

CHAPTER

3

Implementation Report

Governance

Contents

- 120 Corporate governance
- 124 Internal control
- 127 Compliance
- 130 Anti-corruption
- 132 Risk management
- 136 Internal audits

Governance

Corporate governance

Concept and Policy

The Daiwa House Group 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 system 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 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.

 [Basic Policy and Guidelines regarding Corporate Governance](#)

Management

Corporate governance system

Our Board of Directors deliberates and decides how to materialize societal needs into business activities in order to enhance corporate value. The agenda includes not only resolutions and reports but also deliberation items, where medium- to long-term issues such as the medium-term management plan are discussed.

Our Board of Directors consists of seven executive directors and seven 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 multiple 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.

The Board of Directors believes that solving social issues

through business activities is a crucial element for enhancing medium- and long-term corporate value, and it also oversees ESG (Environmental, Social, and Governance) initiatives.

As part of this effort, the Board of Directors requests reports from the Sustainability Committee and regularly reviews the progress of environmental and social goals and strategies, providing necessary directives.

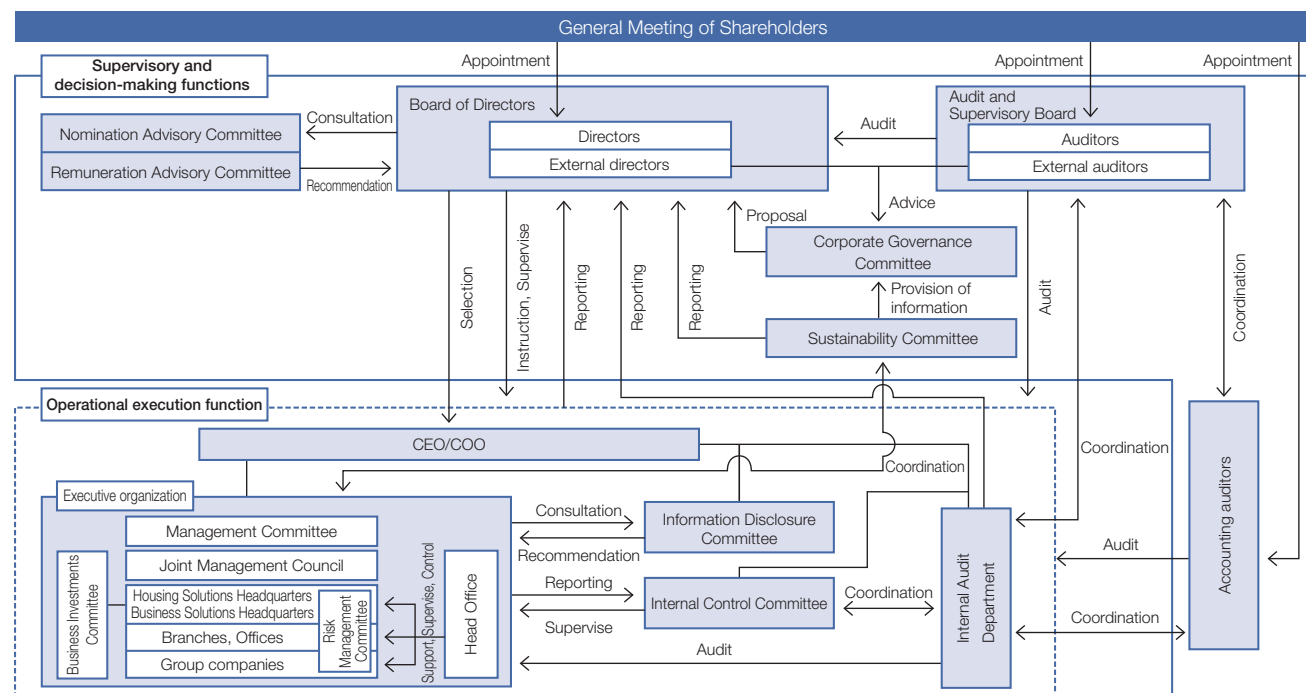
Regarding the nomination of directors and officers and remuneration, to enhance independence and objectivity, we have the Nomination Advisory Committee and the Remuneration Advisory Committee, the majority of whose respective members are independent external directors headed also by an independent external 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. We discuss the information and other matters provided by the Sustainability Committee and make recommendations to the Board of Directors as necessary.

From fiscal 2025, in order to strengthen and streamline the functions of the business headquarters and further enhance governance, we reorganized the previous seven business headquarters into two major headquarters. Additionally, to streamline and strengthen the organization and operations at the head office, we reorganized under three corporate divisions.

 [Corporate Governance System](#)
 [P018 Environmental management](#)
[P200 Governance Data](#)

Corporate governance system



Governance

Corporate governance

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 wideranging managerial issues
2. Having an excellent company-wide perspective and abilities to analyze and judge objectively
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
7. Possess character and insight appropriate to the position of director
8. Not fall under any of the disqualifications for directors set forth in Article 331, Paragraph 1 of the Companies Act

Diversity amongst directors

The Board of Directors of our company is composed of directors with diverse backgrounds, including professional expertise and experience. 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.

Additionally, regarding the development of successors, we operate a system that nurtures and pools a wide range of management talent candidates, regardless of their job type or gender.



➤ Views on the Appropriate Balance, Diversity and Size, etc. of the Board of Directors as a Whole



P084 Implementing succession planning program (D-Succeed)

Evaluation of Board of Directors

Daiwa House Industry evaluates the effectiveness of the Board of Directors annually since fiscal 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 Board of Directors on the basis of answers to a self-assessment questionnaire completed by the directors.

<Applicable period>

December 2024 to November 2025

<Evaluation results>

Based on the status of each assessment item, we have determined that the effectiveness of our Board of Directors was ensured. At the same time, the issues raised in the survey have been shared with the Board of Directors and, going forward, we will work to improve the effectiveness of the Board of Directors through various initiatives.

<Issues identified from the results of the 2025 evaluation and future initiatives>

· Composition of the Board of Directors
(Issue)

From the standpoint of ensuring the company's sustainable growth and further strengthening monitoring functions, it is necessary to continually examine how the composition of the Board of Directors and organizational design should be.

(Details of Initiatives)

In anticipation of future changes in the business environment, we will consider the appointment of personnel with diverse backgrounds from a medium- to long-term perspective. In addition, we will continue to examine the management structure of the Company, including in terms of organizational design that is most suitable for us.

· Further deepening of discussions on management strategy
(Issue)

It is necessary to deepen strategic discussions, such as those on business portfolio strategy.

(Details of Initiatives)

We will identify important issues to be discussed at the Board of Directors meetings and aim to deepen discussions that contribute to strategic thinking over the medium to long term and the enhancement of corporate value.

· Strengthening the risk management system
(Issue)

It is necessary to further strengthen monitoring functions regarding the status of internal control and risk management, including those of Group companies.

(Details of Initiatives)

We will strengthen our risk management system by increasing the frequency of reporting on the status of internal controls and risk management with the aim of further improving monitoring functions.

Going forward, we will work to improve the effectiveness of the Board of Directors through various initiatives.



➤ Notice Concerning Outline of the Results of the Evaluation of the Effectiveness of Board of Directors

Governance

Corporate governance

Audit and Supervisory Board

The Audit and Supervisory Board is composed of a majority of external auditors for the purpose of securing independence of the Board. It audits the execution of duties by the company's Directors and Executive Officers, determines the contents of proposal items regarding the appointment and dismissal, or non-reappointment, of the accounting auditor that will be submitted to the General Meeting of Shareholders, and performs accounting audits and other matters prescribed by the laws and regulations. Additionally, procedures for the appropriate operation of the Audit and Supervisory Board are set out in Audit and Supervisory Board Regulations, while standards and guiding principles for audits by auditors are determined by the Regulations of Auditors. The Audit and Supervisory 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.

In addition, necessary information is shared with accounting auditors, the internal audit department, and external directors, with regular meetings held as part of efforts to improve the quality of audits and realize more efficient audits.

As an independent body entrusted by shareholders, auditors ensure the sustainable growth of the company by auditing the directors' performance of their duties and work to establish a high-quality corporate governance framework that lives up to society's trust.

In addition, the company established an Audit and Supervisory Board Member's Office to accomplish tasks based on resolutions of the Audit and Supervisory Board and instructions of the auditors and assigned several employees to the Office. 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 is disclosed in our Securities Report.



[Securities Reports, Semiannual Reports, and Quarterly Reports — Latest Reports](#)

[Corporate Governance Guidelines](#)

Selection of auditors and accounting auditors

On top of our company's Article of Incorporation, the Corporate Governance Guidelines and the Regulations of Auditors set by the Audit and Supervisory Board stipulate the procedures and standards for selecting auditors. Our 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 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, law, 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.

With respect to the accounting auditor, the company has clearly defined its policy on the appointment, dismissal, and nonreappointment of the accounting auditor in the abovementioned "Regulations of Auditors" and regularly (every fiscal year) reviews the suitability of reappointing the accounting auditor to ensure that the most appropriate accounting auditor for the company is selected. Most recently, the company changed its accounting auditor in fiscal 2020.

Furthermore, in order to ensure the independence of the audit by the accounting auditor, the following rules are applied to the auditors engaged in our company's auditing work, in accordance with various regulations based on the "Certified Public Accountants Act" and other laws and regulations, as well as the auditor's rotation rules set by the accounting auditor.

1. Executive members of the company may not participate in the audit of the company for more than seven consecutive accounting periods, and the leading executive member of the company may not participate in the audit of the company for more than five consecutive accounting periods.
2. Executive members of the company shall not be allowed to participate in the audit of the company for five accounting periods after his/her replacement. In addition, the leading executive member of the company may not ever participate again in the audit of the company.



[Items related to organizational composition, organizational operation, etc. \[Auditor-related\] \(Japanese text only\)](#)

[Information Disclosure in accordance to the Corporate Governance Code Policies and Procedures for the Appointment](#)

Executive remuneration for medium- to long-term corporate value enhancement

• Policy, etc.

Our director remuneration system is designed to provide incentives for individuals who share the Daiwa House Group's "Our Hopes for the Future" (purpose), namely, "Our Future Landscape: Embracing the Joys of Life." and contribute to the medium- to long-term enhancement of corporate value and creation of social value. Specifically, it aims to strongly motivate sustained efforts that contribute to these goals and offer opportunities to receive remuneration commensurate with the role played and the extent of contribution as a director of a global company.

Director remuneration consists of "fixed remuneration" in the form of monetary compensation, an "annual incentive bonus" to motivate the achievement of short-term financial targets aimed at creating business value, and stock-based compensation through the performance share unit (PSU) system and restricted stock unit (RSU) system to incentivize sustained efforts that contribute to the medium- to long-term enhancement of corporate value and creation of social value.

External directors receive only "fixed remuneration" in the form of monetary remuneration.

• Malus and clawback provision (return of remuneration, etc.)

The Company has established a malus and clawback provision in the PSU and RSU systems whereby, from the standpoint of ensuring the soundness of the executive remuneration system, if certain events such as misconduct or fraudulent accounting occur, all or part of the stock compensation paid during the fiscal year in which the event came to light and the three prior fiscal years may be forfeited or returned, based on the judgment of the Board of Directors following deliberation by the Remuneration Advisory Committee.

Governance

Corporate governance

Details

The remuneration shall be as follows.

(1) Fixed remuneration

In compensation for “fulfilling their duties” in supervision of management and execution of operations, monetary fixed remuneration (supervising remuneration and executive remuneration) is paid monthly to all of our directors and auditors, according to their roles and responsibilities. Based on the resolution at the General Meeting of Shareholders, the limitation of remuneration for directors shall be 100 million yen per month (of which 20 million yen is for external directors) and that for auditors shall be 25 million yen per month. The company does not provide retirement benefits for directors and auditors.

(2) Annual incentive bonus

Directors (excluding external directors) are eligible, and the payment is made as an incentive for achieving short-term financial targets (operating income, ROIC), aiming at the creation of short-term business value. The amount of remuneration, determined by the degree of achievement of short-term financial targets set by the company, is paid in cash as performance-linked compensation, in principle around July after the end of the fiscal year. Additionally, pursuant to a resolution at the General Meeting of Shareholders, the upper limit on annual incentive bonuses for directors is 1.5 billion yen.

(Performance indicator results, etc.)

Financial indicators: Consolidated operating income, ROIC

(3) Stock compensation

The following two types of stock-based compensation will be paid to directors (excluding external directors) in order to provide them with incentives for their efforts to create medium- to long-term social value with the aim of continuously improving the company's corporate value and realizing “a world where we live together in harmony, embracing the Joys of Life” and to further share the value with shareholders.

(1) PSU system (performance-based stock compensation)

The PSU system is a deferred performance-based stock compensation system designed to provide incentives for the sustainable improvement of corporate value and creation of social value over a performance evaluation period consisting of multiple consecutive years (as determined by the Company within a range of three

to five years). Under this system, common shares of the Company are delivered, along with cash payments intended to cover taxes arising from such delivery. The business performance indicators adopted include “relative TSR” and ESG indicators (GHG emissions reduction (business activities), GHG emissions reduction (building use), and FTSE score).



P019 Reflect achievements in environmental activities in business performance assessment and executive remuneration

(2) RSU system (restricted stock compensation)

The RSU system is a deferred restricted stock compensation system that provides common shares of the Company and cash payments intended to cover taxes arising from such delivery, on the condition that the eligible director continues to hold the position of director during a period consisting of multiple consecutive years (as determined by the Company within a range of three to five years).

Determination process

To ensure the transparency and objectivity of these decisions, decisions are made by the Board of Directors following deliberation by the Remuneration Advisory Committee, which is chaired by an independent external director and has external directors making up more than half of its members.

Directors' and employees' 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

Executive Directors:

200% basic remuneration within five years of appointment

Executive Officers:

100% basic remuneration within five years of appointment

For those who have already been appointed to the above positions, within five years after the release of these guidelines

Notice of the Fiscal 2025 Ordinary General Meeting of Shareholders

The Notice of the Fiscal 2025 Ordinary General Meeting of Shareholders was posted three weeks prior to the date of the meeting. Electronic provision measures were taken ahead of the notice being posted including via the Daiwa House Industry official website.

Main approach

Conducting study sessions for management

Every year, we invite outside experts to hold study sessions on potential risks and ESG management for directors and executive officers, including non-executive officers, on a regular basis.

Study session results for fiscal 2025

Implementation period	Themes
September 2025	Sustainability training
October 2025	Information security training
February 2026	Human rights awareness training for executives

Governance

Internal control

Concept and Policy

The Group's internal control system is developed and operated for the purpose of realizing compliance with laws and regulations, etc. and risk management, ensuring the effectiveness of information storage and management, ensuring operational effectiveness and efficiency, ensuring the reliability of financial reporting through effective auditing, preventing and detecting misconduct early, and preserving assets.

Our directors and executive officers are responsible for the internal control of the entire Daiwa House Group as a core part of their duties. Furthermore, those who concurrently serve as both a director and an executive officer are aware that they hold two separate responsibilities and strive to build and operate the internal control system by exercising each function appropriately.

Based on the above system, we are determined to govern all officers and employees of the Daiwa House Group, including the Representative Directors. Additionally, to express that each executive and employee is a responsible party for the internal control system, we have established the Basic Policy for Building an Internal Control System.



[Basic Policy for Developing an Internal Control System](#)

Management

Structure and implementation of the internal control system

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 under the Basic Policy for Developing an Internal Control System. Our system and operations are structured as below.

Management system by the internal control committee

The Internal Control Committee was established as a committee to receive reports on the internal control situations within the entire Group, as well as compliance and risk management status, with an aim to verify and correct any internal control defects.

It is organized with the Chairman and CEO of the Company serving as the chairman; the Representative Director and President and the Representative Director, Executive Vice President and General Manager of Management Administration Headquarters serving as vice-chairmen; and business division heads and directors in charge of head office function departments serving as members.

The operational status of the committee, particularly in terms of compliance and risk management activities, is reported to the Board of Directors at least once every half year to ensure that it is operated properly under the supervision of the management team including outside officers.

Compliance and risk management system

Under the management of the Internal Control Committee, we have established the following system to realize proper compliance and risk management across the Group.

- Given the goal of maintaining and heightening the trust that society places in the Group, we have formulated the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.
- We have appointed the Representative Director, Executive Vice President and General Manager of Management Administration Headquarters as the person responsible for the Group's risk management, making them the head of the compliance and risk management system.
- To prevent risks from materializing in each business and to address risks once they materialize, we have established Risk Management Committees at each business division, with the general manager of each business division serving as chairman.
- If a risk that could have a significant impact on management materializes, we promptly establish and operate an Emergency Response Headquarters.
- We have established a whistleblowing system to accurately identify the compliance status and risk information.
- We have established a department to audit employees' business processes, striving to ensure that operations are conducted in

accordance with laws, regulations, and internal rules.

- We sever all ties with antisocial forces and respond systematically with a resolute attitude.
- We have established disciplinary regulations to properly penalize officers and employees for actions such as violations of laws, regulations, or the Articles of Incorporation.
- Executives and employees conduct self-checks to ensure they are performing their duties properly and continuously supervise the performance of duties by other executives and employees.



[Basic Policy for Developing an Internal Control System](#)



[P125 Daiwa House Group Principles of Corporate Ethics and Code of Conduct](#)

Identifying the actual operational status of the internal control system

In the implementation of its internal control system throughout the Group, the Daiwa House Group refers to the standard framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Internal Control Committee instructs each of the company's business divisions, head office function departments and Group companies to formulate annual plans on the construction and implementation of the internal control system, and requires them to report the status of activities based on these plans at the end of each fiscal year, which allows the company to identify the actual operational status of the internal control system throughout the Group.

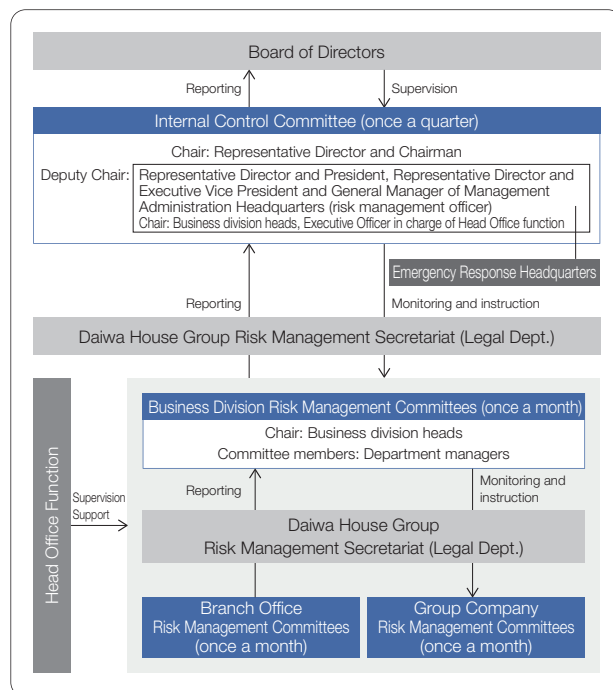
In addition, as a function of its internal control system, the Group has established a system for the early collating and centralized management of compliance status and risk information to ensure they are properly identified. Specifically, if an employee of the company is confronted with information pertaining to serious risk, including violations of laws and regulations, a rule has been established so that such information is immediately collated and provided to the Secretariat of the Daiwa House Group Risk Management (Legal Department of the Company). The whistleblowing system is also in place for use when the regular reporting line does not work as it should, ensuring that the Group can properly identify compliance status and risk information.

In addition, the Internal Audit Department audits the status of compliance with laws and internal rules of the company and Group companies, and reports the results of which to the Internal Control Committee, so that these assessment results can also be used to identify the actual status of the internal control system from an independent standpoint as a third-line function.

Governance

Internal control

Group internal control system (Compliance and risk management)



Daiwa House Group Principles of Corporate Ethics and Code of Conduct

To conduct business under a unified set of values throughout the entire Group, realize the founder's spirit of "Don't do things because they will make a profit, but because they will be of service to society" and maintain and heighten social trust, we have formulated the Daiwa House Group Principles of Corporate Ethics and Code of Conduct (established in April 2004).

The Daiwa House Group Principles of Corporate Ethics and Code of Conduct are based on a philosophy system comprising our Corporate Creed, Employee Charter, Our Hopes for the Future (purpose), and the values we embrace, which our executives and employees put into practice as their guiding

principles for action. Moreover, there are seven components to the principles, namely, "with our customers," "with compliance," "with an ideal work environment," "with business partners," "with the environment," "with the communities," and "respect for human rights." For each of these there are more specific codes of conduct.

Any revisions to these are conducted in conjunction with reviews of the corporate vision and management plans, subject to the supervision and approval of the Board of Directors.

The top management of each Group company is responsible for the strict adherence to the Daiwa House Group Principles of Corporate Ethics and Code of Conduct by all executives and employees, and together with leading by example, bears the responsibility for ensuring transparency and fairness in business operations. In this way we are working to realize the Group's proper compliance and risk management.

The Daiwa House Group Principles of Corporate Ethics and Code of Conduct has been translated into English and Chinese to ensure it is conveyed to employees worldwide.



[Daiwa House Group Principles of Corporate Ethics and Code of Conduct](#)

Internalization

The Daiwa House Group Principles of Corporate Ethics and Code of Conduct are addressed in regularly conducted compliance training and other initiatives to promote their internalization throughout the company.

In addition, the Group distributes a booklet, "The Future of the Daiwa House Group: Daiwa House Group employees - Think this Way and Forge Ahead," written by founder Nobuo Ishibashi, to all employees when they join the Company. This booklet details the outlook, philosophy, and approach to work of the Group and its employees. All employees read the booklet repeatedly to carry on the founder's spirit. The founder's spirit of "Don't do things because they will make a profit, but because they will be of service to society," a key phrase in the booklet, informs much of how the Group conducts its business.

Main approach

The management soundness assessment at branch offices

To maintain sustainable management practices, the Company believes that we must go beyond mere figures on business performance, and be a sensible company that is needed by society. Therefore, we conduct management soundness assessments to evaluate branch offices that have achieved sound business management. These are evaluated from an ESG perspective, with assessment items including safety and environmental initiatives, compliance spirit, and labor management. Scores are assigned for each of these evaluation items. This is a system which uses point-based scores provided for each of these assessment categories, which in total are then used for branch office ranking that is in turn reflected to bonuses.

Engagement survey

The Company conducts an annual engagement survey covering all employees. By conducting this survey on a regular basis, we are able to quantitatively assess the actual state of workplace environments. The results of the engagement survey, aggregated by each department, are communicated internally by the heads of departments.

Starting in fiscal 2025, questions regarding the Daiwa House Group Principles of Corporate Ethics and Code of Conduct were included to measure the degree of internalization. As a result, 97.8% of employees responded that they comply with the Daiwa House Group Principles of Corporate Ethics and Code of Conduct. To maintain this high level of internalization, we will continue our efforts toward the further establishment of the Daiwa House Group Principles of Corporate Ethics and Code of Conduct.



[P198 Social Data Indicators related to motivation](#)

Governance

Internal control

Promotion of internal control system overseas

While each business division is responsible for business operations under the business division system, we are working to develop and strengthen a system that complements head office management of overseas subsidiaries in our overseas businesses, taking into account differences in legal systems and business customs across regions.

As part of this effort, we are developing regional corporate (RC) functions by allocating specialist human resources from the corporate department of the Head Office to each region. The RC functions serve as a foundation to support the prevention of risks and early responses by identifying and aggregating risk information within Group companies in the region and coordinating with the Head Office and related departments, acting as a mechanism that complements and executes head office management of overseas subsidiaries within the respective regions.

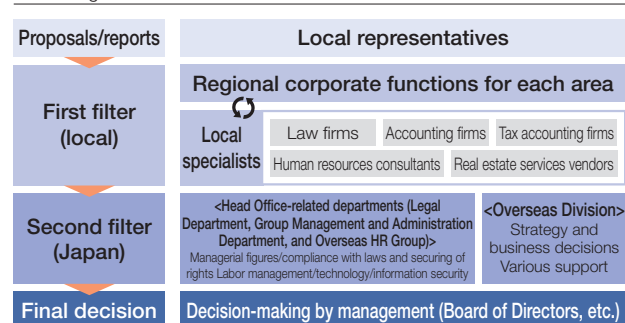
In developing and operating RC functions, we have established a system where Head Office departments coordinate based on their areas of jurisdiction, in addition to overseas headquarters, to provide necessary confirmations, advice, and support. Furthermore, we ensure continuous monitoring and improvement by reporting the operational status to the Internal Control Committee as necessary.

In addition, for overseas business investments, we have established investment management guidelines to organize items to be checked and risk perspectives at each stage of planning, execution, and operation. Based on these guidelines, the Overseas Strategy Committee conducts preliminary evaluations of the business feasibility and risks associated with investment projects to support decision-making by management. Additionally, we have developed a check sheet that consolidates knowledge regarding investment and management for overseas businesses and are sharing them with stakeholders both domestically and abroad.

Through these initiatives, we aim to share risk awareness and improve the level of response in overseas businesses, thereby strengthening internal controls across the entire Group.

Dual monitoring structure for overseas business operations and risks

Monitoring flow



Overseas locations

Governance

Compliance

Concept and Policy

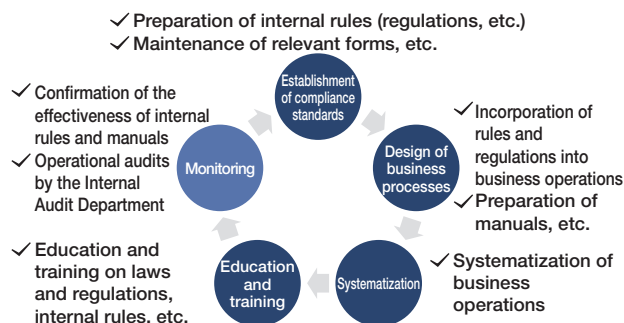
We define compliance broadly not only as adherence to laws, regulations, rules, and other social norms, as well as the Daiwa House Group Principles of Corporate Ethics and Code of Conduct and various internal standards, but also as acting with high ethical standards to meet the expectations of diverse stakeholders. Furthermore, we regard compliance as the highest priority in risk management and have established compliance rules to ensure that a uniform approach is taken throughout the Company.

Management

Compliance system

Under these compliance rules, business division heads (risk owners) and the heads of Head Office functions are obliged to establish a system with five components.

Five components of the compliance system



Monitoring activities and education

Of these five components of our compliance system, we place much of our focus on monitoring.

In terms of monitoring, in addition to operational audits

by the Internal Audit Department, each business division (as a risk owner) conducts after-the-fact confirmations to ensure that the risk management and compliance rules they established are functioning effectively and as intended. This approach enhances the effectiveness of the rules and helps ensure that any inadequacies or shortcomings in the rules can be remedied at an early stage.

In addition to monitoring by risk owners, we also encourage each branch office and worksite, where compliance is vital, to voluntarily check the status of rule implementation, thereby ensuring that the rules themselves become firmly embedded.

In fiscal 2025, to enable more efficient monitoring, we compiled various monitoring tools previously used by branch offices and published them on the company intranet. We are also sharing the status of monitoring activities conducted at business offices using these tools within the company to promote internal understanding.

P136 Internal audits

Compliance business office visits (retail stores/construction)

With the aim of preventing risks and their recurrence, we conduct compliance branch office visits and site inspections for branch offices based on the following.

1. Risk prevention activities through interviews regarding the workplace environment and business operations, as well as providing support to branch offices.
2. Awareness activities through explanations of risk incidents and the dissemination of recurrence prevention measures.
3. Support for safety, quality, and legal compliance by sharing confirmation results from construction sites.

In fiscal 2025, these were conducted at retail store branch offices (32 out of 51 branch offices) and construction branch offices (25 out of 33 branch offices), with instructions given to improve identified issues.

Compliance study sessions (Housing)

With the aim of preventing the recurrence and occurrence of serious risk incidents through improved knowledge and accurate business execution, we conduct compliance study sessions and proficiency tests for sales managers and staff.

P085 [Housing sales] Compliance study sessions

Establishing policy and regarding taxation

The Daiwa House Group Principles of Corporate Ethics and Code of Conduct stipulates compliance with laws and regulations. In all countries where we do business, we comply not only with tax laws but the spirit of the law, and pay appropriate and fair taxes. While this is the social responsibility of a corporation, we also believe it contributes to local communities. Therefore, we do not engage in arbitrary tax evasion using tax havens, and instead we make it our policy to pay 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 adopt 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 Organization for Economic Co-operation and Development (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.

Governance

Compliance

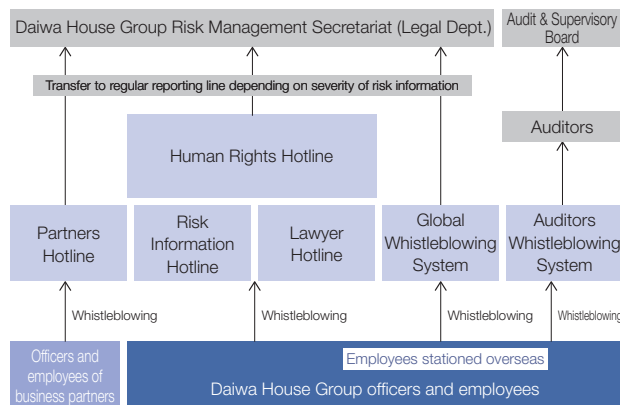
Promoting compliance

To ensure timely and appropriate compliance and risk management, the Group has established a system where report lines are defined for cases when personnel encounter risk information, all under the management of the Secretariat of the Daiwa House Group Risk Management (Legal Department). A mechanism has been put in place for escalating risk information to higher levels of the organization based on severity, ensuring that such information is properly circulated.

For cases where the regular reporting line does not work, several whistleblowing systems have been put in place for use according to the function and attributes of the whistleblowers themselves.

If information obtained by the Secretariat of the Daiwa House Group Risk Management through whistleblowing pertains to a serious risk, the whistleblower receives protection and, depending on the severity, the information is transferred to the regular reporting line as appropriate, thereby ensuring appropriate risk management.

■ Reporting line for compliance and risk information



Whistleblowing system

From the perspective of achieving rational and uniform operation of each whistleblowing system, we established the Daiwa House Group Whistleblowing Regulations to apply to all hotlines*. To

deter human rights violations, legal breaches, and misconduct, as well as for their early detection and correction, we have established multiple whistleblowing hotlines and a mechanism that allows all employees to report concerns immediately.

When a problem is reported, while protecting the whistleblower in accordance with the Whistleblower Protection Act and internal regulations, the Company promptly confirms the facts with representatives at branch offices or Group companies and takes corrective measures.

Furthermore, a Risk Management Subcommittee has been established comprising the departments in charge of the whistleblowing hotlines. This subcommittee monitors the status of responses to the inquiries made through the hotlines, and while facilitating appropriate and prompt responses, takes disciplinary action when serious misconduct is confirmed and works to maintain internal order.

Each reporting hotline is available 24 hours a day, 365 days a year, and we provide multi-language support to accept consultations from overseas bases. To encourage their use, an English translation of the Daiwa House Group Whistleblowing Regulations has been established, and a Chinese version was also created in fiscal 2025.

* The Auditors' Whistleblowing System has a different nature as it allows access to Auditors, who are outside of the Company's business execution functions, and is separately covered by the Auditors' Whistleblowing Regulations.



P190 Social Data Results of whistleblowing system operation and handling

· Protection of whistleblowers

We ensure the protection of whistleblowers and survey cooperators and prohibit retaliation by mandating strict confidentiality regarding information that could identify a whistleblower and the content of reports in the Daiwa House Group Whistleblowing Regulations, prohibiting actions that could identify whistleblowers, and prohibiting adverse treatment of whistleblowers or survey cooperators. All whistleblowing hotlines accept anonymous reporting to protect whistleblowers.

We have also established a leniency system whereby individuals who have committed misconduct or inappropriate acts can receive reduced or exempt disciplinary action by voluntarily reporting such acts, thereby aiming for the early detection and correction of misconduct.

· Whistleblowing and consultations from external stakeholders

The Group has established a Partners Hotline to accept reports from all business partners regarding legal violations as well as matters that could lead to human rights abuses or corruption.

Separately from the internal whistleblowing hotlines, we have an inquiry form on the Daiwa House Industry official website to receive various concerns, opinions, complaints, and consultations from local citizens and customers.

· Disciplinary Committee

We have established a Disciplinary Committee chaired by the Representative Director and President. To maintain corporate order, including adherence to various internal rules and regulations in addition to laws, we have a system where if acts subject to discipline are confirmed, the Committee deliberates on the necessity and severity of punishment before imposing disciplinary action on the employee concerned.

Furthermore, to promote compliance, we have categorized items requiring risk reports (such as compliance violations) within the Risk Management Regulations, with examples for each category provided in the appendix.

Implementation of compliance questionnaire survey

On March 28, 2025, following a tax audit by the Osaka Regional Taxation Bureau, the Company announced the discovery of misconduct by a former employee (receiving money and goods by placing fictitious or inflated orders with business partners).

Such fraudulent activities are inexcusable, and fiscal year 2025 was a year focused on compliance with the group-wide theme of "eliminating fraudulent activities." Specifically, we conducted a compliance survey using an external organization to uncover and deter potential misconduct.

Governance

Compliance

Various whistleblowing systems, target scope of consultation service, operational procedure

	Titles	Scope	Main departments	Purpose	Main means of reporting	Whistleblowing reception hours
Whistleblowing systems	Human Rights Hotline	All employees of Daiwa House Group*	Human Rights Promotion Department	Detect harassment and other human rights infringements early and work to resolve them.	(External service provider) Telephone, Website (Department in charge) Email	- Telephone Mon. – Fri.: 12:00 PM - 9:00 PM Sat., Sun., and national holidays: 9:00 AM – 5:00 PM - Email - Website 24 hours a day, 365 days a year
	Risk Information Hotline	All employees of Daiwa House Group*	Legal Department	Collection of information on and addressing risks, noncompliance, and irregularities across the entire group in line with our Risk Management Regulations.	Telephone, Intranet reporting form	- Telephone Mon. – Fri.: 9:00 AM – 6:00 PM - Whistleblowing form 24 hours a day, 365 days a year
	Partners Hotline	All business partners that deal with Daiwa House Group	Human Rights Promotion Department	Early detection and resolution of problems that may lead to violations of law or other inappropriate behavior by Group employees in their relationships with business partners (including labor problems, human rights, and preventing corruption).	(External service provider) Telephone, Website	- Telephone Mon. – Fri.: 12:00 PM – 9:00 PM Sat., Sun., and national holidays: 9:00 AM – 5:00 PM - Website 24 hours a day, 365 days a year
	Lawyer Hotline	All employees of Daiwa House Group*	Legal Department	Establish external consultation hotline to improve psychological safety and expand channels for gathering risk information.	(External service provider) Telephone, Email	- Telephone Mon. – Fri.: 9:00 AM – 7:00 PM - Email 24 hours a day, 365 days a year
	Global Whistleblowing System	All employees of Daiwa House Group based in overseas*	Legal Department	Provide a whistleblowing system that allows reports from overseas worksites in their local languages. * The languages supported are those of the Group's main overseas worksites.	(External service provider) Email	Email 24 hours a day, 365 days a year
	Auditors Whistleblowing System	All employees of Daiwa House Group*	Audit and Supervisory Board Member's Office	In line with Supplementary Principle 2.5.1 of the Corporate Governance Code of Japan, more objective verification and appropriate action can be taken due to the establishment of a means of direct reporting to Auditors, who have a supervisory function independent from operation departments.	Intranet reporting form	Whistleblowing form 24 hours a day, 365 days a year
Consultation services	Reporting using the form available on the Daiwa House Industry Official website	Community residents or other stakeholders	Depends on content	Accept inquiries from community residents or other stakeholders and take appropriate action.	Form on the Daiwa House Industry Official website	Inquiry form 24 hours a day, 365 days a year
	Customer Consultation Service	Customers	CS Promotion Department	Established a system for sincerely and quickly responding to complaints and opinions received from customers on the basis of company rules that comply with the ISO 10002 international standards for complaint handling aimed at consumer protection.	Telephone Form on the Daiwa House Industry Official website	- Telephone 24 hours a day, 365 days a year - Housing business customers: Daiwa House Support Desk, Construction business customers: 24-hour call center - Form on the Daiwa House Industry Official website 24 hours a day, 365 days a year

* Anyone—director, employee (whether full-time, post-retirement specially commissioned, limited-term contractual, part-time, temporary)—working for Daiwa House Group within one year of the incident-report date.

Governance

Anti-corruption

Concept and Policy

The Daiwa House Group endeavors to prevent and detect any corrupt practices under the supervision of Directors by developing internal monitoring systems such as the internal audit system and the whistleblower system. We have also 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. In addition, the Daiwa House Group prohibits acts that are considered to promote corruption and are ethically unacceptable, such as excessive entertainment or exchange of money and goods that deviate from social norms, in accordance with various policies and regulations, including the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, even if such acts are not in violation of any laws or regulations. By doing so, the Group stipulates that transactions should be conducted in a manner that ensures transparency and fairness in business operations.



[Daiwa House Group Principles of Corporate Ethics and Code of Conduct](#)

• Basic policies on prevention of bribery

The Daiwa House Group Principles of Corporate Ethics and Code of Conduct set forth our policy on prohibition of bribery. The Daiwa House Group signed the United Nations Global Compact, which stipulates that “businesses should work against corruption in all its forms, including extortion and bribery,” and participates in meetings of the Anti-Corruption Subcommittee. We are committed to preventing all forms of corrupt practices, including bribing public officials, giving and receiving excessive gifts and hospitality, collusion, embezzlement and breach of trust. 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.

Additionally, for our business partners, our Supply Chain Sustainability Guidelines stipulate anti-corruption and encourage them to observe it, through which the entire supply chain works to prevent corruption.



[P113 Operating the Supply Chain Sustainability Guidelines](#)

• Establishment of Anti-Bribery Regulations and Anti-Bribery Bylaws

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 executives and employees from being involved in offers of bribes to public officials or deemed public officials throughout the Group. The contents of the regulations are subject to review as appropriate.

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 the chief legal officer. The rules also include stipulations concerning the identification and assessment of bribery risks.

We also prohibit corrupt practices such as bribery and kickbacks through agents and the like. We conduct risk assessments of such agents by establishing regulations to scrutinize the identity, background, business activities, and relationships with public officials of the agents.

For methods of identifying and assessing the actual situation, we adopt a process in which employees collect information relating to laws and regulations as well as practices involving bribery, and the responsible director (Head of Management Administration Headquarters) conducts surveys on bribery risks, aggregates the information in the relevant department, and verifies and assesses it.

Furthermore, we stipulate an obligation to store internal records for 10 years.

• Basic policy on fair trade

The Group has clearly stated its policy on fair trade in the Daiwa House Group Principles of Corporate Ethics and Code of Conduct to share the awareness among all executives and employees to strictly observe the Anti-monopoly Act (Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and the Proper Transactions Act (Act on Ensuring Proper Transactions Involving Small and Medium-Sized Entrusted Business Operators).

• 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. This is to prevent the persons related to our company, 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.



[Corporate Governance Guidelines](#)

• Policy regarding political contributions

The Group has 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). In addition, we properly make expenditures on political fundraising party tickets within the scope of the restrictions specified in Article 22-8, Paragraph 3 of the Political Funds Control Act. In addition, we properly make expenditures on lobbying activities pursuant to the corporate compliance principles.

Governance

Anti-corruption

Management

Establishing a corruption prevention system

The Daiwa House Group emphasizes the prohibition of bribery in the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, and endeavors to improve awareness of executives and employees through educating them in an effort to prevent any corrupt practices. We have also formulated and implemented the Anti-Bribery Regulations and Anti-Bribery Bylaws. In addition, we have established a structure that strictly prohibits and prevents any corrupt practices, such as bribery and money laundering, through providing an internal notice and conducting training to the effect that any acts infringing the principle of fair competition, such as an illegal price-fixing agreement and any acts considered bribery, are strictly prohibited. We also operate a system that requires prior approval by the chief legal officer when providing entertainment or gifts, and timely review the threshold amount of expenses for each country. In addition, the Group prohibits acts that are considered to promote corruption and are ethically unacceptable, in accordance with various policies and regulations, including the Daiwa House Group Principles of Corporate Ethics and Code of Conduct, even if such acts are not in violation of any laws or regulations. By doing so, the Group stipulates that transactions should be conducted in a manner that ensures transparency and fairness in business operations.

When signing agreements with agents and other third parties from countries considered high risk based on the Corruption Perceptions Index published by Transparency International, we take a more cautious stance and adopt a risk-based approach, whereby prior approval of the responsible director (General Manager of Management Administration Headquarters) is required for signing the agreement.

In fiscal 2025, we received no report on any cases of convictions or administrative penalties owing to corrupt practices including bribery, with respect to our businesses.

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 that 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. We also drew up the Questions and Answers about the Act on Prevention of Transfer of Criminal Proceeds, which are designed to explain the contents of the Act and the Identification Regulations in an easily understandable way. We provide internal education using this guideline. In fiscal 2025, in light of the increase in transactions with overseas customers, we established an "Identity Verification Document List (for overseas customers)."

Moreover, the Internal Audit Department audits as appropriate the implementation status of these rules in light of laws and regulations so as to ensure appropriate business operations. Additionally, we have created the Risk Assessment concerning Transfer of Criminal Proceeds as a document to be prepared by a Specified Business Operator, etc. as 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 for assessing money laundering risks, which is then used in the risk assessment. If, as a result of the assessment, a transaction suspected of money laundering is identified, it is reported to the Ministry of Land, Infrastructure, Transport and Tourism in accordance with the Act on Prevention of Transfer of Criminal Proceeds.

Prevention of insider trading

Daiwa House Industry improves its system for preventing insider trading across the Group. The General Manager of Management Administration Headquarters is the person responsible for controlling insider information. Generated insider information shall be immediately reported to the General Manager of Management Administration Headquarters. In order to prevent insider trading, we have built a system in which any of the Company employees and senior management of the Group companies shall notify the General Manager of Management Administration Headquarters and obtain his or her approval before trading the Company shares. By the same token, employees of the Group companies shall notify the Information Controlling Manager (President) appointed by each company and obtain his or her approval before trading the Company shares. Furthermore, an applicant for such approval shall check by themselves whether they have any insider information, which is subject to a double check by their superior (person in charge of controlling information). In this way, we have structures in place to prevent any insider trading.

In order to ensure that knowledge of insider trading and the Company's rules are widely understood, we raise the awareness of the Group's employees about the prevention of insider trading through internal notices and onboarding programs.

We monitor the unreported trading of Company stocks, etc. that violates the Company's rules, and violators are subject to disciplinary action and sanctions.

Complete prevention of connection with antisocial forces

The Daiwa House Group declares complete prevention of connection with anti-social forces in the Daiwa House Group Principles of Corporate Ethics and Code of Conduct. Daiwa House Industry has built a system for taking organized measures by establishing the Regulations for Responding to Anti-Social Forces, and appointing the department and director (General Manager of General Affairs Department of head office) comprehensively controlling practical measures under the direction of General Manager of Management Administration Headquarters, who is a Representative Director. In addition, it has built a communication and cooperation system in case of any troubles by maintaining close cooperation with external organizations such as the police and the prefectural centers for removal of criminal organizations.

Each Group company also endeavors to build a system for excluding anti-social forces (such as development of rules, appointment of a responsible director and cooperation with external organizations). In addition, the Group promotes combined efforts such as building a database on anti-social forces shared by all Group companies.

Implementation of training on the Anti-Bribery Regulations for all employees

We conduct training once a year for all employees of the Company with the aim of deepening understanding of the Anti-Bribery Regulations and Anti-Bribery Bylaws, preventing all bribery in advance, and strengthening the anti-bribery system. In fiscal 2025, we conducted e-learning, in which employees learned important points such as the requirement for prior approval by the chief legal officer when providing benefits equal to or greater than the amount specified in the regulations and bylaws. Completion of the training requires answering all questions correctly on a test administered after the course.

Governance

Risk management

Concept and Policy

The Group has established the Risk Management Regulations and put in place a system based on common rules to prevent the manifestation of risks, to detect risks, and to minimize losses, for use in normal times and in emergencies.

We consider that risk management will contribute to protect rights and interests of not only the Group but also the many stakeholders who are involved in our business.

Management

Establishing risk management system

· Structure in normal times

We have appointed the 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 risks in advance faced by each of the company's businesses, and addressing these risks if they materialize.

· Structure in emergencies

At the Company, 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 Response Headquarters, a subrule to the Risk Management Regulations. Furthermore, a system has been put in place for quickly establishing an emergency headquarters and to help minimize the risk of a negative impact on earnings. Information on risks collected through each system and responses to them is reported to the Internal

Control Committee and the Board of Directors regularly and as necessary, and the Board of Directors supervises the risk management system.

In the event of a natural disaster, a framework is in place to establish a BCM Subcommittee incorporating different departments, to respond to the situation.

 [P134 Business continuity management \(BCM\)](#)

M&A investments

When engaging in M&A (corporate mergers and acquisitions), the Company undertakes a comprehensive investigation from multiple standpoints, primarily financial, taxation, legal, and business to weigh up and assess risk. In addition to the investigation set out above, we also assess the target companies or target businesses based on factors such as business risk and potential synergies with reference to their competitive advantages and qualitative characteristics. This is conducted by means of an investigation into their ESG credentials, which covers the following: Environment: Action on environmental problems, Social: Working environment and labor management, and Governance: Internal controls and risk management systems and compliance levels.

If, as a result of these evaluations, we determine that the target company or business has no long-term future, or if we judge that it does not satisfy the level of risk we are willing to bear, we will choose to pass on that particular M&A.

In addition, during post merger integration (PMI)—a process to maximize the integration after an M&A—the department in charge of the merger within our company will, in principle, serve as the lead division for the merged company for a period of three years and follow up on ensuring the implementation of governance initiatives enacted by our company, including the development of internal control systems.

Deliberation by Business Investments Committee

The Business Investments Committee 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 (internal rate of return). At the same time, the Committee conducts multidimensional risk assessment (25 items), including ESG, and makes investment decisions after deliberation. So even if an investment project clears the condition in the economic viewpoint, such investment is not approved if the 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. We also conduct periodic revisions to risk assessment items.

Furthermore, with the aim of reducing post-completion CO₂ emissions from the real estate for investment we develop and build, and accelerating the decarbonization of buildings and community development, we have introduced an ICP* system. In fiscal 2025, two buildings were selected for investment using this ICP system.

* ICP (Internal Carbon Pricing): A system for setting the company's own carbon price in order to promote decarbonization.

Risk assessment for investment decision

[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 (25 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.

 [P055 Preventing the spread of soil contamination accompanying land transactions and construction](#)

 [Japan's first investment decision criteria for real estate investment using internal carbon pricing \(Japanese text only\)](#)

Governance

Risk management

Information security

Recognizing the importance of protecting, managing, and properly utilizing information held by the Group, including trade secrets and personal information, we have established the Declaration of Information Security (Basic Policy), Information Management Rules, Group Basic IT Regulations, Group IT Security Standards, and Group IT Business Continuity Management Standards.

In order to properly handle, manage, protect, and maintain information, the General Manager of Management Administration Headquarters (Representative Director and Executive Vice President) serves as the Chief Information Management Officer to accurately assess the status of information security throughout the Company and promptly implement the necessary measures.

· Information controlling managers and management system

We have a system in which each branch manager, plant manager, and department director appointed as Information Controlling Managers are in charge of day-to-day information security management. In addition, we have information managers who promote initiatives as assistants to the Information Controlling Managers.

Information managers lead the stocktaking of information stored in their department, sales office, or section. For information that is not classified in the information handling manual, information managers determine the importance of the information and classify it as either “strictly confidential information” or “confidential information.” They then manage the information and provide guidance and support concerning its handling.

· Information Security Action Plan

The Company establishes an annual plan for information security activities with the aim of autonomously implementing the PDCA cycle for information security activities. In fiscal 2024, there was an incident involving the loss of certain information devices and documents due to them being misplaced. Therefore, we set “zero incidents of loss of information devices and documents because they were left behind” as a priority goal for fiscal 2025, and formulated plans at factories, branch offices, business divisions, and headquarter divisions across Japan to work on improvements.

Response in the event of major incidents

The Company has prepared an IT-BCP manual to ensure that, in the event of a major incident related to information security, the relevant departments are promptly notified and activities to restore operations are carried out in a way that minimizes damage. The head of the department where an incident has occurred notifies the Digital Strategy Department and other relevant departments, and major incidents are reported to the Internal Control Committee and submitted to the Board of Directors for deliberation. The number of incidents is not disclosed for security reasons.

IT-BCP in the event of disasters and accidents

The Rules Concerning Business Continuity in the Event of a Natural Disaster include an IT-BCP manual, which sets forth response flows and system restoration procedures to be followed in the event of disasters or accidents.

Implementation of information security training

The Company provides information security training for all employees to further improve their literacy by having them learn the basics of information security and the Company's rules, as well as gain an understanding of the actual situation regarding incidents involving information security and cybersecurity. Managers and those in higher positions are also introduced to the role expected of those who manage information, and completion of the training requires passing a course test. In fiscal 2025, we conducted training for all employees of the Group using past examples as teaching material.

We also conduct unannounced drills regarding targeted attack emails, and such drills were carried out twice in fiscal 2025. Employees who open the emails are reminded to exercise caution and are required to undergo training.

· Implementation of information security self-checks

We ensure that all employees undertake a monthly information security self-check. The purpose of these checks is to ensure that each and every employee handles all information assets held by the Company in an appropriate manner and to raise awareness of information security matters. The results of these checks are provided as feedback to branch offices and worksites.



[Declaration of Information Security \(Basic Policy\)](#)

[DX Annual Report Strengthening information security measures \(Japanese text only\)](#)

Governance

Risk management / Risk management (BCP)

Risk management system for overseas operations

The Company has established a Risk Management Committee for all overseas operations, with members appointed from the Overseas Division and each area RC, meeting monthly. The head office and area RCs are constantly working together to manage and prevent risks, and we are working to minimize risks by applying their knowledge.

Additionally, based on an analysis of risk information and selection of priority measures, risk management training is conducted for employees in charge of overseas operations in head office departments and employees stationed around the world. We also continue to promote a range of training initiatives for employees, including national staff, led by the area RC function to help nurture our human resources.

Concept and Policy

Our aim is to be a “disaster-resistant company” that, in the event of a major disaster or other type of crisis that causes extensive damage, will still be able to fulfill its corporate social responsibility, including being able to continue providing important operations that support business activities and that will strive to ensure early recovery in the event of an interruption. We will also contribute to local communities by promptly carrying out relief and recovery activities in regions hit by disasters.

■ Action guidelines

- Ensure the safety of employees and their families.
- Ensure the establishment of a prevention and recovery system that enables the continuation of important operations that support business activities.
- Establish a support system to ensure that relief and recovery activities can be delivered quickly in affected regions.
- Constantly review and improve the business continuity plan to ensure that we become a disaster-resistant company.

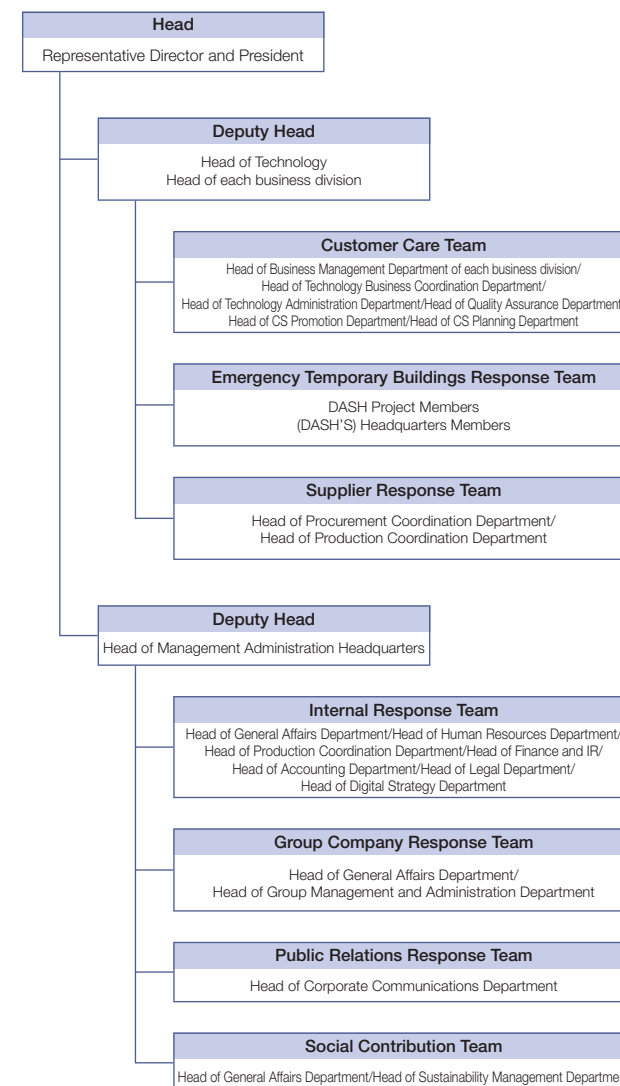
Management

Business continuity management (BCM)

Under the assumption that a serious disaster can occur at any time, the Company has established a basic policy and action guidelines for use with respect to BCP. In addition, the Company has formed a BCM Subcommittee incorporating different departments to formulate regulations concerning business continuity during natural disasters. In times of disaster, we will establish the Disaster Countermeasures Headquarters and the Local Disaster Countermeasures Headquarters, headed by Representative Director and President. We have laid out a backup framework for our call centers and factories when they are hit by a disaster, and for earthquakes and other natural disasters, pandemics and bomb warnings, we have formulated responses and an action manual, setting out what should be done promptly and properly at the site. In cases where the Head Office in Osaka 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.

■ Disaster Countermeasures Headquarters organization map



Governance

Risk management (BCP)

Framework to ensure safety and peace of mind of employees in times of disaster

To confirm the safety of employees using the system, the Company will confirm their safety post-disaster based on residential and work area information and get a handle on the state of disaster. In addition, if it is known that employees are in a disaster-affected area, we have a system in place to make individual phone calls to confirm their safety, rather than relying solely on the system.

As part of everyday training, we also conduct disaster response drills at all our worksites once every six months. We will work to develop a framework designed to more accurately gauge information about the safety of employees and their families with greater speed, including discussions by the BCM Subcommittee and revisions to manuals.

Formulation of business continuity plans (BCP) 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 promote 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.

· Business continuity management in factories

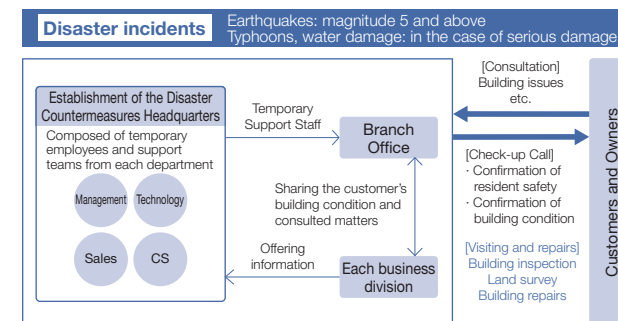
The factories collect information on weather conditions and monitor multiple sensors installed within factories. They prepare for natural disasters by implementing measures (wastewater inspections, protection of materials and products, inspections of shutters and doors, etc.) according to the anticipated 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. In preparation for emergencies, we have prepared various manuals detailing our response during natural disasters. Once a year, everyone at each factory conducts drills to ensure that they are able to act in accordance with these manuals. The manuals are revised as necessary with the aim of minimizing damage.

Structure for response to customers in event of disaster, etc.

In preparation for natural disasters such as earthquakes, we have established the Rules Concerning Business Continuity in the Event of a Natural Disaster and implemented a system to establish the Disaster Countermeasures Headquarters, as well as providing employee training and periodic drills. Furthermore, we have formulated the Disaster Response Manual, which stipulates initial systems in times of natural disasters. The manual sets out criteria and actions to be taken when disasters such as earthquakes, typhoons, or heavy rain occur or are likely to occur, dividing them into three stages: the preparation stage, the initial response stage, and the response stage. We also have put ourselves in a position to deliver relief supplies to affected areas through various routes including our Group companies.

In April 2026, we revised the manual based on our experience with heavy rain disasters to enable more prompt responses to customers.

■ Structure for response to customers in event of disasters



Governance

Internal audits

Concept and Policy

In order to achieve the best possible corporate governance, the Daiwa House Group takes the Global Internal Audit Standards (GIAS) of The Institute of Internal Auditors (IIA) as a reference and conducts internal audits objectively from a fair and independent standpoint to assess the adequacy and effectiveness of governance processes, risk management and controls (internal control) in the management activities of Group companies. These audits also advise and recommend the most effective improvements aimed at ensuring compliance with laws, regulations and internal rules necessary for the development of the Group, operational effectiveness and efficiency, and reliability of information, and support the implementation of such improvements.

In addition, based on the concept of the Three Lines Model, we will clarify the roles and responsibilities of the first line (business departments), second line (risk management and compliance functions) and third line (internal audits), ensure mutual independence, and strive to enhance the effectiveness of internal audits.

Management

Structure of internal audits

The Company has established an Internal Audit Department (comprising 46 employees as of April 1, 2026), which reports directly to the Chairman and President. This department conducts internal audits in accordance with the annual audit plan, which is formulated based on a risk approach, under the aforementioned approach.

All audit results are reported to the Chairman and President, while the results of audits pertaining to specific departments/divisions and worksites are reported to the Executive Officer in charge of the said department/division or worksite. In addition, we have established a system to regularly report an overview (of audit results) to the Board of Directors, Audit and Supervisory Board, Internal Control Committee, etc.

In addition, Audit and Supervisory Board Members maintain a close relationship with the Internal Audit Department,

and upon each internal audit, receive an “Internal Audit Report” and supplementary explanations provided orally or through other means. They examine the reported results, complement and check and balance the internal audit activities, evaluate the audit system, and request the directors, etc., to review it as necessary.

Implementation status of internal audits, etc.

The Company conducts internal audits on the Company, its subsidiaries, and other companies separately designated by the Company, which are collectively referred to as “target companies.” In addition, target companies include themselves and their subsidiaries in the scope of internal audits. In internal audits, when formulating an audit plan, we select which sites are to be audited and the items to be assessed in accordance with the results of the annual risk assessment of each Group site (company departments/divisions, branch offices, business worksites, factories, and domestic and overseas Group companies) with reference to the Medium-Term Management Plan and medium- to long-term issues raised through prior audits.

In fiscal 2025, we conducted audits on two themes covering 91 worksites (sum total of the Company's branch offices, business worksites, factories, and domestic and overseas Group companies) and multiple Head Office departments/divisions.

· Operational audits

In operational audits, in order to clarify the goals for self-assessment and improvement of branch offices, we have conducted evaluations of risk level and operational accuracy on a five-level scale since fiscal 2019. Issues identified during these audits are notified to the audited worksites and the relevant departments, and the status of improvements is subject to later checks to ensure their implementation.

· Reporting on internal controls pertaining to financial reporting (J-SOX)

The Internal Audit Department is responsible for assessment practices relating to the reporting by management of internal controls pertaining to financial reporting (J-SOX). The status of internal controls of the Company and its consolidated

subsidiaries, including compliance systems, are assessed in cooperation with the respective internal audit departments of the subsidiaries subject to assessment. We also cooperate with accounting auditors on these assessments by means of internal control audits.

Evaluating the effectiveness and efficiency of internal audits

The Company conducts quality assessments (internal and external) of the effectiveness and efficiency of our internal audits to continually improve the quality of the audits. We undergo external assessments periodically (at least once every five years) conducted by a qualified and independent external assessor. The most recent external assessment was conducted in fiscal 2021, and the next one is scheduled for fiscal 2026.

Improvement of issues discovered during audits

For issues identified during internal audits in audited departments such as branch offices and worksites, those departments are required to submit an improvement plan and, after a certain period of time, a progress report on the improvement plan. The Internal Audit Department provides advice and recommendations for improvement.

In fiscal 2025, improvement plans and other documents were submitted for 91 identified issues, and efforts are being made to make improvements.