

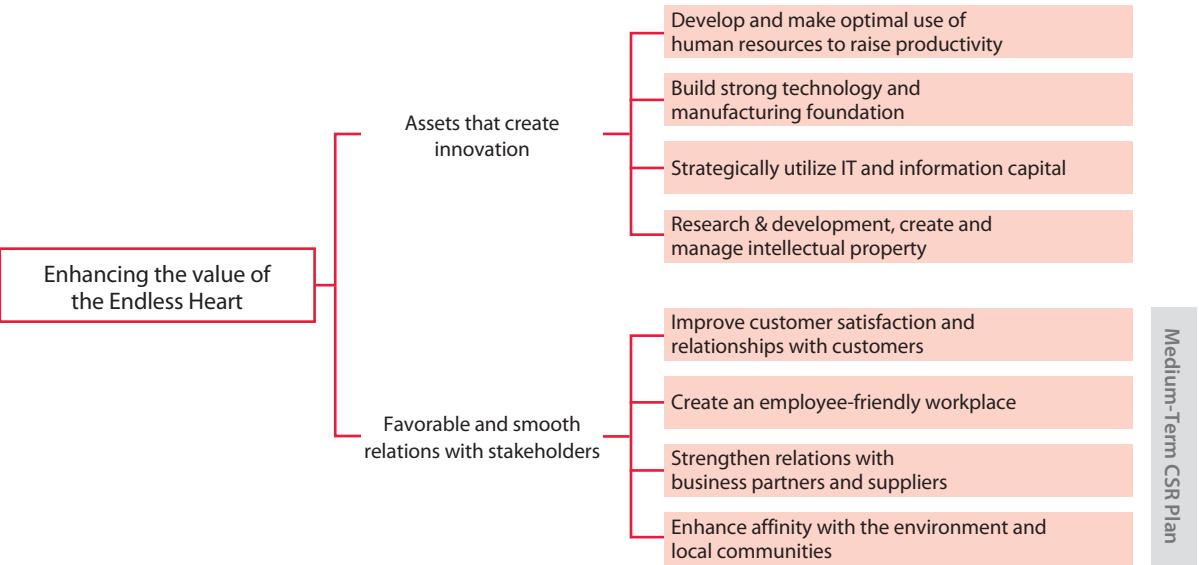


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Enhancing the Value of the Endless Heart

The Group is pursuing efforts with respect to intangible assets that have an impact on medium- to long-term cash flows with a view to augmenting sustained corporate value.

Listing the focused themes for each of the control items called “assets that create innovation” and “favorable and smooth relations with stakeholders” which are considered important perspectives, the Company strives to enhance what it perceives to be its primary corporate value (the brand value of the “Endless Heart”) as the ability to generate cash flow.



Assets that create innovation

Develop and make optimal use of human resources to raise productivity

- Human capital
- ▶ Inherit the DNA of our founder and develop human resources to pioneer the promise of the future
 - ▶ Strengthen Group-wide education and training
 - ▶ Develop leaders to accelerate the Company's growth
 - ▶ Individual growth creates the future of the Company

Senior executive and executive candidate training

Manager and leader training

Junior staff training

- Being complete in small things ■ Daring enterprising spirit ■ Pass on the spirit of the founder

Learning “being complete in small things,” the basis of working adults, and the spirit of the founder

We educate human resources that can act on the basis of “being complete in small things (greeting, reporting, communication and consulting, keeping promises, consideration for others, etc.) and a daring enterprising spirit

- Leadership ■ Problem-solving skills ■ Management ability ■ Ability of training the younger generation ■ Specialized knowledge and skills

Practical education for improving specialized knowledge and skills and fostering leadership

We provide education to reinforce the attitude, specialized knowledge and skills of a responsible person required in a leader

- Managerial knowledge ■ Ability to think ■ Judgment ■ Establishment of leadership ■ Ability to set and resolve challenges ■ Ability to conceive strategy

Company executive candidates, cultivating their qualities as leaders

The Company has opened the Daiwa House Juku and commenced a special training program for branch office manager candidates with a view to training future leaders. Practical training in management skills at the facility entails drawing up strategies to address actual management issues.

Daiwa House Juku trains future leaders

Trainees undergo this 8-month training primarily for the purpose of acquiring a perspective, way of thinking, managerial knowledge and skills as executive candidates who are to drive the Group forward. Up to now, 291 persons, including those from group companies, have completed the program of Daiwa House Juku that started in 2008.

Build strong technology and manufacturing foundation

Production capital

- ▶ Establish a manufacturing structure that gives priority to safety and quality
- ▶ Strengthen collaboration of manufacturing functions covering “product development, design, production, procurement, logistics, construction” and enhance improvement together with the sales division

Practical themes of manufacturing

- (1) Promote leveling of operations and tasks
- (2) Shorten lead time and reduce site construction burden
- (3) Develop parts and materials with optimum efficiency
- (4) Review the procurement structure



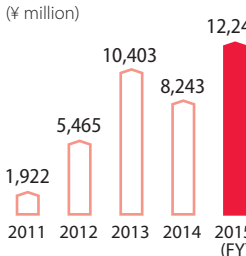
Ryugasaki factory

Number of factories 10 sites in Japan
Number of employees 403
(as of March 31, 2016)



Situation inside the factory

Plant and equipment investment



Strategically utilize IT and information capital

IT/information capital

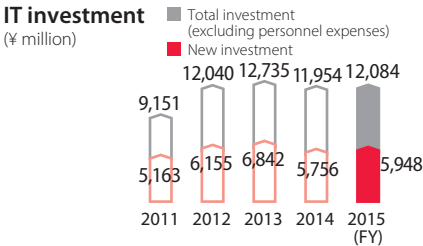
- ▶ Analyze and utilize information database accumulated through business activities
- ▶ Initiatives for smart community leveraging information technology

Gather, accumulate and utilize management information

- Develop operation promotion foundation system (D-SMART) and management foundation system (DG-CORE)
- Turn the roles of technical experts into human resource development and personnel allocation through evaluation of their business promotion capability and technological capability.



On-site input of inspection results using a tablet terminal



SMAxECO TOWN Harumidai

Number of smart communities
Number of properties sold 6 locations (537 houses)*
Planning for construction 1 location

* Including some that have been put up for sale
(as of October 1, 2016)

Research & development, create and manage intellectual property

Research & development

- ▶ R&D activities related to technologies that benefit society

Intellectual property

- ▶ Strengthen intellectual property with priority on “securing competitive advantage,” “maintaining competitive order” and “utilizing intellectual property”

- ▶ Determination and management of establishment, maintenance and licensing of intellectual property rights by the “Invention Committee” and the Intellectual Property Office

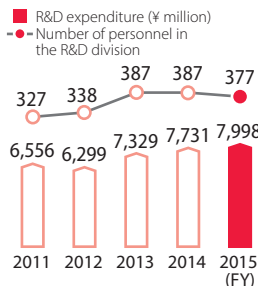
Priority technical issues

- Labor-saving technology (shorten construction period and automation)
- Technology supporting a super-aging society
- Zero energy and technologies that give consideration to health
- Technology that enables standalone product installation

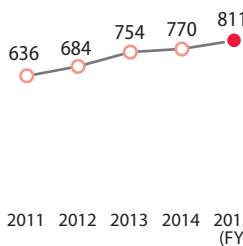


The Central Research Laboratory (Nara Pref.)

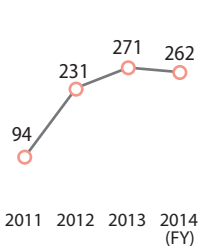
R&D expenditure



Number of patents in possession



Number of patents applied for in Japan



Favorable and smooth relations with stakeholders

Recognizing that the way we respond to issues related to sustainability, such as social and environmental concerns, would be an important factor in enhancing corporate value over the medium term, we have identified the CSR materiality to be addressed during the medium term. (For details, see P13 and onward of CSR Report 2016.)

The selection process for CSR materiality

STEP 1

Identify and arrange the themes

The Group has added priority issues indicated in international codes of conduct, along with domestic and overseas primary social issues to the usual CSR activities, and extracted candidates for CSR materiality.

STEP 2

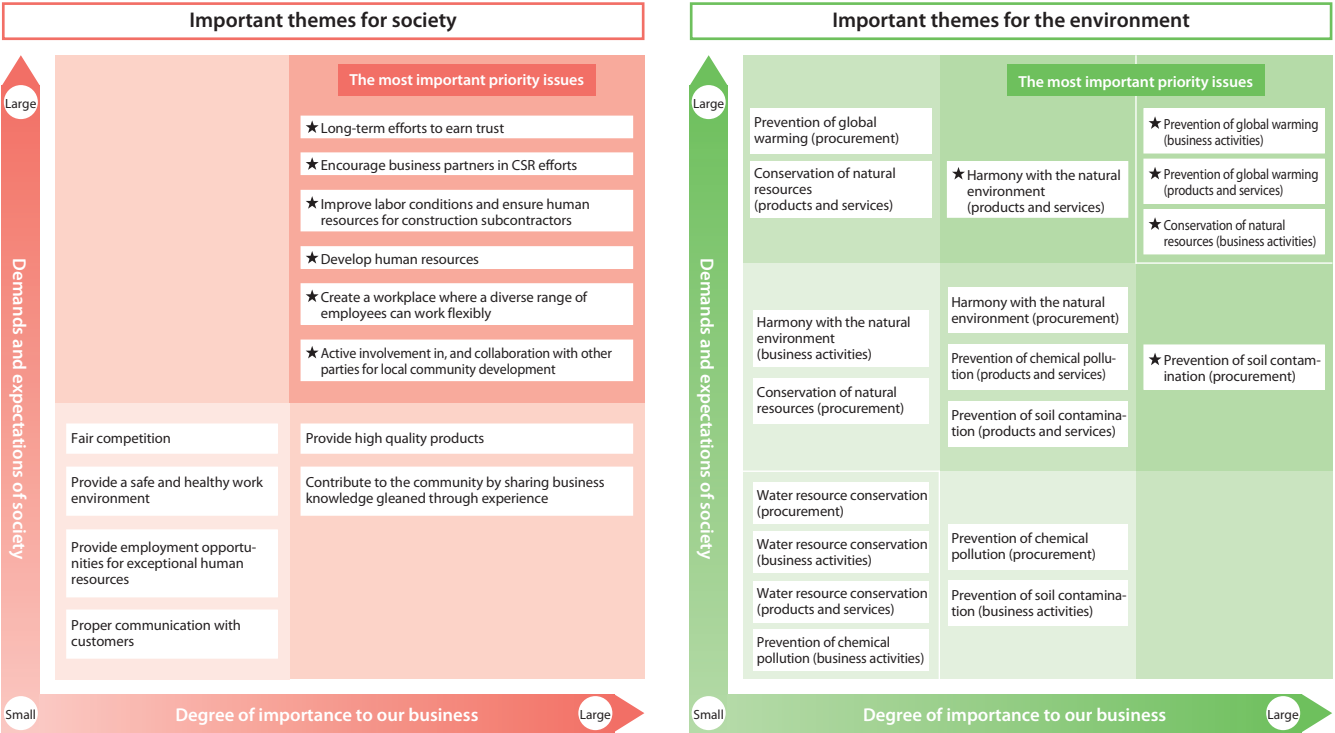
Confirmation of validity

In order to clarify whether there are any gaps between what the Company deems important and the level of importance seen by society, we hold stakeholders' meetings and dialogues with experts. This approach has deepened our understanding of each theme from a stakeholder perspective.

STEP 3

Identification of materiality (most important priority issues)

After Step 2, we performed validation within the Company, and identified 11 items (social: 6, environmental: 5) to be considered the CSR materiality that are the most important issues. (Also takes into account the degree of effort the Company makes for priority issues)



STEP 4

Set up assessment index – Management objectives via CSR self-assessment index –

CSR materiality items are weighed relative to our independent management system, CSR self-assessment index, and a PDCA cycle is incorporated to aid us in meeting our objectives.

We are increasing assessment indices for the 11 most important priority issues (★) to implement weighted scoring.

Medium-Term CSR Plan

At the Group, we work under the fundamental concept of “co-creating a brighter future” to meet the expectations of society through active communication with our stakeholders. That philosophy, combined with the spirit of greater harmony, is the ingredient needed to realize a sustainable society.

With regard to “society,” we aim to build strong bonds of mutual trust between ourselves and our stakeholders by directly addressing all issues involving the separate relationships between the Group and each stakeholder. As for the “environment,” we aim to balance

concern for the environment with the need to achieve sufficient corporate earnings. We have given priority to the themes of global warming prevention, harmony with the natural environment, conservation of natural resources, and prevention of chemical pollution. We are accelerating our measures toward these goals across our entire value chain, from suppliers through in-house production and processing, to the sale of end-products. In all these cases, we are currently working steadily toward the achievement of specific targets within fiscal 2018.

Medium-Term Social Plan Building a trusting relationship with stakeholders

(For further details P57-60)

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

Customers

- Provide high quality products
- Proper communication with customers
- Long-term efforts to earn trust

Business partners

- Fair competition
- Encourage business partners in CSR efforts
- Improve labor conditions and ensure human resources for construction subcontractors

Employees

- Provide a safe and healthy work environment
- Develop human resources
- Create a workplace where a diverse range of employees can work flexibly
- Provide employment opportunities for exceptional human resources

Local residents

- Active involvement in, and collaboration with other parties for local community development
- Contribute to the community by sharing business knowledge gleaned through experience

Medium-Term Environmental Plan Coexistence of environmental sustainability and corporate profitability

(For further details P61)

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

Environmental sustainability

Prevention of global warming

- Promoting the construction of zero energy houses, buildings and towns
- Expanding the power generation business by adopting renewable energy

Harmony with the natural environment

- Promoting sustainable wood procurement
- Promoting the preservation and creation of green spaces in development and town planning

Conservation of natural resources, water resource conservation

- Promoting the application of the “3Rs” to construction waste
- Promoting the adoption of resource-recycling products (exhibiting greater durability and longer service life and conserving resources)
- Promoting reproduction building materials

Prevention of chemical pollution, prevention of soil contamination

- Further improving indoor air quality in residential facilities
- Strengthening the management of soil contamination risks during land purchases

* Reduce, Reuse, Recycle

Customers

Vision and strategy

What the Daiwa House Group aims to achieve

We adhere to the spirit of fostering, and continue providing products that are loved for many years

At the Group, through CS (customer satisfaction) activities, we will reflect customer viewpoints in every aspect of our business activities. We go one step beyond “customer orientation” and put “each individual orientation” (thinking from the perspective of each customer) into actual practice. The approach of growing together with our customers to give shape to ideas through repeated face-to-face communication is the steadfast attitude the Group is aiming to achieve.

The purchase of the Group’s products and services is not the end of our relationship with customers, because customers will be using the products for a long period. We will enhance the quality of our buildings and services to continue being a trustworthy entity that is loved by customers.

Principal evaluation indicators

Percentage of implementation of special inspection regarding product performance and specifications

FY2015 results ▶ 90%

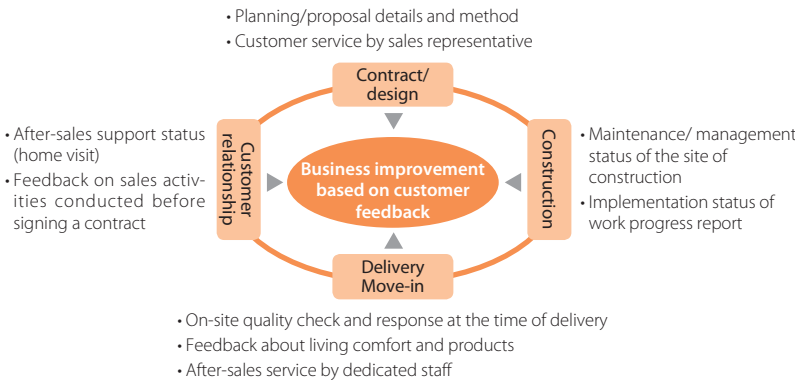
FY2018 targets ▶ 100%

Rate of highest evaluation of intention to introduce in one-month questionnaire (single-family houses)

FY2015 results ▶ 58%

FY2018 targets ▶ 70%

Initiatives to make use of customer feedback



24-hour Customer Center

Risks and opportunities for the Daiwa House Group

Although the housing market is expected to shrink in the future, since buildings are basically custom-built, diversifying needs and accelerated changes present both risks and opportunities. We will create new businesses and businesses which utilize our existing customer base.

We will enhance customer satisfaction by creating businesses and maintaining high quality in both hardware and software in an effort to increase profitability.

Risks

- Competition will intensify as the newly built housing market diminishes.
- Opportunities may be lost if we fail to rapidly respond to diversifying customer needs.

Opportunities

- Long-lasting favorable relationships can be established by acquiring profound trust from customers.
- New business opportunities can be created, such as businesses that leverage the existing customer platforms, and products and services that resolve social problems.

Employees

Vision and strategy

What the Daiwa House Group aims to achieve

Creating workplaces that are motivating and a source of pride using a bottom-up approach



The Group considers people to be the corporation’s greatest asset. Under our founder’s belief that “a company is built upon the energy of those who make things happen at ground level,” we instill in our employees the importance of a bottom-up approach to management that follows a company philosophy to “develop people through business.” The employees of the Group which is good at providing a solutions-based approach must work with optimism and a strong will to turn people’s dreams into reality for the purpose of solving issues faced by customers. In the process they themselves must grow.

We also actively promote diversity to bring in useful, new perspectives to solve issues with fresh ideas. We want all of our employees to feel a sense of mission and become aware of how the work they are doing serves society. By doing so, we aim to create workplaces that generate motivation and pride.

Principal evaluation indicators

Degree of satisfaction of employees to overall human resources training

FY2015 results ▶ 69%

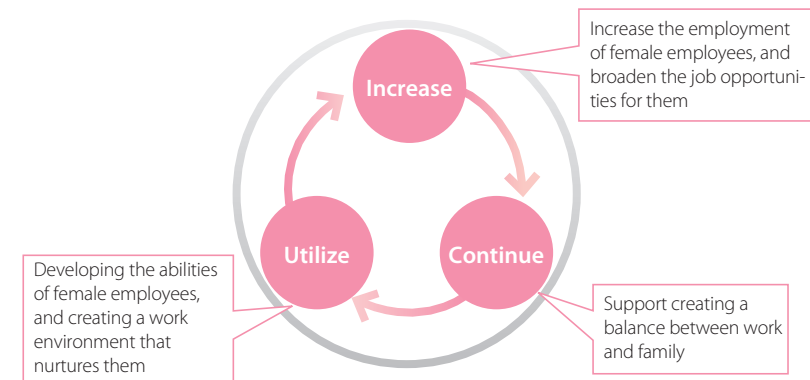
FY2018 targets ▶ 85%

Rate of hiring of new graduate females (general employees)

FY2015 results ▶ 24%

FY2018 targets ▶ 30%

Cycle of promoting women’s activities



D’s Women’s Forum aims to encourage women to play more active roles throughout the Group

Risks and opportunities for the Daiwa House Group

The Group has approximately 57,000 employees with a variety of personalities and diverse capabilities. If we are able to continue providing an environment that brings out the best in each employee, we can expect to maintain steady growth in the future. In contrast, if inadequacies appear in the work environment, we will lose our competitiveness. The Group works to create a personnel system and corporate culture that together encourages personal growth and promotes diversity that enables a variety of working styles.

Risks

- It will be difficult to attract and hold on to highly capable individuals unless we are flexible in meeting the needs of employees of all types from a range of backgrounds.
- Women’s loss of opportunity for advancement due to marriage or child-rearing is a significant loss to the Group.

Opportunities

- A workplace in which diverse personnel can work together facilitates the emergence of new ideas, which will lead to the development of products and services that accurately meet the diversified needs of customers.
- Allowing flexible working styles to support employees in different life stages leads to attracting and holding onto talented individuals.

Business Partners

Vision and strategy

What the Daiwa House Group aims to achieve

We will continue to construct quality buildings through mutual study, and realize co-existence and co-prosperity

Business partners are vital, and indispensable and valuable partners, for the Group which has established an expansive value chain. The Company has set up a robust supply chain comprising three membership organizations: the Trillion Club, the Confederation of Partner Companies, and the Setsuwa Club. Individual organizations strive to further gain the trust of customers by securing superior quality in accord with the spirit of co-existence and co-prosperity, through setting goals and addressing high priority themes to achieve the goals.

With trust and challenge as the keywords, the Group will create goods and services with real values together with business partners to create win-win relationships.

Principal evaluation indicators

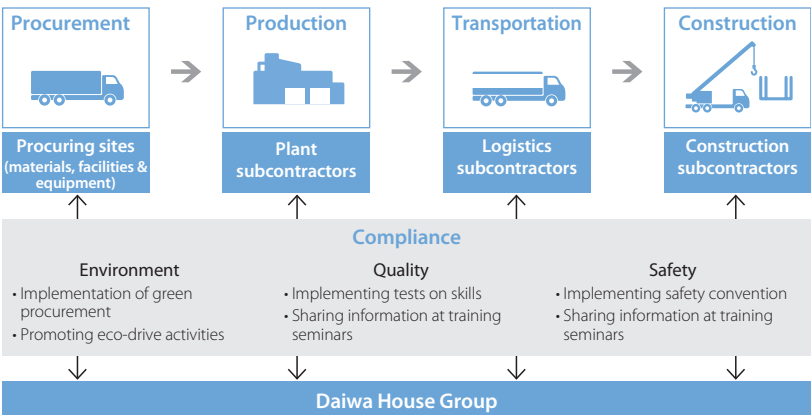
Questionnaire survey for business partners about Daiwa House Industry employees' conduct
(Percentage of respondents who stated "no problem" with regard to Daiwa House Industry employees)

FY2015 results ▶ 72%
FY2018 targets ▶ 75%

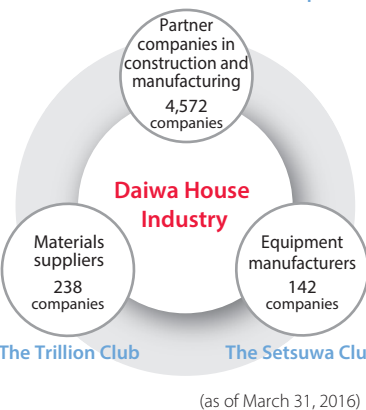
Number of the Confederation of Partner Companies

FY2015 results ▶ 4,572 companies
FY2018 targets ▶ 4,800 companies

Supply chain in the business activities of the Daiwa House Group



The Confederation of Partner Companies



Risks and opportunities for the Daiwa House Group

Since we believe that business partners should have cooperative relations and enhance each other, we evaluate the business conditions of the material suppliers and point out any issues to be improved on an as-needed basis. This is because we believe that the strengthening of business management of the suppliers leads to a stable working environment for their employees, the improvement of safety and quality, and eventually the satisfaction of our customers. In addition, we build relations in which we respect each other and make management efforts together through the leveling of operation and other initiatives in order to improve competitive strength.

Risks

- Further shortage of site workers is expected in the future, and there is a concern that it causes problems as to quality and safety.
- Any occupational accident or illegal act involving our business partners can result in a delay or suspension of supply to our clients and also ruin our social credibility and a resultant decline in our corporate value.

Opportunities

- Mutual study and support and friendship sought through the supply chain network will enhance the construction system and human resources and contribute to the further improvement of safety and quality as well as cost reduction.

Local Residents

Vision and strategy

What the Daiwa House Group aims to achieve

Help solve issues in local communities through dialogue and cooperation that build "relationships"

With branches and factories across Japan, the Group develops business activities in close cooperation with local communities. Positioning social contribution activities in communities as "community co-creation activities," the Group endeavors to solve social issues in our hosting communities. In our community co-creation activities, we emphasize our "relationships" with community stakeholders by talking with them to first understand the issues, sharing wisdom with each other, and working with them on solving the issues at hand. Being involved in solving community issues and interacting with diverse stakeholders who have a different sense of values is expected to also have a secondary effect of enhancing management of the branch by presenting an opportunity for personal growth for each of our employees. As a corporate citizen, we will continue to seek to enable spiritually rewarding communities from a mid- to long-term perspective.

Principal evaluation indicators

Amount conversion of community co-creation activities by branch offices

FY2015 results ▶ 137.114 million yen
FY2018 targets ▶ 300 million yen

Number of cases of education support
(Career education, on-site experience and others)

FY2015 results ▶ 55 cases (annual results)
FY2018 targets ▶ 70 cases (annual results)

Approach to community co-creation activities



Risks and opportunities for the Daiwa House Group

Constructively developing and activating local communities both makes the areas where we do business more interesting and stimulates the market, therefore we view these practices as critical to our growth as a business group. And our workforce engaging in these practices out of their own volition creates new opportunities to grow.

Risks

- Unless issues afflicting a local community are resolved, the community becomes less interesting to buyers and shrinks as a market.
- Changes in the local market, social environment or other elements cannot be addressed unless identified and properly analyzed.

Opportunities

- Positive reactions to local communities we develop and relationships based on trust lead to smooth business.
- Growth is the result when our employees take a personal interest in addressing the issues of local communities.

Favorable and Smooth Relations with Stakeholders

Environment

Vision and strategy

What the Daiwa House Group aims to achieve

Addressing the challenge of zero environmental impacts with the aim of realizing a sustainable society



The Group has formulated the Long-Term Environmental Vision "Challenge ZERO 2055" with an eye to our 100th anniversary in 2055, and has set long-term goals in four environmental themes associated with its business that hold a high degree of interest for stakeholders to meet the challenge of achieving "zero environmental impacts" throughout the product life cycle.

Every three years, the Group formulates a program with concrete targets and plans. Known as the Endless Green Program, it is actively implemented on a schedule under the Medium-Term Management Plan toward achieving the goals of the Long-Term Environmental Vision. In the Endless Green Program 2018 for implementation the period fiscal 2016 to 2018, we are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.

Principal evaluation indicators

Rate of decrease from the FY2005 figure in CO₂ emissions per unit of sales

FY2015 results ▶ -50%

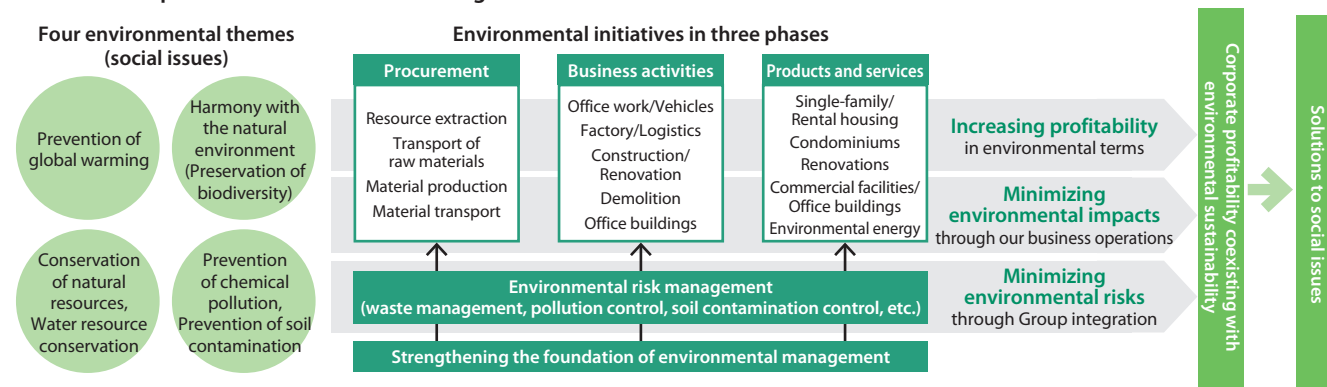
FY2018 targets ▶ -53%

CO₂ savings from delivery of products & services

FY2015 results ▶ 3,700 thousand t-CO₂

FY2018 targets ▶ 3,900 thousand t-CO₂

Overall action plan for the Endless Green Program 2018



Risks and opportunities for the Daiwa House Group

The Paris Agreement was adopted in the United Nations Framework Convention on Climate Change (COP 21), and greenhouse emission reduction targets were announced in Japan. We believe that control of CO₂ emissions will be strengthened, and the development and spread of energy-saving houses and buildings will further advance in the future. As the quantity of natural resources consumed globally increases, resource depletion worsens. Therefore, we extend service life of houses and buildings and conserve natural resources in an effort to reduce waste generation and increase the recycling ratio. We also build and strengthen systems for wood procurement and chemical substance management throughout the supply chain, which includes our business partners and customers, to minimize risks. In addition, we provide added value for new lifestyles, developing lush green towns that support biodiversity and create opportunities for expanding the greening business.

Risks

- Increase relevant investments by strengthening control of CO₂ emissions.
- Disruptions in supply of materials and increase in costs due to expanded demand for timber from sustainable logging, depletion of resources and a lack of water resources.
- Increase in costs due to added new regulations on chemical substances.

Opportunities

- Expansion of environmental real estate market due to growing needs for environmental consciousness.
- Expansion of the environmental greening business in response to increased need for urban greening.
- Growth of existing home business to achieve a longer life for houses and buildings.