Environmental Data Biodiversity Guidelines [Timber Procurement]
Our Group official website CSR Procurement Guidelines (Japanese text only)
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

**Zero Deforestation Policy**

The Daiwa House Group:
- Purchases timber (lumber) and wood products only from suppliers with declared Zero Deforestation* policies
- Purchases timber and wood products only from suppliers that handle products harvested or manufactured with due consideration for the safety and rights of labor and indigenous peoples in the country of origin
- Purchases only timber and wood products whose traceability is certain
- Is extending the scope of its Zero Forest Destruction timber and wood-product policy beyond construction materials, wood used below grade, framing crosspieces, and flooring to include plywood concrete form panels; wood used in principal fixtures, fittings, doors, and windows; and wallpaper

* Zero Deforestation refers to:
① Timber not harvested by clear-cutting of natural forests or other biodiversity-harming means
② Timber from forests planted using methods harmless to high carbon stock (HCS) areas
③ 100% recycled material

### Creating green spaces at Group facilities

Daiwa House endeavors to protect biodiversity through efforts that include certification of Company facilities by external certification systems, conducting biodiversity surveys within Company facilities (regulating reservoirs, other sites), and activities to protect indigenous species at construction sites.

### Start of Daiwa Plastics Smart Project, an initiative to deal with marine plastic pollution

The Daiwa House Group has endorsed the Plastics Smart campaign conducted by the Ministry of the Environment, and has set as its goal bringing to zero the impact associated with marine plastic waste problems by 2030, the year that the SDGs are set to be achieved. We are therefore taking action to reduce plastics. In March 2020, the Daiwa House Group formulated its Plastics Usage Guidelines, a policy for the proper use of plastics, which includes the reduction of discarded plastics.

## Management

### Cross-segment CSR Procurement Subcommittee

The formulation of our Biodiversity Guidelines: Timber Procurement provided the impetus for establishing a CSR Procurement Subcommittee in 2010.Its activities span all Group segments involved in purchasing, development, construction, sustainability, and the environment to ensure consistent implementation of CSR procurement. In 2018, we extended its scope to all seven Group companies and networked purchasing and construction personnel at all their business locations so they could work together to ensure CSR procurement congruent with the guidelines, as well as applying the PDCA cycle to drive improvements.

P112 Application of the CSR Procurement Guidelines

### The Daiwa Plastics Smart Project

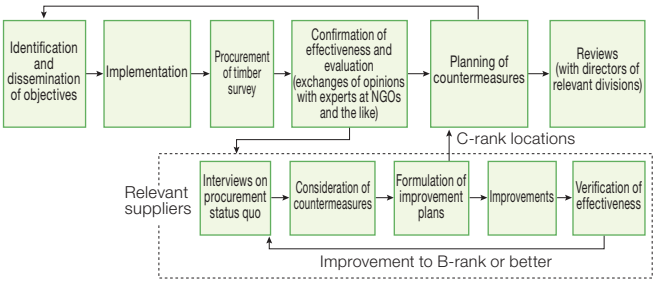
In our Plastics Usage Guidelines, the Group promotes actions against plastics pollution with focus on reducing usage and building awareness. To help reduce uses of single-use plastics, we are replacing it with alternatives in office supplies and sales-promotion kits used in-house and straws in beverages served customers. And we build awareness by encouraging employees to favor reusable shopping bags and participating in community co-creation activities to counter marine plastic pollution, like beach and river cleanups.

## Conducting timber procurement surveys at our suppliers

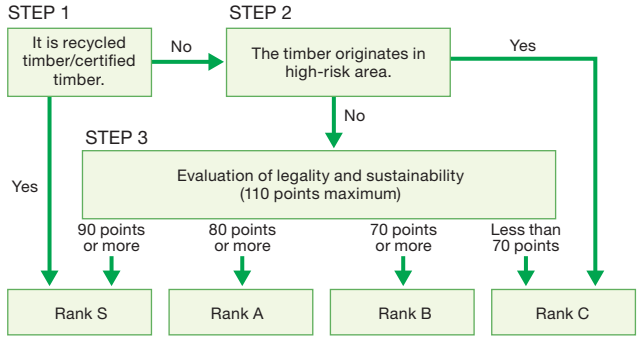
To implement our Biodiversity Guidelines (Timber Procurement), we conduct an annual timber procurement survey*. Timber is categorized into one of four ranks—S, A, B, or C—pursuant to the assessment procedure. We update the assessment benchmarks as necessary after exchanging ideas with environmental NGOs and experts. The benchmarks also incorporate certain criteria set by three third-party forestry stewardship certification organizations, such as the S rank assigned to timber certified by the Forest Stewardship Council® (FSC, a forest certification organization), the Programme for the Endorsement of Forest Certification Schemes (PEFC), or the Sustainable Green Ecosystem Council (SGEC). For assessing source-country risk for compliance, biodiversity, human rights, and the like, we also use FSC's Global Forest Registry risk assessment tool to get full, accurate picture of the situation. And we publish the survey results and well as report them to cooperating stakeholders (such as the environmental NGOs) so they can give us expert feedback that we can apply in future policy.

* Timber covered by the survey includes construction materials, framing crosspieces , timber used below grade, plytimber, and flooring.

■ Timber Procurement Survey Flow




■ Survey Results Evaluation Flow




P113 CSR timber procurement survey

## Main approach

### Switching sources results in significant reduction of C-ranked timber use

The fiscal 2020 survey, similar to that of the preceding fiscal year, covered the timber used for the major components (construction materials, framing crosspieces, timber used below-grade and finishing materials) in housing and rental housing products (obtained through centralized purchasing) and buildings (obtained through decentralized purchasing) of our Group.

The results for fiscal 2020 indicate that 95.1% (94.3% in FY2019) of the timber we used was S-ranked, while our use of C-ranked timber decreased to 0.5% (0.6% in FY2019) and has thus been practically eliminated. This was achieved because we requested the 33 suppliers of C-ranked timber to make improvements by procuring more timber from low-risk areas so we could switch sources, in addition to asking suppliers of timber whose legality the FY2019 survey could not trace to thoroughly check the timber's public documents to ascertain its compliance status.

We will continue working to make further improvements and to use more S-ranked timber by stepping up our use of recycled and certified timber and thoroughly checking timber-legality certifications.

### A New Policy for Zero Deforestation Initiatives

To enhance our engagement for achieving zero deforestation goals, in fiscal 2020 we established a Zero Deforestation Working Group to discuss the concept from its definition on up. Through the working group, whose membership includes environmental NGOs and our timber and wood-product suppliers as well as Group companies and in-house units involved in procurement, sustainability, and environmental issues, we formulated a new policy for achieving zero deforestation as the Group envisions it through collaboration with a diversity stakeholders, each with their own perspective on the issues.

### Rare species protection and "Ikimono Kansatsu-Kai" at Company facilities

At the Company's Mie Plant, the presence of a near-threatened freshwater mussel in a regulating reservoir of approximately 6,000m² on the plant premises has since 2012 led to ongoing efforts to protect the species. Such initiatives have included reservoir draining for cleaning, the installation of fishways, and publication of the Biodiversity Research Report. Additionally, in 2017, Mie Prefecture, the Company, Azuma Industry and an NPO, "Chotto Shizen," entered into the four-way "Mie Biodiversity Partnership Agreement," which is one of the biodiversity conservation activities promoted by the prefecture.

In addition, we hold an "Ikimono Kansatsu-Kai" (aquatic animal observation) in cooperation with Mie Prefecture and a local NPO where community residents including elementary schoolers can come together to have contact with living creatures and learn. Cumulatively, some 300 people have participated. We include the results of these biological surveys in pamphlets our website as part of our cooperation in efforts to conserve local ecosystems.



Children listening to a talk on living creatures

## Implementation report on the Endless Green Program 2021

Focal theme 2

# Harmony with the Natural Environment (Preservation of Biodiversity)

## Preserving biodiversity through our products and services

## Basic Policy

### Preserving existing planting new greenery through community development projects

In addition to our initiatives to promote green community development as part of our effort to preserve or restore natural assets and ecosystems, the Daiwa House Group strives to transform the way people live and work to ensure greater harmony with nature. Not only do we work to increase the amount of green space, we also aim to enhance the quality of green spaces by treating such spaces created by the Group as a connected network of ecosystems where living creatures can thrive. In this way, we seek to realize harmony with nature through 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.

P189 Environmental Data Biodiversity 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

## Management

### Implementation of Biodiversity Guidelines [Development & Community Creation]

Daiwa House Industry has developed its own checklist containing specific things to be addressed regarding the six items to which we need to pay attention for large development projects including built-for sale houses, rental houses, and condominiums, in accordance with the Biodiversity Guidelines [Development & Community Creation]. Based on the checklist, we quantitatively assess proposals for each building to ensure compliance with the voluntary standards. Moreover, we share information on the buildings, mainly those that achieved a certain level of positive results from the checklist with other relevant departments by introducing case examples.

■ 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.

## Main approach

### Promoting uptake of ecofriendly tree nameplates

In our hope to nurture a long-lasting attachment to garden landscapes, we are also using tree nameplates so that customers in built-for-sale houses can feel closer to nature. Such nameplates are made from Japanese cypress tree wood, obtained through forest thinning, which is a method of forest preservation. The writing is performed by laser printing, rather than the use of paints, and its surface is coated with natural beeswax so when their useful life has come to an end they can be safely returned to the soil to decay in an environmentally considerate manner, without worry.

We will enhance our greenery proposals for development and made-to-order projects and work to increase the green coverage and create green communities.



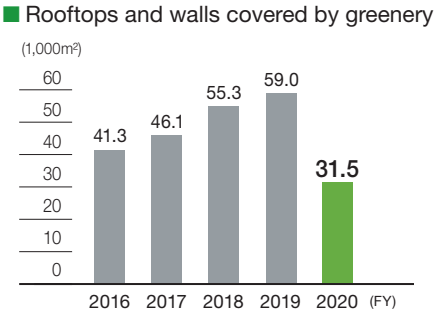
An affixed tree nameplate

## Promotion of the environmental greening business (Daiwa Lease)

Daiwa Lease Co., Ltd., a Group company, offers ideas for comprehensive greening of facilities. These include a variety of diverse, value-adding devices such as VERDENIA, an office greening service that uses indoor plants to gently stimulate the senses; and EcoRoofs, flat rooves built over metal that display superbly insulating properties; and gardens incorporating social and therapeutic horticulture (STH) concepts, a recent focus of interest. In fact, Daiwa Leases' greening installations account for some 20%* of the area the Ministry of Land, Infrastructure, Transport and Tourism announced it wants to see covered by greenery installations nationwide. The COVID-19 situation capped Daiwa Lease's new roof- and wall-greening installations at 31,500 m² in fiscal 2020 (down from 59,000 m² in fiscal 2019), but moving forward the Company intends to continue contributing to the greening of urban environment by offering comprehensive greening ideas.



Completed EcoRoof installations




* Calculated from the latest (2019) published data

## Ongoing monitoring surveys

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 | Start of project (FY)/ business type (area) | Location | Surrounding environment | Activities/Status report |
|---|---|---|---|---|
| Tama New Town | 2009 Development (322,102 m²) | Hachioji, Tokyo | Residential area developed on low hills | Monitoring to continue after development. Survey results compiled into a list (undisclosed). |
| Hokusetsu Sanda Second Techno Park District | 2010 Development (971,289 m²) | Sanda, Hyogo prefecture | Industrial complex (marsh in project area) | Monitoring to continue after development. Control transferred to Sanda in fiscal 2013 (survey ongoing). |
| Construction of a new electronics factory | 2016 Contract (4,003 m²) | Fujisawa, Kanagawa prefecture | Industrial area | Report on survey result issued by City of Fujisawa (undisclosed). |
| Forest Housing Aso Ichinomiya Resort ASONOHARA | 2019 Development (126,064 m²) | Aso, Kumamoto prefecture | Residential area developed on a tract of tableland | ABINC and JHEP (AAA-rating) certification acquired for some plots developed in 2019. Monitoring surveys continue to be conducted. (Reports undisclosed) |

## Topics

### Case study ABINC certification for PREMIST Ohori 2-Chome property (Fukuoka)

Daiwa House Industry's PREMIST Ohori 2-Chome condominium is sited in a green area that includes Fukuoka's Ōhori Park, one of Japan's registered Places of Scenic Beauty, and which is positioned as a crucial area for green area management as a central green belt in the city's basic plan for urban greening. In that context, we selected principally camphor and other native tree species for planting on the site after surveying and analyzing the area's vegetation and biota and referencing the site's potential natural vegetation, which is characterized by a prevalence of *Symplocos glauca* and *Castanopsis sieboldii* growth. For planting, tree species were selected for their potential to attract desired insects, and birthbaths will be placed brushes planted whose berries will attract birds, great tits (*Parus minor*) being the indicator species.

As a result of initiatives like this, in fiscal 2020 the PREMIST Ohori 2-Chome condominium and two other Daiwa House Industry project sites (including joint-venture projects) acquired certification as "bio-coexistent business locations®," as have in aggregate five of our condominium business's sites.



Courtyard of the PREMIST Ohori 2-Chome condominium

Certification by the Association for Business Innovation in harmony with Nature and the Community (ABINC)

### Case study Royal City Aso Ichinomiya Resort (Kumamoto Prefecture) acquires ABINC certification and JHEP certification (AAA-rating)

Given its location within Japan's Aso Kujū National Park, we are developing ASONOHARA—a home-in-the-woodlands project inside our Royal City Aso Ichinomiya Resort—on the premise of preserving and recreating the meadows typical of the local landscape. We are working to preserve or recreate the natural surroundings in all their diversity by ensuring plenty of green spaces—everything from meadows to wooded areas, setting aside spots inside the residential block for encouraging grass growth, creating semi-natural meadows, and maintaining existing woodlands. This degree of engagement led to the project's acquiring both ABINC and JHEP (AAA-rating) certification. And in 2020, we initiated monitoring of progress in meadow creation and interviewed experts on the subject. On-site surveys discovered two grass species red-listed by the Ministry of the Environment and Kumamoto Prefecture as critical, *Corydalis raddeana* and *Aster tataricus*, as well as spotless grass yellows (*Eurema laeta*), a butterfly red-listed as a valuable species by the Ministry. Going forward, we will keep working to nurture meadowland through community outreach and initiatives to preserve the valuable species living on site.



Valuable species: Spotless grass yellow butterfly

JHEP certification (highest rating)

Contributions to SDGs: 6.4, 11.3, 11.6, 12.2, 12.4, 12.5

Focal theme 3

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction)

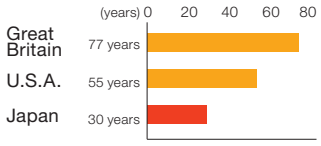
## Policy and Concept

### Social issues

In conjunction with rising world population and other issues, 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 circular (closed-loop) economy concept, which calls for the continual repurposing and reuse of things of value such as products and components, 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 reducing, reusing, and recycling. The service life of a Japanese house averages about 30 years—extremely short compared to that typical of houses in Europe and North America. This is also considered an issue from the viewpoint of effective use of resources.

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




Source:
Great Britain: Housing and Construction Statistics (1996, 2001)
U.S.A.: American Survey (2001, 2005)
Japan: Housing and Land Statistical Surveys (1998, 2003)

### 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 toward a Stock-type Society that aims to use high-quality houses for a long time, we are making significant contributions to minimizing our use of resources. We reuse and recycle waste generated during the construction and dismantling processes such as waste glass and plastic waste and thus help control the use of new resources not only within our company but also in various industries.

### Risks and opportunities for the Daiwa House Group and its responses

Improper handling of waste remains a risk if there is a lack of mechanisms for properly managing and recycling 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 the waste disposal companies. We have also established a system for collecting construction by-products generated at housing construction sites and recycling them within our own plants. We have thus 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. We are developing houses that can continually be inhabited over the long term, and together with this, have developed a long-term warranty system. We provide proposals for repair and maintenance through inspection opportunities, which is leading to increased orders for home renovation. Moreover, seven Group companies have established a system for properly evaluating and marketing the Company's existing houses, and we are focused also on bolstering our brokerage business when people make plans to move.

## Road Map for the Long-Term Environmental Vision

| | 6. Challenge ZERO Waste and Reuse | | | 7. Challenge ZERO Water-Associated Risks | |
|---|---|---|---|---|---|
| 2055 | Achieve zero waste emissions and total recycling of resources throughout supply chains across the Group | | | Use water sustainably throughout supply chains across the Group | |
| 2030 | Achieve zero waste emissions and total recycling of resources throughout supply chains at in all housing- and building-related businesses | | | Reduce water consumption (per unit of sales) by 40% vs fiscal 2012 at all sites and properties and in all processes | Complete waster risk countermeasures at all owned locations and high-risk supplier locations |
| 2021 | Production Construction waste emissions (per unit of sales) | New Construction Construction waste emissions (per floor area) | Construction waste recycling rate | Water consumption (per unit of sales) compared to fiscal 2012 | Scope of water-risk awareness |
| | 62 kg/million yen | 19 kg/m² | 97% | –34% | Principal owned business locations and principal suppliers of three Group companies |

## Self-assessment of the Main Targets and Results of Endless Green Program 2021

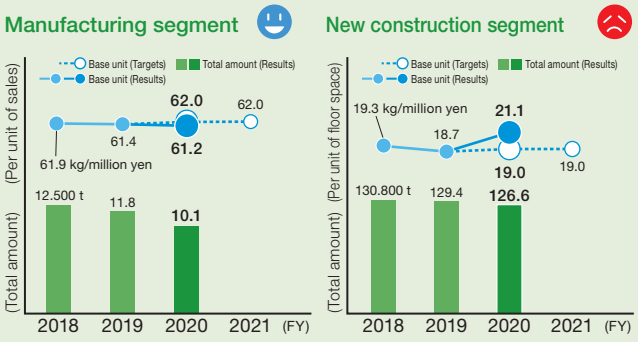
: Target for fiscal 2020 achieved : Target for fiscal 2020 not achieved (achieved 90% or more) : Target for fiscal 2020 not achieved (achieved less than 90%)

### Target Missed Due to Roofing Material Spec Change

Our production segment reached its target for reducing waste emissions intensity, a result of work to unify to the extent possible the dimensions of components having different cross sections and devising ways to use cuttings and scrap effectively.

However, at building sites, a change in roofing material specifications designed to reduce slate waste by replacing slate with thick, lightweight ceramic tiles, resulted in a rise in waste emissions intensity, and our falling short of target. To reduce waste emissions, starting in fiscal 2021 we will switch to presizing the ceramic tiles.

**Construction waste emissions**

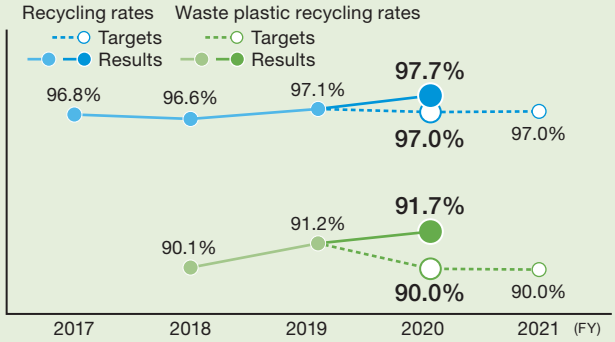



### Target achieved by maintaining a high level of recycling rates

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 2020 we made our target for recycling construction waste, having achieved a rate 97.7%; and among construction wastes, we also made our goal for recycling waste plastics, with a rate of 91.7%.

**Recycling of construction and plastic wastes**

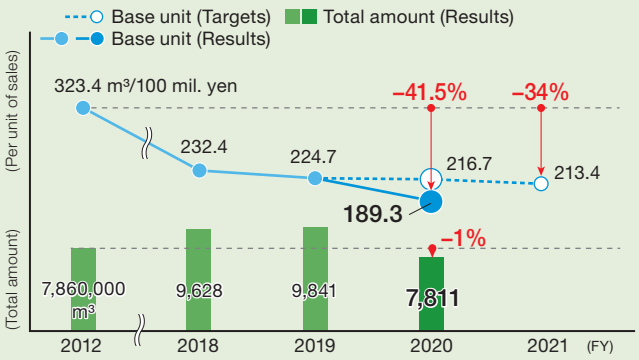



### Target achieved for water consumption per unit of sales

Our Group promotes water consumption reduction activities with a Groupwide target set for the reduction.

During fiscal 2020, we achieved our target for reducing water consumption as water usage plummeted along with guest numbers at resorts, sports facilities, and hotels amid restrictions to suppress the spread of COVID-19.

**Total water consumption and unit consumption**



Focal theme 3

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction)

## Waste reduction and zero emissions at production and construction sites



## Basic Policy

### Reduce, reuse, and recycle construction waste (the 3Rs)

The Daiwa House Group produces all housing and system construction products at its own plants in keeping with the corporate mission, Industrialization of Construction. In order to minimize waste, in the development and design phases, we seek to allocate materials in ways that can help reduce waste and in the construction stage, we process materials to the exact dimensions at our plants, then assemble them on the site to reduce on-site processing work. Moreover, we are promoting waste recycling by having our employees thoroughly sort waste in all the phases of production, construction, dismantling and renovation.

## Management

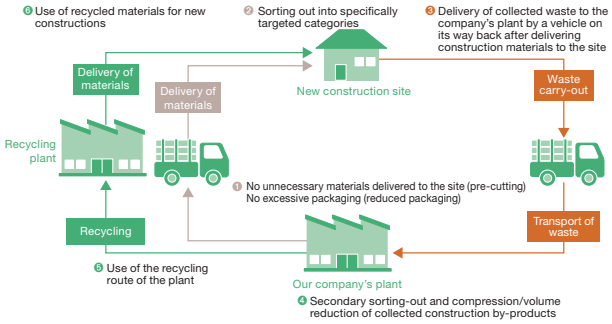
### Adopting product development, design, and construction processes conducive to resource conservation and recycling

For residential, single-family housing, rental housing, and system construction products, Daiwa House Industry reduces waste generation by improving current materials to achieve resource-efficient design and by improving the layout procedures we use for materials to ensure minimization of timber waste from the materials processed at construction sites. In addition, we are promoting reuse and recycling of the waste materials generated at single-family housing, rental housing construction sites by separating the waste into 19 categories in accordance with our voluntary standards that are more stringent than legal standards, which require separation of waste into five categories. We periodically make visits and conduct evaluations, based on our proprietary checklists, to business operators tasked to collect, transport and dispose of waste, and confirm that they perform proper management.

### Improving the recycling rate with our Plant Depo

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 our new construction sites 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



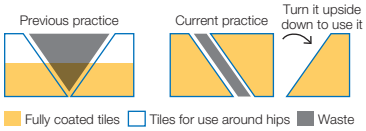

## Main approach

### Adopting completely coated roofing significantly reduces resource use

We often use slate roofing tiles for our houses, placing them so the upper halves of each course covered by the lower halves of the next course, leaving only the lower halves exposed. Previously we coated only the lower halves that remained exposed; but this practice wastes large swathes of roofing when they have to be trimmed for roof hips. To address this, we tried applying coatings to the entire surfaces of the tiles. Trial installations demonstrated that it reduces the volume of slate tiles needed around roof hips by about 30% and reduced the volume (by weight) of wasted tiles by some 80%! We have since standardized the use of completely coated slate roofing tiles for roof hips on single-family and rental housing nationwide. The change also helps reduce the-on-site waste disposal workload.



Roof hips




### Uptake of modular construction for stores and offices

Daiwa House Industry has developed system construction 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 system construction products can be plant-manufactured and processed to the specified design dimensions for principal members; moreover, they help minimize the generation of waste at the construction site.

During fiscal 2020, 36.4% of single-story and 7.8% of two-story buildings we built used our modular construction products.



Daiwa KOMFORT
(Ryugasaki Plant Office Building)

Focal theme 3

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction)

## Resource cycling in housing and building construction



## Basic Policy

### Promoting the development and adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources)

Houses and buildings are constructed with a large amount of resources and used for residential and other purposes over many years. Therefore, the reduction of the materials and parts used for them to the minimum level required to ensure the necessary performance, as well as the extension of the service life of the buildings, can be 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. Accordingly, we have established our own support services and long-term warranty system.

We are also focusing on developing a system for evaluating and distributing existing houses in order to maintain high-quality housing stock properly over a long period.

## Management

### Promoting the extension of house service life and utilization of housing stock

By developing houses that can be continually inhabited over the long term, we are reducing the frequency of rebuilding, and this contributes to cutting the volume of resources used.

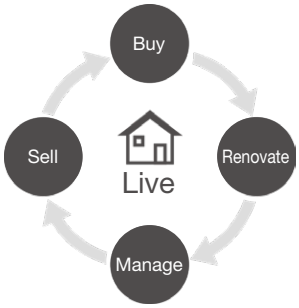
In addition, to maintain and improve the value of the quality housing stock created in this way, seven Daiwa House Group companies banded together to launch our Livness brand. It provides a one-stop customer touchpoint for our housing stock business. Customers who want remodeling ideas or help selling off their current home for resale need go nowhere else. And to encourage formation of a market able to appropriately assess the value of quality housing stock, we have also established the Provision of Quality Housing Stock Association in collaboration with other industry players.

## Main approach

### Initiatives for the real estate stock business brand “Livness”

As well as Daiwa House Industry’s optimally renovating and remodeling existing buildings to help create a market for trading quality housing stock at fair valuations, seven Group companies have collaborated to launch Livness, a brand to serve as a one-stop customer touchpoint for all our real estate stock businesses. Livness is involved in mediating purchase and sales of single-family houses and condominiums, buying them for resale and reselling them, and offering the full range of services customers need whether they’re looking for a previously occupied house or want to remodel or renovate. In fiscal 2020 we bought and resold 842 properties, up from 715 in 2019. Of these, single-family houses and condominiums accounted for 433 properties (513 in 2019), and we renovated or remodeled 96,719 (100,930 in 2019).

Livness



Focal theme 3

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments (Greater Durability and Waste Reduction)

## Conservation of Aquatic Environments



## Basic Policy

### Identifying and minimizing risks to water resources, and reducing water consumption in our corporate facilities as well as houses and buildings

Water supplies are forecast to tighten drastically due to climate change, and the importance of conserving aquatic environments is nearly universally recognized.

Risks concerning water resources vary greatly depending on regional characteristics, so the Daiwa House Group assesses water risks at each facility for water management appropriate for the local risk level. We also identify water-related risks at the plants of our suppliers, which enables us to manage identified risks throughout our supply chain. In addition, for continuous use of water resources, we work to reduce water consumption in business activities across the Group, thoroughly manage wastewater at plants, and reduce water consumed in houses and buildings we design and build.

## Management

### Efforts in managing water risks throughout the supply chain

Since our Group procures materials produced in Japan and overseas via our suppliers, we believe that it is important to identify risks associated with water resources and take measures throughout the supply chain, all of which we done in a systematic manner.

Since fiscal 2018, we have been continually surveying the Group's three major suppliers (Daiwa House, Daiwa Lease Co., Ltd., and Fujita Corporation) to get a full picture of progress they've made reducing water consumption and how the siting of their plants impacts water risk.

P192 Environmental Data Water risk assessment results in timber-producing countries

## Main approach

### Water risk evaluation at suppliers' overseas plants

In fiscal 2020, we surveyed 204 principal suppliers to three Daiwa Group companies (the Company, Daiwa Lease Co., Ltd., and Fujita Corporation) to ask them about water intake, wastewater discharge, water-related issues, capital investment, and compliance, and whether they had any water-related targets, as well as to ascertain water risk at their plants. Some 93% of the surveyed suppliers responded. When we dug deeper using water risk assessment tools like WRI Aqueduct*1 and WWF-DEG Water Risk Filter*2 at companies with overseas plants, we discovered 10 plants whose risk was judged high. But we also confirmed that measures to avert risk were in place, including procurement from a broader range of sources. We intend to look into water-risk measures in cooperation with suppliers who have plants sited in high-risk areas.

*1 A tool for analyzing water risk in the world published by the World Resources Institute (WRI)
*2 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)

### Water risk assessment at Group facilities

From the facilities operated by our Group companies, we chose those with high water consumption such as plants, resort/sports facilities and hotels, and quantified their water resources risks including items such as the regional characteristics and how each facility is managing risks*1, using WRI Aqueduct*2 and WWFDEG Water Risk Filter*3. The results confirmed that there are no high-risk facilities.

*1 The assessment was conducted based on the situation in fiscal 2016 and the assessment results for the facilities owned as of March 3, 2018 are mentioned.

■ Water risk assessment results (locations)

| Segment | Country | (Low) Risk*2 | | | | (High) |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| Plants | Japan | — | 28 | — | — | — |
| Resort facilities | Japan | — | 29 | — | — | — |
| Sports facilities | Japan | — | 69 | — | — | — |
| Hotels | Japan | — | 46 | — | — | — |
| Total water consumption for each risk level | | — | 3,882,000 cu. m*3 | — | — | — |

*2 Risk levels. 1: Very limited risk, 2: Limited risk, 3: Some risk, 4: High risk, 5: Very high risk
*3 As of March 31, 2020

## Water conservation across the Group

We are continuously taking measures, such as to make replacements with water-saving devices, at resorts, sports facilities, hotels, nursing care facilities and commercial facilities where water usage is high, and in tandem with this, we share case studies amongst Daiwa House Group companies and develop them horizontally. In addition, for sports facilities and hotels to be newly constructed, we adopt water-saving devices such as water-saving showers and toilets, as well as water volume regulating faucets in the design phase.

Our water-conservation efforts also include setting targets for offices, plants, warehouses, commercial facilities and stores, spas, and nursing care facilities that use water over a defined threshold.

P194 Water-saving device adoption rate, Adoption rate by department

## Recycling of water in the Osaka Head Office Building and our resort hotels

In our Osaka Head Office Building, rainwater and water from air conditioning are treated and reused for toilet flushing. In addition, at one resort held by a Daiwa House Group company, wastewater and rain runoff are reused to clean toilets and for watering.

## Promotion of employment of water-saving equipment for single-family houses and rental houses

The entire Daiwa House Group is engaged in deploying more water-saving devices. To reduce water consumption once people have moved into their houses, we install water-saving fixtures—such low consumption toilets and kitchen faucets—as standard equipment in our single-family and low- and medium-rise rental houses and condominiums. We will also continue working towards 100% installation of water-saving devices in bathrooms, such as water-saving shower heads and in-room valves. And for remodeling and hotel businesses, we have set targets to ensure their increased installation.

■ Adoption rate by department

| Department | Adoption rate |
|---|---|
| Single-family housing business | 100% |
| Rental housing business | 97% |
| Home renovation business | 100% |
| Condominium business | 97% |
| Commercial and office buildings business | 81%* |

* Hotel business only

**Topics**

**Case study**

### Raising local specialties with kitchen scraps and rain runoff (Daiwa Resort)

Hotel & Resorts MINAMIAWAJI, a hotel complex run by the Group's Daiwa Resort, has laid out a vegetable garden on the property where it grows onions (a local specialty) and all kinds of vegetables for use in its kitchens. An interesting part of the garden is that food waste from the kitchens is composted and used to fertilize it, thus making effective use of the waste. And rainwater collected on the property is used to water the vegetable patch too.



Hotel & Resorts MINAMIAWAJI's vegetable garden



Transforming kitchen waste into fertilizer

Contributions to SDGs  3.9 3.d  11.6  12.4

Focal theme 4

# Prevention of Chemical Pollution

## 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 aims by 2020 to use and produce chemicals in ways that do not harm human health and the environment, the relevant regulations have been tightened mainly in the U.S. and Europe through TSCA*1, the EU's REACH regulatory framework*2, and the RoHS Directive*3. Domestically, restrictions on the management of various chemical substances such as amendments to the PRTR Law*4 and the Chemical Substances Control Law*5 have been tightened. In 2016, it became mandatory to conduct chemical risk assessments in the interests of occupational health and safety. In terms of buildings including houses, the sick building issue has been pointed out. Some achievements were seen thanks to the new regulations, but the Ministry of Health, Labour and Welfare lowered some of the Indoor Threshold Limit Values of Chemical Substances in fiscal 2018. In this situation, further multidisciplinary approaches by the construction and medical industries are expected. The 5th International Conference on Composite Materials (ICCM5), slated for 2021, will review on progress toward the Johannesburg Earth Summit goals and establishing new ones for the future. We see this as a sign of progress on international agreements to further prevent chemical-substance pollution.

Regarding issues of soil contamination, more stringent management is required to prevent adverse health effects and pollution dispersion.

*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 Group uses all manner of chemical substances at its plants and construction sites, and many are released into the air and local waterways. This, along with maintaining a healthy environment for employees, necessitates rigorous management of such substances based on full appreciation of how and where they are used, to ensure they are used properly. Other steps we take to minimize their impact include reducing use of harmful substances and deploying alternatives. This is also effective from a prophylactic perspective.

Further, 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.

Moreover, almost all of our construction projects—some several thousand annually—involve drilling, and we are therefore always faced with the risk of spreading soil contamination. For this reason, we are striving to minimize the risk by examining land use history and dealing with the surplus soil appropriately.

### Risks and opportunities for the Daiwa House Group and its responses

Were someone's health to ever be harmed by sick house syndrome or something similar caused by building materials we used in our houses or buildings, the Group would be exposed to the risks of lost customer trust and onerous costs associated with remediating the problems, and it would tarnish our brand image. We therefore established Chemical Substance Management Guidelines and have shared them with 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 government-established maximums. Every year, we implement improvements at certain number or more of properties after measuring and assessing the measured values. Furthermore, by responding to requirements related to health considerations for houses and buildings, it can be expected that we improve our competitiveness and increase our market share. To that end, we collaborate with our suppliers to promote the standardization of low-VOC building materials, and advance the development and popularization of health-conscious specifications with more emphasis on the indoor air environment.

Apart from compliance with all relevant laws and regulations, we face the risk that soil contamination could be discovered after a land purchase, rendering the property nearly impossible to commercialize. To ensure against this, before purchasing a site for a project, as a matter of principle we investigate the property's history. Should soil contamination be detected, we take appropriate contamination countermeasures. In cases of contamination or high likelihood of contamination of tracts whose purchase we are not involved in directly, we leverage our rich know-how for dealing with contamination to offer customers ways to effectively utilize their property, undertaking development of brownfield sites (land not in use due to contamination) after doing appropriate surveys and managing the contamination properly.

## Road Map for the Long-Term Environmental Vision

**2055**

We properly monitor and manage chemicals in our houses and buildings throughout their life cycle to minimize risk of human or ecological harm.
· Chemical pollution: Minimizing (and ultimately eliminating) risk
· Soil contamination: Minimizing (and ultimately eliminating) risk

**2021**

| Release and transfer of PRTR-listed substances per unit of sales (vs fiscal 2012) | Reduction of VOC emissions per unit of sales (vs fiscal 2013) | Compliance with voluntary standards for indoor air quality |
|---|---|---|
| –57% | –15% | 100% |

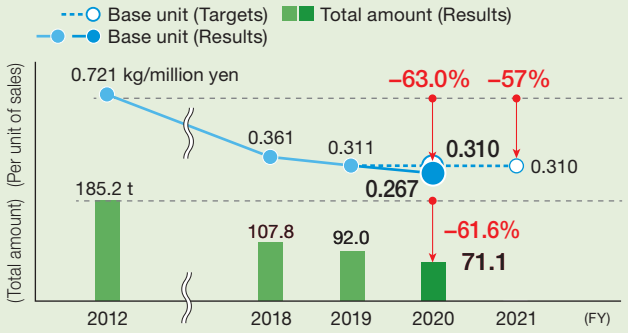
## Self-assessment of the Main Targets and Results of Endless Green Program 2021

: Target for fiscal 2020 achieved : Target for fiscal 2020 not achieved (achieved 90% or more) : Target for fiscal 2020 not achieved (achieved less than 90%)

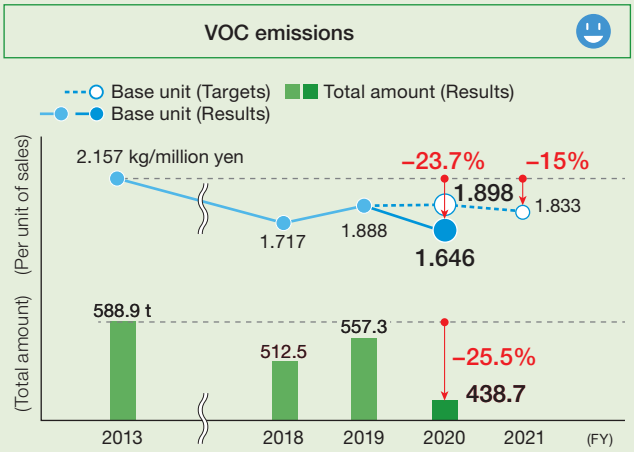
### Changing paints, application methods results in achieved targets for VOC emissions and release and transfer of PRTR-listed substances

In fiscal 2020, the Company was able to reach its targets for both VOC emissions and release and transfer of PRTR-listed hazardous substances, effected by such steps as modifying the scope of painting at housing factories and changing how welding is done at building sites.

**Release and transfer of PRTR-listed chemicals**



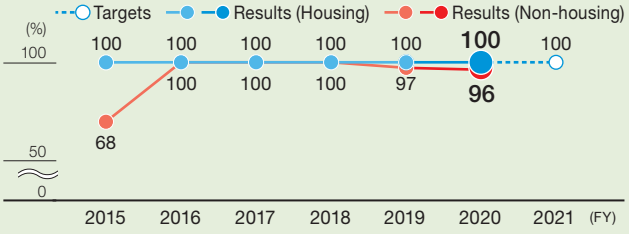

**VOC emissions**




### Housing segments hit targets, other segments fall short

In 2020, our housing segments met their targets for VOC emissions and release and transfer of PRTR-listed hazardous substances. Other segments, however, achieved only 96%, thus falling short of our voluntary target levels. Moving forward we will step up our efforts in this area, for instance by ensuring enough ventilation when work is being done. And in our housing segments, we will continue switching to alternative low formaldehyde emitting materials.

**Compliance rate with voluntary standards for indoor air quality of residential facilities**



# 4 Prevention of Chemical Pollution

## Implementation report on the Endless Green Program 2021

Focal theme 4

### Prevention of Chemical Pollution

Reducing chemical substances in our procurement and business activities

## Basic Policy

**Reinforcement of control of chemicals contained in procured construction materials and reduction in hazardous chemicals in production stage**

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.

## Management

### Acting across segments

Daiwa House Industry takes a cross-segment approach to reducing use of harmful chemicals at its factories. For instance, Development selects for low-harm materials when new materials specifying new ones, and it also reviews the scope of painting to ensure against excess. Production has achieved greater coating efficiencies by modifying how paint is applied, and it has switched to using milder solvents for cleaning and thinning purposes. And Procurement is working to reduce the harmful substance content of paint used to repair exterior surfaces, for instance by asking manufacturers to develop alternative paints. In this way, we are working across the company to reduce pollution risk from harmful chemical substances.

### Preventing air pollution and water pollution

In addition to having taken preventive steps by taking measurements and performing inspections as per the Air Pollution Control Law and Water Pollution Control Law at all our plants, we at Daiwa House Industry have strengthened our management system and comply with emissions standards regarding soot and drainage. With regard to wastewater in particular, we perform ongoing maintenance and are more stringently monitoring discharge from the wastewater treatment facility for the electrodeposition coating equipment, which is the main source of discharge to public waterways. In addition, our plants in Kyushu, Nara, and Ryugasaki deploy D's FEMS* and are monitoring for abnormalities in wastewater facilities. In fiscal 2020, no values were detected in excess of water-quality, smoke-emission, or other benchmarks set forth by environmental laws and regulations.

As part of our community-based initiatives to maintain water quality, our Tohoku, Niigata and Okayama Plants have concluded an agreement which stipulates stricter wastewater discharge requirements than the national ones with each city and local irrigation associations, etc. These plants communicate with local communities through regular reports of their water quality monitoring results and other activities.

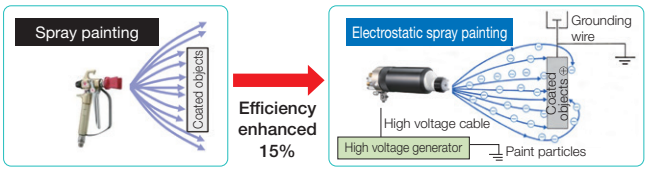
* Our unique plant energy management system

## Main approach

### Building beam automated coating robot Reduction of paint with the deployment of D'sBAP

In October 2019, we deployed D'sBAP, an automated robot for coating structural beams used in steel frames, at our Nara Plant. Automation makes for uniform application and enhanced coating efficiency*, while using electrostatic spraying enables a 30% reduction in coating volume. This decrease results in less PRTR substances being used. Further, with the robot's deployment, painting takes place in a booth away from workers, making for an improved working environment.

* Coating efficiency = amount of paint applied ÷ amount of paint sprayed




Coating efficiency 50% | Coating efficiency 65%

### Amount of paint used reduced through painting method change

Group company DesignArc changed how they paint some large components, switching from air blowing to electrostatic application. This improved coating efficiency and reduced the amount of paint used by some 16%. It also enhanced uniformity of the coating film, resulting in higher quality and lower costs.



Electrostatic spray gun

### Reducing solvent concentration in paints and thinners

The Company is undertaking ongoing efforts to transition its anticorrosive paints for steel frames, maintenance paints for welds, and thinners for cleaning painting machines into those that use weak-type solvents. In addition, at the Group's Daiwa Lease Co., Ltd., together with reducing the concentrations of solvents in anticorrosive paints for steel frames, it is also moving forward on the verification and use of aqueous paint.

# 4 Prevention of Chemical Pollution

## Implementation report on the Endless Green Program 2021

Focal theme 4

### Prevention of Chemical Pollution

Reduction in toxic chemicals in our products and services

## Basic 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]**

Daiwa House Industry has formulated our Chemical Substance Management Guidelines to help us deliver products with a low impact on the health of our customers and partners, not to mention the environment.

The guidelines are positioned as part of our CSR Procurement Guidelines, and their prohibitions and restrictions on certain substances are applied to all procurement items. The guidelines designate some 480 substances for management in three ranked categories: prohibited, subject to control or restricted, and subject to monitoring. We share data on the chemicals used in products with all business partners as we work to minimize use of high-risk substances.

■ Management levels under the Chemical Substance Management Guidelines

| Management level | Target |
|---|---|
| Level 1 <Use prohibited><br>Substances and substance groups that are prohibited to be used in all products | All procured products |
| Level 2 <Control required / Use restricted><br>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><br>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) |

P026 Supply Chain Management (Environment)

Our Group official website

CSR Procurement Guidelines (Japanese text only)

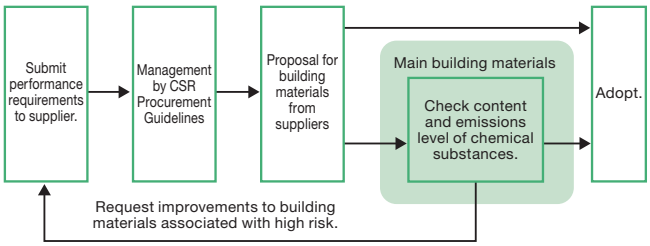
https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

## Management

### Implementation of the Chemical Substance Management Guidelines

Applying the guidelines, we identify chemical substances in our building materials and take steps to minimize any risk they present, monitoring for their presence as well as the amounts they contain and emit. In our CSR Procurement Guidelines, we also extended the scope of the Chemical Substance Management Guidelines to take in Daiwa Lease, DesignArc, and Cosmos Initia as well as Daiwa House Industry, and we also share them with our suppliers.

■ Operation flow of the Chemical Substance Management Guidelines




### Establishing the voluntary standards for the Specific Measurement-required Substances under the Housing Quality Assurance Act

In order to provide better indoor air environments, our Group established stricter voluntary standards (targets) for the five Substances designated for mandatory measurement*1 under the Housing Quality Assurance Act*2 than the guideline values specified by the national government*1. In fiscal 2018, we established the Indoor Air Quality Measurement Guidelines, after the Ministry of Health, Labour and Welfare changed the guideline values. We follow the Guidelines to measure indoor air quality to achieve better indoor air environments.

*1 Substances designated for mandatory measurement and national guideline values: Formaldehyde (100 μg/m³), toluene (260 μg/m³), xylene (200 μg/m³), ethylbenzene (3,800 μg/m³), and styrene (220 μg/m³)

*2 Act regarding the promotion of quality assurance of houses

## Main approach

### Proactively adopt low-VOC building materials and improve indoor air quality concentrations

Daiwa House Industry as well as our Group companies Daiwa Lease, Fujita, and Cosmos Initia provide many residential facilities and school buildings. To contribute to better indoor air environments, all the interior finishing materials we use are rated as Japanese formaldehyde emission class F four star*. Even for interior finishing materials, we use formaldehyde-free glass or rock wool or other alternatives. In addition, to assess and improve indoor air quality we measure it on completion of construction the Indoor Air Quality Measurement Guidelines. Measurements are taken in built-for-sale houses and rental condominiums as well as residential buildings such as nursing facilities where users spend long periods indoors. And we measure air quality in hotels, hospitals, nurseries, and buildings for other uses.

* The rank with the least release, with no restrictions on use for indoor finishes



Measuring indoor air quality concentrations

### Developing and publicizing health-oriented specifications

We test and evaluate our principal timber construction materials employing a chamber test* to measure their release of formaldehyde and other chemical substances. The results have directed us toward shifting to alternatives with lower emissions of formaldehyde and other VOCs. Regarding single-family housing, we are developing to health-oriented specifications that focus on the indoor air environment so we can provide housing that ensures even better indoor air environments.

* A test using a small chamber to determine the speed and concentration of chemicals released from construction materials

## Prevention of soil contamination

## Basic Policy

### Minimization of soil contamination risk when buying properties

We work to minimize if not eliminate risk due to soil contamination with rigorous management spanning the procedures from soil surveys to contamination countermeasures throughout property-acquisition to construction process as well as for land we own.

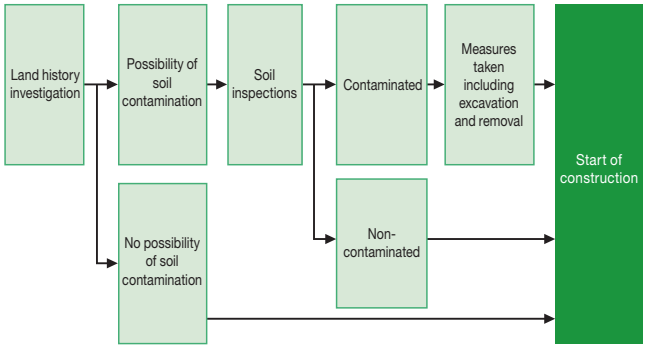
## Management

### 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 soil inspections. 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 inspections 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




P082 Deliberation by Business Investments Committee

## Main approach

### Brownfield Redevelopment

Daiwa House Industry has an expert unit that accurately assesses the soil-contamination risks involved whenever a transaction involves a brownfield site, whether we're building for property owners or acting as intermediaries for customers who want to buy or lease a property to build on. This approach benefits customers and society alike, since such sites often go undeveloped for years due to the associated risks: Once we've have had the competent units survey the soil and appropriately manage any contamination, customers can build on and use the site with peace of mind, and communities can similarly develop more suburban as well as urban brownfield sites.

P025 Environmental Education and Awareness-Raising
P173 Environmental education provided

Chapter 02 Implementation Report

# Society

**Main results in fiscal 2020**

**Improvement in "motivation" of entire workforce**
71%

**Line leaders amongst women managers**
21.5%

**Percentage of important suppliers that comply with our CSR Procurement Guidelines**
44.2%

**Order rate using our customer base (Housing sales by referral)**
39.9%

**BCP score (points)**
66 points

**Management**


Commitment from the Executive Officer in Charge ····· 060
Long-Term Social Vision ····· 063
Social Medium-Term Plan (Endless Social Program) ··· 064
CSR Management ····· 066
Human Rights Management ····· 068
Priority issues of our Social Medium-Term Plan (Endless Social Program 2021) ····· 073


**Focal theme**


1 Innovation base ····· 077
2 Human resources base ····· 088
3 Technology and manufacturing base ····· 102
4 Customer base ····· 115
5 Communication base ····· 121
6 Risk countermeasures base ····· 129



# Redoubling efforts to create a rewarding workplace while pursuing universal values and responding swiftly to change

Moritaka Nohmura
Senior Executive Officer
General Manager of Human Resources Department,
Management Administration Headquarters
Head of Human Resources and Interpersonal Relationships Department,
Management Administration Headquarters
Head of Sustainability

Contributions to SDGs




**Commitment from the Executive Officer in Charge**

## What has changed (and what has not) due to COVID-19

The COVID-19 pandemic sparked dramatic changes in society. One example is the dissemination of online conferencing tools as a substitute when face-to-face communication was suspended to suppress spread of the infection. Our Group's main point of contact with customers shifted from real to virtual space, and we interviewed potential recruits remotely for the first time using tablets. These exemplify the pandemic-inspired paradigm shift taking place in society.

Thanks to ongoing diversification, the impact of COVID-19 on the Group's performance was comparatively light as other businesses made up for those adversely affected by the pandemic. Our Group's philosophy is rooted in the spirit of its founder: Be of service to society. Though our communication methods may change, the essential elements of our actions do not. Having an unshakeable core in the midst of change is our Group's strength, much like the master Basho's ideal of haiku: *fueki ryūkō* ("immutable yet transient"). Precisely because we live in an era of rapid change, we need to carry on with our essential principles while embracing new developments.

## Work style reform progresses amid pandemic

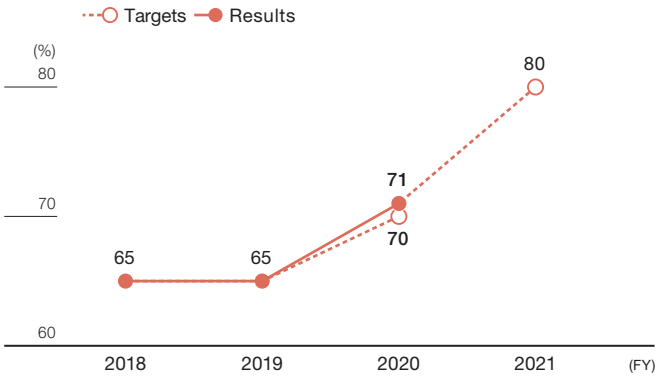
Work style reform is one example of adapting to change. We made preparations at an early stage to adopt teleworking, primarily in our business worksites in Tokyo's 23 wards, as our Group's contribution to easing congestion during the Tokyo Olympics. Thanks to this, during the first wave of the coronavirus outbreak in April 2020, we were able to close all domestic branch offices and swiftly switch to teleworking. This was not just a temporary COVID countermeasure. In September 2020, we launched a telework promotion project with the aim of elevating it to permanent work style reform as an element of sustainable growth.

The project does not entail merely changing work locations. We aim at maximizing results including productivity by promoting change internally around the following concepts: flexible work schedules, self-driven, efficient work styles, creative internal collaboration, and assigning the right people to the right roles. We are also reforming "hard" elements—for example, adopting a hot desk system with implementation targets depending on circumstances: 100% in emergencies and 50% during normal times. We intend to spend the three and a half years until the end of fiscal 2023 putting these arrangements in place.

One concern is damage to communication between supervisors and subordinates if our organization cannot guarantee psychological safety, and evaluations may suffer unfairly as employees' work is not readily apparent, reducing productivity and motivation. To avoid such situations, we are introducing one-on-one meetings to encourage dialogue between supervisors and subordinates and reviewing the evaluation system. We have implemented one-on-one meetings on a trial basis in some branch offices, with positive feedback so far, and plan to roll them out fully in the second half of fiscal 2021.

We also adopted flextime arrangements, which are highly compatible with teleworking, in April 2021. Employees set their own daily work hours, with no predetermined core hours, enabling flexible work styles. The attendance management system has also changed, with no major initial disruptions. We plan to refine the system quarter by quarter based on employee feedback. We want each and every employee to think for themselves how to work efficiently and productively, with the goal of independent, proactive work styles.

Improvement in "motivation"

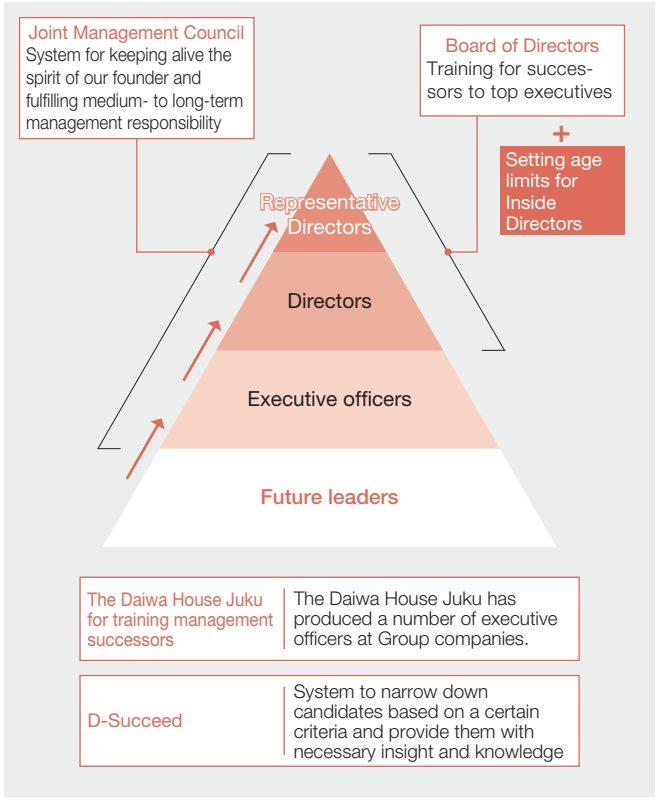



## Building systems and training personnel to carry forward the company into the next generation

Unrelated to the pandemic, our Group has long been aware of a longer term issue—developing talented individuals to become top-level managers. As the Group has expanded in scope, it became inappropriate for a charismatic manager such as our founder, Nobuo Ishibashi, to lead it alone. A priority issue is how to hand it over to the next generation. From the viewpoint of enhancing governance and work execution and to foster sustainable growth going forward, it became necessary to double track the organization.

We thus adopted a business division-based system in fiscal 2021. Under the previous organizational structure, responsibilities of individual division heads tended to be unclear. Now, the division heads are responsible for all business resources—people, products, capital, and information. We aim to be able to function without a charismatic leader by delegating responsibility and authority to individual business divisions, which helps keep division heads on their toes.

We have also started implementing a succession plan to nurture the next generation of top-level managers. As a first step, the D-Succeed succession plan launched in fiscal 2020 produced six branch office heads and one affiliate president. The appetite of the target generation is also increasing, as the latest plan is vastly different from the previous training program for recruiting and training operating site managers, which did not always succeed in developing the requisite personnel. In light of these results, in fiscal 2021 we will develop a succession plan for directors, executive officers, and general managers at the head office. We also plan to overhaul the Daiwa House Juku management training classes we



have been running since 2008 for senior executive and future president training as a succession plan, and relaunch it as New Daiwa House Juku management training classes from fiscal 2022.

## Co-creation of diverse human resources who can discover and solve issues

We focus on developing all of our employees, not just top-level managers. Simply put, Our Group is looking for diverse human resources with a view to future growth. However, we do not think simply gathering such people is sufficient. We are looking for those with superior ability to uncover issues and who can envision the future of the company and themselves.

A prime example was our founder, Nobuo Ishibashi, who used his unique perspective to identify potential social issues and developed numerous ideas useful to society. These days, amid increasingly diverse and complex social issues and people's needs, homogenous human resources skilled at solving given issues are no longer enough for a company to survive. It requires a sense of what an issue is and ability to see things from a variety of perspectives to uncover issues. Rather than hiring personnel with diverse values and training them with a uniform approach, we are striving to empower each and every one to bring their individuality to the fore.

One initiative is our new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center, which will open this autumn in Nara Prefecture. Our Group plans to open it up to diverse stakeholders including local residents and our employees in Japan and overseas, in line with our corporate stance, Co-Creating a Brighter Future, which overlaps with some of the UN's SDGs. Providing opportunities to experience various values has the potential to create new businesses. When looking into training options, we asked employees what they would like to try at this facility, and they gave us roughly 330 ideas. Given the response from within the company alone, we expect to be able to create something unique and beyond our expectations. We see the facility as a venue for mutual learning through value co-creation with our stakeholders rather than just a training center.

## Creating a workplace where all can find value in how they live

Our founder, Nobuo Ishibashi, listed "developing people through business" as the first statement in the Daiwa House Corporate Creed. The active participation and growth of each individual employee underpin the company's sustainable growth. Work style reform that enables them to feel rewarded and happy is a permanent priority issue for our Group.

Generally, feeling rewarded at work depends on whether or not there is a sense of satisfaction or engagement. To this end, we must evaluate each and every employee fairly and treat them in line with their evaluation. Employees must also be able to see a brighter future for the company and themselves. The company's role is to provide appropriate evaluation and treatment and career advancement systems. Running a business that employees find rewarding by contributing to society through work is a duty of the management team.

The company asks that employees enhance their motivation autonomously by envisioning the future of Daiwa House and themselves. Rather than using the company's systems to make work easier, we hope they will be motivated to choose work styles that allow them to make the most of their abilities and move toward their vision of the future. There are sayings along the lines of "time is life" and "the way you work is the way you live." Work style reform must not be reform of the way the company makes employees work. Our aim is to create employee-driven workplaces where each individual can find value in how they live through work, which will lead to maximum results from them and sustainable growth for the company.

女性が輝く先進企業2020

Received the Minister of State for Gender Equality's Award as part of the FY2020 Awards for Leading Companies for Working Women

work with Pride wwP Silver 2020

Received Silver at PRIDE Index 2020 developed by work with Pride (wwP)

The Valuable 500

Joined The Valuable 500, an international initiative to promote disability inclusion

## Long-Term Social Vision

**As a Group that co-creates value for individuals, communities, and people's life-styles, the Daiwa House Group is strengthening contact with our five types of key stakeholders, and contributing to society through our business activities.**

| | |
|---|---|
| 1 [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. |
| 2 [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. |
| 3 [Business partners] | We value our collaboration and cooperation with our business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry. |
| 4 [Community residents] | We respect the culture and customs of each region, and support the sustainable development of society through our business activities and social contributions. |
| 5 [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. |

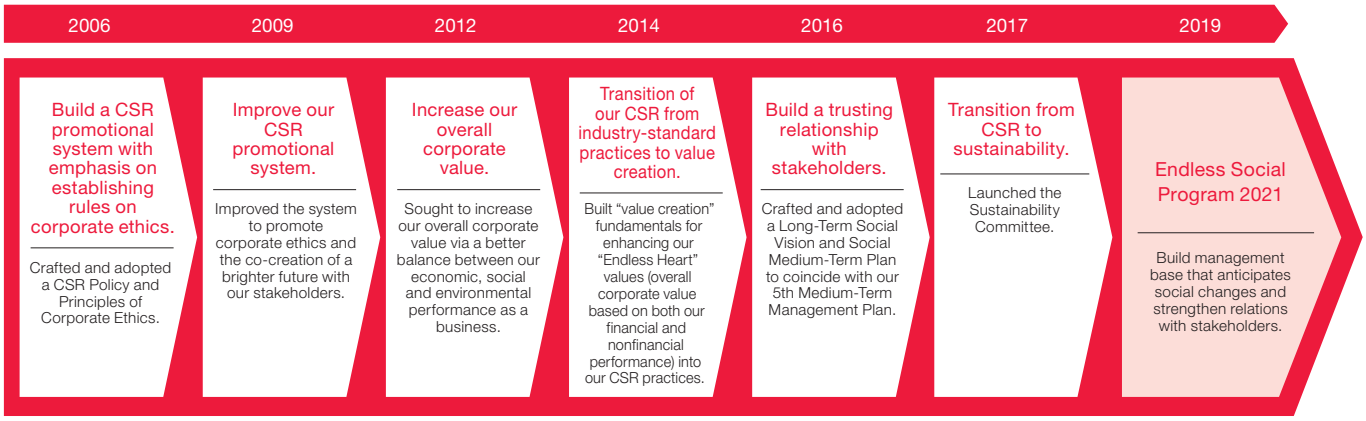
### Key social themes

| | |
|---|---|
| Innovation base | Strengthen systems to promote business and real-estate development that helps solve social issues. |
| Human resources base | Build an organization with a diversified motivated workforce that retains the young people it develops. |
| Technology and manufacturing base | Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality. |
| Customer base | Build long-term relations with customers and establish corporate brands that bring in new customers. |
| Communication base | Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age. |
| Risk countermeasures base (Being complete in small things) | Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases. |

## Social Medium-Term Plan (Endless Social Program)

The Daiwa House Group crafted and adopted an "Endless Social Program (ESP 2021)" for achieving our Long-Term Social Vision. It identifies priority issues based on major trends and our business models along a core axis of our founder's spirit, and lays out specific targets and plans for attaining them over a 3-year period that coincides with our 6th Medium-Term Management Plan (FY 2019–FY 2021).

### History of Social Medium-Term Plan

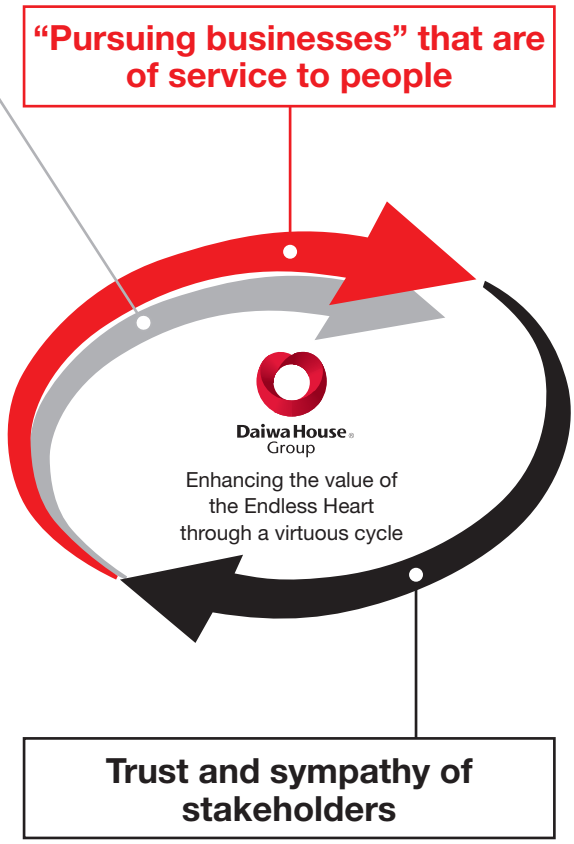



### Key social themes in our 6th Medium-term Management Plan

The Endless Social Program 2021 is underway as a program to raise our social engagement. Over the last three years in particular, we will focus on the three bases as the source of value creation, observing changes in the external environment while identifying bases to strengthen for the future.

**"Strengthening our bases" in response to changes in the world**

| | Policy | Examples of assessment indices |
|---|---|---|
| Human resources base | Build an organization with a diversified motivated workforce that retains the young people it develops | Improvement in "motivation" of entire workforce |
| Customer base | Build long-term relations with customers and establish corporate brands that bring in new customers | Brand monetary value |
| Technology and manufacturing base | Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality | Annual holidays on a worksite |
| Bases to strengthen anew | The three bases to strengthen anew are the innovation base to continue to create innovative businesses to solve social issues, the communication base to ensure proper communication with our stakeholders, and the risk countermeasures base to thoroughly implement internal controls and foster corporate ethics among executives and employees. We will promote efforts along these lines. | Percentage developed of large projects based on Community Development Guidelines<br>Establish a system and practices for financial and non-financial communications<br>Business Continuity System score |



## Basic policies, materiality (priority issues), and management system for key social themes

As the first step toward solving our highlighted 16 priority issues, we laid out exactly what each of our headquarters departments and branch offices must do in the form of 58 strategies.

To measure and manage the progress of those strategies, we set 71 Key Performance Indicators (KPI). The priority issues are addressed on the ground by our branch offices and the entire Group employees under the supervision of a management layer spearheaded by the Sustainability Committee and Corporate Governance Committee. This is how we promote sustainable management.

| Focal themes | Policy/Priority issues | Related pages |
|---|---|---|
| 1. Innovation base | (Continuously comes up with innovative solutions to social issues)<br>Policy Strengthen systems to promote business and real-estate development that helps solve social issues | See P. 077 for more details |
| | Issue 1 Build platforms for innovating solutions to social issues<br>Issue 2 Promote social inclusion in real-estate development | |
| 2. Human resources base | (Steers our sustainable development in directions that carry on our founder's spirit)<br>Policy Build an organization with a diversified motivated workforce that retains the young people it develops | See P. 088 for more details |
| | Issue 3 Work style reform for employees<br>Issue 4 Upgrade human resource development and recruitment<br>Issue 5 Promote diversity and inclusion | |
| 3. Technology and manufacturing base | (Reflects customer and social values in products and services)<br>Policy Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality | See P. 102 for more details |
| | Issue 6 Enforce safety/security at construction sites.<br>Issue 7 Improve productivity in manufacturing operations with the cooperation of business partners<br>Issue 8 Promote and improve the efficiency of CSR procurement across the Group | |
| 4. Customer base | (Solid long-lasting relations with customers)<br>Policy Build long-term relations with customers and establish corporate brands that bring in new customers | See P. 115 for more details |
| | Issue 9 Upgrade corporate communications<br>Issue 10 Promote customer support to maintain long-term relationships | |
| 5. Communication base | (Appropriate multi-channel communications with stakeholders)<br>Policy Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age | See P. 121 for more details |
| | Issue 11 Integrate and upgrade financial and nonfinancial communications<br>Issue 12 Keep pace with rapidly evolving communication environments | |
| 6. Risk countermeasures base | (Effective internal control and executives/all employee leadership in corporate ethics)<br>Policy Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases | See P. 129 for more details |
| | Issue 13 Prepare business continuity plans on the premise of natural disasters/extreme weather<br>Issue 14 Establish human rights due diligence at plants<br>Issue 15 Establish corporate ethics and compliance rules<br>Issue 16 Build management base for global business development from a long-term perspective | |

# CSR Management

## Policy and Concept

The Daiwa House Group established the Daiwa House Group CSR Guidelines in 2004 with the aim of realizing a sustainable society and the sustainable growth of the Group. The guidelines consist of three viewpoints, namely "Contributing to society through business," "Co-creating a brighter future with our stakeholders," and the "Conduct of every single Group employee."

From fiscal 2019 the Daiwa House Group began our Social Medium-Term Plan ESP 2021 based on these guidelines. We will continue to fully engage in CSR management to meet the expectations and requests of society.

### CSR Guidelines

**Strategies for enhancing the value of "Endless Heart"**

1 Contributing to society through business
2 Co-creating a brighter future with our stakeholders
3 Conduct of every single Group employee

Our Group official website CSR Guidelines
https://www.daiwahouse.com/English/sustainable/csr/vision/

## Management

### Whole picture of CSR management system

Daiwa House Industry holds the Corporate Governance Committee (Chairman: Chief Executive Officer [CEO]) meetings for the principal purpose of achieving sustainable management and contributing to enhancing corporate value over the medium- to long-term. As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee (Chairman: Executive Officer in charge of the Environment, Current: Managing Executive Officer), a meeting structure associated with the Committee, and Sustainability Committee (Chairman: General Manager of Management Administration Headquarters, Current: Executive Vice President), and exchanges opinions with them.

The Group Environmental Promotion Committee is in charge of the "environment" field, and the Sustainability Committee is in charge of the "society" field. With the understanding of the actual state of the important issues in their respective fields, both Committees deliberate and determine the details of improvement, and instruct and oversee company-wide efforts related with the decisions made. It also plays a role of providing information to the Corporate Governance Committee and developing matters deliberated at the Corporate Governance Committee.

P149 Corporate Governance

### CSR management system of branch offices

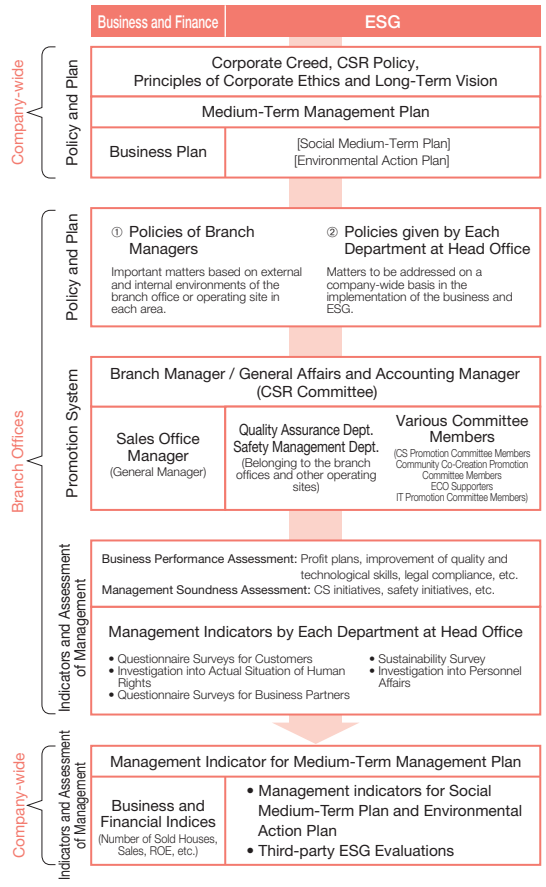
We have clarified the fact that the branch managers are the "representatives of the President" in the organization and transferred the powers to manage the worksites to their managers in the whole country. Such managers implement management suited to the characteristics of local communities and the conditions in such offices and sites by existing together with stakeholders such as local customers and business partners.

### Group CSR promotion system

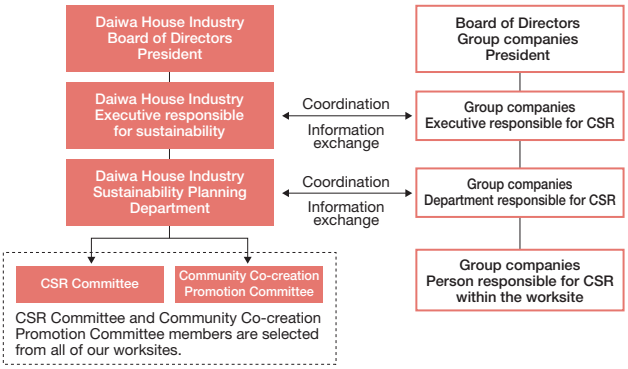
Sustainability Planning Department and other departments of the Head Office led thereby have functions of planning and adjusting CSR related policies, systems and items to implement in relation to CSR, and the Board of Directors decide important matters.

Each worksite selects a CSR Committee member and a Community Co-Creation Promotion Committee member. The former familiarizes everyone with corporate ethics and compliance, while the latter promotes planning and implementation of matters related with community co-creation activities, as well as activities to raise our employees' awareness on the need to contribute to society. All of the Group companies also appoint a manager for CSR, and are building a system to promote CSR activities.

■ Whole picture of CSR management system




■ CSR promotion organization structure of the Daiwa House Group



## Main approach

**Plan**
Policy and Plan

### Formulation of branch managers' policy

Our 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. At each branch, Branch Manager's Policy is formulated in light of the above-stated policies, plans and issues, etc., that each branch has.

**Do**
Implementation

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

Each branch 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 Group prepared the "CASEBOOK" as an educational pamphlet and distributed copies thereof to all employees at each workplace of the worksites 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. In addition, it implements training programs on corporate ethics and human rights awareness-raising regularly.

P136 Distribution and utilization of educational booklet "CASEBOOK"

**Check**
Confirmation and Evaluation

### Revising items for branch office business performance assessment

In October 2019 the company added the new items of "quality and technological skill assessment" and "legal compliance assessment" to the business performance assessments of each worksite, which had primarily focused on profit plan-oriented evaluations. This addition will have these items take root at our sites toward achieving sustainable growth.

### Management soundness assessment

We have in place a management assessment system in order to firmly establish the "improvement in management efficiency" and "reinforcement of the management foundation" in the worksites. Management soundness of each worksite is evaluated based on assessment items that widely cover ESG issues, the results of which are reflected to the amounts of bonuses paid to branch managers and employees.

### Implementation of Sustainability Survey

Since fiscal 2004, the Daiwa House Group has been conducting an in-house Sustainability Survey each year to gauge the status of practice of the Principles of Corporate Ethics and Code of Conduct by employees in their respective workplaces. Taking the form of an anonymous questionnaire, this completely original survey of the Group asks questions on workplaces and duties to be answered on the Group's intranet.

The answers are analyzed in detail, and feedback is given to all worksites and Group companies to encourage improvement activities. Since fiscal 2018 the survey has also begun to focus on employees' motivation. Moreover, from fiscal 2020, we started to analyze the answers against questionnaire surveys targeting our business partners and tenants, in an effort to identify issues. The results are aggregated by worksite and are utilized to improve the awareness and behaviors of employees in terms of both worksite and operation.

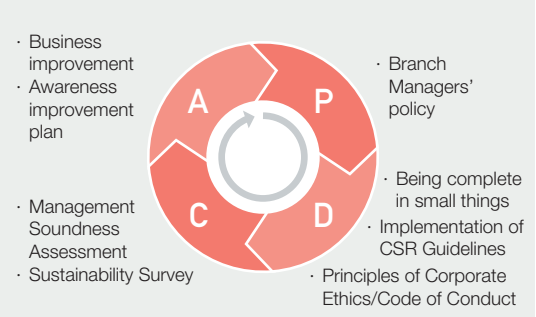
**Action**
Improvement

### Workplace awareness improvement plan based on Sustainability Survey

After the implementation of the Sustainability 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 and concrete improvement measures are summarized in the "Organizational Environment Improvement Plan," which will be used for the next year's improvement activities.

For improvements, branch managers and other managers take the lead in working to create a sound organizational climate where each employee can fully demonstrate their capabilities.

PDCA Cycle for management of worksites



# Human Rights Management

## Basic Policy and Concept

Daiwa House Group supports international standards including the Universal Declaration of Human Rights, the United Nations Global Compact, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO). Through our business, we strive to fulfill our commitment of contributing to the realization of a society where human rights are respected, as a Group that co-creates value for individuals, communities, and people's lifestyles. In January 2018, we instituted the "Daiwa House Group Human Rights Policy" with the understanding of the corporate responsibility to respect human rights, which is stated in the UN's "Guiding Principles on Business and Human Rights." The Policy has been made public through our Group official website.

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 anticorruption (including bribery). The Guidelines include the Business Partner Code of Conduct, which stipulates respect for human rights as one of the codes. We provide explanation about these rules to business partners and have them submit a letter of consent on the Guidelines. In this way, we clearly convey to our business partners and other stakeholders our expectations for their respect for human rights and are responding to human rights issues that occur in our supply chain in a responsible manner.

It is our future task to implement human rights management that can respond to the supply chain and value chain, which will further expand and become complicated as overseas business increases. To ensure that no human rights are violated by the business of the Daiwa House Group, we will reinforce a mechanism to grasp and monitor the impact and extract and improve issues from the viewpoint of human rights due diligence. Our CSR procurement of timber survey can be cited as one of our ongoing efforts in this area. (See Page 113.)

Respect for dignity and basic human rights of various stakeholders pursuant to this basic policy is brought by daily jobs of each one of our employees. For this reason, we think highly of providing human right education. All employees are notified to receive trainings more than once a year.

## Our Vision of Human Rights Awareness-Raising

Since the Daiwa House Group is mainly based on the construction industry, it differs from other business categories that sell finished goods, in that our employees who are 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 our employees regarding human rights.

The 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.

P111 CSR Procurement Guidelines
Our Group official website
Basic Policy of Respect for Human Rights
https://www.daiwahouse.com/English/sustainable/csr/jinken/
Conduct of every single Group employee
https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html

### Policy on Human Rights Awareness-Raising Activities (excerpts of items only)

**Commitment to the respect for human rights**

**Approach to promote the respect for human rights**

- Continuous implementation of human rights due diligence
  [Respect for customers' human rights]
  [Respect for employees' human rights]
  [Respect for business partners' human rights]
  [Respect for community residents' human rights]
- Dialogues and discussions with stakeholders
- Education
- Report

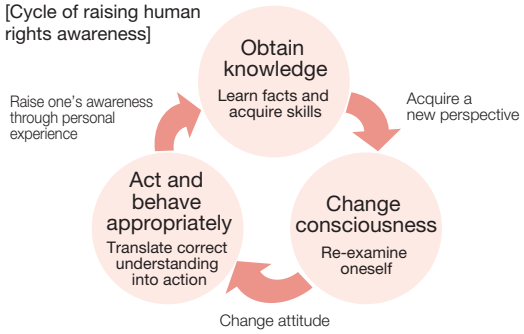
(Established in January 2018)

- 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)

## Management

### Human rights management system

The 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.

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)." Because real estate, including buildings, is valuable to our customers, our business has the characteristic that the value we create results from our employees engaging in direct communication with our customers, business partners, community residents and a wide range of stakeholders. Therefore, if our employees do not possess a correct understanding of the issue of human rights, they may be unconsciously complicit in acts of discrimination. Daiwa House Group's 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 | · Daiwa House Group Human Rights Policy<br>· Principles of Corporate Ethics and Code of Conduct | · Understanding of human rights issues through engagement with "various organizations and NGOs" representing individual stakeholders.<br>· Understanding from surveys | Sustainability Planning 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<br>· Official website consultation service (e.g. consultation on the Act on the Elimination of Disability Discrimination) |
| Customers | CS philosophy | · Questionnaire survey relating to CS<br>· Inspection relating to safety and quality of buildings | · Improvement via CS Committee<br>· Improvement of building safety in accordance with quality assurance system | · Daiwa House Industry Customer Consulting Center |
| Our employees | · Vision on Human Rights Awareness-Raising<br>· Human Rights Awareness-Raising Activity Policies (policies by the President and COO) | · Survey on actual conditions of human rights<br>· Sustainability Survey<br>· Employees' awareness survey (View Research 100) | · Human rights awareness-raising training operation plan (including human rights awareness-raising organization chart)<br>· Workplace awareness improvement based on sustainability survey<br>· Improvement of our worksites based on questionnaire survey for business partners | · Corporate Ethics and Human Rights Hotline<br>· Power Harassment Prevention Hotline<br>· Risk Information Hotline<br>· Lawyer Hotline<br>· Global Whistleblower System<br>· Auditors whistleblowing system<br>· General Affairs Department of each branch (consulting services for harassment, etc.)<br>· LGBT external consultation service |
| Business partners (partner subcontractors, employees of suppliers) | · CSR Procurement Guidelines | · Questionnaire survey for business partners<br>· Self-assessment on CSR Procurement Guidelines<br>· CSR procurement of timber survey | · Request for improvement to business partners through CSR Procurement Subcommittee<br>· Business partners' voluntary promotion of improvement by self-check | · Partners Hotline |

■ Main content on human rights in the bases

| Bases | Main themes on human rights* Items in brackets are priority issues for the relevant ESP | Pages |
|---|---|---|
| Human rights management (Due diligence for human rights in the entire value chain) | | P068–072 |
| Innovation base | Product development to solve social issues (minimize social stresses) | P087 |
| | Social inclusion in real-estate development (Issue 2) | P081–087 |
| Human resources base | Occupational safety and health of Group employees (Issue 3) | P091–094 |
| | Promoting diversity among Group employees (Issue 5) | P100–101 |
| Technology and manufacturing base | Safety and health of employees in our partner subcontractors, improvement of work environment (Issue 6) | P105–106 |
| | Ensuring the quality and safety of products (Issue 7) | P107–110 |
| | Responding to human rights and labor practices in the supply chain (Issue 8) | P111–114 |
| Customer base | Proper communication with customers (Issue 9) | P117–118 |
| | Responding to issues of consumers (product users) (Issue 10) | P119–120 |
| Communication base | Community co-creation activities and contribution to local communities | P126–128 |
| Risk countermeasures base | Establishing due diligence for human rights at plants (Issue 14) | P134 |
| | Grievance mechanisms (Issue 15) (Issue 16) | P135–141 |
| | Restriction of marketing communication leading to human rights violations, personal information management | P142 |

### Establishment of the Power Harassment Preventive Measures Office

Understanding that the June 2020 Act for the Comprehensive Promotion of Labor Measures will make it compulsory for corporations to act to prevent power harassment, in May 2019 the company sent an in-house notice to employees on company-wide initiatives to prevent power harassment, and in July established the Power Harassment Preventive Measures Office in the Head Office Human Resources Department.

This organization will primarily undertake the following three initiatives.

① Operating the Power Harassment Prevention Hotline (whistleblower hotline)
② Conducting training for employees
③ Conducting workplace environment hearings via employee interviews

P140–141 Various whistleblowing systems

## Countering power harassment

### Conducting training for employees

A training course for all managerial positions (directors, auditors, and executive officers) led by Professor Ichiyo Matsuzaki at the Graduate School of Comprehensive Human Sciences, University of Tsukuba, was held in August 2019. In October Head Office was linked live to all branches, offices, plants, and research labs of the company, for the president to announce to all employees a top message on the elimination of power harassment. (The written summary is posted on the intranet for all employees to view.) Subsequently a DVD recording of directors' training in August was used as teaching material for power harassment prevention training for managers. In December we independently created e-learning materials for non-manager employees, for training to reaffirm the top message and company regulations, and show the Ministry of Health, Labor and Welfare's definition of power harassment and typical behavior associated with it.

From February 2020 we started an educational program for all sales managers nationwide, inviting dedicated instructors from Trust Coaching to learn coaching. The program was temporarily suspended on account of the COVID-19 pandemic, but reopened in December 2020 as an online seminar, and the entire program was completed by January 2021. Our efforts through the program seek to encourage better workplace communication, creating relationships of trust between managers and employees to prevent harassment.

### Conducting workplace environment hearings via employee interviews

In parallel with the operation of the whistleblower hotline, we conduct interviews on workplace environments with employees at branches, offices, plants, and research labs nationwide. With persons in charge from Human Resources Department acting as interviewers, the interviews are held either face-to-face onsite or online. These interviews are aimed at supporting better worksites by checking if there are interviewees or their colleagues or subordinates who are troubled by power harassment or mental health issues. If serious power harassment is suspected, they confirm the facts and take the action required of the company, including disciplinary action.

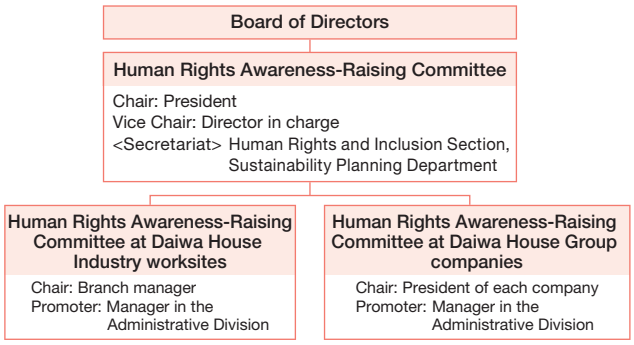
In fiscal 2019 a total of 50 worksites were visited, interviewing 1,171 employees.

In fiscal 2020 a total of 890 employees from 45 worksites were interviewed.

## System for promoting human rights awareness-raising activities

The Group has set up a Human Rights Awareness-Raising Committee, headed by the President, to periodically check the implementation status of human rights awareness-raising activities across the entire Group and to supervise the operation of the Daiwa House Group Human Rights Policy. In fiscal 2020, reports on training, as well as our human rights promotion structure (organization chart) and an activity plan were received from all Daiwa House Industry's branch offices and all Group companies (30) in Japan. The periodic check aims to ensure thorough implementation of regular training at each site and to create a system to immediately respond to and report individual human rights problems.

■ Organization of the Human Rights Awareness-Raising Committee




■ Major subcommittees relating to and departments in charge of human rights, and themes discussed therein

| Subcommittees/ departments | Major themes discussed (human rights-related) |
|---|---|
| Sustainability Planning Department | Human rights in general (Supervision of the Daiwa House Group Human Rights Policy)<br>Contacts for reporting/consultation (Corporate Ethics and Human Rights Hotline) |
| Human Resources Department | Power harassment, wages, work hours, freedom of association, collective bargaining rights, etc. |
| CSR Procurement Subcommittee | Human rights in supply chains |

### Implementation of human rights education

The company is focused on human rights awareness-raising training for obtaining proper knowledge. All employees across the Group, including managers, are ensured to receive human rights awareness-raising trainings more than once a year.

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.

P140–141 Various whistleblowing systems

## Main approach

### Total number of discrimination cases and corrective actions implemented

At our branches and Group companies, human rights awareness-raising promoters are assigned to create a system to immediately respond to and report individual human rights problems. As for harassment, sexual “harassment prevention expert,” who differs from human rights awareness-raising promoter, is selected for each branch for easier access to consultation. The number of consultations from the worksites in fiscal 2020 was 11; all of these were redressed.

* Separately from the reports to the Human Rights Awareness-Raising Committee, we also operate the Corporate Ethics and Human Rights Hotline to enable whistle-blowing by employees, where they can receive consultation and advice regarding instances of harassment.

### Results of applying human rights due diligence to stakeholders in business

#### Assessment of employees human rights risks

The Daiwa House Group responds 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, and conducts the Sustainability 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 since fiscal 2004 and in fiscal 2020 we received 46,008 cases from the entire Group.

Not a few opinions calling for improvement of work environment are received via the survey and the Corporate Ethics and Human Rights Hotline every year. For the purpose of respecting these 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. The system records the time of arrival and departure to and from work and status of overtime work. At the same time, we have been taking various measures to reduce working hours, by eliminating late-night overtime work to mitigate the physical and mental burden on employees and by reviewing the overall operation of the company.

P091 Establishment of various systems related to labor problems

Our Group official website (Japanese text only) Principles of Corporate Ethics and Code of Conduct
https://www.daiwahouse.com/sustainable/csr/pdfs/code_of_coduct.pdf

#### Assessment of temporary employees human rights risks

The company conduced a questionnaire survey targeting temporary employees in July 2020 to identify issues in the relationships with temporary employees and make use of the answers in nurturing a cleaner corporate culture. In fiscal 2020, we received responses from1,058 temporary employees. Results of these responses were aggregated and then provided to each worksite as feedback and are utilized in improvement.

#### Assessment of business partners human rights risks

The CSR Procurement Guidelines of Daiwa House Industry include our Business Partner Code of Conduct, and we had business partners working inside our plant and construction companies working at construction sites (all primary subcontractors) submit a letter of consent when the Guidelines were instituted (total number of letters of consent collected on a Groupwide basis: 7,062/7,770 companies, for a collection rate of 90.88 %*). The Guidelines and the Business Partner Code of Conduct set out workplace safety, labor-related matters and other matters (including forced or compulsory labor, child labor and harassment), and observance is monitored using our original checklist. By doing this, we are able to detect human rights risks in our supply chain. If a problem is detected, we correct it as it arises and provide education to prevent recurrence. Additionally, the Company carries out annual surveys by means of questionnaires toward business partners to check if there is any unfairness or inadequacy in the details of order placement to subcontractors or the attitude of our employees. In this way, we establish sound and good relationships, free from violations of human rights.

With regard to timber procurement—which involves particularly high human rights risks concerning violation of the human rights of the indigenous inhabitants of production areas— among other materials that our company purchases, we conduct surveys and monitoring of business partners under the authority of the Procurement Department, which accounts for most of our timber procurement, the Product Development Department, the Design and Construction Department, the Condominium Promotion Division, and Group companies. In the event that a business partner which has procured timber does not satisfy our requirement standards, we conduct a hearing and take corrective action.

The number of non-Japanese citizens working at construction sites is increasing, and there have been cases of unjust employment procedures being followed, and unlawful employment conditions (e.g. unpaid wages), which has become a social problem. In view of such situation, we operate internal rules pursuant to the Guideline for “Subcontractor Guidance concerning Foreign Worker Acceptance Program” set by the Ministry of Land, Infrastructure, Transport and Tourism, and take care so the rights of foreign workers will not be violated. When a foreign worker is to work at a construction site operated by the Company, we make it a rule to verify his legitimate employment eligibility in advance, and to confirm his identity when he arrives at the site. In fiscal 2020, no formal complaint was filed against the Company concerning forced labor or child 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. The Company’s Code of Conduct stipulates its practice of fair recruitment. While it’s natural for us to observe 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. Daiwa House Industry and our group company Daiwa Lease have acquired certification as a “company proactively committed to fair recruitment and human rights awareness-raising”.

* As of March 31, 2021

P044 Preserving biodiversity in our procurement and business activities

## Stakeholder engagement in applying human rights due diligence

The Daiwa House Group's Human Rights Policy stipulates that the Group will implement human rights due diligence and respect the human rights of its stakeholders (particularly its customers, employees, business partners, and local communities) through initiatives based on the existing policies relating to business activities and guidelines. We conduct various surveys, employing questionnaires, to monitor the impact of our business activities on our stakeholders, and our engagement with our stakeholders is based mainly on the results of such questionnaires.

We conduct customer satisfaction-related questionnaire surveys targeting our customers, "Sustainability Survey (every year)," and "Employee awareness survey (View Research 100, once in four years)" targeting our employees. Questionnaire surveys targeting our business partners are "Business partner survey (every year)," "CSR procurement of timber survey (every year)," and "Self-assessment on CSR Procurement Guidelines (every other year)." Additionally, we understand issues to address by participating in activities of various groups and NGOs, which represent people in local communities, and collecting opinions on our initiatives.

### Engagement with other stakeholders

The Daiwa House Group cooperates with various groups which aim to solve human rights issues, from the perspective of human rights due diligence.

Our company cooperates a multiple number of human rights groups and initiatives on a daily basis. Some Group companies are working toward improvement with the cooperation of outside experts by, for example, inviting lecturers of training from human rights groups.

## Implementation status of human rights awareness-raising activities against employees

### Human rights awareness-raising training

All the employees of the Group receive human rights awareness-raising trainings more than once a year. Additionally, to help them fulfill responsibilities commensurate with their job position, we provide training programs for Directors and Executive Officers, employees in executive and supervisory positions, and new recruits, systematically and continuously. In January 2021, we held a training program relating to the importance of information literacy education and proper handling of harassment issues at a meeting of the Board of Directors, under the theme of "corporate management and human rights."

Furthermore, as needed basis, UN's Guiding Principles on Business and Human Rights and our original DVD materials themed on the Act for Eliminating Discrimination Against People with Disabilities are distributed to each of worksites and Group companies. Through providing trainings with these materials, we share internally the company's stance on human rights (Policy on Human Rights) that serves as a basis for implementing human rights due diligence. In April 2016, human rights awareness-raising training programs were implemented at our overseas sites as well. 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.

### Jinken-no Hiroba (Human Rights Plaza)

The in-house newsletter Jinken-no Hiroba (Human Rights Plaza) was published four times in fiscal 2020 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. The theme of the March 2021 issue was "gender and disasters." Daiwa House Group will continue to raise the awareness of employees regarding human rights to prevent human rights violations and harassment.




Jinken-no Hiroba (Human Rights Plaza)

■ Implementation status of human rights awareness-raising training for FY 2020 (consolidated)

| Number of participants | Total training hours* |
|---|---|
| 64,227 | 32,114 hours |

* Regarding training hours per person are aggregated as 0.5 hours

### Other measures to avoid complicity in anti-social forces

Our company conducts 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 shall stay away from anti-social forces under all circumstances and face off against them organizationally in an uncompromising fashion, 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, 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.

P137 Complete prevention of connection with anti-social forces

## Priority issues of our Social Medium-Term Plan (Endless Social Program 2021)

We will build management base in anticipation of social changes and improve relations with stakeholders, by addressing the below 16 priority issues in the 6 bases where balanced improvements are needed.

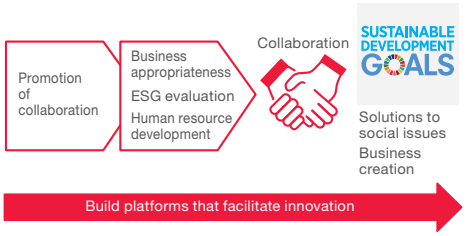
### ❶ Innovation base

#### Issue 1: Build platforms for innovating solutions to social issues

Identify and build ways and means (innovation base) for "creating new businesses" that serve society, as exemplified by SDG projects, and "tuning existing businesses."

Particularly with regard to new business development, strengthen "forms of collaboration," "human resource development programs" and "systems for evaluating ESG risks and social contributions of businesses."

* The leading premise of all Daiwa House Group business is to "generate cashflow and fulfill social responsibilities."




**FY 2021 targets**

Number of cooperative new business ventures or joint R&D projects that helped to solve social issues

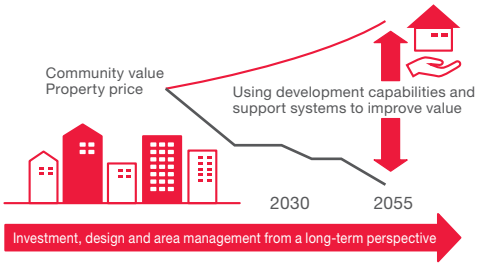
**Maintain a high level both in terms of quantity/quality using fiscal 2018 as a benchmark.**

* The goal is to "build platforms for innovation" where we can collaborate with others, not to increase the number of projects.
* Imaginable partners in cooperative projects include venture businesses, start-ups, quality business that lead in their field, UN, governmental institutions, NGOs, etc.

#### Issue 2: Promote social inclusion in real-estate development

Improve our housing planning and management abilities and promote inclusive and sustainable development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2055.

Introduce broad "inclusive design" concepts into all processes of urban development and large-scale construction handled by our Group.




**FY 2021 targets**

Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

**70%**

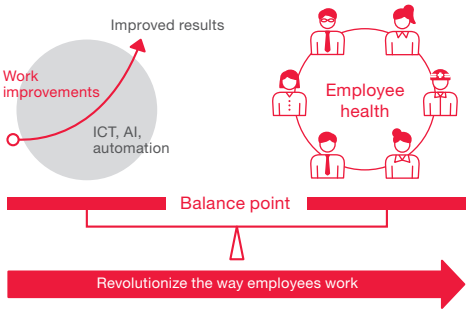
* Calculated by the number of projects/extended floor space
* Imaginable projects are community development projects under the Real Estate Investment Committee.

### ❷ Human resources base

#### Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)

Promote changes to workplace environments that allow all our employees to both "maximize the results of their work" and "maintain their mental/physical health and safety," in line with Corporate Creed and SDG No. 8 "Decent Work and Economic Growth."

* Any and all changes are premised on the importance that our founder placed on the private lives of employees and the right to develop through one's job, as well as the type of human resource the group seeks.




**FY 2021 targets**

Improvement in "motivation" of entire workforce

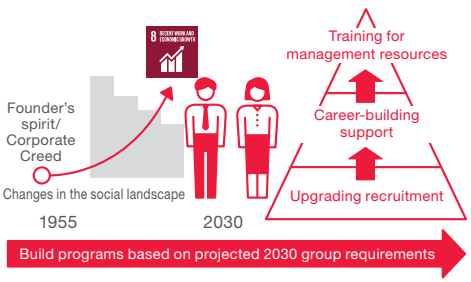
**80%**

* Calculated based on question about "motivation" on a sustainability survey.

#### Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)

Design human resource development and recruitment programs from a long-term perspective (what will be needed in 2030/2055), with the founder's spirit, the values espoused in our Corporate Creed and our business models as an underlying basis.

Prepare training, hiring and work environments based on the fact that millennials will hold midlevel staff and managerial positions, and the bulk of new recruits will be of Generation Z age. Moreover, build systems that allow senior employees, which represent a growing share of the workforce, to continue to exhibit their skills.




**FY 2021 targets**

Retention rate of young employees (3 years after joining the company)

**90% or higher**

❷ Human resources base

## Issue 5: Promote diversity and inclusion

Respect the diversity (race, nationality, ethnicity, gender, sexual orientation, gender identity, handicapped or not, age, faith, social status, etc.) of our employees and build workplace environments where diverse employees are motivated and can demonstrate their abilities.
Apply inclusion and diversity concepts to managing operations, decision-making processes and all functions (positions) in order to conceive new ideas for products, services and other processes, and foresee risks from diverse angles.




### FY 2021 targets

**General indices for diversity and inclusion**

Targets are set for the below 5 indices.

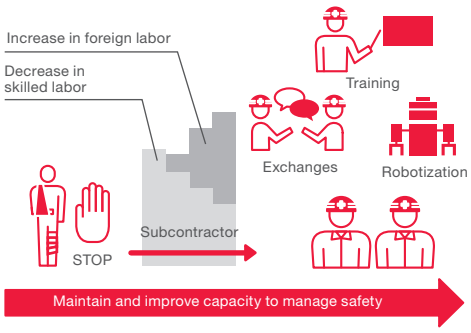
① Percentage of women managers 5%
② Percentage of line leaders amongst women managers 40%
③ Percentage of women engineers 6%
④ Percentage of women sales reps 13%
⑤ Percentage of women amongst new college recruits 30%

* Targeted for April 1, 2022

❸ Technology and manufacturing base

## Issue 6: Enforce safety/security at construction sites

Address the declining capacity to manage safety at construction sites resulting from a decrease in skilled labor and an increase in foreign labor amongst subcontractors (due to labor shortages stemming from Japan's changing demographics). Also, address rising industrial accident risks on job sites due to longer hours under the blazing sun.




### FY 2021 targets

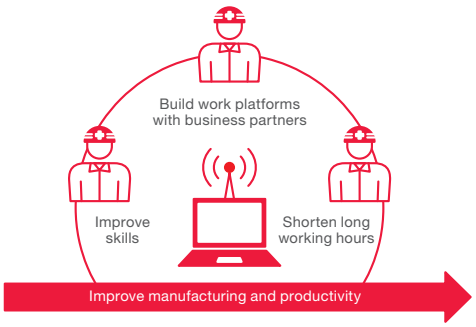
**Frequency of worksite industrial accidents**

**0.21**

* Number of industrial accident related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)

## Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners

Counter labor shortages and shorten long working hours by using IoT to impart skills and improve productivity. Create workplace environments and practices that retain skilled builders.




### FY 2021 targets

**Number of days off per annum for construction site workers**

**112 days**
(8 days-off for every 4 weeks)

**Annual plant holidays**

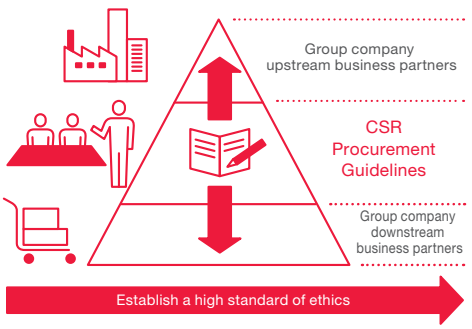
**117 days**

* Holidays increased by 3 days every year.

## Issue 8: Promote and improve the efficiency of CSR procurement across the Group

Build a PDCA-based management system with use of new ICT, etc., to promote CSR procurement amongst Group company business partners both upstream and downstream.

Eliminate any adverse impacts on society that could lead to reputation-damaging risks like product boycotts, disclose information in line with domestic and international guidelines, and obtain reviews from institutional investors.




### FY 2021 targets

**Percentage of important suppliers that comply with our CSR Procurement Guidelines**

**70%** (Scores of 80 or higher are judged as compliant.)

* Important supplier: Suppliers with 300 or more employees

**Reply rate to CSR Procurement Guidelines self-check sent to all suppliers**

**70%**

* CSR Procurement Guidelines are promoted at 7 Group companies. This KGI targets only suppliers of Daiwa House Industry, Fujita and Daiwa Lease.

❹ Customer base

## Issue 9: Upgrade corporate communications

Establish, maintain and enhance a corporate brand that goes beyond “name recognition” to send a consistent unified message that is tightly coordinated with our founder’s spirit, the values espoused in our Corporate Creed and our management vision.




### FY 2021 targets

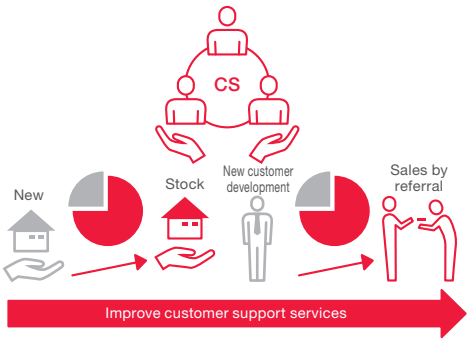
Japan’s Best Domestic Brand
Brand monetary value is
**1 billion USD**

Nikkei Corporate Perception Survey
① Favorability (individuals) **70%**
② First-class evaluation (businesspeople) **90%**

## Issue 10: Promote customer support to maintain long-term relationships

Improve customer satisfaction services in order to prepare for the growing shift in the business environment from new construction to housing stock business and from new customer development to sales by referral.

Build an information system in addition to training and deploying appropriate human resources, in order to make proposals that are appropriate to the lifecycle stage and household changes of owners.




### FY 2021 targets

Order rate using our customer base
**70%**

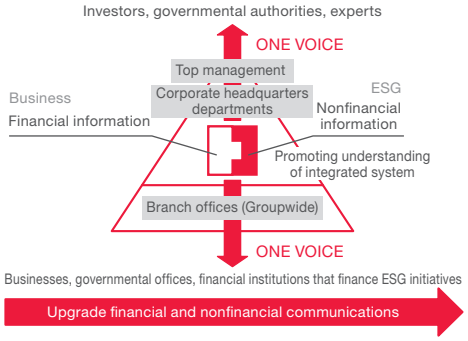
* Housing: Percentage of sales by referral (Departments in charge will implement strategies in coordination with related departments to attain targets.)

❺ Communication base

## Issue 11: Integrate and upgrade financial and nonfinancial communications

Integrate and upgrade financial (business) and nonfinancial (ESG) communications from top management, departments at corporate headquarters, branch offices and Group companies.

Particularly for information disclosures, build an efficient system for disclosing nonfinancial information on a consolidated basis in consideration of the various reports and recipients, e.g., stock exchanges, etc.




### FY 2021 targets

Establish a system and practices for financial and nonfinancial communications, and promote understanding that financial and nonfinancial communications system is fully integrated.

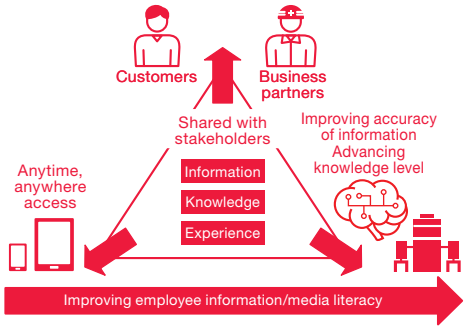
**Build the system by the end of fiscal 2021.**

## Issue 12: Keep pace with rapidly evolving communication environments

Keep pace with rapidly evolving ICT in terms of system hardware and employee literacy, by benchmarking against global companies of similar size.

But, aggressively invest to gain a more advantageous position for what regards both business and ESG.

With regard to system design for information management and improving the media-literacy of employees, balance opportunities with conventional risk management.




### FY 2021 targets

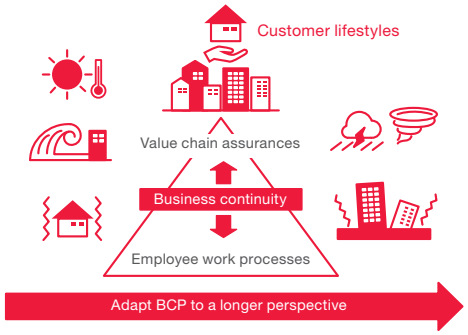
Establish communication platforms to ready the workforce for the information age.

1. Build the means for sharing all sorts of information with stakeholders in Japan and abroad. (Have it up and running in FY 2019.)
2. Build the means for effectively using information within the company. (Have it up and running in FY 2020.)
3. Support introduction of the communication platform at our Group companies (Have it up and running in FY 2020.)

## Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather

Adapt systems and business continuity plans (BCP) to a broader range of "hypothetical" natural disasters and abnormal weather events because of climate change and aging infrastructure.

In order to build systems to incur minimal damage, identify risks to our business, work processes of employees and customer lifestyles (building use) from broader and longer perspectives.




### FY 2021 targets

BCP score

**100** points

* Progress on the below themes is scored and evaluated by the BCM Subcommittee.
① Ensuring employee safety
② Ensuring power and backing up information systems
③ Upgrading aftersales support services for customers
④ Maintaining production purchasing capacity
⑤ Keeping the group functional as a whole
⑥ Establishing a development system based on the long-term risks of customers

## Issue 14: Establish human rights due diligence at plants

Establish a process of due diligence for human rights at plants and develop a process for expanding it to Group companies in the future.




### FY 2021 targets

**Establish a process of due diligence for human rights at plants.**

**Establish the process by the end of 2021.**

## Issue 15: Establish corporate ethics and compliance rules

Establish the concept of "being complete in small things" advocated by the Group's executives and employees as a regular practice. Provide media and training to share a common mindset and promote PDCA practices via awareness surveys and other means, to encourage self-directed action based on a proper understanding of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.




### FY 2021 targets

Internal control system attainment score

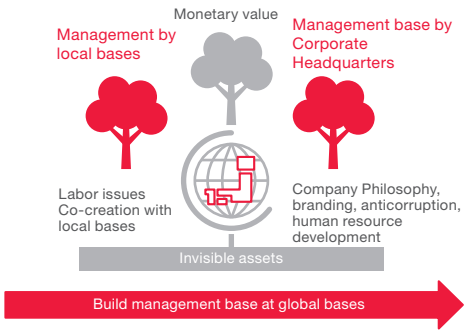
**447** points
(15% improvement compared to FY 2017)

The score is calculated in consideration of the following information.
1. Completeness of internal control system
① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.)
② Management and supervisory systems (Operation of Internal Control Committee and other organizations)
③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
2. Degree of damages and losses
① Degree of financial losses and occurrence of serious incidents, etc.

## Issue 16: Build management base for global business development from a long-term perspective

Build management base at global bases to put roots down in the local area from a long-term perspective of 10 of 20 years. Address themes that neither the overseas bases (general affairs or accounting) nor departments at Corporate Headquarters can handle.

With regard to corruption (bribery), have Group companies carefully manage matters because much attention is paid to the subject in Japan and abroad.




### FY 2021 targets

**Improved score on sustainability survey at overseas bases**

**Conduct first survey in fiscal 2020. (Targets are to be set after that).**

* Surveys target employees at overseas Group companies wholly owned by Daiwa House Industry.

Contributions to SDGs




# 1 Innovation base

## Continuously comes up with innovative solutions to social issues

[Policy] Strengthen systems to promote business and real estate development that helps solve social issues

## Policy and Concept

### Megatrends that Impact Bases

- Contraction of the single-family house market due to Japan's falling population
- Prosperity with businesses that solve SDGs and other social issues
- A rising rate of ethical consumption
- Expanding ESG investments

### Social issues

The tide of a declining birthrate and an aging population, a demographic issue most prominent in Japan, will exert an enormous impact on the economy in the future in the form of a shrinking market. In tandem with this, it has the potential to be a factor in a dramatic transformation of how business is conducted. In addition, as globalization of economies escalates the severity of competition, on our present course there is a rising danger of a potential collapse in social sustainability.

Given this, as symbolized with ESG investments, society increasingly demands that corporate activities be conducted in an ethical manner.

On top of such a major transformation in what society values, soaring advances in ICT and other science and technology have become the backdrop to the emergence of what could be venture companies and startups that possess the competitiveness to disrupt conventional business models.

Coming up against these new competitors, there is the fear that solely relying on the extension of existing business models will be insufficient to gain a competitive advantage. We will need to prepare for all manner of disruptive creation that may occur in the future, and from the perspective of solving those issues that confront society, as reflected by the Sustainable Development Goals (SDGs), it will be ever more important to develop a business model that will not be focused on established preconceptions.

### Risks and opportunities for the Daiwa House Group and its responses

Founder Nobuo Ishibashi stated that we should "Have a dream and go forth into the world of originality and ingenuity." Based on this teaching, we have constructed a business model that can adapt to the changes of the times. Nonetheless, given today's dramatic transformation in values, and an accelerating pace of technological advances, innovation entails risks that have the potential to destabilize the Group's business model. For this reason, it is essential to create a new business model that contributes to solutions for the issues that face society, without being sidetracked by preexisting notions. When existing businesses are growing steadily, it is difficult to say that organizations possess a sufficient sense of danger with regard to innovation. Moreover, while each Group company has their core competencies in place, a future issue to tackle is the generation of innovation by seizing upon synergies within the Group.

The founder Ishibashi also once commented, "After three years, products should be relegated to the graveyard." Together with this, he warned that being held up by an outdated sense of values will lead one to become "a fossil of the past, and the downfall of tomorrow." Now is exactly the time for the Group to bolster its management foundation with an eye toward innovation, while being conscious that a critical management issue is the generation of a steady stream of innovative businesses that work to find solutions to society's problems.

## A Road Map to Achieving Endless Social Program 2021

### Priority issues

**Issue 1: Build platforms for innovating solutions to social issues**

Identify and build ways and means (innovation base) for "creating new businesses" that serve society, as exemplified by SDG projects, and "tuning existing businesses."

Particularly with regard to new business development, strengthen "forms of collaboration," "human resource development programs" and "systems for evaluating ESG risks and social contributions of businesses."

* The leading premise of all Daiwa House Group business is to "generate cashflow and fulfill social responsibilities."

| FY 2020 results | FY 2021 targets |
|---|---|
| Number of cooperative new business ventures or joint R&D projects that helped to solve social issues | |
| **Undisclosed** | **Maintain a high level both in terms of quantity/ quality using fiscal 2018 as a benchmark.** |

* The goal is to "build platforms for innovation" where we can collaborate with others, not to increase the number of projects.
* Imaginable partners in cooperative projects include venture businesses, start-ups, quality business that lead in their field, UN, governmental institutions, NGOs, etc.

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 2: Promote social inclusion in real estate development**<br>Improve our housing planning and management abilities and promote inclusive and sustainable development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2055.<br>Introduce broad “inclusive design” concepts into all processes of urban development and large-scale construction handled by our Group. | Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions<br>**Building Programs** | **70%** |

* Calculated by the number of projects/extended floor space
* Imaginable projects are community development projects under the Real Estate Investment Committee.

## Fiscal 2020 Overview of “Endless Social Program 2021”

### Issue 1: Build platforms for innovating solutions to social issues

In fiscal 2020, our business development initiatives included participation in Open Innovation Base “Xport (cross port),” sponsored by the Osaka Chamber of Commerce and Osaka Institute of Technology, as in fiscal 2019. Themed on “future housing powered by digital technologies,” we conducted programs in our pursuit of collaboration with innovative corporate partners. We also took part in a program that generates business ideas through exchanges made with international universities, which was established by the same sponsors. Through this we received business proposals to “redefine housing to suit the new normal” from the youth demographic. The “Daiwa House Future Labo,” our Open Innovation Program, is soliciting ideas to accelerate the Livness Town Project currently underway. Elsewhere, in research and development, with relevant divisions and Group companies we performed joint research with external industry, government and academia. Moreover, we launched an organization dedicated to promoting company-wide digital transformation, including for business and R&D.

We will continue with these initiatives in fiscal 2021 to promote innovations that help redevelopment existing towns and solve other social issues. On another front, we continue to prepare for the opening of our general training facility named “the Daiwa House Group MIRAI KACHI KYOSO Center” as we look to nurture human talent, the source of innovation.

### Issue 2: Promote social inclusion in real estate development

Following on from fiscal 2019, we are constructing a management framework geared toward instilling inclusion design in real estate development in fiscal 2020. It is made possible by the collaboration between the Sustainable Community Development Promotion Committee tasked to promote “Community Development Guidelines,” and “Business Investments Committee” that evaluates and deliberates feasibility and risk of real estate development business, in the planning stage of the real estate development process. In Funabashi Grand Oasis, a mixed-purpose development of an old factory site, we devised measures against disasters, helped build a community, and achieved a town using 100% renewable energy.

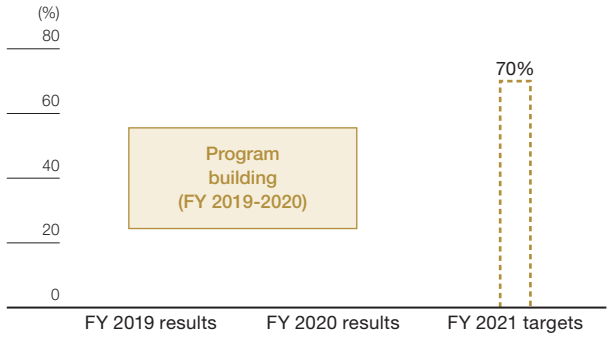
Another social inclusion initiative we will promote in real estate development is the redevelopment of housing complexes named Neopolis that were initially constructed by Daiwa House. The first two projects are already underway in Miki in Hyogo Prefecture and Yokohama in Kanagawa Prefecture. To promote redevelopment of other Neopolis sites, we established Livness Town Business Promotion Department in fiscal 2021.

While promoting social inclusion with new development projects, we will at the same time redefine the appeal of existing towns by re-tilling them.

■ Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

| FY 2020 results | FY 2021 targets |
|---|---|
| **Building Programs** | **70%** |

■ Development percentage (following second year)



# Issue 1 | Build platforms for innovating solutions to social issues

## Basic Policy and Concept

Always keeping in mind "what will benefit the world," which reflects the spirit of our founder, the Daiwa House Group has developed businesses that generate both economic and social value. Starting with our founding product, the Pipe House, we have developed businesses that allow for personal contact with customers right on a business site, including the development of retail and wholesale facilities for land use that takes motorization into account, and the development of logistics facilities suited to growth in e-commerce.

Society is confronted by issues that are deepening in their severity. In tandem, though, are the growing expectations of stakeholders, mainly institutional investors and public institutions, as well as global corporations, for businesses that work to solve social issues. This is based on the adoption of SDGs (UN's Sustainable Development Goals), the Paris Agreement and the circular economy package. This trend, we believe, will gain momentum going forward.

For the Daiwa House Group, the creation of businesses that find solutions to social issues is the embodiment of our founder's spirit. On the other hand, it is important to identify and build ways and means (innovation base), in addition to our conventional "originating on site," to build a new framework that is capable of "creating new businesses" that serve society, and "tuning existing businesses." To this end, we will build platforms by creating from a diverse range of perspectives, such as with open innovation, so as to facilitate new medium- to long-term business development that has society as its starting point.

## Management

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

In addition to the basic areas that support safe and secure living, Daiwa House Industry's Central Research Laboratory focuses on 4 main social issues which are "stock-type society," "low birth rate and aging population," "environmental energy," and "stable food production" as key areas. We have set as our goal residences that stand up well to major earthquakes and disasters, residences with consideration to comfort and health, and 100% renewable energy (RE100) residences and community development to elicit the values needed by the world through our research and development. For that purpose, we have set themes that clarify the R&D process based on the "Research and Development Policy."

P037 Community development: Funabashi Grand Oasis, Japan's first large-scale mixed purpose development with 100% renewable energy

### 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. If the target company has or is suspected to have contact with antisocial forces, or if such company is involved, we will not conduct M&A under any circumstances.

As well as its financial and tax aspects, we investigate business and legal aspects of the target company, including business models, internal control systems, compliance levels, lawsuits, environments, human resources and labor management through which we evaluate its superiority, synergy possibilities in qualitative aspects, business risks and other factors. We will not make investments if, as a result of these evaluations, we determine that the subject company or business has no long-term future.

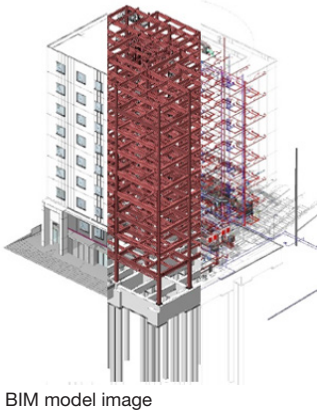
### Promoting digital transformation (DX)

In July 2019 the company launched a digital construction project aimed at innovating the construction process with the use of digital technologies, to fully promote digital transformation in construction.

As a construction industry leader, we are, with the company's digital transformation, tackling the challenge of overhauling the way we carry out our duties so that duties can be an even more satisfying experience for working people, transforming the past "difficult, dirty and dangerous" image, and pursuing worksites that become the "dream" of the younger generation upon whose shoulders rests the future of the construction industry. By merging real and virtual worlds with the use of digital technologies, we will offer an exciting experience to customers, while at the same time exploring new sources of revenue by leveraging information relating to our manufacturing expertise (*monozukuri*).

### Promoting Building Information Modeling (BIM)

To sophisticate the construction process, the Group is promoting DX and BIM, which connect the entire process with centralized data. This is intended to eliminate the conventional manual exchange of data among each of the processes of design, manufacturing, construction and management, optimize the entire process, and improve productivity.





BIM model image

## Main approach

### Efforts to create a system for innovation

On the 8th floor of the Umeda Campus of the Osaka Institute of Technology, just walking distance from Umeda Station in Osaka, we have been participating in the “City Open Innovation Base Xport (cross port)” program established by the Osaka Chamber of Commerce, and continue to host the new business development program, “Future Labo.” This program is a vehicle with which we use to draft and promote specific business projects. Alongside our goal of providing acceleration support* and capital investment for venture companies, we have cooperated with large companies that focus on technology and research by forming alliances, and create ideas that utilize the knowledge of universities and other research institutions. We strive to create an innovative business that cannot be achieved with just our own resources, but in cooperation with external partners.

In addition, we see this place as a venue that functions as a hub platform that fosters students’ flexible ideas and works to incubate facilities inside and outside Japan to create communication networks. From January 2021, “Daiwa House Future Labo,” our Open Innovation Program, started to solicit ideas themed on “new, innovative ideas for achieving local revitalization and redevelopment of towns and future.” Many of the suburban housing complexes that we developed nationwide in the period of high economic growth are now facing various issues after more than 40 years. To redevelop these towns to see them thrive once again, we are currently engaged in the Livness Town Project together with the residents. We are also looking to receive ideas to accelerate this project.

大和ハウス工業 オープンイノベーション

Build the Future.

築こう、未来を。



Internal view of the Xport

The company will continue creating a system to actively promote alliances with external partners, which serves as an innovation base to solve challenges facing society.

* This program accelerates business creation and the growth process at the initial stages.

Our Group official website Open Innovation Program (Japanese text only) https://www.daiwahouse.com/open_innovation/

### Major business collaborations and validation experiments to create a system for innovation

| | Alliance partners | Details | Related website (Japanese text only) |
|---|---|---|---|
| 1 | NEC Corporation | Collaboration in digitalization of construction sites and validation experiment of remote construction management | https://www.daiwahouse.com/about/release/house/20200930114332.html |
| 2 | Autodesk Inc. | Execution of MOU on strategic alliance in accelerating digital transformation initiatives | https://www.daiwahouse.com/about/release/house/20200930151602.html |
| 3 | TOPCON CORPORATION | Execution of LOI to realize digital construction | https://www.daiwahouse.com/about/release/house/20201125163700.html |

### Major efforts toward solving social issues

| | Social issues | Details | Related website (Japanese text only) |
|---|---|---|---|
| 1 | Measures against the COVID-19 infections | At a logistics facility, started a validation experiment of automatic detection powered by image analysis AI as to whether the facility users are wearing masks, as well as the degree of congestion at an on-site cafeteria, using the images sent from cameras installed within the facility | https://www.daiwahouse.com/about/release/house/20201203093947.html |
| 2 | Securing means of transportation for the elderly in local communities | Started a validation using WHILL, a near-field personal mobility device | https://www.daiwahouse.com/about/release/house/20201030093413.html |

## Issue 2 | Promote social inclusion in real estate development

### Basic Policy and Concept

The Daiwa House Group, as a Group that co-creates value for individuals, communities, and lifestyles, aims for sustainable development of business through interactions with customers and local community consisting of local people, local business partners, local governments, and local companies.

Expanding economic disparity driving an increase in poverty rates, regional depopulation, super aging in urban areas and other social problems impacting communities must be solved. This is our belief, and for that reason we are aggressively taking action for inclusion and consideration to communities as we undertake “community development.”

For new real estate development projects, guided by a vision“Community value into the future,” we are tackling social issues by capitalizing on our strength of having a wide range of business domains, under our “Community Development Vision,” in order to carry out our mission of “Working together for Design & Management” with local communities. Under our Social Medium-Term Plan (Endless Social Program 2021), our goal is to expand our “Community Development Vision” into urban development and large-scale construction, and to introduce broad “inclusive design” concepts to all development processes. For this purpose, we are building a system of cooperation between the Sustainable Community Development Promotion Committee and Business Investments Committee.

Aging and depopulation are recognized as issues faced by existing residential districts. In the Livness Town Project to address these issues, we are working to redevelop Neopolis housing complexes that were initially developed by the company. Aspiring to redefine the appeal of towns with redevelopment, we established Livness Town Business Promotion Department to facilitate the project for Neopolis sites across the nation.

In developing businesses in coordination with local communities, the company has signed agreements with administrative agencies for cooperation during disasters and other agreements for sustainable community development, working to resolve social issues together with local communities.

In this way, we will work to facilitate inclusive and sustainable community development together with local residents so that community and property values rise rather than fall into the future.

### Management

#### Community development led by Sustainable Community Development Promotion Committee

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 Managing Executive Officer and works closely with related departments and Group companies.

The Sustainable Community Development Promotion Committee has arranged a relationship between their Community Development Vision and the 17 Sustainable Development Goals, and shared it with Group companies. For new real estate development projects that are subject to review by the Business Investments Committee, we are building a system to check their state of compliance with “Community Development Vision.” By creating this system, it will be possible to evaluate the impact the real estate development business has on society and the environment.

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 a land readjustment project, an urban redevelopment project or any number of formats we handle. We also work with local governments and other organizations on forming communities in newly developed residential districts, while promoting the Livness Town Project to redefine the appeal of existing residential districts by resolving issues faced by them, and Livness Forest Project, an initiative to rebuild relations amongst owners of forest-side towns.

#### Building a system to promote Livness Town Project

The company has been engaged in the Livness Town Project to redevelop Neopolis since fiscal 2019. To press forward with the project across the nation, Livness Town Business Promotion Department was established in 2021. By re-tilling, rather than revitalizing, Neopolis sites, which we see as a responsibility we must bear as a developer of these towns, we promote initiatives that help resolve issues faced by local communities, such as a declining birthrate and an aging population, an increase of vulnerable road users, weakened connections in communities, and an increase in unoccupied houses.

## Deliberation by Business Investments Committee

The Business Investments Committee is an organ that evaluates and deliberates the feasibility and risk of the real estate development projects and other business investments that are significant for the company. For real estate development projects, a hurdle rate is set to IRR. If the IRR exceeds the standard, a resolution to execute investment is adopted. At the same time, the Committee conducts multidimensional risk assessment (16 departments, 26 items), including ESG, such as whether or not the execution of investment is consistent with management philosophy, management strategy and brand image of our company, legal risks, soil and underground water contamination, ground risks, disaster risks (flooding, other), environmental issues and appropriateness of construction cost. So even if an investment project clears the condition in the economic viewpoint, execution of this investment differs substantially from what we aspire to be, or our vision, exerts great influence on the environment or in other cases, such investment is not approved. We also conduct periodic revisions to risk assessment items. The same evaluation method is applied to other business investments.

■ Risk assessment for investment decision (for real estate development projects)

[Economic risk assessment]
· Setting of hurdle rate to IRR*

* Set based on the WACC (weighted average of shareholder's equity cost and liability cost) standard with risk premium and other factors added

+

[Multidimensional risk assessment (16 departments, 26 items)]
· Consistency with management philosophy, management strategy and brand image
· Legal risk
· Impact on the environment, including soil/underground water Contamination, ground risks, disaster risks (flooding, other) and environmental problems.
· Appropriateness of construction cost, etc.

P058 Prevention of soil contamination
P153 Business Investments Committee

## Managing relationship-building with local communities in redevelopment projects

As our redevelopment projects, in many cases, go hand in hand with the Land Readjustment Project and the Urban Redevelopment Project as our business method, we need to discuss the revitalization of the community and community issues with the leading actors of local communities, propose plans that can offer solutions to said issues, form consensus and establish an association to promote the projects as association projects. It is therefore important to fully communicate with landowners as association members and neighboring people in each stage. In Land Readjustment Projects, there are many cases in which we fully take charge of the readjustment associations' responsibilities and we have formulated a flow that checks what was agreed on regarding project management with the readjustment associations in order to clarify the project processes.

## Consideration to Creating Comfortable Lives with Urban Development Projects

Our company regulations for designing in our urban development projects oblige us to pay consideration to creating comfortable lives, which policy is applicable to all properties. Specifically, the regulations call for designing pedestrians' traffic lines to traffic facilities (stations, bus stops, etc.) as well as to particular facilities (medical and public services, commercial facilities, business hubs and other central locations in the area) and, with housing and city blocks taken into account.

Under the concept, "Friendly Design" based on universal design, we develop and design housing products so that diverse people including the elderly, children, and people with disabilities can build a comfortable life. In our urban development projects, we have the policy of making the main traffic lines such as the traffic line to traffic facilities barrier-free as a company regulation, promoting community development that enables diverse people to enjoy a comfortable life.

## Main approach

## Local revitalization through land readjustment projects and urban redevelopment projects

A land readjustment project is intended to develop and improve public facilities such as roads, parks, rivers, readjust land, and promote housing land utilization. Based on the general contract with land readjustment associations organized by local people, the Daiwa House Group participates in the management of the associations' projects, going ahead with the project smoothly by securing business feasibility through acquisition of reservation land. With local people's requests in mind, we are engaging in land utilization and facility construction according to local situations. Specifically, we are developing public facilities such as roads and parks, and reforming land that is poorly connected with roads or whose form is bad. We maintain the land so it can be used efficiently and adjust the usage of the land and construct buildings according to the community.

In the land readjustment project for Kitajimahigashi, Kadoma City of Osaka Prefecture, we planted some 70 cherry trees along the river around the area, forming a row of cherry trees with those along the adjacent Sunago Water Canal (named second "hundred election of Osaka green"). We are supporting the local row of cherry trees preservation association's activities.

The Urban Redevelopment Project seamlessly and comprehensively develops buildings, premises, and public facilities in existing urban areas. The Daiwa House Group participates in projects from the position of entrusted operators for specific businesses, participating association members, and reserve for space acquisition, to promote housing supply in urban areas.

Through housing and industrial land readjustment projects and urban redevelopment projects, our Group creates new housing and employment and contributes to local revitalization.

We have participated in a total of 23 projects (including those ongoing) from 2018, 8 land readjustment projects as an entrusted operator (including those planned for the future) and 15 of our own urban redevelopment projects. We have supplied 2,312 houses through these projects (including those to be provided in the future).

## Communication with tenants of facilities and local citizens

Based on the philosophy of community co-creation, and as a responsible corporate citizen, the Group aims at building a society in which every person can enjoy true abundance, always striving to achieve and maintain great harmony with local communities. To this end, we are promoting community development primarily at multi-purpose commercial facilities developed by our Group companies nationwide, in cooperation with tenants and local citizens.

A Group company Daiwa Lease is working to revitalize and add vigor to local communities through cooperation with local citizens and NPOs, while resolving various issues faced by society, such as a declining birthrate and an aging population, depopulation, and weakening personal connections.

### Case report: Smile Action

Smile Action is a collective term for the social and local contribution initiatives planned and implemented by Daiwa Lease. With "Creating the chain of smiles" as a slogan, and in cooperation with tenants and local citizens, Daiwa Lease is promoting various activities at multi-purpose commercial facilities it operates, in order to contribute to local communities, environment and society.

By inviting customers to drop in and join the activities while shopping, the Action is intended to make a commercial facility a member of the community in which it operates.




Four categories of Smile Action

1. "Local contribution" including community cleanup, provision of venues for local activity groups to make presentations, and local exchange and revitalization such as work experience programs for students
2. "Social contribution" to support activities tackling social issues at home and abroad, including blood donation and charities
3. "Ecological activities" that contribute to a society committed to recycling by promoting 3R activities, such as BRING project to collect used clothing, and installation of Ecospo unmanned booths to collect waste paper
4. "Reconstruction support" provided to the areas affected by the Great East Japan Earthquake, Kumamoto Earthquakes and others across the nation, through which we pass on the significance of assistance to these areas as well as disaster preparedness

Daiwa Lease Co., Ltd. official website Contribution to local communities (Japanese text only) https://www.daiwalease.co.jp/corporate/sustainability/soc_local.html

## Promote execution of cooperation agreements with authorities

The company is promoting initiatives for sustainable community development together with local governments, while resolving issues faced by communities. This includes agreements for cooperation during disasters with local governments upon developing new real estate projects, and agreements with the governments of towns in which Neopolis residential districts are located. Disaster cooperation agreements we sign upon construction of logistics facilities stipulate that we provide evacuation shelters and temporary storage of supplies. At Miki in Hyogo Prefecture and Yokohama in Kanagawa Prefecture that are home to Neopolis sites, we hold events and workshops to realize "Communities where people can reside for a long period" pursuant to the cooperation agreements.

■ Examples of cooperation agreements signed with local governments after 2020

| | Signed in | Local governments | Contents of agreements |
|---|---|---|---|
| Agreements relating to new real estate development projects (logistics facilities) | February 2021 | Kitakami City, Iwate Prefecture | Agreement on cooperation for storage of emergency provisions during earthquakes and other disasters |
| | January 2021 | Akaiwa City, Okayama Prefecture | Agreement on support and cooperation during disasters |
| | December 2020 | Tosu City, Saga Prefecture | Agreement on support for civic life during earthquakes and other disasters |
| | November 2020 | Nagareyama City, Chiba Prefecture | Agreement on the use as a temporary evacuation shelter during disasters |
| | July 2020 | Hanamaki City, Iwate Prefecture | Agreement on cooperation for storage of emergency provisions during earthquakes and other disasters |
| | July 2020 | Kuwana City, Mie Prefecture | Agreement on support for civic life during earthquakes and other disasters |
| | June 2020 | Fuji City, Shizuoka Prefecture | Agreement on support for civic life during earthquakes and other disasters |
| | March 2020 | Kakegawa City, Shizuoka Prefecture | Kakegawa Disaster Prevention Partnership Agreement |
| Agreements with the governments of cities with Neopolis | February 2020 | Miki City, Hyogo Prefecture | Agreement on cooperation for the promotion of "Communities where people can reside for a long period" |
| | January 2020 | Yokohama City, Kanagawa Prefecture | Agreement on cooperation for sustainable community development of suburban housing complexes |

## Promoting *Ko "Re"kara City*

*Ko "Re"kara City* is a housing development we are pursuing with"3 Rs" as its concept, which are Reality, Renewable energy and Resilience. One such example is the Funabashi Grand Oasis completed in March 2021, which is a mixed-purpose development using an old factory site, that offers five applications: condominiums, rental condominiums, rental apartments, single-family houses, and commercial facilities. Creating district plans to limit building height and provide greening with consideration to the environment and the landscape, some vacant lots and sites were developed as greenways to form pedestrian routes with convenience and safe networks. The landscape was designed with the streetscape taken into account. We achieved a town using 100% renewable energy (an RE100 town) through the energy efficiency of the individual buildings and by ensuring that all electricity supplied from outside the town is certified as non-fossil fuel-derived. A single residents' association will be formed for the entire town, including both commercial facilities and rental housings, to encourage interaction among the local residents. We are helping them to build a community such as through holding events prior to their move-in.

## Community engagement in urban development

From fiscal 2018 to 2020, we implemented community engagement programs for 11* urban development projects that, in terms of area, accounted for a total of 560,772 m². As key components of these community engagement programs, we formulated "Community Development Guidelines", assisted residents in forming and activating community associations, built assembly halls and supported interactive events amongst residents and neighbors, and built systems to finance community management with proceeds made from renewable energy sales.

* 10-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.

■ Examples of community engagement

| Subdivision | Location | Developed area | Lots | Noteworthy measures |
|---|---|---|---|---|
| Tsumugi terracia | Okazaki City, Aichi | 142,578 m² | Single-family houses: 357<br>Commercial facilities: 2<br>Medical care and welfare facility: 1 | · In order to build sustainable communities, we are placing residential area club houses in central urban districts to act as interactive hubs for residents, commercial facilities, and medical care and welfare facilities.<br>· Permanent administrators are placed in residential area club houses to be available at all times, to encourage community building. They are equipped with minimal disaster preparedness functions to act as an aid site for residents in case of a disaster.<br>· The residential area club houses are run, maintained, and managed by a community association formed of local residents.<br>· The Community Development Committee was formed as a town management organization where residents, commercial facilities, and medical care and welfare facilities can participate, to help integrate towns.<br>· District plans and Community Development Guidelines are enacted to maintain pleasant landscapes and living environments. |
| SECUREA Beppu Yamanote Academia Hills | Beppu City, Oita Prefecture | 11,890 m² | Single-family houses: 51 | · A single residents' association will be formed, which will promote regional cooperation in coordination with existing associations.<br>· Prepare for disasters throughout the town with Kamado benches (bench that can be used as a stove), manhole toilets, and other emergency provisions to offer a sense of security.<br>· Installed security cameras to deter crimes and offer a sense of security.<br>· Hold disaster drills and other events to form connections between residents.<br>· Secured pedestrians' traffic lines to facilitate access to and from an adjacent riverside promenade and create opportunities for walking and other exercises. |
| Royal City Aso Ichinomiya Resort ASONOHARA | Aso City, Kumamoto | 49,177 m² | 29 | · Development of the first new block in around ten years for the Forest Housing Business. In the surrounding undeveloped area we are enhancing the environment of the coniferous forest and forming grassland from the wilderness.<br>· Buildings are placed to ensure a decent interval between them, and with onsite verification the plan allows a view of the nearby five peaks of Mount Aso from any of the residences. The existing topography is used to form boundaries for the plots.<br>· No utility poles are placed in the residential area, out of consideration for the landscape and safety. Lighting products are selected to not detract from the view of the night sky.<br>· We conduct ecosystem inspections and follow the advice of natural environmental consultants to decide which trees to plant and how to manage them.<br>· Establishment of the Environmental Preservation Rules. Areas next to the road on housing sites will be recreated as green fields, to create grassland holiday homes.<br>· Gained two environmental certifications: the Japan Habitat Evaluation and Certification Program (JHEP), a first for Daiwa House, and Association for Business Innovation in harmony with Nature and Community (ABINC).<br>· Continue holding monitoring and interviews with experts after the completion. Engage in efforts to recreate the historical unique grassland environment of Mount Aso through involvement with the local Grassland Restoration Committee and with local residents. |

## All new single-family houses will have the "Housing Removal Support Eligible Housing System (Flat Rate Guaranteed Rent System)"

From December 20, 2016, as an industry first effort, we applied the "Housing Removal Support Eligible Housing System (Fixed Rent Guarantee)" to all newly constructed single-family houses*1. As a result of this, the minimum rent income*2 for "home rental system" residences that are eligible for the "Fixed Rent Guarantee" as certified by Japan Trans-housing Institute (JTI) will be guaranteed for the first 50 years after construction. Furthermore, after 50 years, the minimum rent income guarantee will finish but life-long rental is still available.

As a result, the building owners can expect stable rent and it is possible for the tenants to rent houses with cheaper rents than the surrounding market. Regardless of age*3, customers who purchased our new single-family houses and were issued a certificate of eligibility, as well as customers with newly built homes that are currently being lived in, can use this system in a variety of situations in the child-raising generation such as when they want to move into a bigger house or when the senior generation wants to relocate to the suburbs from the urban area. In addition to the merits of both the senior generation and the child-raising generation, this system also has social significance as a property of society because it utilizes houses that no longer meet people's lifestyles without letting them become unoccupied homes.

*1 Depending on the area and the condition of the property etc, the house may not be eligible.
*2 Depends on the region.
*3 Normally, for applying the JTI system, persons 50 years and older are eligible but at Daiwa House Industry we allow the use by anyone regardless of age.

## Advanced examples of social inclusion

| Subdivision | Value we provide*1 | Noteworthy measures |
|---|---|---|
| Funabashi Grand Oasis | · Countermeasure and response to disasters<br>· Connections between people<br>· Community independence<br>· Efficient use of energy<br>· Harmony with regional characteristics | · Mixed-purpose development using the site of a former plant to form five applications: condominiums, rental condominiums, rental apartments, single-family houses, and commercial facilities.<br>· Creating district plans to limit building height and provide greening with consideration to the environment and the landscape, and developing some parts of vacant land and sites as greenways to form pedestrian routes for convenient and safe networks. Formulating plans for roadside trees and parks based on landscape design with consideration to the look of the town.<br>· Achieve a town using 100% renewable energy (an RE100 town) through the energy efficiency of the individual buildings and ensuring all electricity supplied from outside the town is certified as non-fossil fuel-derived.<br>· All single-family houses are equipped with solar power cells and household lithium-ion batteries. Power interchange between grids of five or six houses give greater efficiency to power consumption and energy within the block.<br>· To give the single-family housing blocks a totally coordinated look with verdant greenery, we formulated the Community Development Guidelines pertaining to planning of outer structures and shrubs, trees, and other plants.<br>· Playground equipment to enhance health is placed in the park, helping local residents improve their fitness.<br>· A single residents' association will be formed for the entire town, including both commercial facilities and rental housings, to encourage interaction among the local residents, helping to build a community such as through holding events prior to moving in. |
| SECUREA City Fujisawa Tsubasa-no-Oka | · Efficient use of energy<br>· Harmony with the natural environment<br>· Countermeasure and response to disasters<br>· Maintaining and improving health<br>· Solving administrative issues<br>· Connections between people | · The project was a proposal for the purchase of the high school ruins from the local government and it was handed over including the existing school buildings. The school site was opened to the alumni for a farewell party before dismantling began and commemorative stone monuments, clocks, stone works and some trees were transferred and reused in the development area.<br>· In line with development, we built a Local Exchange Center in the city to serve as a base for local exchange and donated it to Fujisawa City.<br>· All single-family houses will be equipped with a solar power generation system, lithium ion batteries and fuel cells for home use and the visualization of household energy etc. will be implemented using our proprietary energy management system D-HEMS III.<br>· With consideration for the environment and landscape, we decided a district plan to limit the height of buildings and the rate of greening. Many local shrubs, medium-sized trees and tall trees from Fujisawa City were used and "Community Development Guidelines" for the sake of protecting greening were formulated.<br>· In addition to installing "Kamado benches (benches that can be used as an stove)" and "Disaster prevention wells" on the premises to be utilized in time of disasters, we worked on safe and secure community development and also set up playground equipment that will be useful to maintaining health within the park and have implemented a health check system utilizing IoT technology that can be done at every door to serve as an opportunity to promote health within residents. Also, in addition to residents being able to use IoT to record daily activity data through wearable to promote health along with being able to measure endurance, we plan to introduce a service that uses and analyzes AI data to create and recommend a training regime that is customized for each resident.<br>· Certified as an Environmentally Symbiotic City Planning Project based on the Center of the Prefecture and Shonan Urban Area Environmentally Symbiotic Model City Planning Promotion Guidelines, a support system of Kanagawa Prefecture.<br>· We built an authorized nursery school and cooperated with Fujisawa City to invite social welfare corporations to contribute to bettering the local child care environment for preschool children.<br>· We have contributed to local child care through developing public interest sites and restoring them to Fujisawa City as well as transferring existing childcare facilities within the school district to the control of Fujisawa City.<br>· We have set up a gathering center as a base for exchange, disaster prevention and health enhancement and we will install a delivery box and security cameras. |
| Kamigo Neopolis (Livness Town Project) *2 | · Connections between people<br>· Solving administrative issues<br>· Creation of local employment<br>· Community independence | · After beginning to exchange opinions with residents in 2014, in 2015 the "Kamigo Neopolis Community Development Committee" was launched as part of the residents' association.<br>· In 2016 the company signed a community development agreement with the residents' association, to launch the "Kamigo Neopolis Community Development Council" with involvement from experts from Meiji University and the University of Tokyo, and the elderly residents' association.<br>· In the first awareness survey conducted in January 2017 issues such as shopping and transportation inconvenience and watching over and mutual support for the elderly were identified, so formulation of a plan for a community center was started. As a result of ongoing cooperation with Yokohama City and other members for construction of the community center, "Noshichiri Terrace" was developed as a convenience store doubling as a community facility.<br>· Introduced new services such as rice delivery and sale of locally grown vegetables in response to the residents' needs. Advanced mobility devices are in use on a trial basis. In lieu of the annual summer festival which was canceled on account of the COVID-19 pandemic, a Whole Town Tanabata Star Festival was held in August 2020 with due considerations to safety, seeking to strengthen bonds among residents and revitalize the community.<br>· In January 2020, we signed with Yokohama City an Agreement on Cooperation for Sustainable Community Development in Suburban Housing Complexes. Based on the agreement, an MOU on Validation Experiment for Creating Workplaces was concluded in February 2021. Following the execution of an MOU on specific initiatives for promoting the said Agreement with the local government in January 2021, efforts will be made to set up a point of contacts for consultation and to hold lecture meetings and workshops rooted in everyday life. |
| Miki Midorigaoka Neopolis (Livness Town Project) *2 | · Sustainable future planning<br>· Connections between people and community<br>· Maintaining and improving health<br>· Improving usability<br>· Creation of local employment | · In March 2017, following the launch of the "Suburban Housing Complex Lifestyle Study Group" as a collaborative effort of industry, government, academia and consumers to exchange opinions with local residents, we founded the "Town Promotion Mechanism Association of Active Life, Miki City" as a collaborative effort of industry, government, academia and consumers.<br>· Government and Daiwa House Industry are mainly running the organization in cooperation with universities and private companies to promote the organization's activities. In addition, we have organized a management council for the organization of local community associations and NPOs, sharing and checking the organization's activities with the local community.<br>· In April 2017, we opened a satellite station utilizing vacant stores in the shopping street to promote communication with the local community such as dialog with local residents, healthcare events for the elderly, events local children can enjoy as well as to publicize the organization's activities. We also provide opportunities for employment to local residents as a crowdsourcing activity center introducing a team system. (Closed in March 2021)<br>· In fiscal 2019, as the first part of the New Town Regeneration Project, we conducted three validation tests for suburban housing complex redevelopment: community mobility services using self-driving (movement and delivery support), development of employment environments for the elderly and people with disabilities through crowdsourcing (new ways to work), and preventing worsening of high blood pressure (health monitoring). The validation tests are intended to foster ties with the community. We also conducted a workshop on community development leveraging ICT at a high school located in the Neopolis, to ascertain problems in the community and disseminate the efforts undertaken by the company.<br>· In fiscal 2020, we held a workshop themed on "Creating communities where people can reside for a long period," inviting the university students and local residents as part of a class at a university located in the Neopolis.<br>· In fiscal 2021, a community center is being established by renovating an old house of 46 years old (slated for completion in May). The center will serve as a place where residents of multiple generations can form a community and interact with each other. We are exchanging opinions with residents on events to take place at the center to revitalize the community, as well as methods for the operation. |

*1 "The value we provide" corresponds to each element of the 8 Hearts of the Community Development Vision of the Daiwa House Group.

Our Group official website Community Development Vision https://www.daiwahouse.com/English/about/community/vision/

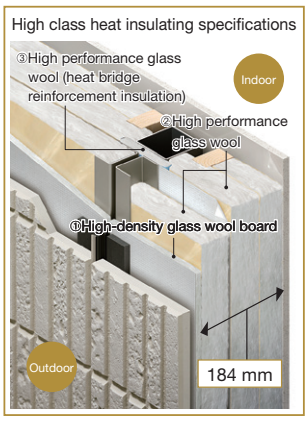
*2 The Livness town projects are redeveloping existing suburban housing complexes developed from the 1970s.
The basic policy of our Livness town projects is to develop communities centered on local residents through dialog with them.

Our Group official website Livness town projects (as of July 31, 2019) (Japanese text only) https://www.daiwahouse.co.jp/jujitsu/report/jimukyoku_1901.html

# Developing long lasting, safe and secure products

## Management

The company is developing products that can offer to customers safety and peace of mind for a long term. Setting earthquake countermeasures for buildings as one of the priority implementation categories in particular, and based on the knowledge and lessons learned from recent large-scale earthquakes, we are continuously reviewing specifications for seismic resistance ability, materials and equipment. We also focus on measures against the permeation of humidity and rainwater, which can lead to building corrosion.



* For “xevo Σ”

## Main approach

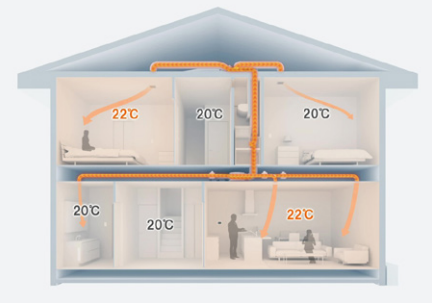
### External thermal ventilation wall for extended service life of houses

Daiwa House Industry has developed an external thermal ventilation wall for single-family houses that has exceptional insulation, durability, condensation- and moisture-blocking performance inside the wall to prevent structural deterioration. We have been actively using this wall since 2005. Using this external thermal ventilation wall improves the condensation and moisture blocking performance inside the wall and prevents deterioration of the structure. Improving the durability of a housing unit improves its safety and maximizes its service life.

### Research on product safety

We are pursuing research and development on healthy and comfortable living environments that minimize the risk of heat shock*1 and other symptoms and improve the air quality by reducing drastic temperature changes in a house and by mitigating airborne contaminants such as pollen and PM2.5. Generally, when a living room has an air conditioner installed, the temperature difference between the living room and a non-airconditioned room such as a bathroom can be as much as 6 to 8°C. The temperature difference is so large that a rapid drop in temperature when moving from a warm room to a cold room can cause a rapid change in blood pressure or pulse, which can be hard on the body. Elderly people in particular, and individuals with high blood pressure, are susceptible to stroke under such circumstances, which can lead to death in the home.

One solution to reduce the temperature differences that can seriously affect people’s health and life in a house is to have an air conditioning system that covers the entire home. However, that would require a machine room for the air-conditioning equipment alone. Also, it takes more energy to maintain a fixed temperature throughout an entire house.



Air Healing in operation at heating mode in winter

To reduce the temperature difference between rooms and minimize the cause of heat shock, we developed Air Healing, a central air conditioning system that can keep the house air clean all year round. Air Healing not only maintains a fixed temperature throughout an entire house, but it also controls air volume and adjusts temperatures by room, lowers the indoor temperature when no one is present, and can eliminate wasteful use by room. This has reduced its power consumption to a level that is consumed by an air conditioner in intermittent operation*2 installed at a heat-insulated housing that meets new energy efficiency standards. Also, with high efficiency particulate air filters*3 equipped within the blower unit, the conditioning system removes pollen and other airborne pollutants in a house. In general, an ordinary central air conditioning system is not in use in the pollen seasons of spring and autumn, which leaves the residents with air quality problem. Equipping our Air Healing with air circulation functions, it can be used during these seasons as well, ensuring that it keeps the air of an entire house clean throughout the year. Going forward, we plan to continue engaging in R&D to help customers lead healthier, more comfortable lives in energy-saving living environments.

*1 The effect of a rapid change in blood pressure and pulse on the body due to sudden temperature change
*2 Operation method to heat or cool a room only when the residents are in the room
*3 An air filter that can remove at least 99.97% of airborne particles with a size of 0.3 microns (μm)

### Earthquake countermeasures

#### Developing houses resilient to repeated earthquakes

Prior to the Great East Japan Earthquake in 2011 we built houses primarily 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.

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

The anti-seismic ∑-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-N∑QST (pronounced “D-next”) anti-seismic walls are standard equipment in Daiwa House Industry’s xevo ∑ (“xevo-sigma”) single-family house brand. This seismic-resistant house, designed to withstand a massive earthquake with strong recurring aftershocks, minimizes quake damage.


Energy-absorbing anti-seismic wall: D-N∑QST

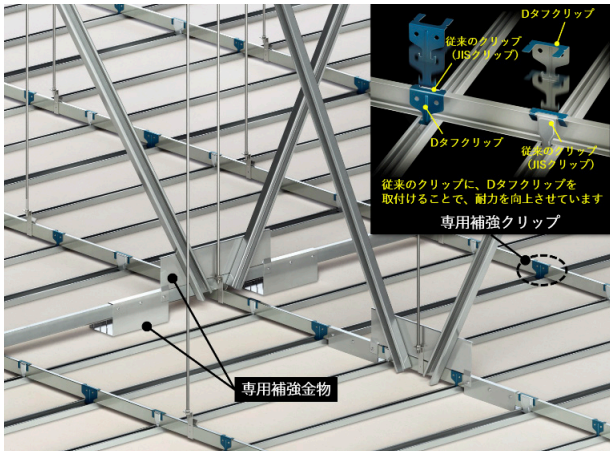
P041 Creating Business Opportunities in Anticipation of Physical Changes: The Anti-Disaster House

### Seismic-resistant suspended ceiling for commercial facilities and offices

Massive earthquakes such as the Great East Japan Earthquake and the Kumamoto Earthquakes have caused significant damages to many buildings not only in columns and beams and other structural members, but also in non-structural parts such as ceilings. Among these, suspended ceilings* that had been widely adopted to the buildings of commercial facilities and offices have seen collapses due to unfastened clips or distorted components, which made the continuous use of these buildings difficult.

To mitigate the damages of earthquakes, the company developed D Tough Ceiling, a seismic-resistant suspended ceiling that reduces the risk of ceiling collapses.

Given the concerns about the occurrence of large earthquakes, the company is proposing to customers “safe and secure” buildings with the use of D Tough Ceiling for commercial facilities and offices with consideration to business continuity and early restoration in the time of emergency.



D Tough Ceiling

* A ceiling system composed of a panel and ceiling grids that support it, which are suspended with fixing brackets

## Developing products to solve challenges facing society

### Main approach

### Developing and providing products to solve challenges facing society

### “Kaji (Chore) Share House”

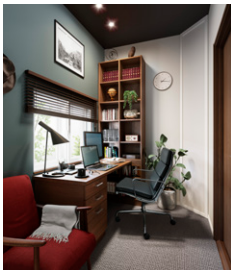
Daiwa House Industry offers housing design for single-family houses that makes it easier for household chores to be shared, as both the husband and wife are working in more households today. The layout and design ideas incorporated into the “Kaji (Chore) Share House” are aimed at reducing the burden of housework by making it easy for everyone in the house to do chores. The sharing of housework with men doing the chores has become more prevalent. Still, the average amount of time men spend per day on housework in Japan is 28 minutes, less than one fourth* the time spent by their counterparts in the United States, Germany, and Sweden. Many consider such little help to be 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 questionnaire survey. The questionnaire found not only that women do far more housework than men, but that a gender gap in the view of housework 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” and have been selling these specially designed houses with well-considered layout and unique design ideas throughout Japan.

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

### Teleworking style to support working from home

Flexibility and diversity are being promoted in the way people work. To address the increasing demand for a dedicated space to facilitate working at home, we are proposing a teleworking space for comfortable remote working that incorporates our proprietary know-how.

One such product is “Comfortable workplace,” a closed space in which a user can concentrate on work without being bothered by outside noise or worrying about information security. The product is based on technologies used for “Kanaderu Ie,” a sound proof room developed by the company. Other products include “Connecting work pit,” a semi-closed space that is connected to a living room for efficiently balancing work, housework and childcare, and “Multi-space Type” to utilize dead space under stairs. In this way, our lineup provides a teleworking space tailored to the way each of customers live.


Comfortable workplace

### Assisting suits reducing burden of standing work in factory

“Archelis FX,” a power assisting suit for reducing the burden of standing work at factory, is being introduced in steps from October 13, 2020 to the nine factories of Daiwa House Industry nationwide.

Our Group official website Intellectual property strategy
https://www.daiwahouse.com/sustainable/csr/pdfs/2021/en_soc_IP.pdf


Assisting suits “Archelis FX”

Contributions to SDGs




# 2 Human resources base

## Steers our sustainable development in directions that carry on our founder's spirit

[Policy] Build an organization with a diversified motivated workforce that retains the young people it develops

## Policy and Concept

### Megatrends that Impact Bases

- Shrinking population, aging of society, shrinking workforce
- Advancing development and deployment of AI (artificial intelligence) and automation
- Shifting of workforce core to Millennials and members of Gen Z
- Widening of educational gaps

### Social issues

With rapid aging of Japanese society, the shrinking of Japan's labor force is a major headache for human resources departments. This is especially true in labor-intensive sectors, which already anticipate difficulty in being able to continue getting their work done with the same worker numbers as in the past.

Meanwhile, rapid advances in ICT are accelerating the practical deployment of AI and other technologies like IoT and robotics.

As exemplified by the emergence of self-driving cars, their increasing deployment will likely drive greater automation of tasks and workload reduction as computers and robots take over tasks performed by humans.

Parallel to these developments, two younger generations—Millennials and Generation Z (Gen Z)—will start making up the core of the labor force. Members of these demographics grew up with ICT, and using social media to interact with others is routine for them. They also tend to value work–life balance, and because they are more open to diverse values, moves are afoot around the world to entrench inclusiveness—practices conducive to maximizing the capabilities of organizations and the individuals who work in them.

### Risks and opportunities for the Daiwa House Group and its responses

Ever since its founding, the Daiwa House Group has hired and trained people on the conviction that human resources underpin the enterprise. And we believe that, for us in construction and real estate—both new idea-generating sectors, human resources of excellence are pivotal to further development of our business model.

However, Japan's shrinking working population makes it harder to find the people businesses need to expand, with negative implications for the human resources the Group has always considered an indispensable strength. To adapt, we seek to demonstrate, in a contemporarily appropriate manner, the Founder's spirit of treasuring our human resources in a bid to provide personally rewarding workplaces.

As part of this, we want to promote/advance/progress/ diversity & inclusion, practices for prizing employees' individuality, from the very top down to the frontlines of our organization. In that context, we will continue focusing on acquiring, training, effectively deploying, and recognizing people able to adapt to social change. With this approach we intend to shore up our human resources, the foundation that bestows a competitive edge we want to remain constant regardless of progress in ICT and automation and reductions in labor intensiveness.

## Road Map to Achieving Endless Social Program 2021

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)**<br>Promote changes to workplace environments that allow all our employees to both "maximize the results of their work" and "maintain their mental/physical health and safety," in line with Corporate Creed and SDG No. 8 "Decent Work and Economic Growth."<br>* Any and all changes are premised on the importance that our founder placed on the private lives of employees and the right to develop through one's job, as well as the type of human resource the group seeks. | Improvement in "motivation" of entire workforce<br>71% | 80% |

* Calculated based on question about "motivation" on a sustainability survey.

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|

### Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)

Design human resource development and recruitment programs from a long-term perspective (what will be needed in 2030/2055), with the founder's spirit, the values espoused in our Corporate Creed and our business models as an underlying basis.

Prepare training, hiring and work environments based on the fact that millennials will hold midlevel staff and managerial positions, and the bulk of new recruits will be of Generation Z age.

Moreover, build systems that allow senior employees, which represent a growing share of the workforce, to continue to exhibit their skills.

Retention rate of young employees (3 years after joining the company)

| FY 2020 results | FY 2021 targets |
|---|---|
| 78.6% | 90% or higher |

### Issue 5: Promote diversity and inclusion

Respect the diversity (race, nationality, ethnicity, gender, sexual orientation, gender identity, handicapped or not, age, faith, social status, etc.) of our employees and build workplace environments where diverse employees are motivated and can demonstrate their abilities.

Apply diversity and inclusion concepts to managing operations, decision-making processes and all functions (positions) in order to conceive new ideas for products, services and other processes, and foresee risks from diverse angles.

General indices for diversity and inclusion

| | FY 2020 results | FY 2021 targets |
|---|---|---|
| ① | 4.5% | Percentage of women managers 5% |
| ② | 21.5% | Percentage of line leaders amongst women managers 40% |
| ③ | 4.9% | Percentage of women engineers 6% |
| ④ | 9.9% | Percentage of women sales reps 13% |
| ⑤ | 23.5% | Percentage of women amongst new college recruits 30% |
| | * Results for April 1, 2021 | * Targeted for April 1, 2022 |

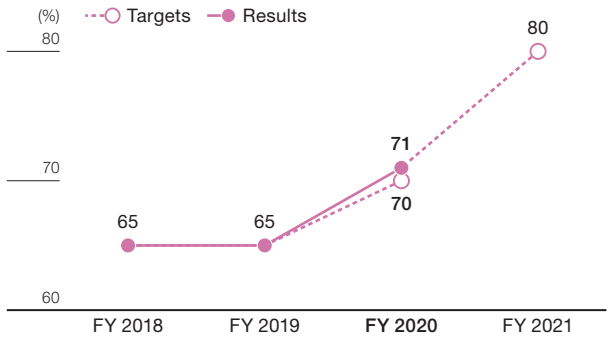
## Fiscal 2020 Overview of "Endless Social Program 2021"

### Issue 3: Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)

In fiscal 2020, work style reform concentrated on identifying problems in current methods and exploring new ways of working conducive making work gratifying and a source of joy. Efforts focused on fostering three major outcomes: work environments conducive to trust in the company, pride in work, and solidarity with colleagues. For example, we surveyed employees about the scheme for assessing contributions to achieving organizational goals and how benchmarks they are happy with are assessed, then used the post-analysis results to examine them more closely. Other objectives included promoting employees' health and safety and encouraging health-oriented business practices and entailed training on "line care" for managers and self-care for young employees.

In fiscal 2020, 71% of employees report feeling motivated because their work is gratifying, and this result was on target. Given the multiplicity of business- and job-specific issues that need addressing in a company as diverse as ours in business interests and employee trades, we still have a way to go to develop and implement programs conducive to further motivating employees. In fiscal 2021, we will be developing into specific projects the issues we have looked into so far and the resulting project ideas, and embarking on program design, all the while with Daiwa House Industry' distinctive situation in mind.

■ Improvement in "motivation"

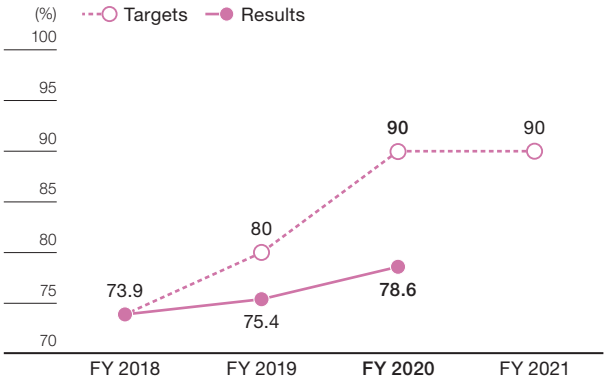


### Issue 4: Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)

To be better able to find the talent we need, we proactively participated in recruiting events to increase contact with college students, a main source of new hires, and raise the profile of our corporate brand among them, as well as working to support recruiters more effectively. And in personnel training, along with continuing the Daiwa House Juku for nurturing future managerial personnel, we introduced in fiscal 2020 a succession planning for branch office managers as a first step into management. Named D-Succeed, this is a comprehensive system to select, evaluate, nurture and promote talented individuals as candidates for managers. In the first year of the program, six members were appointed to new branch office managers.

Young-employee retention in fiscal 2020 improved from fiscal 2019 to 78.6%, but this was short of target. From fiscal 2021, we started specified employment of new graduates by business division and job type. Creating a system where they can be assigned duties they wish, we seek to retain young employees. As the COVID-19 pandemic is making it difficult for us to have contact with students, in fiscal 2022, we will be working on increasing opportunities to meet students by combining offline and online approach as a new hiring method.

■ The retention of young employees (who have worked for less than three years at the company)




### Issue 5: Promote diversity and inclusion

In fiscal 2020 we moved to improve the diversity and inclusion (D&I) situation at the organization level by providing training for female manager candidates and those in technical posts, and introduced a teleworking system to offer diverse working style options, aside from holding a seminar to all employees.

Training initiatives during the year included a seminar to increase the level of employees understanding of D&I, a training for women moving into managerial positions to serially foster female managers, district-level meetings of and forums with the Working Group of Women Active in Business of the Daiwa House Group's Construction Technology Committee, and unconscious bias training for newly appointed managers, male as well as female. Along with the COVID-19 pandemic, we instituted work-from-home and staggered shift programs based on telework trials undertaken prior to fiscal 2019.

Of key goal indicators (KGIs), our goal for women in managerial positions improved from fiscal 2019 and achieved our fiscal 2020 target. In fiscal 2021 we will be stepping up our initiatives to increase flexibility in work styles, while continuing the training programs mentioned above. We will also move to improve office diversity scores and business division diversity scores, which are D&I composite scores introduced in fiscal 2019, through analyzing our achievements.

■ General indices for diversity and inclusion

Unit: %

| KGIs | FY 2018 results | FY 2019 results | FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|---|---|---|
| Women managers | 3.6 | 4.1 | **4.5** | 4.5 | 5 |
| Line leaders amongst women managers | 24.1 | 25 | **21.5** | 35 | 40 |
| Women engineers | 4.6 | 4.9 | **4.9** | 5.5 | 6 |
| Women sales reps | 9.9 | 10.2 | **9.9** | 12 | 13 |
| Women amongst new college recruits | 27.2 | 24.8 | **23.5** | 30 | 30 |

## Issue 3 | Work style reform for employees

### Basic Policy and Concept

The Daiwa House Group company philosophy (corporate creed) includes an injunction informing relations with employees: “A company’s progress depends directly on ensuring a good working environment for its employees.” In line with this, we believe ensuring workplaces conducive to safety and health is an essential element of encouraging employees’ development and providing an environment allowing them to give full play to their capabilities. Providing such workplaces is instrumental in enhancing two of our business strengths: data collection capability and problem solving skills and our wellspring for creating economic and social value.

In Japan, serious societal issues impact employee recruitment and retention, especially workforce shrinkage due to a rapidly aging and declining population and separation from the workforce to care for children or elderly parents. Excessively long working hours are a directly damage employee health, both physical and mental, and can lead to increases in on-the-job injuries. Meanwhile, with calls for tackling the COVID-19, there is progress in ICT, AI, automation, and other technologies with implications for labor practices, and work style reform is also a focus of attention. Further, SDG No. 8, “Decent Work and Economic Growth,” lays out a universal approach for descent work applicable in developing as well as advanced economies.

Daiwa House Industry has continuously worked to improve work styles by putting together and implementing strategies to eliminate excessively long working hours, encourage employees to use up their annual paid vacation days, and provide a framework for assessing hourly productivity benchmarks. These have begun to bring results: employees are clocking fewer overtime hours and displaying greater awareness about work styles. Nevertheless, on the assumption that technical innovation and the labor market situation will continue to spur change, we believe further improvement is essential for employees to continue taking pride in and deriving fulfillment from their work.

We will continue to further reform work styles with the double aim of having all employees maximize the results of their work and maintain their mental/physical health and safety. By so doing, Daiwa House Industry will continue adapting to changes in its situation and the social context, implementing innovative programs and frameworks and overhauling how it organizes and manages itself.

### Management

#### Establishment of various systems related to labor problems

Our company has established systems as indicated below.

■ Labor problem policies and measures

| Theme | Policy and system establishment |
|---|---|
| Prevention of child labor | Daiwa House Industry employs people aged 18 or older. |
| Prevention of forced labor | During the hiring process, on premise of application, we absolutely inform participants of their acceptance after one round of screening. Following acceptance, employees are informed of their working conditions, and upon agreement they are formally hired. |
| Dialogue with employee representative | Within the company, we have established a “president’s suggestion box” and “Advance Board,” systems which enable employees to directly suggest improvements to management and Head Office in charge. Also, from an employee’s perspective as a stakeholder, participation in stakeholder meetings is available. |
| Living wage | We comply with the locally mandated minimum wage everywhere we operate. In fact, Daiwa House Industry goes beyond local minimum-wage requirements with pay high enough to ensure living wages appropriate to the lifestyle and standard of living in employees’ respective countries. |

## Main approach

### Flexible work styles

#### Telework

Daiwa House Industry is pushing ahead with telework, especially among field personnel who commute directly to and from construction sites. To provide more work style alternatives, we are also experimenting with allowing employees to work from home, especially those who have to look after children or family members or otherwise have restrictions on when they can work.

Staff at our Osaka and Tokyo Head Offices are involved in Telework Days, a program started in 2018 under the lead of the national government. As a preparatory precedent for extending the work-from-home (WFH) scheme to branch offices, in 2019 we ran a trial involving all design staff at Kagawa branch office.

In 2020 transitioning to telework took on new urgency as the COVID-19 pandemic hit. We put into place protocols and the ICT environment needed, and expedited WFH throughout the company.

#### Flextime program

We introduced a flextime program with no core hours in fiscal 2021 with the exception of a few divisions.

Verifying the effect of the introduction, we will develop initiatives to establish and better exploit the program.

#### More flexibility for staggered working hours

In April 2015, Daiwa House Industry embarked on a staggered shift program to better support employees looking after children or family members or with restrictions on when they can work. And to accommodate employees of diverse backgrounds more flexibly, since 2019 we have been expanding the scope of eligibility for staggered shifts.

In 2020, we permitted all employees to work staggered shifts as a special measure taken to cope with the COVID-19 pandemic. The special measure is continuously applied in fiscal 2021 and beyond to divisions where the flextime program mentioned above has not been introduced.

### Risk assessment concerning labor issues

Daiwa House Industry monitors employees' working hours and health to assess the occupational safety risks they face and ascertain, analyze, and address causes.

#### 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.

In fiscal 2020, monthly average overtime per worker at Daiwa House Industry was 24.2 hours, down six hours from fiscal 2019, partly due to the COVID-19 pandemic.

Monthly average overtime at the 13 core Group companies was 19.9 hours in fiscal 2020.

■ Company-wide change of average overtime hours

| Fiscal year | Average overtime hours |
|---|---|
| 2018 | 29.7 hours |
| 2019 | 30.2 hours |
| 2020 | 24.2 hours |

#### 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"

Reflecting opinions from the frontlines of our respective business segments in personnel policies is essential for securing and retaining human resources of excellence. 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.

■ View Research 100 response results

| Fiscal year | Response rate |
|---|---|
| 2008 | 90.7% |
| 2012 | 90.6% |
| 2016 | 91.4% |

* The survey was not conducted in fiscal 2020.

■ Performance data

| Fiscal year | Annual total work hours per person | Annual overtime per person | Rate of obtainment of paid holidays |
|---|---|---|---|
| 2018 | 2,159 hours | 356 hours | 56.5% |
| 2019 | 2,146 hours | 362 hours | 68.4% |
| 2020 | 2,089 hours | 290 hours | 59.6% |

## Labor-related non-compliance issues

### Overwork

All employees who have worked over 80 hours in a month, regardless of their wishes, are to be examined by an occupational health physician (OHP).

### Undeclared overtime

Daiwa House Industry has prioritized eliminating undeclared work and seeks to visualize the reality on the ground to form a full, accurate picture and use it as starting point for remedies. In fiscal 2021, we introduced a new attendance management system to accurately identify work hours based on PC log. When undeclared work is discovered, we retroactively pay the overtime put in and reprimand the responsible managers.

### Countering workplace harassment

Since 2004 the Group's Sustainability Planning Department has hosted a Corporate Ethics and Human Rights Hotline, available to any working for the Group regardless of employment format, to field complaints and calls about ethics violations. To uncover and remedy abuses of authority in the workplace early, we set up in July 2019 a Power Harassment Prevention Hotline inside Human Resources Department specifically to accept reports of harassment by high-ups. To resolve issues, we investigate, interviewing the complainant, the accused, and any cooperating third parties, then institute appropriate remedies and work to prevent recurrences.

When interviewing witnesses, maximum care is exercised toprotect privacy and confidentiality is maintained. If the facts establish harassment, the harasser is disciplined pursuant to the company's work rules, which explicitly prohibit all forms of harassment (abuse of authority, sexual harassment, and harassment over pregnancy, childbirth, childcare, or elderly care). To avert recurrences, incident details are thoroughly reviewed to heighten awareness within the company and lessons learned are conveyed to employees at training sessions.

P069 Establishment of the Power Harassment Preventive Measures Office
P141 The results of the whistleblower system operation

## Risk assessment concerning the health and safety of employees

### Periodic medical examinations

While 95.3% of the Daiwa House Group employees received periodic medical examinations in fiscal 2020 (as of February 28, 2021), Daiwa House Industry sees to it that they are fully provided; all employees have received medical examinations for eight consecutive years since fiscal 2013 and those with abnormal test results were all followed up in fiscal 2016 and 2017 (98.9% in fiscal 2020).

The Daiwa House Group is aiming to achieve a medical examination rate of 100% with efforts underway to thoroughly follow up those with abnormal test results and maintain/improve the health of all employees, all designed for early detection, early treatment and health risk management. In addition, specific health guidance, a collaborative health program with a health insurance union, is provided where health improvement seminars are offered to help employees improve their health.

Of 6,393 employees identified as needing health guidance in fiscal 2020, 989 (15.5%) took advantage of the program. The participation rate declined from the fiscal 2019's result due to the COVID-19. Among them, 951 employees (96.2%) completed it; the program is being continued until April 2021.

We will be actively supporting and motivating employees to improve their health in fiscal 2021 and beyond.

### Medical examination of employees putting in many hours

At Daiwa House Industry, the company's Occupational Health Promotion (OHP) reviews the results of the regular employee checkups as well as providing advice based on self-checks employees perform themselves.

In compliance with the Occupational Safety and Health Act, which mandates examinations for those who put in exceptionally long hours, the company is to require employees whose monthly total of overtime work and work on holidays exceeds 80 hours (including executives) to have an interview with the OHP and receive instruction to prevent health problems.

### Overseas implementation

For early detection and treatment of health problems that may occur during overseas assignment, the company is providing periodic medical examination with additional check items to prevent lifestyle-related diseases to personnel posted overseas and their accompanying family members. Those identified as requiring early examination and treatment by a doctor are temporarily sent home as a corporate directive in consultation with our occupational health physician, in order to be followed up at a hospital in Japan.

Aside from a regular stress check held annually, we introduced another check specifically for those posted overseas to conduct an organizational analysis. In addition, those report feeling high stress or unwell are provided with remedies such as interviews with an occupational health physician or Human Resources Department.

### Mental healthcare

A stress check system has been in place since December 2011 to help employees check their stress levels themselves. A total of 17,103 employees (or 90.5% of those targeted) were consulted in fiscal 2020 while 40 employees were diagnosed with stress and asked for consultations, all of whom were interviewed and treated by psychiatrists.

At the same time, a group (organization) analysis was conducted as part of best-effort obligations where the results based on a company-wide average were communicated to each branch office according to the scale of their operations and tips for a better work environment were posted on the intranet for information sharing purposes. All employees can perform self-checks on the website for a year until the next fiscal year.

New managerial appointee training includes instruction on mental health care (e-learning from fiscal 2019) covering prevention of mental issues, dealing with people who have developed mental problems, improving the work environment in ways conducive to better mental wellbeing, and importance of spotting signs of mental illness, all with focus on line- and self-care.

A self-care training program for recruits has been in place since fiscal 2017 (e-learning from fiscal 2020). In addition, a line-care training (e-learning) was provided to all managers (workplace managers) in fiscal 2018. The training has been provided to new managerial appointees (who were promoted to managerial positions) from fiscal 2019. As teleworking has spread fast in fiscal 2020 on account of the pandemic, we are providing to all managers (workplace managers) a line-care training tailored for teleworking (e-learning).

■ Mental health training attendance in FY2020 * All provided as e-learning.

| | |
|---|---|
| Mental health line care seminar (newly appointed managers) | 169 |
| Mental health line care seminar (newly appointed managers) | 395 |
| Mental health self-care seminar (new employees) | 822 |
| Mental health line care seminar “Practice of line care for teleworking” provided to managers (workplace managers) | 3,817 |

P106 Risk management system for work safety

## 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.

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).

To help counter the spread of COVID-19, the company has taken steps that include launching a headquarters response team and calling on all employees to take precautions. The response team’s has drawn up pandemic-response guidelines and guidelines for accommodating government calls for preventive measures, among other actions. At overseas bases, the company warned employees to take extra precautions, and provided assistance in arranging return trip home to those posted overseas and their accompanying family members who wished to return home.

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

In our company, we consider the risk of contracting specific diseases during work taking place abroad to be higher than the risk when working within Japan. As such, we recommend that employees working abroad (104 employees as of April 1, 2021) undergo inoculation against hepatitis A and B, tetanus, rabies, Japanese encephalitis, and typhoid fever, according to the state of each country.

## Measures to develop a creative workplace environment

Recent years, “a pleasant and comfortable office” that puts people first is demanded by society, while for companies improving employee motivation and productivity is a pressing issue. In addition to this, the COVID-19 pandemic has brought about dramatic shifts in office environment and working styles.

To achieve a constant telework rate of 50%, the company is building an office adaptable to remote work and compatible with activity-based working (ABW), a working style where people decide place to work at their own will. To further increase employee motivation and comfort, satellite offices will be set up at locations close to their home, thereby shortening commute time and encourage them to take more time off to relax.

## Active utilization of information and communication technologies (ICTs)

We are endeavoring to enhance our corporate value in various aspects, through the proactive utilization of ICTs. Among other measures, toward improved productivity through work style reform among employees, the following three 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;

■ Telework initiatives to cope with the COVID-19 pandemic

| | Noteworthy measures | Outcome of measures |
|---|---|---|
| 1 | Introduced a cloud-based business digitization tool for personnel-related applications | Increased types of work that can be done remotely |
| 2 | Built a new mobile environment using internet connection such as Wi-Fi service at home and in public places | Established an environment where all employees can work from home |
| 3 | Shifted to paperless office with electronic seals; Slashed printing and shipping work of invoice and other documents | Resolved issues in telework |

P110 Improve productivity through utilization of information and communication technologies (ICTs)

## Issue 4 | Upgrade human resource development and recruitment

### Basic Policy and Concept

Based on a belief that human resources are the Group's greatest assets, we aim to "develop people through business" as stated in its Company Philosophy (Corporate Creed). In addition to the above, our Principles of Corporate Ethics and Code of Conduct emphasize the development of human resources, and the fostering of a corporate culture where we pursue human resource development with medium- and long-term perspectives, and each individual is able to plan their own growth and self-improvement.

As human resources become increasingly mobile and competition to recruit talent intensifies, our ability to offer attractive work styles and arrangements to working people is being tested. Various generations including millennial mid-level employees and managers, and Generation Z will be working together in the future. This calls for a workplace environment that fosters mutual understanding to bridge the value gap between generations and accommodates diverse ideas of what a career should be.

Our policies focus on enriching our employees' lives over the long term, from hiring through training, work assignments, and ultimately retirement. We aim to train our people to anticipate future trends and take on challenges fearlessly, unconstrained by established concepts. In the workplace we want them to be thorough in carrying out their everyday duties, which embodies the meaning of "being complete in small things." We aim to recruit talented human resources by offering employment opportunities suited to the times, thereby retaining and developing next-generation employees, and recruiting and developing talented individuals to become managers.

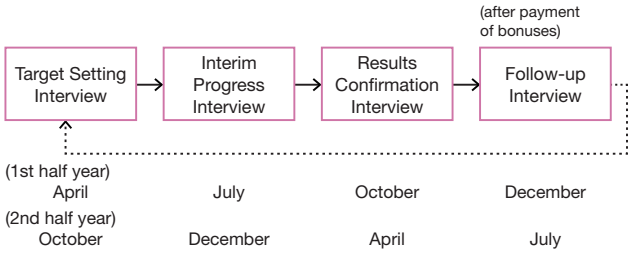
### Management

At our company, we have developed management for human resource development based on OJT and Off-JT combined with an evaluation system. Participants in training seminars are given questionnaire surveys, the results of which help us understand points to be improved upon and gauge the effectiveness of the training. From here, we are able to map out an improvement plan based on the PDCA (Plan - Do - Check - Act) cycle.

The Human Resources Department cooperates with all other departments to check on recruitment performance and determine priority items for the coming year to secure the next generation of human resources.

### 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, the Daiwa House Industry periodically confirms progress in human resource development, and facilitates the further growth of employees. The Human Resources Department continuously operates and improves the evaluation systems, thereby promoting human resource development by managers. All our employees are subject to periodic performance evaluations.




In the evaluation management system targeted at chiefs and regular employees, the superior has an interview with each subordinate at least once every quarter. 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 himself/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.

### Business Division/Group Company Collaborative Training Support System

We hold a human resources development liaison council meeting every month, aiming at the sustainable enhancement of educational measures. The Human Resources and Organizational Development Department, the primarily responsible department, takes the leadership in the system, 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 business divisions.

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

### Career counseling system

A career counseling system is in place to avoid mismatch between employees' capabilities and the workplaces or career paths they are in, which prevents them from achieving their full potential. Moreover, they can report their career development design concepts while each department has a regular report system for employees' job skills.

### Centralization of hiring and recruitment data

We have 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.

## Main approach

### Hiring locally in Japan and overseas

In order to go ahead with community-based business sustainably, we are promoting recruitment activities locally with each branch operating across Japan.

In fiscal 2020, we hired 55 mid-career recruits as full-timers. By allowing career-track employees to choose to work either nationally or locally, we respect their intention about their places of work, contributing to the creation of local employment.

In Group companies outside Japan, we are promoting local recruitment in each site under the philosophy of recruiting and developing local talent.

■ Newly hired university graduates' starting salary (fiscal 2021 data)

| | Monthly amount | Converted to per-hour wage |
|---|---|---|
| Career track position (nationally-based employees) | 216,000 yen | 1,341 yen |
| Non-career track position (locally-based employees) | 179,000–185,000 yen | 1,111–1,149 yen |

### Initiatives to recruit and train talented human resources

#### Training program for high school graduates

In a program for some high school graduate recruits, we have instituted a two-year construction college (full time) study exchange scheme. For two years after joining the company they receive practical training at construction sites during extended college breaks. At other times they are given no work at all, and told that their duty is to study. They maintain contact with the company while the education program is running via regular on-site training and face-to-face meetings. Quarterly consultations with a public health nurse provide lifestyle support. The high school graduates gain expertise and acquire qualifications quickly. The program also aims to equip them to function as adult members of society and help their personal development. The number of recruits who took part in the program since its kickoff in fiscal 2018 is as follows: seven (fiscal 2018), nine (fiscal 2019), seven (fiscal 2020), and 12 (fiscal 2021).

### Human resources development through OJT

#### OJT Elders

Managers (sales office managers, section managers, and other line supervisors) are in charge of OJT, and are therefore responsible for systematically providing training and support for new employees throughout our entire organization. In addition, we appoint OJT Assistants (close to newcomers in seniority) who can provide counsel casually. To facilitate efficient on-the-job training in the workplace, they study OJT basics, how to pass on skills, and how to get involved via e-learning. This raises their awareness regarding new employee development following appointment.

#### Training support patrol system

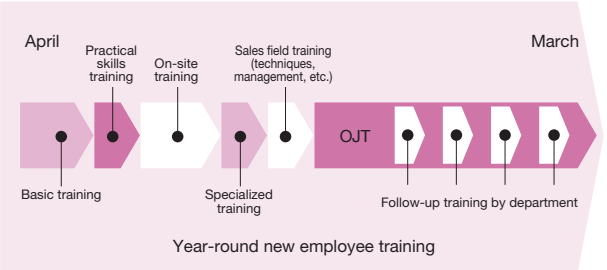
Staff from the Human Resources and Organizational Development Department known as "round supporters" conduct interviews with new employees (held online in fiscal 2021) to ensure that the OJT Elders system is functioning smoothly and that guidance and training are being provided consistently to new recruits. They check on how well the new employees are progressing and how their training and education are developing.

### Human resources development through Off-JT

**<Entry-level employee training>**

#### Recruit training

An educational program with an annual curriculum is in place as recruits, in their first year of employment, are expected to learn the basics of a Daiwa House Industry employee as well as a responsible member of society. New recruits learn the code of conduct in basic training, which takes about a week. New recruits involved in design and sales as well as construction receive onsite training and gain expertise in monozukuri and construction. Their practical knowledge and skills are evaluated at other training sessions during the year.




■ 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 employees 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 |
| Sales field training (nationwide employees only) | Engineering | 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>**

Studying the company's history, founder's spirit, and CSR activities prepares recruits for their jobs, and teaches them our approach.

**<Manager and leader training>**

### Training for newly appointed branch managers

This training is for newly appointed branch directors and branch office 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]

The training targets regular employees just promoted to chiefs. In tune with changes in their expected roles, participants reflect on their career aspirations and the company's future, and through dialog with other participants, look to figure out the picture of a new, good leader. The training provides an opportunity for them to transform themselves into such a leader.

### Training for female managers

All female managers in their second year of service are educated and trained to learn the responsibilities of managers and the capabilities required of senior staff members, thereby improving their awareness, behaviors and practical skills.

### Training for female manager candidates

Female manager candidates are trained for leadership roles so that they can accommodate the diversity among all staff members and proactively improve the workplaces and operations they are involved.

**<Senior executive and future president training>**

### Daiwa House Juku (Training Program)

The Daiwa House Juku, a Groupwide training program, was launched in May 2008 to educate and train next-generation leaders of the Daiwa House Group where they learn management skills by developing strategies for real business challenges. A total of 384 employees have completed the course, with 159 of them promoted to executive officers or higher (as of April 1, 2021).

### D-Succeed, a succession planning for branch and equivalent managers

The company had long provided a training for branch and equivalent managers candidates, which are key roles in branch office management. In fiscal 2020, we established and started operation of a succession planning to intensively and systematically select, nurture and promote the candidates for the positions of branch and equivalent managers. Not only do we screen candidates according to predetermined criteria, but we also conduct a 360-degree evaluation and other assessments in light of the criteria, and offer trainings and coaching to reinforce their leadership. This completed our system to serially produce and foster the next generation of management staff.

## Investment in and annual average time allotted to human resources development

The data for fiscal 2020 was as follows.

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

① Total investment
41,507,300 yen (non-consolidated)
77,643,490 yen (13 main Group companies)

② Total attendees
7,128 (non-consolidated)
6,843 (13 main Group companies)

③ Training hours per employee (non-consolidated)

* Training hours per employee = Total training hours / employees

| | |
|---|---|
| Training hours per employee | 2.73 hours |

④ Breakdown by type of training (non-consolidated)

Hours for each type of training indicate hours per participant.

| | | |
|---|---|---|
| (Entry-level employee training) | New employee training | 24.5 hours, 13.5 hours (e-learning)* |
| | Training for mid-career recruits | 6.0 hours (e-learning) |
| (Manager and leader training) | (Senior executive and future president training) Daiwa House Juku | 2.0 hours* |
| | Training for newly appointed branch managers | — |
| | (Senior executive and future president training) D-Succeed | 21.0 hours |
| | Manager and leader training | 8.0 hours, 7.0 hours (e-learning) |
| | Training for team leaders <optional> | 9.0 hours |
| | Management training for female managers | — |
| | Training for female manager candidates | 14.0 hours |
| | Training for OJT Elders | 1.5 hours (e-learning) |
| | Interactive/experiential training mindset | — |
| (Training for all employees) | "Being Complete in Small Things" and manner training | 1.5 hours |
| | Training camp toward real estate transaction specialist | 16.0 hours |

* Due to COVID-19, trainings were either cancelled or held online with the exception of some programs.

P165 Major Group Companies

## Regarding notification of personnel in the event of important business changes

At our company, in the event that there is an important business change that may have an effect on our employees, we notify them approximately half of a year in advance.

In April of 2013, when Daiwa House Reform was split up, we let employees know in October of 2012, working to inform them as early as possible.

## Consensus content and ratio of all employees as subjects of group negotiation agreements

At our company, there is no in-house labor union to date, but we acknowledge constitutional freedom of association. Also, in accordance with Japan's Labor Standards Act, we have an Article 36 Agreement with representatives of a majority of employees at each worksite in Japan. The agreement concerns overtime and holiday work and covers all employees except for managers and supervisors.

## 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 2021, 165 persons have used this system.

### Life design seminar

We carry out a "life design seminar" each year for employees who turn 60 years old. The seminar deals with the personnel system and treatment from age 61 to the mandatory retirement age of 65, and the interim working style and lifestyle. Inside/outside lecturers conduct additional seminars on the public pension system, corporate pension system, and health management, in the interest of support of our employees' life plans.

■ Number of participants in life design seminar

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Participants | 138 | 118 | 132 |

## 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 2019 | 969 | 170 | 53 | 687 | 1,879 |
| April 2020 | 972 | 204 | 63 | 634 | 1,873 |
| **April 2021** | **919** | **204** | **24** | **567** | **1,714** |

* Part-time employees are counted on actual number base.

## Employment and turnover

As of April 2021, Daiwa House Industry had 16,716 full-time regular employees.

In fiscal 2020, the company newly hired 906 fulltime regular employees (826 new graduates and 80 mid-career recruits). In April 2021, 503 new graduates (385 men [76.5%] and 118 women [23.5%]) joined the company.

The rates of employee turnover for voluntary reasons in the last three years were as follows.

For the 13 main Group companies, employee turnover in the first three years of employment averaged 14.11%.

■ Turnover for voluntary reasons in the past three years

| Fiscal year | Non-consolidated | 13 main Group companies |
|---|---|---|
| 2018 | 3.22% | 4.75% |
| 2019 | 3.33% | 4.66% |
| **2020** | **3.49%** | **3.95%** |

■ Average years of tenure

| | |
|---|---|
| Average years of tenure: female employees | 11.1 years |
| Average years of tenure: male employees | 15.8 years |
| Difference in average years of tenure between male and female employees | 4.7 years |

In fiscal 2020, no dismissal took place for the reason of personnel reduction.

## Paying fair wages

The average salary of Daiwa House Industry employees stands at 8,678,000 yen in fiscal 2020. The company's domestic operations are supported by employees engaged in general work to handle core operations (nationwide and local employees) and those engaged in administrative work to handle administrative and support operations (local employees). They are paid based on their capabilities, performance and contribution, regardless of gender.

The Daiwa House Group, moreover, abides by each country's minimum wage standards, paying fair wages to all employees, taking into account local commodity prices.

## Classifications of allowance provision to domestic employees

### FY 2020 Taking of childcare leave and returning to positions (non-consolidated)

| | Male | Female |
|---|---|---|
| a. Total number of employees entitled to childcare leave | 552 | 166 |
| b. Total number of employees who have taken childcare leave | 234 | 152 |
| c. Childcare leave uptake | 42.4% | 91.6% |
| d. Total number of employees who returned to their positions in fiscal 2018 after taking childcare leave | 236 | 133 |
| e. Total number of employees who have remained in the company for At least 12 months after returning to their positions following childcare leave | 203 | 133 |
| f. Rate of employees who return after childcare leave | 100% | 95.7% |

* Because the year of a child's birth and the year of childcare leave may differ, the childcare leave uptake may not reach 100%.
* [f. Rate of returning to work] = d/(d + number of retired workers currently on childcare leave)

### FY 2020 Average childcare leave uptake (13 main Group companies)

| | Male | Female |
|---|---|---|
| a. Total number of employees entitled to childcare leave | 569 | 404 |
| b. Total number of employees who have taken childcare leave | 77 | 388 |
| c. Childcare leave uptake | 13.5% | 96.0% |

### Classifications of allowance provision to domestic employees

| | Employees | Employees on probation | Post-retirement specially commissioned employees | Limited-term contractual employees |
|---|---|---|---|---|
| Retirement allowance | ○ | × | × | × |
| Taking childcare leave | ○ | ○ | ○ | ○ |
| Group insurance entry | ○ | ○ | ○ | ○ |
| Stock ownership entry | ○ | ○ | ○ | ○ |

## Various types of welfare programs

In 2021, the company plans to open "the Daiwa House Group MIRAI KACHI KYOSO Center," a new center for group human resources development, to mark the 100th anniversary of our founder's birth. The center will be located in Nara Prefecture, the place of birth of the founder. We aim for the center to be an open facility that will give rise to a variety of learning experiences and new discoveries. It will be a gathering place not just for the Group employees, but other locals including children, students, and specialists from industry, government, and academia.

The center gets off to a start as a shared space where Group employees from overseas as well as Japan can meet and from a global perspective get to know in depth the spirit of "Co-creating a Brighter Future," the management principle we have cherished since the foundation.

## Issue 5 | Promote Diversity and Inclusion

### Basic Policy and Concept

For the Group to contribute on the global stage, we must be able to adapt flexibly to an ever-changing society and diverse value systems. We thus need to create new value to tap into potential markets. We have to nurture a workplace culture where we can draw on perspectives and concepts informed by our employees' diverse value systems, gender identities, generations, ethnicities, languages, cultures, disabilities (if any), and lifestyles. We must create an organization able to continuously generate ideas regardless of the commonsense and received wisdom that have prevailed to date.

We have been proactive in furthering women's participation in the workplace (one aspect of diversity), as a litmus test for our diversity initiatives.

As we move forward, we will enhance our diversity management, including female empowerment practices, so that a variety of personnel can maximize their potential regardless of gender, disability, sexual orientation, age, or nationality.

### Management and Main approach

#### Developing diverse human resources

One of the challenges in developing diverse human resources is to help female employees maximize their potential. The Daiwa House Group aims to promote 500 female employees (200 of whom belong to Daiwa House Industry) to managerial positions by the end of fiscal 2020 to make decision making flexible. The result as of April 1, 2021 is 466 (177 of whom belong to Daiwa House Industry), falling short of the target. Our initiatives to date include the personnel system that is being improved to help them deal with life events (child bearing and rearing, etc.) and build their career.

Improvements in the performance of female employees are evaluated every year in numerical terms to keep track of developments and make further improvements, with a questionnaire survey conducted regularly. We will continue to address challenges in creating an ideal work culture and raising awareness for diverse human resources while implementing necessary measures.

In addition to fulfilling our social obligations, we will work to continue improving corporate value by enabling diverse human resources to maximize their potential, regardless of gender, nationality, age, sexual orientation, gender identity, or disability.

With an office strategy in place for the era of depopulation from employees' viewpoints, moreover, workplaces compatible with diverse lifestyles will be created, based on a concept of "promoting creativity and productivity through comfortable, healthy offices."

#### Securing diverse human resources

##### Hiring and making best use of older employees

At our company, starting from 2013, the age of mandatory retirement was extended from 60 to 65. In our previous postretirement re-hiring system, a limited-term contract and fixed salary were set, but simply raising the mandatory retirement age has enabled employees to continue to work in a more stable form of employment. At the same time, the company has adopted a system in which the performance of individual re-hired employees is evaluated and reflected in their salaries, providing motivation to elderly employees and producing results commensurate with their remuneration.

■ The state of Active Aging Program participants

| Fiscal year | Employees resigning upon reaching mandatory retirement age, etc. | Active Aging Program participants among left column number |
|---|---|---|
| 2018 | 60 | 28 |
| 2019 | 76 | 50 |
| 2020 | 73 | 45 |

In fiscal 2015, our company established an Active Aging Program to aid in the re-hiring of employees over 65. With "Stay active all your life" as a slogan, this program enables elderly employees recognized as healthy by the company to continue working on a one-year renewable contract without an age limit. Employees taking advantage of this system serve as role models, contacts, and sources of technical advice for younger employees. In fiscal 2020, 30 individuals aged 50 or over joined as mid-career hires, accounting for 23.6% of the 127 such hires (excluding part-timers), our company employs anyone who can contribute regardless of age. Those aged 60 or over make up 7.27% of the workforce on average for the 13 main Group companies. It should be noted that the expansion of the employment of seniors in no way affects hiring rates for younger generations.

##### Rate of employees with disabilities

As of April 1, 2021 , the ratio of employees with a disability was 2.50 % on a non-consolidated basis (100% of target), and 1.90 % for the 13 main Group companies. 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 2021, we recruited 5 international students as our employees. We recruit human resources capable of exercising their abilities in our company, regardless of their nationality. Non-Japanese make up 2.22% of the workforce for the 13 main Group companies on average.

## LGBTQ initiatives

We are striving to foster a workplace culture where LGBTQ people can perform to the best of their abilities with peace of mind. Using the Pride Index as a benchmark for workplace initiatives, we laid down a roadmap as a two-year project with the participation of transgender persons from 2020. Activities during fiscal 2020 included conduct of an internal questionnaire survey and an e-learning course for all employees, as well as establishment of a dedicated point of contact for consultation outside the company. We received a silver award in the Pride Index 2020 from the "work with Pride" organization.

P160 PRIDE Index 2020: Silver prize

# Promoting women

## Promoting women

As of April 1, 2021, 20.8% of the company's employees were women. Their average length of employment was 11.1 years. In fiscal 2021, 23.5% 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, as shown in the below table.

■ Trends concerning women employees (non-consolidated)

| | Number of employees | Women among left column number | Ratio of women |
|---|---|---|---|
| 2019.4.1 | 16,670 | 3,405 | 20.4% |
| 2020.4.1 | 16,904 | 3,499 | 20.7% |
| **2021.4.1** | **16,712** | **3,476** | **20.8%** |

■ Trends concerning women employees (consolidated)

| | Number of employees | Women among left column number | Ratio of women |
|---|---|---|---|
| 2019.4.1 | 41,342 | 10,586 | 25.6% |
| 2020.4.1 | 42,974 | 11,060 | 25.7% |
| **2021.4.1** | **43,991** | **11,817** | **26.9%** |

## Development of women managers

Daiwa House Industry has no gender gap in its payment of basic salary for each position. It was not until the 2000s that the company launched a full-scale employment of female workers for main career track. The number of female employees holding key positions, therefore, is much lower than that of their male counterparts, which can be attributed to the length of their service. While efforts are underway to improve the work environment for female employees who have completed major events in their lives and increase their awareness and capabilities, the percentage of female employees in managerial positions remains low in proportion to the total number of female employees. To alter the status quo, we are furthering women's participation in the workplace, which leads to continuous development of female managers.

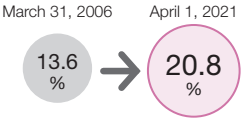
As of April 1, 2021, there are 177 female managers (4.5%) (and additional nine assigned employees) and 767 female chief staff members (17.9%). The number of the Daiwa House Group's female managers has been increasing steadily: 352 (4.5%) in fiscal 2019, 418 (5.0%) in 2020 and 466 (5.5%) in fiscal 2021 (as of April 1 of each year). A corporate culture is being developed to enhance female employees' performance across the Group.

P098 Average years of tenure

■ Trends concerning women managers (non-consolidated, excluding those on loan)

| | Number of managers | Women among left column number | Ratio of women |
|---|---|---|---|
| 2019.4.1 | 3,812 | 137 | 3.6% |
| 2020.4.1 | 3,889 | 160 | 4.1% |
| **2021.4.1** | **3,975** | **177** | **4.5%** |

■ Percentage of female employees




■ Number of women in managerial and supervisory posts

| | |
|---|---|
| Managers | 177 (4.5%) (plus 9 on loan) |
| Section chiefs / group leaders | 767 (17.9%) |

* Percentage out of the total employees in the same grade

## Expansion into sales and technology divisions

Women have been a rarity in the construction industry. As of April 1, 2021, they accounted for 9.9% of Daiwa House Industry employees in sales posts, and 14.7% of those in technical posts. To support women in the sales division, we held career training sessions for women in sales positions in each department and gave talks to managers on training techniques. In the technology division, programs we held to help retain our female engineers included information exchange meetings among female engineers at the district level in the housing construction department, interviews with female engineers after they return from childcare leave, and joint information exchange meetings and forums among three construction companies within the Group.

# Adoption of office diversity scores

In fiscal 2019, we introduced office diversity scores to aid in assessing office management soundness, with the aim of promoting diversity across the entire company. We evaluate these four items: ratio of female section chiefs, ratio of childcare leave taken by males, ratio of disabled workers, and retention of young workers. Quantifying at the individual office level enables us to measure progress and promote diversity from the bottom up.

P066 CSR Management

# Diversity Report publication

We publish a Diversity Report quarterly on our in-house intranet. We also distribute a Diversity Report booklet to all employees to raise awareness.

Our Group official website Diverse human resource utilization https://www.daiwahouse.com/English/sustainable/social/employee/diversity/person.html

Contributions to SDGs




# 3 Technology and manufacturing base

## Reflects customer and social values in products and services

[Policy] Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality

## Policy and Concept

### Megatrends that Impact Bases

- Japan's low birth rate, aging and decreasing population, and shrinking workforce
- More frequent natural disasters, consistent severe heat
- Full-scale immigrant society
- Rise of AI (artificial intelligence) and automation
- Spread of ethical consumption

### Social issues

The shrinking workforce not only leads to shortages of human resources, but also presents a problem in passing down manufacturing skills. At construction sites, in particular, skilled workers and site supervisors play crucial roles, but it may become difficult to continue to develop such human resources.

As the workforce shrinks, the number of foreign workers is increasing as an immigrant society becomes a reality. It may be difficult to maintain our previous style of monozukuri due to language barriers and differences in values. Moreover, frequent natural disasters and consistent severe heat owing to the global warming are making the construction site operations even more arduous.

As these various factors combine, maintaining safety at construction sites has become a matter of concern. A shortage of veteran workers and site supervisors, an increase in the numbers of foreign workers unable to communicate sufficiently, and operations under the blazing sun year round, may lead to an increase in labor accidents.

Meanwhile, improvement in production technology and progress of the Internet of Things (IoT) are speeding up the trend toward automated production of materials needed for construction and automation of construction itself. Such new technologies may improve safety management and enhance productivity. The wider acceptance of the SDGs is likely to increase ethical consumption with consideration for the global environment, people, and local communities, and raise corporate awareness of CSR procurement.

### Risks and opportunities for the Daiwa House Group and its responses

For the Daiwa House Group engaged in multiple businesses including housing, general contracting, and real estate, a key feature of its technology and manufacturing base is the hybrid operation, combining plant-based production of construction materials with on-site construction. The Daiwa House Group is also one of the top companies in terms of the number of construction sites in Japan.

These characteristics are strong advantages of our Group, but they also put us at a risk of poor operational management if there is a shortage of site supervisors. Accordingly, we are taking measures to minimize this risk by strengthening collaboration with our business partners that handle construction work, and improving productivity through utilization of the IoT.

In addition to construction safety management, there is also a growing demand from society for CSR procurement, to procure materials according to standards from the perspective of social responsibility. As a leading company in the construction industry, the Daiwa House Group was one of the first to engage in such efforts, which we believe will lead to greater business opportunities in the future.

## Road Map to Achieving Endless Social Program 2021

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 6: Enforce safety/security at construction sites**<br>Address the declining capacity to manage safety at construction sites resulting from a decrease in skilled labor and an increase in foreign labor amongst subcontractors (due to labor shortages stemming from Japan's changing demographics). Also, address rising industrial accident risks on job sites due to longer hours under the blazing sun. | Frequency of worksite industrial accidents<br>0.16 | 0.21 |

* Number of industrial accidents related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners**<br>Counter labor shortages and shorten long working hours by using IoT to impart skills and improve productivity. Create workplace environments and practices that retain skilled builders. | Number of days off per annum for construction site workers<br>100 days*<br>(7 days-off for every 4 weeks) | 112 days<br>(8 days-off for every 4 weeks) |
| | * Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled. | |
| | Number of days off per annum for factory workers<br>114 days | 117 days |
| | * Holidays increased by 3 days every year | |
| **Issue 8: Promote and improve the efficiency of CSR procurement across the Group**<br>Build a PDCA-based management system with use of new ICT (information and communications technology), etc., to promote CSR procurement amongst Group company business partners both upstream and downstream.<br>Eliminate any adverse impacts on society that could lead to reputation-damaging risks like product boycotts, disclose information in line with domestic and international guidelines, and obtain reviews from institutional investors. | Percentage of important suppliers that comply with our CSR Procurement Guidelines<br>44.2% | 70% (Scores of 80 or higher are judged as compliant) |
| | Reply rate to CSR Procurement Guidelines self-check sent to all suppliers<br>43.5% | 70% |

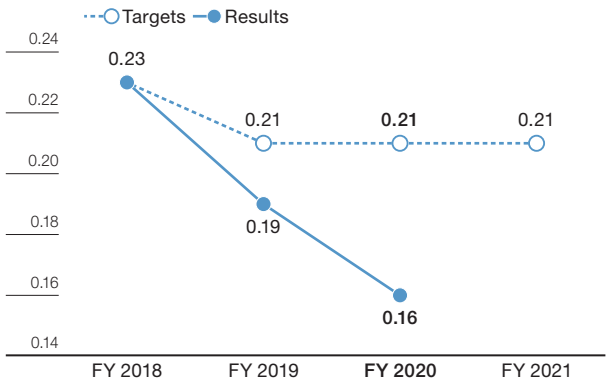
## Fiscal 2020 Overview of "Endless Social Program 2021"

### Issue 6: Enforce safety/security at construction sites

In fiscal 2020, we revised our educational methods and undertook efforts to strengthen our management system in order to enhance the safety and health of skilled builders on site (employees of our business partners). Safety education includes the adoption of interactive VR teaching materials, non-verbal videos for foreign workers, creation of signs in foreign languages, and special training for fall prevention devices (full harness type). For our safety management system, we hold remote meetings and various Community Councils, provide training, and supervise construction sites remotely via ITV (industrial TV) on an ongoing basis for the sake of greater operational efficiency based on ICT and prevention of the COVID-19 infections. Thanks to these efforts, we achieved our target for the frequency rate KGI for fiscal 2020 at 0.16.

Fiscal 2021 will see more changes in safety and health for construction sites. We have introduced measures to prevent the spread of COVID-19, and are developing new teaching materials for safety. While steadily establishing the above-mentioned measures, we will also continue our efforts on the fundamentals of safety, such as regularly issuing our safety management newsletter, promoting use of the serious accident case study panel, and installing environmental sensors to help cope with the severe heat.

■ Frequency of worksite industrial accidents




* Number of industrial accidents related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off)

### Issue 7: Improve productivity in manufacturing operations with the cooperation of business partners

In fiscal 2020, we trialed in three locations a remote support initiative for information on construction with the Confederation of Partner Companies (partner subcontractors), to improve productivity at sites. We have also launched digital construction projects. A total of 11 projects involving automation are to be implemented by fiscal 2021 in our plants, of which five (including concentrated welding lines for pillars and processing of surface elements) have already completed. In terms of quality assurance, we started remote inspection using equipment with image analysis and voice interactive functions. For human resources development, under the Certification System for Skilled Engineers and Technicians, 1,604 site workers and 145 plant workers of partner subcontractors are certified as expert, excellent or senior technicians, with financial support provided for their wages. We have also constructed systems allowing employees to directly make suggestions about their work environments, in addition to the existing partner questionnaire surveys at plants and whistleblowing system for our partners.

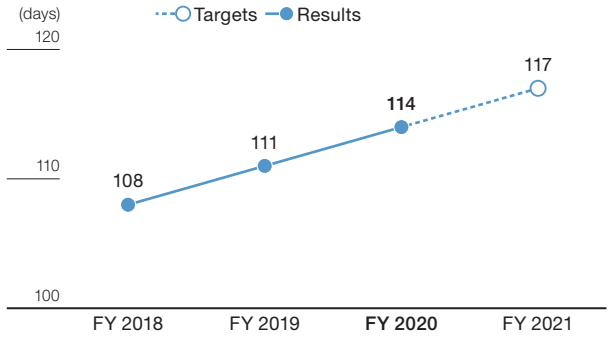
Through these efforts, we have made scheduled holidays known to all plants and construction sites, and as a result, we largely achieved our KGI target for site and plant annual holidays in fiscal 2020. In fiscal 2021, we will verify and adopt technologies, such as ICT and the IoT, and raise the skills and motivation of employees of our partners, to improve productivity by ensuring quality and reducing working hours.

■ Number of days off per annum for construction site workers

| FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|
| 100 days* (7 days-off for every 4 weeks) | 100 days (7 days-off for every 4 weeks) | 112 days (8 days-off for every 4 weeks) |

* Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled.

■ Number of days off per annum for factory workers

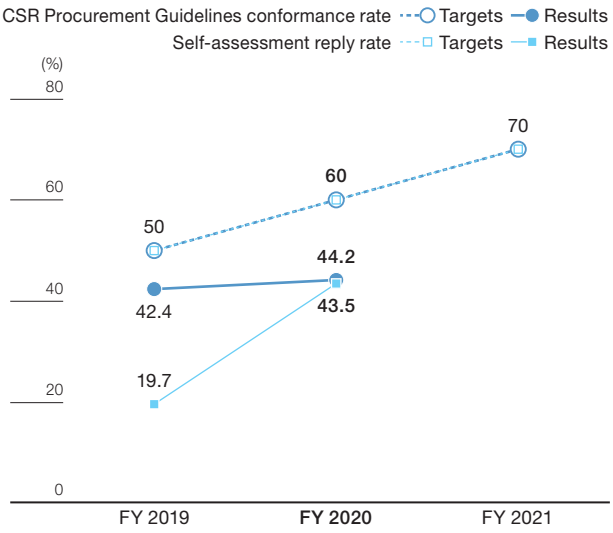



### Issue 8: Promote and improve the efficiency of CSR procurement across the Group

In fiscal 2020, we continued re-collecting letters of consent to the CSR Procurement Guidelines, reaching 93.4% in submission rate (5,074 out of 5,432 companies). Online self-assessments were also implemented as a way to confirm how far our partners are engaged in initiatives and building systems for CSR procurement. We also continue distribution of an Ethics Card for Partner Employees.

The fiscal 2020 results of KGI for the CSR Procurement Guidelines conformance rate and for the self-check reply rate were 44.2% and 43.5%, respectively, both improving year on year by 1.8 percentage points and 23.8 percentage points, but falling below the targets. This was due to the low level of visibility and recognition of the self-assessment. In addition, compared to suppliers in the upstream part of the supply chain, many of the downstream partner subcontractors tend to be smaller-scale companies, which struggle to meet the standards for the path that we believe ought to be taken. Our intention is to continue dialogs with our business partners in order to promote CSR procurement.

■ Group CSR procurement



## Issue 6 | Enforce safety/security at construction sites



### Basic Policy and Concept

Business at the Daiwa House Group is done with the cooperation of many business partners from across our supply chains. Co-creation with our business partners has always been important to us, as shown by our policy to "grow and develop together with our business partners," which is enshrined in our Employees' Charter. The majority of our business partners and employees are construction companies that work at plants or on sites. Betterment of safety, health, and working conditions based on respect for human rights is a universal theme. The Daiwa House Group believes that providing job environments where diverse human resources can work with peace of mind helps our business partners secure and retain human resources, and leads to maintaining and strengthening our technology and manufacturing base.

Japan's shrinking workforce due to its low birth rate and aging population are mirrored in the aging of skilled builders and the increase in the number of foreign workers at construction sites. Building safety management systems that address these issues is increasingly important. Technologies that help secure safety and peace of mind in construction sites are evolving, through reducing workloads, streamlining tasks, and robotizing dangerous work. Meanwhile, there remain many areas of work with processes reliant on manpower. The challenge we face is to build a pleasant working environment for women, elderly workers, and foreign workers, who will play important roles at construction sites in the future.

With this situation in mind, the Daiwa House Group is working with its business partners to develop and adopt ICT while strengthening safety and health systems to reassure people working on our sites, to achieve the priority issue "Enforce safety/security at construction sites" stated in our Social Medium-Term Plan (ESP 2021).

P091 Work style reform for employees

## Management

### General management of safety and health by the Board of Directors

We have appointed the Executive Vice President 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 including CEO.

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 Managing Executive Officer and the Senior Executive Officer are in charge of General Safety Management. In total, five Executive Officers overseeing single-family houses, apartments, 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 each branch 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 each branch are clarified.

### Dissemination concerning safety and health to employees

Our company has established health and safety management regulations. In addition to the interest of preventing industrial accidents or third-party injury before it happens, these standards are also outlined as part of our effort to create safe and healthy workplaces. In order to establish basic safety and health targets as common knowledge among employees, our "Basic Policy to Promote Safety and Health at Work" is distributed each year. To achieve these targets, employees and officials in charge of each workplace are to fully understand the contents of the "Basic Policy to Promote Safety and Health at Work" and together create a safety-and-health promotion plan. Additionally, through a majority of general office work issued by our Safety and Health Committee and Council, understanding of our safety and health system is to be reinforced and further promoted as common knowledge. Through efforts such as these, we aim to achieve "zero accident," highly efficient workplace environments.

### 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, Technology, Design and Construction, and Production departments. Guiding these improvements are our regulations on safety and health management, and data we obtain by tracking accident frequency rate and other indices. We also are providing guidance and training to our employees and our subcontractors' personnel through periodic and surprise patrols of job sites and a Safety and Health Council.

When contracting with new partner subcontractors, we evaluate their abilities to manage work and safety, and provide them with safety guidelines they have to follow.

■ Occupational Safety and Health Education (non-consolidated)

| | |
|---|---|
| Asbestos-related e-learning | 4 seminars 1,052 attendees |
| Safety management e-learning | 11 seminars 6,890 attendees |

* Training relating to the health and safety standards such as safety and health seminars or equipment training held at our 13 main Group companies: Total of 12,911 participants, training costs of 1,186,500 yen

## Reinforcing safety, quality, and compliance in plants

Our partner subcontractors as primary subcontractors are permanently posted at our plants, to manufacture housing and construction products through assembling components and welding. 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 Corporate Headquarters. They also share with business partners information about events that have 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, providing support and guidance using monitors to solve production issues and uniting the Head Office and production floors in efforts to manage risks.

It also makes arrangements to avoid too much overlap of construction activities by planning construction procedures and workloads, taking into account the problems (financial conditions, construction capacities, employee turnovers, and construction periods, etc.) identified through hearings and visits to construction subcontractors.

## 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, and endeavor to prevent the recurrence of such accidents on a company-wide scale, in combination with the safety and health and other management systems.

### Main approach

## Risk assessments of construction site health and safety

In fiscal 2020, 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 construction site industrial accidents requiring 4 or more days of missed work

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Construction site accidents | 39 | 31 | **28** |

### Frequency rate of industrial accidents requiring 4 or more days of missed work

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Frequency rate | 0.23 | 0.19 | **0.16** |

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

### Deaths amongst business partner personnel

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Incidents | 2 | 2 | **0** |

### Safety targets for fiscal 2021

| 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 | Optimally allocate on-site workers and flagmen based on plan |
| Heavy machinery-related incidents…0 | ① Implement patrols of worksites where heavy machinery is used<br>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<br>② Compulsory wearing of fall prevention equipment (full harness with 2 hooks type) when working in high locations<br>③ Conduct thorough pre-work inspection of open areas on scaffolding boards |
| Heat stroke incidents resulting in an absence of at least four workdays...0 | ① Educate housing crews about heat stroke<br>② Educate building and housing complexes crews at each worksite |

P038 Adapting to climate change —How to prevent heatstroke on construction sites

## Third parties’ examination and evaluation of employees’ health and safety

Daiwa House Industry is not certified with OHSAS 18001, but the Health and Safety Committee is held at least once a month at each branch to communicate and share information on safety and health. Also, full-time industrial physicians are stationed at both the Head Office and the Tokyo Head Office, each of which has over 1,000 employees.

Five out of nine Daiwa House Industry’s plants have been certified with OHSMS (Occupational Health and Safety Management System) while safety audits are conducted at those uncertified according to the OHSMS standards.

## Employees’ industrial accidents and response to major accidents

No industrial accident took place at construction sites and plants in fiscal 2020. There was no fatality among the industrial accidents that occurred in the thirteen main Group companies.

In addition, major disasters and accidents (such as fatal accidents caused by the fall of a crane, pile driver, etc.), should they happen, are investigated for causes, with preventive measures communicated and implemented through special patrols.

## Questionnaire survey for business partners to improve safety at construction sites and work environment

The company utilizes the results of questionnaire surveys for members of the Confederation of Partner Companies conducted once a year to improve safety at construction sites and work environment.

### Solution implemented based on results of the survey for business partners in fiscal 2020:

Complaint from a business partner: Work on holidays was required to make up for a delay in construction and get it back on schedule.
Our solution: Ensured operation closure on days off in our process management, and cooperated with partner subcontractors in providing educational program and guidance for improving builders’ work efficiency at construction sites to tackle causes for construction delay.

## Issue 7 | Improve productivity in manufacturing operations with the cooperation of business partners



### Basic Policy and Concept

The Daiwa House Group provides people with buildings that give a sense of safety and peace of mind as a "Group that co-creates value for individuals, communities and people's lifestyles." 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). The Daiwa House Group has pursued the Industrialization of Construction that achieves better and stable quality of buildings, lower costs, shorter construction periods, and environmental friendliness. Working together with our partners, we have built up our technology and manufacturing base.

Labor shortages in the construction industry have become acute due to Japan's dwindling population. As the construction workforce is aging far more rapidly than other industries, vast numbers of workers are projected to retire by 2030. Shortages of skilled builders and engineers who oversee construction sites are already becoming prominent.

The Daiwa House Group is a general contractor engaged in construction of major buildings and is also a housing manufacturer that produces construction materials in its plants. Guided by the Industrialization of Construction, we have improved plant productivity to save labor at building sites. As an example, we started research into Building Information Modeling (BIM) in fiscal 2006, and then established a specialized department in fiscal 2017. With these and other efforts, we are revolutionizing manufacturing for the entire supply chain utilizing ICT and the IoT. The Confederation of Partner Companies, which is made up of partner subcontractors, has been active in improving technology through its subcommittees. Meanwhile, shortages of skilled builders among our partners and the handing down of these skills to younger workers remain serious challenges.

In the three years up to fiscal 2021, we will continue to increase productivity in our manufacturing, based on the use of ICT and the IoT in collaboration with our partners upon ensuring quality. In response to frequent requests from partner employees to ensure they receive days off, we aim to provide higher salaries, more days off, and accommodation of their wishes. Such efforts cement relationships of trust with our partners and improve our technological capabilities, helping to establish a technology and manufacturing base that can cope with the changing times.

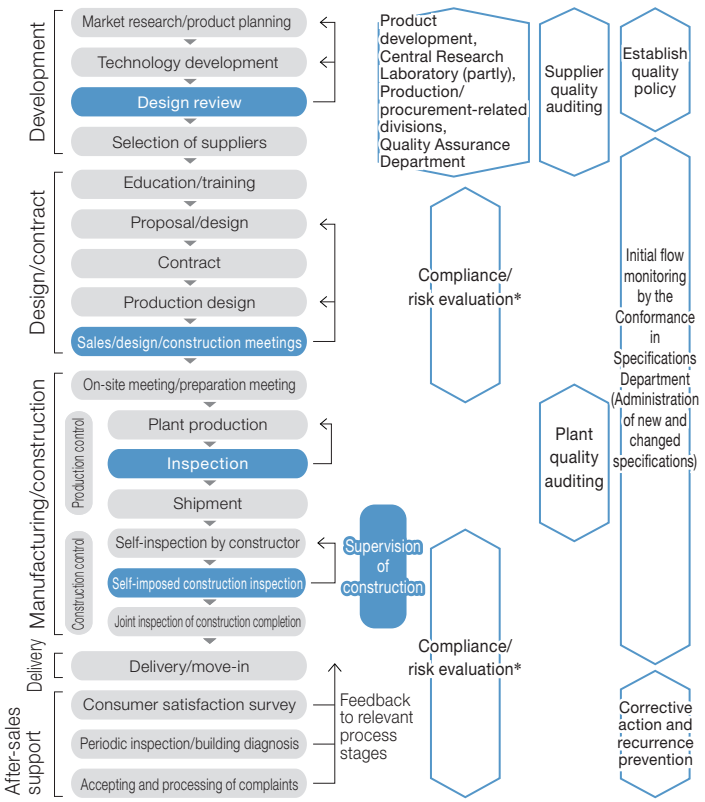
### Management

#### Quality Assurance System

Daiwa House Industry pursues quality improvement throughout the production process, from development to design and contract, production and construction, to after-sale services. As shown in the diagram right, we conduct inspections and take measures to improve development, production and construction, and other individual processes, with a quality policy defined based on feedback from recurrence prevention activities and various processes. The General Manager of the Production Development Department is responsible for communicating technical information on products under development, while the construction supervisor is responsible for confirming that the building is built according to the design drawings. We also evaluate the quality of our products in both physical and intangible areas through questionnaire surveys, periodic inspections, and various inquiries received following delivery to customers, thereby maintaining quality that satisfies the 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 provided by employees, and the operational quality of our systems and structures.

In fiscal 2020, we reorganized the points of contact for hands-on feedback on failures and suggestions as well as consultations on construction-related laws and regulations, and consolidated these functions at Quality Assurance Department. The change has made organizational operation more visible to personnel in charge of construction sites, enabling centralization of manufacturing risk information and improvement in quality through faster and more accurate communication. Using this management system with enhanced risk detection capability, branch offices and Head Office unite in efforts to deliver high-quality products to customers.

■ Quality assurance system flow (Housing)




* Compliance risk assessment refers to efforts to strengthen the technology platform at worksites (safety, waste, quality, design and construction).

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

Daiwa House Industry has created a Conformance in Specifications Department to prevent the reoccurrence of noncompliance like the cases that occurred since 2014 in on-site construction, factories, production and purchasing and product development. However, the fourth noncompliance (prior to the establishment of the Conformance in Specifications Department) was found in 2019, leading to the rebuilding of the system for supervising design and construction work in our Head Office. To further strengthen our legal compliance system, we established the Legal Compliance and Quality Assurance Division reporting directly to the president on August 1, 2019. The Conformance in Specifications Department also belongs to said division.

For the design, production and construction of single-family houses and apartments, the Conformance in Specifications Department manages the technical information related to new and changed specifications that will directly impact the safety and peace of mind of customers, especially those for fireproofing and structural performance, and conveys necessary information to related departments so as to limit the reoccurrence of nonconformity. In particular, regarding important items for fireproofing and structural performance, we educate our staff on whether information has been reliably conveyed in response to changes in situations such as improvements and revisions and new product development, etc. and the system records if construction has been carried out properly as an initial flow management.

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 departments. Furthermore, the Head Office appoints a person from its Technology Division 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 regarding items that guarantee customer comfort, such as sound insulation and thermal efficiency, and also supervises the process to ensure its proper implementation.

We use a drawing generation system (D-SPEC) that automatically highlights the points in construction most critical to fireproofing. The system allows us to provide important specifications to engineers and technicians in advance for each property, enabling more accurate checking during inspections.

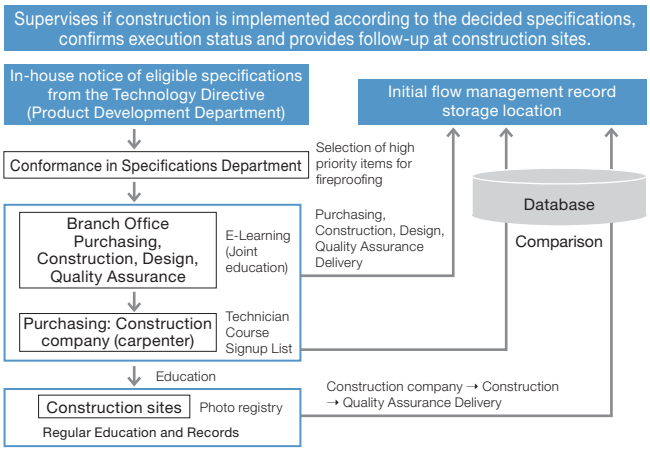
Properties are examined both on drawings and on site, and the information gained through the examination is shared among the relevant divisions of the Head Office to prevent nonconformity of business premises.

## 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 Division and the Procurement Division of the Head Office, have acquired ISO 9001 certification, the international standard for quality management systems. In our Production Division and Procurement Division, ISO 9001 quality management systems have been implemented as a tool to further promote efforts to enhance and stabilize product quality.

Regarding implementation, we are undergoing audits by an external certification body for the assurance of product and service quality and safety.

■ Overview of initial flow management




## Local procurement

Ever since our founding, we have grown in concert with our partner subcontractors under a spirit of "co-existence and coprosperity." In 1986, we launched the "Confederation of Partner Companies" (CPC) to help our partner subcontractors improve their practical skills and for both sides to learn from each other and build friendly relations.

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.

## Member organizations in our supply chains

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

### The Confederation of Partner Companies (4,486 companies)

The Confederation of Partner Companies, consisting of 86 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 share ideas and knowledge through the information site "WEB Ren" to ensure smooth communication and collaboration.

### 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 these categories of promotional activities.

### The Setsuwa Club (163 companies)

Composed of housing equipment manufacturers and sales companies we have had dealings with, the Setsuwa Club has enhanced cooperation and collaboration by product and technology exhibitions and various other activities. The Club has four branches in the Kansai, Kanto, Chubu and Kyushu regions.

P026 Supply Chain Management (Environment)

## Communications with the Confederation of Partner Companies

The Confederation of Partner Companies, a membership organization of construction subcontractors and manufacturing business partners, consists of regional confederations (comprising each branch and manufacturing partners), prefectural confederations (comprising representatives from each prefecture) and the confederation headquarters. Construction representatives, branch managers, plant managers and directors of Daiwa House Industry closely communicate with one another through each organization's meetings to share knowledge and information on safety, product quality, technological skills, work efficiency, engaging with environmental issues, human resource development, etc., thereby coming up with improvement plans.

## Amenities and building codes that make it easier for business partners 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 a 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 and control building construction, and renovation manuals," guidelines relating maintenance, specify infrastructure codes and require us to use universal design as the fundamental train of thought, incorporate environmental (CASBEE), 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 both our business partners' employees 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.

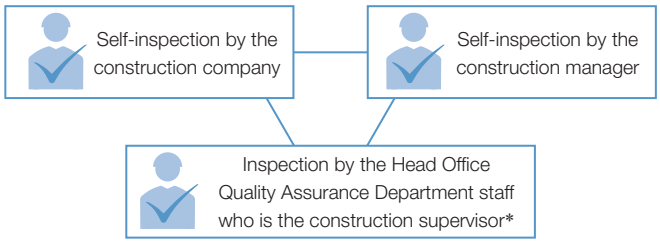
## Main approach

### Impact assessment on product safety

#### Housing (single-family house and apartment businesses)

Japan has rigorous standards for building safety to protect building owners and residents (consumers), based on the Building Standards Act. Having ensured compliance with the Building Standards Act, we add to legally required inspections both construction quality self-inspections carried out by the construction company and construction manager with the goal of achieving zero accidents, and 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




* As part of the physical inspection—an essential part of a completion inspection—this inspection is conducted by focusing additionally on one particular process. The Quality Assurance Department staff also reviews all quality records. As construction supervisor, the staff member also verifies the drawings, monitors the legal status of approval and authorization, and monitors the design process through in-process inspections. Training sessions are regularly held for the Quality Assurance Department staff to improve their skills.

#### Construction (commercial facilities and general construction business)

Performing quality control in every process is essential for delivering high-quality products to customers. In addition to self-inspections conducted by building contractors and construction supervisors, our Quality Assurance Department conducts supervisory onsite inspections and quality checks on design, construction, and facilities with the aim of ensuring zero accidents.

### Providing product information

Daiwa House Industry provides documents related to product information at the time of building handover. For single-family houses, for example, we provide the customer with a "Lifestyle Guidebook" that contains building maintenance information. For customers that request, we also disclose our voluntary performance evaluation certificate based on the "Japanese housing performance labeling standards." For condominiums, along with providing the key at the handover we also give the customer an "Instruction manual relating to the use of the building and facilities" as well as a document for "Support after moving in" and "D's File," which is a document that shows the history of the residence.

### Support for issues faced by partner subcontractors

#### Assistance in human resources training

We provide our business partners financial support to train young technicians in specialized skills for housing construction. In addition, the Certification System for Skilled Engineers and Technicians certifies engineers and technicians with outstanding skills to strengthen the on-site construction system, improve the production systems of plant business partners and enhance their quality. In fiscal 2020, we started certification of expert technicians for housing construction to further motivate them. These technicians are provided with educational programs on "construction chief technicians" and "full-time supervisors," all held online in lieu of group education, at 89 locations during the fiscal year.

In addition, the following programs are in place at each plant to develop and improve the skills by qualified technicians:

① Skill-specific training by qualified technicians
② Skill competition (as a qualifying session for our national competition)
③ Certification of national competition winners as "excellent technicians" and "senior technicians" (Those who are certified guide and instruct junior technicians to help them improve their skills.)

## Career advancement in the construction industry

The “Construction CareerUp System” is a scheme designed to reserve construction technicians’ qualifications, social security data and work experiences and fairly evaluate their skills, which leads to improved work conditions. Operation of the system started in April 2019, supported by the Ministry of Land, Infrastructure, Transport and Tourism as part of work style reforms.

We were among the first to study the system, and decided on companywide introduction in October 2019. A face recognition access control system using smartphone have been also introduced in April 2020, with which the access histories of builders are controlled and their on-site work experiences are accumulated in the Construction CareerUp System.

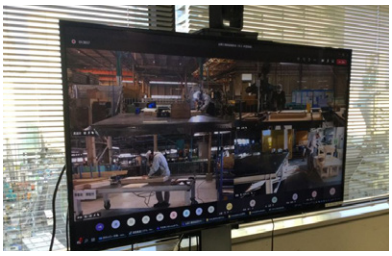
To further promote participation of construction technicians and partner subcontractors in the system, we provided discount purchase benefits at an online shop operated by Royal Home Center, and held a campaign to grant points according to the number of days of access to construction sites. The company continues to encourage their registration.

# Support for issues faced by plant business partners

## Passing on skills and employee retention

**[Nationwide building skills contest]**

At Daiwa House Industry, we have teamed up with our plant business partners to jointly organize a building skills contest for the purpose of reviewing and overhauling quality and safety practices and to improve the building skills needed to do business. The contest had been held by meeting up at a certain factory in past years though, in fiscal 2020, we decided to hold it online via TV conference and Microsoft Teams to prevent the spread of COVID-19. We held seven events for three skills: welding skills, “skill challenge” and “open” categories, woodwork and exteriors, and painting skills in housing and construction categories. The contest was held from November 12 to 13, 2020 by connecting our plants remotely with a total of 53 employees participating from the plants. 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.



Nationwide building skills contest

**[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 they discussed possible solutions.

The program on the recent issue of risk management was provided in a lecture style, while that on floor management abilities was through a consensus game as a way to learn organizational consensus building methods.

The programs are designed to enhance their management capability and develop their skills to foster young employees, and is intended to improve their motivation and make them conscious of participating in management as supervisors. The training was provided with Microsoft Teams given the pandemic in fiscal 2020, and was participated by 72 supervisors (49 trainees and 23 staff), mainly from factories in East Japan after a year-long delay. The company continues with efforts to develop supervisors’ management skills.

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

# Improve productivity with the use of information and communication technologies (ICTs)

## Digitizing construction sites

In the construction industry, serious labor shortages and aging of workforce have become a major issue. According to the Ministry of Land, Infrastructure, Transport and Tourism, more than 30% of the construction workforce is 55 year old or above, while those younger than 30 account for only about 10%, and the number of new entrants has been decreasing as well. To improve the industry work conditions, the Ministry is promoting 8 days-off for every 4 weeks for construction workers. Reducing working hours is also a pressing issue from the viewpoint of securing human resources.

Considering such social conditions, the company is improving work efficiency by sharing the information obtained onsite, and monitoring worksite remotely to control process, quality and safety with AI-based image analysis system, all to achieve work style reform for supervisors and builders at construction sites.



AI monitors construction progress based on images from camera



Smart Control Center of the company

## Introducing BIM for drafting emergency temporary housing plans

In the wake of the 2019 Typhoon Hagibis with 99 fatalities, we used BIM* when drafting plans for the construction of emergency temporary housing. With an automatic design program creating a three-dimensional layout planning of housing in a short time, we completed the process in two days that used to take up a week, and obtained drawing approval.

* Digital three-dimensional models that incorporate building information. Enables consistent use of information throughout the life cycle of a building, from design to construction, and maintenance.

## Issue 8 | Promote and improve the efficiency of CSR procurement across the Group

### Basic Policy and Concept

At 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.

Demands from institutional investors and NGOs regarding corporate environmental and social initiatives have expanded from the non-consolidated to consolidated level, and as far as supply chain management. International rules and securities exchange guidelines also require Group CSR procurement efforts and enhanced information disclosure. We are entering an age where competitive superiority can be gained by satisfying social requirements, including human rights considerations, while at the same time offering good quality/pricing.

The Daiwa House Group strives to comply with the "Regulations for Construction Work Contracting" of the Construction Industry Act and to conclude fair contracts. We also transact business with business partners who are protected under the subcontracting law in the full spirit of the law. Through the use of ICT and other technologies, we are building management systems for reliable and effective CSR procurement.

As our business rapidly expands internationally, the Daiwa House Group works to achieve a sustainable society through promoting CSR procurement with its business partners.

### Management

#### CSR Procurement Guidelines

Our CSR Procurement Guidelines establish 7 principles that underline the social and environmental responsibilities we expect of our business partners in a "Business Partner Code of Conduct." They expand off this code to more articulately define 20 social and environmental requirements for our business partners under our "Corporate Activity Guidelines."

Fundamentally, the code is straightforward and tuned to the times. For example, the "compliance" principle places the onus on business partners to act ethically and lawfully. Where the code lists "considerations for occupational safety and health," business partners are expected to concern themselves with health and safety by preventing industrial accidents, attentively managing sanitation and hygiene, and preparing for unforeseeable events like natural disasters. "Fair business activities" aims to keep business operations free of graft and to prevent corruption. Moreover, the code's call for business partners to "respect human rights" is a strong denouncement of forced labor, child labor, harassment and the infringement of human rights, etc.

The Partners Book, which is in line with the "Business Partner Code of Conduct" and the "Corporate Activity Guidelines" is provided to all employees of business partners for educational and training purposes. Besides all of this, we have "Guidelines for Products" that specify our control policy with regards to chemical substances contained in construction materials and biodiversity in timber procurement – two areas that bring a high level of risk to our supply chains but can be audited and traced well upstream.

While the Business Partner Code of Conduct espouses broad universal values that underscore public interest in reasonable work hours, minimum wage and other issues, our various guidelines on corporate activity and products are business tools that we flexibly revise in line with social demand.

Our Group official website CSR Procurement Guidelines (Japanese text only) https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

#### CSR Procurement Guidelines

| |
|---|
| (1) Business Partner Code of Conduct<br>Seven principles concerning social & environmental responsibility<br>1) Establish a relationship of trust with customers<br>2) Secure legal compliance<br>3) Considerations for occupational safety and health<br>4) Fair business activities<br>5) Environmental conservation<br>6) "Co-creating a Brighter Future" with local communities and<br>7) Respect for human rights |
| (2) Corporate Activity Guidelines<br>Twenty specific requirements concerning social & environmental responsibility |
| (3) Guidelines for Products<br>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 guidelines below:<br>1) Chemical Substance Management Guidelines [Basics]<br>2) Biodiversity Guidelines [Timber Procurement] |

P026 Supply Chain Management (Environment)

#### 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<br>Management | Chemical Substance Management Guidelines took effect<br>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 CSR procurement of timber 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 |
| September 2019 | Management | Re-collecting letters of consent to the CSR Procurement Guidelines |
| September 2019 | Management | Ethics Cards for Partner Employees are distributed to all business partners |

P027 Increasing suppliers' awareness of our environmental policy
P044 Preserving biodiversity in our procurement and business activities
P071 Assessment of business partners human rights risks

## Application of the CSR Procurement Guidelines

When contracting with 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. These guidelines clearly prohibit the recent social issues of 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.

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 [Basics]" (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.

At the same time, every year since fiscal 2011, we have audited timber suppliers as per our "Biodiversity Guideline" [Timber Procurement]. These audits determine if the Group is procuring timber logged in a way that illegally violates the rights of indigenous people. They are required to verify the legality and sustainability of timber 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 compliance with our "CSR Procurement Guidelines" by having our business partners conduct self-assessments. In fiscal 2020, there were no reports of human rights infringements prohibited in our CSR Procurement Guidelines.

## Encouraging business partners in CSR procurement

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.

We seek out, identify, and improve behavior of our Group employees that can be interpreted as ethical and compliance problems, and also problems among our 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 maintain collaboration with order placement personnel at each branch, and promote responsible procurement across the Group.

This subcommittee shares environmental and social issues related to procurement, audits procurement practices of the entire Group, and implements measures for solving CSR procurement-related issues. In particular, we have stopped procurement of timber construction materials involving high risks such as large-scale deforestation and human rights, sourcing their sustainable counterparts from other countries.

P026 Supply Chain Management (Environment)
P108 Member organizations in our supply chains

## Cooperating with trailblazing organizations in CSR procurement

### Global Compact Network Japan (GCNJ) Taking part in the Supply Chain Subcommittee

In April 2018, Daiwa House Industry announced its participation in the UN Global Compact (UNGC), a universal principle advocated by the UN on human rights, labor, the environment and corruption prevention.

We are also member to the GCNJ Supply Chain Subcommittee consisting of UNGC member companies, and the SDGs Subcommittee. These subcommittees feature case studies and lectures by experts on recent CSR trends, with CSR promotion measures developed for various companies based on member companies' experience in wide-ranging industries. Knowledge obtained from the subcommittee is reflected in the Daiwa House Group's CSR programs.

### Registering with EcoVadis

Daiwa House Industry registered with EcoVadis from fiscal 2019 as a supplier and started to disclose required information. We maintain a Gold rating since then.

P159 Company receives top Gold EcoVadis sustainability rating for two years running

## Managing business partners in terms of QCDMSE

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

In selecting new partners, 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, their environmental measures, and customer services and employee training programs. We only conduct business with suppliers who clear a certain level of evaluation. After commencing business with them, we use the same approach for follow-up assessments.

In selecting new partner subcontractors, we review their application against QCDMSE criteria and interview them as per our engineering regulations on 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 engineering regulations apply to the new partner subcontractor.

At construction sites, alongside managing the site in terms of QCDMSE, we clarify the roles that we and the subcontractors play in that process.

## Main approach

### 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 have a letter of consent submitted 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. We regularly ask business partners from which we have obtained a letter of consent to conduct self-assessments based on our "CSR Procurement Guidelines" so that we can confirm that the guidelines are being followed.

### Checking our supply chains for ESG issues

To identify risk factors in our supply chain, we periodically check and monitor the work progress of all primary subcontractors at construction sites and plants, using a checklist prepared by us that includes such items as workplace safety, labor relations, and waste disposal.

If there are any problems, we will take corrective measures in a timely manner, and implement actions to prevent recurrence by reviewing the system concerned and providing education to the employees of the construction subcontractor in question. With new business partners, we stipulate our CSR procurement requirements in contracts with them and provide education so that they conduct themselves appropriately as a whole.

#### Monitoring business partners for ESG issues

We had our business partners conduct self-assessments in December 2020 against the “CSR Procurement Guidelines” we adopted in 2015, as a mechanism for each business to gauge how well they adhere to the guidelines.

Also, to ensure none of our business partners are procuring illegally felled timber, etc., we conduct a CSR procurement of timber survey every April that helps us to monitor their procurement practices.

· Scope of application:
Members of the Confederation of Partner Companies, the Trillion Club and the Setsuwa Club and other suppliers that are required to submit a letter of consent under our “CSR Procurement Guidelines” (5,074 companies)
· Companies that replied: 2,366 (43.5% response rate) (as of March 31, 2021)

P026 Supply Chain Management (Environment)
P027 Monitoring of supply chain
P027 Supplier reports and status monitoring
P044 Preserving biodiversity in our procurement and business activities

#### Complying with timber construction material procurement standards for Tokyo Olympic and Paralympic facilities

Daiwa House Industry is a Tokyo 2020 Official Partner (facility construction and housing development). In constructing Olympic/ Paralympic-related facilities, therefore, we selectively procure timber construction materials* meeting the “sustainable timber construction material procurement standards” set by the Olympic/ Paralympic Organizing Committee.

* Including those procured by subcontractors

#### CSR procurement of timber survey

The Daiwa House Group has regularly conducted procurement of timber survey since fiscal 2010. From the results of these surveys, we have classified the procured timber into three types: certified timber, recycled timber, and our company’s recommended timber. Any timber that meets certain criteria (scoring at least 90 points on the 110-point scale) is evaluated as S-ranked timber. Moreover, any timber that scores less than 70 points is evaluated as C-ranked timber, a category targeted for improvement.

In March 2016, we revised our timber procurement assessment criteria in order to more rigorously assess risk areas and certification bodies, and evaluate legality and sustainability (biodiversity, human rights, etc.) more closely based on the actual situation.

In fiscal 2017, we added content from the Clean Wood Act (Act on Promoting the Distribution and Use of Legally Harvested Wood) to our assessment. Assessment results in fiscal 2020 are shown right.

■ Assessment results of used timber

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Rank S | 94.9% | 94.3% | 95.1% |
| Rank A | 1.9% | 3.9% | 2.9% |
| Rank B | 1.1% | 1.2% | 1.5% |
| Rank C | 2.1% | 0.6% | 0.5% |

## Action taken with suppliers with marked ESG risks

In fiscal 2020, via the company's own checking and monitoring system or via the various whistle-blowing systems it operates, it received no reports of human rights abuses that violate the company's 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, or compliance violations, matters are quickly corrected at the worksite and related information is centralized by the Risk Management Committee.

If ESG risks are identified upstream in Daiwa House Industry supply chain, the business partner who is violating the environmental (chemical substances, biodiversity, etc.) or social (human rights, anti-corruption, etc.) standards set forth in our "Guidelines for Products" is instructed to correct the matter.

While four partners were found to be procuring 50 cubic meters or more of C-ranked timber annually in the fiscal 2017 CSR procurement of timber survey, they all submitted improvement plans and implemented corrective measures. As a result, two of them eliminated C-ranked timber procurement in fiscal 2018 and the rest in fiscal 2019.

P045 Conducting timber procurement surveys at our suppliers
P057 Expanding Implementation of the Chemical Substance Management Guidelines

## Action taken with suppliers with marked ESG risks

As a regular action, monthly activities serve to share information on products and ESG risks confirmed and summarized by area leaders from each branch. The information is then disclosed and the necessary action is taken. Moreover, in April 2018, the functions of the Purchasing Promotion Department were retooled to address product and ESG risks in tighter coordination with each branch.

## Response to rights of indigenous people

As we procure timber from all over the world, we have established CSR Procurement Guidelines – Biodiversity Guidelines [Timber Procurement] as our policy in order to avoid complicity in biodiversity destruction or human rights violations. In accordance with these Guidelines, we conduct a CSR procurement of timber survey annually, to check if no timber is procured from areas categorized as "high risk areas (tree species)" with high possibility of violating the rights of indigenous people. In cases where 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.

P044 Preserving biodiversity in our procurement and business activities

Contributions to SDGs

# 4 Customer base

## Solid long-lasting relations with customers

[Policy] Strengthen systems to promote business and real-estate development that helps solve social issues

## Policy and Concept

### Megatrends that Impact Bases

- Declining number of housing starts and rising rate of unoccupied houses
- Shifting of workforce core to Millennials and members of Gen Z
- Changes in housing demand
- Changes in consumption behavior

### Social issues

Against the backdrop of the declining birth rate and aging population in Japan, the decline in the number of new housing starts, and conversely, the increase in unoccupied houses, are emerging as social issues. From the perspective of disaster and crime prevention needs that come with the rise in unoccupied houses, this issue runs the risk of lowering values in the regional community.

On the other hand, today we are in a period of increasing single-person households, and the younger generations, the so-called millennials and Generation Z, are purchasing their own homes. This portends a mainstreaming of purchasing behavior based on a sense of values that differs from the conventional dream of “your own home.”

What we can also anticipate is that rather than an uncompromising demand for a newly constructed house, there will be rising sentiment of existing homes being an acceptable alternative. In addition, becoming more apparent is that share houses and living somewhere other than a principal residence are among the changes in the ways that customers hope to live.

Moreover, in light of this being an age in which customers can obtain information for themselves via the Internet, conducting ever more in-depth communication and earning relationships of trust with customers is the key to “being chosen” by customers

### Risks and opportunities for the Daiwa House Group and its responses

As the number of new housing starts in Japan is in decline, the future holds risks that may arise in the form of difficulties when offering housing proposals.

In response, we will strengthen corporate communications so that even those customers without a strong interest in the Daiwa House Group can be made more aware of the Company, and in so doing we will pave the way to capturing their future business.

In another area, our data-collection capability and problem-solving skills will serve us well when it comes to responding to changes in demand of the times. By leveraging these strengths, we can adapt with flexibility to upcoming variations in demand. This will lead to the creation of new business opportunities.

The founder Ishibashi exercised management with an emphasis on being a “Daiwa House that is loved.” Based on this stance, in the early 2000s we established the CS Promotion Department, making concerted efforts to build better relationships with customers. It was through initiatives such as this that we have further strengthened relationships of trust over the long term, and this will lead to providing proposals tailored to customer lifecycles and the utilization of unoccupied houses that have become a social issue.

## Road Map to Achieving Endless Social Program 2021

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 9: Upgrade corporate communications**<br>Establish, maintain and enhance a corporate brand that goes beyond “name recognition” to send a consistent unified message that is tightly coordinated with our founder’s spirit, the values espoused in our Corporate Creed and our management vision. | Interbrand<br>Japan’s Best Domestic Brand/ Brand monetary value | |
| | 700 million USD | 1 billion USD |
| | Nikkei Corporate Perception Survey | |
| | ① Favorability (individuals)<br>52.4% | 70% |
| | ② First-class evaluation (business people)<br>68.7% | 90% |

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 10: Promote customer support to maintain long-term relationships** | Order rate using our customer base | |
| | 39.9% | 70% |

Improve customer satisfaction services in order to prepare for the growing shift in the business environment from new construction to housing stock business and from new customer development to sales by referral.

Build an information system in addition to training and deploying appropriate human resources, in order to make proposals that are appropriate to the lifecycle stage and household changes of owners.

* Housing: Percentage of sales by referral (Departments in charge will implement strategies in coordination with related departments to attain targets.)

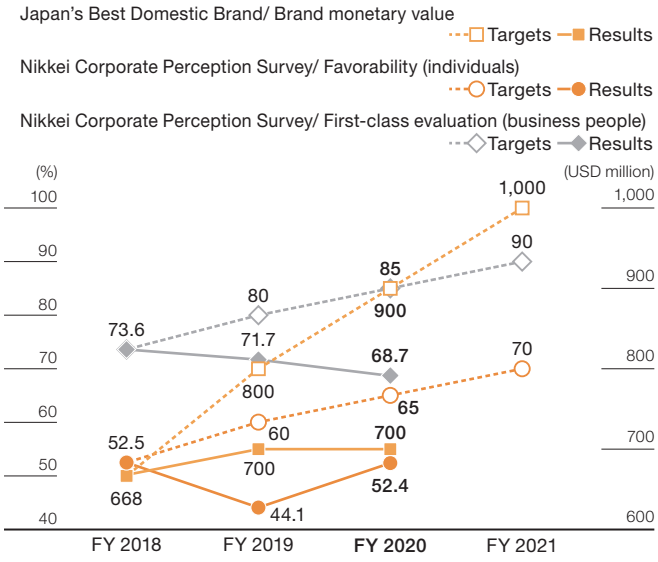
## Fiscal 2020 Overview of "Endless Social Program 2021"

### Issue 9: Upgrade corporate communications

With "Grow a new Life" as a unified theme for corporate communications in fiscal 2020, we have engaged in advertising and promotional activities. As a group that co-creates value for individuals, communities and people's lifestyles, we at the Daiwa House Group develops businesses to offer new value to customers' living and their lifestyles. In the year where society was dominated by the COVID-19 pandemic, the company embarked on developing new businesses, products and services for adapting to New Normal, and Livness Town Project that embodies the value of a sustainable lifestyle by redeveloping existing housing complexes. Through these and other initiatives, we pressed forward on active communications that put a spotlight on voices of customers and other stakeholders, seeking to establish the image of our company that is be of service to society. In addition, we engage in cherry tree preservation activities on the slopes of Mt. Yoshino in Nara Prefecture, the region where our founder was born and raised. We have positioned this "Daiwa Sakura Aid" as an activity that brings our corporate philosophy to life. By increasing opportunities to interact with our stakeholders, we strive to demonstrate the company's corporate stance to society.

In fiscal 2020, brand value and perception survey, which are key goal indicators, showed a flat result and partial decline, respectively. In fiscal 2021, together with ongoing enhancement of governance system, we will work to spread our corporate philosophy so as to foster among customers the idea that the behavior of each and every employee represents the Daiwa House Group brand.

■ Brand Value, Perception Survey Results



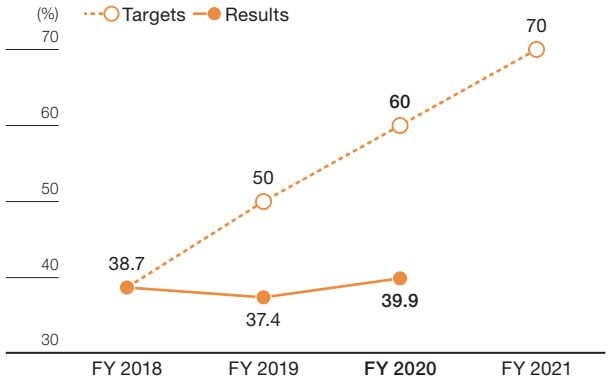

### Issue 10: Promote customer support to maintain long-term relationships

In fiscal 2020, COVID-19 has been affecting the globe from the beginning of the year. In order to prevent the spread and proliferation of infections, regular inspections and impromptu visits were postponed, this elicited the question of what new form of relationship will we have with customers. In providing inspections to customers who were stricken by the earthquake off the coast of Fukushima, an aftershock to the Great East Japan Earthquake, we partially used remote tools to support the operation. We will explore a framework further to maintain relationships based on digital technologies and ways to connect with each customer digitally.

While taking these customer satisfaction (CS) initiatives, we also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we are building a framework that makes it easy for customers to contact the Company.

The fiscal 2020 result of the order rate (percentage of sales by referral) using our customer base, a KGI, improved to 39.9% year on year, but falling short of the target.

■ Order rate using our customer base



## Issue 9 | Upgrade corporate communications

### Basic Policy and Concept

We will continue to take the stance of "Co-creating a Brighter Future," which means solidarity with society through our business, and also with people, through our products and services. This demonstrates our understanding of how critical it is to deal sincerely with society.

In terms of our management strategy, corporate communication is becoming ever greater in importance. Realizing sustainable management will require two-way communication with all manner of stakeholders, as a member of society. It will be vital to listen to their voices and sustain trust.

The Daiwa House Group introduced the "Endless Heart" group symbol in April 2005, marking the 50th anniversary of its founding. Moreover, together with formulating the Employees' Charter, the Company made "Connecting Hearts," its new management vision shared throughout the Group. Corporate communications will raise awareness of "Endless Heart" among consumers, and this has led to a sweeping trend tied to bolstering both our customer base and human resources base.

The Company will emphasize the sharing and entrenchment of the corporate brand among employees, instilling the corporate philosophy throughout the Company, taking into account the characteristics of Daiwa House Group business conditions. Specifically, that is "employees who communicate directly with consumers or customers." "Endless Heart" symbolizes the importance of the endless emotional connections with each and every customer, and so as to share joy throughout a lifetime, we conduct dynamic communications with all of our stakeholders which together with responding to the expectations and requests from society, in line with the spirit of greater harmony* as we aim to realize a sustainable society.

* Greater harmony: A term coined to infer "conducting management with greater harmony," which reflects the meaning of the Company's name.

### Management

#### Operational management of the "Endless Heart" group symbol

The corporate brand symbol "Endless Heart" represents a point of interaction with Daiwa House Group stakeholders in a wide variety of businesses, and is a symbol of the "Proof of Reliability" the Daiwa House Group promises to society through architecture, whether it be in a social or lifestyle situation, or where we conduct advertising communications activities. To ensure that this symbol is treated correctly and properly, the parent company, Daiwa House Industry Co., Ltd., individually enters into a basic contract with each Group company, and through preparation for and strict adherence to operational rules and guidelines (basic manual), we strive for communication management that leads to a uniform Group image and a higher degree of favorability. In addition, with an eye toward mitigating risks associated with intellectual property, we are thorough in our registration of trademarks, and in response to the quickening pace of globalization in business, we have pressed forward on making applications in countries around the world (92 countries) and registrations (85 countries). Concerning trademark infringements (copies), as a preventive measure, we endeavor to keep a regular lookout at each country's patent agency database.

### Main approach

#### "Grow a new life" special website

Themed on "Grow a new Life," the Group published special articles focused especially on "people" on its official website, all representing a wide variety of its businesses. Confronting directly a society that was changed by the pandemic, we have been undertaking various initiatives. By discovering such initiatives, we hope readers can imagine new lifestyles we are proposing based on a set of new values, and we wish to grow a better society and brighter future together. It is under this concept that we introduce the voices of our various stakeholders.

Our Group official website grow a new life (Japanese text only) https://www.daiwahouse.com/growanewlife/

#### 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 haled from there because, in 2008, we started lending our support to conserving and rejuvenating the cherry trees of Yoshino.

Our Group official website Daiwa Sakura Aid https://www.daiwahouse.com/English/sustainable/social/contribution/sakura/

**[About Daiwa Sakura Aid]**

Through performance and experience of traditional Japanese instruments and the planting of trees in the Sakura Project, we can protect and pass on the history, culture, tradition and lifestyle related to cherry trees and the cherry trees themselves through the spirit of "Creating Dreams, Building Hearts" using the keyword of "cherry trees" which is the symbol of "Japanese spirit."

## Preserving the cherry trees on Mt. Yoshino

In fiscal 2020, a total of 15 Group employees and their families participated in activities five times*, picking up sakuranbo (cherry seeds) and planting trees. At the cherry tree orchard managed jointly by the Company and the Yoshinoyama Hoshokai, in February we planted approximately 3,000 seeds, and in May, confirmed 560 sprouts. Following five years of growth, the cherry tree saplings will be transplanted to Mt. Yoshino.

* Of which, participation on a voluntary basis was only once in order to prevent the spread of COVID-19.



Landscape of Mt. Yoshino viewed from Nakasembon



Replanting saplings

## Sakura Project

While continuing the activity to preserve cherry trees in Mt. Yoshino, our Company has learned that more and more cherry trees are coming near to the end of their lives throughout the country. Therefore, it has carried out the Music and Planting Project mainly with elementary schools throughout the country since fiscal 2010 under the slogan “Let’s transmit cherry trees” in order to transmit cherry trees to the future generations.

A total of 2,636 children participated at nine locations in fiscal 2020, and planted 13 cherry trees. Until now a total of 91,818 children have participated at 311 locations to plant 747 cherry trees. Struck by COVID-19 this year, we took thorough measures to prevent the infections among children who looked forward to joining Sakura Project. To avoid close-contact settings, a DVD recording was used to show the performance of traditional Japanese instruments at classrooms and elsewhere. Although the event was held differently this year, we were able to provide to children an opportunity for planting cherry trees and enjoying music without halting the project.



Children watching a DVD at Midorigaoka Higashi Elementary School in Miki city

## Event for information sharing

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 2020, we invited free of charge 800 people to an online live performance held at Osaka City Central Public Hall in December in response to the spread of COVID-19.

In addition, in March 2021, we held photo exhibits of Mt. Yoshino and cherry blossoms all throughout Japan, tying up with an event at Tokyo National Museum titled “Cherry Blossom Viewing at the Museum.” The exhibits were enjoyed by many visitors.



Cherry blossom photo exhibition at Tokyo National Museum

## Cooperation with branch offices, worksites and Group companies

Daiwa House Industry is improving the system in cooperation with its branch offices, worksites and Group companies throughout the country for enabling even employees and customers unable to directly participate in the cherry tree preservation activity in Mt. Yoshino itself and charity concerts to participate in such activity elsewhere, by way of automatic vending machine with donation function and clothing donation.




Automatic vending machine with donation function installed in the Nara Plant



Pamphlets that introduce the beauty of cherry blossoms all throughout Japan Photo collection “Sakura”

## Results of donations

We conducted a donation drive for cherry trees on-site on Mt. Yoshino in spring 2020, and received donations of 209,989 yen from 457 people over a two-day period.

Results of donations earned from automatic vending machine with donation function and donation drives for cherry tree preservation at Mt. Yoshino at Group companies are as shown in the right table.

To those who made donation at Mr. Yoshino or participants in the charity concerts, we provided a collection of photos that we publish every year entitled “Sakura,” and also a small booklet, “Hito Hira,” so as to spur interest by as many people as possible in the importance of cherry trees and conservation, and to convey the story of the iconic tree throughout Japan.

### Results of donations in fiscal 2020

| Item | Amount of donations |
|---|---|
| Mr. Yoshino cherry tree donation drive | 209,989 yen |
| Automatic vending machine with donation function | 2,864,164 yen |
| Donations based on results of accommodation (Osaka Dai-ichi Hotel) | 151,000 yen |
| Donations based on sales of coffee at guestrooms (Daiwa Resort) | 8,295 yen |
| Donations through clothes collection (Daiwa Lease) | 63,257 yen |
| Donations through shareholders benefit program | 2,845,000 yen |
| Total Amount of Donations | 6,141,705 yen |

## Issue 10 | Promote customer support to maintain long-term relationships

### Basic Policy and Concept

The Daiwa House Group's mission is to ensure that a building is maintained in excellent condition over a long period of time to sustain its value as an asset and enable people to use it across generations, and it promotes corporate activities while advocating its philosophy of being a company loved and trusted by customers. Particularly in Japan, as we look to develop our existing home business through utilization of unoccupied houses and renovations, we intend to further raise the importance of long-term relationships in line with the central role of the millennial generation among both customers and employees.

The Daiwa House Group instills, among all of its employees, its corporate approach of "being complete in small things," or in other words, putting one's fullest effort into the most ordinary of tasks, and we put this into practice for our customers. Moreover, we also go a step beyond "customer orientation" to "each individual orientation," this is 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.

## Management

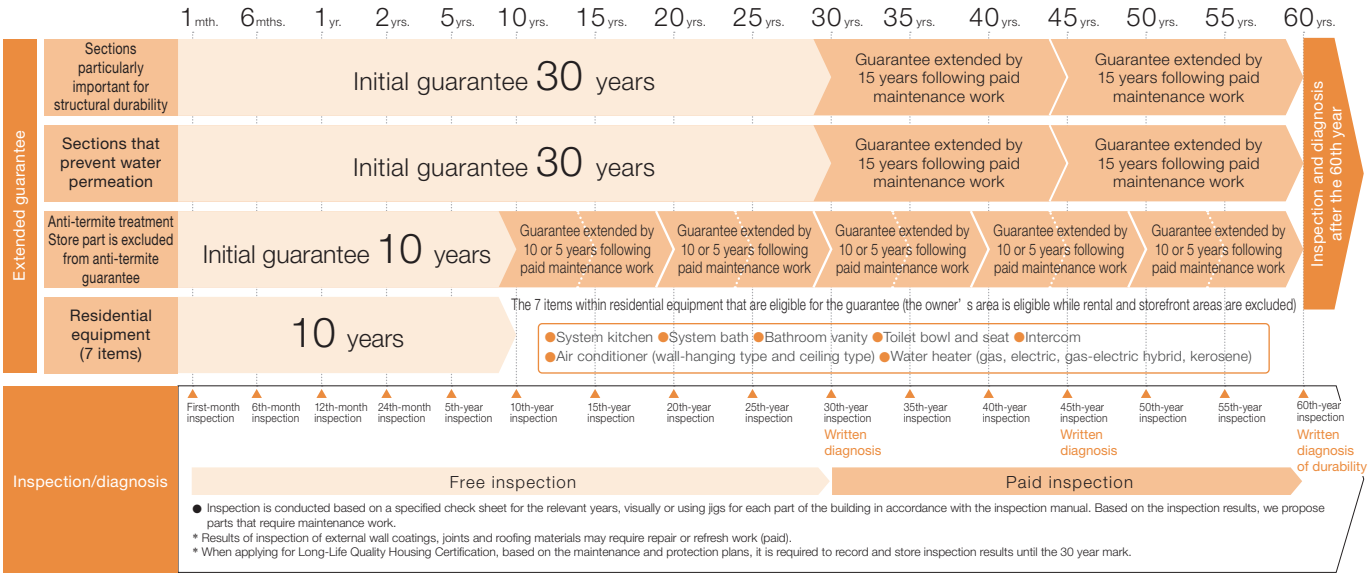
### Long-term quality assurance

The Company has established a system for long-term guarantees and after-sales service tailored to the structure of buildings and circumstances of the customer. We offer initial guarantee periods of up to 30 years* for waterproof related structural parts of buildings, and also provide a regular building diagnostic 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 aftersales services is summarized by the CS Headquarters and fed back to each department, leading to improvement in product development and quality assurance.

* The above applies to xevo ∑ brand and GranWood products (Depends on the products)

■ Single-family houses—steel-framed and wooden (one-story, two-story or three-story) * In the case of xevo ∑ or GranWood related products




**Inspection and diagnosis after the 60th year**

After the 60th year, a durability inspection (test) is conducted, and a written durability diagnosis is prepared, according to the customer's wish. Items of maintenance work necessary for separate sections (for fees) and the maximum duration of guarantee are presented.

1. The initial guarantee period for "important parts for structural durability" and "parts that prevent the intrusion of rainwater" is 30 years starting from the day of handover insofar as the house is available to be inspected by Daiwa House Industry during the guarantee period. In principle, if the house cannot be inspected, the guarantee will be null from that moment on.
2. When the guarantee has expired, the guarantee can be extended only in the case that paid maintenance (hereinafter guarantee extension maintenance) was performed based on inspection and diagnosis. Furthermore, the guarantee for "important parts for structural durability" can be extended by 15 years if guarantee extension maintenance is performed on "parts that prevent the intrusion of rainwater."
3. If the guarantee is nullified, the guarantee may be restarted (re-guaranteed) if guarantee extension maintenance is performed. In this case, the inspection and diagnosis are not free. Depending on the time that the guarantee has been null, there may be cases where the guarantee may not be restarted (re-guaranteed).
4. In the case that the exterior walls are tiled or painted, there may be areas that need to be repaired over time found during inspections. Regarding those areas, necessary measures will be implemented for the exterior walls (exterior wall coverings and joints) based on the period (5 years) and specifications of the guarantee.
5. Damage to "important parts for the structural durability" and "parts that prevent the intrusion of rainwater" caused by the failure to implement guarantee extension maintenance will be exempt from the guarantee.
6. Even within the guarantee period, parts and materials used may be discontinued without notice. In that case, a substitute part will be provided.
7. Repairs and replacements are available for a free after the guarantee has expired.
8. The guarantee cannot be applied to damage from floods, earthquakes, landslides and other accidents such as fires and explosions, as well as expansion and repair work that do not involve Daiwa House Industry unless the above meet the specifications of the guarantee.
9. The details of the guarantee and inspection program are subject to change.

* The above guarantee details apply to new contracts starting from January 1, 2019.

# 4 Customer base

## Systems for enhancing three qualities

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.

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.

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.

## Call Center communications

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 each branch, 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."



## Main approach

## 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 questionnaire surveys 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.

## 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. We conduct single-family house questionnaire surveys after one month, one year, two years, and 10 years from taking up residence. We also conduct apartment questionnaire surveys after six months, and condominium questionnaire surveys three months, one year, and two years after taking up residence and general construction questionnaire surveys 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 questionnaire surveys, 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 apartment business and commercial facilities business, we ascertain long-term customer satisfaction with buildings after handover based upon communication that takes place at Owners Clubs.

## Satisfaction with the quality of customer service

We hold training seminars on a regular basis for all employees of Daiwa House Industry who communicate directly with customers to make sure they know "each individual orientation" 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 questionnaire surveys to ascertain how customers view our customer service, the results of which we use in personnel training.

## 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 apartments they manage, for example. Owners socialize with one another through organized trips and social 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 | Apartments | Commercial facilities |
|---|---|---|---|
| Name | Daiwa Family Club | Daiwa House Owners Clubs | Owners Clubs |
| Total Membership | 280,000 (As of February 28, 2021) | 93 clubs in Japan 33,686 (including activity-specific clubs) | 65 clubs in Japan 6,619 |
| Major activities | · An Internet service exclusively for members<br>· Information and advice given to resolve concerns and to answer owners' questions about future housing. | · New information provided on managing rental housing through journals as well as seminars and consultations provided by experts<br>· Information exchange among members, study tours to deepen friendship, etc. (Web seminars and other online events started in 2020 to substitute offline events postponed due to the pandemic.) | · Web seminars on tax and legal affairs<br>· E-mail distribution on special deals and other information for owners |

Contributions to SDGs




# 5 Communication base

## Appropriate multi-channel communication with stakeholders

[Policy] Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age

## Policy and Concept

### Megatrends that Impact Bases

- Heightened interest in ESG issues among institutional investors and the rise of ESG activists
- Banks step up ESG financing
- Standardization of nonfinancial disclosure by stock exchanges and Financial Services Agency (FSA)
- Advent of society informed by Big Data
- Revolution in communications formats

### Social issues

In recent years, communication with customers, shareholders, local-community members, and other stakeholders has become a priority for business amid interest mounts in ESG (environmental, social, and governance)-driven investing.

In the coming era, others will judge our business as highly likely to grow sustainably in the medium to long term as we highlight our solid, resilient business foundation—particularly in times of crises such as natural disasters, infectious disease outbreaks, and terrorism.

In addition to the financial disclosure we already provide, we need to make stakeholders aware of our nonfinancial ESG activities. As stock exchanges and the FSA continue to formulate nonfinancial disclosure standards, institutional investors are looking for information to help them make investment decisions.

Further, as information and communications technology (ICT) develops, online communications with stakeholders are becoming increasingly sophisticated, particularly among global companies.

### Risks and opportunities for the Daiwa House Group and its responses

Investors may view companies that fail to collect and provide adequate financial and non-financial information as risky investments. Missed communication opportunities may delay management decisions. We thus work hard to provide appropriate information and offer ample opportunities for dialogue.

Our founder Nobuo Ishibashi said that we are responsible to our shareholders first, creditors second, employees third, and society fourth. This attitude undergirds the Daiwa House Group's communication with stakeholders. Understanding that it is important to go beyond merely making information available, we are aware of our responsibility to our counterparties and strive to deliver consistent messages.

We want to be seen as suitable for ESG investment, in accordance with our founder's spirit. To that end we are focused on integrating and upgrading our financial and nonfinancial communications.

Another pressing issue is to adopt the latest ICT to ensure we are properly equipped for the information age. We are working both to develop systems and improve our employees' IT literacy so we are able to choose change-adaptable means of communication as needed, as befits a massive organization.

## Road Map to Achieving Endless Social Program 2021

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 11: Integrate and upgrade financial and nonfinancial communications**<br><br>Integrate and upgrade financial (business) and nonfinancial (ESG) communications from top management, departments at corporate headquarters, branch offices and Group companies.<br><br>Particularly for information disclosures, build an efficient system for disclosing nonfinancial information on a consolidated basis in consideration of the various reports and recipients, e.g., stock exchanges, etc. | Establish a system and practices for financial and nonfinancial communications, and promote understanding that financial and nonfinancial communications system is fully integrated. | **Launch** | **Build the system by the end of fiscal 2021.** |

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|

### Issue 12: Keep pace with rapidly evolving communication environments

Keep pace with rapidly evolving ICT in terms of system hardware and employee literacy, by benchmarking against global companies of similar size. But, aggressively invest to gain a more advantageous position for what regards both business and ESG.

With regard to system design for information management and improving the media-literacy of employees, balance opportunities with conventional risk management.

Establish communications platforms to ready the workforce for the information age.

| | | |
|---|---|---|
| Launch | 1 | Build the means for sharing all sorts of information with stakeholders in Japan and abroad. (Have it up and running in FY 2019.) |
| Building the system | 2 | Build the means for effectively using information within the company. (Have it up and running in FY 2020.) |
| Building the system | 3 | Support introduction of the communications platform at our Group companies. (Have it up and running in FY 2020.) |

## Fiscal 2020 Overview of “Endless Social Program 2021”

### Issue 11: Integrate and upgrade financial and nonfinancial communications

In December 2020, we held small group meetings with institutional investors to enhance our ESG engagement with them. The CFO, executive officers responsible for IR and managers of ESG divisions spoke about our integrated thinking-based business strategy. We also welcome interviews to enhance our efforts in this area. We accepted one-on-one interviews focused on ESG five times during the year and held a small group meeting themed on our environmental initiatives in February 2021, which was participated by 12 companies.

We will develop internal systems for centralizing information to accommodate increasing consolidated nonfinancial disclosure requirements and a growing variety of report recipients. We will continue to hold ESG dialogues, disclose integrated financial and nonfinancial information in our securities reports, and engage in other programs for shareholder relations.

We have our managers and executives announce information on nonfinancial matters, in addition to the financial disclosure we already provide, and deepen stakeholders’ understanding of our integrated thinking-based corporate management. To that end, the company continues to strengthen internal systems.

■ Financial and nonfinancial communications

| | |
|---|---|
| FY 2019 results | Small ESG meeting and ESG one-on-one interviews were held by cooperation of ESG-related divisions and IR department |
| FY 2020 results | Focused on disclosure of integrated financial and nonfinancial information at management briefing sessions for institutional investors |
| FY 2021 targets | Building a system for disclosing nonfinancial information on a consolidated basis |

### Issue 12: Keep pace with rapidly evolving communication environments

For further gains in workflow efficiency based on effective communication, we started sharing information among companies using Teams, a communications tool, in fiscal 2020. This has enabled information to be shared among project team members including a certain number of those from outside the company, and files to be exchanged among registered members on Teams. Members can post a conversation and co-edit documents as well. In addition, as part of “communications reform,” Microsoft365 has been introduced to Group companies’ offices to make best use of internal information and expedite communication in a secure environment.

In fiscal 2021, we will study frameworks for information sharing with individual customers.

## Issue 11 | Integrate and upgrade financial and nonfinancial communications

### Basic Policy and Concept

Our IR activities are aimed at sustainable growth for the company and boosting corporate value in the medium to long term. Our policy is to have the management team and executive officers responsible for IR talks with shareholders and investors. All company departments cooperate in constructive dialogue with our shareholders and investors on financial and nonfinancial matters. We work to deepen their understanding of our corporate strategy, financial management indicators, risks, and ESG engagement. We also collect and provide information to rating agencies that prepare reports used by investors.

One priority of our social medium-term plan, Endless Social Program (ESP 2021), is to integrate and upgrade financial and nonfinancial communications (issue. 11). Our management team is seizing every opportunity to engage with institutional investors to gain insights into the gap between the market's view of the Corporate value and our intrinsic value as well as perceived management issues, to enable us to make better management decisions and qualitative improvements. Further, we aim to deepen understanding of integrated thinking , so that management can continue to deliver a consistent message (byword: One VOICE), and will be working to instill integrated thinking at the workplace level as we move ahead. The goal is sustainable growth for the company and medium to long term improvements in corporate value.

To pass on information used to judge corporate value in particular, we hold one-on-one meetings, management briefings, and facility tours and use media such as IR tools and our regularly updated website. We are laying the groundwork for integrated financial and nonfinancial information by building a more efficient system ahead of increasingly diverse ESG disclosure requirements.

In addition to disclosure, the IR department takes the opinions and requests gleaned through dialogue with shareholders and investors and reports regularly to management and directors through board meetings and other forums. We brief outside directors twice yearly, sharing our awareness of issues from an objective and independent standpoint.

Through our IR activities, we are working to have our corporate value properly understood, and provide timely and relevant feedback of opinions and requests to the management team to enable better decision-making and further improvements in corporate value.

### Major IR Activities for FY 2020

| | As needed | Quarterly | Semiannually | Annually |
|---|---|---|---|---|
| · Financial summaries are uploaded to our website with voice explanations | | ● | | |
| · 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 | | | | ● |
| · ESG small meetings | ● | | | |
| · Small meetings organized by securities firms | ● | | | |
| · Proactive participation in an IR conference organized by securities firms | ● | | | |
| · Business briefing session for institutional investors | ● | | | |
| **Activities for individual investors** | | | | |
| · Online company briefing sessions | | | | ● |
| **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 | | ● | | |



The management briefing session





Earnings announcement press conference

## Main approach

### Information disclosed to investors

Daiwa House Industry uses its official website to disclose timely and relevant information to stakeholders including shareholders and institutional investors inside and outside Japan.

We provide information in Japanese and English for the sake of convenience and usefulness. This goes beyond monthly order data and qualitative information and earnings highlights on a quarterly basis. Our website also hosts voice recordings that explain our earnings results in more detail, as part of our efforts to provide easy-to-understand information. Recently, timely disclosure releases on TDnet (the Tokyo Stock Exchange's company announcements service) are automatically uploaded to the News Release and Financial Highlights sections on our website, for more timely and accurate information disclosure.

We are also working to provide information in a variety of formats. This includes videos of presentations by our management team on the business and company briefings for individual investors available for on-demand streaming the following day.

P162–163 Inclusion in ESG indices
Our Group official website Investor Relations https://www.daiwahouse.com/English/ir/

### Dialogue and communication with institutional investors

The spread of COVID-19 in fiscal 2020 made it difficult for us to engage in face-to-face dialogues or hold briefings at physical venue. We therefore utilized online meetings and conference calls for one-on-one meetings and small meetings to have dialogues with institutional investors and analysts from 820 companies. In addition to those from Japan, we had dialogues with investors from Europe, North America, Hongkong and Singapore. We also hold briefings focusing on businesses of interest to investors. In fiscal 2020, we held briefings on our single-family housing business and office buildings business with themes of "New way of living in the age of the new normal" and "Logistics facilities development and data center business," respectively, with executive officers in charge of these business divisions providing explanation.

In the 2020 edition of our Integrated Report published in August 2020, we explain the Group's business strategy toward resolving seven materiality of particular importance (management issues), and our approach to tackling sustainability challenges such as climate change and other global environmental problems, all of this with the management vision of building a world in which people can lead fulfilling lives. The report also explains about the progress of the Daiwa House Group Governance Enhancement Measures announced in November 2019, and our stance for real estate development projects. Named as an excellent integrated report by stock managing organizations for the Government Pension Investment Fund (GPIF), the report serves as a tool for communication with investors.

We are also stepping up our efforts in ESG dialogues, and in December 2020 we hosted the fifth small group meeting online. The meeting was composed of three sessions themed on environment, society and governance, each of which was participated by around 30 investors who engaged in a lively exchange of opinions. They asked about the progress of our initiatives and long-term plan for environmental issues while "carbon-free" is increasingly demanded, and our efforts for strengthening human resources base with the pandemic taken into account. They also asked about the progress of our efforts to promote the careers of female employees and enhancement of the governance structure.

### Dialogue and communication with individual investors

In October 2020, we had CEO speak at a joint online briefing for individual investors with 644 live participants. We presented our core strengths built on continuous growth through business diversification deriving from social issues, and case examples of products and services we offered to the world quickly in response to society's demand under the pandemic. We also explained about our post-covid management strategy, investment in growth, contribution to society, and shareholder return.

We have hosted tours of our facilities for individual investors for five times in the past, which were regretfully cancelled in fiscal 2020 due to the pandemic. As the event has been received well by participants, we look to hold it again in the near future.

## Issue 12 | Keep pace with rapidly evolving communication environments

### Basic Policy and Concept

The Daiwa House Group has used communication with stakeholders to strengthen the human resources, customer, and technology/*monozukuri*, and other bases that form our business foundation, further honing data-collection capability and problem-solving skills that are a strength of our businesses. Our information systems are not merely a communications platform; rather, they are vital infrastructure to enhance the six bases that are the source of value creation for the Group.

All companies are facing a sea change in communications technology with increasing use of Internet of Things (IoT), Artificial Intelligence (AI), and Big Data. They need to put in place communications technology and systems that take into account medium- to long-term management and operational issues.

To date, our Group has built information systems involved in communications, including a core system for internal controls, intranet for employees, and tools to communicate with customers and business partners. However, as our business expands, the number of Group companies grows, and our global development accelerates, we face challenges in communicating properly. These include barriers (organizational, location, and time related) and growth in the volume of information we deal with and number of information tools we use.

In the three years through fiscal 2021, we will continue to effectively use and share information, bolster security, further develop information systems across the Group, and improve employee IT literacy under the heading, “communications reform.”

### Management

#### Communications reform: Equipping our people for the information age

Communications reform is a key theme in the Information Systems Department’s medium-term management plan (IT plan). These themes are: Reviewing things to be done from an overall perspective. Regular oversight by those higher in the chain of command so issues can be detected and resolved quickly. And All Information Systems people to share IT plan status and challenges. The plan is managed using P2M* methodology. This entails reviews by directors and deputy directors, discussion among participants, and sharing the progress within Department in a quarterly PDCA cycle.

We are doing the following to lay the foundations for communications reform: ① Developing capabilities to share of all types of information with internal and external stakeholders ② Developing capabilities to make the best use of internal information ③ Supporting the adoption of communications platforms at our Group companies

In fiscal 2020, three key accomplishments were launch of sharing information with external parties using Teams, supporting the adoption of communications platforms at Group companies, and reform of relationships with customers using online meeting tools.

* P2M stands for Project and Program Management: A management standardization methodology for integrated management of individual projects and all programs that include them

### Main approach

#### Launch of sharing information with external parties using Teams

We started sharing information using Teams among members of groups such as project teams which include a certain number of those from outside the company. Communication with external project members has long been reliant on e-mails, resulting in many problems with timely and accurate communication due to limits on attachments size and difficulty in file revision control. To resolve these issues, the company established a system whereby information sharing and communication are made possible in a more efficient, secure manner using Teams, a communications tool that had been used internally.

#### Supporting the adoption of communications platforms at Group companies

As part of communications reform to make best use of internal information, we developed arrangements to share the vast store of knowledge and expertise employees have gained in their duties and prevent it being tied to the individual or buried in the organization. This has enabled employees to utilize accumulated valuable information they need anytime from anywhere in a secure environment. We also made internal communication methods into rules and clarified the links between information and individuals. To ensure error-free, speedier communication, we introduced Microsoft365 to our Group companies.

In fiscal 2020, seven additional Group companies adopted Microsoft365. We have provided support for the adoption of communications platforms to 15 Group companies (as of March 31, 2021).

We will sequentially introduce the platforms to the Group companies in fiscal 2021.

#### Reform of relationships with customers using online meeting tools

As face-to-face sales activities have been restricted by the pandemic, we held online tours of housing exhibitions and webinars on asset utilization using online meeting tools such as Teams to foster virtual relationships with customers.

# Community Service and Cocreation Activities: Contribution to Local Communities

## Basic Policy and Concept

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 stably community co-creation activities every year at 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. Daiwa House Industry works with the people from local communities to find solutions to social issues through activities in environmental preservation, educational support for the next generation, and welfare services.

Our Group official website Regional Social Contributions
https://www.daiwahouse.com/English/sustainable/social/contribution

### 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.

## Management

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

At Daiwa House Industry, planning and implementation of community co-creation activities are conducted mainly by the Community Co-Creation Committee appointed at each branch office. The Community Co-Creation Committee identifies local issues through interviews with local citizen organizations and NPOs in the business area and then compares them with issues in business management, based on which tentative plans and measures are devised for every half year, and then are made official. After carrying out community co-creation activities, we evaluate the level of achievement for the targets and put them together in a report.

P066 Group CSR promotion system

### Procuring and hiring in the community

Daiwa House Group's core business is construction, which means we are dependent on local building-trades service providers (business that take over onsite work) and building-materials suppliers. Further, to earn the trust of and build long-term relationships with customers, we have to take a mid- to long-term perspective and be locality-oriented in sales and post-sale customer services, which entails hiring the people to do this work from the community as well. We therefore cultivate relationships with community stakeholders to build a business foundation of expertise, human resources, and customers, drawing on local resources in hiring and procurement as well as incorporating inclusive design elements into urban development to help communities flourish.

### Numerical targets for community co-creation activities

Since joining the "1% Club (currently Keidanren 1% Club)" established by the Japan Business Federation, Daiwa House Industry have worked toward spending 1% of ordinary income on activities that contribute to regional areas. Daiwa House Industry has the revitalization of regional communities through the Community Co-Creation Committee and we are considering ways of investing in communities after comparing social issues and issues in business management. Furthermore, some branch offices have developed programs for community involvement after discussions with various local organizations.

## Main approach

### Number of community co-creation activities

The number of activities conducted by Daiwa House Industry in fiscal 2020 were 813.

In addition to emphasizing dialogue with local governments, NPOs and local citizens in order to solve social issues based on the philosophy of community co-creation, we also cooperate with NPOs and NGOs to implement activities. In addition, we aim to enhance the contents of said activities and plan and implement activities that make employees say, "I want to participate again." As for leave for volunteer activities, we have changed a system to allow for acquisition of leave days on a half-day basis from fiscal 2015, and on an hourly basis from fiscal 2021, thereby creating an environment that allows employees to acquire leave days more easily.

Our Group official website Number of community co-creation activities (Japanese text only) https://www.daiwahouse.com/sustainable/csr/esg/contribution/index.html

### Investment in communities through community cocreation activities

The expenditures for fiscal 2020 based on labor cost and donation amount for community co-creation activities carried out by branch offices were 173,593 thousand yen.

### Introduction and operation of donation collecting system

Our Company has introduced and operated the donation collecting system since fiscal 2005 as one of the community cocreation activities which its employees can easily participate in and continuously carry out. It is a mechanism where an employee can donate any registered amount of money automatically from his or her salary once he or she voluntarily registers such amount on the page of the in-house intranet for exclusive use for such purpose. Since fiscal 2017, we have endeavored to expand such donations and the donation collecting system has been introduced to 22 member companies of the Daiwa House Group. Currently more than 5,300 employees are registered with the system.

| | |
|---|---|
| Endless Donations Program | The donation collecting system allows employees to donate any registered amount of money automatically from his or her salary every month. Starting in fiscal 2021, recipients will be chosen by employee vote according to the themes they wish to support based on 17 goals of SDGs. |
| Heart Donations Program | Emergency donations are collected from employees following an event that has caused serious damage to society. Depending on the extent of damage and other factors, Daiwa House Industry contributes a matching gift to top up emergency donations. |

Our Group official website Endless Heart Donations Program (Japanese text only) https://www.daiwahouse.com/sustainable/social/contribution/funds/index.html

### Field of activity

The company is engaged in community-based activities focused on three areas of educational support for the next generation, environmental preservation, and welfare services.

| | | |
|---|---|---|
| Educational support for the next generation | Sponsorship of Quest Education | The Japan's National Curriculum Standards emphasizes proactive, interactive and authentic learning to provide children with competencies for living. Daiwa House Industry has been supporting Quest Education program since 2007, a career education support program for teenagers hosted by Educa & Quest Inc. In this program, students work in teams and get a chance to address questions with no single, universally right answer as they feel and think on their own and express themselves to practice quest learning.<br>Quest Education, as its name suggests, sends students on a quest to learn how to shape their own futures, experiencing internship at classroom. Working at realistic tasks in light of the management philosophy, they become interested in society and corporations. As well as fostering their individual ability to think and act proactively and creativity, the program helps students develop a wholesome attitude towards work. |
| | Sponsorship of SB University | We invite about 30 university students to the Sustainable Brands international convention to give them an opportunity to learn activities of corporations aspiring to integrate sustainability into business, as well as various groups, universities, local governments and government or municipal offices working in consort with them. Dialogues with invited students make the company reaffirm challenges to be tackled, giving it an opportunity to receive directly the voices of future generations. The sponsorship is also intended to promote our engagement that starts with SDGs and ESG, and students' understanding of the Group.<br>In fiscal 2020, students and our employees participated in a workshop under the theme of "Regeneration," which has become a new watchword in the discussion of sustainability.<br>Our Group official website SDGs of the Daiwa House Group (Japanese text only) https://www.daiwahouse.com/sustainable/sdgs/ |
| | Lessons and lectures at educational institutions | In order to raise social awareness about solving social issues and sustainable consumption, we conducted workshops on housing and architecture at elementary, middle and high schools. In cooperation with NPOs and NGOs, we also opened a new course for university students to learn project design for resolving social issues. Another initiative is a course we provide based on the theme of "Daiwa House Industry's contribution to SDGs," where students learn Project Based Learning (PBL). In this way, we co-create value with future generations, especially those of Generation Z.<br>P029 Eco Communication |
| | Workplace practice for people who have difficulty finding employment | We admit people who have difficulty finding employment for workplace practice on a regular basis at the request of General Corporation "Career Support & Talent Enhancement Plaza." During a two-week workplace practice, we help them acquire skills needed for work such as preparation of materials on PCs and learn attitudes and how to behave as business people as part of the development of human resources and the creation of upskilling opportunities. |
| | The "Artwork" Project | We run a Decorate Building Sites with Artwork! project that allows neighborhood kids to use the enclosures around construction sites as their own canvas. Doing more than just brightening up construction sites with the kids' artwork, the initiative also supports their education, giving them an opportunity to show the results of their creative endeavors to a broad public. In fiscal 2020, the initiative livened up 14 sites all around Japan. |

| | | |
|---|---|---|
| Environmental preservation | Forest preservation activity in “Calm Forest” in Mt. Rokko | In 2008 we started backing the Rokko Mountains Greenbelt Development Project to maintain the scenery and green backdrop of Kobe’s cityscape. This also helps preserves and nurture the ecology and biological diversity of the Rokko Mountains’ forests, as well as enhance safety by stabilizing slopes. With the cooperation of the Japan Forrest-volunteer Association, an NPO, we work to convey the beauty of the forests and importance of caring for nature through flora observation and woodworking events and conservation activities, primarily planting saplings, cutting undergrowth, and thinning trees. To date over 300 Group employees and their families have participated.<br>P045 Rare species protection and “Ikimono Kansatsu-Kai” at Company facilities |
| Welfare services | Support for “artists with disabilities” | To promote the participation of persons with disabilities as full and productive members of society and support their financial independence, Daiwa House Industry uses illustrations by artists with disabilities on its in-house human rights-awareness posters and on the cover of this document. We also run a Decorate Building Sites with Artwork! project, in which enclosures around construction sites are used as canvas.<br>Our Group official website Supporting artists with disabilities (Japanese text only)<br>https://www.daiwahouse.com/sustainable/social/contribution/welfare/paralymart.html |
| | Sponsorship of “LIVES PROJECT” | Daiwa House Industry sponsored “LIVES PROJECT” for the fourth time in 2020. The annual event, organized by Hands On Tokyo, an NPO, is designed to encourage greater interaction between people with disabilities and their families and the rest of the public as a means of effecting a positive society-wide shift in awareness about people with impairments.<br>In fiscal 2020, “LIVES LIVE” was held in place of LIVES TOKYO, an annual event that had been held in Tokyo. In the sponsor‘s session at the event, an employee of the company took the stage as a speaker and joined in the discussion with the theme of “Making of an Inclusive Community for All.” |
| | “Social Inclusion Program” was launched throughout the country | We launched our nationwide Social Inclusion Program in April 2018. (88 employees have participated in 4 sessions in fiscal 2020 * The entire program was provided online).<br>The program has three components: learning, feeling, and acting. The learning component entailed absorbing how to interact appropriately with persons with disabilities, with the latter serving as instructors. Feeling in a form of a round-table talk on universal manners entailed interviewing persons with disabilities on problems they face in the street, and proposing solutions for these problems. We believe that the learning, feeling, and acting activities ultimately enhance employees’ inclusiveness etiquette by providing opportunities for us to look at buildings and public environments from all kinds of perspectives as well as enhancing the quality of our interactions with customers. |
| | Cooperation for “Bmaps”* | In 2018 we started backing Bmaps, an info-sharing service and smartphone app whose purpose is enabling people with mobility handicaps—the elderly, people with a disability, parents pushing a stroller—to get around without encountering barriers. Employees cooperate by posting information on accessibility at public places like hotels and restaurants. This is added to a database that users tap into to ascertain whether they can go where they want without having to cope with hindrances to their movement.<br>Posting accessibility information to Bmaps is also proving effective for enhancing employees’ awareness of accessibility issues.<br>* Bmaps is a service that collects and shares barrier free related information for lodging facilities, restaurants and more. |


The “Artwork” Project


Activity in “Calm Forest” in Mt. Rokko


“LIVES PROJECT” 2020


Employee experiencing barriers (handicaps) in community (Social Inclusion Program)

## Interaction with local communities at plants

It is important for the sustainable operation of a plant to consider a local community and engage in the active communication activity. The “Own Plant Construction and Reconstruction Manual” showing the standards for improving plants requires the planning of outer structures of parking lots by taking traffic of neighboring residents into consideration, the installation of shields made of planted trees or walls against noises and exhaust fumes emitted by large vehicles and headlights at night, the securing of tree-planted spaces providing a sense of the seasons and the selection of kinds of such trees. In addition, it requires the designing by taking the use by neighboring residents in disasters into consideration.

Further, to foster cordial relations with plants’ immediate communities, in addition to engaging in community co-creation activities such as community events, and neighborhood clean-ups, we offer local elementary and middle schoolers a chance to tour facilities and internships [to older children in the community]. These provide opportunities to gain insights into what it’s like to make useful things in a factory, and to contemplate the meaning of work and what they’d like to do or be when they grow up.

## Donations and sponsorships as a corporate citizen

As a corporate citizen, we want to help bring about a society where people can live materially and spiritually rich lives. We sponsor events in or donate to entertainment, the arts and culture, sports, education, and other civic causes, all to help create, bring to life, and enhance new value in and for the community.

Our Group official website Advertising & Sponsorship Activities (Japanese text only) https://www.daiwahouse.com/ad/sponsor/

■ Major donation and sponsorship recipients*
- Official partner of the Tokyo 2020 Olympic and Paralympic Games (Japanese text only)
  https://www.daiwahouse.com/tokyo2020/ (Our Group official website)
- Support for the Osaka Symphony Orchestra (Japanese text only)
  https://www.daiwahouse.com/ad/sponsor/sym/ (Our Group official website)

* To stay abreast of the latest developments, visit the respective recipients’ description pages on our official website.

Contributions to SDGs




# 6 Risk countermeasures base (Being complete in small things)

## Effective internal control and executives/all employee leadership in corporate ethics

[Policy] Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules for overseas bases

## Policy and Concept

### Megatrends that Impact Bases

- More frequent natural disasters, consistent severe heat
- Greater concern for human rights issues from stakeholders including institutional investors
- Higher expectations for corporate ethics and compliance (including anti-corruption)
- Increasing world population and rapid economic growth of emerging economies

### Social issues

The global spread of COVID-19 that began in December 2019 was a strong reminder of the importance of risk measures in corporate management. Companies around the world have recognized pandemic as one possible risk in their business continuity plans (BCPs), but when the risk was actually materialized, their countermeasures were found to be insufficient.

Risks in corporate management continue to increase, including the recent infectious disease, climate change, human rights issues, compliance, and cyber terrorism, and therefore it is urgent to be well-prepared for these risks. We may lose the trust of stakeholders if we are merely disturbed by an emergency due to it being something “unexpected.” To prevent such a situation, it is increasingly essential to be prepared for these risks in advance.

Recent years have also seen more and more cases of corporate compliance violations occurring, with a greater risk of this being spread through social media. Management must, therefore, strengthen internal controls, and also establish corporate ethics.

The development of the global economy will increase business opportunities, but will also bring greater risks as well. It is therefore essential to identify these risks and take adequate measures against them.

### Risks and opportunities for the Daiwa House Group and its responses

The Daiwa House Group is facing the possibility of increasing risks as its internal control fails to keep pace with the rapid growth of its business. In particular, our expansion of business domains and overseas business development may involve risks that are difficult to be foreseen based on our experience to date.

The Daiwa House Group’s risk countermeasures are based on “being complete in small things.” The essence of this is to build a solid corporate culture to overcome any emergencies by having every employee to thoroughly do what they have to do with a sense of crisis. The front lines continue to function not just during ordinary times, but also in the time of emergency. That is our risk response by “being complete in small things.”

The Daiwa House Group has achieved a series of management reforms based on the spirit of having a “positive attitude.” This has enabled us to get through the collapse of the Bubble Economy and continue expanding the scope of our business up to the present day.

The Daiwa House Group’s current approach to addressing risks is to identify them and take measures under the motto “Be prepared.” If a risk becomes manifest, we will not blink the fact but confront it directly. Having dealt with a situation, we then apply what we have learned to make changes in our systems. Our aim is to be a corporate group that protects people’s lifestyles and towns by engaging in management unaffected by any situation, by tackling the four issues that form the base of our risk countermeasures.

## Road Map to Achieving Endless Social Program 2021

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|
| **Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather**<br>Adapt systems and business continuity plans to a broader range of “hypothetical” natural disasters and abnormal weather events because of climate change and aging infrastructure. In order to build systems to incur minimal damage, identify risks to our business, work processes of employees and customer lifestyles (building use) from broader and longer perspectives. | BCP score<br>66 points | 100 points |
| **Issue 14:Establish human rights due diligence at plants**<br>Establish a process of due diligence for human rights at plants and develop a process for expanding it to Group companies in the future. | Establish a process of due diligence for human rights at plants.<br>Collecting information | Establish the process by the end of fiscal 2021. |

* Progress on the below themes is scored and evaluated by the BCM Subcommittee.
① Ensuring employee safety ② Ensuring power and backing up information systems ③ Upgrading aftersales support services for customers ④ Maintaining production purchasing capacity ⑤ Keeping the group functional as a whole ⑥ Establishing a development system based on the long-term risks of customers

| Priority issues | FY 2020 results | FY 2021 targets |
|---|---|---|

### Issue 15: Establish corporate ethics and compliance rules

Establish the concept of "being complete in small things" advocated by the Group's executives and employees as a regular practice.

Provide media and training to share a common mindset and promote PDCA practices via awareness surveys and other means, to encourage self-directed action based on a proper understanding of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.

Internal control system attainment score

| FY 2020 results | FY 2021 targets |
|---|---|
| 705.2 points | 447 points (15% improvement compared to FY 2017) |

These scores are calculated from the following information.
1. Completeness of internal control system
   ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.)
   ② Management and supervisory systems (Operation of Internal Control Committee and other organizations)
   ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
2. Degree of damages and losses
   ① Degree of financial losses and occurrence of serious incidents, etc.

### Issue 16: Build management base for global business development from a long-term perspective

Build management base at global bases to put roots down in the local area from a long-term perspective of 10 or 20 years. Address themes that neither the overseas bases (general affairs or accounting) nor departments at Corporate Headquarters can handle.

With regard to corruption (bribery), have Group companies carefully manage matters because much attention is paid to the subject in Japan and abroad.

Sustainability Survey at overseas sites

| FY 2020 results | FY 2021 targets |
|---|---|
| Launch | Conduct first survey in fiscal 2020. (Targets are to be set after that) |

* Surveys target employees at overseas Group companies wholly owned by Daiwa House Industry

## Fiscal 2020 Overview of "Endless Social Program 2021"

### Issue 13: Prepare business continuity plans on the premise of natural disasters/extreme weather

In fiscal 2020, to prioritize protection of lives and health of all stakeholders as a response to COVID-19, we temporarily closed the worksites across Japan, promoted telework and took various other measures to continue business.

Promoting telework given the pandemic of the new infectious disease resulted in improved business continuity plans in case of emergency, including the formulation of work rules enabling employees to work safely even in the face of natural disasters or pandemics.

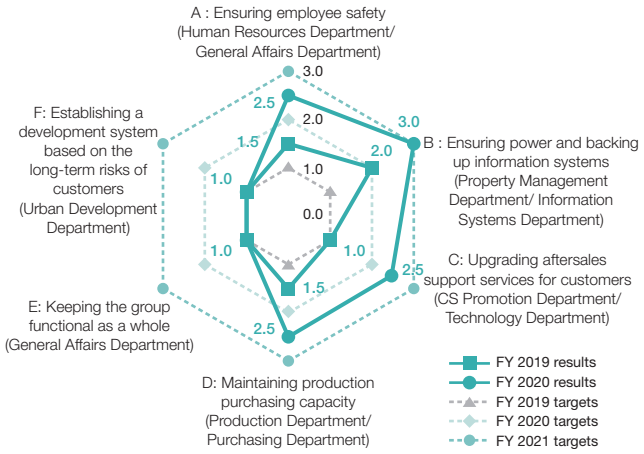
In addition, through operation of the BCM Subcommittee participated by departments in charge of the company's entire value chain, we pressed ahead with business continuity management programs in a cross-sectoral manner to facilitate the progress in achieving targets.

As a result of the above, the fiscal 2020 Business Continuity System score met the target set in our key goal indicators (KGI).

In fiscal 2021, we will continue with the telework arrangement established in fiscal 2020 and make it the norm, while keeping each Group company functional and upgrading aftersales support services for customers as we work toward achieving all the targets in the final year of the Program.

■ BCP score

| FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|
| 66 points | 60 points | 100 points |




### Issue 14: Establish human rights due diligence at plants

The Company is promoting due diligence for human rights throughout its entire value chain. As part of our efforts for plants in fiscal 2019, we built a system allowing employees of business partners working at our plants to directly make suggestions to us on the working environment. Several of our business partners are permanently stationed in our plants as primary subcontractors to make it easier for our production managers to supervise them. In addition to the already established whistle-blowing systems such as the Partners Hotline and questionnaire surveys for our suppliers, we increased contact points for consultation so that we can quickly detect and resolve problems regarding human rights.

Efforts for information gathering and response in fiscal 2020 include correspondence to suggestions posted by employees in the suggestion boxes, and hearings of the monthly Risk Management Committee and liaison council. With an economic downturn expected in fiscal 2021, business environment surrounding our business partners is projected to be harsh. To prevent deterioration in the working environments of business partners' employees working at our plants, as well as initiatives for human rights, we will leverage on-site and company-wide monitoring systems in order to establish human rights due diligence at our plants.

■ Establish a process of human rights due diligence at plants

| FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|
| Collecting information | Building programs | Launch |

### Issue 15: Establish corporate ethics and compliance rules

The company shifted to a business division-based system in fiscal 2020, where the head of each division has authority over and responsibility for ensuring corporate ethics and compliance. In line with this reorganization, Head of Management Administration Headquarters was appointed a director of the risk management responsible for building, operating and supervising the risk management system of the entire Group in a cross-sectoral manner. Under his supervision, Risk Management Committees are established for each business division as organizations tasked with preventing potential risks faced by each of the company's businesses as well as relevant Group companies within their purview, and addressing these risks if they materialize. In this way, the new system calls on business divisions to take charge of information collection and analysis, and building and operation of recurrence prevention systems.

The internal control system attainment score, one of our KGI, increased to 705.2 points in fiscal 2020, a significant improvement from fiscal 2019. This is because training and awareness programs were strengthened. In fiscal 2020, the Compliance Promotion Department set up in 2019 worked proactively to preempt the emergence of risks, while business divisions also made efforts to prevent and eradicate risks on their own at their responsibility and authority, given the shift to a business division-based system. As a result, awareness activities for employees (training and awareness programs via internal notices) became more active than before, resulting in a surge in the score.

■ Internal control system attainment score

| Key Goal Indicators | FY 2019 results | FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|---|---|
| Internal control system attainment score | 397.4 | 705.2 | 436 | 447 |

### Issue 16: Build management base for global business development from a long-term perspective

From fiscal 2019, we have deliberated ways to enhance the internal control of our overseas Group companies, as part of enhancement of the Group-wide governance structure. In order to enhance our management base for global operations over the medium to long term, we are preparing to establish an overseas business headquarters to build management systems for respective regions. As of March 2021, a corporate function was ready to be established in the North American region. Considering the progress in COVID-19 containment, we will set up the corporate function as soon as circumstances permit. In parallel with this, we started Sustainability Survey in fiscal 2020 for employees of some of our Group companies for the purpose of continuous improvement in operation. The survey covers such points as employees' ethical behaviors and satisfaction, as with those in Japan.

In managing overseas sites, setting a globally uniform rule is difficult owing to differences in laws and commercial practices in each country and region, so we need to allow for flexible management suited to each country. As of fiscal 2019, we aimed to set a benchmark based on the results of fiscal 2020, but as the results varied widely among countries and regions, we concluded that benchmarking should be studied again with administrative divisions at overseas sites.

In fiscal 2021, we will build systems for managing the overseas Group companies. We will build management base for global business development to create a company where overseas employees are motivated to work.

■ Sustainability Survey at overseas sites

| FY 2020 results | FY 2020 targets | FY 2021 targets |
|---|---|---|
| Launch | Launch | Launch |
| | The results of fiscal 2020 is set as a benchmark | Our goal is to gain five points over the benchmark |

**Topics**

## Rapid construction of temporary medical facilities responding to COVID-19 (Daiwa Lease)

A Group company Daiwa Lease is building temporary medical facilities designed to provide examination and treatment of COVID-19. In cooperation with medical and professional agencies, efforts are underway leveraging its abundant expertise in system construction.

One such example is in Nara Prefecture Seiwa Medical Center, a base hospital in the west area of the prefecture, where Daiwa Lease planned construction of an outpatient clinic dedicated to providing medical care to those with fever and possibly infected with COVID-19. The construction started in late April 2020 in the middle of a state of emergency declared by the government, and completed in about three weeks.

What was behind the completion in such a short period was the MBT Infectious Disease Outpatient Unit, a model response plan for COVID-19 jointly developed by MBT Consortium Association, an organization promoting Medicine-Based Town, Nara Medical University, Daiwa House Industry, Daiwa Lease, and Naito Architects. As Daiwa Lease had been a member of the initiative, expertise of infectious disease specialists such as on traffic lines of people and flow of air was successfully incorporated into the design of the facility.

Making the best use of its operational know-how in construction and leasing, Daiwa Lease continues collaboration with local governments and medical institutions and contributes to preventing the spread of infections and realizing a safe and secure society in the time of COVID-19.

Temporary medical facilities in response to COVID-19 (Japanese text only)
https://www.daiwalease.co.jp/casestudy/case_2155.html



Appearance of the outpatient clinic at Nara Prefecture Seiwa Medical Center

## Issue 13 | Prepare business continuity plans on the premise of natural disasters/extreme weather

### Basic Policy and Concept

We see helping victims of natural disasters rebuild their lives as our social mission and have provided building products for emergency, as represented by "Pipe House," our first product. In terms of a corporate structure, 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 crises 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.

The construction industry must deal with natural threats to buildings and equipment. Natural disasters and extreme weather give severe impacts on products and services, and construction sites are often exposed to wind and rain in natural environment. As a result, abnormal weather events and intensifying natural disasters are a risk that can heavily affect our business continuity itself. We must also consider the damage to the working environment that may be caused by pandemics, as people are an intrinsic part of our business model, from sales to construction sites.

The Company has formed a BCM Subcommittee incorporating different departments to formulate BCM rules for Head Office and the worksites and build BCM systems. Given the frequent disasters in recent times, we strive for disaster preparedness and mitigation with a sense crisis, assuming that a serious disaster can occur at any time.

### Management and Main approach

#### Business continuity management

If an earthquake, other natural disasters or pandemic occur, we set up a disaster countermeasures office and a local disaster countermeasures office, and have laid out a framework to provide support to our call centers or plants when they are hit by a disaster. In cases where the Head Office is affected, Tokyo Head Office and Central Research Laboratory (Nara Prefecture) are specified as substitute Head Offices and continue with the business of our company.

#### Framework to ensure safety and peace of mind of employees

For typhoon, flood damage and other natural disasters as well as pandemics or bomb warning by terrorists, etc., we have prepared an action manual that clearly describes what we should do on the spot. Once every six months, a disaster drill is implemented at all our worksites to test employee safety confirmation and everyday preparedness. When a disaster occurs, we confirm employees' safety and get information on the damage that has happened.

In addition, to ensure their safe working in time of natural disasters or pandemics such as the current COVID-19, teleworking rules have been developed as we work to establish a framework to ensure safety and peace of mind of employees.

#### Formulation of business continuity plans in the supply chain

To prepare for a situation where the supply of materials from suppliers may stop due to major disasters, we have formulated a business continuity plan for our supply chain, based on which we promoted measures, such as procuring materials from multiple suppliers and manufacturing sites, to minimize the risk of operations being suspended. Procedures for responding to disasters are set out to immediately ascertain the level of damage, and set up alternative systems if necessary.

In addition to disaster risks, there is a supply failure risk attributable to suppliers. To mitigate this risk, we monitor their financial standing, legal compliance, and so forth.

#### Business continuity management in plants

In coordination with the Head Office production division, the plants collect information on weather conditions and monitor multiple sensors installed within plants. They prepare for natural disasters by implementing measures (wastewater inspections, protection of materials and products, inspections of shutters and doors, etc.) according to the anticipated damages. To ensure safety of our employees, we take care of commuters who have difficulty returning home, give instructions to go home early, and consult with managers of our business partners regarding the production system for the following day. An emergency contact system is also established including our business partners to minimize damage in case of emergency and to achieve a quick recovery.

#### Work style reform at construction sites in the post-COVID era

As part of work style reforms in anticipation of the post-COVID environment, we provided notebook PCs and peripheral devices to all employees to create an environment where all employees can work from home. For construction sites, we launched a digital construction project to promote labor-saving and unmanned operation of the site supervisory task in normal times, which will ultimately enable checking of and giving feedback to the sites instantly even in time of disasters and other emergencies.

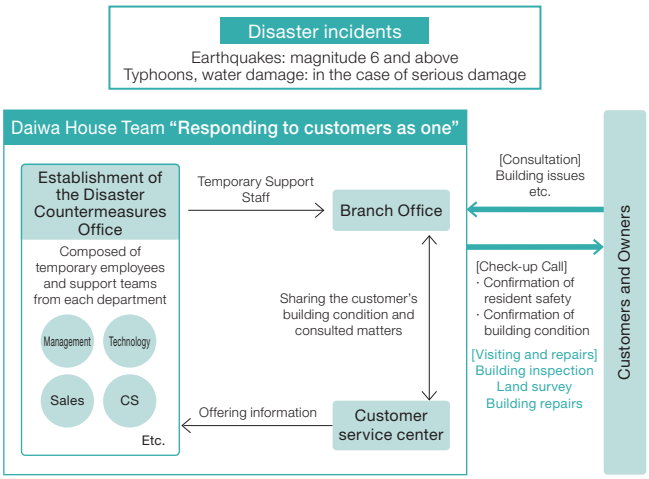
Our Group official website
FY2020 Presentation on Management Policies https://www.daiwahouse.com/English/ir/challenge/pdf/FY2020_presentation_material_en.pdf
The Daiwa House Group's Response to the COVID-19 Pandemic (Japanese text only) https://www.daiwahouse.com/action2020/

## Structure for response to customers if a disaster or abnormal weather occurs

To prepare for disasters, etc., pursuant to our Business Continuity Regulations, we implement education and periodic training for employees. In the event that an earthquake of a seismic intensity of 6 upper occurs, we make it a rule to immediately confirm our existing customers' safety according to the Disaster Response Manual. We also have put ourselves in a position to deliver relief supplies to affected areas through various routes including our Group companies.

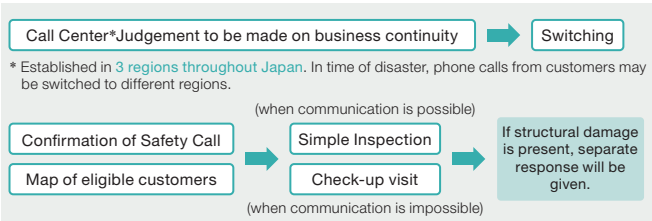
In fiscal 2020, we provided simple building inspection services to the areas affected by the earthquake off the coast of Fukushima, an aftershock to the Great East Japan Earthquake.

### A team that can respond as one in times of disaster




#### Single-family houses, Rental houses

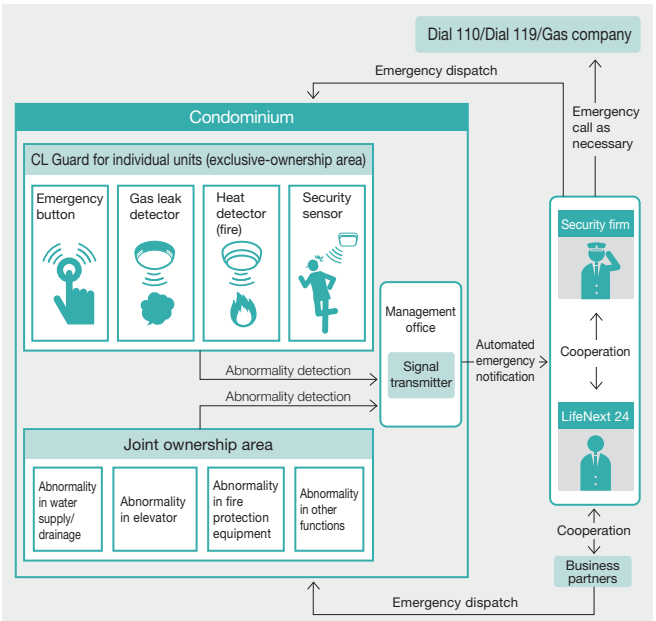
■ Call center response structure




#### 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.




* 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.

## Construction of emergency temporary housing

The Daiwa House Group has structures to provide a smooth response when disasters occur, launching a project that handles everything from design to post-delivery management of emergency temporary housing.

The project implements efforts focusing on preparations before emergencies occur, such as development of construction manuals and regular drills.

The total number of temporary houses constructed for disasters was 11,051 after the Great East Japan Earthquake in 2011, 1,016 for the Kumamoto Earthquakes in 2016, and 105 temporary houses / 76 welfare-use temporary houses for Typhoon No.19 in 2019.



Emergency temporary housing

Our Group official website
Aid Activities in Areas Affected by the Great East Japan Earthquake https://www.daiwahouse.com/English/sustainable/csr/disaster/index.html
News releases "Daiwa House Group signs joint research agreement aiming at rapid provision of emergency temporary housing" (Japanese text only)
https://www.daiwahouse.com/about/release/house/20190409132805.html

## Assisting civic life in time of disasters

The company signed agreements with local governments for providing assistance to civic life in time of disasters.

■ Major agreements signed in fiscal 2020

| | Name of local governments (Prefecture) | Contents of agreements |
|---|---|---|
| 1 | Kitakami City (Iwate) | Agreement on cooperation for storage of emergency provisions during earthquakes and other disasters |
| 2 | Tosu City (Saga) | Agreement on support for civic life during earthquakes and other disasters |
| 3 | Nagareyama City (Chiba) | Agreement on the use as a temporary evacuation shelter during disasters |

## Issue 14 | Establish human rights due diligence at plants

### Basic Policy and Concept

The Daiwa House Group supports international standards including the Universal Declaration of Human Rights, the United Nations Global Compact and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), as well as sets out our respect for human rights in our Principles of Corporate Ethics, while establishing the Daiwa House Group Human Rights Policy. 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 anticorruption (including bribery), and which clearly states about respecting human rights as one of the codes in the Business Partner Code of Conduct, so we will respond to human rights issues that occur in our supply chain in a responsible manner.

In our Social Medium-Term Plan (ESP 2021), we are building a technique to investigate and correct any violations of human rights (human rights due diligence) involving foreign workers at our plants, with the intent of expansion to our Group companies.

It is our future task to implement human rights management that can be applied to the supply chain and value chain, which are becoming broader and complex in line with our overseas business expansion. To ensure that the Daiwa House Group' business does not lead to human rights violations, we will reinforce a mechanism to grasp and monitor the impact, and identify and improve issues from the viewpoint of human rights due diligence.

P068 Human Rights Management

### Management

Business at the Daiwa House Group 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 respect for human rights and labor conditions important matters to us. 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.

As such, we have placed suggestion boxes in our plants, and by listening to the voices of employees, we strive to further improve their working environment.

By realizing work environments in plants where not only our employees, but also plant workers and their families can feel a sense of safety, we work to achieve coexistence and coprosperity with our business partners from a long-term perspective.

### Main approach

#### 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 have presented comprehensive policies calling on business partners such as protecting human rights and compliance with laws. Furthermore, in order for the Guidelines to gain foothold, we conducted a self-assessment to our business partners to see if they operate business in line with the CSR Procurement Guidelines on a daily basis. Under a mechanism we operate to utilize them for future improvement activities, the aggregated results were sent back to each branch as feedback. As for physical safety, an important human right for workers, we provide business owner training targeted at business owners of our business partners, as well as new visitor education, and supervisors/safety manager education targeted at workers.

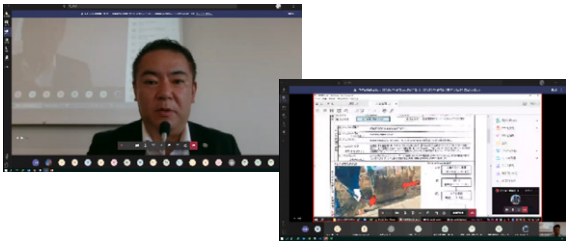
In the course of operating business across the world, in some cases we use a security firm to ensure safety and security for our employees. As at the end of fiscal 2020, no infringement of human rights by armed security guard has been confirmed at the Group's business partners.

P111 CSR Procurement Guidelines

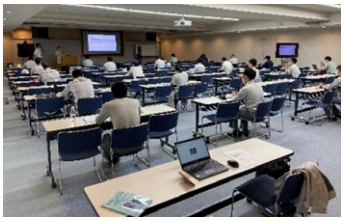
#### Engagement with business partners

The Group continues with dialogues on human rights issues such as safety and work environment through meetings with member organizations (the Confederation of Partner Companies, the Trillion Club) of partner subcontractors and suppliers.

P067 PDCA Cycle for management of worksites
P108 Member organizations in our supply chains



Safety and Health Council held online



Safety and Health Council held at a worksite

# Issue 15 | Establish corporate ethics and compliance rules

## Basic Policy and Concept

In the Daiwa House Group, all 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 in order to maintain and enhance trust toward our Group and to make them like our corporate philosophy system (Corporate Philosophy, Management Vision and Employees' Charter), to document the behavior that should be kept in mind and practiced by employees.

Both in Japan and abroad, stakeholders' demands and expectations for corporate ethics and compliance are heightened, as represented by the emphasis on corporate integrity in buying behavior. Many companies are developing systems leveraging latest technologies, such as ICT (information and communications technology), to further enhance their internal control, while raising awareness of employees with an eye toward steady operation. Taking into account the changes in social circumstances, our expanding business operations, an increase in the number of Group companies and other internal factors, the Daiwa House Group believes it is urgent for us to strengthen our internal control system. At the same time, it is essential, over the medium to long term, to raise awareness of each employee who is in charge of our internal control system.

The Group ensures to share concepts of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct as well as information on revisions to relevant laws with employees of every class without being limited to conventional methods, while implementing the PDCA cycle in organizational and company units. Through these efforts, we seek to lower risks including harassment, and establish corporate ethics and compliance as a corporate group.

Our Group official website Principles of Corporate Ethics, code of conducts
https://www.daiwahouse.com/English/sustainable/csr/vision/code_of_conduct/index.html

## Management and Main approach

### 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 Sustainability Planning 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 evaluated; issues are presented to the Risk Management Committee; and reporting is made to the consultation hotlines. We conduct corruption risk assessment by immediately making judgments on the information collected through such routes.

### Respecting fair competition

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 employees undergo training that enables them to make decisions and act in line with our "Principles of Corporate Ethics and Code of Conduct."

We verify that the Daiwa House Group Principles of Corporate Ethics and Code of Conduct are being complied with and identify violations through the internal audits conducted by the Internal Audit Department, and the audits of purchasing operations that the Head Office Procurement Department conducts.

Moreover, as a tool for confirming whether the relationships we built with business partners are appropriate, we survey members of the Confederation of Partner Companies once a year. Problems identified in the questionnaire surveys are shared among branch offices for improvement purposes. The Partner Hotline System is also in place to help partners blow the whistle and ensure all problems reported are dealt with sincerely.

To check the compliance and risk status, moreover, coaching is provided to each branch office on improvements that should be made according to prescribed plans and on approaches to deal with the results of questionnaire surveys, with developments monitored. The Daiwa House Group Principles of Corporate Ethics and Code of Conduct are revised on a periodic basis with changes in social circumstances under the direction of Directors.

P142 Risk Management

### Resolving problems in relations with partner subcontractors originating with the Daiwa House Industry employees

A few key results from a questionnaire survey we sent to our business partners in fiscal 2020 are shown on the right. What we do, after analyzing results like these, is to report them to the executive directors of concerned departments and our representative directors, and then feed them back to the branch offices that operated as the business partners' point of contact in the Daiwa House Industry to craft and implement improvements.

■ Results of questionnaire survey for business partners

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Rate of response | 77.1% | 78.1% | **70.6%** |
| Percentage of respondents who stated "no problem" with regard to our employees' conduct | 75.7% | 80.7% | **84.9%** |

The information is shared with Technology Coordination Department and business divisions, and is also used in training programs to promote improvements by measuring the progress of improvement activities.

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

### Auditing branch office's purchasing function

At Daiwa House Industry, we periodically audit the purchasing operations of each branch to make sure that ordering, contracting and other transactions with business partners are conducted properly and fairly by the PDCA method. The frequency of audits (from quarterly to annually) is determined based on the score obtained. In the audit implemented in fiscal 2020, compliance with the Corporate Ethics and Code of Conduct was checked, violations were identified, and corrections were made. In addition, business partners are regularly visited to make mutual improvements, promote management reforms, and create a better relationship.

The results of questionnaire surveys are taken into account in improving and guiding each branch office's purchasing function.

## Policy regarding taxation

### Basic Policy

The Daiwa House Group Principles of Corporate Ethics are defined for the sake of helping Co-creating a Brighter Future with all the stakeholders involved in the Daiwa House Group. Complying with the related laws and regulations to pay appropriate taxes is part of our corporate social responsibility and also a way of contributing to the local community. This is why we do not engage in arbitrary tax evasion using tax havens, and instead we make it our policy the payment of taxes with consideration to a balance between improving our corporate value and providing a return to areas where we engage in business operations.

### Company system relating to taxation

The Daiwa House Group does not use a consolidated tax payment system. Each company handles affairs relating to tax payment, while our Accounting Department reporting to CFO controls and supports overall tax affairs for the entire Group. For proper tax filing and payment, the Accounting Department is working to obtain necessary legal knowledge as well as building a system that enables it to correctly aggregate information on transactions within the Group.

For transactions where the tax interpretations are unclear, we receive advice from outside experts, and make advance inquiries to the tax authorities with regard to important transactions to ensure appropriate tax payment.

### Approach to international taxation

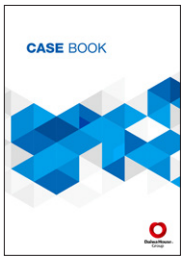
The Daiwa House Group understands the importance of international initiatives such as the Base Erosion Profit Shifting (BEPS) project by the OECD to ensure tax transparency and prevent international tax evasion. Accordingly, we comply with the tax laws of each nation and perform tax management based on the principles of the BEPS project and other such initiatives. For international transactions between Group companies, we have set up rules based on OECD transfer pricing guidelines to follow.

### Amount of corporate taxes by regions

Over 95% of taxes imposed on the Daiwa House Group is paid in Japan, so we do not disclose a tax breakdown by region. We intend to disclose the breakdown when the ratio of tax payment outside Japan exceeds 10% of the total, according to the progress of internationalization of our business.

## Distribution and utilization of educational booklet "CASEBOOK"

At the Daiwa House Group, for not only sharing the Principles of Corporate Ethics and Code of Conduct with all employees but also put them into practice, we have created and distributed an educational booklet "CASEBOOK" to all employees of the Group since 2004. This booklet introduces concrete case examples so the employees can make decisions in line with the corporate ethics under any circumstances. We regularly revise this booklet according to the changes in situation inside and outside the Company. In April 2021, "The 9th edition of CASEBOOK" was issued. In each workplace, discussions are made based on a case introduced in the booklet at morning assembly or other occasions to enhance the sense of ethics.



The 9th edition of CASEBOOK

## Monitoring and response to violation

The Group conducts a Sustainability Survey once a year to monitor whether or not its employees' actions are in line with the Principles of Corporate Ethics and Code of Conduct. The survey results are analyzed, feedback is provided to achieve proper workplace improvements, and each branch and the Group companies make improvement plans and act on these plans, thereby running the PDCA Cycle.

Meanwhile, we operate various whistleblower systems such as the Daiwa House Customer Consulting Center for our customers, the Partners Hotline for our business partners, the Corporate Ethics and Human Rights Hotline, the Risk Information Hotline, Lawyer Hotline, Global Whistleblower System 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 of our employees and others conducts any illegal, unacceptable, or suspicious activity.

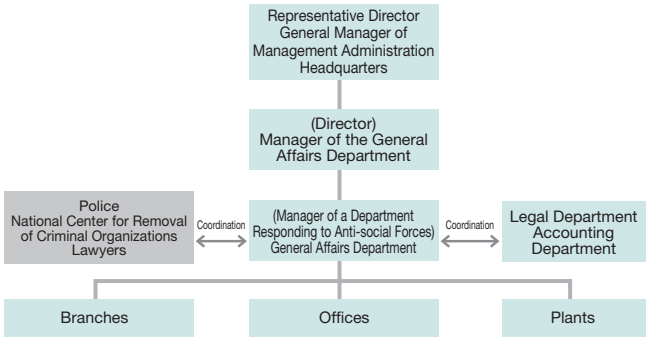
For violations of law and our company regulations, we find the details and the cause based on the reports to the Disciplinary Committee with the President and COO as the chairman, and make the violator take responsibility. We share causes of violations through educational activities and training provided at each branch in order to prevent them from reoccurring.

## Complete prevention of connection with anti-social forces

The Daiwa House Group has also 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<br>Legal Department<br>Accounting Department | Practical Measures; Actual Consultation with Police |
| Branch Manager<br>Plant Manager<br>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. |

## 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 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 its Group companies in which any of such employees shall notify the Information Controlling Manager (President and COO of each company) 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 midcareer 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.

## 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, we implement 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 addition to training programs organized by the Head Office's departments, each branch is encouraged to hold its own compliance training programs and practice voluntary compliance-related activities.

CSR trainings that include the contents of corporate ethics and compliance are regularly provided at our branches throughout Japan.

# Issue 16 | Build management base for global business development from a long-term perspective

## Basic Policy and Concept

The Daiwa House Group operates its overseas business by establishing 52 sites abroad as of March 31, 2021.

The construction market in Japan is said to shrink with a full-scale shift in demand from quantity to quality. Meanwhile, outside Japan, demand for construction and real estate is increasing as populations and economies continue to grow in the emerging economies.

The Daiwa House Group has achieved growth through governance based on centralized management by the top management team and the capabilities of our employees, but in response to the rapid expansion of the scale and areas of our business in recent years, we are undertaking a major overhaul of the Group's governance system. In our overseas business as well, site operations are sometimes dependent on the management capabilities of local executives and managers, and therefore, our challenge is to build an organizational structure toward long-term goals and vision.

In our Social Medium-Term Plan (ESP 2021), we deem it important to enhance our organizational structures and a human resources base in building management base at our global sites to put roots down in the local area from a long-term perspective of 10 or 20 years. For that purpose, in terms of organizational structures, an area-based system has been introduced to enable decision-making on right business segments to be developed each strategic area. As to human resources, we provide dedicated training programs for employees who will be assigned overseas. Moreover, for challenges beyond the reach of local administrative departments in Group companies and global sites, such as enhancing governance and strengthening the risk countermeasures system (bribery prevention, etc.), we will enforce the corporate functions in each area, and promote Groupwide countermeasures.

## Management

### Efforts to promote internal control at overseas Group companies

In line with the adoption of a business division-based system starting in fiscal 2021, the Group's overseas business will be fully operated in a region management system led by Overseas Business Division. The system is built on a regional corporate function that serves as a mediator between the Head Office and each overseas site by region. The establishment and operation of the regional corporate function will enhance governance of each region, and that of the entire overseas business in an integrated fashion.

We also instituted Regulations for Group Management as part of our efforts to promote internal control. These regulations stipulate that each company of our Group is required to report to and seek approval from Daiwa House Industry concerning priority items. By having each division bearing the Group Head Office function cooperate with the regional corporate function, as set forth in the regulations, we will ensure even stronger governance.

P139 Internal control

■ Major associated companies of the Group List of sites outside Japan (As of March 31, 2021)

| Site location | Number of locations | Site location | Number of locations |
|---|---|---|---|
| China | 8 | Thailand | 2 |
| United States | 7 | United Arab Emirates | 1 |
| Australia | 3 | Qatar | 1 |
| New Zealand | 1 | Mexico | 3 |
| Singapore | 1 | Peru | 1 |
| Vietnam | 4 | Sri Lanka | 1 |
| South Korea | 1 | Kenya | 1 |
| Philippines | 2 | Netherlands | 4 |
| India | 2 | UK | 2 |
| Malaysia | 2 | Belgium | 1 |
| Indonesia | 1 | Germany | 1 |
| Taiwan | 1 | Total | **52** |
| Myanmar | 1 | | |

### Investment Management Guidelines (summary) for overseas operations

The Group compiles guidelines for business investments in its overseas business, which stipulate items to check and points to note in each phase of investments from preliminary survey to planning, execution and operation. The guidelines are notified throughout the Group to mitigate risks involved in business investments.

## Main approach

### Dealing with risks in the businesses and activities in high-risk countries

#### Establishing an anti-bribery system

We have formulated and implemented the Anti-Bribery Regulations and Anti-Bribery Bylaws as rules to prevent bribery to public servants or deemed public servants.

The Anti-Bribery Bylaws take a risk-based approach in which briberies are dealt with even more carefully in high-risk countries, in accordance with the Corruption Perceptions Index published by Transparency International.

P143 Anti-corruption

#### Risk-reporting rule

A system is in place so that risk information found at an overseas Group company is immediately reported to a director of the risk management (Head of Management Administration Headquarters) and a business division responsible for the overseas Group company via Risk Management Secretariat (Legal Department of the company).

# Internal Control

## Management

In the implementation of its internal control system, the Daiwa House Group refers to the Principles for Preventing Corporate Scandals announced by Japan Exchange Regulation. Our system is structured as below.

### Internal Control Committee

The Internal Control Committee was established as an organization to receive reports on the internal control situations within the entire Group with an aim to verify and correct any internal control defects. It consists of the President and COO as a chairman, the General Manager of Management Administration Headquarters as a vice-chairman, and directors in charge of respective business divisions and departments as members. The operational status of the Internal Control Committee is reported to the Board of Directors semiannually to ensure that it is operated properly under the supervision of the management team including outside directors.

### Identifying the actual operational status of the internal control system

In the construction and implementation of its internal control system, the Daiwa House Group refers to the standard framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The company's business divisions and departments and Group companies are required to report regularly on the status of construction and implementation of the internal control system, and the contents of which are reported to the Internal Control Committee. Risk information such as potential legal violations is reported immediately by rule to a director of the risk management (Head of Management Administration Headquarters) and each business division via Risk Management Secretariat (Legal Department of the company) once such information is found. In case that the regular reporting line does not work, the Whistleblower System is also in place to identify the defects in the internal control system. In addition, Internal Audit Department independent from business operation organizations audits the status of compliance with laws and internal rules of the company and Group companies in an effort to identify the actual operational status of the internal control system.

## Main approach

### Response to human rights violation

#### Grievance mechanism relating to employees human rights

Daiwa House Industry has been operating the Corporate Ethics and Human Rights Hotline as the point of contacts for whistleblowing and consultation regarding violation of employees' human rights. Whistleblowing and consultation can be made by several methods: by interview, telephone, email, website, or post. To keep consulters from suffering detrimental treatment, such as retaliation, at their workplace, we have established the Daiwa House Group Whistleblowing Regulations. In resolving complaints, we respect to the extent possible the intention of consulters, respect the privacy of employee(s) in question and third parties who cooperate in the factual confirmation and conduct hearing from parties concerned. Depending on the confirmed situation, we impose disciplinary actions or directly instruct to the actor as a corrective action.

#### Response to issues relating to harassment by employees

To counter sexual harassment, harassment over pregnancy, childbirth, childcare, or elderly care, as well as abuse of authority, rational harassment, and other threatening, high-handed or discriminatory behaviors in workplaces, the company newly stipulated harassment prevention regulations pursuant to revisions in relevant laws in June 2020, as a complement to existing work rules. In these regulations, we demonstrate our stance of never permitting harassment, which must be observed by all employees and executives.

Also, points of contact for reporting and consultation staffed by two people are put in place at the Head Office as well as each branch nationwide. A mechanism has been put in place for the staff to receive support and advice as needed from Sustainability Planning Department of the Head Office as to how to handle and solve harassment cases. Persons in charge of consultation at each branch are provided regularly with special programs for handing harassment. As for sexual harassment, in particular, we distributed an anti-harassment guidebook internally to prevent sexual harassment from those of outside the company. The guidebook stipulates guidelines such as rules for visiting external parties and for participating in social gatherings in the course of sales activities. We keep employees aware of the guidebook to foster their self-defense mindset.

The Corporate Ethics and Human Rights Hotline is handling inquiries regarding harassment as the in-company consultation office. In resolving complaints, in line with the Daiwa House Group Whistleblowing Regulations, we conduct hearing with both the consulter and the employee(s) in question and listen to what third parties say to grasp the situation in a fair manner. If correction is deemed necessary, we take disciplinary action against the employee(s) after deliberation was made by the Disciplinary Committee.

## Various whistleblowing systems

The Daiwa House Group has several hotlines in place to check, detect , and correct violations of law and acts of dishonesty at an early stage.

When solving problems notified through these hotlines, in accordance with the Whistleblower Protection Act and the company regulations, the intention of the consulters 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 recurrences. Information on critical cases is shared with managers in branch offices through compliance training, legal training, etc., to ensure such cases are widely disseminated within the Group.

We also respond sincerely to the opinions of local citizens received on the web by sharing them with the relevant or nearby worksites after having confirmed the details and issuing an alert or taking other actions.

In fiscal 2019, the Risk Management Subcommittee was established comprising the departments in charge of the consultation hotlines. This subcommittee regularly monitors the status of response to the inquiries made through the hotlines, and reports critical cases to the Board of Directors.

### Protection of whistleblower

Seeking to enhance the rationality and uniformity of these whistleblowing systems, the Daiwa House Group Whistleblowing Regulations were formulated in fiscal 2019 to apply to all such systems with the exception of Auditors' Whistleblower System. The Auditors' Whistleblower System has a different nature as it allows access to Auditors, who are outside the company's business execution functions, and is separately covered by the Auditors' Whistleblower Regulations.

In order to protect whistleblowers, the Daiwa House Group Whistleblower Regulations and Auditors' Whistleblower Regulations clearly state that any information that may identify the whistleblowers, the content of their reports, evidences, and so forth is strictly confidential, that identifying the whistleblowers without good reason is prohibited, and that discriminatory treatment of whistleblowers or those who took part in ascertaining the truth of such cases is prohibited.

All whistleblowing hotlines accept anonymous reporting to protect the whistleblowers.

### Explanation of the whistleblowing hotlines

**① Corporate Ethics and Human Rights Hotline**

The Corporate Ethics and Human Rights Hotline 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 an enhanced self-cleansing function and social credibility. The Sustainability Planning Department accepts whistleblowing reports on violations of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, not only from within the company but also from Group companies. The Sustainability Planning Department is the primary department in the Group for handling human rights issues. As the name of the Department implies, it also accepts reports on human rights issues.

The hotline accepts reports by interview, telephone, email, website, or post. Depending on the reporting details, within three months after some actions were taken, we check if the whistleblower and others are not suffering detrimental treatment and improvement has been made after that. We do our best to protect consulters so the whistle blowing will not exacerbate his or her working environment.

[Start of the operation]

In fiscal 2004, we established the Whistleblower Protection Regulations (currently the Daiwa House Group Whistleblowing Regulations) and started the operation of the Corporate Ethics Helpline. In fiscal 2012, we integrated this with the whistleblower system for human rights to establish the Corporate Ethics and Human Rights Helpline, and since then, we have been receiving various reports regarding issues about workplaces and human rights in addition to whistleblowing. In fiscal 2020, we changed its name to the Corporate Ethics and Human Rights Hotline.

[Who can use this hotline and how is the contact information shared]

All employees of the Daiwa House Group including employees, post-retirement specially commissioned employees, limited-term contractual employees, part-timers and temporary employees, temporary helpers, can use this hotline.

The contact information is widely disseminated through worksite training, the company's intranet, CASEBOOK, posters and periodically-issued in-house publications.

**② Power Harassment Prevention Hotline**

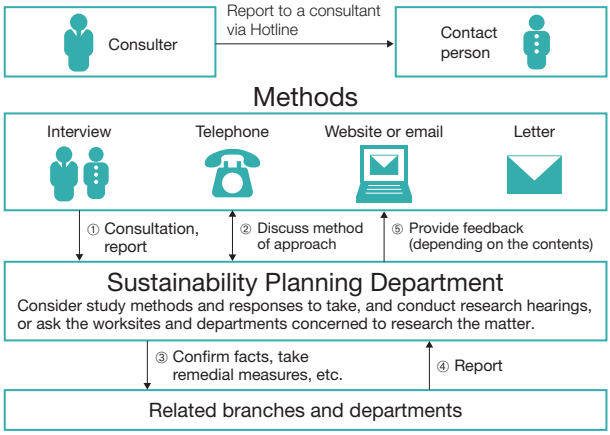
The Power Harassment Prevention Hotline exclusively handling power harassment was established for all our employees at the time of opening the Power Harassment Preventive Measures Office in July 2019. The hotline accepts reports by telephone or email.

Disciplinary actions are taken if the fact of malicious behavior is confirmed. (The company's regulations stipulate that behaviors involving power harassment is subject to punishment, and this information is posted on the intranet available to all employees.)

**③ Risk Information Hotline**

Based on the Risk Management Regulations, the Head Office gathers information on risks for the entire Group. In addition to that, the Risk Information Hotline has been put in place as a whistleblowing system to collect further information on violations of law and acts of dishonesty.

■ Operational system




* 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.

[Operation]

Information is provided by telephone or by completing and sending a reporting form via the intranet. It can be used by all employees, including those of Group companies, and accepts anonymous reports.

### 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. This hotline also accepts reports on violations of law and other issues occurring in our supply chain.

Similarly to the Corporate Ethics and Human Rights Hotline, it receives a wide range of information on labor problems, human rights, anti-corruption including bribery and so on. This hotline can be used anonymously, too.

### ⑤ Lawyer Hotline

The Lawyer Hotline was established and put into operation on November 1, 2019 as a whistleblowing system independent from the Daiwa House Group, allowing access to lawyers of a legal office. This hotline expands the risk information collection channel, while securing higher anonymity of reports.

[Operation]

Information is provided by telephone or email to the legal office. It can be used by all employees, including those of Group companies, and also accepts anonymous reports.

### ⑥ Global Whistleblower System

The Global Whistleblower System allows reports to be received in the languages of each region worldwide. Available languages are primarily those of countries where the Group operates (English, Chinese, Indonesian, Thai, Tagalog, Vietnamese, Burmese, Korean, Spanish and Dutch). Lawyers of legal offices in each country accept the reports. This whistleblowing system is independent from the Daiwa House Group, as with the Lawyer Hotline.

[Operation]

Information is provided by email to the legal office. It can be used by all employees, including those of Group companies, and accepts anonymous reports.

### ⑦ Auditors' Whistleblower System

The Daiwa House Group has a multiple number of whistleblower systems, but all of them are established inside business operation organizations. Our Auditors' Whistleblower System, which has a supervisory function independent from operation departments that enables direct reporting to Auditors, started its operation in October 2016 for more objective verification and more appropriate response. This system is independent from our business operation function, in line with Supplementary Principle 2.5.1 of the Corporate Governance Code of Japan.

[Operation]

In accordance with the Auditors' Whistleblower Regulations, we receive information regarding violations of law, acts against the company regulations and corporate ethics and others at any time. The system is available to all employees of the Daiwa House Group including employees, post-retirement specially commissioned employees, limited-term contractual employees, part-timers and temporary employees, temporary helpers. Information can be provided by sending a reporting form via the intranet. Reports can be made anonymously.

Auditors and investigation collaborators must conduct investigation in a fair and equitable manner, and must not disclose information that can identify the whistleblower without obtaining the consent of the whistleblower, even if the whistleblower-identifiable information needs to be disclosed in the course of investigation. We must also put information identifying the whistleblower, and the background, details, evidence, etc. of the report under strict control, and never leak such information. Employees must not force Auditors and investigation collaborators to disclose the whistleblower-identifiable information, or take any other actions to identify the whistleblower without a good reason.

### ⑧ Reporting to the internet from community residents

We have an inquiry form available on our website to receive inquiries from local-community members. Questions and opinions sent to the website are confirmed by relevant departments depending on the type of contents and are attended to appropriately as needed in cooperation with worksites and Group companies concerned.

Our Group official website Inquiries (Japanese text only) https://www.daiwahouse.co.jp/qa/index3.html

### ⑨ 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 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.

■ The results of the whistleblower system operation

| | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|
| Corporate Ethics and Human Rights Hotline<br>(Of which, consultations relating to harassment) | 149<br>(39) | 136<br>(33) | 138<br>(44) |
| Power Harassment Prevention Hotline | — | 73 | 68 |
| Risk Information Hotline | 23 | 17 | 34 |
| Partners Hotline | 24 | 17 | 22 |
| Lawyer Hotline | — | 4 | 2 |
| Global Whistleblower System | — | 2 | 0 |

# Risk Management

## Basic Policy and Concept

The Daiwa House Group identifies risks associated with the compliance, environments, quality, information security, human rights and others, then prevents and control these risks and minimize the loss caused by them. We consider that such risk management will contribute to protect rights and interests of not only the Group but also our stakeholders who are involved in our business.

## Management

The company stipulated the Risk Management Regulations in which risks are defined as "events that may cause damage to the Daiwa House Group," and risk response structures in normal times and in emergencies are documented. Specific systems are as shown below.

**① Structure in normal times**

We have appointed General Manager of Management Administration Headquarters as a director of the risk management responsible for building, operating and supervising the risk management system of the entire Group. Under his supervision, Risk Management Committees are established for each business division (Business Division Risk Management Committees) as organizations tasked with preventing potential risks faced by each of the company's businesses, and addressing these risks if they materialize.

To supervise the overall internal control system of the entire Group, including those mentioned above, we have the Internal Control Committee chaired by President, with General Manager of Management Administration Headquarters (director of the risk management) serving as a vice-chairman.

**② Structure in emergencies**

If a serious risk manifests, we set up emergency headquarters to address such risk and strive to minimize adverse effects on business performance. Among manifested risks, those that may have particularly serious impact on the Group or its stakeholders are addressed by the established headquarters that studies and promotes measures to deal with them or prevent their recurrence, as stipulated in the Risk Management Regulations. Criteria for setting up emergency headquarters, as well as constituent members, operation procedures and tasks of the headquarters, are set forth by Instructions for Establishing and Operating Emergency Headquarters, a subrule to the Risk Management Regulations, thereby ensuring quick establishment of the emergency headquarters and appropriate response to the risks.

Information relating to risk management collected through the above system is reported to the Board of Directors periodically or as needed through the Risk Management Committee and Internal Control Committee. The Board of Directors supervises management of these matters and takes necessary actions. In fiscal 2020, the risk management system was revised under the supervision of the Board of Directors in line with the transition to a business division-based system.

P152 Corporate Governance Committee
P153 Risk Management Committee

## Main approach

### 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 are also promoting the use of D-Workplace, an advertising production system for creating and utilizing templates for advertising materials, to reduce the risk of improper expression in the advertisement creation phase.

### Measures to protect 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.

Moreover, in fiscal 2020, we reviewed the information security system and established an inhouse project, which is working to redevelop information management rules including personal information management. Its efforts include formulation of information handling rules according to the importance of information, enhanced monitoring of information leakage, and a shift to paperless operation.

In fiscal 2020, we received no administrative guidance, advice, recommendations or orders from competent authorities.

### 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 fiscal 2020, there were no significant reserves.

P024 Environmental accidents and complaints (fiscal 2020)

# Anti-corruption

## Basic Policy and Concept

The Daiwa House Group has formulated Anti-Bribery Regulations and Identification Regulations to build a system to strictly prohibit and prevent bribery, money laundering, misappropriation and other corrupt practices contravening the law. Furthermore, any behavior which, while not necessarily breaking the law, still promotes corrupt behavior and is ethically inexcusable is prohibited 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 and Code of Conduct" 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 simple social gathering or the like." On top of this, in fiscal 2019, we circulated an internal notice to make all our employees thoroughly aware of compliance with our Anti-Bribery Regulations and Anti-Bribery Bylaws to prevent bribery to public servants or deemed public servants. In fiscal 2020, we once again circulated a notice to Group companies, which called on employees to take precautions in doing business with public institutions.

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 norms by taking internal rules, etc., of an entertained person into consideration." Under such basic policies, all 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 further reinforce the system for prevention of offers of bribes. On the other hand, for our business partners, our CSR Procurement Guidelines stipulates anti-corruption and encourages them to observe it, through which the entire supply chain works to prevent corruption.

① **Development and determination of "Basic Policies on Prevention of Offers of Bribes" more specifically setting forth contents of "Principles of Corporate Ethics"**

The Daiwa House Group signed the United Nations Global Compact, which contains Anti-corruption as one of its principles, and participates in meetings of the Anti-Corruption Subcommittee. Additionally, under the Business Principles for Countering Bribery of Transparency International, the Guidelines for the Prevention of Bribery of Foreign Public Officials of the Ministry of Economy, Trade and Industry of Japan, and the Guidance on Prevention of Foreign Bribery of the Japan Federation of Bar Associations, the Group has developed the Basic Policies on Prevention of Offers of Bribes based on resolution of the Board of Directors, and stated that it prohibits any bribery because it hinders fair competition and aggravates social corruption.

② **Establishment of "Anti-Bribery Regulations" and "Anti-Bribery Bylaws" setting forth management system**

On the basis of the Basic Policies on Prevention of Offers of Bribes, we have established the Anti-Bribery Regulations and Anti-Bribery Bylaws in order to set forth the system, prohibited matters, procedures, etc., required to prevent our employees from being involved in offers of bribes to public officials or deemed public officials throughout the Group.

### Basic policy on fair trade

The Group has clearly stated that all 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 22-3, Paragraph 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 8-2 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.

### The main rules of Anti-Bribery Regulations and Anti-Bribery Bylaws

1. Selecting and appointing a manager responsible for preventing offers of bribes
   A Representative Director is selected and appointed as a director responsible for preventing offers of bribes, with the duty of establishing the anti-bribery system.
2. Establishing consultation hotline and whistleblower hotline
   Our regulations stipulate hotlines for consultations to deal with specific cases of alleged briberies. We have also set up a whistleblowing hotline to receive information both in Japan and abroad, forming a system to gather a broad range of information on bribery.
3. Prohibiting offers of benefits, etc., to public officials, etc., in principle and allowing exceptions through procedures, etc., for getting prior approval
   Our rules prohibit in principle the provision of cash and other benefits (offering entertainment or gifts, paying for the expense that public officials should bear themselves, giving donations, subsidies, or other rewards) to public officials or deemed public officials. Offers of benefits are exceptionally allowed only when certain conditions are met, such as obtaining prior approval of a manager.
4. Controlling third parties such as agents
   When signing agreements with agents and other third parties, consideration must be given to such factors as integrity of the third parties, and validity of the purpose of the agreement and compensation. In addition, for agreements considered high risk, such as those with agents from countries with low scores on the Corruption Perceptions Index published by Transparency International and those with agents specified or introduced by public officials, we adopt a risk-based approach, whereby advance approval of a manager is required for signing the agreement.
5. Providing training
   Under a risk-based approach, we provide education and training on the prevention of bribery. To employees who are involved in businesses, sites, or transactions that are recognized as having a higher risk for bribery, more intense education and training are provided.
6. Conducting audits by the internal audit department
   Following a risk-based approach, the internal audit department conducts audits to see how regulations are being implemented. For businesses and sites that are recognized as having a higher risk for bribery, more focused audits are conducted.
7. Reviewing them by management
   The responsible director regularly verifies the effectiveness of the content and operational status of the anti-bribery system and makes revisions as necessary.
8. Taking disciplinary actions against persons violating the rules
   The Anti-Bribery Regulations and Bylaws stipulate that violations thereof are subject to disciplinary actions.
9. Supporting the Group companies in improving their systems
   The responsible director coordinates with Group companies to develop and maintain the anti-bribery system, in order to prevent bribery in the entire Group.

## 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 “Principles of Corporate Ethics and Code of Conduct” and endeavors to improve awareness through employee education, it collects written oaths from all employees once every two years so that it can prevent any corrupt practices. We started full-scale implementation of the Anti-Bribery Regulations and Anti-Bribery Bylaws in fiscal 2019. These regulations and bylaws explicitly set forth investigations on the risk of corruption for new agreements with suppliers, business partners, or agents, handling of agreements considered high risk, and procedures for reporting misconducts after they are discovered.

The regulations and bylaws will be ongoingly reviewed by the Board of Directors. In addition, we regularly conduct questionnaire surveys on corruption risks for overseas sites and provide trainings for employees in sites with a high risk of corruption. In these and other ways, we concentrate our efforts on early detection of problems with anti-corruption and compliance with the principle of fair competition and trade.

### Comprehensive anticorruption system

The company stipulates in the Daiwa House Group Principles of Corporate Ethics and Code of Conduct that it shall ensure fair and free competition, establish suitable relationship with political and administrative entities, and exclude anti-social forces, and that it pledges not to commit any act that aggravates corruption.

To more specifically set forth these policies, we have formulated and implemented the Anti-Bribery Regulations, Identification Regulations, Regulations for Responding to Anti-social Forces and other rules. We seek to prevent any corrupt practices through holding seminars and circulating an internal notice to the effect that any act infringing the principle of fair competition such as an illegal price-fixing agreement is strictly prohibited. In addition, we have distributed “CASEBOOK,” a booklet summarizing the company’s policies in an easily understandable way for educational purpose, to all employees and executives of the Group. The booklet introduces concrete case examples of corrupt practices and helps them better understand and heighten awareness of anticorruption.

## Main approach

### Risk assessment of corruption

We have included the provision for grasping and assessing risks of offers of bribes in the Anti-Bribery Regulations. Specifically, we adopt a process in which employees collect information relating to practices involving bribery, and the responsible director conducts surveys on bribery risks. The resulting information is centralized by the departments in charge to conduct verification and evaluation.

In fiscal 2020, we received no report on any cases of acts of bribery including facilitation payments, or convictions or administrative penalties owing to such acts.

### Prevention of money laundering

For the purpose of ensuring the safety and peace of people's lives and preventing any money laundering in accordance with the objective of the Act on Prevention of Transfer of Criminal Proceeds contributes to the sound development of economic activities, we have laid down the Identification Regulations, which are the rules to verify identifiable elements of customers, transaction record keeping, notification of suspicious transactions and other matters, and kept our employees informed about them. After having made such efforts, we drew up and informed our employees about the "Questions and Answers about the Act on Prevention of Transfer of Criminal Proceeds," which are designed to explain the contents of the Act on Prevention of Transfer of Criminal Proceeds and the Identification Regulations in an easily understandable way. We provide internal trainings related to the prevention of money laundering as well.

Additionally, to verify that activities to prevent money laundering are performed appropriately pursuant to those laws and regulations, Internal Audit Department visits worksites to conduct audit.

On top of that, we have created the Risk Assessment concerning Transfer of Criminal Proceeds as documents prepared by a Specified Business Operator, etc., which is an obligation to make efforts specified in Article 32 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds. In the written Risk Assessment, we clearly state our policy and method we adopt to assess money laundering risks.

In fiscal 2020, we received no report on any cases of convictions or administrative penalties owing to problems related to accounting, including those based on the Act on Prevention of Transfer of Criminal Proceeds, a law to prevent money laundering.

Chapter 03

Implementation Report

# Corporate Governance

**Management**

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**Commitment from the Executive Officer in Charge**

## One year of preparation for business division-based system completed

Since 2019, we have worked to enhance corporate governance as our highest priority. To this end, we announced four basic policies in November 2019: to review the management structure and state of management and supervision; enhance agile business execution and risk response structure; strengthen risk information gathering and sharing; and strengthen environment for supporting sustainability and implementation. We have since developed relevant arrangements.

Over the past year our particular focus has been on enhancing agile business execution and risk response structure. Consolidated Group sales are now over four trillion yen. Realizing that a radical reinvention of our corporate governance was necessary, we launched a management reform project and prepared to fully implement a business division-based system.

Under the business division-based system, authority once concentrated with the CEO has been delegated to division heads; each is responsible for their entire business's performance and risk management. The Compliance Promotion Department established in 2019—an intermediary between head office and business divisions—provides support and advice on risks and compliance. In October last year we replaced the previous Head Office Risk Management Committee with Business Division Risk Management Committees. Now each division is responsible for its own risk management under the supervision and control of the head office (functional) departments. Minutes of the meetings show that the new committees deal with more specific matters, closer to the business division than their predecessor, and discussions are more involved. Witnessing the concrete benefits of the division system raised my expectations for the future. The system has only been fully

operating since April 2021, so the results will be tested going forward. We are facing issues head on, and are committed to training our frontline employees to perform well while valuing their feelings.

## Training of talented individuals and reform of Board of Directors with a view to sustainable growth gaining traction

Our review of the management structure and state of management and supervision also made visible progress in fiscal 2020. We introduced a mandatory retirement system for inside directors and launched a succession plan to put talented individuals on track to become top-level managers. Currently in the first phase, we are training selected candidates as branch office heads, 26 of whom I interviewed together with the president. In our discussions, I was impressed that they were all keenly aware of compliance. I am always lecturing branch office heads about the importance of compliance at conferences. My sense is that this is steadily filtering through, and that our outlook is bright. The mandatory retirement age for inside directors means the current management team will be refreshed over the next five years or so. A smooth transition to the next generation of managers is essential for sustainable growth. Going forward, we plan to include even more talented individuals in our succession plan and roll it out with a sense of speed.

Board of Directors reform is also gaining tangible traction. We increased the number of outside directors from three to five in June 2020, and are working to separate management from execution by transforming the board into a forum for discussing the company's long-term direction.

Following changes to Board of Directors regulations in September 2020, agenda items may be submitted in addition to conventional resolutions and reports. Subsequent board meetings discussed our long-term company vision and outside directors offered a variety of opinions based on their experience and understanding. Their valuable suggestions on managing the company made board discussions more meaningful than ever.

In fiscal 2020 we welcomed a new female director and another familiar with business outside Japan. We plan to look into appointing others who will deepen discussions from diverse perspectives, such as lawyers, certified accountants, and academic experts.

## Responsiveness to change displayed during COVID-19 pandemic solidified through enhanced governance

Fiscal 2020 was a year spent dealing with the unprecedented COVID-19 pandemic while working to enhance governance. Immediately after the April 2020 declaration of a state of emergency in seven prefectures, we temporarily suspend work at all construction sites nationwide, and decided to provide compensation for planned construction costs incurred during the suspension. At that time, we had no COVID-19 cases among employees or site workers, but the president and I soon decided that the situation was untenable amid a lack of information on measures to prevent infection and the need to protect the lives and health of all stakeholders. This helped forestall the spread. When we reopened sites after taking thorough measures to prevent infection, our construction business partners quickly rejoined us.

We were able to make decisions speedily in an emergency and move as one across the company because our founder's spirit—to always look further into the future and strive to do things because they will be of service to society, not because they will make a profit—is alive and well. In keeping with this spirit, the company has responded to a series of social changes, evolving and developing existing businesses and creating new ones. As a result, we have been able to establish a business portfolio unseen elsewhere. Our achievements since founding and the corporate culture born from them underpin Daiwa House's resilience to change. I believe that this responsiveness to change needs to be carried forward in the future as one of our company's strengths.

## When COVID-19 settles down, we will enhance governance and steadily develop our business overseas from a long-term perspective

The COVID-19 pandemic is a major obstacle to enhancing global governance. Sustainable growth for our Group is not possible without overseas development, and business expansion naturally calls for better governance. We have had many discussions on enhancing global governance and assigned relevant officers to cover the US, Europe, China, and ASEAN. We firmed up an approach comprising consultation systems for legal and accounting matters in individual regions so that each can manage risk and compliance in accordance with local conditions.

Plans are currently on hold as the pandemic erupted just as we were finally reaching the implementation phase, hampering our ability to dispatch personnel overseas. However, we have already selected personnel and are prepared for an immediate launch once the environment is conducive. We will of course implement our measures to enhance global governance as planned once the pandemic has settled down and a number of conditions are met. Going forward, we are not looking for excessive speed in expanding our overseas business but aim at steady, measured development with governance always in mind.

As COVID-19 has made apparent, the future is unclear. We aim to continue to enhance governance and establish systems that can swiftly and flexibly respond to sudden changes in the social environment and unprecedented events, making Daiwa House more resilient to change. Also, in keeping with our founder's spirit, we will continue to serve the world at large, thereby growing our business sustainably. I sincerely hope we can continue to count on your encouragement as we move forward.

# Corporate Governance

## Basic Policy and Concept

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

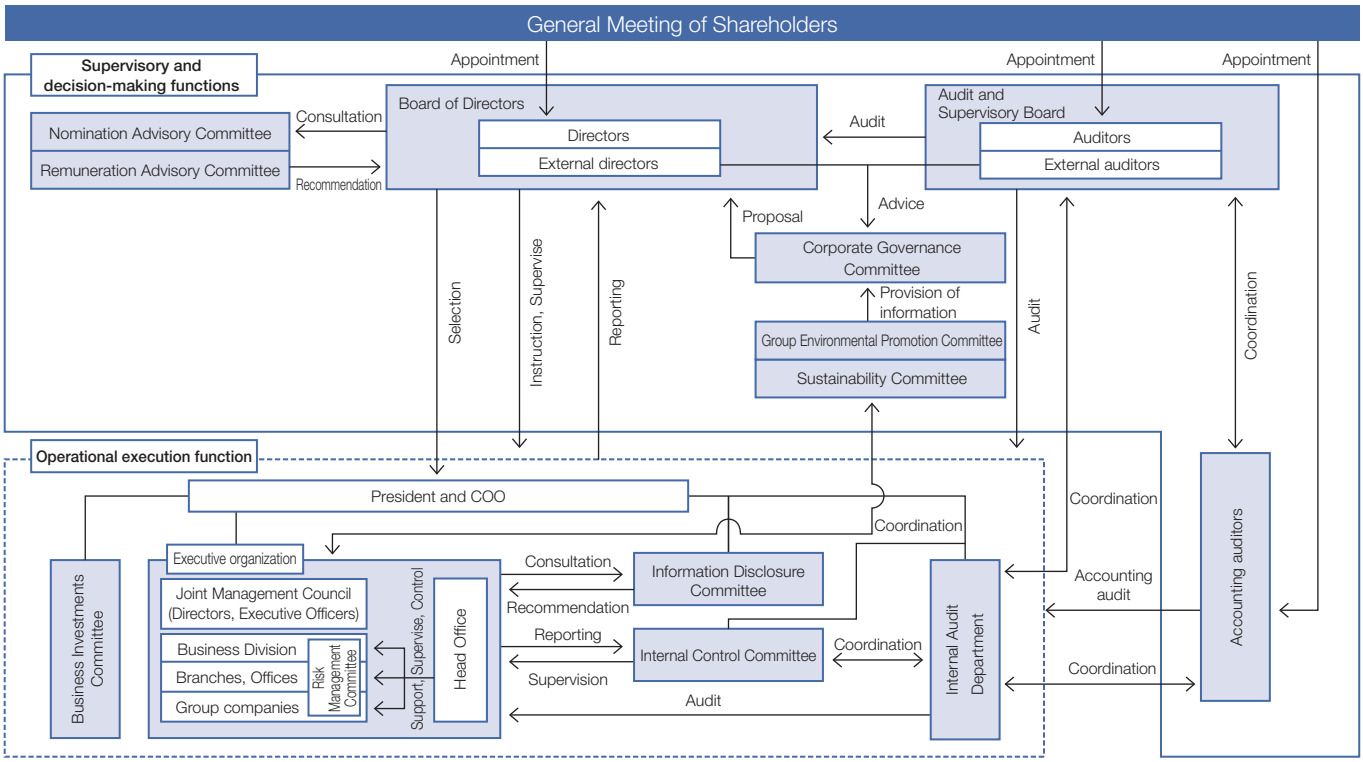
To increase our corporate value by putting our management vision into practice, the senior management in charge of business execution should always explore social needs based on a bottom-up approach, and the Board of Directors should deliberate and determine how we concretize the social needs as a business.

Our Board of Directors consists of nine executive directors and five independent external directors. By appointing both executive directors to enable accurate and swift actions on how to respond to the society's needs through our business operations, and a multiple number of independent external directors, we increase the level of objectivity and soundness of our business management. Furthermore, the Board of Directors is further audited by auditors and the Audit and Supervisory Board that are independent of the Board of Directors.

Regarding the nomination of directors and officers and remuneration, to enhance independence and objectivity, we have a Nomination Advisory Committee and a Remuneration Advisory Committee, the majority of whose respective members are independent external directors headed also by an independent external director. We also have the Corporate Governance Committee to discuss overall management visions, strategies including efforts toward achieving the SDGs (the UN's Sustainable Development Goals) and ESG, and other subjects, so as to sufficiently incorporate the knowledge of external directors into the company's medium- to long-term managerial issues for the sustainable growth of our company.

In April 2021, we transferred authorities to the heads of business divisions (executive officers in charge of business), and overhauled our governance system, under which value chain and supply chain will be built for each business, including subsidiaries. We also strengthened risk management, developed systems for performance and personnel evaluations, and adopted Return On Invested Capital (ROIC) as a management indicator. Our business execution structure was shifted toward a business division-based system to respond quickly to changes in society.

■ Corporate governance system



## Selection of directors

Our company's Article of Incorporation stipulates that the term of office of directors as one year, and the Regulations of Directors set by the Board of Directors stipulates the procedures and standards for selecting directors.

### Standards for selection of directors

1. Having good managerial sense and a mastery of wide-ranging managerial issues
2. Having an excellent company-wide perspective and abilities to analyze and judge subjectively
3. Having outstanding foresight and insight
4. Capable of accurately grasping the trend of the times, managerial environment and changes in the markets
5. Highly motivated to improve his or her own quality
6. Capable of proactively expressing his or her opinion from a company-wide perspective

## Diversity amongst directors

The Board of Directors of our company is consisted of various directors who have different backgrounds of expertise, experience and so on. And it's basically composed of 20 persons or less, as it is the adequate number of directors for the Board of Directors to fulfill its functions most effectively and efficiently. Ratio of external directors with independency and neutrality is basically one-third or more of the Board members.

The number of female directors of the Group is shown on the right.

■ Number of female board members

| Daiwa House Industry (as of April 1, 2021) | Daiwa House Group (as of April 1, 2021) | |
|---|---|---|
| Directors | Directors | Executive officers |
| 2 | 13 | 4 |

Our Group official website
Information disclosure in accordance with the Corporate Governance Code (Japanese text only)
Concept of balance, diversity, scale, etc. of the entire Board of Directors
https://www.daiwahouse.com/ir/governance/pdf/governance_kaiji.pdf

## Operation of the Board of Directors

For sustainable operation of the board meetings even in times of pandemic, we improved networking environment and promoted paperless operation. In giving a briefing to external directors prior to the meetings, an environment was established so that they can get the briefing irrespective of their location.

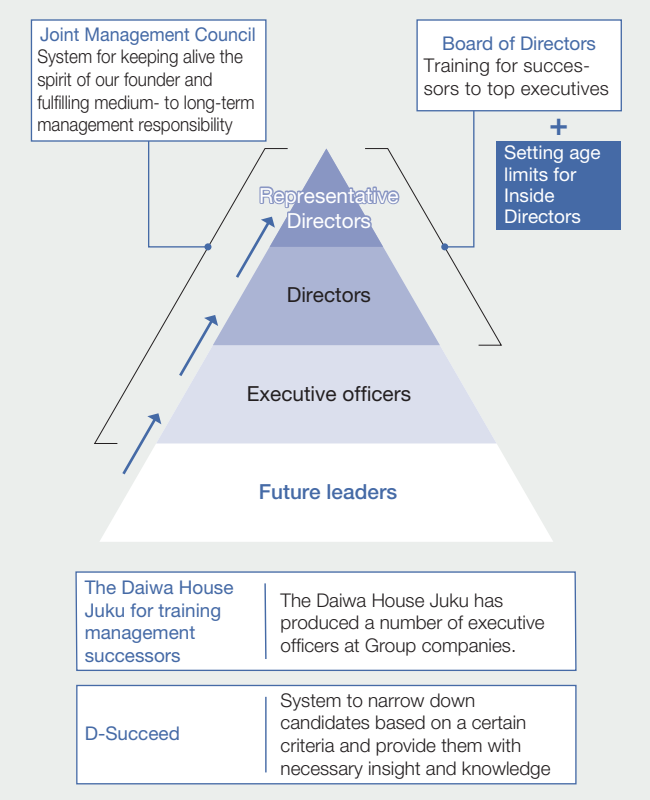
We revised our board meetings rules by newly establishing "items to be discussed" in addition to issues for resolution and matters to be reported, with the intent to enable free discussion of mid- to long-term issues such as the revision of business portfolios.

## Fostering successor candidates

To ensure further business growth under a rapidly changing operating environment, the Company has set age limits for Inside Directors (Representative Directors: sixty-nine; Directors: sixty-seven), hereby promoting smooth transition from one generation of top management to the next.

In fostering successor candidates, the Joint Management Council participated by directors, auditors and executive officers serves as a venue to study how to pass on the spirit of our founder, and which roles must be played by successors for fulfilling management responsibility, while sharing necessary management information and discussing relevant issues.

For fostering next generation of business top-level managers (mainly branch office managers), we have upgraded the screening method of personnel since last year. Named D-Succeed, under this new system to foster human resources stably, candidates are narrowed down based on a certain criteria and are provided with necessary insight and knowledge. We also set up a program for nurturing managerial personnel active on the global stage as a human resources development system to support the company's overseas business.



## Evaluation of Board of Directors

We evaluate the effectiveness of the Board of Directors annually since 2015 based on the Corporate Governance Guidelines established to realize sustainable growth and medium- to long-term corporate value enhancement.

The Audit and Supervisory Board and the Board of Directors analyze and evaluate the whole Board of Directors based on the self-assessment by directors through a questionnaire survey method. In fiscal 2020, we conducted a questionnaire survey in cooperation with an external organization as in fiscal 2019, and assured anonymity by having replies made directly to the external organization. Taking into consideration a report on the aggregate results from the external organization, 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 status of the execution of duties of the directors. As a result of the above, we have determined that the effectiveness of our Board of Directors is maintained adequately.

We have also shared issues such as enhancement of the Group governance including subsidiaries. We will continue striving to improve the effectiveness of the Board of Directors and our management system.

## Supervision of the Board of Directors concerning SDGs and ESG

As for the efforts toward achieving SDGs and ESG, chairpersons of Group Environmental Promotion Committee and Sustainability Committee periodically provide information to Corporate Governance Committee, which is consisted of representative directors and outside executives, make suggestions to the Board of Directors on matters of importance and are engaged in their activities for ESG promotion.

P023 Environmental Management

### Status of holding Board of Directors (Expected attendees: Directors and Auditors)

| FY 2020 | ① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ | ⑧ | ⑨ | ⑩ | ⑪ | ⑫ | ⑬ | ⑭ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Month | Apr | Extraordinary meeting in April | May | Extraordinary meeting in May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar |
| Directors | 15/16 | 15/16 | 16/16 | 16/16 | 14/14 | 14/14 | 13/14 | 14/14 | 14/14 | 14/14 | 14/14 | 14/14 | 14/14 | 14/14 |
| Auditors | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 | 6/6 |
| Attendance rate | 95% | 95% | 100% | 100% | 100% | 100% | 95% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Matters to be resolved | 5 | 0 | 4 | 2 | 6 | 2 | 7 | 9 | 6 | 9 | 7 | 3 | 11 | 11 |
| Matters to be reported | 2 | 2 | 4 | 0 | 3 | 2 | 2 | 3 | 2 | 1 | 12 | 4 | 1 | 5 |
| Time required | 85 min | 70 min | 127 min | 10 min | 80 min | 125 min | 130 min | 145 min | 135 min | 115 min | 270 min | 120 min | 145 min | 180 min |

### Status of holding Joint Management Council (Expected attendees: Directors, Executive Officers and Auditors)

| FY 2020 | ① | ② |
|---|---|---|
| Month | Aug | Sep |
| Directors | 13/14 | 13/14 |
| Auditors | 6/6 | 6/6 |
| Executive officers | 49/50 | 50/50 |
| Attendance rate | 97% | 99% |

### Corporate Governance Committee (Expected attendees: External Directors, External Auditors, Fulltime Auditors, CEO, CFO and Representative Directors)

| FY 2020 | ① | ② |
|---|---|---|
| Month | Jul | Jan |
| Number of attendees | 14/14 | 14/14 |
| Attendance rate | 100% | 100% |

### Remuneration Advisory Committee (Expected attendees: External Directors, Chairman and CEO, President and COO)

| FY 2020 | ① | ② |
|---|---|---|
| Month | May | Mar |
| Number of attendees | 5/5 | 7/7 |
| Attendance rate | 100% | 100% |

## Audit and Supervisory Board

The Audit and Supervisory Board operates independently of the Board of Directors. It consists of fulltime auditors well versed in the operations and management structure of the company, as well as external auditors who are experts in particular fields such as law or management. 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 Directors and Executive Officers.

Having received a mandate from shareholders as independent entities to audit the execution of duties of Directors and Executive Officers, auditors fulfill their duty to ensure sustained corporate growth.

Additionally, the Audit and Supervisory Board shares necessary information with the accounting auditors, the Internal Audit Department and external directors and holds regular meetings with them, in an effort to improve auditing quality and perform audits efficiently. One of the fulltime auditors has a wealth of knowledge of finance and accounting, improving financial expertise of the Audit and Supervisory Board.

In addition, we established an Audit and Supervisory Board Member's Office with several employees assigned to it, to accomplish tasks based on resolutions of the Audit and Supervisory Board and instructions of the auditors. To secure objectivity of audits, the employees assigned to the Audit and Supervisory Board Member's Office are ensured to be independent from directors regarding operational orders and personnel evaluation.

The status of auditors' audit and auditors' remuneration is disclosed in our Securities Report.

Our Group official website The 82nd Term Securities Report (Japanese text only) https://www.daiwahouse.com/ir/shouken/pdf/82yuuhou.pdf

## Selection of auditors and accounting auditors

Our company's Article of Incorporation stipulates that the term of office of auditors as four years, and the Corporate Governance Guidelines and the Regulations of Auditors set by the Audit and Supervisory Board stipulate the procedures and standards for selecting auditors. Concept of the composition of auditors is as follows.

1. Audit and Supervisory Board shall be composed of a majority of external auditors for the purpose of securing of independence of the Board, and one or more members shall be designated as independent officer set forth by stock exchanges.
2. External auditors shall be selected among professionals of finance, accounting, laws, business management and other expertise.
3. Fulltime auditors shall be selected among those who have rich experiences in our company, and one or more of them shall be selected among those who are considerably versed in finance and accounting.

Procedures of selecting accounting auditors and other matters are stipulated in those regulations, in which a policy of selecting new accounting auditors, including the cases where operational execution of an accounting auditor is disrupted, is clearly described. Once a year they are evaluated by the Audit and Supervisory Board, which determines the content of proposals on the appointment and dismissal, as well as reappointment of accounting auditors. In June 2020, we appointed a new accounting auditor, in expectation of audits that take into account the Group's business expansion at home and abroad, and changes in circumstances surrounding the Group, after having considered the auditor's track record in audits of corporations in the construction and real estate sectors, the Group's main businesses, as well as peripheral businesses thereto.

For the number of auditors and other details, please see our Integrated Report 2021 (to be published at the end of September).

Our Group official website
Items related to organizational composition, organizational operation, etc. [Auditor-related] (Japanese text only)
https://www.daiwahouse.com/ir/governance/pdf/governance_report.pdf
Policy and procedures of information disclosure nomination based on the Corporate Governance Code (Japanese text only)
https://www.daiwahouse.com/ir/governance/pdf/governance_kaiji.pdf
Integrated Report 2020 https://www.daiwahouse.com/English/ir/ar/

## Committees to increase effectiveness of supervisory function

### Corporate Governance Committee

The Corporate Governance Committee is composed of external directors, external auditors and fulltime auditors, as well as the CEO, CFO and Representative Directors. This committee conducts exchanges of views on visions, strategies and other items related to corporate governance and overall company management from diverse and long-term perspectives.

As for the efforts toward achieving SDGs and ESG, the Corporate Governance Committee is provided with information on important items from the Group Environmental Promotion Committee, a meeting structure associated with the Committee, and Sustainability Committee, and exchanges opinions with them.

By fully incorporating into corporate management the knowledge and wisdom of external directors and external auditors, the Committee aims to create a "better company," and meets 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)

### Group Environmental Promotion Committee

Group Environmental Promotion Committee has been established as an organization to promote environmental management across the Group and globally. The committee supervises our Group's environmental initiatives discusses and makes decisions on basic policies for environmental initiatives that our Group should undertake and environmental risks and opportunities. In addition, the committee has executive organizations consisting of an Environment Committee and Head Office function departments with each business division head at the top, which meet quarterly for review, in an effort to promote detailed improvement activities.

Important matters concerning our environmental management are to be reported to the Corporate Governance Committee by the Group Environmental Promotion Committee. (Chairman: Executive Officer in charge of Environment, Frequency: twice a year, in principle)

### Sustainability Committee

Sustainability Committee deliberates and determines contents of improvement of important issues concerning sociality, such as relationship with employees and business partners, and directs and controls company-wide initiatives relating to relevant determinations. Executive sub-committees promote practical approach on the ESG front, such as operation of cross-segment projects, measures for ESG investment-related external evaluation and appropriate information disclosure, check of progress of the Social Medium-Term Plan and formulation of the next-term plan, to visualize intangible assets and raise corporate value from the ESG perspective. Additionally, as a meeting structure, the Committee provides information on important items concerning our Company's sociality to Corporate Governance Committee (Chairman: General Manager of Management Administration Headquarters, Frequency: annually in principle). In fiscal 2020, we discussed formulation of an ultra-long-term vision and identification of mid- to long-term materiality (priority issues) and brought them before the Board of Directors.

### Nomination Advisory Committee

Over a majority of members of the Nomination Advisory Committee is composed of independent external directors and chairperson is an external director. The Nomination Advisory Committee is designed to receive consultations from Director or executive officer in charge of human resources on the following items to be deliberated, discuss those matters and strengthen fairness and objectivity concerning nomination. (Frequency: annually in principle)

Major items to be discussed by the Nomination Advisory Committee are as follows.

1. Requirements for directors
2. Requirements for the independency and neutrality of outside directors
3. Recommendation of director candidates

### Remuneration Advisory Committee

The Remuneration Advisory Committee, the majority of which is composed of independent external directors, is chaired by an external director. The Remuneration Advisory Committee is designed to receive consultations from Director or executive officer in charge of human resources on the following items to be deliberated, discuss those matters and strengthen fairness and objectivity concerning remuneration. (Frequency: annually in principle)

Major items to be discussed by the Remuneration Advisory Committee are as follows.

1. Policy on directors' remunerations
2. Remuneration system for directors
3. Appropriateness of the process for determining directors' Remuneration

Directors' remunerations are disclosed in our Securities Report.

Our Group official website The 82nd Term Securities Report (Japanese text only) https://www.daiwahouse.com/ir/shouken/pdf/82yuuhou.pdf

## Committees related to execution of operations

As committees involved in execution of operation (Management Committees), we have a Joint Management Council to promptly and appropriately execute matters decided by the Board of Directors in developing businesses in a broad range of fields; an Information Disclosure Committee that deliberates on the necessity of timely disclosure of relevant corporate information; a Business Investments Committee as a body to deliberate on matters necessary for decision-making by the Board of Directors and for the management; and an Internal Control Committee and a Risk Management Committee that supervise the company-wide internal control system and secure effectiveness of its operation. Having these committees in place, we develop business in a way that strikes a balance between reliable approaches to business opportunities and risk control.

### Joint Management Council

To encourage communication between the Board of Directors and Executive Officers, as well as to appropriately execute matters determined by the Board of Directors, we establish Joint Management Council. (Chairman: President, Chairman: General Manager of Management Administration Headquarters)

### Information Disclosure Committee

To build long-term relations built on trust with all shareholders, investors, and other stakeholders, we establish the committee tasked with announcing information pursuant to the basic policy for information disclosure (disclosure policy) (Chairman: General Manager of Management Administration Headquarters).

### Business Investments Committee

The committee evaluates, deliberates and discusses feasibility and risk of the important real estate development business of the company and other business investments (Chairman: President). Our company's decision-making is carried out in parallel with a request and approval process through electronic network communication and resolution of the Board of Directors.

### Internal Control Committee

To construct an appropriate internal control system in line with the provision of the Basic Policy for Internal Control System Construction, 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 prevents the risks related to the management of the Daiwa House Group, identifies risks, engages in discussions and provides direction to minimize the loss caused by them. (Chairman: General Manager of Management Administration Headquarters)

## Incentive system for medium- to long-term corporate value enhancement

Amid changes in the business environment, Daiwa House Industry has introduced a system awarding improvement of the medium- to long-term corporate value (stock awards), along with incentive for achievement of short-term business goals, so that we can make adequate managerial decisions that improve the medium- to long-term corporate value as the management of a listed company. In this way, we are creating a well-balanced incentive system. Objectives of respective elements are described below.

### Basic remuneration

In compensation for "fulfilling their duties," monetary fixed remuneration is paid to all of our directors and auditors. Limitation of remuneration for directors shall be 70 million yen per month (resolution at the 57th General Meeting of Shareholders held on June 27, 1996) and that for auditors shall be 18 million yen per month (resolution at the 80th General Meeting of Shareholders held on June 25, 2019).

### Annual bonus

In compensation for "making a profit for the company's growth and development," performance-linked monetary remuneration, which is less than 0.5% of consolidated ordinary income, is paid to Executive Directors. To seek our shareholders' judgement, the amount paid to directors in proportion to the company's performance in the relevant fiscal year is submitted as agenda to the General Meeting of Shareholders every year. (KPI: Consolidated ordinary income)

### Stock awards

To strengthen linkage with our shareholders' benefit and to boost incentives for improving the medium- to long-term corporate value, the following two types of performance-linked stock awards are provided to Executive Directors.

① Performance Share Restricted Stock (hereinafter, "Restricted Stock")
Restricted Stock is provided to urge commitment to achieving medium-term performance goals and improving long-term shareholder value. Under this system, upon the start of a Medium-Term Management Plan, a minimum number of shares is specified according to official position and Daiwa House Industry's shares with restriction on transfer until retirement are issued in proportion to the achievement level of operating income in each fiscal year during the period of the Medium-Term Management Plan. (KPI: Operating income during the period of the Medium- Term Management Plan) The stock awards are also provided to the senior management of Daiwa House Industry and its Group companies.

② Stock Ownership Plan
Stock Ownership Plan is provided in compensation for "creating long-term shareholder value." Under this system, directors are provided with the Company's shares, which are acquired and managed for them by a trust, in proportion to the achievement level of ROE (Return on Equity), within the upper limit resolved by a General Meeting of Shareholders.

[Determination of payment amount]

The payment amount conforms to the above policy. Regarding stock awards, an incentive for greater improvement of medium- to long-term corporate value, in principle, we seek to secure approximately 10%. Please visit our group website as to how we determine the amount of performance-linked stock awards.

Our Group official website Information disclosure in accordance with the Corporate Governance Code (Japanese text only)
https://www.daiwahouse.com/ir/governance/pdf/principle3-1-3.pdf

## Directors' stock ownership

To foster benefit-sharing awareness with our shareholders and contribute to actions respecting shareholder return, the Company encourages its executives and employees to acquire treasury stock through its employment stock ownership program, etc.

Especially, Stock Ownership Guidelines are prepared for executives and executive candidates, who are supposed to play an important role in the company's sustainable growth and the improvement of medium- to long-term corporate value. As a general rule, they are required to own more than a prescribed number of treasury stock.

### Stock Ownership Guidelines

**Director of Daiwa House Industry:**
In principle, acquire more than 6,000 shares of treasury stock within three years from assuming the post.

**Executive Officer:**
In principle, acquire more than 3,000 shares of treasury stock within three years from assuming the post.

**Director of the Group companies:**
In principle, acquire more than 2,000 shares of treasury stock within three years from assuming the post.

## Notice of the Fiscal 2020 Ordinary General Meeting of Shareholders

The notice of the Fiscal 2020 Ordinary General Meeting of Shareholders was provided within the period set forth in the Companies Act and was not delayed.

Chapter 04

# Third-Party Assessment / Data Section


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# Cooperating with Third Parties



## Basic Policy and Concept

The Daiwa House Group believes that it is important to promote initiatives for climate change and biodiversity conservation and other environmental issues as well as communicate with stakeholders and work with organizations to resolve social issues.

Through dialogues and partnerships, we will deepen our understanding of the role that the industry and our Group will play in society and disseminate these efforts both inside and outside the company. Furthermore, by actively participating in validation projects implemented by countries and governments and giving advice for the promotion and strategy for environmental activities from industrial organizations, we can fully utilize our leadership with the goal of realizing a sustainable society.

## Main approach

### Cooperation in international initiatives

Our Group is working together with companies that have similar goals by actively joining international initiatives to combat international issues.

#### Global Compact Network Japan

In April 2018, Daiwa House Industry signed the UN Global Compact*. With a view to future expansion of our overseas business, we considered it effective to sign the UN Global Compact, an international initiative which is highly compatible with our concept, to express the Group's view on human rights, labor, environment and anti-corruption and to gain understanding of people in countries and regions with different cultures and business customs. If an enterprise highly interested in solving social problems promotes such efforts under its leadership and discloses information, it will become best practice. Increase in the number of enterprises that follow suit will result in getting close to the realization of a sustainable society. We would like to do something, no matter how small, to contribute to the realization of a sustainable society through our participation in the Global Compact Network Japan.

* Each company and organization allow their responsible and creative leadership to fully realize their potential, thereby acting as a good member of society and participating in creation of a global framework to realize sustainable growth.

#### Participation in environment related initiatives

From March of 2018, we have been part of the EP100 and RE100 international initiatives for the promotion of energy efficiency and the use of renewable energy. In August of the same year, the targets relating to mitigating and adapting to climate change decided in our long-term vision for the environment Challenge ZERO 2055 were recognized as scientifically based goals for reducing greenhouse gas emissions, and we were awarded the SBT certification.

In September, we joined the Task Force on Climate Related Financial Disclosures (TCFD) organized by the Financial Stability Board. Through exchanging opinions with countries and cooperating companies and increasing awareness of the TCFD, we can carry out more efficient low-carbon management and fulfilling information disclosure.

■ Initiatives participated in and conditions of our activities

| Organizer | Committees, etc. |
|---|---|
| UN Global Compact | Participation in the Global Compact Network Japan<br>· Supply Chain Subcommittee<br>· Environmental Management Subcommittee<br>· ESG Subcommittee, etc. |
| The Climate Group<br>CDP | · RE100<br>· EP100 |
| CDP and WRI (World Resources Institute)<br>WWF (World Wildlife Fund)<br>UN Global Compact | SBT |
| Financial Stability Board | TCFD<br>Participation in the TCFD Consortium<br>· Information Disclosure Working Group |

P039 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

#### Joining The Valuable 500

In January 2020, we joined The Valuable 500, an international initiative to promote disability inclusion. The aim of the initiative, launched at the World Economic Forum Annual Meeting in Davos in January 2019, is for business leaders to spearhead reform so that people living with a disability can realize their potential in business, social, and economic spheres.

The promotion of diversity and inclusion by building a flexible workplace for diverse employees is a priority for our Company. We endorse the aims of The Valuable 500, and will work to raise awareness and establish an environment enabling social engagement for all.

P128 Welfare services

## Active participation in validation projects conducted by the national government, etc.

Daiwa House Industry actively participates in validation projects for ZEH and ZEB and campaigns organized by the national government and its agencies to provide feedback on their policies and we also cooperates in bringing awareness to environmental activities.

■ Major programs the Group participates in

| Organizer | Program |
|---|---|
| Ministry of Economy, Trade and Industry | · Net Zero Energy House Support Project<br>· Net Zero Energy Building Validation Project<br>· Smart Community Alliance<br>· Association on the Promotion of Standards for Long-Term Use of Housing Materials<br>· Validation experiments for the sale of trackable non-fossil certificates<br>· TCFD Consortium of Japan |
| Ministry of the Environment | · Green Value Chain Platform<br>· Environmental Information Disclosure Infrastructure Project<br>· "Fun to Share" climate change campaign<br>· Water Project<br>· Plastic Smart Campaign<br>· Low Carbon Management Promotion Network<br>· Company Research Committee for Responding to Climate Change Effects<br>· Platform for Climate Change Information<br>· Eco First Program Promotion Council<br>· Mori Kawa Sato Umi Project |

P039 Response to the Task Force on Climate-related Financial Disclosures (TCFD)

## Leadership among industry organizations and policy proposals

Daiwa House Industry has joined various economic organizations and industrial groups and we participate in various committees related to economic, environmental and social aspects.

Industrial organizations will work together to provide leadership that will formulate and promote activity policies that will address important environmental and social issues and also provide information for policy proposals and advice for policy from the standpoint of sales and development.

As part of this, we serve as the chair of the Environment Subcommittee of the Japan Prefabricated Construction Suppliers and Manufacturers Association, working to raise the level of environmental efforts throughout the industry and taking a leading role in pioneering measures to achieve climate change and decarbonization.

■ Major organizations of which we are a member, and activities we participate in

| Industry organization | Committees, etc. |
|---|---|
| Japan Business Federation | |
| Japan Federation of Housing Organizations (Our president is vice-chairman as of April 2021) | · Building Regulatory Rationalization Committee<br>· Housing Performance Improvement Committee<br>· Housing Stock Committee<br>· Environmental Committee |
| Japan Prefabricated Construction Suppliers and Manufacturers Association (Our president is chairman as of April 2021) | · Housing Committee / Environment Subcommittee<br>· Housing Committee / Technology Subcommittee / Energy Saving WG<br>· Housing Committee / Housing Stock Subcommittee, etc. |
| Japan Chemical Industry Association | Chemical Risk Forum |
| Housing History Information Accumulation and Utilization Promotion Council | Project Steering 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 and social issues, and by sharing information and exchanging opinions on efforts made by non-governmental organizations.

■ Membership of key committees, study groups

| Organizer | Committees, etc. |
|---|---|
| Tokyo Metropolitan Government | Obligation to reduce total greenhouse gas emission and emission trading program (The cap-and-trade program) |
| Japan Sustainable Building Consortium | · SDGs-Smart Wellness Housing Research and Planning Committee<br>· Comprehensive Environmental Evaluation Research for Buildings Committee<br>· CASBEE Research & Development Committee<br>· Housing Deliberation Subcommittee |
| Environmentally Symbiotic Housing Promotion Council | · Survey and Research Subcommittee Promotion<br>· Subcommittee, etc. |
| Smart Wellness Community Council | Community Development Subcommittee |
| Consortium for Building Research & Development | · Research and Development Promotion Committee<br>· Incubation Subcommittee<br>· Study Group on Home Installation of Storage Batteries |
| Provision of Quality Housing Stock Association | · Planning & Administration Committee<br>· Assessment Training Committee |
| Senior Housing Promotion Organization | Joint Research Committee |

## 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 environment and social issues. We cooperate with them while complementing each other's knowledge to promote the efforts toward solving environmental and social issues.

As part of this, we serve as the deputy representative of the Japan Climate Leaders Partnership (Japan-CLP), taking a leading role in enterprising policy proposals for climate change and decarbonization.

■ Key partners and activities

| Collaboration partner | Major activities |
|---|---|
| World Wide Fund For Nature (WWF) Japan | Implementation of the Timber Procurement Guidelines, sharing of information on risk areas, etc. |
| Japan Climate Leaders Partnership (Japan-CLP) | Collaboration in decarbonization business and aspiring policy recommendations by enterprises, etc. |
| Association for Renewable Energy 100 Declaration RE Action | Promotion of use of 100% renewable energy by companies, local governments, educational institutions, and medical institutions |
| Japan Climate Initiative (JCI) | Strengthening of measures against climate change in Japan |
| 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) | Reforestation Commercialization Research Group (industrialization of new forestry system, proposals on community revitalization, etc.) |
| Association for Business Innovation in Harmony with Nature and Community (ABINC) | Operation of biodiversity guidelines and promotion of biodiversity-aware land use |
| Green Purchasing Network | Dissemination of green purchase and CSR procurement |
| Sky Front Forum | Technological Development Group (technological study on rooftop and wall greening) |
| Tokyo Institute of Technology AES Center | Industry-academia collaboration for the realization of a low-carbon society |
| Osaka Gender Equality Foundation | Promotion of Gender Equal Community Development (Our employee participates as a director) |
| Yoshinoyama Hoshokai | Cherry tree conservation activity at Mt. Yoshino |
| Japan Forest-Volunteer Association | Conservation activities for Mt. Rokko |
| Buraku Liberation and Human Rights Research Institute | Elimination of all racism and realization of a society with established human rights |
| Fair Recruitment and Human Rights Center | Ensuring fair hiring practices and promoting in-house human rights training |
| Multi-Ethnic' Human Rights' Education Center for Proexistence | Realizing a co-created society, promoting human rights education |
| Mirairo Inc. | Promotion of human rights awareness and universal manners training |

## Main certifications and awards

### On CDP climate change A List three years running. Received CDP's highest Supplier Engagement Rating for the second consecutive year

Our initiatives to deal with climate change and disclosure are recognized internationally to be of a high standard. We were awarded a place on the CDP climate change A List, the highest rating, three years running.

CDP Global is an international NPO that surveys over 9,600 companies worldwide each year. Companies with outstanding strategies to deal with climate change are named to the climate change A List. In 2020, 270 companies, including 53 from Japan, were selected for the A List.

Also in fiscal 2020, the Company received the CDP's highest Supplier Engagement Rating, listing on the Supplier Engagement Leaderboard for two years running.






# Cooperating with Third Parties and Their Assessment

## Recognized at Environmental Communication Awards

Our Group was selected for the Hall of Fame at the Environmental Communication Awards for FY2018 to FY2021 co-sponsored by the Ministry of the environment and the Global Environmental Forum thanks to our Sustainability Report.

The Daiwa House Group publishes a sustainability report with comprehensive coverage of ESG matters, with the aim of building good relations with our stakeholders — customers, employees, suppliers, local-community members, and shareholders. This is the seventh time we have received an award in the environmental report category since our first award in 2007. Because we received first prize in the 21st awards, we were named to the Hall of Fame.



環境コミュニケーション大賞
殿堂
2018 - 2021

Our Group official website
News Release (February 19, 2020) (Japanese text only)
https://www.daiwahouse.com/about/release/house/20200219170051.html

## Company receives top Gold EcoVadis sustainability rating for two years running

50,000 suppliers in 190 industries from 150 countries worldwide participate in EcoVadis, a France-based ESG assessment platform that provides third-party sustainability reviews. 300 major global multinationals rely on it to promote responsible procurement.

Since our participation in ESG assessment from 2019, we have continued to maintain the top Gold rating (gaining a score in the top 5% in the global construction industry).

## Received the 2020 Minister of the Environment's Award for Climate Action, a prize for encouragement in the Third EcoPro Awards, and a bronze award in the environmentally sustainable corporation category of the second ESG Finance Awards Japan

Our efforts to achieve 100% use of renewable energy have been recognized with the 2020 Minister of the Environment's Award for Climate Action (advanced adoption and positive action category/mitigation sector), as organized by the Ministry of the Environment, a bronze award in the environmentally sustainable corporation category of the second ESG Finance Awards Japan, and a prize for encouragement in the Third EcoPro Awards held by the Sustainable Management Promotion Organization (SuMPO).

These awards recognized various efforts by Daiwa House Industry for the purpose of promoting the use of renewable energy in business activities, such as our being certified by our joining three international initiatives in 2018, namely SBTi, EP100, and RE100, and undertaking efforts to attain their respective targets; the starting of Funabashi Grand Oasis (Funabashi City, Chiba Prefecture), Japan's first urban development project using 100% renewable energy, to encourage the adoption of such energy; and our management strategy incorporating key opportunities and risk management related to the environment in order to improve our corporate value.

令和2年度
気候変動アクション
環境大臣表彰
We can Save the Earth
Minister of the Environment

2020
EcoPro Awards

2021
ESG
FINANCE
AWARDS
JAPAN
BRONZE

Our Group official website
News Release (November 2, 2020) (Japanese text only)
https://www.daiwahouse.com/about/release/house/20201102142044.html

Our Group official website
News Release (February 24, 2020) (Japanese text only)
https://www.daiwahouse.com/about/release/house/20210224135011.html

## 2020 Integrated Report deemed excellent by GPIF's Japanese stock investment managers

Our 2020 Integrated Report was named as an excellent integrated report by organizations that manage Japanese equities on behalf of the Government Pension Investment Fund (GPIF).

## Awarded 4.5 stars in Nikkei SDG Management Survey

In the second Nikkei SDG Management Survey, the Company's rating was 4.5 stars (overall score from 65 to under 70) out of a maximum of 5 stars.

Nikkei rates 731 listed Japanese companies from the perspective of their moves to implement the United Nations Sustainable Development Goals (SDGs). Moving forward, we intend to take further steps to create businesses that solve social issues.

Nikkei SDG Management Survey https://www.nikkei-r.co.jp/english/

## Gained first place in the construction and real estate industry in the first ESG Brand Survey

The Company gained first place in the construction and real estate industry in the first ESG Brand Survey held by the Nikkei ESG Management Forum. The ESG Brand Survey takes over from the Environmental Brand Survey held by the Nikkei ESG Management Forum from the year 2000, expanding the scope from the environment (E) to include society (S) and governance (G), as well as integrity (I). For this survey, a questionnaire was given via the Internet to ordinary consumers on ESG-related activities by 560 major companies (of which 41 were in the construction and real estate industry). Answers were received from 20,000 people nationwide.

As corporate management now requires the integration of ESG and business, the results of the survey are an encouragement to the Daiwa House Group to continue our efforts for a carbon-free society and undertake social contribution initiatives to contribute to a sustainable society through sustainable growth and business.

Our Group official website News Release (November 2, 2020) (Japanese text only) https://www.daiwahouse.com/about/release/house/20201102104735.html

## 8th in CSR Corporate Ranking (1st in construction industry)

Toyo Keizai Inc.'s CSR Corporate Directory (Employment/ Human Capital Utilization Edition and ESG Edition) covers 1,593 companies. Firms are rated in CSR categories such as human resource utilization (max. 100 points), environment (max. 100 points), corporate governance and societal impact (max. 100 points combined), and financial categories (profitability, soundness, and scale; max. 100 points each) for a possible maximum 600 points and ranked accordingly.

Daiwa House Industry received 565.6 points out of a possible 600 (8.1 points up over last year), and was ranked 8th overall (1st in the construction industry) in the 2021 edition released in February 2021.

■ CSR evaluation

| Human resources | Environment | Corporate governance + Impact on society |
|---|---|---|
| 88.9 (+5.1) | 97.4 (–1.3) | 97.7 (+1.7) |

■ Financial evaluation

| Growth Profitability | Safety | Scale |
|---|---|---|
| 81.6 (+2.6) | 100.0 | 100.0 |

## PRIDE Index 2020: Silver prize

The voluntary organization "work with pride (wwP)" promotes diversity management so that LGBT people and other sexual minorities in Japan can work free from discrimination in companies and groups. Our Company was awarded Silver at PRIDE Index 2020, following from FY2019, under evaluation standards developed by wwP. As we move forward, we will enhance our diversity management so that a variety of personnel can participate in company operations from a multi-faceted perspective.

work with Pride website (Japanese text only) https://workwithpride.jp/

## Received the Minister of State for Gender Equality's Award as part of the FY2020 Awards for Leading Companies for Working Women

Daiwa House Industry has actively promoted women's empowerment since 2005, placing diversity as a part of our management strategy so that we can adapt to the changes of society and diversification of values. These efforts were recently recognized with the receiving of the Minister of State for Gender Equality's Award as part of the FY2020 Awards for Leading Companies for Working Women.

Inspired by this award, in order to achieve the SDGs, Daiwa House Industry will continue to work to strengthen our diversity management, inclusive of promoting women's empowerment, so that diverse human resources with multiple perspectives can participate in our corporate management, beyond differences such as gender, disabilities, sexual orientation, age, and nationality.

● **Reason for receiving the award (excerpt from the comments)**

- The number of female employees in managerial positions virtually doubled from 86 in 2016 to 160 in 2020.
- Women are actively assigned to positions where previously they had been few in number. In particular, we have 152 female engineers in technical posts for construction (site supervision), a top level in the industry.
- Female employees that joined the company in non-career track positions can use in-company recruitment systems and the FA program to create their own career paths, transferring to customer services and sales positions where up to now women have been few in number.
- Support for work while raising children has greatly shifted from allowing time off work to helping to promote career building. We created a one-time childbirth allowance system, under which employees receive a one-time payment of ¥1 million for each child born; this allowance has already been used by over 10,000 people (for payments of ¥10 billion).
- To visualize the situation for diversity at the level of branch offices, we added the branch office diversity score to our assessment indicators for each branch office.

Our Group official website News Release (December 16, 2020) (Japanese text only) https://www.daiwahouse.com/about/release/house/20201216134044.html

## Received excellence awards at the 2020 Corporate Awards for Environmental Human Resources Development (Daiwa Lease, DesignArc)

Group members Daiwa Lease and DesignArc each received excellence awards in recognition of efforts for the environment closely tied to business, collaboration with diverse bodies, and grade-specific environmental education. These awards were part of the 2020 Corporate Awards for Environmental Human Resources Development organized by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD).

## Eleven Group companies selected as 2021 Certified Health & Productivity Management Outstanding Organizations

Eleven Group companies were selected on March 4, 2021, as 2021 Certified Health & Productivity Management Outstanding Organizations engaging in superior health management in collaboration with insurers,* as certified by the Nippon Kenko Kaigi.

**[The eleven Daiwa House Group companies selected]**

Daiwa House Industry Co., Ltd. (Large enterprise category) (Second time)
Fujita Corporation (Large enterprise category) (First time)
Cosmos Initia Co., Ltd. (Large enterprise category) (First time)
Daiwa LifeNext Co., Ltd. (Large enterprise category) (Second time)
Daiwa House Parking Co., Ltd. (Large enterprise category) (Second time)
Daiwa Energy Co., Ltd. (Small-medium enterprise category) (Fourth time)
Daiwa Lantec Co., Ltd. (Small-medium enterprise category) (First time)
Shinwa Agency Co., Ltd. (Small-medium enterprise category) (Second time)
Media Tech Inc. (Small-medium enterprise category) (Fourth time)
Daiwa House Financial Co., Ltd. (Small-medium enterprise category) (First time)
Wakamatsu KONPOU UNYU SOKO,Inc. (Small-medium enterprise category) (Second time)

健康経営優良法人
Health and productivity

The Daiwa House Group will continue to ensure workplace environments allowing our employees to work healthfully with peace of mind, helping to achieve enriched housing lifestyles and improving corporate value, thus contributing to sustainable social development.

* The main party in the health insurance business, e.g. health insurance associations.

Our Group official website News Release (March 5, 2021) (Japanese text only) https://www.daiwahouse.com/about/release/house/20210305124049.html

### ■ ESG awards

| Awarded category | Award name | Organizer | Reason for the award | |
|---|---|---|---|---|
| ESG management | CDP Climate Change 2020 A (highest evaluation) | CDP | Efforts for excellent response and strategy to combat climate change | Daiwa House Industry |
| | CDP Supplier Engagement 2020 Supplier Engagement Leaderboard (highest award) | | Company efforts to deal with climate change evaluated in four categories: Governance, Eagerness, Scope 3 Management, and Collaboration with suppliers. | |
| | CDP Water Report 2020 B | | Promotion of water resource management | |
| | CDP Forest 2020 B | | Forest resources conservation | |
| | Received bronze award in the environmentally sustainable corporation category of the ESG Finance Awards Japan | Ministry of the Environment | Initiatives to improve corporate value through key opportunities and risks related to the environment | |
| | PRIDE Index 2020 silver award | work with Pride | Diversity engagement | |
| Products and services | Received prize for encouragement at the EcoPro Awards | Sustainable Management Promotion Organization (SuMPO) | Funabashi Grand Oasis Project for urban development using 100% renewable energy | Daiwa House Group |
| | Minister of the Environment's Award for Climate Action | Ministry of the Environment | | |
| Communication | Selected for the Hall of Fame at 23rd Environmental Communication Awards | Ministry of the Environment Global Economic Form | Daiwa House Group Sustainability Report | Daiwa House Group |
| | Sustainability Website Award 2021: Awarded Gold | CSR Communications Association | Assessing whether disclosure regarding CSR activity of listed and unlisted companies nationwide is sufficient | Daiwa House Industry |
| | First place in Award for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan | Securities Analysts Association of Japan | Quantity, quality, and timing of corporate information disclosure | |
| | Received excellence awards at the 2020 Corporate Awards for Environmental Human Resources Development | Environmental Consortium for Leadership Development (EcoLeaD) | · Planning commercial facilities with consideration to the environment and food loss<br>· Various initiatives closely involved with business | Daiwa Lease |
| | | | · Environmentally conscious initiatives linked to strengthening corporate earnings<br>· Grade-specific environmental education | DesignArc |

## Inclusion in ESG indices

| | |
|---|---|
| FTSE4Good | **FTSE4Good Index Series**<br>The ESG Investment Index made by London Stock Exchange Group's FTSE Russell. The index began in 2001 and is characteristic because of its operation with a multistakeholder committee made up of investors, labor unions, NGOs and more, that protect its independence. Daiwa House Industry has been a member since March of 2005. |
| FTSE Blossom Japan | **FTSE Blossom Japan Index**<br>Used by the GPIF (Global Pension Investment Fund), which is the world's largest pension fund, as an ESG index that includes Japanese companies. |
| MSCI ESG RATINGS A (CCC B BB BBB A AA AAA) | **MSCI World ESG Leaders Index / MSCI World SRI Index**<br>The ESG Investment Index made by Morgan Stanley Group's MSCI. Characteristic as an index that considers the target company's production characteristics while providing evaluations based on high priority ESG issues.<br><br>**MSCI Japan ESG Select Leaders Index**<br>The GPIF uses this as an investment target as it is an index that includes Japanese companies. |
| MSCI Japan Empowering Women Index (WIN) | **MSCI Japan Empowering Women (WIN) Select Index**<br>One of MSCI's ESG indexes containing companies that lead in promoting gender diversity within their sector based on their gender diversity scores. Based on the idea that companies that promote gender diversity may be better placed to cope with the risk of personnel shortages as the labor force rinks in the future, and thus be able to provide sustainable long-term earnings. It reflects the performance of Japanese companies strongly committed to gender diversity in the workplace and maintaining high financial standards. |
| Member 2019/2020 STOXX ESG LEADERS INDICES | **STOXX® Global ESG Leaders**<br>The ESG Index made by STOXX, a Deutsche Börse Group company. Based on the ESG data provided by Sustainalytics*, our company has been incorporated into this index since fiscal 2016. |
| MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM | **Dow Jones Sustainability Indices**<br>An ESG index that was co-created with the American publishing company S&P Dow Jones Indices and the Swiss survey and rating firm Robeco SAM. Our company has been classified to the real estate sector and we have been incorporated into the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) since fiscal 2013. |
| S&P/JPX Carbon Efficient Index | **S&P/JPX Carbon Efficient Index**<br>An ESG index that has been adopted by the GPIF for operations that focuses on Japanese companies. Daiwa House Industry has been evaluated as a company excellent in carbon efficiency within the real estate industry and that properly discloses information about its greenhouse gas emissions. (Classified as the 2nd Decile) |
| GRESB PUBLIC DISCLOSURE 2018 GRESB REAL ESTATE | **GRESB**<br>A ratings agency for real estate companies and REITs. More than 100 institutional investors are members. Daiwa House Industry has received an "A" rating for disclosure, and our group company Daiwa House REIT has received an "A" rating for disclosure and a 4-star rating for real estate. |
| ETHIBEL EXCELLENCE Marking quality in responsible investment | **Ethibel EXCELLENCE**<br>An ESG Index created by the NGO Forum Ethibel, headquartered in Belgium. Component issues maintain above average performance regarding ESG in all regions throughout the world. Our company has been incorporated in the Ethibel Excellence Investment Register since December 7, 2016. |
| ECPI Sense in sustainability | **ECPI**<br>An investment management company headquartered in Luxembourg and Milan that has created various ESG indices separated by business type, region and theme. Our company has been incorporated since fiscal 2016. |

## Cooperating with Third Parties and Their Assessment

| | |
|---|---|
| Bloomberg Gender-Equality Index 2021 | **Bloomberg Gender-Equality Index**<br>ESG index developed by Bloomberg in the US. This includes companies with superior codes of conduct, personnel systems, product development, and information disclosure related to gender equality. Daiwa House Industry has been included in the index since January 2019. |
| NADESHIKO BRAND 2019 | **Nadeshiko Brand (METI/TSE) award**<br>A program jointly created by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange that introduces companies, by business type, that are actively taking efforts to promote the careers of female employees and create an environment where females will continue working and designates them as a publicly-listed company with good female empowerment practices (for TSE first section, TSE second section, TSE Mothers and JASDAQ). Since designated companies also have "management ability that promotes diverse human resources" and "adaptability to environmental changes," these companies can be thought of as "companies with potential for growth." Our company has been chosen for the five years from 2015 to 2019. |
| DIVERSITY MANAGEMENT SELECTION 100 2016 | **New Diversity Management Selection 100 (METI) award**<br>A program created by the Ministry of Economy, Trade and Industry that evaluates companies on their innovation, productivity growth and results that are achieved through the maximum utilization of female, elderly, foreign, disabled, diverse career persons. In addition, our company was the first in the housing/buildings industry to receive both the Nadeshiko Brand award and the New Diversity Management Selection 100 award at the same time in March 2016. |

* THE INCLUSION OF Daiwahouse Industry. CO. Ltd IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Daiwahouse Industry. CO. Ltd BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Chapter 04

# Data Section

## Corporate Data / Financial Information

### Company Summary

(as of March 31, 2021)

| | |
|---|---|
| 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 | 77 locations (Head Offices:2, Branches:37, Offices:38) * including Taiwan Branch |
| Plants | 9 locations in Japan |
| Research Center | Central Research Laboratory (Nara City) |
| Training Centers | Osaka, Tokyo |
| Net Sales | Non-consolidated: 1,863,934 million yen<br>Consolidated: 4,126,769 million yen |

# Major Group Companies*1

For the latest information, please refer to "Group Companies" on the Company's official website.

Our Group official website Group Companies https://www.daiwahouse.com/English/about/company/

## Japan

Daiwa House Industry Co., Ltd.
- Housing, Commercial facilities, Urban development, etc.

(listed in alphabetical order)

A

acca international Co.,Ltd.
- Fulfillment service (Product catalogue data creation, Logistics, Call center, System development)

C

Cosmos Hotel Management Co., Ltd.
- Hotels

Cosmos Initia Co., Ltd. *2
- Real estate sales, Real estate rental & agency services

Cosmos Life Support Co., Ltd.
- Total management of real estate

Cosmos More Co., Ltd.
- Office relocation, Construction of showrooms for condominiums

D

Daiwa CoreFactory Co., Ltd.
- Manufacture of housing parts & materials

Daiwa Cosmos Construction Co., Ltd.
- Large-scale condominium renovation work

Daiwa Energy Co., Ltd.
- New power generation business & ESCO business

Daiwa Estate Co., Ltd.
- Real estate agency

Daiwa House Asset Management Co., Ltd.
- Investment corporation, Asset management

Daiwa House Bloom Co., Ltd.
- Cultivation of mini Phalaenopsis orchids

Daiwa House Chintai Reform Co., Ltd.
- Renovation design & execution, Property inspection

Daiwa House Financial Co., Ltd.
- Credit card operations

Daiwa House Insurance Co., Ltd.
- Non-life insurance agency

Daiwa House Life Support Co., Ltd.
- Management & operation of fee-based nursing care facilities for the elderly

Daiwa House Parking Co., Ltd.
- Parking lot operations, Real estate sales & rental

Daiwa House Property Management Co., Ltd.
- Maintenance management of buildings used for logistics facilities and healthcare facilities

Daiwa House Real Estate Investment Management Co., Ltd.
- Investment corporation, Asset management, Real estate investment advisory

Daiwa House Reform Co., Ltd. *2
- Renovation design & execution, Property inspection

Daiwa Information Service Co., Ltd. *2
- Land utilization, Development & operation of commercial facilities

Daiwa Lantec Co., Ltd.
- Foundation assessment & reinforcement, Construction & exterior construction

Daiwa Lease Co., Ltd. *2
- Building & vehicle leasing, Land utilization, Development & operation of commercial facilities, Environmental greening, etc.

Daiwa LifeCosmo Co., Ltd.
- Equipment maintenance

Daiwa LifeNext Co., Ltd. *2
- Management of condominiums & buildings, Moving services

Daiwa Living Co., Ltd.
- Management & operation of rental housing

Daiwa Living Management Co., Ltd. *2
- Businesses related to rental housing

Daiwa Living Stay Co., Ltd.
- Management of rental housing, Serviced apartments

Daiwa Living Utilities Co., Ltd.
- Retail sale of electricity and gas

Daiwa Logistics Co., Ltd. *2
- Transportation, Warehouse & storage

Daiwa LogiTech inc.
- Logistics infrastructure development

Daiwa Resort Co., Ltd. *2
- Resort hotels

Daiwa Royal Co., Ltd. *2
- Rental of commercial facilities, Hotels

Daiwa Royal Golf Co., Ltd.
- Golf course operations

Daiwa Royal Hotel City Co., Ltd.
- Hotels

DDInnovation Co., Ltd.
- Outsourced services

DesignArc Co., Ltd. *2
- Interior items, Housing materials, Rental

DiceNext Inc.
- DX Strategic promotion, BIM consulting, Real estate advertising

D.U-NET Co., Ltd.
- ISP business

E

Eneserve Corporation
- Electrical equipment maintenance checks, Retail sale of electricity

F

Fine Co., Ltd.
- Sale of commodities for daily use, household furnishings, others

Frameworx Inc.
- Development of logistics systems

Fujita Corporation *2
- General construction, Real estate

G

Global Community Co., Ltd.
- Management of condominiums & buildings

H

HeartOne Trust Co., Ltd.
- Property management trust business

J

JUST Logistics,Inc.
- Transportation, Warehouse & storage

M

Media Tech Inc.
- Data systems, Data services

N

Nihon Jyutaku Ryutu Co., Ltd. *2
- Real estate agency & property management services, Appraisals, Renovation work

Nishiwaki Royal Hotel Co., Ltd.
- Hotels

O

Osaka Marubiru Co., Ltd.
- Management of hotels, Rental of commercial facilities

P

Parking Solutions Co., Ltd.
- Parking lot operations

R

Royal Gate Inc.
- Cashless payment service

Royal Home Center Co., Ltd. *2
- DIY, Gardening, Interior items

S

Shinwa Agency Co., Ltd.
- Advertising & travel agency

Sports Club NAS Co., Ltd.
- Fitness clubs

W

Wakamatsu KONPOU UNYU SOKO,Inc.
- Transportation, Warehouse & storage

## Overseas

Cosmos Australia Pty Ltd
- Real estate development

Daiwa House Australia Pty Ltd
- Real estate development

Daiwa House Construction Management Inc.
- Construction Management

Daiwa House Industry India Pvt Ltd
- Real estate marketing survey

Daiwa House Industry (Thailand) Co.,Ltd.
- Single-family housing business, Warehouse rental business

Daiwa House Malaysia Sdn Bhd
- R&D of single-family houses and industrialized methods

Daiwa House Real Asset Management Vietnam, Co., Ltd.
- Rental factories

Daiwa House Real Estate Development Co.,Ltd.
- Rental factories

Daiwa House Texas Inc.
- Real estate development

Daiwa House Vietnam Co.,Ltd.
- Industrial park development, Business process outsourcing (BPO)

Daiwa Living Australia Pty Ltd.
- Management of serviced apartments

Daiwa Living California Inc.
- Rental housing business

Daiwa Living de Mexico, S.A. de C.V.
- Management of serviced apartments

Daiwa Living Nesuto Holdings Pty Ltd
- Management of serviced apartments

Daiwa Living Nesuto San Jose LLC
- Management of serviced apartments

Daiwa Living Vietnam Co.,Ltd.
- Management of serviced apartments

Daiwa House Europe B.V.
- Real estate marketing survey

Daiwa Resort Australia Pty Ltd.
- Activities to promote inbound to Japan

DH Asia Investment Pte.Ltd.
- Real estate development

DH Logistic Property Vietnam Co., Ltd.
- Warehouse rental business

DT Development Vietnam LLC.
- Real estate development, Management of serviced apartments

Fujita Americas, Inc.
- Construction, Research into overseas construction technology

Fujita Corporation (M) Sdn. Bhd.
- Construction

Fujita Corporation Singapore Pte. Ltd.
- Investment business

Fujita Corporation (Thailand) Ltd.
- Construction

Fujita Corporation Vietnam
- Construction, Real estate development

Fujita Engineering India Pvt., Ltd.
- Construction

Fujita Integral Mexico S.A. de C.V.
- Construction, Environmental business, Real estate development

Fujita Philippines Construction and Development, Inc.
- Construction

Daiwa Logistics Vietnam Co., Ltd.
- Freight forwarding(International and domestic) Wholesale and Retail of material for logistics and construction

KD Living, Inc.
- Rental housing business

Stanley-Martin Communities, LLC
- Single-family housing business

PT Daiwa House Indonesia
- Business administration in Indonesia

PT. DAIWA LIFE NEXT INDONESIA
- Real estate management

PT Daiwa Manunggal Logistik Properti
- Development, operation & management of logistics facilities

PT Daiwa Tetra Manunggal Konstruksi
- Construction

Rawson Group Pty., Ltd.
- Single-family housing business

Jan Snel Holding B.V.
- Modular architecture

PT. NAS FITNESS INDONESIA
- Fitness clubs

Stanley Martin Holdings, LLC
- Single-family housing

Trumark Companies, LLC
- Real estate development, Single-family housing

Jiuxin(Changzhou)Real Estate Development Co., Ltd.
- Real estate development

Shanghai Hebao Property Service Co., Ltd.
- Real estate management

DH (Dalian) Administrative Management Consulting Center Co., Ltd.
- Business process outsourcing (BPO)

Daiwa House (Changzhou) Real Estate Development Co., Ltd.
- Real estate development

Daiwa Baoye (Jiangsu) Property Management Co., Ltd.
- Real estate management

Taiwan Daiwa House Construction Co., Ltd.
- Construction contract, Real estate agency, Real estate rental

Fujita (China) Construction Co., Ltd.
- Construction

Baoye Daiwa Industrialized House Manufacturing Co., Ltd.
- Production & sale of industrialized housing parts and materials

Daiwa Baoye (Nantong) Real Estate Development Co., Ltd.
- Real estate development

*1 Not all Group companies are stated.
*2 Defined as "13 main Group companies" in "Sustainability Report 2021."

# Medium-Term Plan Self-Assessment Indices

In fiscal 2006, the Daiwa House Group introduced a CSR self-assessment index to measure and "visualize" the results of our activities for the environment and society. This has been beneficial in making improvements to CSR activities.

Along with the start of the 6th Medium-Term Management Plan, we formulated Endless Green Program 2021 and Endless Social Program 2021. Progress is managed annually by each related department using indices to assess the results of the plan (implementation period: fiscal 2019 to fiscal 2021), with the goal of achieving performance objectives and strengthening management foundations.

The results of our self-assessment for fiscal 2020 are as follows.

◎ : Target for fiscal 2020 achieved
○ : Target for fiscal 2020 not achieved (achieved 90% or more)
△ : Target for fiscal 2020 not achieved (achieved less than 90%)

## Results and self-assessment of the Action Plan for the Environment (Endless Green Program 2021)

### ❶ General

| Focal themes | | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| Products and services | Pursue both environmental stewardship and corporate earnings by developing and selling products/ services that are tied to the environment | Sales of environmental contribution business | Daiwa House Group | 1,117.2 billion yen | 1,227.7 billion yen | 1,200.0 billion yen | 1,256.4 billion yen | ◎ | 1,400.0 billion yen | 022, 172 |

### ❷ Mitigating and adapting to climate change (Energy)

| Focal themes | | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| Procurement | Provide important suppliers with support in setting targets and promoting efforts | Setting rate of principal suppliers' greenhouse gas emissions reduction targets | Daiwa House Group | 54% | 70.6% | 80% | 80.4% | ◎ | 90% (self-imposed targets) | 028, 032, 175, 185 |
| Business activities | Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities<br><br>Expand power generation projects driven by renewable energy (wind, solar, hydro and biomass) | GHG emissions (from the fiscal 2015 level, per unit of sales) | | 26.3% reduction | 31.9% reduction | 30% reduction | 39.3% reduction | ◎ | 35.0% reduction | 032, 175 |
| | | Energy efficiency (EP100) (from the fiscal 2015 level) | | 1.27 times | 1.34 times | 1.3 times | 1.46 times | ◎ | 1.4 times | 176, 185 |
| | | Renewable energy utilization rate (RE100) | | 0.23% | 0.30% | 7% | 8.5% | ◎ | 10% | 177, 186 |
| | | Renewable energy rate | | 84% | 96% | 100% | 133% | ◎ | 100% | |
| Products and services | Promote ZEH, ZEB and Green Building certification | GHG emissions derived from use of products (from the fiscal 2015 level, per area) | | 20% increase | 19% increase | 4% reduction | 14% increase | △ | 6% reduction | 179 |
| | | ZEH sales rate | Daiwa House Industry | 29% | 41% | 55% | 58.0% | ◎ | 70% | 036, 179 |
| | | ZEB sales rate | Daiwa House Group | 22% | 33.4% | 35% | 39.6% | ◎ | 40% | 179 |
| | | Rate of Green Building Certification obtained | Daiwa House Industry | 15% | 5% | 50% | 75.5% | ◎ | 80% | 037, 180 |

# Medium-Term Plan Self-Assessment Indices

◎ : Target for fiscal 2020 achieved
○ : Target for fiscal 2020 not achieved (achieved 90% or more)
△ : Target for fiscal 2020 not achieved (achieved less than 90%)

## ❸ Harmony with the natural environment (Preservation of biodiversity)

| Focal themes | | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| Procurement | Procuring sustainable timber | Ratio of S-ranked timber | Daiwa House Group | 94.9% | 94.3% | 96% | 95.1% | ○ | 97% | 043, 045, 187 |
| | | Ratio of C-ranked timber | | 2.1% | 0.6% | 0.5% | 0.5% | ◎ | 0.0% | |
| Business activities | Promote greening at our and Group company facilities | Development of the company's facilities filled with greenery* * JHEP, ABINC, SEGES | | 4 (cumulative) | 7 (cumulative) | 8 (cumulative) | 8 (cumulative) | ◎ | 9 (cumulative) | 043, 187 |
| | Promote 3R activities with plastics at service centers | Purchase volume of plastic shopping bag (from the fiscal 2017 level) | Royal Home Center Daiwa Resort | — | 0.7% increase | 2.0% reduction | 50.6% reduction | ◎ | 70% reduction | 044 |
| Products and services | Promote the preservation and creation of green spaces in projects and community development | Compliance rate with voluntary standards | Daiwa House Group | 100% | 100% | 100% | 100% | ◎ | 100% | 043, 188 |

## ❹ Closed-loop Resource Sourcing (Greater Durability and Waste Reduction)

| Focal themes | | Management indicator (KPI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Business activities | Promote 3R activities with construction waste | Construction waste emissions (per unit of sales) | Production | Daiwa House Group | 61.9 kg/ million yen | 61.4 kg/ million yen | 62.0 kg/ million yen | 61.2 kg/ million yen | ◎ | 62.0 kg/ million yen | 049, 191 |
| | | Construction waste emissions (per m²) | New construction | | 19.3 kg/m² | 18.7 kg/m² | 19 kg/m² | 21.1 kg/m² | △ | 19 kg/m² | |
| | | Recycling rates | | | 96.6% | 97.1% | 97% | 97.7% | ◎ | 97% and above | |
| | | Waste plastics recycling rate | | | 90.1% | 91.2% | 90% | 91.7% | ◎ | 90% and above | |

## ❺ Conservation of Aquatic Environments

| Focal themes | | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| Business activities | Identify and minimize risks to water resources Reduce water consumption in our corporate facilities as well as houses and buildings | Water consumption (from the fiscal 2012 level, per unit of sales) | Daiwa House Group | 28.2% reduction | 30.5% reduction | 33% reduction | 41.5% reduction | ◎ | 34% reduction | 049, 192 |
| Products and services | | Water-saving device adoption rate (housing and hotels) | | 94% | 89% | 96% | 97% | ◎ | 97% | 053, 194 |

## ❻ Prevention of chemical pollution

| Focal themes | | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| Business activities | Reduce the use of toxic chemicals in production stages | Release and transfer of PRTR (from the fiscal 2012 level, per unit of sales) | Daiwa House Group | 49.9% reduction | 57% reduction | 57% reduction | 63.0% reduction | ◎ | 57% reduction | 055, 195 |
| | | VOC emission (from the fiscal 2013 level, per unit of sales) | | 20.4% reduction | 12% reduction | 12% reduction | 23.7% reduction | ◎ | 15% reduction | |
| Products and services | Further improve indoor air quality of residential houses and facilities | Compliance rate with voluntary standards | | 100% | 97% | 100% | 96% | ○ | 100% | 055 |

## ❼ Environmental education

| Focal themes | Management indicator (KPI) | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|
| Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce | Number of those who acquired the Eco Test certification | Daiwa House Group | 4,402 | 8,218 | 10,000 | 11,818 | ◎ | 15,000 | 025, 173 |
| | Green purchasing ratio | | — | 96% | 95% | 96% | ◎ | 95% | 174 |

## Medium-Term Plan Self-Assessment Indices

◎ : Target for fiscal 2020 achieved
○ : Target for fiscal 2020 not achieved (achieved 90% or more)
△ : Target for fiscal 2020 not achieved (achieved less than 90%)

### Results and self-assessment of the Social Medium-Term Plan (Endless Social Program 2021)

#### ❶ Innovation base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 1. Build platforms for innovating solutions to social issues | Number of cooperative new business ventures or joint R&D projects that helped to solve social issues | Set with FY 2018 results | Daiwa House Industry | Figures are not disclosed | | | | ◎ | Maintain a high level both in terms of quantity/ quality using fiscal 2018 as a benchmark | 077–079 |
| 2. Promote social inclusion in real-estate development | Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions | Figures unavailable as it was prior to establishing system | | Not applicable (prior to Establishing system) | Building the system | 70% | Building the system | — | 70% | 078, 081 |

#### ❷ Human resources base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 3. Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety) | Improvement in "motivation" of entire workforce<br>* Calculated based on question about "motivation" on a sustainability survey. | FY 2018: 65% | Daiwa House Industry | 65% | 65% | 70% | 71% | ◎ | 80% | 088–089 |
| 4. Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements) | Retention rate of young employees (3 years after joining the company) | FY 2017: 82.6%<br>* Entered the Company in April 2015 | | 73.9% | 75.4% | 90% | 78.6% | ○ | 90% and above | 089–090 |
| 5. Promote diversity and inclusion | General indices for diversity and inclusion<br>* Calculated from the following items. Figures for April 1 of the fiscal year following the last fiscal year | FY 2017 Set with (April 1, 2018 results) | | — | — | — | — | — | — | 089–090 |
| | ① Percentage of women managers | 3.3% | | 3.6% | 4.1% | 4.5% | 4.5% | ◎ | 5% | 090, 101 |
| | ② Percentage of line leaders amongst women managers | 27.6% | | 24.1% | 25.0% | 35% | 21.5% | △ | 40% | 090 |
| | ③ Percentage of women engineers | 4.3% | | 4.6% | 4.9% | 5.5% | 4.9% | ○ | 6% | 090 |
| | ④ Percentage of women sales reps | 9.1% | | 9.9% | 10.2% | 12% | 9.9% | △ | 13% | 090, 101 |
| | ⑤ Percentage of women amongst new college recruits | 28.4% | | 27.2% | 24.8% | 30% | 23.5% | △ | 30% | 090, 101 |

#### ❸ Technology and manufacturing base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 6. Enforce safety/security at construction sites | Frequency of worksite industrial accidents<br>* Number of industrial accidents related fatalities/injuries per 1 million hours of work (Injuries requiring 4 or more days-off) | FY 2018: 0.23 | Daiwa House Industry | 0.23 | 0.19 | 0.21 | 0.16 | ◎ | 0.21 | 102–103 |
| 7. Improve productivity in manufacturing operations with the cooperation of business partners | Number of days off per annum for construction site workers | FY 2018: 77 days | | 77 days | 88 days*1 (6 days-off for every 4 weeks) | 100 days (7 days-off for every 4 weeks) | 100 days*2 (7 days-off for every 4 weeks) | ○ | 112 days (8 days-off for every 4 weeks) | 103–104 |
| | Number of days off per annum for factory workers | FY 2017: 105 days | | 108 days | 111 days | 114 days | 114 days | ◎ | 117 days | |
| 8. Promote and improve the efficiency of CSR procurement across the Group | ① Percentage of important suppliers that comply with our CSR Procurement Guidelines (Scores of 80 or higher are judged as compliant) | Figures unavailable as it was prior to establishing system | Daiwa House Group | — | 42.4% | 60% | 44.2% | ○ | 70% | 103–104 |
| | ② Reply rate to CSR Procurement Guidelines self-check sent to all suppliers | 15.1% | | — | 19.7% | 60% | 43.5% | ○ | 70% | 103–104 |

*1 Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019).
*2 Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled.

# Medium-Term Plan Self-Assessment Indices

◎ : Target for fiscal 2020 achieved
○ : Target for fiscal 2020 not achieved (achieved 90% or more)
△ : Target for fiscal 2020 not achieved (achieved less than 90%)

## ❹ Customer base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 9. Upgrade corporate communications (new customers) | ① Interbrand Japan's Best Domestic Brand/ Brand monetary value | 595 million USD | Daiwa House Group | 668 million USD | 700 million USD | 900 million USD | 700 million USD | ○ | 1,000 million USD | 115–116 |
| | ② Nikkei Corporate Perception Survey Favorability (individuals) | 45.1% | | 52.5% | 44.1% | 65% | 52.4% | ○ | 70% | |
| | ③ Nikkei Corporate Perception Survey First-class evaluation (business people) | 63.4% | | 73.6% | 71.7% | 85% | 68.7% | △ | 90% | |
| 10. Promote customer support to maintain long-term relationships | Order rate using our customer base (Housing sales by referral) | 39.6% | Daiwa House Industry | 38.7% | 37.4% | 60% | 39.9% | ○ | 70% | 115–116 |

## ❺ Communication base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 11. Integrate and upgrade financial and non financial communications (For investors, government authorities, specialists and internal use) | Establish a system and practices for financial and non-financial communications, and promote understanding that financial and non-financial communications system is fully integrated | Figures unavailable as it was prior to establishing system | Daiwa House Group | Holding small meetings | ④ Launch | ④ Launch | ④ Launch | ◎ | ④ Launch | 121–122 |
| 12. Keep pace with rapidly evolving communication environments (IT literacy improvement for employees) | Establish communications platforms to ready the workforce for the information age<br>* Following commencement of operations, quantify through usage log for provided communications tools and number of systems improvements | Results unavailable as it was prior to establishing system | Daiwa House Industry | — | — | — | — | — | — | 122 |
| | ① Build the means for sharing all sorts of information with stakeholders inside and outside the company | Results unavailable as it was prior to establishing system | | — | ④ Launch | ④ Launch | ④ Launch | ◎ | ④ Launch | |
| | ② Build the means for effectively using information within the company | Results unavailable as it was prior to establishing system | | — | ③ Building the system | ④ Launch | ③ Building the system | ○ | ④ Launch | |
| | ③ Support introduction of the communications platform at our Group companies | Results unavailable as it was prior to establishing system | | — | ③ Building the system | ④ Launch | ③ Building the system | ○ | ④ Launch | |

## ❻ Risk countermeasures base

| Focal themes | Assessment indices (KGI) | | Scope | 2018 results | 2019 results | 2020 targets | 2020 results | | 2021 targets | Pages |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indices | Benchmarks | | | | | | | | |
| 13. Prepare business continuity plans on the premise of natural disasters/ extreme weather | Business continuity plan score (points)*3 (Scoring based on status of efforts in six themes, as assessed by the BCM Subcommittee) | Figures unavailable as it was prior to establishing system | Daiwa House Group | — | 44 points | 60 points | 66 points | ◎ | 100 points | 129–130 |
| 14. Establish human rights due diligence | Establish a process of due diligence for human rights at plants | Results unavailable as it was prior to establishing system | Daiwa House Industry | Not applicable (prior to establishing system) | ① Not started | ③ Building the system | ② Collecting information | ○ | ④ Launch | 129–130 |
| 15. Establish corporate ethics and compliance rules | Internal control system attainment score*4 | FY 2017: 388<br>* FY 2021 goal set as 15% advancement | Daiwa House Group | 408.1 | 397.4 | 436 | 705.2 | ◎ | 447 | 130 |
| 16. Build management base for global business development from a long-term perspective | Improved score on sustainability survey at overseas bases<br>* Surveys target employees at overseas Group companies wholly owned by Daiwa House Industry | Figures unavailable as it was prior to establishing system | | Figures unavailable as it was prior to establishing system | Collecting information | Launch | Launch | ○ | Benchmarks +5pt | 130–131 |

*3 Calculated based on the degree of progress in six indices ① Ensuring employee safety ② Ensuring power and backing up information systems ③ Upgrading aftersales support services for customers ④ Maintaining production purchasing capacity ⑤ Keeping the group functional as a whole ⑥ Establishing a development system based on the long-term risks of customers

*4 Calculated from the right 1. Completeness of internal control system ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.) ② Management and supervisory systems (Operation of Internal Control Committee and other organizations) ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
2. Degree of damages and losses ① Degree of financial losses and occurrence of serious incidents, etc.

# Environmental Data

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# Calculation and Reporting of Environmental Data

## ■ Basics

◇ **Report period**: April 1, 2020 to March 31, 2021

Reference: Number of consolidated subsidiaries: 381 (154 in Japan, 227 outside Japan) (as of March 31, 2021)

◇ **Reporting organizations**: Daiwa House Industry Co., Ltd. and its consolidated subsidiaries

The scope of these environmental data encompasses the business operations of Daiwa House Industry and its consolidated subsidiaries, which are the target organization of Endless Green Program 2021, 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 100%.
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 of such an organization shall be collected for the fiscal year (until it is sold) and excluded from data collection from the next fiscal year on. This measure shall not be applicable to the past data.
[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 Standards" 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 (2018 Edition)" by the Ministry of the Environment
- Manual for Calculating and Reporting GHG Emissions (Version 4.4) by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Basic Guidelines on Calculating Greenhouse Gas Emissions through Supply Chain Ver. 3.1" by the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- "Guideline for Quantifying GHG Emission Reduction Contribution" by the Ministry of Economy, Trade and Industry

### ◇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.

### ◇Stance on greenhouse gas (GHG) emissions

At Daiwa House Group, among GHG emissions, we calculate and report exclusively on carbon dioxide ($CO_2$) emissions originating from energy.
We exclude GHG other than $CO_2$ originating from energy. Specifically, these are $CO_2$ from non-energy sources, as well as methane ($CH_4$), Nitrous Oxide ($N_2O$), and the fluorinated gases of hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride ($SF_6$) and nitrogen trifluoride ($NF_3$). With regard to these, as the result of the Group's calculation of emissions based on the Act on Promotion of Global Warming Countermeasures, we have determined that these gases accounted for less than 1% of our total GHG emissions, and the degree of their impact on our activities was nominal.

### ◇$CO_2$ emission factor

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. For both domestic and internationally purchased electric power, we use the alternative values to power supplier emission factor based on the GHG emissions calculation, report, and disclosure initiative for use in Japan.

| | | | |
|---|---|---|---|
| · Purchasing power | 0.470 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 | · Cold, Warm Water | 0.057 t-$CO_2$/GJ |

The calculation of $CO_2$ is affected by inherent uncertainty resulting from the incomplete scientific knowledge used to determine emission factors and numerical data.

### ◇Heat quantity conversion factor

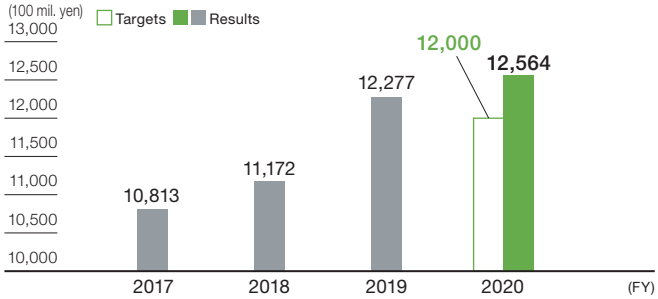
In the Daiwa House Group, energy consumption is calculated using the Joule (J), a derived unit of energy in the International System of Units (SI), and the following heat quantity conversion factors are used for each energy type. Regarding renewable energy (consumed in-house), it is assumed that electric power purchases have been reduced by its use; therefore, the same heat quantity conversion factor used for purchased electric power is used. In addition, we use the same factors at overseas locations as well.

| | | | |
|---|---|---|---|
| · 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 | · Cold, Warm Water | 1.36 GJ/GJ |

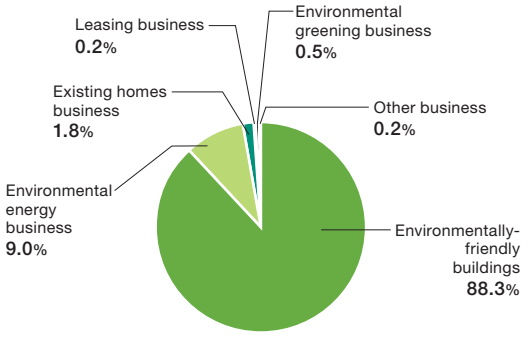
## General

### Expansion of sales of environmental contribution businesses

■ Sales of environmental contribution businesses




■ Breakdown of environmental contribution businesses (by segment)




■ Sales of environmental contribution businesses (by segment)

(100 mil. yen)

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Environmentally-friendly buildings | 9,723 | 10,202 | 10,719 | **11,095** |
| Environmental energy business | 802 | 666 | 1,110 | **1,129** |
| Existing homes business | 228 | 241 | 334 | **229** |
| Leasing business | 13 | 1 | 21 | **19** |
| Environmental greening business | 48 | 57 | 64 | **64** |
| Other business | 0 | 6 | 28 | **29** |

#### <Calculation method and scope of coverage of environmental data>

■ **Sales of environmental contribution businesses**

◇ **Overview**

Each of the businesses in Daiwa House Group works toward the realization of a carbon-free society and a society that is committed to recycling. The combined revenue from businesses capable of contributing to the environment is defined as sales generated by environmental businesses. In specific terms, we have established definitions for environmental businesses as shown on the right.

◇ **Scope of coverage**

Daiwa House Industry Co., Ltd. and all consolidated subsidiaries

* However, only companies with businesses that match definitions of environmental businesses

| Segment | | Definition |
|---|---|---|
| Environmentally-friendly buildings | Single-family housing business | ZEH-supporting products |
| | Rental housing business | Buildings with a BEI of 0.85 or less |
| | Condominium business | D's SMART Condominiums |
| | Commercial and office buildings business | Buildings with a BEI of 0.8 or less |
| Environmental energy business | | All energy recycling, energy conserving, energy retailing businesses |
| Existing homes business | Home renovation business | Photovoltaic (PV) system, storage batteries, energy-saving renovations |
| | Existing homes outside sales | Resale of existing houses by renovations |
| Leasing business | | Energy-saving equipment leasing, EV leasing |
| Environmental greening business | | Total environmental energy business |
| Other business | | Sale of environmentally conscious products |

## Environmental Management

■ ISO 14001 certification

| Company name | Scope certified by ISO 14001<br>Figures in parentheses indicate rate of acquisition |
|---|---|
| Daiwa House Industry | Production Department and all 9 plants (100%) |
| Daiwa Lease | Entire company (100%) |
| Daiwa Logistics | Safety and Quality Promotion Department, Mie Branch, Nara Branch, Osaka Minami Branch (former Kansai Haiso Center) (25%) |
| Fujita | Entire company (100%) |

(as of March 31, 2021)

■ Sites that have the ISO 14001 certification

| Company name | Site name | Certification body | Certification No. | Validity of the current certificate | Date of certification acquisition |
|---|---|---|---|---|---|
| Daiwa House Industry | Production Department | Japan Testing Center for Construction Materials | RE0008 | July 31, 2021 | April 15, 1998 |
| Daiwa Logistics | Safety and Quality Promotion Department | Japan Testing Center for Construction Materials | RE0615 | September 27, 2022 | September 28, 2001 |
| | Nara Branch | | | | |
| | Osaka Minami Branch | | | | |
| | Mie Branch | | | | |
| Fujita | Entire company (domestic bases) | Japan Testing Center for Construction Materials | RE0002 | November 30, 2023 | August 15, 1997 |
| Daiwa Lease | Entire company | Union of Japanese Scientists and Engineers | Registration No. JUSE-EG-056 | August 28, 2023 | August 29, 2002 |

(as of March 31, 2021)

## Environmental supply chain management

### Status of dialog with suppliers (FY2020)

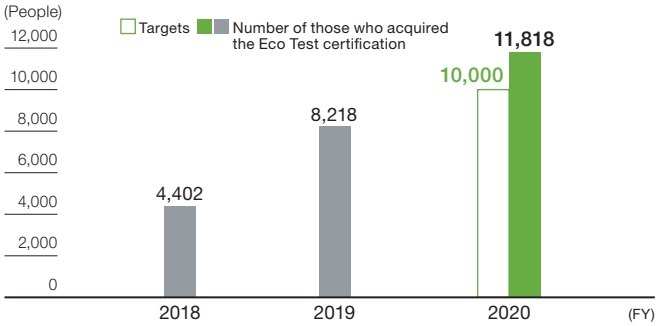
| Company/ organization name | Activity name | Details of main activity | No. of participating companies (No. of participants/ No. of attendees) |
|---|---|---|---|
| Daiwa House Industry (Trillion Club) | Carbon-free working group (Osaka) | Sharing climate change problems, support for setting targets for $CO_2$ reduction | 15 companies (approx. 30 attendees) |
| | Decarbonization dialog | Sharing the response status to climate change problems, changing awareness to raise the level of targets for $CO_2$ reduction | 2 companies (approx. 8 attendees) |
| | Training and education activities (Osaka, Tokyo) | Lectures by experts on climate change problems (Streamed as a video as a COVID-19 prevention measure) | Played 1,504 times |
| Daiwa House Industry (Setsuwa Club) | Carbon-free working group (Osaka, Tokyo, Nagoya, Fukuoka) | Sharing climate change problems, support for setting targets for $CO_2$ reduction | 10 companies (approx. 18 attendees) |
| | Decarbonization dialog | Sharing the response status to climate change problems, changing awareness to raise the level of targets for $CO_2$ reduction | 2 companies (approx. 10 attendees) |

## Environmental education management

### Environmental education provided (FY 2020)

| Category | | Contents | Number of participants and frequency |
|---|---|---|---|
| Specialized education | Waste management | e-learning | 4,876 attendees in 4 courses |
| | Asbestos-related management | e-learning | 1,052 attendees in 4 courses |
| | Soil contamination countermeasures | Training | Once: 152 attendees |
| | Environmentally conscious proposal | Training | 8 times: 464 attendees |
| | Environmentally conscious proposal (for Group companies) | Training | No record |
| | ZEB design | e-learning | 2,550 attendees in 5 courses |
| | ZEH design | e-learning | Once: 475 attendees |
| | Environmental education for apartment sales positions | Training | Once: 44 attendees |
| | Environmental education for construction sales positions | Training | Once: 136 attendees |
| Grade-specific education | Worksite ECO training seminars | e-learning | 76 worksites |
| | Newly appointed manager training | e-learning | Twice: 276 attendees |
| | General training for new employees | Training | 10 times: 702 attendees |
| | Mid-carrier recruit training | Training | 3 times: 106 attendees |
| | Disaster preparedness and environment management section manager training | Training | Twice: 18 attendees |
| | Disaster preparedness and environment management section staff training | Training | Once: 19 attendees |
| | Overseas administration division managers training | e-learning | Once: 30 attendees |
| Supplier education | Carbon-free working group | Training | All ten times/25 companies: 48 attendees |
| | Training and education activities | Video streaming | Played 1,504 times |

### Number of those who acquired the Eco Test certification (The Group)




* Targeted companies are Daiwa House Industry and 23 Group companies

### Employees with main environmental qualifications (Daiwa House Industry)

| Qualification | Number of acquirers (cumulative) |
|---|---|
| Eco Test | 11,818 * |
| CASBEE Assessor for Home (Single-family housing) | 315 |
| CASBEE Assessor for Building | 297 |
| Healthy Housing Advisor | 904 |
| Energy Manager | 19 |
| House Energy Saving Expert | 34 |
| Building Energy Saving Expert | 7 |

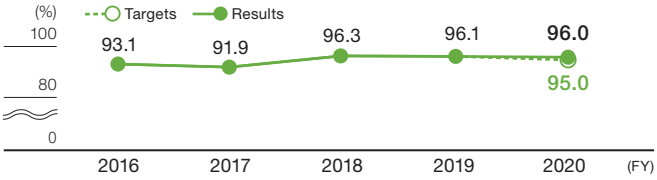
* Targeted companies are Daiwa House Industry and 23 Group companies (as of March 31, 2021)

### Number of participants in environmental education for children

| | –2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Eco Workshop for Children | 5,947 | 557 | 247 | 277 | **20** |
| The King and His House | — | 207 | 61 | 36 | **0** |
| Total | 5,947 | 764 | 308 | 313 | **20** |
| Cumulative | 5,947 | 6,711 | 7,019 | 7,332 | **7,352** |

## Promotion of green purchasing

### Green purchasing ratio




### <Calculation method and scope of coverage of environmental data>

#### Green purchasing ratio

◇ **Overview**

We have adopted our own Green Purchasing Standards for the items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in offices of the Company and 23 principal Group companies. In calculating our green purchasing ratio, we use the following formula on a monetary basis.

◇ **Calculation formula**

Green purchasing ratio (%) = ∑ (Amount of Green Purchasing Standards-compliant goods purchased (yen)) ÷ ∑ (Total purchase price of target items (yen))

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| Office work | Daiwa House Industry and 23 other companies | All offices (Head Office, branches, offices, sales offices) and research centers (excluding some of stores, hotels and nursing care facilities) |

#### Green purchasing standards

We have adopted our own Green purchasing standards for six main items (copy paper, forms, catalogs, office supplies, office furniture, and office equipment) used in our offices.

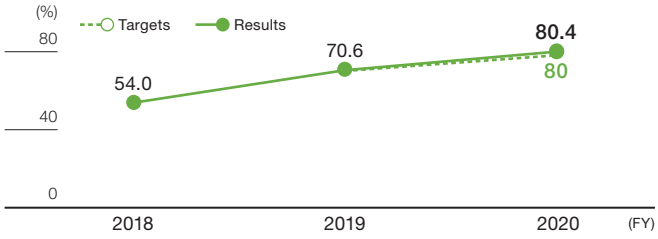
| Classification | Main Items | Standards |
|---|---|---|
| Paper | Catalogs, etc. | It must be made with Forest Certified Paper. |
| | Copy paper, forms | It must satisfy one or more of the following conditions i-iii:<br>i) It must be an Eco Mark*1 certified product.<br>ii) It must comply with the Green Purchasing Law.<br>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.<br>i) It is compliant with the Green Purchasing Law.<br>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.<br>i) It is compliant with the Green Purchasing Law.<br>ii) It bears the International Energy Star logo*3.<br>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

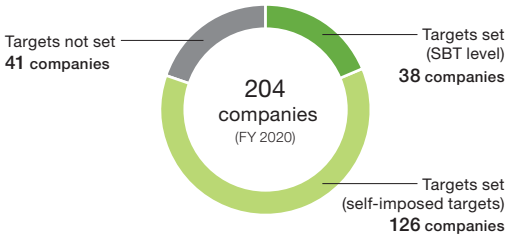
# Procurement

## Principal suppliers' GHG emissions reduction

### Principal suppliers' GHG emissions reduction




### Status of principal suppliers' GHG emissions reduction targets setting




### <Calculation method and scope of coverage of environmental data>

**Principal suppliers**

◇ **Overview**

Our principal suppliers are set forth as the Trillion Club, which supplies our materials, the Setsuwa Club, which supplies our facility equipment, and the Gosen Club, the supply chain organization for Daiwa Lease Co., Ltd., and Fujita Corporation's sources of procurement are also applicable.

◇ **Scope of coverage**

| Company name (organization name) | Scope of coverage |
|---|---|
| Daiwa House Industry (Trillion Club) | Among sources of centralized purchasing, approx. 90% of companies with the top transaction amounts (78 companies) |
| Daiwa House Industry (Setsuwa Club) | Companies with membership in the Setsuwa Club, excluding sales companies and those with less than 100 employees (90 companies) |
| Daiwa Lease (Gosen Club) | Among companies that are members in the Gosen Club, companies that account for approx. 90% of purchasing amount (20 companies) |
| Fujita | Major companies in each segment (16 companies) |

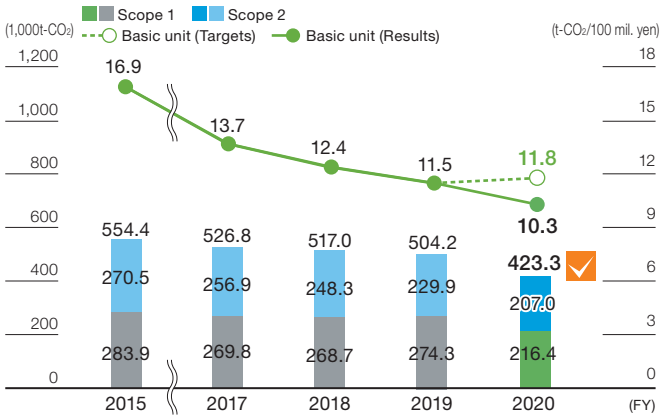
◇ **Calculation formula**

Setting rate of GHG emissions reduction targets (%) =
Σ (suppliers that have completed setting targets) ÷ Σ (principal suppliers)

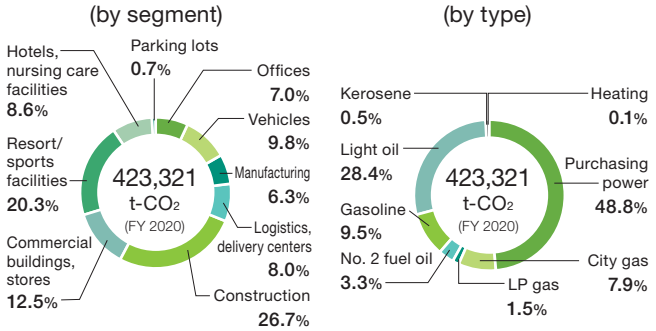
# Business activities

## GHG emissions

### GHG emissions and basic unit




### Breakdown of GHG emissions




### GHG emissions (by segment)

Unit: t-CO2

| | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Offices | 36,619 | 37,296 | 35,166 | 31,486 | **29,607** |
| Vehicles | 55,265 | 50,190 | 49,209 | 46,584 | **41,393** |
| Manufacturing | 36,094 | 32,511 | 32,420 | 29,898 | **26,795** |
| Logistics, delivery centers | 37,426 | 36,262 | 37,429 | 35,075 | **33,978** |
| Construction | 148,840 | 134,472 | 136,832 | 146,368 | **113,091** |
| Commercial buildings, stores | 69,072 | 64,579 | 58,445 | 54,209 | **53,075** |
| Resort/sports facilities | 137,337 | 129,496 | 121,486 | 115,068 | **86,023** |
| Hotels, nursing care facilities | 30,954 | 38,660 | 42,767 | 42,883 | **36,508** |
| Parking lots | 2,790 | 3,286 | 3,237 | 2,637 | **2,853** |

### GHG emissions (by type)

Unit: t-CO2

| | | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Scope2 | Purchasing power | 270,504 | 256,311 | 247,393 | 229,344 | **206,402** |
| | Heating | 0 | 620 | 900 | 596 | **553** |
| Scope1 | City gas | 34,522 | 40,073 | 38,428 | 40,859 | **33,528** |
| | LP gas | 9,147 | 9,488 | 9,094 | 8,460 | **6,382** |
| | No. 2 fuel oil | 25,348 | 25,547 | 24,838 | 21,113 | **13,911** |
| | Gasoline | 55,765 | 49,071 | 47,696 | 45,020 | **40,053** |
| | Light oil | 153,894 | 142,341 | 146,676 | 156,813 | **120,394** |
| | Kerosene | 5,216 | 3,300 | 1,965 | 2,002 | **2,099** |

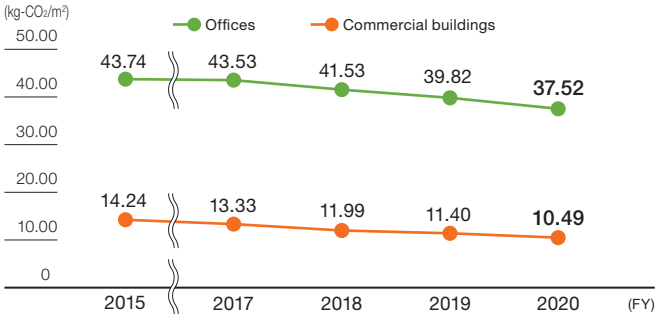
### GHG emissions (Japan, outside Japan)

Unit: t-CO2

| | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Japan | 538,663 | 504,458 | 499,388 | 484,350 | **411,963** |
| Outside Japan | 15,734 | 22,293 | 17,603 | 19,858 | **11,358** |

# Mitigating and Adapting to Climate Change

## GHG emissions per gross floor space at our Company and Group facilities

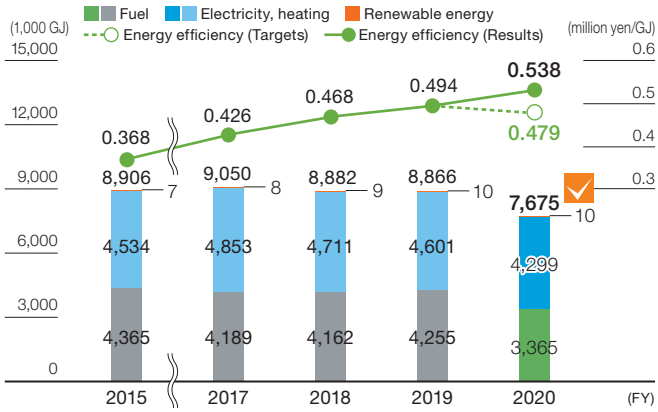



## Leading-edge project to reduce GHG emissions at our Company and Group facilities (new construction)

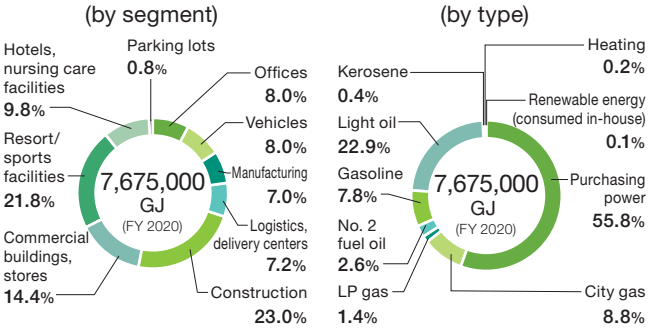
| Project | Date completed | Application | Total area | Number of Stories | Environmental performance |
|---|---|---|---|---|---|
| Royal Home Center Toda-koen | July 2020 | Retail stores | 10,299m² | Three floors above ground | Solar power generation system:41.6kW<br>Low-E multi-layer glass, wall greening<br>Control outside air volume with $CO_2$ concentration<br>Lighting zoning controls and systems to detect people via cameras, etc.<br>ZEB Ready, BEI: 0.39 |
| Royal Pro Fujisawa namikidai | October 2020 | Retail stores | 2,199m² | One floor above ground | Solar power generation system: 50kW<br>Exterior insulation (glass wool insulation materials, Low-E multi-layer glass)<br>Shading (canopy)<br>Heat-blocking (rooftop solar panels/wall greening)<br>Nearly ZEB, BEI: 0.24 |
| Sports Club NAS Kosaka | May 2020 | Fitness clubs | 4,191m² | Four floors above ground | 2kW solar power generation system<br>Co-generation systems, LEDs, inverter equipment, high-performance pool filtration and tank recycling systems, multi-layer glass, total heat exchangers, lithium-ion storage batteries |

## Energy consumption

### Energy consumption and Energy efficiency (EP100)




### Breakdown of Energy consumption




### Energy consumption (by segment)

Unit: 1,000 GJ

| | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Offices | 628 | 706 | 698 | 635 | **616** |
| Vehicles | 823 | 747 | 700 | 693 | **616** |
| Manufacturing | 604 | 606 | 606 | 582 | **538** |
| Logistics, delivery centers | 570 | 573 | 593 | 567 | **556** |
| Construction | 2,227 | 2,046 | 2,075 | 2,221 | **1,762** |
| Commercial buildings, stores | 1,179 | 1,234 | 1,117 | 1,085 | **1,102** |
| Resort/sports facilities | 2,288 | 2,333 | 2,213 | 2,174 | **1,676** |
| Hotels, nursing care facilities | 541 | 743 | 821 | 855 | **750** |
| Parking lots | 47 | 63 | 62 | 53 | **59** |

### Energy consumption (by type)

Unit: 1,000 GJ

| | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Purchasing power | 4,534 | 4,838 | 4,690 | 4,587 | **4,286** |
| City gas | 692 | 804 | 771 | 819 | **672** |
| LP gas | 155 | 161 | 154 | 143 | **108** |
| No. 2 fuel oil | 366 | 369 | 358 | 305 | **201** |
| Gasoline | 831 | 731 | 711 | 671 | **597** |
| Light oil | 2,244 | 2,076 | 2,139 | 2,287 | **1,756** |
| Kerosene | 77 | 49 | 29 | 30 | **31** |
| Heating | 0 | 15 | 21 | 14 | **13** |
| Renewable energy (consumed in-house) | 7 | 8 | 9 | 10 | **10** |

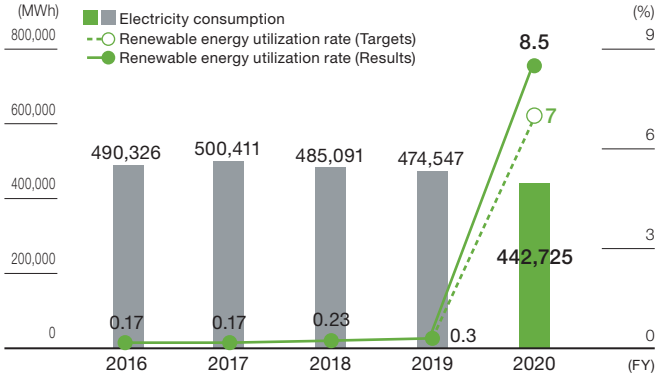
### Energy consumption (Japan, outside Japan)

Unit: 1,000 GJ

| | 2015 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Japan | 8,683 | 8,725 | 8,621 | 8,554 | **7,481** |
| Outside Japan | 223 | 325 | 261 | 312 | **193** |

## Electricity consumption

### Electricity consumption and renewable energy utilization rate (RE100)

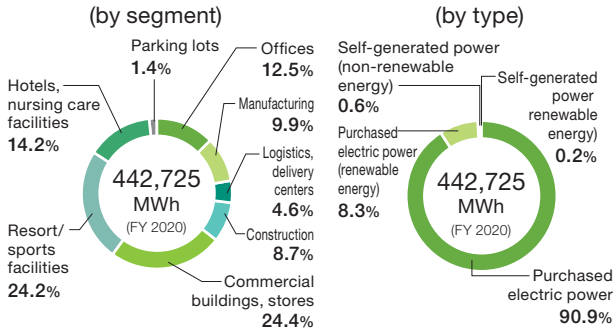



### Electricity consumption (by segment)

Unit: MWh

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Offices | 60,849 | 62,046 | 59,047 | 56,788 | **55,310** |
| Manufacturing | 47,544 | 47,327 | 48,496 | 47,123 | **43,939** |
| Logistics, delivery centers | 18,177 | 18,439 | 19,833 | 20,864 | **20,442** |
| Construction | 41,455 | 40,301 | 36,528 | 32,712 | **38,688** |
| Commercial buildings, stores | 118,132 | 121,548 | 111,193 | 108,330 | **108,071** |
| Resort/sports facilities | 147,130 | 146,132 | 138,737 | 135,318 | **107,265** |
| Hotels, nursing care facilities | 51,646 | 58,201 | 64,936 | 68,010 | **62,940** |
| Parking lots | 5,394 | 6,418 | 6,321 | 5,403 | **6,070** |

### Breakdown of electricity consumption




### Electricity consumption (by type)

Unit: MWh

| | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Purchasing power | Renewable energy plan | 0 | 0 | 160 | 415 | **36,642** |
| | Other | 485,646 | 495,700 | 480,341 | 469,552 | **402,511** |
| Self-generated power | Renewable energy | 847 | 871 | 962 | 1,000 | **1,075** |
| | Non-renewable energy | 3,833 | 3,840 | 3,628 | 3,580 | **2,498** |

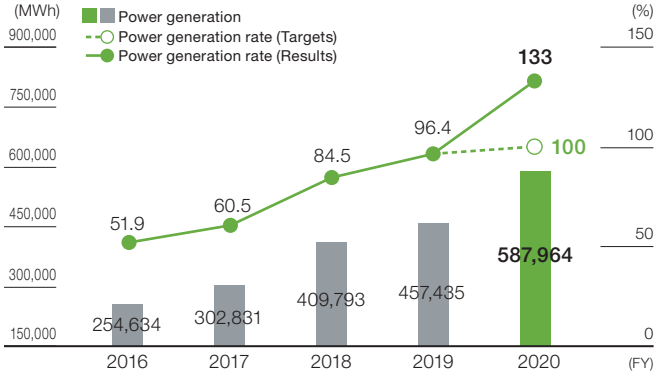
### Electricity consumption (Japan, outside Japan)

Unit: MWh

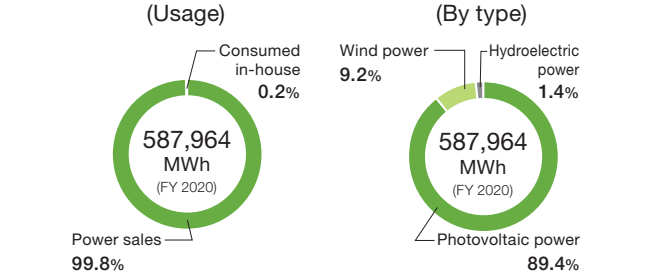
| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Japan | 477,922 | 486,715 | 475,028 | 466,390 | **433,692** |
| Outside Japan | 12,404 | 13,697 | 10,064 | 8,158 | **9,033** |

## Renewable energy

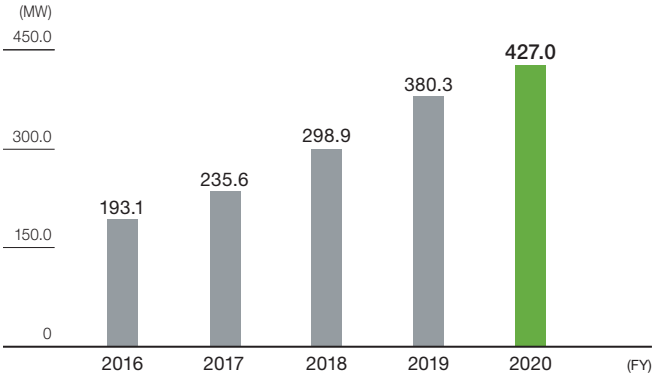
### Renewable energy-based power generation and renewable energy rate




### Breakdown of renewable energy-based power generation




### Installed generation capacity of renewable energy-based power generation equipment




### Renewable energy-based power generation (usage)

Unit: MWh

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Power sales | 253,787 | 301,960 | 408,831 | 456,435 | **586,889** |
| Consumed in-house | 847 | 871 | 962 | 1,000 | **1,075** |

### Renewable energy-based power generation (by type)

Unit: MWh

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Photovoltaic power | 226,290 | 273,949 | 374,416 | 421,017 | **525,598** |
| Wind power | 28,344 | 27,340 | 30,484 | 30,088 | **54,013** |
| Hydroelectric power | 0 | 1,542 | 4,893 | 6,330 | **8,353** |

### Renewable energy-based power generation (Japan, outside Japan)

Unit: MWh

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Japan | 254,634 | 302,831 | 409,793 | 457,435 | **587,964** |
| Outside Japan | 0 | 0 | 0 | 0 | **0** |

## <Calculation method and scope of coverage of environmental data>

### GHG emissions/ energy consumption/ electricity consumption

◇ **Overview**

GHG emissions refers only to $CO_2$ emissions originating from energy, and energy consumption is calculated on a heat quantity basis. The emissions are calculated by multiplying the $CO_2$ 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.

◇ **Calculation formula**

| | |
|---|---|
| GHG emissions (t-$CO_2$) | = ∑{(Annual consumption of electricity and fuel) × (GHG emission factor for each type of energy)} |
| Energy consumption (GJ) | = ∑ {(Annual consumption of electricity and fuel) × (Energy conversion factor for each type of energy)} |
| GHG emissions (t-$CO_2$/100 mil. yen) | = ∑ (GHG emission) ÷ consolidated net sales |
| Energy efficiency (million yen/ GJ) | = Consolidated net sales (million yen) ÷ ∑ (Energy consumption) |
| Electricity consumption (MWh) | = ∑ {Annual purchased electricity + electricity generated by self-consumption generation (including renewable energy)} |

◇ **Scope and calculation criteria (Japan)**

| Segment | Target | Scope (Number of locations as of March 31, 2021) | | | Calculation criteria |
|---|---|---|---|---|---|
| Offices | Daiwa House Group | All offices (Head Office, affiliates, branches and sales offices), research labs, training centers and housing exhibition | Total | 943 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| | | | Offices | 730 locations | |
| | | | Research laboratories | 2 locations | |
| | | | Training centers | 5 locations | |
| | | | Housing exhibition | 206 locations | |
| Vehicles | Daiwa House Group | All company vehicles and privately owned permitted vehicles | Total | 13,521 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 | 35 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| Logistics, delivery centers | Daiwa House Group | Transport: All transportation in the logistics business (our company vehicles only) | Total | 751 vehicles | At each site, we use the monthly bill from the fuel supplier to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| | | Delivery center: All delivery centers required for transporting materials (our company operations only) | Total | 93 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| Construction*1 | Daiwa House Group | Construction sites for new houses and buildings and civil engineering works (excluding demolition/renovation) | Construction area: Total | 6,007,000 m² | 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 | 2,063,000 m² | |
| | | | Building construction | 3,944,000 m² | |
| | | | Civil engineering | 150 projects | |
| Commercial buildings, stores | Daiwa House Group | Commercial buildings and shops operated by our company | Total | 717 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption 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 | 658 locations | |
| | | | Home improvement centers | 59 locations | |
| Resort/sports facilities | Daiwa House Group | Resort hotels, golf courses, fitness clubs, warm bathing facilities and restaurants operated by our company | Total | 114 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption 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 | 3 locations | |
| Hotels, nursing care facilities | Daiwa House Group | Urban hotels and nursing care facilities operated by our company | Total | 91 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| | | | Urban hotels | 78 locations | |
| | | | Nursing care facilities | 13 locations | |
| Parking lots | Daiwa House Group | Parking lots operated by our company | Total | 2,750 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |

*1 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.

◇ **Scope and calculation criteria (Outside Japan)**

| Segment | Target | Scope | | Calculation criteria |
|---|---|---|---|---|
| Offices | Daiwa House Group | Offices | 118 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption*2 and multiply it by the respective $CO_2$ emission factor. *2 At some sites, based on estimates from amount billed and space in use |
| Vehicles | Daiwa House Group | Company vehicles | 382 vehicles | At each site, we grasp the amount of gasoline used from invoice data or receipts issued at the time of fueling and multiply it by the $CO_2$ emission factor. |
| Manufacturing | Daiwa House Group | All production sites | 1 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |
| Construction | Daiwa House Group | Construction sites for new houses and buildings (excluding demolition/renovation) | 6 companies | We calculate the total estimate by multiplying the energy consumption per floor space (or per unit of sales) in domestic sample properties by floor space sold (sales amount). |
| Hotels | Daiwa House Group | All hotels | 1 locations | At each site, we use the monthly invoice from the electric power and fuel suppliers to identify the energy consumption and multiply it by the respective $CO_2$ emission factor. |

## <Calculation method and scope of coverage of environmental data>

### Installed capacity and generated volume of renewable energy-based power generation equipment

◇ **Overview**

Installed capacity of renewable energy-based power generation equipment is the total of 1) and 2) below.

1) The power-generation capacity of equipment for in-house power consumption, as well as the power generated during the fiscal year, with renewable energy power-generation facilities (such as wind power and photovoltaic power) held (and operated) by the Group, or within such Group premises, as of the end of the fiscal year.

2) The power-generation capacity of renewable power-generation facilities (wind power, photovoltaic power, and hydroelectric power generation) that the Group manages (and operates) as a power producer as of the end of the fiscal year and the amount of power sold during the fiscal year. The power generation facilities operated by Eneserve Corporation, which sells electricity as a specific Power Producer and Supplier (PPS), are not included.

### Renewable energy utilization rate/ Renewable energy rate

◇ **Calculation formula**

Renewable energy utilization rate (%) = renewable energy utilization* ÷ electricity consumption
Renewable energy rate (%) = renewable energy-based power Generation ÷ electricity consumption

* Renewable energy consumed in-house and renewable energy purchased for consumption

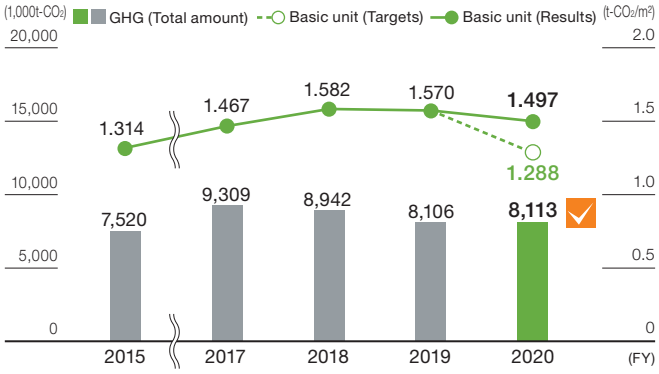
◇ **Scope of coverage**

All Daiwa House Group companies

# Products and services

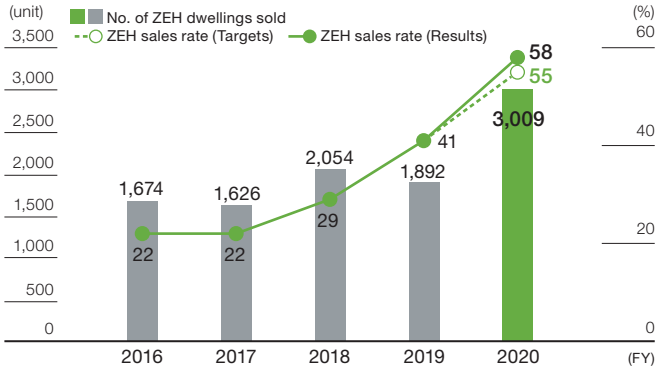
## GHG emissions derived from use of products

### GHG emissions derived from use of products and basic unit



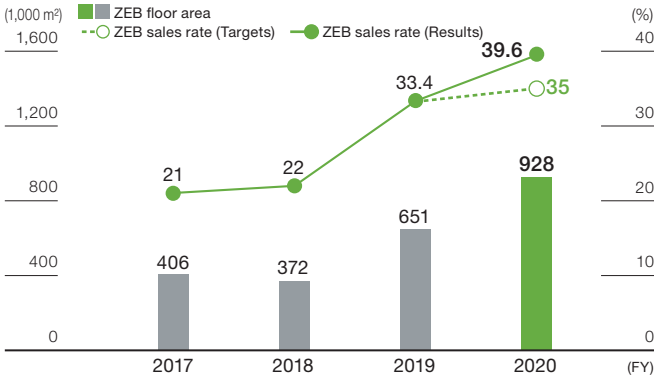

## ZEH sales rate

### ZEH sales rate

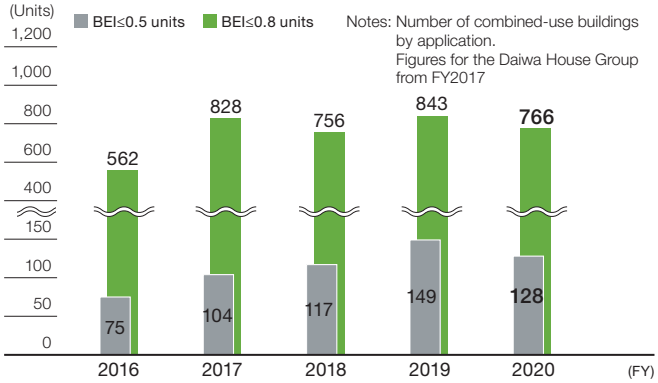



## ZEB sales rate

### ZEB sales rate



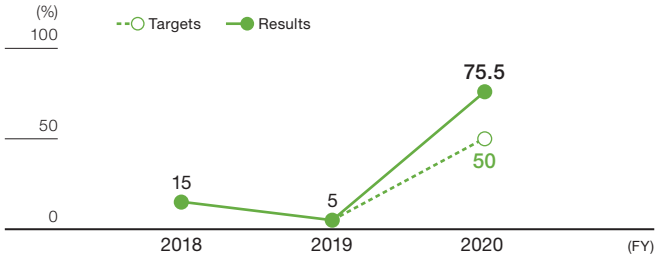

### Number of units designed to ZEB*1 specifications or guidance standards*2




*1 Buildings with BEI ≤ 0.5 are either ZEB Oriented, ZEB Ready, or Nearly ZEB
*2 Buildings with BEI ≤ 0.8 meet Japan's guidance standard as specified in the Building Energy Efficiency Act.

## Green Building Certification

### Rate of Green Building Certification obtained




### Number of Green Building Certifications acquired

Unit: Units

| Name of certification | Application | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Long-life quality housing | Single-family houses | 7,530 | 7,486 | 7,237 | 6,430 | **5,724** |
| BELS certification | Single-family houses, Apartments, Condominiums, Commercial and office buildings | 2,045 | 1,567 | 1,668 | 1,288 | **1,659** |

### <Calculation method and scope of coverage of environmental data>

#### GHG emissions derived from use of products

◇ **Overview**

The "inhabitance and use phase" of homes and buildings over the long-term accounts for approx. 60% of GHG emissions across the value chain. By popularizing products that take into account energy saving, creation and accumulation, it becomes possible to reduce GHG emissions emitted from products sold over their lifespan.

◇ **Scope and calculation criteria**

GHG emissions per square meter = ∑ (GHG emissions that sold products released during their usage lifetime [t-$CO_2$]*) ÷ ∑ (Floor space sold [$m^2$])

* Group GHG emissions (same calculation method) are in line with Scope 3 category 11 (using sold products). The four targeted companies are Daiwa House, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.

#### ZEH/ZEB/green building certifications

◇ **ZEH sales rate**

1) Scope: Contracted property (based on start of construction)
2) Purpose of use: Single family houses
ZEH sales rate = ZEH units / total No. of units

* Scope of coverage is Daiwa House Industry

◇ **ZEB sales rate**

1) Scope: Newly designed and constructed properties (construction start basis) Company-developed properties (D Project)
2) Purpose of use: Offices or plants, warehouses (combined-use properties are deemed to be used for the application which is in maximum use for any particular unit)

$$\text{ZEB rate} = \frac{\text{ZEB property area [m}^2\text{]}}{\text{Total property area [m}^2\text{]}} = \frac{\text{ZEB property area for offices, plants, warehouses [m}^2\text{]}}{\text{Total property area for offices, plants, warehouses [m}^2\text{]}}$$

* Scope is Daiwa House Industry, Daiwa Lease, Fujita

#### Green Building Certification

BELS certification

This is the abbreviation for Building-Housing Energy-efficiency Labeling System, a system whereby third-party assessment 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 (☆).

* Scope of coverage is Daiwa House Industry

Long-Life Quality Housing Certification

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.

* Scope of coverage is Daiwa House Industry

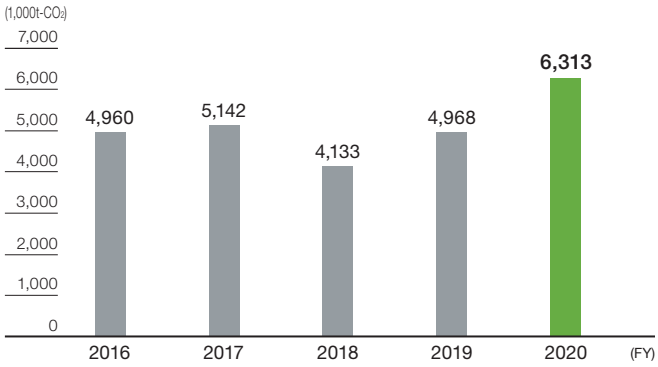
◇ **Rate of green building certification obtained**

1) Scope: Company-developed properties
2) Purpose of use: All
Rate of green building certification obtained = Company-developed properties [$m^2$] that have obtained green building certification / Company-developed properties [$m^2$]

* Scope is Daiwa House Industry

## Contribution to GHG reduction

### Contribution to GHG reduction




### Contribution to GHG reduction (by segment)

Unit: 1,000t-$CO_2$

| Segment | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Single-family housing business | 347 | 335 | 342 | 301 | **300** |
| Rental housing business | 467 | 459 | 422 | 341 | **346** |
| Home renovation business | 211 | 184 | 96 | 60 | **46** |
| Condominium business | 180 | 92 | 118 | 136 | **114** |
| Commercial and office buildings business | 2,084 | 2,341 | 2,199 | 2,206 | **2,647** |
| Environmental energy business | 1,670 | 1,732 | 957 | 1,924 | **2,860** |

## <Calculation method and scope of coverage of environmental data>

### Contribution to GHG reduction

◇ **Overview**

Contribution to GHG reduction is represented by a numerical value that indicates "how much we have been able to contribute to the reduction of GHG emissions by providing housing and buildings as well as promoting energy-efficiency and energy-generation solutions." Using flow-based calculations, the Group calculates GHG 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 GHG emissions by subtracting the result from the GHG emissions generated by a comparable equivalent product. As for the contributed reduction of an ESCO business*, the value is calculated by the existing home base method, and the annual GHG 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 GHG emissions of a comparable facility.

* ESCO: An abbreviation 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 GHG reduction (t) = {(Annual GHG emissions per house (t/house·year) in the usage or operation stages of the products being compared) – (Annual average GHG 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 GHG reduction (t) = ∑ {Total floor area ($m^2$) × Annual energy consumption per unit of floor area by application or scale (MJ/$m^2$·year)} × Energy reduction rate (%) × $CO_2$ 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 GHG reduction (t) = ∑ {Annual renewable energy generated (kWh/year) × $CO_2$ emission factor (t/kWh) × Estimated number of years of use}

*Includes power sales

Method ④ (Energy efficiency improvement): contribution to GHG reduction (t) = ∑ {Annual GHG emissions (t/year) before energy-efficiency retrofits – Annual GHG emissions (t/year) after energy-efficiency retrofits} × Estimated number of years of use}

Method ⑤ (Electricity retailing): contribution to GHG reduction (t) = ∑ {(Adjusted emission factor of general electric power supplier (t- $CO_2$/kWh) – Adjusted $CO_2$ emission factor in current fiscal year (t- $CO_2$/kWh)) × Supplied electric energy (kWh)}

[Example of base method for existing home]

contribution to GHG reduction (t/year) = ∑ {(Annual GHG emissions (t/year) of comparable facilities) – (Annual GHG emissions (t/year) of equipment subject to ESCO services provided during year)}

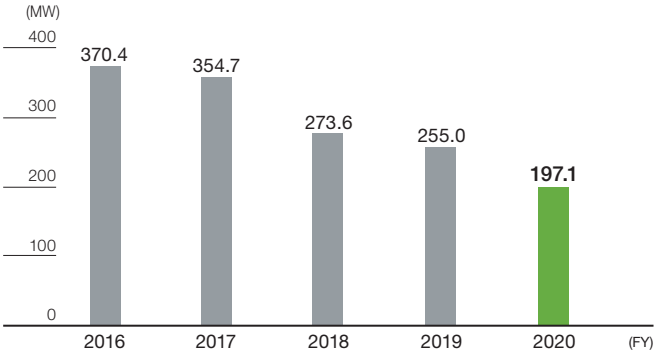
◇ **Scope and calculation criteria**

| Segment | | Scope | Calculation criteria | | |
|---|---|---|---|---|---|
| | | | Calculation methods and calculation tools | Comparison | Estimated number of years of use* |
| Daiwa House Industry | Single-family housing business | All new housing of single-family housing business | [Calculation method] Flow base method ①<br>[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.)<br>[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. | [Single-family house] Construction site: 6 areas. Family composition: 4-person family. Plan: Model plan for single-family house. Total floor area: 131.14 $m^2$<br>[Lease (low-rise) ] Construction site: Osaka City, Family composition: 3-person family. Plan: Our standard plan. Low-rise dwelling unit area: 50.49 $m^2$<br>[Common specifications] 2016 Energy efficiency standard (reference specification) | Frame: 30 years<br>Equipment: 15 years<br>Photovoltaic power generation: 20 years |
| | Rental housing business | All newly built houses in rental housing business (low-rise) | | | Frame: 30 years<br>Equipment: 15 years<br>Photovoltaic power generation: 20 years |
| | | All newly built houses of the rental housing business (medium- and high-rise) | [Calculation method] Flow base method ②<br>[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 starts of 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<br>[Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program | Energy Efficiency Act: 2013 or 2016 standard building as reference | Store, warehouse, plant: 30 years<br>Other applications: 60 years<br>Photovoltaic power generation: 20 years |
| | Environmental energy business | All energy-efficiency and energy-generation solution projects of the environmental energy business | [Calculation method] Flow base methods ③·④<br>[Calculation of power generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer). | [Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit<br>[Example of energy-generation solution] Before introduction of energy-generating facility | Lighting fixture replacement: 15 years<br>Air conditioner replacement: 15 years<br>Photovoltaic power generation: 20 years |
| 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<br>[Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program | Energy Efficiency Act: 2013 or 2016 standard building as reference | Store, warehouse, plant: 30 years<br>Other applications: 60 years<br>Photovoltaic power generation: 20 years |
| 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<br>[Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program | Energy Efficiency Act: 2013 or 2016 standard building as reference | Store, warehouse, plant: 30 years<br>Other applications: 60 years<br>Photovoltaic power generation: 20 years |
| 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<br>[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.)<br>[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 $m^2$<br>Exterior insulation: 1980 Energy efficiency standard, Hot-water supply: General gas water heater. Cooker: Gas stove. Power generation facilities: None | Insulation upgrade: 15 years<br>Lighting fixture replacement: 15 years<br>Air conditioner replacement: 15 years<br>Photovoltaic power generation: 20 years |
| Cosmos Initia | Condominium business | All housing starts of condominium business | [Calculation method] Flow base method ②<br>[Calculation tool used] Energy Efficiency Act/Primary Energy Consumption Calculation Program | Energy Efficiency Act: 2013 or 2016 standard building as reference | 60 years |
| 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)<br>[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<br>[Example of energy-generation solution] Before introduction of energy-generating facility | Lighting fixture replacement: 15 years<br>Air conditioner replacement: 15 years<br>Photovoltaic power generation: 20 years |
| Eneserve | Environmental energy business | (Until FY 2016) All Power Producer and Supplier (PPS) business | [Calculation method] Flow base method ⑤<br>[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. | – |
| | | (From FY 2017) All energy-efficiency and energy-generation solution projects of the environmental energy business | [Calculation method] Flow base methods ③·④<br>[Calculation of power generation amount/energy-saving effect] Calculated with our proprietary simulation tool (in combination with trial calculations by the manufacturer). | [Example of energy-efficiency solutions] Before implementation of energy-efficiency retrofit<br>[Example of energy-generation solution] Before introduction of energy-generating facility | Lighting fixture replacement: 15 years<br>Air conditioner replacement: 15 years<br>Transformers: 15 years<br>Photovoltaic power generation: 20 years |

* In fiscal 2016, the estimated number of years of use was changed to the durable life indicated in CASBEE – Buildings (new construction) 2016 edition. Data for previous fiscal years is calculated the same way.

## Installed capacity of photovoltaic power generation systems

### Trend in installed capacity of photovoltaic power generation systems



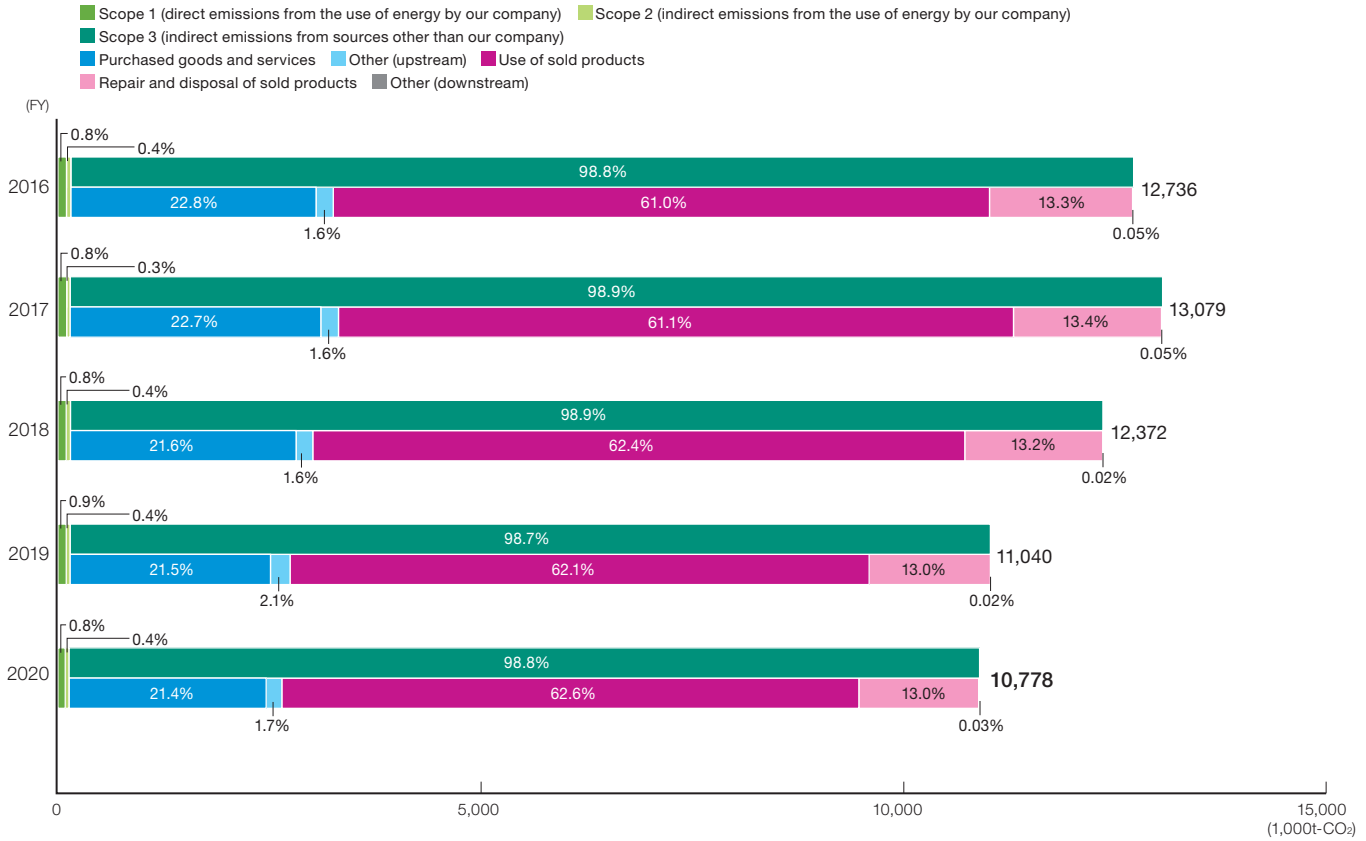

### Trend in installed capacity of photovoltaic power generation systems (by segment)

Unit: kW

| Segment | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Single-family housing business | 22,808 | 20,188 | 17,932 | 15,409 | **17,793** |
| Rental housing business | 21,123 | 15,782 | 11,921 | 3,997 | **877** |
| Home renovation business | 20,442 | 17,068 | 7,152 | 3,400 | **898** |
| Condominium business | 45 | 5 | 3 | 0 | **0** |
| Commercial and office buildings business | 30,629 | 12,781 | 1,176 | 15,190 | **9,788** |
| Environmental energy business | 275,338 | 288,906 | 235,456 | 217,048 | **167,719** |

## Reducing GHG emissions in the value chain

### Scope 1, 2 & 3 GHG emissions




Unit: 1,000 t-$CO_2$

| Category | | | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | Percentage of total |
|---|---|---|---|---|---|---|---|---|
| Scope 1 | | | 106 | 99 | 94 | 99 | 87 | **0.8%** |
| Scope 2 | | | 47 | 46 | 46 | 49 | 42 | **0.4%** |
| Scope 3 | | | 12,582 | 12,935 | 12,232 | 10,892 | 10,649 | **98.8%** |
| | Upstream | Purchased goods and services | 2,907 | 2,968 | 2,672 | 2,371 | 2,310 | **21.4%** |
| | | Capital goods | 54 | 69 | 57 | 63 | 54 | **0.5%** |
| | | Fuel- and energy-related activities (not included in scope 1 or scope 2) | 14 | 14 | 14 | 17 | 22 | **0.2%** |
| | | Upstream transportation and distribution | 45 | 43 | 41 | 39 | 31 | **0.3%** |
| | | Waste generated in operations | 84 | 79 | 77 | 96 | 66 | **0.6%** |
| | | Business travel | 5 | 5 | 6 | 10 | 2 | **0.02%** |
| | | Employee commuting | 5 | 6 | 6 | 6 | 5 | **0.05%** |
| | | Upstream leased assets | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | **0.002%** |
| | Downstream | Downstream transportation and distribution | — | — | — | — | — | **(Not applicable)** |
| | | Processing of sold products | — | — | — | — | — | **(Not applicable)** |
| | | Use of sold products | 7,767 | 7,991 | 7,721 | 6,855 | 6,751 | **62.6%** |
| | | End-of-life treatment of sold products | 1,693 | 1,754 | 1,635 | 1,432 | 1,406 | **13.0%** |
| | | Downstream leased assets | 6 | 6 | 3 | 3 | 3 | **0.03%** |
| | | Franchises | — | — | — | — | — | **(Not applicable)** |
| | | Investments | — | — | — | — | — | **(Not applicable)** |
| Total | | | 12,736 | 13,079 | 12,372 | 11,040 | 10,778 | **100.0%** |

## <Calculation method and scope of coverage of environmental data>

### Reducing GHG emissions in the value chain

◇ **Target**

Daiwa House Industry (Non-consolidated)

◇ **Overview**

For Scope 1 and 2, see P183 (Some calculation methods have been changed, but we have not made retroactive adjustments.)
Scope 3 is calculated with the calculation formula shown below; primary data based on our actual results is used, and secondary data of high reliability is used for GHG 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**

GHG emissions (t) = ∑ {(Amount of activity) × ($CO_2$ emissions per amount of activity)}

◇ **Source (Secondary data used)**

① Emission basic unit database (ver. 3.1, Ministry of Economy, Trade and Industry, Ministry of the Environment) for calculation of greenhouse gas emissions of the organization throughout its supply chain
② LCI database IDEAv2 (for calculating greenhouse gas emissions in the supply chain) (Sustainable Management Promotion Organization (SuMPO))
③ The Comprehensive Assessment System for Built Environment Efficiency System (CASBEE) Single-family Houses (Newly Built) and Buildings (Newly Built), $LCCO_2$ 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) |
| | | | | Amount of water/paper purchased | Basic unit per amount of money (Source ①) |
| | 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)<br>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 |

## Progress in the long-term goal

### Reduction of greenhouse gas (GHG) emissions

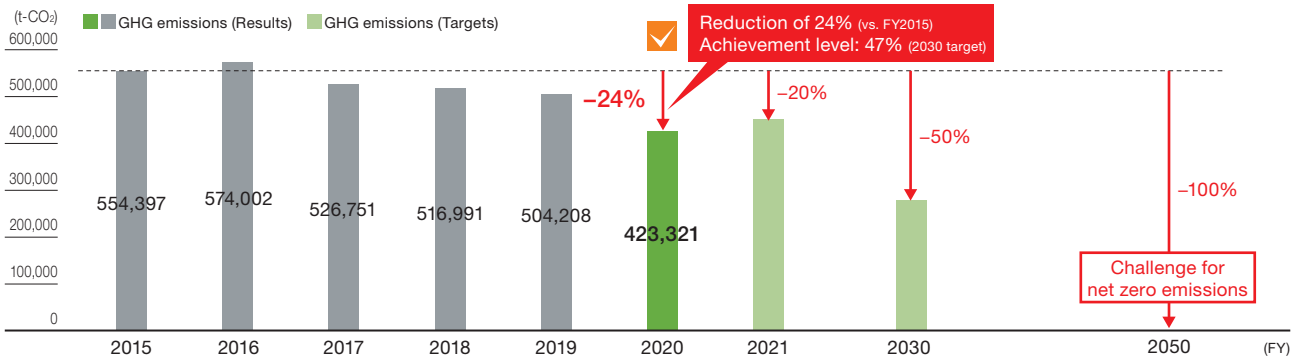
### Business activities (Scope 1 + 2)

**Long-term goal**

Reduce GHG emissions by 50% by 2030 (vs. FY2015)
Challenge to achieve net zero GHG emissions by 2050

■ Progress on GHG emissions

SBT




| | Results | | | | | | Targets | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2030 | 2040 | 2050 |
| GHG emissions SBT | — | 4% | –5% | –7% | –9% | –24% | –20% | –50% | — | Challenge for net zero emissions |
| Energy efficiency from the fiscal 2015 level EP100 | — | Up 1.07 times | Up 1.16 times | Up 1.27 times | Up 1.34 times | Up 1.46times | Up 1.4 times | Up 2.0 times | — | — |
| Renewable energy rate | 37% | 54% | 63% | 84% | 96% | 133% | 100% | 100% | — | — |
| Renewable energy utilization rate RE100 | 0.15% | 0.17% | 0.17% | 0.23% | 0.30% | 8.5% | 10% | 70% | 100% | — |

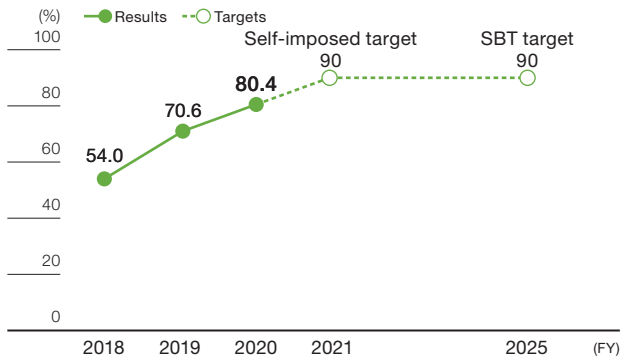
### Procurement (Scope 3 Category 1)

**Long-term goal**

Getting 90% of the principal suppliers to set a standard SBT target

■ Status of principal suppliers' GHG emissions reduction targets setting

SBT




| | Results | | | Targets | |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2025 |
| Principal suppliers' GHG emissions reduction target setting rate SBT | 54.0% | 70.6% | 80.4% | Self-imposed target 90% | SBT target 90% |

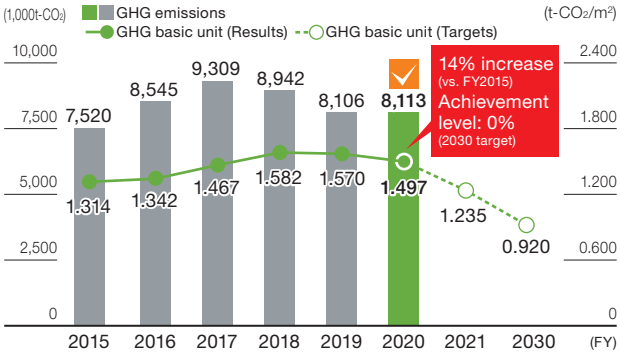
### Products and services (Scope 3 Category 11)

**Long-term goal**

30% reduction of GHG emissions derived from use of products by 2030 (from the fiscal 2015 level) (per area)

■ Trend in GHG emissions derived from use of products and basic unit (per square meter)

SBT



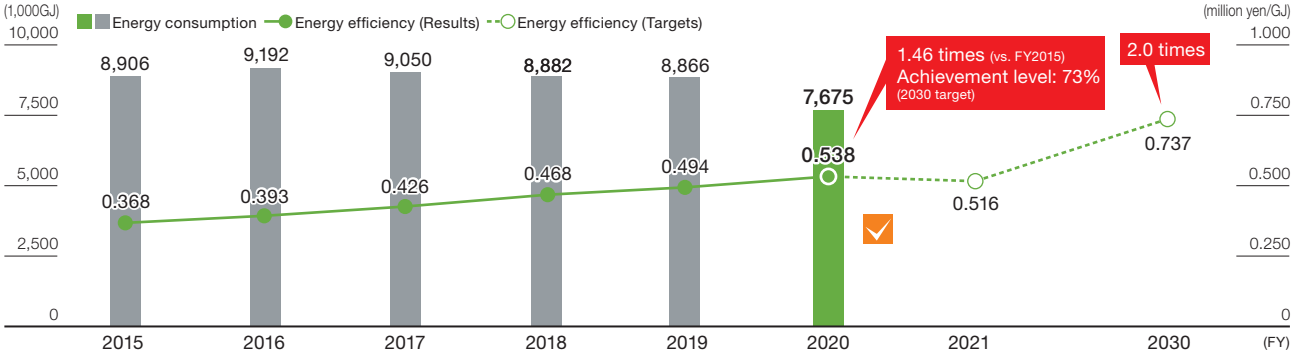

| | | Results | | | | | | Targets | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2030 |
| GHG emissions Derived from use of products SBT | Basic unit from the fiscal 2015 level (per area) | | 2% | +12% | +20% | +19% | +14% | –6% | –30% |
| | Compared to reference buildings | –25.9% | –27.5% | –27.8% | –27.6% | –28.6% | –29.0% | –30% | –50% |

## Energy efficiency improvement (EP100)

**Long-term goal** Doubling energy efficiency by 2030

### Trend in energy consumption and energy efficiency

EP100

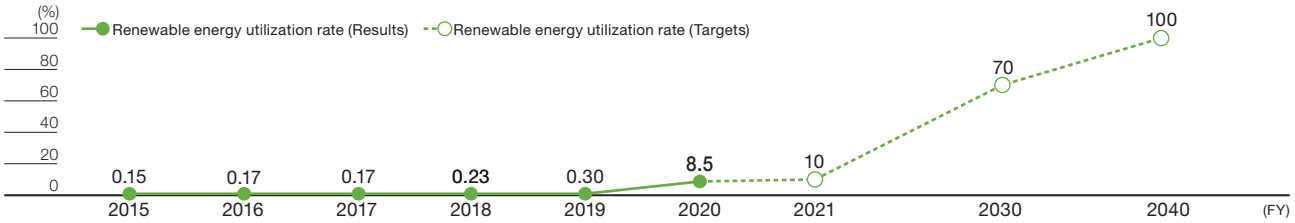



## Improving renewable energy utilization rate (RE100)

**Long-term goal** 100% renewable energy-based electricity by 2040

### Trend in renewable energy utilization <renewable energy utilization / electricity consumption>

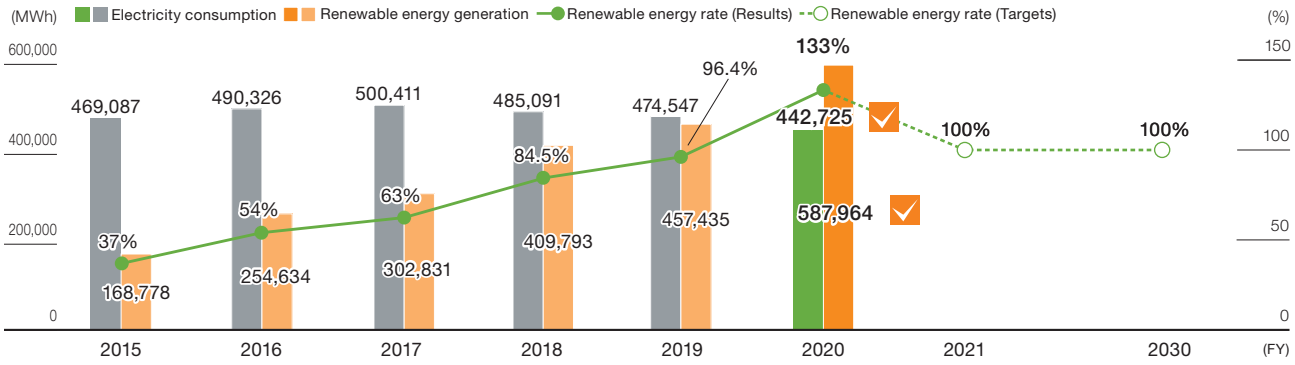
RE100




## Spread of renewable energy

**Long-term goal** 100% renewable energy-based electricity by 2030

### Trend in renewable energy rate <renewable energy generation / electricity consumption>




### <Calculation method of environmental data>

◇ Basic unit of GHG emissions = ∑ (GHG emissions [t-$CO_2$]) ÷ consolidated sales [100 million yen]

◇ Principal suppliers' GHG emissions reduction target setting rate = suppliers that have already set targets ÷ Number of principal suppliers

◇ GHG emissions derived from use of products per $m^2$ = ∑ (GHG emissions [t-$CO_2$]* that sold products released during their usage lifetime) ÷ ∑ (Floor space sold [$m^2$])

* Group GHG emissions (same calculation method) are in line with Scope 3 category 11 (using sold products). The four targeted companies are Daiwa House, Daiwa Lease Co., Ltd., Fujita Corporation, and Cosmos Initia Co., Ltd.

◇ (Energy efficiency) = Consolidated net sales (million yen) ÷ ∑ (Energy consumption [GJ])

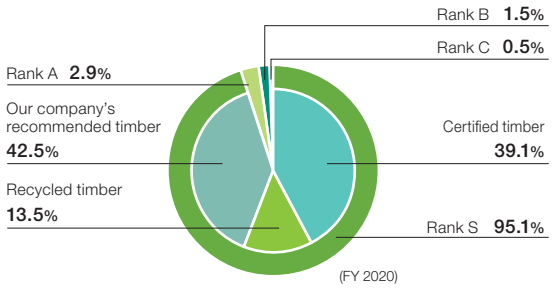
◇ Renewable energy utilization rate = $\frac{\sum \text{[Renewable energy (generation by self-consumption generation equipment)] [MWh]} + \sum \text{(Purchased amount of RE100 electricity [MWh])}}{\sum \text{[Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)] [MWh]}}$

◇ Renewable energy rate = $\frac{\sum \text{[Renewable energy (sale of full electricity and generation by self-consumption generation equipment)] [MWh]}}{\sum \text{[Electricity consumption (purchased electricity + electricity generated by self-consumption generation equipment)] [MWh]}}$

# Procurement

## Eco-friendly timber procurement

### Assessment result of procured timber




### Volume of timber procured in segments to be evaluated

Unit: m³

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Daiwa House Industry | 246,277 | 342,291 | 268,867 | 238,102 | **232,951** |
| Royal Home Center | 27,509 | 37,237 | 36,763 | 39,356 | **38,990** |
| DesignArc | 2,854 | 3,510 | 3,011 | 129 | **107** |
| Daiwa Lease | 5,963 | 3,733 | 5,052 | 4,734 | **4,632** |
| Fujita | 9,443 | 1,919 | 2,629 | 5,079 | **5,489** |
| Cosmos Initia | 91 | 147 | 1,076 | 251 | **290** |
| Total | 292,137 | 388,837 | 317,398 | 287,650 | **282,458** |

### Assessment result of procured timber

Overall

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Rank S | 86.5% | 84.2% | 94.9% | 94.3% | **95.1%** |
| Rank A | 7.9% | 11.4% | 1.9% | 3.9% | **2.9%** |
| Rank B | 3.1% | 2.0% | 1.1% | 1.2% | **1.5%** |
| Rank C | 2.5% | 2.4% | 2.1% | 0.6% | **0.5%** |

Within Rank S

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Certified timber | 40.3% | 35.6% | 44.0% | 37.1% | **39.1%** |
| Recycled timber | 21.6% | 17.7% | 18.2% | 15.5% | **13.5%** |
| Our company's recommended timber | 24.6% | 30.9% | 32.7% | 41.7% | **42.5%** |

### <Calculation method and scope of coverage of environmental data>

#### Procured timber

◇ **Overview**

In line with our Biodiversity Guidelines [Timber Procurement], we have established certification criteria for three types of timber: certified timber, recycled timber, and our company's recommended timber.
Once a year, we conduct a timber delivery survey with timber suppliers and confirm compliance with the certification criteria.
[Timber 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: Assessment criteria were partially revised in fiscal 2015.

◇ **Calculation formula**

Composition of C-ranked timber (%) = ∑ (amount of C-ranked timber procured (m³)) ÷ ∑ (Total amount of timber procured)

Note: Statistics for S, A, and B-ranked timber are also calculated in the same way.

◇ **Scope of coverage**

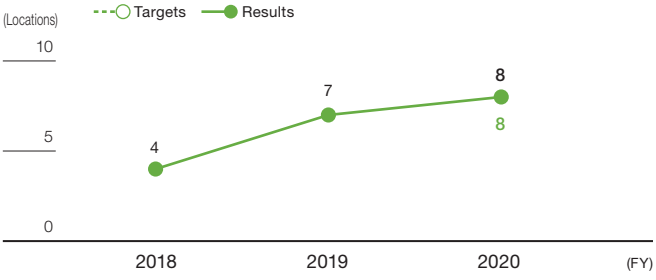
| Segment | Target | Scope of coverage |
|---|---|---|
| Single-family housing business | Daiwa House Industry | Single-family houses constructed (steel frame/wooden construction) |
| Rental housing business | Daiwa House Industry | Industrialized rental housing constructed (steel frame) |
| Condominium business | Daiwa House Industry, Cosmos Initia | Condominiums sold (Sample units) |
| Commercial and office buildings business | Daiwa House Industry, Daiwa Lease, Fujita | Wooden buildings, medical/ nursing care & residential buildings constructed |
| Other | Royal Home Center | Timber products sold |
| | DesignArc | Wooden building materials manufactured |

* Target materials: Includes construction materials, framing/crosspieces, wood used below grade, plywood, and flooring.

# Business activities

## Promotion of greening at Company and Group company facilities

### No. of certification acquisitions by Company facilities



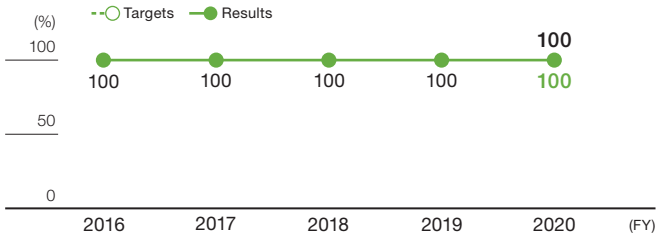

### Certified facilities

| Facility name | Company name | Certification name | Certification date |
|---|---|---|---|
| Royal City Aso Ichinomiya Resort —ASONOHARA— | Daiwa House Industry | JHEP (AAA) | June, 2019 |
| | | ABINC | February, 2020 |
| BRANCH Kobe Gakuentoshi | Daiwa Lease | JHEP (AA) | July, 2015 |
| BRANCH Inage | | SEGES | July, 2015 |
| BRANCH Chigasaki | | SEGES | July, 2017 |
| BRANCH Sendai | | SEGES | March, 2020 |
| BRANCH Matsuiyamate | | SEGES | March, 2020 |
| BRANCH Okayama kitanagase | | SEGES | March, 2020 |
| BRANCH Otsukyo | | SEGES | February 2021 |

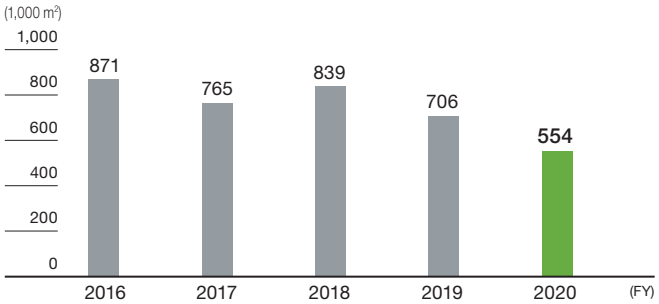
## Products and services

### Preservation of biodiversity in development and community development

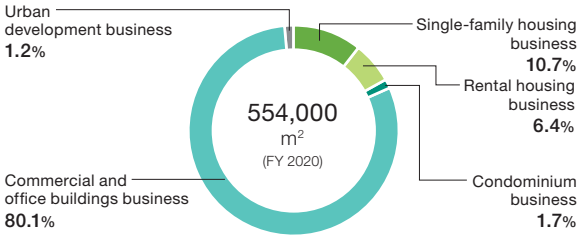
#### Compliance with voluntary standards for biodiversity conservation (development)




#### Surface area of green spaces




#### Breakdown of green covered areas




### <Calculation method and scope of coverage of environmental data>

#### No. of certification acquisitions by Company facilities

◇ **Overview**

While preparing and securing sufficient green spaces at the Company and Group facilities, we will press onward with efforts to contribute to the preservation of regional ecosystems. To carry such initiatives forward, we will pursue the acquisition of certification systems pertaining to greening and the preservation of biodiversity. The number of facilities reflects the cumulative number of major certifications already acquired as of the end of the fiscal year under review.

◇ **Scope of coverage**

All facilities held by Daiwa House and Group companies

◇ **Main certification systems**

| Name of certification | Certifying institution |
|---|---|
| JHEP | JHEP (Japan Habitat Evaluation and Certification Program) |
| ABINC | ABINC (Association for Business Innovation in harmony with Nature and Community) |
| SEGES | SEGES (Social and Environmental Green Evaluation System series) |

#### [Development] Compliance with voluntary standards for biodiversity conservation

◇ **Overview**

Voluntary standards for biodiversity conservation (development) are based on our Biodiversity Guidelines [Development & Community Creation], and our large-scale development projects are subject to our evaluation tool comprising 30 independently determined and self-evaluated items, and achieve a rank of B or higher. 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.

◇ **Calculation formula**

Compliance with voluntary standards for biodiversity conservation (%)
= ∑ (Site area of units in compliance with voluntary standards (m²))
÷ ∑ (Site area of units under evaluation (m²))

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| Development | Daiwa House Industry, Fujita | Our company-developed projects with a development area exceeding 3,000 m² |

#### [Community development] Surface area of green spaces

◇ **Overview**

Green space surface area refers to the total area where greening has been conducted with sale and construction contracts for built-for-sale houses, together with undertaking exterior construction.

◇ **Calculation formula**

Green space surface area (m²)
= ∑ (Surface area of green space (m²) of target units in each project)

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| 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 m² |
| 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 m² |
| | Daiwa Lease | [With greening regulations] All construction starts |
| | Fujita | [With greening regulations] All construction starts |
| Urban development business | Daiwa House Industry | All construction starts |

## 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 ecofriendly 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.

### 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 [Timber Procurement]
    - ② Items to be Assessed for Legality and Sustainability
  - ③ Biodiversity Guidelines [Development & Community Creation]

### ① Biodiversity Guidelines [Timber Procurement]

| | |
|---|---|
| 1. Certified timber | 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 timber | Procure timber recycled from construction scrap (particleboard*, etc.). |
| 3. Our company's recommended timber | When procuring timber 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 timber 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 Assessed for Legality and Sustainability

| | |
|---|---|
| (1) Confirmation of legality | (a) Ensure the source of supply has been clearly identified (traceable to the logging site).<br>(b) Confirm that the cutting rights have been secured.<br>(c) Confirm compliance with forestry laws and other relevant rules. |
| (2) Confirmation of sustainability | Comprehensively determine sustainability with the following eight items.<br>(a) The logged timber is not an endangered species.<br>(b) The logging method avoids large-scale logging of natural forests.<br>(c) Endangered species in the logging areas and surrounding areas have been considered for conservation.<br>(d) The timber is not produced in a disputed region.<br>(e) Working conditions are in compliance with the local government.<br>(f) The forest reserves can be maintained (forests within the area can be renewed after logging).<br>(g) The timber is Japanese domestic timber.<br>(h) 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.) |

### ③ Biodiversity Guidelines [Development & Community Creation]

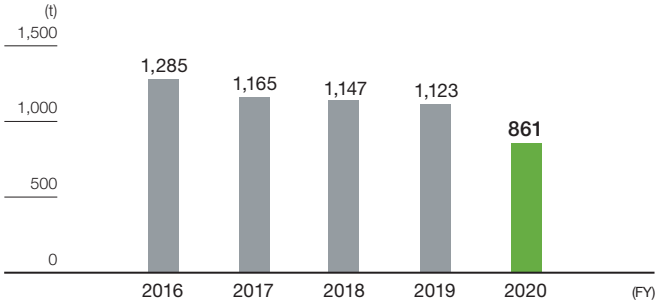
| | |
|---|---|
| 1. Ascertain the potential of the natural environment | We will identify the local characteristics related to the biological environment, including the site and its surroundings, and will adopt a policy concerning preservation and creation of the biological environment on which it is 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. |

Our Group official website CSR Procurement Guidelines (Japanese text only) https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

## Closed-loop Resource Sourcing Business activities

### Materials

#### Paper consumption




#### Steel consumption

Unit: t

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Daiwa House Industry (housing) | 209,793 | 224,863 | 186,794 | 187,963 | **171,024** |

<Calculation method and scope of coverage of environmental data>

**Paper consumption**

◇ **Overview**

Regarding our paper consumption, we calculate the actual value of the paper purchased ($m^2$) using the weight conversion method.

◇ **Calculation formula**

Paper consumption (t) = Σ (Purchased paper ($m^2$) × weight per unit area ($t/m^2$))

◇ **Scope of coverage**

| Segment | Target | Scope of coverage (Number of locations as of March 31, 2021) | |
|---|---|---|---|
| Office work | Daiwa House Industry | All offices (Head Office, branches, offices, sales offices) and research centers | 183 locations in total |

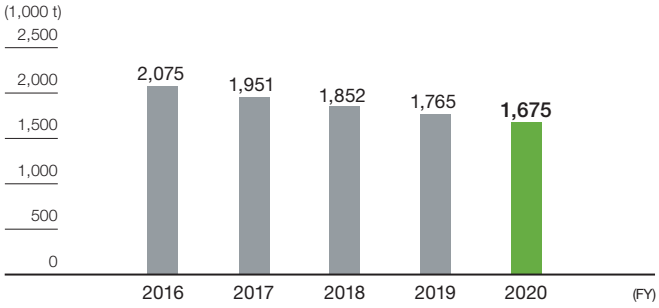
**Steel consumption**

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| Manufacturing | Daiwa House Industry | All production sites |

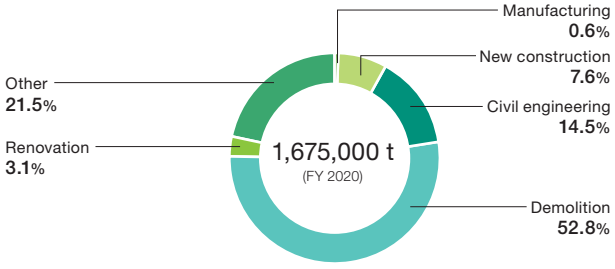
### Waste emissions / Recycling rates of waste

#### Overall Construction/demolition waste emissions

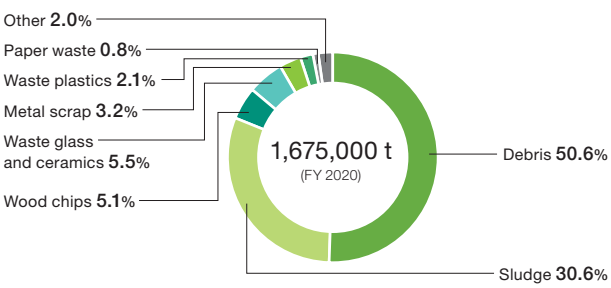



#### Overall Breakdown of construction/demolition waste emissions

(by process)




(by item)




#### Overall Construction/demolition waste emissions (by process)

Unit: t

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Manufacturing | 14,152 | 13,324 | 12,470 | 11,793 | **10,094** |
| New construction | 142,533 | 135,317 | 130,777 | 129,386 | **126,601** |
| Civil engineering | 273,671 | 137,746 | 260,468 | 214,366 | **243,384** |
| Renovation | 49,188 | 52,226 | 52,437 | 51,014 | **52,009** |
| Demolition | 1,363,459 | 1,409,979 | 1,241,820 | 1,103,062 | **883,764** |
| Other | 231,637 | 202,412 | 153,495 | 255,568 | **359,515** |

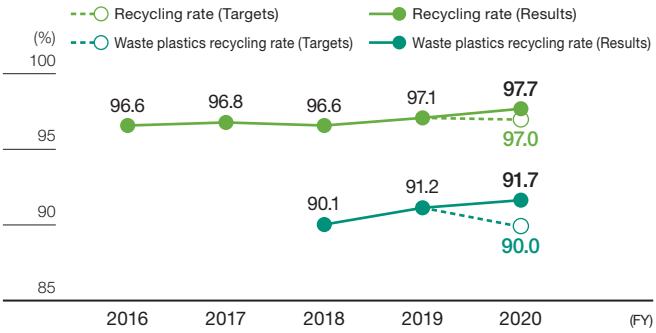
#### Overall Construction/demolition waste emissions (by item)

Unit: t

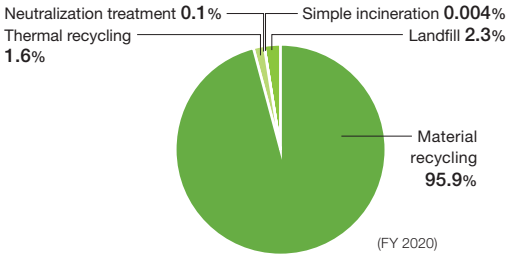
| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Debris | 1,179,952 | 1,083,470 | 984,097 | **848,000** |
| Sludge | 355,249 | 377,840 | 422,100 | **513,241** |
| Wood chips | 112,857 | 129,691 | 94,522 | **86,008** |
| Waste glass and ceramics | 128,463 | 104,204 | 96,191 | **92,473** |
| Metal scrap | 59,731 | 54,626 | 57,214 | **53,631** |
| Waste plastics | 39,888 | 38,848 | 37,263 | **35,166** |
| Paper waste | 11,398 | 11,849 | 11,482 | **12,657** |
| Other | 63,468 | 50,938 | 62,322 | **34,179** |

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments

## Overall Recycling rate of construction waste




## Overall Breakdown of construction waste emissions (by treatment)

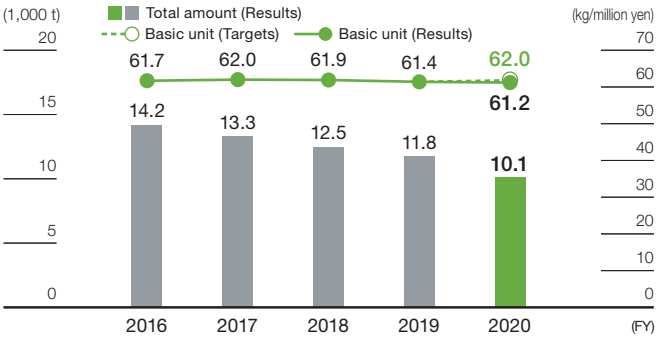



## Overall Breakdown of construction waste emissions (by treatment)

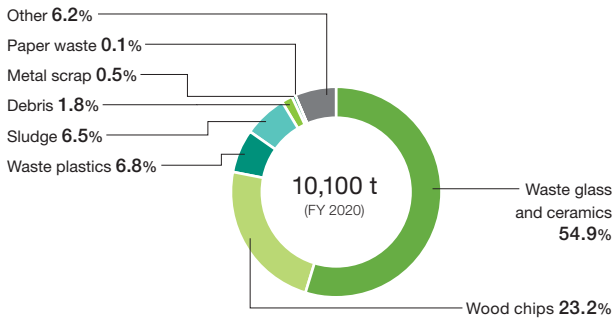
Unit: %

| | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Recycling | Material recycling | 94.5 | 94.6 | 93.8 | 95.2 | **95.9** |
| | Thermal recycling | 2.0 | 2.1 | 2.2 | 1.8 | **1.6** |
| | Neutralization treatment | 0.05 | 0.12 | 0.6 | 0.2 | **0.1** |
| Final disposal | Simple incineration | 0.05 | 0.01 | 0.0 | 0.0 | **0.004** |
| | Landfill | 3.4 | 3.2 | 3.4 | 2.9 | **2.3** |
| | Other | 0.05 | 0.02 | 0.0 | 0.0 | **0.0** |

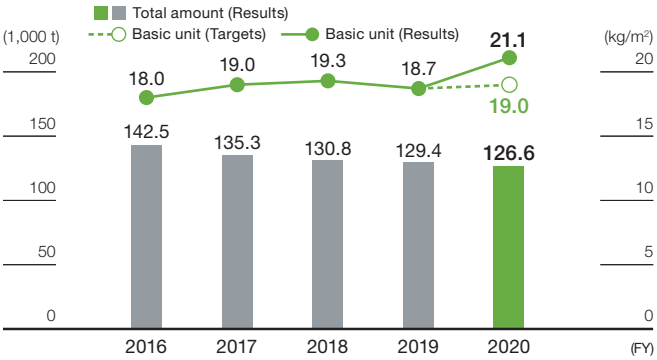
## Manufacturing Waste emissions and basic unit



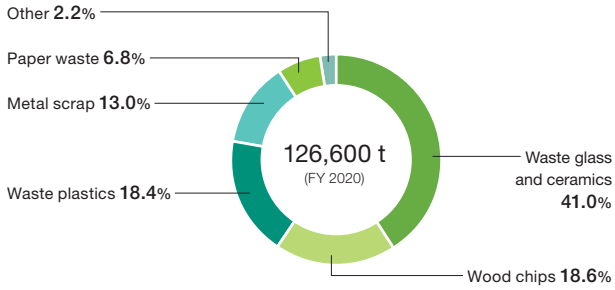

## Manufacturing Breakdown of waste emissions (by item)




## New construction Waste emissions and basic unit




## New construction Breakdown of waste emissions (by item)




## Specially controlled industrial waste emissions (Daiwa House Industry)

Unit: t

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Combustible waste oil | 301.18 | 158.58 | **127.98** |
| Corrosive waste acid, waste alkali | 8.38 | 76.35 | **26.73** |
| Specified hazardous industrial waste (e.g. waste asbestos, waste PCB, waste mercury) | 179.91 | 96.03 | **252.93** |

# Closed-loop Resource Sourcing and Conservation of Aquatic Environments

## <Calculation method and scope of coverage of environmental data>

### Waste generation & recycling rate related to construction

◇ **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 division, and the total "sales area" of each site is used as the basic denominator of the construction segment.

◇ **Calculation formula**

Manufacturing Construction waste emissions (t)
= Σ (Construction byproducts generated (t)) – Σ (Sales of valuable resources (t))
New construction Construction waste emissions (t)
= Σ (Construction byproducts generated (t)) – Σ (Sales of valuable resources (t))
– Σ (Construction sludge generated (t))
Overall Recycling rates of construction waste (%)
= Σ {(Amount of material recycled (t)) + (Amount thermally recycled (t))}
÷ Σ (Construction waste emissions (t))
Note: Construction sludge is included in the calculation of the recycling rate.

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| 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 |

## Conservation of Aquatic Environments Procurement

### Water risk assessment results in timber-producing countries

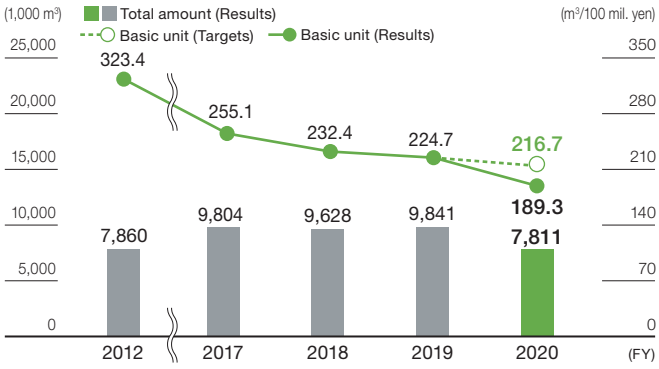
| | | Japan | China | Finland | Indonesia | Canada | Other 22 countries | Other 4 countries | Unknown (recycled materials, etc.) |
|---|---|---|---|---|---|---|---|---|---|
| Ratio of procured timber | | 34.7% | 13.7% | 9.7% | 7.8% | 3.9% | 13.5% | 2.5% | 14.1% |
| Risk level | Present | 1.66 | 2.40 | 0.54 | 2.07 | 0.88 | — | — | — |
| | 2030 | 2.31 | 3.29 | 1.72 | 2.96 | 1.13 | Less than 3 | 3 or more | — |
| | 2040 | 2.24 | 3.30 | 1.86 | 3.26 | 1.26 | | | — |

Risk levels 0–1: low, 1–2: low to medium, 2–3: medium to high, 3–4: high, 4–5: very high
Source: WRI-Aqueduct Country and River Basin Rankings, Aqueduct Projected Water Stress Country Rankings

## Conservation of Aquatic Environments Business activities

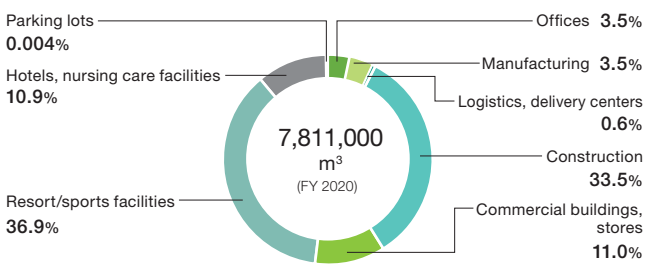
### Water consumption

#### Trend in water consumption (water intake) and basic unit

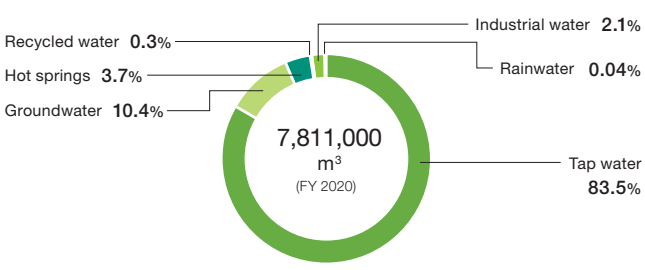



#### Breakdown of water consumption (water intake)

(by segment)




(by type)



# Closed-loop Resource Sourcing and Conservation of Aquatic Environments

## Water consumption (water intake) (by segment)

Unit: 1,000 m³

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Offices | 390 | 309 | 292 | **276** |
| Manufacturing | 305 | 301 | 283 | **273** |
| Logistics, delivery centers | 53 | 52 | 46 | **46** |
| Construction | 2,073 | 1,706 | 2,028 | **2,619** |
| Commercial buildings, stores | 908 | 1,146 | 1,132 | **858** |
| Resort/sports facilities | 4,657 | 4,562 | 4,458 | **2,886** |
| Hotels, nursing care facilities | 1,416 | 1,552 | 1,603 | **853** |
| Parking lots | 0.3 | 0.3 | 0.3 | **0.3** |

## Water consumption (water intake) (Japan, outside Japan)

Unit: 1,000 m³

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Japan | 9,011 | 9,053 | 9,143 | **6,678** |
| Outside Japan | 793 | 575 | 698 | **1,133** |

## Drainage discharge (by point of discharge) (Japan)

Unit: 1,000 m³

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Rivers and lakes | 1,088 | 963 | 972 | **701** |
| Brackish water intake source/sea | 602 | 456 | 398 | **205** |
| Sewer system | 5,228 | 6,109 | 5,875 | **3,861** |
| Discharge to other areas | 0 | 0 | 0 | **0** |

## Water recycling in each facility

| Facility name | Recycling method | Recycled water volume (Recycling rate) |
|---|---|---|
| Daiwa House Industry Osaka Head Office | Reusing waste water from air conditioners, etc. and rainwater for washing toilets after treating them for recycling. | 10,456 m³ (33%) |
| Hotel & Resorts MINAMIAWAJI | Using miscellaneous waste water for washing toilets and for being sprayed. | 35m³ (0.06%) |

## Water consumption (water intake) (by type)

Unit: 1,000 m³

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Tap water | 7,362 | 7,645 | 8,049 | **6,520** |
| Groundwater | 1,686 | 1,272 | 1,230 | **809** |
| Hot springs | 341 | 328 | 359 | **291** |
| Recycled water | 298 | 361 | 33 | **26** |
| Industrial water | 114 | 17 | 168 | **161** |
| Rainwater | 3 | 3 | 3 | **3** |
| Treated water | 0 | 0 | 0 | **0** |

## Drainage discharge (by point of discharge) (Outside Japan)

Unit: 1,000 m³

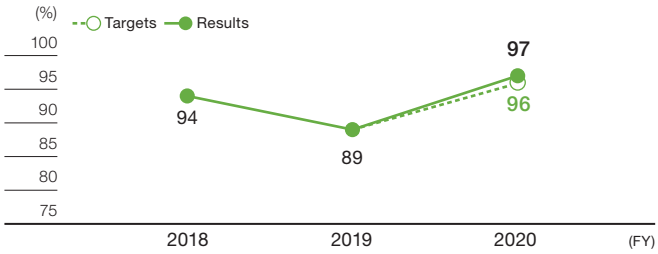
| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Rivers and lakes | 0 | 0 | 0 | **0** |
| Brackish water intake source/sea | 57 | 13 | 0 | **0** |
| Sewer system | 96 | 63 | 15 | **33** |
| Discharge to other areas | 13 | 4 | 0 | **0** |

## Number of regulatory violations concerning water

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Number of violations | 0 | 0 | 0 | 0 | **0** |

## Conservation of Aquatic Environments　Products and services

### Water-saving device adoption rate




### Adoption rate by department

| Department | Adoption rate |
|---|---|
| Single-family housing business | 100% |
| Rental housing business | 97% |
| Home renovation business | 100% |
| Condominium business | 97% |
| Commercial and office buildings business | 81%* |

* Hotel business only

### <Calculation method and scope of coverage of environmental data>

#### Water consumption

◇ **Overview**

This represents the total annual water consumption from the water supply, groundwater, hot springs, industrial-use water, recycled water and rainwater, and is calculated based on purchasing data at each location (from measurements when purchasing data is unavailable). 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 of coverage**

The same scope and calculation criteria exist for GHG emissions, energy consumption and electricity consumption

#### Water-saving device adoption rate

◇ **Overview**

We consider the adoption rate to be the rate of water-saving devices installed in the bathroom showers, kitchens and toilets of the single-family housing, rental housing, condominiums, hotels, and renovation business we have provided to customers.

◇ **Calculation formula**

Water-saving device adoption rate (%)
= ∑ {No. of installed water-saving devices (showers + kitchen faucets + toilets)}
No. of locations
÷ ∑ {No. of relevant facilities installed (showers + kitchen faucets + toilets)}
No. of locations

◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| Single-family housing business | Daiwa House Industry | All properties |
| Rental housing business | Daiwa House Industry | All properties |
| Condominium business | Fujita | All properties |
| Commercial and office buildings business | Daiwa House Industry<br>Fujita<br>Cosmos Initia | Hotel business only |
| Home renovation business | Daiwa House Reform | All properties |

#### Number of regulatory violations concerning water

◇ **Overview**

Waste water is regularly measured for its quality at Daiwa House Industry plants. The results state the number of cases that exceeded the control values for laws and bylaws.

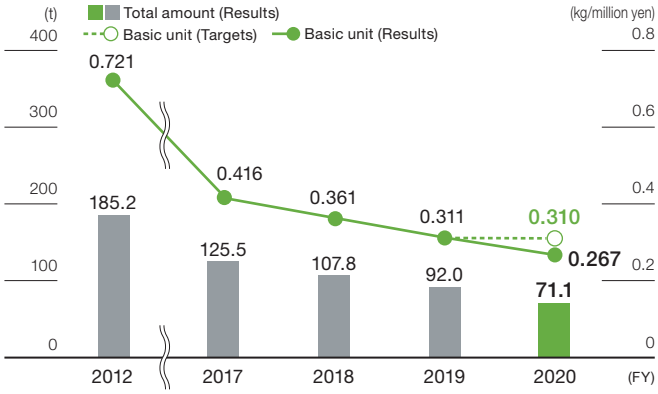
◇ **Scope of coverage**

| Segment | Target | Scope of coverage |
|---|---|---|
| Manufacturing | Daiwa House Industry | Total of 9 production sites |

## Business operations

### Release and transfer of PRTR-listed substances

■ Release and transfer of PRTR-listed substances and basic unit




■ Change in release of PRTR-listed substances (by company/ segment)

Unit: t

| Breakdown by segment | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Daiwa House Industry (housing) | 31.4 | 26.7 | 23.3 | **17.0** |
| Daiwa House Industry (construction) | 18.2 | 19.3 | 15.5 | **11.1** |
| Daiwa Lease | 57.8 | 44.9 | 33.9 | **24.7** |
| DesignArc | 3.8 | 3.1 | 4.7 | **4.0** |

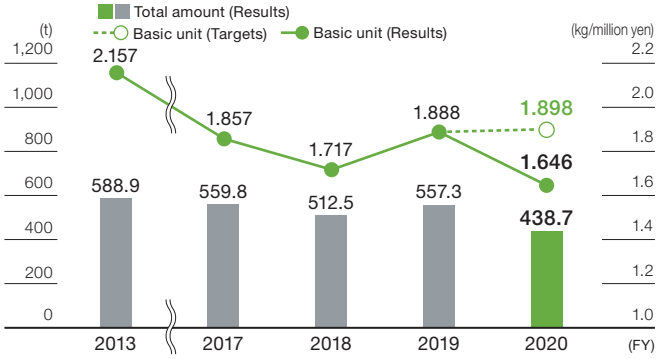
■ Change in transfer of PRTR-listed substances (by company/ segment)

Unit: t

| Breakdown by segment | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Daiwa House Industry (housing) | 9.1 | 8.9 | 9.0 | **7.9** |
| Daiwa House Industry (construction) | 4.3 | 4.1 | 4.8 | **5.8** |
| Daiwa Lease | 1.0 | 0.7 | 0.8 | **0.7** |
| DesignArc | 0.0 | 0.1 | 0.01 | **0.008** |

### VOC emissions

■ VOC emissions and basic unit




■ Change in release of VOC emissions (by company/ segment)

Unit: t

| Breakdown by segment | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Daiwa House Industry (housing) | 235.0 | 195.7 | 201.4 | **161.7** |
| Daiwa House Industry (construction) | 106.6 | 103.5 | 120.6 | **83.9** |
| Daiwa Lease | 214.1 | 209.9 | 227.7 | **186.7** |
| DesignArc | 4.1 | 3.4 | 7.6 | **6.4** |

■ NOx and SOx emissions in the manufacturing phase

Unit: t

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| NOx emissions | 0.38 | 1.16 | 0.15 | **0.20** |
| SOx emissions | 0.03 | 0.08 | 0.01 | **0.02** |

### Material balance of chemical substances subject to PRTR

■ Release and transfer of PRTR-listed substances (by type)

Unit: kg

| 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 | |
| Manganese and its compounds | 34,757 | 24,566 | 0 | 9,005 | 9,005 | 1,186 | 0 | 1,186 | 0 |
| Xylene | 21,730 | 0 | 0 | 301 | 301 | 21,342 | 0 | 21,342 | 87 |
| Ethylbenzene | 15,183 | 0 | 0 | 214 | 214 | 14,958 | 0 | 14,958 | 11 |
| Methylenebis (4,1-phenylene) = diisocyanate | 14,733 | 14,657 | 0 | 76 | 76 | 0 | 0 | 0 | 0 |
| Ferric chloride | 14,092 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,092 |
| 1,2,4-trimethylbenzene | 8,184 | 0 | 0 | 119 | 119 | 7,992 | 0 | 7,992 | 73 |
| Toluene | 8,132 | 0 | 0 | 104 | 104 | 7,939 | 0 | 7,939 | 89 |
| Water-soluble zinc compounds | 5,920 | 4,630 | 23 | 1,146 | 1,169 | 0 | 121 | 121 | 0 |
| Molybdenum and its compounds | 3,670 | 1,809 | 0 | 1,861 | 1,861 | 0 | 0 | 0 | 0 |
| 1,3,5-trimethylbenzene | 1,946 | 0 | 0 | 28 | 28 | 1,918 | 0 | 1,918 | 0 |
| Chromium and trivalent chromium compounds | 1,330 | 786 | 0 | 544 | 544 | 0 | 0 | 0 | 0 |
| 42 other substances | 5,181 | 2,565 | 0 | 893 | 893 | 1,378 | 0 | 1,378 | 345 |
| Grand total | 134,859 | 49,014 | 23 | 14,292 | 14,315 | 56,713 | 121 | 56,833 | 14,697 |

Our Group official website CSR Procurement Guidelines (Japanese text only) https://www.daiwahouse.com/sustainable/csr/pdfs/csr_procurement_guidelines.pdf

# Prevention of Chemical Pollution

## <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 of coverage**

| Segment | Target | Scope of coverage | |
|---|---|---|---|
| Manufacturing | Daiwa House Group | All production sites | Total 29 locations* |

* Plants that are required to make release and transfer registration according to the PRTR law

### 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 of coverage**

| Segment | Target | Scope of coverage | |
|---|---|---|---|
| Manufacturing | Daiwa House Group | All production sites | Total 29 locations* |

* Plants that are required to make release and transfer registration according to the PRTR law

### NOx emissions/ SOx emissions

◇ **Overview**

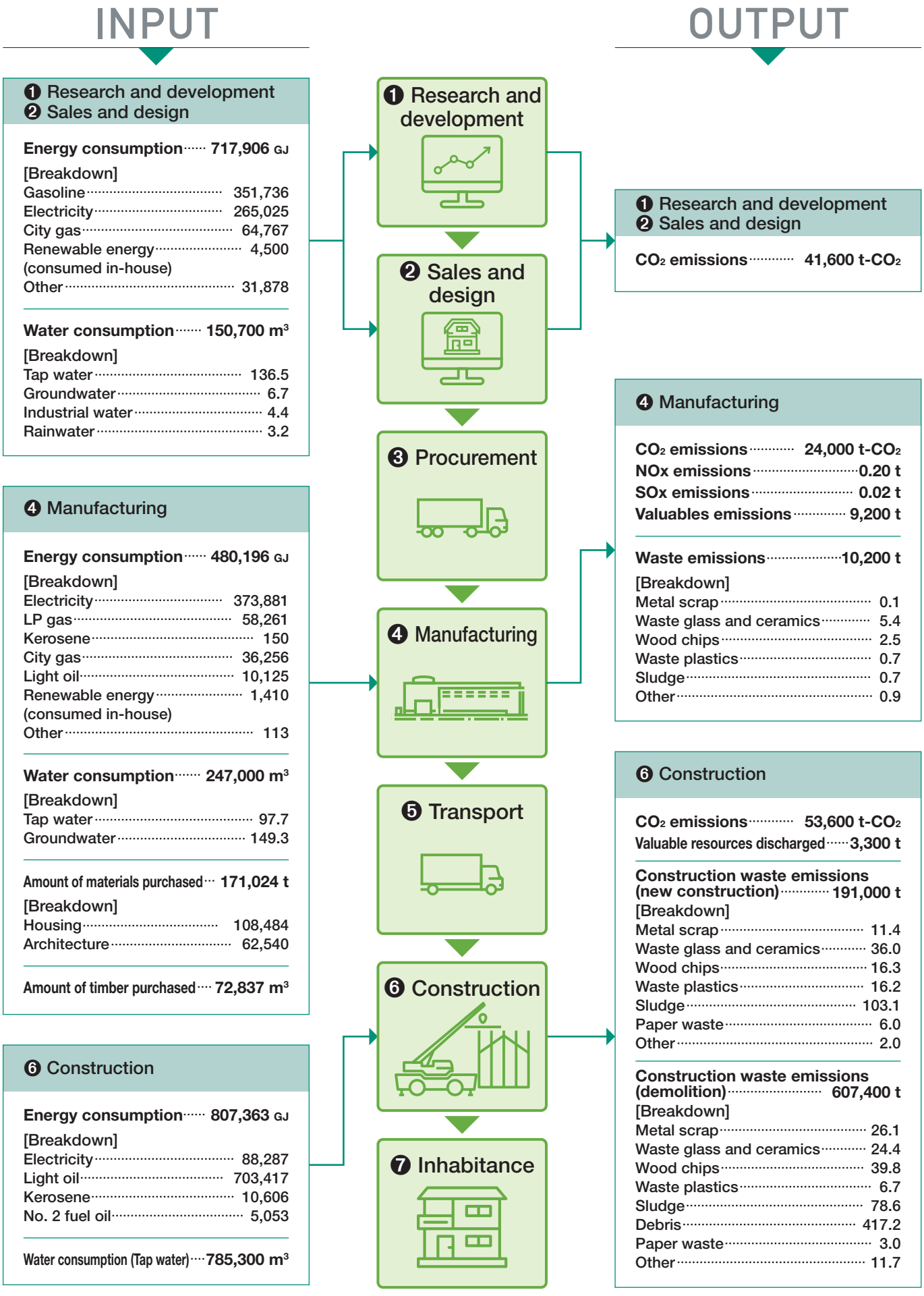
Calculated based on “Environmental Report Guidelines (2018 edition)” by the Ministry of the Environment

◇ **Scope of coverage**

| Segment | Target | Scope of coverage | |
|---|---|---|---|
| Manufacturing | Daiwa House Industry | All production sites | Total 4 locations* |

* Plants that are included in soot generation facilities specified in the Air Pollution Control Act

## Flow of materials imparting environmental load



# Environmental accounting

## ❶ Environmental preservation costs (Amount invested)

Unit: 1,000 yen

| Item | Major content | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|---|---|
| | | Amount invested | | | Amount invested |
| Cost within business area | Cost of measures to control pollution related to air, water, and noise | 7,623 | 4,654 | 205,182 | **51,719** |
| | Cost of prevention of global warming (energy efficiency) | 237,228 | 37,344 | 60,366 | **163,427** |
| | Cost of waste reduction measures | 0 | 156 | 60 | **4** |
| | Cost of reducing water consumption | 2,450 | 1,317 | 5,553 | **1,885** |
| Upstream/downstream costs | Green purchasing fees, cost of purchasing returnable boxes | 7,212 | 3,298 | 3,467 | **4,230** |
| Administrative costs | Environmental education costs, EMS maintenance expenses, etc. | 653 | 595 | 108 | **376** |
| Total | | 255,165 | 47,364 | 274,736 | **221,641** |

## ❷ Environmental preservation effect

| Effect | | Item | Unit | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|---|---|---|---|
| Business area | Effect on input resources | Energy consumption, crude oil equivalent (production system) | GJ | 552,654 | 537,539 | 516,665 | **480,196** |
| | | Energy consumption, crude oil equivalent (distribution system) | GJ | 620,421 | 603,890 | 570,623 | **453,484** |
| | Effect on environmental load and waste | Waste generated | t | 13,008 | 12,680 | 12,104 | **10,243** |
| | | $CO_2$ emissions (production system) | t-$CO_2$ | 25,888 | 25,032 | 26,559 | **23,964** |
| | | $CO_2$ emissions (distribution system) | t-$CO_2$ | 42,544 | 41,384 | 39,106 | **31,082** |
| | | Water resource consumption | $m^3$ | 289,956 | 269,781 | 252,235 | **246,981** |

## ❸ Economic effects of environmental preservation

Unit: 1,000 yen

| Item | | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
|---|---|---|---|---|---|
| Revenue | Sales of valuable resources* | 39,552 | 233 | 260 | **1,436** |
| Cost savings | Cost savings from energy-efficiency efforts | 83,606 | 5,613 | 29,713 | **58,858** |
| | Cost savings from waste-reduction efforts | 6,907 | 5,309 | 12,259 | **12,615** |
| | Cost savings from water resource reduction efforts | 16,066 | 0 | 9 | **3,382** |
| Total | | 146,131 | 11,155 | 42,241 | **76,291** |

* 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, 2020 to March 31, 2021

◇ **Reporting organizations**
Daiwa House Industry Co., Ltd. (Non-consolidated)

◇ **Scope**
① Research and development: All offices (Head Office, affiliates, branches and sales offices), research labs, training centers and housing exhibition
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**
In addition to "Calculation and Reporting of Environmental Data" on P171 and the calculation methods of environmental data in the previous sections, the criteria include values that are not subject to target management in the Endless Green Program 2021.

#### ■ Environmental accounting

◇ **Report period**
April 1, 2020 to March 31, 2021

◇ **Reporting organizations**
Daiwa House Industry Co., Ltd. (Non-consolidated)

◇ **Scope**
9 plants in total

◇ **Referential guidelines**
"Environmental Accounting Guidelines 2005 Edition" by the Ministry of the Environment

# Third-Party Assurance Report

This report has been prepared with reference to the Japanese-language edition of our Sustainability Report 2021. The accuracy of the data regarding carbon dioxide ($CO_2$) contained in that report was certified by third parties and an accompanying check mark ✓ indicates all data subject to such certification.
(See page 199 of the Japanese-language edition of the Sustainability Report 2021 for a third-party assurance report.)

## Editorial Postscript

# “STEADFAST EFFORTS”

Thank you for reading our report.

Guided by the management vision of building a world in which people can lead fulfilled lives, we at Daiwa House are working to enhance sustainable management.

After incorporating the ESG perspective into our Medium-Term Management Plan in fiscal 2019, we overhauled our organizational structure in fiscal 2021 based on a fundamental review of the operational systems with a view to further enhancing governance.

The society is currently undergoing a great change in the face of the COVID-19 pandemic, rapid digital application and unpredictable global situation. How do we as an operating company tackle natural disasters and human rights issues taking place across the world? It is in such circumstances that the true worth of each corporation is being examined.

In this situation, in our role as a public organ of society, to respond flexibly and swiftly to the changing environment and to straightforwardly pursue our mission of being of service to the world, it is essential that we think ahead and strengthen our management base from the viewpoint of ESG. The world is now facing a great challenge in both aspects of society and economy. We see this difficulty as a favorable opportunity to effect a transformation of Daiwa House into an entity that can grow in a sustained manner in the post-COVID-19 world. We will steadfastly continue to make a valuable contribution to society through our business activities to achieve our management vision of building a world in which people can lead fulfilled lives.

In closing, I would like to thank all those who gave us their assistance in the making of this report, in addition to everyone who has taken the trouble to read it. I hope that it has succeeded in increasing your understanding of the Daiwa House Group's stance on environmental, social, and governance issues, and of the measures we have been taking, and I look forward to receiving your continued support as we go forward.

Moritaka Nohmura
Senior Executive Officer
Head of Sustainability



Cover: Paralym Art artwork

## Dream Tree

(Artist: Misato Shikata)

*Dream Tree*, as the title suggests, embodies dreams of people throughout the world as hope in the form of the fruits of a tree.
We know full well just how hard it is to make what we want come true. The key is to persevere all the way.
Even with the COVID-19 pandemic, there are still so many things that we can do. We just have to diligently find them one by one. Instead of saying that things are impossible, we should start by seeing what is possible, and believing sincerely that we can make our lives better.
This belief is the concept that inspires the *Dream Tree*.

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"Paralym Art," a program sponsored by the Shogaisha Jiritsu Suishin Kikou Association, helps people with disabilities participate in society and become financially independent through artistic activities.
The Daiwa House Group, which makes it a principle to "co-create a brighter future," fully supports the intent of Paralym Art, helping people with disabilities make their dreams come true by promoting their artworks.

Paralym Art®
We promote artworks of people with disabilities.

## Our Communications at a Glance

| | Dialogue | Reports | WEB |
|---|---|---|---|
| Financial information | • Release of financial results<br>• Presentation on Management Policy<br>• Guided tours of building sites, plants, etc.<br>• Teleconferencing with securities analysts and institutional investors<br>• General Meeting of Shareholders | • Securities report<br>• Business result report | <br>Investor Relations<br>https://www.daiwahouse.com/English/ir/ |
| Coordination | | • Integrated report<br>Integrated report on selected financial and non-financial information judged to be material | |
| Non-financial information | • Experts'dialogue<br>• Stakeholders'meeting | <br>• Sustainability Report<br>(incl. Data Section / Third-Party Assurance)<br>Japanese-language edition<br>English-language edition<br>• Corporate governance report | <br>Sustainability<br>https://www.daiwahouse.com/English/sustainable/ |

ECO FIRST 1

Certified by the Minister of the Environment in Japan.

We Build ECO

Daiwa House Group

UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.


# Daiwa House Industry Co., Ltd.

For inquiries regarding this report, please contact:

3-3-5 Umeda, Kita-ku, Osaka 530-8241

Sustainability Planning Department: Tel: 81-6-6342-1435

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

www.daiwahouse.com



"Endless Heart," which represents the vision of the Daiwa House Group, is a registered trademark or trademark of Daiwa House Industry Co., Ltd. in Japan and other countries.

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