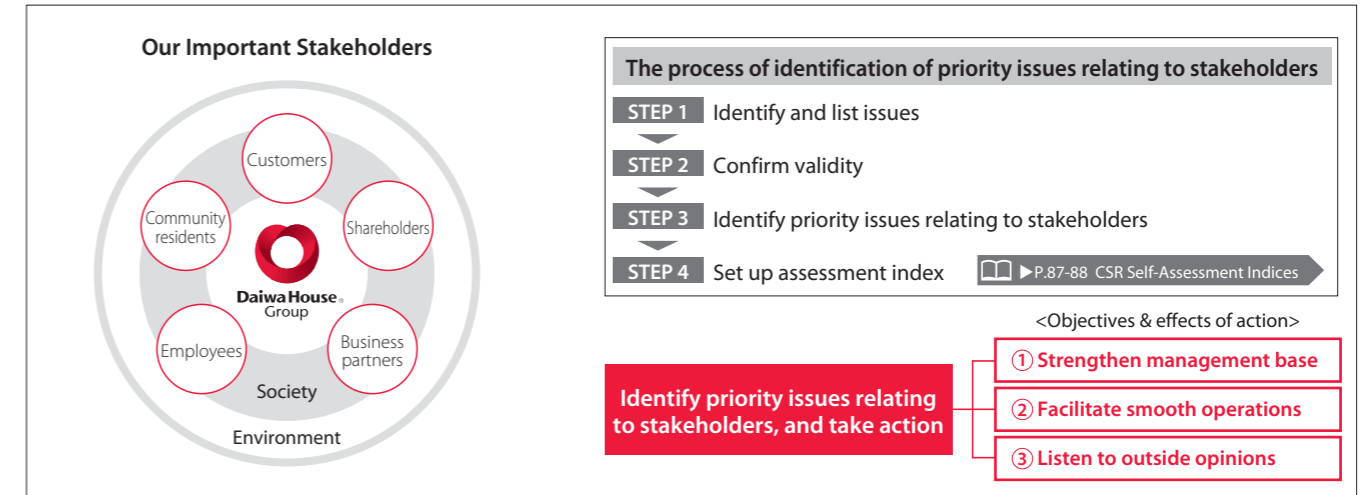


**Brand Value of the Endless Heart (primary corporate value)**

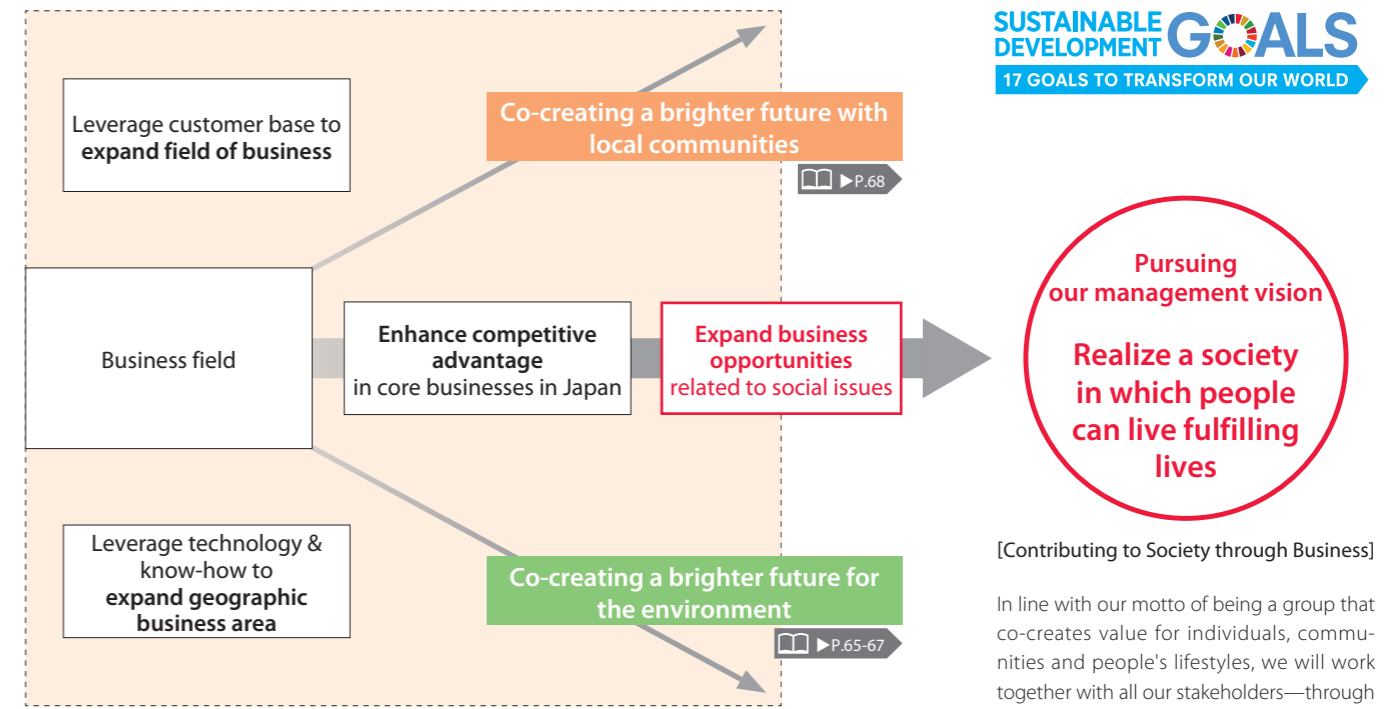
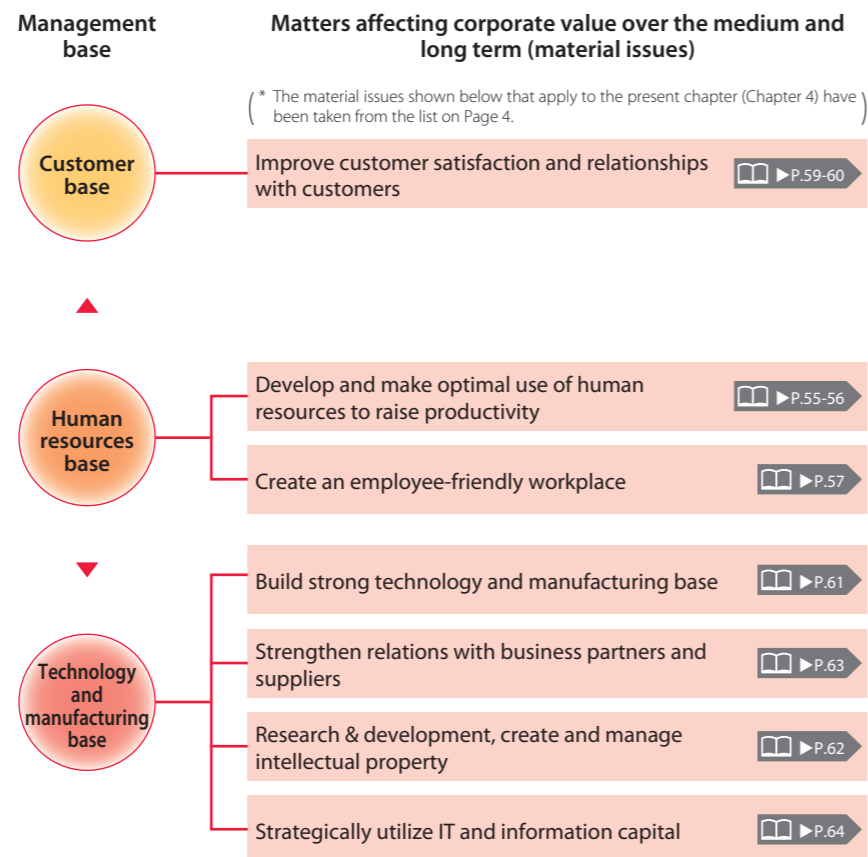
The Daiwa House Group engages in business operations that are underpinned by three “bases”—our human resources base, our customer base, and our technology and manufacturing base. Going forward, to strengthen these three bases, we will pursue activities that optimize those matters that affect corporate value over the medium and long term (material issues). Through this, we will strive to enhance primary corporate value—the brand value of our Endless Heart symbol and of the concept that lies behind it—which we believe to be the force that generates cash flows.

The Group’s core business fields are conducted in the home-building, general construction, and real estate industries, and thus it is important for the expansion of our business fields that we ensure compatibility between our business operations, products, and services on the one hand, and the local communities where we do business (including our stakeholders) and the natural environment on the other. This is what we call “co-creating a brighter future with all our stakeholders.” Additionally, ensuring compatibility in this way is essential if we are to identify the social issues that we must recognize in order to determine our business strategy over the medium and long term.

Our aim is to achieve a sustained growth in the Group’s corporate value, and we have therefore identified priority issues relating to our stakeholders, particularly the Group’s contribution to society and the preservation of the natural environment (including efforts to reduce negative environmental impact). By steadily tackling these issues, we hope to strengthen our management base over the medium to long term, and to facilitate the smooth conduct of our business operations. At the same time, we will listen closely to advice and opinions from all quarters of society, and will work to expand business opportunities that involve addressing social issues.



**Our primary corporate value, defined as the ability to generate cash flow**



**Pursuing our management vision**  
Realize a society in which people can live fulfilling lives

[Contributing to Society through Business]

In line with our motto of being a group that co-creates value for individuals, communities and people’s lifestyles, we will work together with all our stakeholders—through our pursuit of business operations involving everyday life—to contribute to the achievement of the Sustainable Development Goals (SDGs) promoted by the United Nations.

Basic concept

## Develop human resources that contribute to society, and create a motivational workplace that employees are proud of, through a thorough “bottom-up approach” and “positive attitude.”

The first two items of the Company Philosophy (Corporate Creed) of the Group are “Develop people through business,” and “A company’s progress depends directly on ensuring a good working environment for its employees.” Our founder believed that a company is built upon the energy of those who make things happen at ground level.

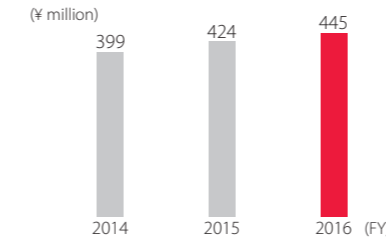
To this end, our mission is to create a culture of developing people

through business and to prepare an environment in which people can grow. Specifically, we seek to establish working and living environments that bring out the best in everyone by building a personnel system that maintains and improves employees’ pride and job satisfaction.

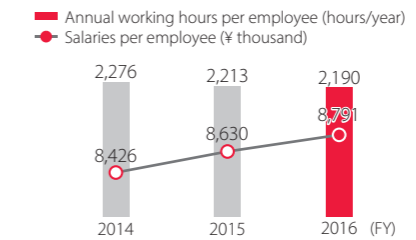
Note: This section contains information about Daiwa House Industry (non-consolidated).

Key data on human resources base

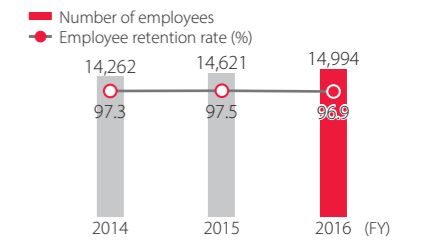
1 Human resources development costs (non-consolidated)\*1



2 Annual working hours per employee/ Salaries per employee (non-consolidated)



3 Number of employees/Employee retention rate (non-consolidated)\*2



Under its philosophy of “Developing people through business,” the Group is proactively investing in human resources development. With its efforts on health management, annual working hours are showing an improving trend. Meanwhile, as enhanced productivity has allowed profits to keep growing, the returns to employees (remuneration) are increasing. We will seek to increase the level of employee satisfaction through various personnel measures and to further improve productivity by maintaining and improving the retention rate of employees who share the Company Philosophy.

\*1 Labor and transportation costs for training, etc. \*2 Employee retention rate = 1 - Rate of turnover due to voluntary resignation

Matters affecting corporate value over the medium and long term (material issues)

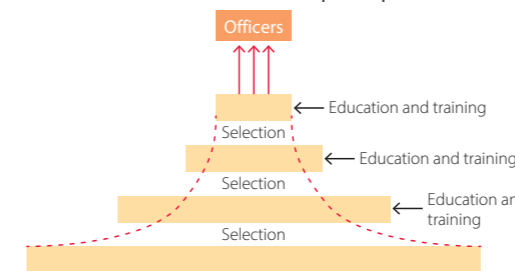


Developing human resources: Retaining and developing next-generation employees, and discovering and developing talented individuals to become managers.

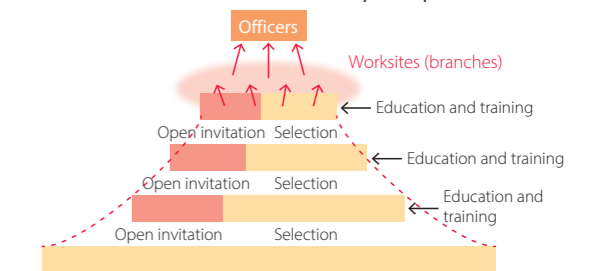
The bottom-up approach, which trains personnel through hands-on experience, serves as a basis for human resource development while OJT and Off-JT are effectively combined in our education and training systems. OJT is aimed at helping employees acquire practical skills through work at individual workplaces and is linked with evaluation systems, thereby enhancing the effect of development of employees in all ranks. As Off-JT, grade-specific

training is implemented in order to develop the spirit of autonomy in employees. To this end, participants in the specific courses are openly invited. All education and training has a curriculum to allow employees to utilize what they have learned in the workplace in order to gain something beyond book learning.

General human resources development processes



Daiwa House's human resources development processes



Diversity: Establish a system that allows diverse employees to fully display their capabilities.

Promoting women

The Group aim to achieve our goal of 500 female managers by fiscal 2020, and support career development for female workers. As of April 1, 2017, the number and ratio of female managers in the Group overall was 261 (3.6%).



Nadeshiko Brand\*

Promoting elderly employees

In fiscal 2015, the Company launched the Active Aging Program for re-hiring personnel past the retirement age of 65. As of April 1, 2017, 100 people were actively working as post-retirement specially-commissioned employees.

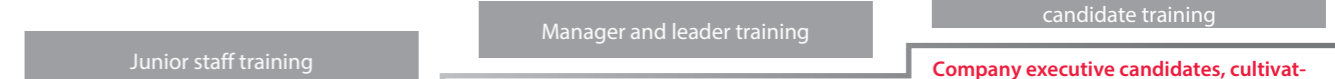
Commitment to establishing diverse working styles

With the introduction of the Hello-Dad-and-Mom program for involving men in childcare, where the first five days of childcare leave have become paid time off, 32.9% of male employees took childcare leave in fiscal 2016. To spread awareness of the program, the Group issued a booklet titled “Diversity Report” in July 2016 to introduce employees who were successfully managing to work and raise children at the same time through the “Hello-Dad” program and the staggered work shift system for childcare or nursing care, which was introduced in the previous fiscal year. In addition, the Company aims to enable more diverse working styles by expanding the number of job types subject to teleworking trials.

Rate of employees with disabilities

As of April 1, 2017, the percentage of employees with disabilities accounted for 2.19%. The Company is striving to realize a workplace environment in which employees with disabilities can work in a truly rewarding manner while enjoying the understanding of their healthier colleagues, by assigning them in consideration of their aptitudes.

Training curriculums for their positions



“The spirit of the founder” and “Being complete in small things”

We educate human resources that can act on the basis of “being complete in small things” and “a positive attitude”.



- New employee training
- Training for mid-career recruits

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.



- Training for newly appointed managers
- Training for reinforcing the ability to anticipate problems
- Training for team leaders
- Training for OJT Elders

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.



- Daiwa House Juku
- Training for branch office manager candidates
- Training for newly appointed branch office managers and general managers

Improving the work environment: Improving labor productivity by alleviating long working hours and promoting health management.

● Alleviation of long working hours

The Company has made various efforts as it believes that it is important to promote health management and improve labor productivity by reducing long working hours and providing steady healthcare.

Year of introduction	Description
April 2004	<ul style="list-style-type: none"> <li>● <b>Lockout system</b> To eliminate excessively long workdays, branch offices were closed at 22:00 (the closing time was changed to 21:00 in February 2009).</li> </ul>
April 2007	<ul style="list-style-type: none"> <li>● <b>Home Holidays system</b> To encourage the taking of paid holidays, employees were obliged to take one paid holiday every quarter (three months) in a planned manner.</li> </ul>
April 2009	<ul style="list-style-type: none"> <li>● <b>Abolition of the deemed work hour system</b> To ensure the proper counting of working hours, the deemed work hour system that was applied to work outside the office was abolished, and management based on net working hours was applied to all job types.</li> </ul>
April 2012	<ul style="list-style-type: none"> <li>● <b>Introduction of a PC lockout system</b> A system was introduced to disable the use of PCs before check-in at the office or after check-out from the office, or without application for overtime work.</li> </ul>
November 2013	<ul style="list-style-type: none"> <li>● <b>Visualization of infringement upon the Article 36 Agreement</b> A system was introduced to enable timely confirmation on PCs by employees, superiors and administrators, concerning infringement upon overtime work hours stipulated in the Article 36 Agreement.</li> </ul>
April 2014	<ul style="list-style-type: none"> <li>● <b>Review of branch office business performance assessment</b> Earnings per hour, leveling of workload, and the rate of acquisition of paid holidays (Home Holidays) were incorporated into the criteria for bonus assessment for each branch office.</li> </ul>
September 2015	<ul style="list-style-type: none"> <li>● <b>Introduction of a shady branch office listing system</b> In-house criteria have been established against excessively long workdays, based on which advice for rectification is issued. Branch offices that fail to rectify the situation are listed as "shady branch offices," and a lower standard of bonuses is applied throughout the branch office.</li> </ul>
February 2017	<ul style="list-style-type: none"> <li>● <b>Introduction of the "Premium Friday"</b> The final Friday of each even-numbered month is regarded as "Premium Friday," on which employees are encouraged to take a half-day paid holiday in the afternoon.</li> </ul>

● Promoting health management

In fiscal 2015, "planned annual leaves" were introduced on a company-wide basis to encourage employees to take paid leaves. In addition, the rate of Home Holidays taken is incorporated in the evaluation items. As a result, the rate of paid leave taken in fiscal 2016 significantly increased to 53.5%. These efforts led to steady improvement in the annual working hours per employee (2,190 hours) and annual overtime hours (365 hours) in fiscal 2016. We were selected in the 2017 Health and Productivity Stock Selection.



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

\*1 Health and Productivity Stock Selection: A system, where the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange select business enterprises that excel in examining and strategically practicing health management for employees, etc., from a managerial viewpoint.

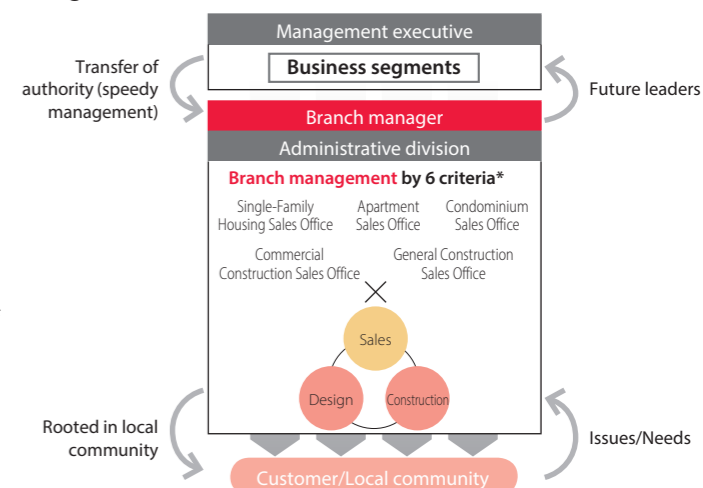
\*2 The number of annual overtime hours in excess of the prescribed working hours includes that of employees whose work hours are managed by the company and excludes that of managers and supervisors.

Leverage Human Resources Base to Branch Management

Speedy management by transferring authority to branch managers (heads of our branches)

The Company clarifies in the organization that the branch manager is a representative of the president and transfers authority in the management of worksites to 83 branch managers across Japan. Branch managers grasp new issues and social needs by working hand in hand with customers and local communities with a community-based approach in carrying out speedy management by giving the greatest importance to the branch.

In addition, we realize sound management by sharing the criteria for branch management and introducing a branch evaluation system, while each employee supports the brand value of the Endless Heart through a thorough compliance with the Principles of Corporate Ethics and the Code of Conduct.



\* 6 criteria: Engage in business activities that would make a good contribution to customers, the Company, employees, shareholders and society into the future

<Training for branch office manager candidates>

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



Scene of training

Branch evaluation system

The management soundness assessment system, which is aimed at firmly establishing "improvement in management efficiency" and "reinforcement of the management foundation" at worksites, has a wide range of items to be assessed for the "level of management soundness" in addition

to a performance evaluation for the purpose of ensuring that the Group will grow in a sustainable way. The results of the assessment are calculated for each of the worksites and affect amounts of bonuses to be given to the general managers thereof and employees belonging thereto.

Performance evaluation

- Branch profit per person/month
- Branch profit per person/hour
- Year-on-year growth rate
- Leveling ratio of number of completed units
- Leveling ratio of number of construction starts of main unit
- Special extra profit recorded for all business divisions

Evaluation of Business Management Soundness

- Cash flow
- CS activities
- Quality activities and results
- Safety activities
- Environmental activities
- Appropriate order placement to factories
- Risk compliance
- Community Co-Creation activities
- Compliance with accounting standards for orders
- Work environment, labor management, human resource development

Award programs

The Best Branch Management Prize (Ishibashi Nobuo Award) is awarded to the branch that demonstrates management excellence following review of both performance based on management indicators and soundness of management. The branch that receives this award is recognized at the Nationwide Branch Managers' Meeting held every March.

Moreover, the Company has other award programs, such as the President's Award for Community Co-Creation Activities, which recognizes a branch that has made excellent efforts to deepen the relationship and establish trust with the community, and the "President's Award for Best Environmental Practices," which recognizes outstanding practices in construction and urban development for zero environmental impact in a branch or plant. With these programs, we have been promoting company-wide efforts to develop a sustainable society together with members of local communities.



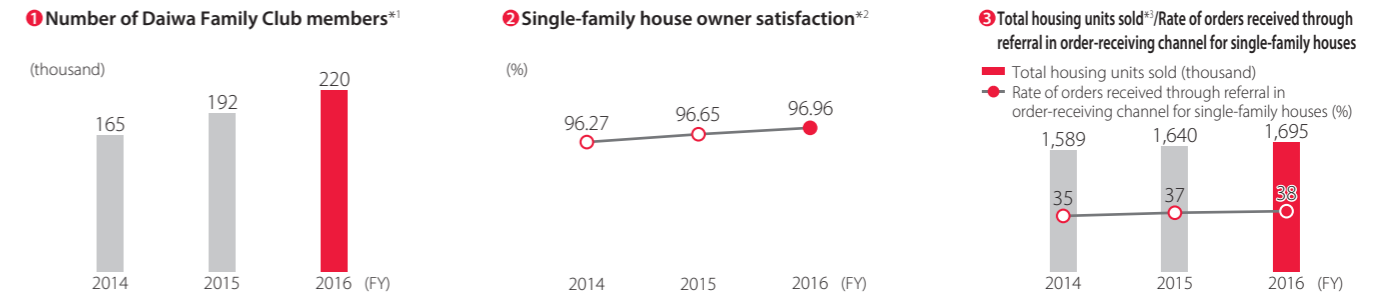
Basic concept

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

Our mission is to ensure that a building is maintained in excellent condition for a long period of time to sustain its value as an asset and enable people to use it across generations. To this end, we have established a system of maintenance and after-sales service that we continue to improve to ensure that good asset value is handed down to the next

generation. We wish to offer support over the long term not only to the customers living in the single-family houses or condominiums that we build, but also to the owners of rental housing, commercial facilities, or business facilities we build to develop a relationship of trust, so that everyone can use their buildings safely and worry-free for years to come.

Key data on customer base



We have made an effort to refine our activities in quality assurance and after-sales services to improve customer satisfaction. As a result, Daiwa Family Club membership has increased to approximately 220,000 and the questionnaire survey targeted at single-family house owners shows a prominent level of customer satisfaction. Moreover, with our established long-term relationship of trust with customers, around 40% of the orders were received through referrals from existing owners or other stakeholders in the order-receiving channel for single-family houses.

\*1 Membership organization for the owners of housing units (single-family houses and condominiums) built or sold by the Company.  
\*2 Percentage of owners of single-family houses (contracting and lot-subdivision), who chose "Very Good" or "Good" in the questionnaire survey conducted one month after their move-in.  
\*3 Total housing units (single-family houses, rental housing, and condominiums) sold by Daiwa House Industry (non-consolidated).

Matters affecting corporate value over the medium and long term (material issues)

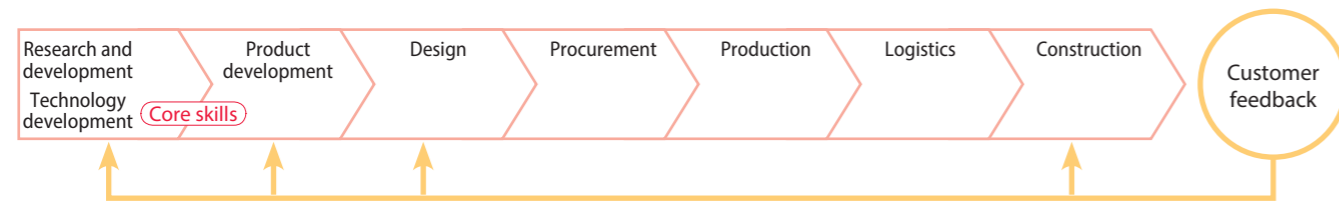
- Improve customer satisfaction → Establishing a system for long-term quality assurance/Operating membership organizations for owners
- Improve relationships with customers → Promoting CS activities/Improving the quality of customer service

Developing a relationship of trust with customers over the long term

● Establishing a system for long-term quality assurance

We have established a system for long-term guarantees and after-sales service tailored to the structure of buildings and needs of the customer. We offer initial guarantee periods of up to 20 years for exterior walls, structure, and other parts of buildings, and also provide a periodic building diagnosis service. We conduct maintenance work to repair areas requiring

improvement identified in the building diagnosis, thereby maintaining and improving the value of housing as an asset. Information collected through these after-sales services is summarized by the CS(Customer Satisfaction) department and fed back to the relevant manufacturing department, leading to improvement in product development and quality assurance.



● Operating membership organizations for owners

We operate a membership organization for owners that serves as a forum for information exchange and the promotion of friendship among building owners throughout Japan. Seminars and consultations are held by experts in asset utilization; members gain access to the latest information; and they receive assistance with the maintenance of buildings they own or with asset utilization of rental housing they manage.

Main membership organizations for owners

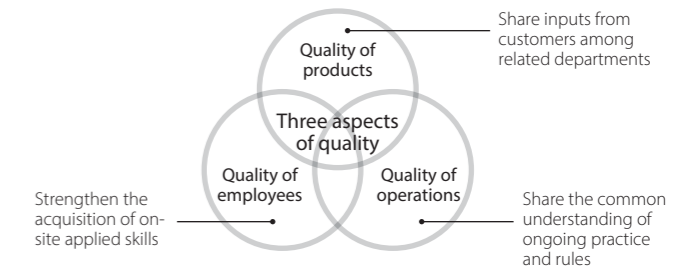
	Single-family houses, condominiums	Rental housing	Commercial facilities
Name	Daiwa Family Club	Daiwa House Owners Clubs	Owners Clubs
Total membership	220,754	93 clubs in Japan 34,189 (As of April 30, 2017)	65 clubs in Japan 6,713 (As of March 31, 2017)
Major activities	<ul style="list-style-type: none"> <li>An Internet service exclusively for members</li> <li>Information and advice given to resolve concerns and to answer owners' questions about future housing</li> </ul>	<ul style="list-style-type: none"> <li>Latest information provided on managing rental housing</li> <li>Information exchange among members, study tours to deepen friendship, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Seminars on the effective use of real estate</li> <li>Study tours to promote friendship among members, etc.</li> </ul>

Note: Business consultations on opening commercial establishments for tenant companies held (leading to over 4,000 business deals as of March 31, 2017)

"Putting each individual-first" code of conduct for improving customer satisfaction and building a relationship of trust with each customer

Reflecting customer feedback in all operations through our CS activities, we go one step beyond "putting the customer first" to "putting each individual first," a code of conduct to ensure that we look at things from the perspective of each customer.

In the three quality aspects (quality of products, employees, and operations), we pursue improvement through all business activities, aiming to continue satisfying customers' expectations and to develop a long-term relationship of trust with them to promote customer satisfaction.



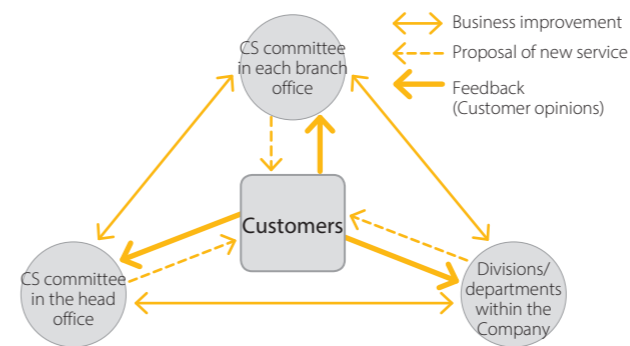
● Promoting CS activities

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

● Improving the quality of customer service

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

Promoting improvement activities through CS committees



The National CS Role-Playing Competition

Basic concept

Foresee changes in social needs, develop unique technology through the “put each individual first” concept, and co-create individual value and social value.

The Company as a pioneer of prefabricated building promotes automation and streamlining of production and has established a safe and high-quality production system.

A highly value-added building system for customers, society, and the environment will be sought through the development and

improvement of the “manufacturing functions (*monozukuri* platform)” centering on product development, design, procurement, production, logistics and construction. Furthermore, we will proactively engage in research and development for better lives to create social value.

Matters affecting corporate value over the medium and long term (material issues)



Build strong technology and manufacturing foundation

● Establish a manufacturing structure that gives priority to safety and quality

For the purpose of building a strong technology and manufacturing foundation giving priority to safety and quality, improvement activities are ongoing in five working groups to strengthen our manufacturing functions (product development, design, procurement, production, logistics and construction).

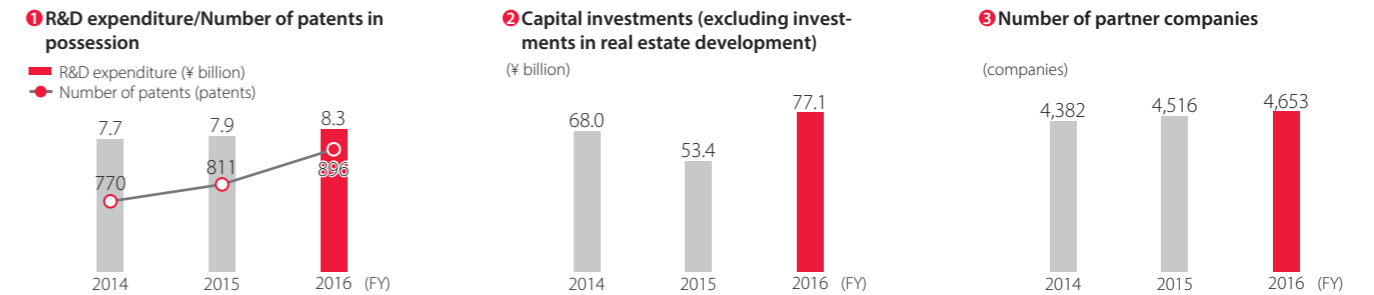
- ① Promote leveling
- ② Reduce site construction burden
- ③ Review the logistics system
- ④ Cooperation with development functions (production)
- ⑤ Cooperation with development functions (purchasing work)

● Enhance productivity by developing and improving manufacturing functions

By adopting building information modeling (BIM) to centralize building information and fully integrate our supply chains from sales to design, production, construction and repairs and maintenance, we will seek to thoroughly reduce excesses, waste and inconsistencies, review our procurement practices by rebuilding our supply chain management, and automate and enhance the efficiency of manufacturing. Moreover, by sharing information with our business partners, such as suppliers, construction subcontractors and maintenance providers, we can further level workload.



Key data on technology and manufacturing base



Planned capital investments have been made in research and development as well as in production equipment to further strengthen our technology and manufacturing foundation. This allows us to continuously produce highly-competitive products and maintain and enhance our competitive edge in core businesses. Moreover, a safe construction site system has been established as we promote energy saving in onsite construction not only by pursuing high-quality prefabricated housing and system building, but also by co-existing and co-prospering with our business partners.

Research & development, create and manage intellectual property

● Research & development

· The Central Research Laboratory advancing R&D activities to solve society's problems

Established in 1994 to deal with environmental symbiosis as its basic theme, the Central Research Laboratory has been engaged in research to search for solutions to the many issues faced by Japanese society, including global warming, shortages of energy and other resources, natural disasters and population aging. Looking to build a better future for people, communities and lifestyles, we will use the keywords of *Asu Fukaketsuno*. This phrase means “Indispensable for Tomorrow,” and is composed of the initial syllables of the Japanese words for safety & comfort, stock (in the sense of the stock of existing housing), welfare (in the sense of nursing care), the environment, health, information-communication technology and agriculture — all of which are aspects that must be considered for the future in confronting the challenge of creating new value for our customers and for society as a whole.



The Central Research Laboratory (Nara Pref.) established in 1994 (Its predecessor was the Central Laboratory established in 1973.)

Strengths

- Prefabricated housing
- Pre-engineered buildings

Creating new value for people, communities and lifestyles

Strengths

- General construction
- Civil engineering

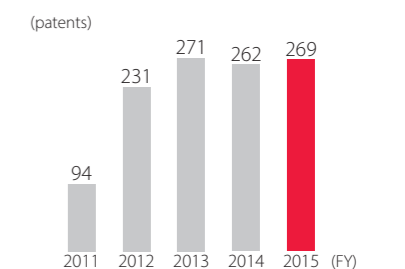


The Fujita Technology Center (Kanagawa Pref.) established in 1999 (Its predecessor was the Fujita-gumi Technical Laboratory established in 1960.)

● Creation and management of intellectual property

With the Intellectual Property Office established in the Legal Department of the Management Administration Headquarters, our intellectual property activities are directed toward identifying three priority items: ensuring competitive superiority, maintaining competitive order and making full use of intellectual property rights. The fruits of such efforts must be secured immediately as legal rights to maintain our position of competitive dominance, and by developing investigative structures for patents and trademarks, and respecting the intellectual property of other companies, we can maintain competitive order. The use of intellectual property is promoted through active licensing of our patent rights as the fruits of our technology development. The Invention Committee, chaired by the head of the Technology Headquarters and served on by the heads of Technology/R&D, Product Development and Production departments, makes decisions on filing, maintaining, licensing and invention incentives concerning intellectual property.

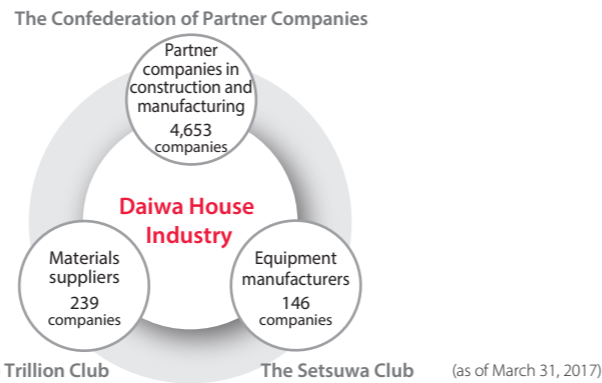
Number of patents applied for in Japan



Strengthen relations with business partners and suppliers

Further promote "co-existence and co-prosperity" with business partners

Business partners are indispensable and valuable partners, for the Group with 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. These organizations have been making efforts to identify priority issues and targets, and striving to further gain the trust of customers by securing superior quality and supply systems in accord with the spirit of co-existence and co-prosperity.



[Questionnaire survey for business partners]

As a tool for solving problems between us and our business partners, we survey members of the Confederation of Partner Companies once a year and look for paths to improvement on an ongoing basis. The table below shows the results of the survey for business partners for fiscal 2014 to 2016. We analyze the results and report them to the management team and the executive officers in charge of the relevant departments. The worksites serving as direct liaisons to business partners are given feedback while improvement plans are drawn up and implemented.

	Fiscal 2014	Fiscal 2015	Fiscal 2016
Rate of response	54%	60%	68%
Percentage of responses citing "no problems" in the way our employees conduct themselves	72%	75%	72%

Note: Data for FY2014 and FY2015 was taken from the old self-assessment index, but the same indicators were used.

Maintain or improve work environments for employees of business partners

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

Safety targets for fiscal 2017

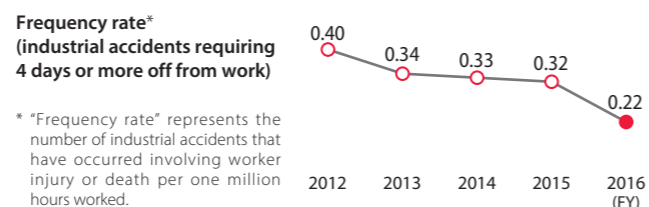
Items	Targets
Incidents resulting in death	0
Incidents caused by a third party	0
Heavy machinery related incidents	0
Slip/fall incidents resulting in an absence of at least four workdays	0
Heat stroke incidents resulting in an absence of at least four workdays	0

CSR-related policy and management for business partners

Date of implementation	Contents
Fiscal 2005	Started the annual questionnaire survey toward business partners
Fiscal 2006	Business Partner Code of Conduct took effect (Collected letters of agreement from partners)
Fiscal 2009	Started the operation of a Partners Hotline
Fiscal 2010	Chemical Substance Management Guidelines took effect Started chemical substance survey for centralized procurement (at the time of contract)
Fiscal 2010	Biodiversity Guidelines took effect (Collected letters of consent from partners)
Fiscal 2010	Started annual wood procurement survey
Fiscal 2015	CSR Procurement Guidelines took effect (Daiwa House Industry only) (Collected letters of consent from partners)
Fiscal 2016	CSR Procurement Guidelines used across the Daiwa House Group
Fiscal 2017	Self-assessments based on our "CSR Procurement Guidelines"

Number of labor accidents (on-site)

FY2016 targets	Rate of decrease from previous FY -20.0%
FY2016 results	Rate of decrease from previous FY -20.6%



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

Strategically utilize IT and information capital

Smart Communities utilizing the IoT

As the housing market is anticipated to keep dwindling, we are seeking to expand our businesses by developing Smart Communities with enhanced community value through visualization of communities' energy in our core business called "building houses and developing communities." As a mechanism for the visualization of communities' energy, the SMAxECO Cloud has been established to aggregate, on the cloud server, energy data of individual households and the relevant community's common-use spaces including meeting places, which are measured by the HEMS\*1. This enables not only the visualization of energy levels in households using the HEMS, but also the checking of the energy level of the entire community and helps each community member be eco-conscious. Users can, on their

smart phones, view past energy performance as well as the ZEH ratio\*2 and the rate of reduction of energy consumption, which can be displayed in ranking format.

Furthermore, we engage in improving the usability by ensuring that the SMAxECO Cloud has a function through which users can sign up for services provided in the community.

\*1 HEMS: Stands for home energy management system. This system allows users to check their household energy consumption and generation in real time and to control air conditioners, storage batteries and others.

\*2 ZEH ratio: Proportion of household energy generation to household energy consumption.



Visualization of energy of each household (D-HEMS3)



Visualization of energy of entire community (SMAxECO Cloud)



SMAxECO Cloud's service sign-up screen (SMAxECO Town Hidamari-no-Oka)

External recognition

- The Smart Community initiative earned The 10th Eco-Products Awards: Minister's Prize, the Ministry of Land, Infrastructure, Transport and Tourism Award, and The 26th Global Environment Awards: Minister's Prize, the Ministry of Land, Infrastructure, Transport and Tourism Award.
- SMAxECO Town Harumidai earned The Association of Urban Housing Sciences 2013 Performance Award, The Japan Resilience Awards 2016: Best Resilience Award, Residential Community Award at the 12th Townscape Competition, and The 1st Advanced Urban Development City Competition: Minister's Prize, the Ministry of Land, Infrastructure, Transport and Tourism Award.

D's Smart Factory, an environment-conscious factory using the IoT

The Company has introduced, in its own factories, a factory energy management system (D's FEMS) that was developed jointly with Fujitsu Limited using IT including the IoT and big data, and is ready for energy minimization and business continuity planning (BCP) in factories. As an effort of a model factory, we made improvements in energy saving based on the findings through the D's FEMS. In fiscal 2016, CO<sub>2</sub> emissions were reduced by 17% in the original unit compared to fiscal 2013.

Moreover, as D's Smart Factory, an environment-conscious factory combining the know-how developed in our factories and building technology is commercially available, and we have been facilitating dissemination by making proposals.



D's FEMS: Monitors not only energy data, but also data on accident prevention, labor environment and production.



\*3 Competitive IT Strategy Company Stock Selection: A system, under which the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) select companies that have made proactive efforts for IT utilization, which will bring about creation of new value, management innovation, and improvement in the revenue level and productivity. The Company was selected for two years in a row (2016 and 2017).

External recognition

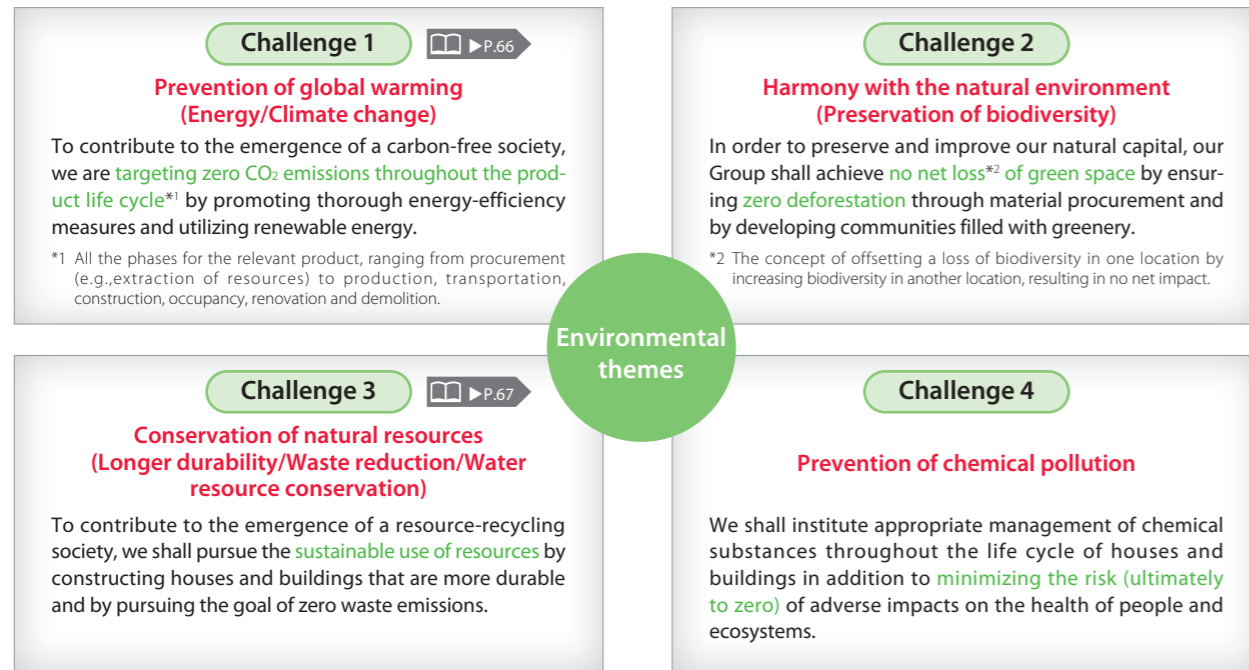
- Earned the Minister's Prize by the Ministry of Economy, Trade and Industry in the CGO category at the FY2013 Energy Conservation Awards (Practical Application Section).

## Co-creating a Brighter Future for the Environment (For details, see the Group's Sustainability Report 2017)

We have 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 achieve "zero environmental impacts" throughout the product life cycle.

### Long-Term Environmental Vision "Challenge ZERO 2055"

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



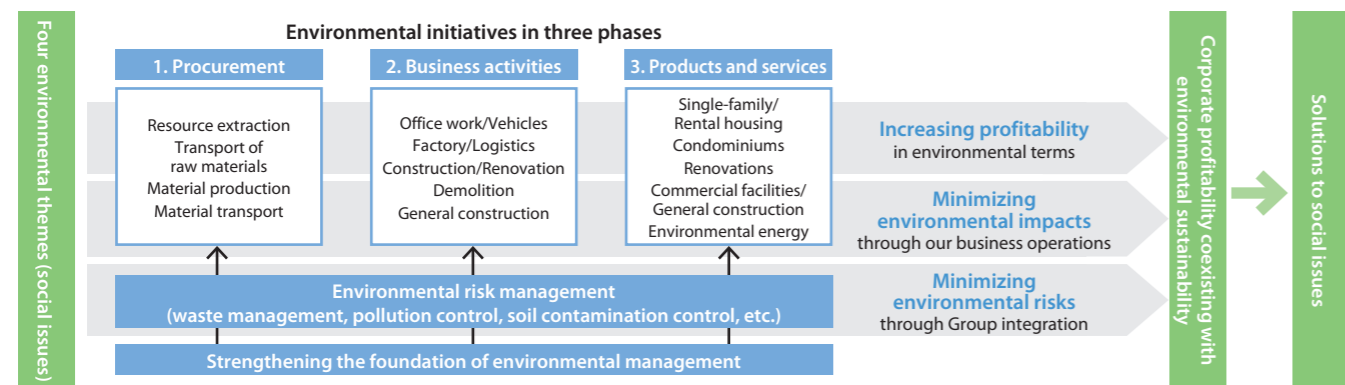
### Action Plan for the Environment (Endless Green Program 2018)

Every three years, the Daiwa House 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 fiscal 2016 to 2018), we are accelerating our environmental initiatives, targeted at

all the Group companies, under the concept of promoting integrated environmental management within the Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability. Proactive information disclosure will be continued in environmental fields.



### Overall action plan for the Endless Green Program



\*3 The "Daiwa House Group Environmental Report 2016" was given the "Minister of the Environment Award" at the "20th Environmental Communication Awards" hosted by the Ministry of the Environment and the Global Environmental Forum. This was the highest award in the Environmental Report Category.

### Challenge 1 Prevention of global warming Our response to the risks and opportunities facing our Group

Japan has advocated the goal of a 26% reduction in greenhouse gas emissions by 2030, relative to fiscal 2013 levels. The government introduced the Energy Efficiency Act for buildings in Japan, which strengthens the energy-efficiency regulations applicable to houses and buildings; moreover, an incentive program has been adopted for advanced energy-efficient structures such as net Zero Energy Houses (ZEHs) and net Zero Energy Buildings (ZEBs).

We will continue to strengthen the existing energy-efficiency initiatives targeting our own facilities while reducing the cost of adapting and making use of the expertise we have gained through these efforts. Thus, we are strengthening our offerings by promoting the construction of zero-energy houses, buildings and towns, which is leading to a growth in orders while increasing the unit price of each building. We are also involved in the business of generating power from renewable energy sources.

In addition to taking advantage of our own idle land, we are expanding this business by submitting proposals for the use of idle land held in the public sector. We believe it is important that we voluntarily expand on these initiatives in the medium-to-long term without depending on subsidies and the like. In order to establish an environmental real estate market without delay, we will promote the use of various green building certifications as we remain engaged in dialogue with ESG investors and others.

**Contribution to SDGs**  
**Affordable and clean energy**  
 We will contribute to the SDGs through "zero-energy homes, buildings and communities" and by "utilizing renewable energy."



### Major efforts SECUREA Toyota Kakimoto, a smart community in Aichi prefecture, introduces "Electric Power Interchange" between houses.

SECUREA Toyota Kakimoto, our smart community, has introduced a technology known as "electric power interchange" between houses. This is the first such example in the Chubu area. In addition, this initiative has introduced hybrid systems\* that combine photovoltaic power generation and household lithium-ion batteries (6.2 kWh) with the HEMS (Home Energy Management System) in all households. Moreover, the "SMAxECO Cloud" enables visualization of the entire community's energy usage. Combined with a photovoltaic power generation system on the regulating reservoir, these innovations will enable us to achieve our ZET (Net Zero Energy Town) objective.



SECUREA Toyota Kakimoto

Also, for one year we will open our Energy Self-sufficient Model House to the public. This innovative structure features a high-capacity photovoltaic power generation system, household lithium-ion batteries, an underfloor heat exchange system, and high thermal insulating values. We continue to evaluate the energy self-sufficiency of this house, its equipment specifications, and its performance as a residence.

\* A system integrating a photovoltaic power generation system and a power conditioner for batteries in order to provide a stable supply of electric power under normal conditions or even in a power outage. The hybrid power conditioner and lithium-ion battery units are manufactured by ELIY Power Co., Ltd.

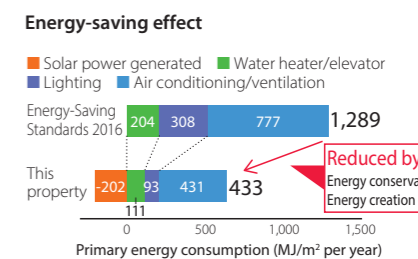
### Major efforts Our proprietary technology supports the first-ever ZEB office in Hamamatsu (Shizuoka Pref.)

Sansho Co., Ltd.'s new corporate building in Hamamatsu, Shizuoka prefecture, is a ZEB office that benefits from significant energy efficiency while maintaining a comfortable indoor environment. This structure, the first ZEB building in that city, incorporates more than 20 environmental innovations utilizing our advanced technologies. This building has been categorized as Rank S (self-assessed) under CASBEE Shizuoka, the Shizuoka Prefecture Comprehensive Assessment System for Built Environment Efficiency. A sunlight control device with a light-refracting glass screen and automatically rotating solar-tracking louvers has been installed in front of the building yet it retains its original appearance as an office building. The light-refracting glass screens mounted outside the window sashes represent our original patent-pending technology that transmits the required amount of natural lighting onto the ceiling surface in order to reduce artificial lighting requirements.



Sansho Co., Ltd.'s new corporate building

In anticipating that a Tonankai earthquake is highly likely to occur at some time in the future, we have added vibration-damping features to this earthquake-resistant structure while keeping costs down. Moreover, we are giving consideration to many best current practices for business continuity planning by incorporating lithium-ion batteries, a photovoltaic power generation system, and underground storm water reservoir provided for flood control and flood suppression in the event of torrential rains.




**Challenge 3 Conservation of natural resources** Our response to the risks and opportunities facing our Group

Improper handling of waste remains a risk if there is a lack of mechanisms for recycling resources and properly managing the construction by-products discharged from the tens of thousands of construction sites created every year. Concerns have also arisen about the potential for future increases in management costs due to stringent regulations on waste and water resources as well as increased processing costs due to the shortage of industrial waste disposal sites. In response, we at Daiwa House Industry have strengthened our management system by assigning waste management specialists to each district and conducting evaluations on all of waste disposal companies. We also have established a system for collecting and recycling construction by-products generated at housing construction sites within our own plants. We have reduced the risk of improper handling and improved the recycling rate at the same time.

Meanwhile, we recognize that while lengthening the service life of housing and buildings carries the risk of causing a decline in construction starts, it also constitutes a business opportunity. For example, in our proposals for new construction, we emphasize that customers can obtain tax benefits by acquiring a "long-life quality housing

certification," and we expect to obtain higher unit prices reflecting the higher added value of such housing. Therefore, we are seeking to establish housing certified as compliant with long-life quality criteria as our standard specification, and thus far, we have obtained certifications for about 80 percent of our single-family houses. We have also established a long-term warranty system and are marketing our renovation and maintenance services through inspection opportunities and the like, leading to an increase in orders for home renovations. Moreover, working in collaboration with other companies in this industry, we have established a system for properly evaluating and marketing existing houses. We are focused on improving our rate of acquisition of brokerage contracts when people make plans to move.

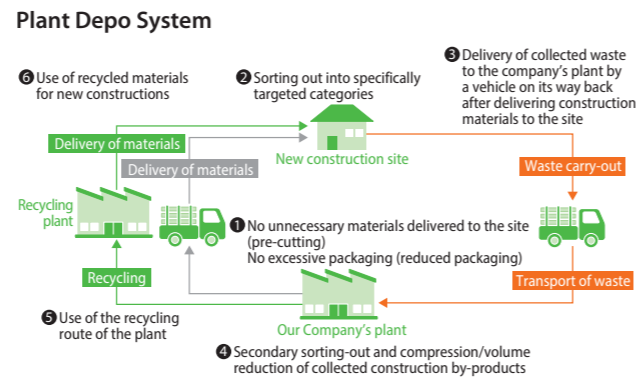
**Contribution to SDGs**  
**Responsible consumption and production**  
 We will contribute to the SDGs through "zero waste emissions" and by "constructing houses and buildings that are more durable."



**Major efforts Achieving zero emission of waste with our Plant Depo**

At our residential new construction sites, we have introduced a system we call Plant Depo that is intended to reduce the improper treatment of waste while promoting the recycling of construction waste.

Through this system, we collect construction waste at the construction site and truck it to the plant using the same truck used to transport materials to the construction site. There, it undergoes secondary sorting and is compressed to reduce its volume. By using this plant recycling route, we have achieved zero emission of waste.



**Major efforts Pre-engineered buildings lead to improved productivity in the use of resources**

Pre-engineered buildings are products of the commercial facilities, and logistics, business and corporate facilities segment of Daiwa House Industry. In this business segment, we have reduced the use of steel frames, concrete, and other resources by incorporating our proprietary structural designs. In addition to improving our plant production rate, we have reduced the amount of waste generated at the construction site.

The 2020 Olympics and Paralympics to be held in Tokyo are driving demand for temporary ancillary facilities. In response to this demand, we are developing sustainable products that make full use of the advantages of pre-engineered buildings. Specifically, by developing floors and ceilings designed to be dismantled and relocated, we can accommodate the need for relocation (restore & rebuild system) of temporary structures. By adopting construction methods that reduce waste, we are taking steps to create a system that uses resources more efficiently.



**Community Development Vision**



Our Community Development Vision is a compilation of the Group's attitudes and concepts toward community development. It is comprised of three elements, Vision (our intended community development), Mission (our role or mission to be fulfilled) and Value (our cherished value axes), which serve as guidelines for the "realizing a society in which people can live fulfilled lives."

**Vision..... Community value into the future**

We do not consider completion of buildings to be the end but aim to develop communities in a way to bring their values into the future.

**Mission..... Working together for Design & Management**

We will work together with people and communities to design a valuable community, and enhance the value of the community with those who live and work there based on our reliable management capacity to bring it into the future.

**Value..... 8HEARTS – Eight values for people and regions –**

Our community development focuses on "for the benefit of people" and "for the benefit of regions," which are the two main objectives. We will create safety, health and comfort as the values for people, as well as environmental, economy and identity as values for regions. Then, we will create communication and sustainability as values for the future.

**Contribution to SDGs**  
**Sustainable cities and communities**  
 We will contribute to the SDGs through the community development cherishing the eight values (8HEARTS) under the Community Development Vision.



**Major efforts Building good relations with local communities in community development projects**

SMA-ECO Town Harumidai (Osaka) is Japan's first Net-Zero Energy community and a project of the Daiwa House Group. To manage and maintain the community, the residents who actually live there formed an administrative corporation that works with neighborhood associations and landscaping covenants committees to manage and maintain common infrastructure, organize community events that double as disaster preparation drills, maintain landscapes and more. The community also has a car-sharing service with a fleet of electric vehicles that are owned by the administrative corporation and charged by a common solar power system. Through these activities, residents interact more, plan events, and create clubs of all kinds, all of which have helped to form a warm and vibrant community.



**Major efforts Undertaking housing complex restoration projects**

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

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

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

**Business model used in housing complex restoration**

