



## News Release (Translation)

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(Code number: 1925,  
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### **Notice Concerning the Receipt of an Investigation Report from an External Investigation Committee**

We established an external investigation committee (hereinafter “the Committee”) on January 14, 2020 in relation to the inadequate work experience criteria for operation and management engineer skills qualifications (hereinafter “the Qualifications”) that we announced on December 18, 2019. The Committee investigated the facts and analyzed the causes of this issue. We hereby announce that we received an investigation report (hereinafter “the Report”) from the Committee on April 16 and reported this to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) today (April 17).

We have attached the Report (Japanese only), so please refer to it for details of the investigation results.

In addition, we conducted a subsequent internal investigation on 35 retirees who may not have had sufficient work experience. As a result, we found 14 retirees with inadequate work experience.

Moreover, we ascertained that there are holders of Qualifications not registered in our internal personnel system despite passing Qualifications tests and acquiring qualifications before FY2018 in a subsequent internal re-examination and the investigation of the Committee. As a result, we newly discovered eight employees with inadequate work experience.

We would like to sincerely apologize for the considerable concern and inconvenience we have caused all our customers and other stakeholders.

We sincerely accept the findings of the Committee and will strive to prevent a situation like this occurring again in the future.

#### ■ Report by the Committee (Overview)

##### 1. Overview of the Investigation

###### (1) Period of Investigation by the Committee

January 14 to April 16, 2020

###### (2) Investigation Targets

- The issue that some employees of Daiwa House Industry (hereinafter “the Company”) took the Qualifications tests and received the Qualifications with their work experience

certified by the Company despite the fact they had insufficient work experience as prescribed in the Test Guidebook of the Qualifications tests

- The issue that the Company then deployed those employees as chief engineers and managing engineers in construction sites or as full-time engineers in sales offices based on those Qualifications

### **(3) Investigation Objectives**

The objectives are to investigate the facts in regards to the inadequate work experience criteria in the Qualifications tests, to analyze the causes of this and to make recommendations to prevent a recurrence of this issue.

### **(4) Investigation Method**

The Committee carefully examined the Test Guidebook, Work Experience Certificate (template), in-house notices, work experience reports for holders of Qualifications, internal interview investigation sheets, personnel records and other documents relating to this issue received from the Company.

Moreover, the Committee sent a questionnaire to 353 people with inadequate work experience (as of January 22, 2019). The Committee then conducted an investigation into the awareness/understanding of the work experience criteria at the time candidates took their tests and the causes of this inadequate work experience criteria.

Furthermore, the Committee investigated the Company's personnel files, bar charts and internal interview results. With this, the Committee verified the judgment process of employees acknowledged as having inadequate work experience.

In addition, the Committee established a hotline to the Committee and informed all current employees with these Qualifications about this hotline. At the same time, the Committee met with and then interviewed 66 (total number) of those who answered the aforementioned questionnaire and officers of technology and management departments.

The Committee verified the judgment process of employees acknowledged as having inadequate work experience in this investigation upon instructing the Company to conduct an additional internal investigation on holders of the Qualifications newly discovered through this investigation. At the same time, the Committee conducted an investigation by sending a questionnaire to all seven employees identified as having inadequate work experience among the newly discovered holders of the Qualifications. The Committee met with and then interviewed two of those employees.

## **2. Facts Confirmed by This Investigation**

### **(1) Internal Policy Concerning Acquisition of Qualifications**

The Company enacted a license acquisition congratulatory payment provision in 1982. The purpose of this is to raise the desire to self-develop, to increase self-awareness of ability development and to improve the quality of employees. With this, the number of applicable qualifications has risen to 147 – including operation and management engineers – at the present time.

Moreover, notices were released in the name of the President in 2008 – “Acquisition of Official Qualifications (Instructions)” – and in the name of the Head of the Technology Division in 2010 – “Implementation of Measures to Encourage the Acquisition of National Qualifications (Instructions).” These gave instructions to promote the acquisition of national qualifications and to build an environment that gives information on the acquisition of qualifications.

Under such circumstances, the acquisition of the Qualifications was also promoted with internal correspondence education, mock tests, Web courses and other measures to support passing the tests.

The necessary qualifications had previously been established for each department as the qualifications required to be promoted to managerial level positions. Operation and management engineers previously required only the first-class building operation and management engineer qualification. However, they became required to acquire one more type of the Qualifications from 2015.

A change was made in regards to this point in August 2019 – it is now only essential to acquire the first-class building operation and management engineer qualification as it was previously.

## **(2) Requirements to Take the Qualifications Tests**

The designated test body that carries out the Qualifications tests prepares a Test Guidebook every year. This Test Guidebook announces the work experience criteria of a certain number of years of more necessary to take these tests.

Only one experience of work is permitted within a certain period of time for the work experience necessary in the Qualifications tests. A certain period of work experience to take the Qualifications tests cannot be counted twice as a period of work experience to take another Qualifications test.

Therefore, it is necessary to select a work experience period as work experience for a test or to calculate the period with a work ratio when taking different types of the Qualifications tests (hereinafter “the Duplication Prohibited Criteria”).

Moreover, subcontracted electrical work in work undertaken in civil engineering works and construction works cannot be counted as electrical work operation and management work experience (hereinafter “the Electrical Work Subcontracting Exclusion Criteria”).

The Test Guidebook specifically states that there is work not recognized as work experience depending on the type of work (type of industry), content of the work and duties in addition to the above (hereinafter “the Inadequate Work Experience Content Criteria”). Although there is a degree of difference in how specifically they are stated, it is recognized that these statements were found in the guidebook from when the operation and management engineer test began.

## **(3) Internal Structure Concerning the Work Experience Criteria**

The Technology Division was supposed to be in charge of the requirements to take the Qualifications tests as the internal structure of the Company. However, the Technical Division did not have a structure to manage the work experience criteria in detail. Therefore, it was not able to grasp and manage the work experience criteria. Accordingly, it did not provide awareness or alerts in regards to the work experience criteria.

Employees intending to take the Qualifications tests personally described the content of their work experience on the Work Experience Certificate form and obtained the approval of their manager (e.g., the section manager in their branch) (hereinafter “the Approvers”). The person in charge of the administrative department in each branch then affixed the company seal to the Work Experience Certificates. However, the daily report system in which the work history of each employee was registered was not operated with an

awareness of the work experience criteria. Consequently, employees stated their work experience with their personal recollections.

Furthermore, there were many cases in which many of the Approvers approved these certificates as having no errors without carefully examining the stated content.

As mentioned above, the Technology Division did not personally operate checks and so it had absolutely no involvement in the preparation of the Work Experience Certificates.

**(4) Actual Situation of the Inadequate Work Experience Criteria**

**(i) Internal Investigation Concerning Those with Inadequate Work Experience**

The Company conducted an internal investigation on the existence of inadequate work experience for the Qualifications tests from April 22, 2019 onward.

Specifically, the Company utilized personnel files to prepare a bar chart – a tool to visually determine the suitability of work experience – and a work experience report. It then conducted internal interviews based on those.

As a result, the Company determined that 349 of its current employees (with a total of 422 Qualifications) had inadequate work experience (hereinafter “the Employees with Inadequate Work Experience”).

After that, when starting this investigation, the Committee received a report that as a result of the internal re-examination, there was one more Employee with Inadequate Work Experience among current employees to give a total of 350 employees (with a total of 422 Qualifications).

Moreover, there were seven Employees with Inadequate Work Experience among the holders of Qualifications newly identified by the additional internal investigation presented to the Company by the Committee.

Finally, there were 4,189 holders of the Qualifications among current employees (a total of 7,303 Qualifications) who passed the Qualifications tests and acquired the Qualifications in the Company. Of these, there were 357 Employees with Inadequate Work Experience (with a total of 429 Qualifications).

At the same time, the Company conducted an internal investigation concerning the situation for retirees in the same way as with current employees and the Committee then confirmed the facts. The results showed that there were 35 retirees who may have had inadequate work experience (with a total of 50 Qualifications). Upon further investigation, it was found that two of those retirees had passed away. Of the remaining 33 retirees, internal interviews were conducted on 31 of them who could be contacted in the same way as with current employees. As a result, 14 retirees were found to be Employees with Inadequate Work Experience (with a total of 16 Qualifications).

**(ii) Internal Investigation Concerning Properties and Sales Offices Where Employees with Inadequate Work Experience Were Deployed**

The results of an internal investigation by the Company found that there were 14 properties where current employees determined to be Employees with Inadequate Work Experience were deployed in the past as chief engineers and two properties where such employees had been deployed as managing engineers. It was found that there was a possibility of violations to Article 26 of the Construction Business Act in a total of 16 properties.

There were no properties in which retirees who may have had inadequate work experience had been deployed as chief engineers or managing engineers in construction sites based on possibly inadequate Qualifications.

Similarly, an internal investigation was conducted on whether or not there had been sales offices in which Employees with Inadequate Work Experience had been deployed as full-time engineers. The results showed that there were four sales offices where current Employees with Inadequate Work Experience had been deployed and two sales offices where retirees who may have been Employees with Inadequate Work Experience had been deployed.

An investigation of the retirees who may have been Employees with Inadequate Work Experience was conducted. As a result, it was finally determined that the retirees who had been deployed as full-time engineers in the aforementioned two sales offices did not have inadequate work experience. There were no sales offices where retirees with inadequate work experience had been deployed as full-time engineers.

Moreover, there were no properties where Employees with Inadequate Work Experience newly identified through this additional internal investigation were deployed as chief engineers or managing engineers, or sales offices where they had been deployed as full-time engineers.

**(iii) Verification and Evaluation Concerning the Internal Investigation by the Committee**

The Committee verified the internal investigation and judgment processes performed by the Company in regards to Employees with Inadequate Work experience. As a result, the Committee confirmed that both processes were appropriate and recognized their suitability. The Committee also recognized the suitability of the additional internal investigation in the same way.

**(iv) Response and Awareness Concerning the Work Experience Criteria of Employees with Inadequate Work Experience and Approvers**

The Committee sent a questionnaire to Employees with Inadequate Work Experience (all current Employees with Inadequate Work Experience and retirees judged to have been Employees with Inadequate Work Experience as of January 22, 2020 when the questionnaire was sent; this includes those who were Approvers) and conducted an investigation with the questionnaire in regards to the response and awareness relating to the work experience criteria.

Looking at the content of the responses to this questionnaire and the results of the interviews by the Committee, the Employees with Inadequate Work Experience gave their failure to carefully read the Test Guidebook as the main reason that only approximately 20% knew about the Duplication Prohibited Criteria and Electrical Work Subcontracting Exclusion Criteria.

On the other hand, despite the fact approximately 63% of employees knew about the Inadequate Work Experience Content Criteria, a certain number of respondents did not attach importance to the criteria. This included employees who considered applying to take tests because they had been strongly encouraged to acquire multiple qualifications by the Company and because they had not been especially warned about the criteria. As a result, they made the judgment that there was no problem because there were more senior employees who had acquired

Qualifications with similar work experience and because the Company affixed its seal to their Work Experience Certificates and their test admission tickets arrived from the designated body.

Moreover, the degree of understanding of this matter was even lower among Approvers. It is possible to point out that the reason for this is that Approvers did not think to confirm with the Test Guidebook about whether the content of applications were applicable to the test requirements when they received applications to affix seals to Work Experience Certificates.

### **3. Analysis of the Causes**

#### **(1) Policy to Promote the Acquisition of Qualifications**

The Company aimed to encourage the acquisition of qualifications by giving employees incentives to acquire qualifications with congratulatory payments for the purpose of promoting self-development. Although not directly related to work, there was a corporate culture in which there was a high awareness of acquiring qualifications. For example, a large number of employees had acquired operation and management engineer qualifications for the purpose of self-improvement.

In addition, it was a company that promoted the acquisition of qualifications across its entirety. This includes the fact notices were released in the name of the President and the Head of the Technology Division encouraging the acquisition of official qualifications. Against this background, the Technology Division promoted the acquisition of the Qualifications by taking measures to support passing the tests (e.g., internal study sessions) and increasing the amount of congratulatory payments for acquiring licenses.

Furthermore, the Technology Division strengthened this promotion by linking the acquisition of multiple Qualifications with the personnel system. For example, there was a change to requiring one more type of Qualification (either civil engineering works, electrical works or pipe works) with the addition of the license essential to be promoted to a managerial position (e.g., section manager in a technical department) to first-class building operation and management engineers.

However, with the acquisition of the Qualifications linked to the personnel system, it goes without saying that the acquisition of the Qualifications came to be perceived as something on a different level to their necessity in work and self-improvement for employees. Together with this, the acquisition of qualifications itself became the purpose for some employees.

This method of promoting the acquisition of qualifications mainly implemented by the Technology Division was one of the causes for the occurrence of the inadequate work experience.

#### **(2) Inadequate Internal Structure Concerning the Work Experience Criteria**

The cause of this was that there was no structure to check the Test Guidebook (e.g., the Duplication Prohibited Criteria and Exclusion Criteria) in the Technology Division. This is despite the fact it strongly promoted the acquisition of the Qualifications. Furthermore, it performed no follow-up (e.g. it did not provide awareness or alerts in regards to the work experience criteria) on the test candidates.

Furthermore, the information management structure necessary to certify work experience had not been established and Work Experience Certificates prepared based on the recollections of test candidates were approved in branches. No checks were performed in

the Technology Division.

**(3) Issues in the Response and Awareness Concerning the Work Experience Criteria of Employees with Inadequate Work Experience and Approvers**

Many Employees with Inadequate Work Experience did not carefully read the Test Guidebook. Therefore, the Committee has to point out that the carelessness of the Employees with Inadequate Work Experience themselves was a cause in this regard.

Together with this, many of the Approvers also did not carefully read the Test Guidebook. Accordingly, there was an issue in the response and awareness concerning the work experience criteria.

**4. Recommendations for Recurrence Prevention**

**(1) Establishment of Appropriate Qualification Acquisition Model Plans**

The Company has a respectable corporate culture aiming to encourage employees to acquire many qualifications for the purpose of self-improvement and self-development. This culture should not be impaired by this issue. However, the method of promoting the acquisition of the Qualifications by the Technology Division itself must be revised.

The work experience necessary to take the Qualifications tests differs depending on the academic background of the test candidate. However, it is necessary to build a personnel development career system upon establishing appropriate qualification acquisition model plans based on the record in the company and experience of the employees belonging to technology departments considering that it will take up to 15 years.

**(2) Construction of an Internal Structure Concerning the Work Experience Criteria**

The Technology Division in charge of operation and management engineer test requirements did not manage the work experience criteria in the Company. The division did not make employees aware or alert of the work experience criteria at all. Therefore, it is necessary to create a department to manage the work experience. It should then become possible for this department to oversee the work experience criteria – including making employees aware and alert of it.

Moreover, there were times when it was difficult in fact to accurately state the work experience on the Work Experience Certificates by checking the records of construction sites registered in the daily report system and the test candidate's own recollections. This was even more difficult for the Approvers. Accordingly, it is necessary to construct the information management structure required to certify work experience by constructing a system that visualizes work experience so both the test candidates and Approvers can confirm at a glance the work experience.

Furthermore, the preparation of Work Experience Certificates was left completely to branches. This means the Technology Division in charge of the operation and management engineer test requirements did not perform any kind of check. Therefore, it is necessary to construct a structure in which the Technology Division checks the content of the Work Experience Certificates (e.g., a structure requiring advance examination by the Technology Division) when preparing Work Experience Certificates in the future.

**(3) Provision of a Self-check Tool for the Work Experience Criteria to Test Candidates**

It is necessary to provide a self-check tool to test candidates so that they do not make a mistake in their awareness of the contents of the Test Guidebook. For example, the Company might distribute a checklist that allows candidates to confirm for themselves the work experience criteria sought by the Test Guidebook at the time the candidate applies to

take the test.

## **5. Confirmation of the Work Quality of Properties Where Employees with Inadequate Work Experience Were Deployed**

### **(1) Investigation of the Work Quality by the Company**

The Company selected third party investigation organizations and commissioned them to conduct investigations on the work quality of 14 of the 16 properties where Employees with Inadequate Work Experience had been deployed.

These third party investigation organizations investigated the properties and provided reports to the effect that there are no issues with the work quality to the Company. The Company then gave an explanation of these reports to the owners of those properties and received approval forms upon obtaining their understanding in regards to the report content from the owners.

In addition, discussions took place on two of the 16 properties in regards to the implementation of the investigations by the third party investigation organizations with TEPCO Power Grid, Inc., an associated company of the power transmission company Tokyo Electric Power Company Holdings, Inc., because there had been work involving the power transmission part. At that time, a first-type electrical work engineer qualification holder in the constructor that performed the work on the power transmission part conducted this work for both properties. It was confirmed that power is being supplied without problem by conducting an inspection before the transmission of power upon the completion of the work by Tokyo Electric Power Company Holdings. Accordingly, the opinion was expressed that there is no need for a third party investigation organization to conduct a work quality investigation.

The Company recorded those investigation results and then explained them to the holders of the two properties. The Company then received a confirmation letter from the owners upon obtaining their understanding that a third party organization would not be conducting an investigation.

### **(2) Verification and Evaluation on the Work Quality Investigation by the Committee**

The Committee recognizes that the third party investigation organizations which investigated the aforementioned 14 properties have a neutral position with none of them having an interest in the Company. Moreover, the Committee approved the suitability of these organizations to conduct these investigations.

Furthermore, the Committee verified the content of the reports submitted by the third party investigation organizations and the approval forms of the owners. The Committee confirmed that there is no issue with the contents of the reports.

Moreover, the Committee verified the contents of the report recording the results of the discussions with TEPCO Power Grid, Inc. The Committee confirms that TEPCO Power Grid, Inc. is of the opinion it is unnecessary for a third party investigation organization to conduct a work quality investigation. At the same time, the Committee also verified the contents of the confirmation letters from the owners and confirmed that there is no issue with the documents.

Therefore, the Committee recognized it was appropriately confirmed with third party investigation organizations that there is no issue with the work quality of the properties where Employees with Inadequate Work Experience were deployed.

## 6. Conclusion

The acquisition of the Qualifications was originally an issue of individual employees. The main cause of this issue is that the confirmation by the test candidates was insufficient. However, the Technology Division in charge of overseeing this issued many inadequate Work Experience Certificates and allowed employees to take tests without constructing a sufficient structure. Accordingly, it holds a great deal of responsibility for this issue.

The Company has been operating aggressively in terms of strongly promoting the acquisition of the Qualifications. Consequently, it must construct an internal structure in concerning the work experience criteria as defensive management to complement that. The Company needs to promote reform to ensure it has an appropriate qualifications acquisition structure.

End

**Disclaimer:**

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated April 17, 2020.