

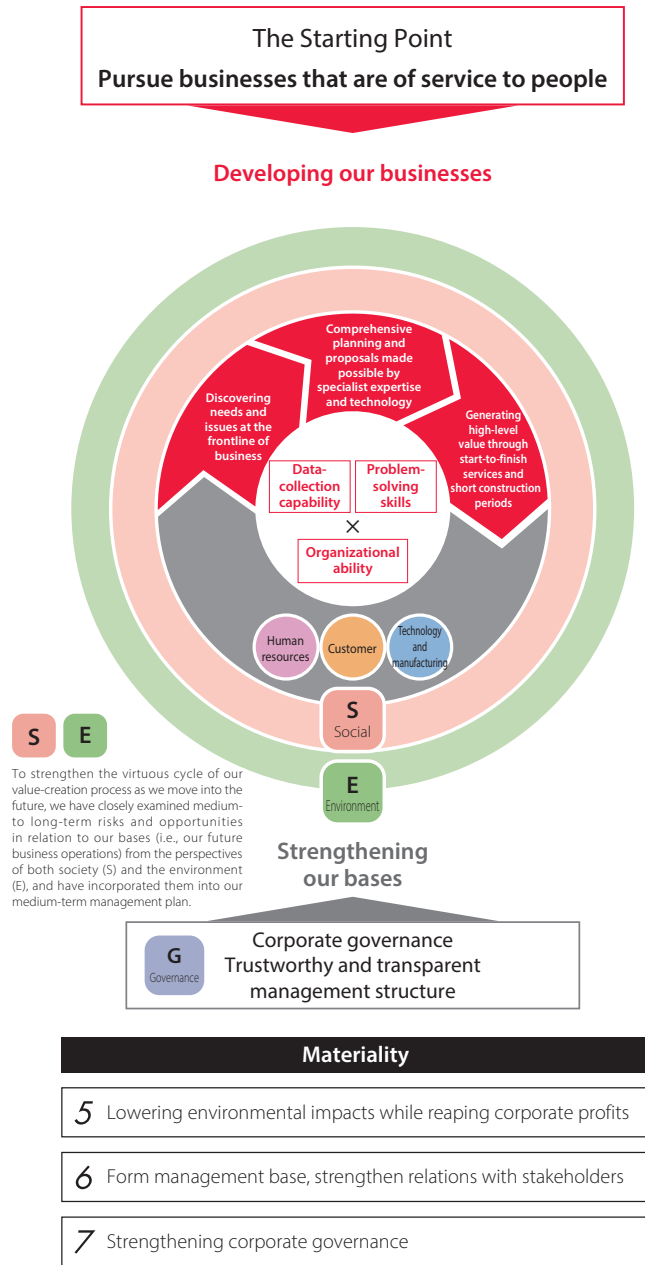
Chapter 4 Strengthening our Bases

Our Three Bases and ESG engagement

The Company’s value generation originates from our three bases, and strengthening these, together with the promotion of ESG, works to accelerate a virtuous cycle that drives the process in which we create value.

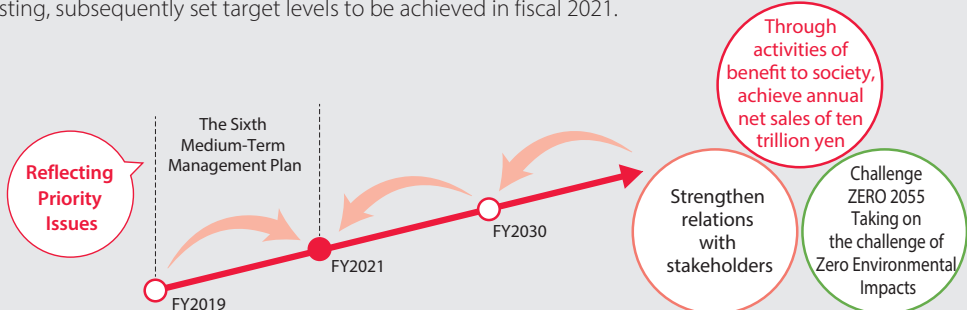
Cultivated over many years, our human resources base, customer base, and technology and manufacturing base are the three bases that form the source of the Group’s value creation. By reinforcing these, we determine the risks and opportunities for the Group with regard to social (S) and environment (E), and enables us to set our goals so as to accelerate the virtuous cycle that powers our value creation process.

Of the seven items of materiality identified to raise the Group’s sustainable corporate value, three pertain to ESG. These are interwoven and promoted through the basic policy of the Sixth Medium-Term Management Plan in our pursuit of achieving sustainable growth for the Company and of finding solutions to social issues.



Setting Goals by Backcasting

Keeping in mind the vision of what the Daiwa House Group should be over the long term leading up to 2030 and 2055 with regard to the priority issues for social (S) and environment (E) matters, we have identified issues to be addressed over the next three years, and through backcasting, subsequently set target levels to be achieved in fiscal 2021.



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

Our plan for the environment, “Endless Green Program 2021,” promotes “carbon-free” initiatives from the dual perspectives of our products and corporate activities, with an eye toward both lowering environmental impacts while reaping corporate profits.

Social, environment and governance initiatives in the Sixth Medium-Term Management Plan

S Form management base, strengthen relations with stakeholders Social Medium-Term Plan (Endless Social Program 2021)

We take a long-term perspective of social (S) matters and anticipate that society will undergo a transformation. In addition to the endeavors made for the three bases, we specify and move forward on initiatives for the bases we should reinforce with an eye toward the future.

Key policies		Main key goal indicators
Human resources base	Build an organization with a diversified motivated workforce that retains the young people it develops	Improvement in “motivation” of entire workforce
Customer base	Build long-term relations with customers and establish corporate brands that bring in new customers	Brand monetary value
Technology and manufacturing base	Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality	Annual holidays on a worksite

Bases to strengthen anew	The three bases to strengthen anew are the innovation base to continue to create innovative businesses to solve social issues, the communication base to ensure proper communication with our stakeholders, and the risk countermeasures base to thoroughly implement internal controls and foster corporate ethics among executives and employees. We will promote efforts along these lines.	
Innovation base	Strengthen systems to promote business and real-estate development that helps solve social issues	Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions
Communication base	Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age	Establish a system and practices for financial and nonfinancial communications, and promote understanding that these are fully integrated
Risk countermeasures base	Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules including overseas bases	Business continuity plan score

E Lowering environmental impacts while reaping corporate profits Action Plan for the Environment (Endless Green Program 2021)

Our long-term environmental vision, “Challenge ZERO 2055,” focuses on the environment (E), and offers up the goal of realizing “zero environmental impact.” Under this recently formulated Action Plan for the Environment, we are accelerating the “promotion of environmental management that integrates the Group’s global supply chain,” and within this, move forward on initiatives with an emphasis on decarbonization.

Key policies		Main key goal indicators
Environmentally conscious products	Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness	Sales of environmental businesses
Slowing and adapting to climate change	Promoting “carbon-free” in the fields of products and manufacturing for achieving SBT, EP100, and RE100	Greenhouse gas emissions (per sales unit) Energy efficiency Renewable energy rate /Renewable energy utilization rate

G Strengthening corporate governance

- Optimization of management structure
- Foster next generation of business managers
- Improve system of business execution
- Entrench risk management structure

Strengthening the Human Resources Base

Materiality 6 (Focal theme ⑥) Building management base and strengthening relations with stakeholders (Improve motivation and diversity)

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.”

Business developments for the Sixth Medium-Term Management Plan

Build an organization with a diversified motivated workforce that retains the young people it develops

Current issues

- A decline in the labor force population is making it difficult to secure the human talent capable of meeting business expansion needs
- There is insufficient shared recognition within the Company of a “view of human resources” and “how to provide nurturing” in light of the younger generation’s characteristics

Objectives of policy formulation

- To design and implement systems for “ways of working” and “hiring and developing” in tune with the labor market, human resources, ICT and other transformations, and that take into account a business model situated upon our human resources base.
- To create an organization capable of responding to dramatic changes in society through diversity and inclusion (D&I) of human resources, including with gender and generation.

Priority issues and key goal indicators (KGI) for the human resources base

Initiatives toward priority issues

1 Work style reform for employees

Going beyond merely endeavoring to reduce working hours, we concentrated on identifying problems in current methods and exploring new ways of working conducive to making work gratifying and a source of joy. Efforts focused on fostering three major outcomes: work environments conducive to trust in the company, pride in work, and solidarity with colleagues. For example, we surveyed employees about the scheme for assessing contributions to achieving organizational goals and how benchmarks they are happy with are assessed, then used the post-analysis results to examine them more closely. In fiscal 2020, we will be applying the issues we have looked into in fiscal 2019 to our project proposals, from planning to program design.

2 Upgrade human resource development and recruitment

We undertook a number of initiatives to enhance human resources development and recruitment. We launched a project studying ways to enhance young-employee retention, advancing it to the program design and proposal development stage. To be better able to find the talent we need, we proactively participated in recruiting events to increase contact with college students, a main source of new hires, and raise the profile of our corporate brand among them, as well as working to support them through our recruiters more effectively. And in personnel training, we looking into succession planning for branch and equivalent managers along with continuing the Daiwa House Juku for nurturing future managerial personnel.

With ideas developed to enhance young-employee retention in mind, in fiscal 2020 we will be working on hiring and placement schemes designed to avert employee-to-job mismatches.

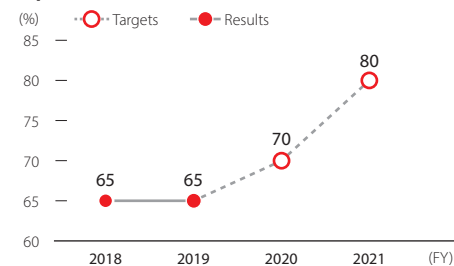
3 Promote diversity and inclusion

We moved to improve the diversity and inclusion (D&I) situation at the organization level, experimented with a number of new ways of working, and provide training for female managers, sales reps and engineers. Training initiatives during the year included managerial seminars for female managers, seminars for female sales staff at the Single-Family Houses and Logistics, Business and Corporate Facilities Division, district-level meetings of and forums with the Working Group of Women Active in Business of the Daiwa House Group’s Construction Technology Committee, and unconscious bias training for newly appointed managers, male as well as female. In July 2019 we also started participation in telework days and telework trials and, building on the experience gained, instituted work-from-home in response to the COVID-19 pandemic. And we launched a trial program to support employees balancing work and childcare or sickness, with our Kagawa Branch serving as model.

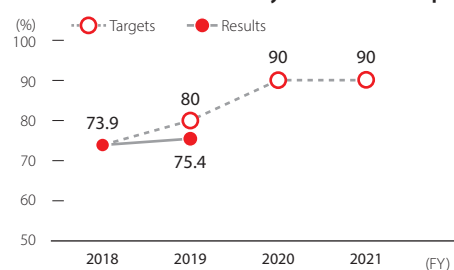
In fiscal 2020 we will be implementing the trial programs and continuing the training programs for D&I. And we will move to tackle issues that surface through analysis of our achievements are measured by D&I composite scores (business-location diversity scores) in the Evaluations of Branch Management Soundness implemented in fiscal 2019.

Key goal indicators and progress

Improvement in “motivation”



The retention of young employees (who have worked for less than three years at the company)



General indices for diversity and inclusion

KGIs		Female managers	Line leaders amongst female managers	Female engineers	Female sales reps	Female amongst recruits
	Results (FY)					
Results (FY)	2017	3.3%	27.6%	4.3%	9.1%	28.4%
	2018	3.6%	24.1%	4.6%	9.9%	27.2%
	2019	4.1%	25.0%	4.9%	10.2%	24.8%
Targets (FY)	2019	4.0%	30.0%	5.0%	11.0%	30%
	2020	4.5%	35.0%	5.5%	12.0%	30%
	2021	5.0%	40.0%	6.0%	13.0%	30%

Reference Sustainability Report 2020: Human resources base P.95-108

Strengthening the Customer Base

Materiality 6 (Focal theme ⑥) Building management base and strengthening relations with stakeholders (Improve CS and corporate brand)

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.

Business developments for the Sixth Medium-Term Management Plan

Build long-term relations of trust with customers, establish a corporate brand leading to encounters with new customers

Current issues

- The Group’s primary business model is to provide “solutions” to customers by supporting with complex business proposal capabilities, and to emphasize the corporate brand, in addition to product brands
- Future expectations for business demand originating from existing customers, such as with the Livness business

Objectives of policy formulation

- Among customers and consumers, to secure in their minds a brand image capable of reminding them “what kind of company this is”
- To provide proposals in sync with customers’ lifecycles and to utilize unoccupied homes, which are an issue facing society, by further strengthening the long-held relationships of trust with existing customers

Priority issues and key goal indicators (KGI) for the customer base

Initiatives toward priority issues

1 Upgrade corporate communications

Concerning the problem of off-specification components in and remedial work on Daiwa House single-family houses and apartments, we investigated the cause and overhauled governance, and then presented an explanation to our customers and all stakeholders. Top management took the lead throughout this process, and worked to share the Daiwa House Group’s corporate philosophy as symbolized by “Endless Heart.” In terms of advertising and promotional activities, we have defined our basic policy of “redevelopment,” and striving to restore the trust from all of our stakeholders, we pressed forward on communications that put a spotlight on the products and technologies that will become solutions for societal issues. In addition, we have concentrated support on the Livness business that embodies the value of a new lifestyle, and have made great endeavors to strengthen our customer base.

In addition, we engage in cherry tree preservation activities on the slopes of Mt. Yoshino in Nara Prefecture, the region where our founder was born and raised. We have positioned this “Daiwa Sakura Aid” as an activity that brings our corporate philosophy to life. By increasing opportunities to interact with our stakeholders, we strove to demonstrate the Company’s corporate stance to society.

In fiscal 2020, together with implementing ongoing measures to strengthen governance, we will work to spread our corporate philosophy so as to foster among customers the idea that the behavior of each and every employee represents the Daiwa House Group brand.

2 Promote customer support to maintain long-term relationships

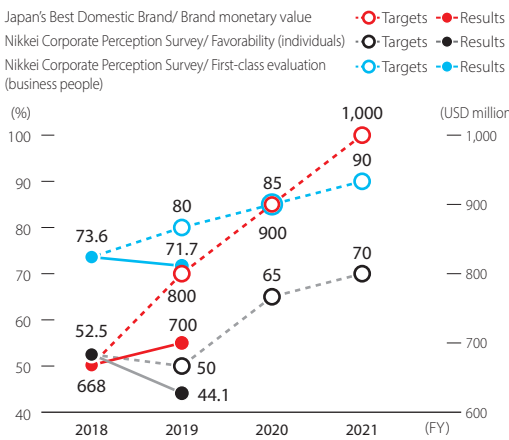
We received numerous requests and expectations from customers on account of the aforementioned off-specification component problem, as well as with issues such as the major Typhoon Hagibis, the 19th named typhoon of the year. With regard to the off-specification components, we apologized to customers, provided an explanation and pressed ahead with corrective action on relevant properties. To deal with the typhoon damage, we visited the owners of homes that had been hit by the disaster, and are moving forward on inspections. While taking these customer satisfaction (CS) initiatives, we also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we built a framework that made it easy for customers to contact the Company.

In fiscal 2020, as regular inspections and impromptu visits are postponed in order to prevent the spread of COVID-19, this elicits the question of what new form of relationship will we have with customers. We will continue to endeavor at nurturing long-term relationships, and will go forward while taking appropriate measures during emergencies.

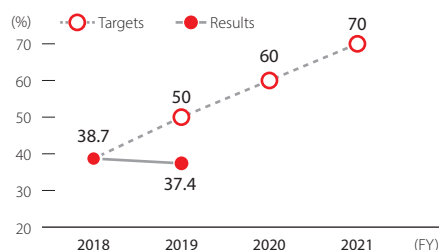
Reference Sustainability Report 2020: Customer base P.121-126

Key goal indicators and progress

Brand Value, Perception Survey Results



Order rate using our customer base



Strengthening the Technology and Manufacturing Base



Materiality 6 (Focal theme ⑦) Building management base and strengthening relations with stakeholders (enforce safety and quality)

We foster distinctive technologies that match customer needs to create both value for customers and value for society.

Business developments for the Sixth Medium-Term Management Plan

Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality

Current issues

- In Japan, given that we are a top-class company in terms of the number of construction sites held, the declining labor population, and along with this, an insufficient number of supervisors, entails the risk that management of construction will cease to function sufficiently
- We produce construction materials at our plants, and construct them at construction sites in a hybrid-type business model. Such characteristics drive a necessity to strengthen this base.
- Rising social needs to address CSR procurement

Objectives of policy formulation

- To sweep away the negative image of being “difficult, dirty and dangerous” that the construction industry bears, and to make for an on-site environment that is easy to work in for those upon whose shoulders the future of the construction industry will rest—females, senior citizens, foreign workers and the younger generation
- To further strengthen collaboration with the companies that we partner with in undertaking construction tasks, and to work toward enhanced productivity through utilization of IoT, thus lowering risk
- To avoid risk by practicing responsible procurement, and to link to a stronger and differentiated supply chain

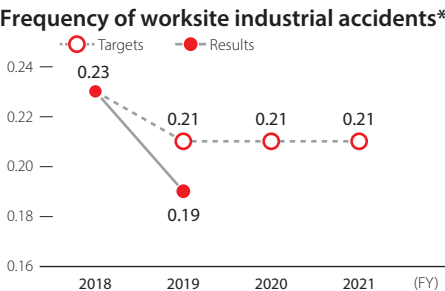
Priority issues and key goal indicators (KGI) for the technology and manufacturing base

Initiatives toward priority issues

1 Enforce safety/security at construction sites

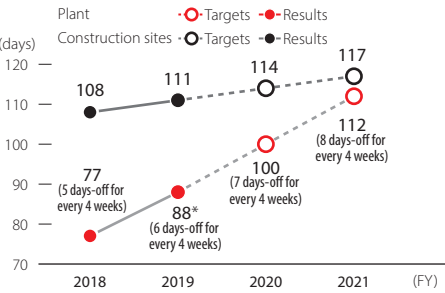
We revised our educational methods and undertook efforts to strengthen our management system in order to enhance the safety and health of skilled workers on site (employees of our business partners). Safety education includes the adoption of interactive VR teaching materials, non-verbal videos for foreign workers, creation of signs in foreign languages, and special training for fall prevention devices (full harness type). For our safety management system, we have introduced meetings via tablets or smartphones and remote supervision devices via ITV for the sake of greater operational efficiency based on ICT. As a result, we achieved our KGI target, specifically, the frequency rate for construction site accidents for fiscal 2019, which was 0.19. Fiscal 2020 will see a further entrenching of efforts, as well as the promotion of measures to prevent the spread of COVID-19, among other initiatives and efforts on the fundamentals of safety.

Key goal indicators and progress



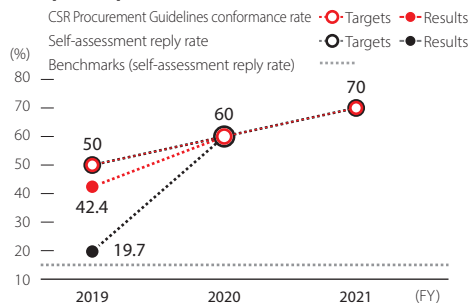
* The number of industrial accidents that have occurred involving worker injury or death per one million hours worked.

Number of days off per annum



* Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019).

Group CSR procurement



3 Promote and improve the efficiency of CSR procurement across the Group

We took steps to make our CSR Procurement Guidelines known among our business partners and share our thinking. An Ethics Card for Partner Employees was prepared and distributed as a tool for repeated learning of the key points for responsible behavior. Letters of consent to the CSR Procurement Guidelines were once again collected following the institution of the guidelines in fiscal 2015, reaching 52.2% in submission rate (2,910 out of 5,574 companies). Online self-assessments were also implemented as a way to confirm how far our partners are engaged in initiatives and building systems for CSR procurement. In fiscal 2020, our intention is to continue dialogues with our business partners in order to promote CSR procurement.

Reference Sustainability Report 2020: Technology and manufacturing base P.109-120

Bases to Strengthen Anew

Materiality 6 (Focal theme ⑧ ⑨) Building management base and strengthening relations with stakeholders (Upgrade innovation and corporate communications/ Strengthen risk management)



Innovation base Reference Sustainability Report 2020: Innovation base P.83-94

Base	Policy	Priority issues	Key goal indicators
Continuously comes up with innovative solutions to social issues	Strengthen systems to promote business and real estate development that helps solve social issues	(1) Build platforms for innovating solutions to social issues (2) Promote social inclusion in real estate development	Cooperative innovation creation for new business ventures or joint research projects Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

70%

Initiatives toward priority issues, and issues with regard to achieving goals

Our business development activities included participation in Open Innovation Base “Xport,” sponsored by the Osaka Chamber of Commerce and Osaka Institute of Technology. At “Daiwa House Future Labo,” we conducted programs in our pursuit of collaboration with our corporate partners, and from initial considerations commenced “Housing IoT Project.” In fiscal 2020, together with narrowing down topics that have a high likelihood of being realized, targeting open innovation programs, we will work not only with venture companies, but also plan to endeavor at business

innovation that includes alliances with major corporations.

In addition, to check whether or not development plans were based on Community Development Guidelines as of the planning stage in the real estate development process, we made plans and prepared for a “planning assistance tool.” In fiscal 2020, by initiating use of the “planning assistance tool” for properties applicable to the Company’s Real Estate Investment Committee’s deliberations, we will make known throughout the Company our stance on social inclusion in the development of real estate.

Communication base Reference Sustainability Report 2020: Communication base P.127-136

Base	Policy	Priority issues	Key goal indicators
Multi-channel communications with stakeholders	As a company, upgrade both financial and non-financial corporate communications and train the workforce for the information age	(1) Integrate and upgrade financial and non-financial communications (2) Keep pace with rapidly evolving communication environments	Establish a system and practices for financial and non-financial communications, and promote understanding that these are fully integrated Establish a base for system construction and employee literacy regarding rapidly evolving ICT

Initiatives toward priority issues, and issues with regard to achieving goals

Together with conducting 13 dialogue sessions with institutional investors pertaining to ESG so as to enhance our ESG engagement activities, in December 2019 we held ESG small group meetings where the CFO spoke about our integrated thinking-based business strategy. In fiscal 2020, we will work to disclose integrated financial and nonfinancial information in our securities reports, and will also take action to improve understanding of the concepts of integrated thinking and integrated management among managers and executives, as well as deepen awareness of materiality.

In addition, to revamp our information systems as part of our communications reform, we improved our MyPortal intranet site for managing important internal information, and also ran verification and evaluation tests of a cross-organizational search feature for internal company data. We also built a website, Bukken Site which aggregates data on projects (buildings) needed for collaboration with suppliers and other external stakeholders in one place and began proof of concept (POC) testing. In fiscal 2020, we will commence operations of these systems.

Risk countermeasures base Reference Sustainability Report 2020: Risk countermeasures base P.137-156

Base	Policy	Priority issues	Key goal indicators
Effective internal control and executives/all employee leadership in corporate ethics	Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules including overseas bases	(1) Prepare business continuity plans on the premise of natural disasters/extreme weather (2) Establish due diligence for human rights at plants (3) Establish corporate ethics and compliance rules (4) Build management base for global business development from a long-term perspective	Business Continuity Plan score 100 pts/100 pts (Score based on initiatives for employee safety, backup for information systems and securing power, customer support systems, production purchasing system, maintaining overall group functioning, development systems, etc.) Establish a process of due diligence for human rights at plants Internal control system attainment score 15% improvement Improved score on CSR awareness surveys at overseas bases

Initiatives toward priority issues, and issues with regard to achieving goals

Carrying out verification of BCM operations dealing with the water damage from Typhoon No.19 and other natural disasters, we have further enhanced BCM through the BCM Subcommittee that plays a role in each of the divisions involved across the Company’s value chain. In addition, with the intent to more appropriately and swiftly aggregate risk information, we have clarified risk information reporting standards for the Risk Management Committee. From the perspective of preventing harassment and with the full commitment of top management, in fiscal 2018 we established the Power Harassment Preventive Measures Office where

we offer dedicated and specialized consulting with regard to power harassment, and also conduct expert-led harassment prevention training to those in management level positions. Moreover, in order to strengthen the medium- to long-term management base in our overseas business, we set up our Overseas Business Division, and intending to construct an administrative framework for each region, have begun to consider putting in place corporate functions, starting with North America. We will continue to move forward to address such priority issues in fiscal 2020.

Efforts at Environment

E
Environment

Materiality 5 Pursue both minimization of environmental impacts and corporate earnings

The Daiwa House Group tries to make zero environmental impacts within our Group, globally, and through supply chains, with the aim of realizing a sustainable society.

Business developments for the Sixth Medium-Term Management Plan

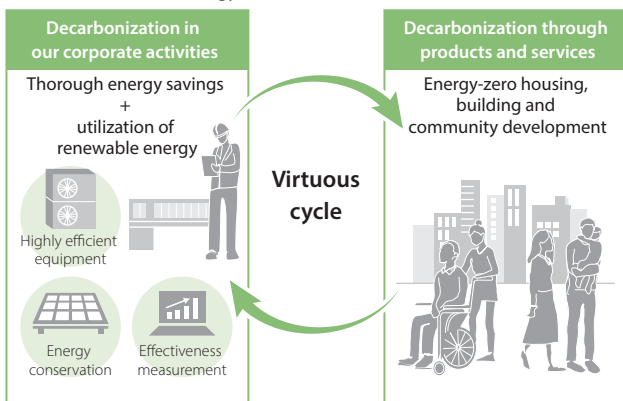
In the Daiwa House Group, we have established one materiality as “lowering environmental impacts while reaping corporate profits,” and together with this, have raised “efforts at the environment” as one basic policy in the Sixth Medium-Term Management Plan. We focus on the promotion of decarbonization in both our products as well as manufacturing endeavors.

Key policies of Endless Green Program 2021

- 1 Promoting “carbon-free” in the fields of products and manufacturing for achieving SBT, EP100, and RE100
- 2 Promoting win-win cooperation for reducing environmental risks in supply chains
- 3 Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness
- 4 Advancing strategic eco communication for improving environmental brand and ESG assessment
- 5 Enhancing integrated environmental management within the Group and globally for advancing environmental management

Activity achievements improve business competitiveness

We put the expertise gained at our own facilities in energy conservation, renewable energy and energy storage to use in business, while developing and increasing the prevalence of zero-energy housing, buildings and communities, as well as promoting the expansion of our environmental energy business.



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



Daiwa House specifies risks and opportunities in accordance with the framework set forth by TCFD, and then assesses impact on business based on multiple scenarios, with verification of strategy appropriateness as pertains to decarbonization.

The impact of climate change deepens year by year. The frequency of abnormal weather, natural disasters and the like is one of the factors behind climate change, and these pose a threat to the safety and security of homes and day-to-day life, which is at the foundation of our value offering. On another front, since the adoption of the Paris Agreement, nations and governments around the

world have dramatically altered course toward “decarbonization,” and expectations for the role that the private sector should play are undergoing enormous change.

Uncertainties are high with regard to change in the external environment associated with climate change, and as such, it is important that we move forward by properly dealing with risk based on multiple anticipated scenarios, and that we make efforts to seize upon business opportunities. Continuing on from this, we will proactively disclose information and hold constructive dialogues with investors and others, and this will lead to a honing of our strategy.

Main Risks and Opportunities Related to Climate Change

Near-term (0-3 years), mid-term (3-10 years), and long-term (10-30 years)

Type			Details	Period of impact	Level of financial impact
Risks	Transitions	Policy, laws and regulations	Increased costs on account of specification changes in line with strengthening of Japan's Building Energy Efficiency Act	Short term	Medium
			Rising operational costs due to expansion of carbon tax or emissions trading system	Medium term	Small
	Physical changes	Chronic	Higher maximum summer temperatures lead to increased risk of heat stroke at construction sites	Short term	Small
		Acute	Damage to our facilities due to natural disasters and increase in insurance premiums	Medium term	Small
			Impact on supply chain due to natural disasters	Short term	Medium
Opportunities	Transitions	Products and services	Increase in demand for houses and building with low greenhouse gas emissions	Present time	Large
			Generation of carbon credits through provision of low-carbon houses and buildings	Long term	Medium
			Expansion of environmental energy business due to rising demand for renewable energy	Medium term	Large
	Physical changes	Products and services	Rising demand for houses and buildings equipped for natural disasters	Medium term	Medium

Reference Sustainability Report 2020: Response to the Task Force on Climate-related Financial Disclosures (TCFD) P.44-46

Initiatives toward priority issues

1 Development and dissemination of environmentally conscious products and services

Viewing environment as a business opportunity, we designated sales of environmental contribution business as a key management indicator, to clearly and quantitatively publish our stance that we contribute to the environment through our business and make environmental stewardship an added value to our businesses. We are taking action to achieve our target of expanding growth in environmental contribution business sales at a pace greater than that of the business as a whole. In fiscal 2019, we took initiatives such as enhancing the lineup of ZEH standardization products in the housing business as eco-friendly buildings became more prevalent, and we expanded the scale of the environmental energy business primarily through the design and construction of photovoltaic generation facilities. As a result, net sales in the environmental contribution business rose 10% from the same period of fiscal 2018.

2 Reduction of greenhouse gas emissions in our business activities, enhancing energy efficiency

We acquired SBT certification, an international initiative for greenhouse gas emissions reduction, to be consistent with the Paris Agreement's 2°C temperature target. In addition, we joined EP100 and RE100, international initiatives that seek to raise energy efficiency and to increase renewable energy use, respectively, as the world's first-ever construction industry company, and have been accelerating activities in terms of a medium- to long-term vision. In principle, we will pursue ZEB for our newly constructed facilities, and along with that, we are working to raise energy efficiency by systematically investing in energy conservation measures at our existing facilities.

In fiscal 2019, we were certified as “ZEB Ready” for the newly constructed “Frespo Hibirigaoka.” As a result of thoroughly implementing measures to improve operations such as by utilizing a proprietary check sheet for energy conservation at our existing facilities, greenhouse gas emissions (per sales unit) fell 32% from fiscal 2015 levels, and similarly, energy efficiency rose to 1.34 times.



3 Development of renewable energy and expansion of its use

We are moving forward on expanding the use of renewable energy, and have positioned the period up until 2030 as a “volume expansion” phase, and following that, as a “usage expansion” phase.

Our “volume expansion (creation)” phase in fiscal 2019 included the 56 new photovoltaic power plants we put into operation, as well as the large-scale wind-power plant (16MW) in the city of Seiyō, Ehime Prefecture. Moreover, the Daiwa House Group operates 328 renewable energy power plants across Japan for 380MW of power (including power consumed internally), and that annual power generation capacity accounted for 96.4% of our power consumption. Going forward, we aim to achieve a renewable energy generation rate of 100% in fiscal 2020, a full 10 years ahead of schedule.

On the other hand, for “usage expansion (use),” we have introduced a self-consumption-type photovoltaic power generation system, and on top of that, have begun to provide renewable energy at new construction sites. In the future, we will be accelerating the switch to renewable energy originated from renewable energy power plants operated by the Group at our primary in-house facilities. Our aim is to have a renewable energy utilization rate of 10% in fiscal 2021.



DREAM Wind Ehime Seiyō wind-power plant (Ehime)

Funabashi Grand Oasis, Japan's first community development with 100% renewable energy

Leveraging the results gained through our in-house efforts to streamline energy efficiency for our business, and to expand renewable energy utilization, we will continue on with community development that gives consideration to the environment.

Currently under-development “Funabashi Grand Oasis” is comprised of single-family houses, rental housing, condominiums and commercial facilities that make up a business area of 57,000m² of large-scale complex development. Together with deploying advanced energy conservation, renewable energy and energy storage technologies to each facility, the energy used when construction started and at completion of the community is provided primarily from power originated from renewable energy generation facilities managed by the Group nationwide, and signifies the realization of Japan's first community development powered 100% by renewable energy, from “construction start” to “residence.”

We will continue to undertake this kind of community development all across Japan, and take our efforts to the next level to realize the spread of renewable energy and a carbon-free society.

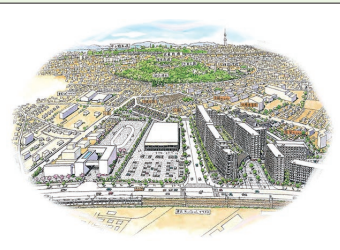


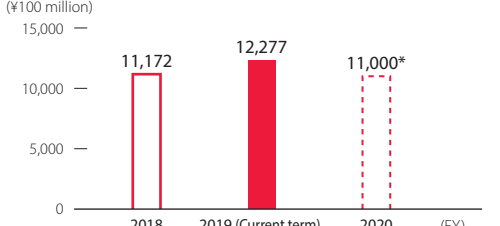
Illustration of Funabashi Grand Oasis development

Reference Sustainability Report 2020: Implementation Report Environment P.20-63

* Explanations of “Harmony with the natural environment” (protecting biodiversity), “Conservation of natural resources/Water resource conservation” (long life/reduction of waste), “Prevention of chemical pollution”

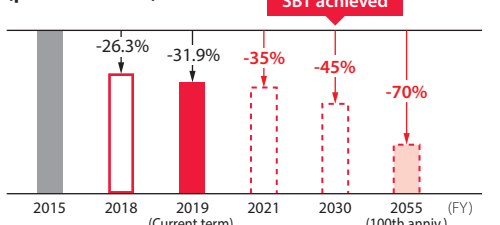
Key goal indicators and progress

Sales of environmental contribution businesses

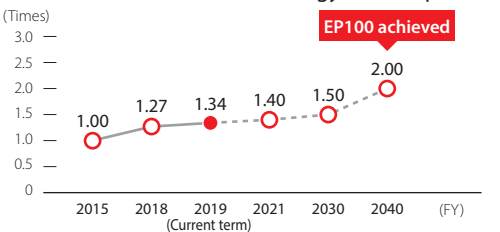


* Revised based on earnings forecasts announced in “FY2020 Presentation on Management Policies.” We plan to announce FY2021 targets in accordance with the situation that unfolds in FY2020.

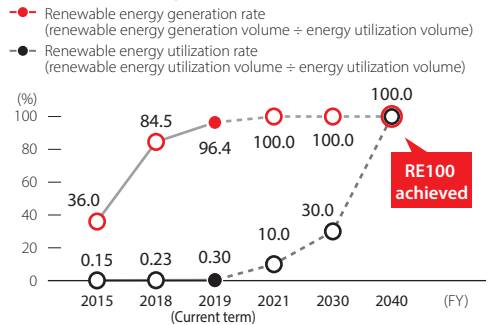
Greenhouse gas emissions (per sales unit)



Energy efficiency = Consolidated net sales ÷ Energy consumption



Renewable energy generation rate/utilization rate



Measures to Enhance Governance

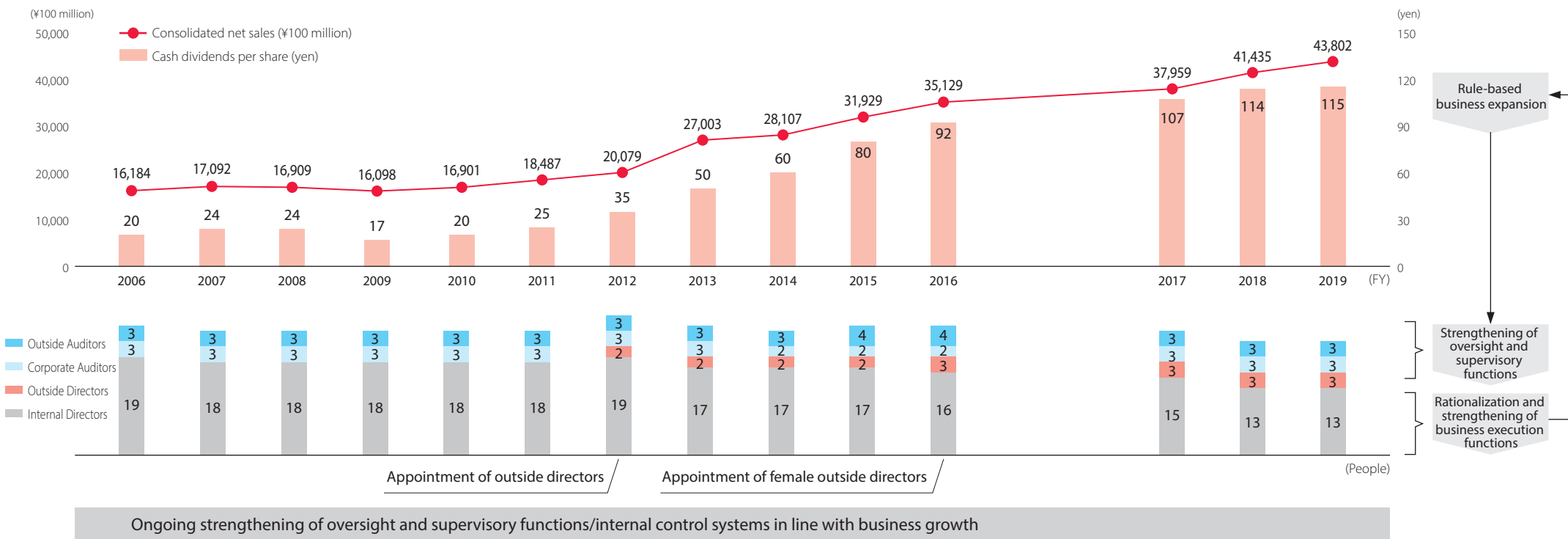
The Daiwa House Group positions enhancing its structure of governance as a priority issue for management so that we may continue to be a company that earns the trust of society. We take the basic stance of working to construct a system of accurate and timely decision making and business execution, as well as a

framework of appropriate oversight and supervision.

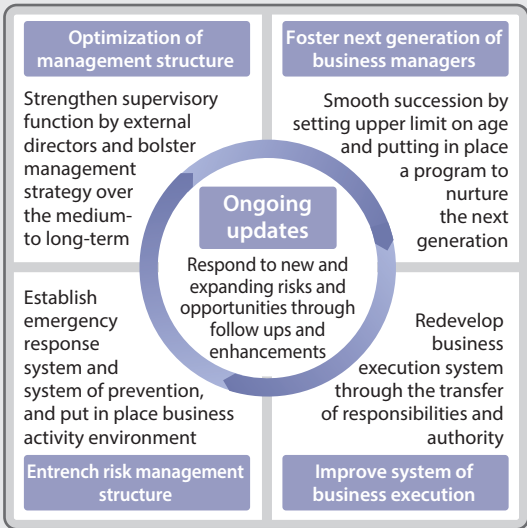
Along with transforming our vision in tune with expanding business operations and the management environment, we are building a structure for governance based on diverse viewpoints and long-term perspectives.

	-2010	Third Medium-Term Management Plan 2011-	Fourth Medium-Term Management Plan 2013-	Fifth Medium-Term Management Plan 2016-	Sixth Medium-Term Management Plan 2019-	(FY)
Board of Directors/ Audit & Supervisory Board	•The term of office of directors shortened to one year (2001)	•Appointment of outside directors (2012) * 2 outside directors		•Appointment of female outside director (2016) * 3 outside directors •Evaluation of effectiveness of Board of Directors (2015-)	•Setting age limits for inside directors (2019)	
Board Committees/ Management Committees	•Establishment of the Companywide Environment Committee (1997) •Establishment of the Risk Management Committee (1999) •Establishment of the Real Estate Investment Committee (2008)	•Establishment of the Corporate Governance Committee (2012)		•Establishment of the Nomination Advisory Committee (2015) •Establishment of the Remuneration Advisory Committee (2015) •Establishment of the Internal Control Committee (2015)	•Establishment of the Sustainability Committee (2017)	
Other systems, measures, etc.	•Introduction of executive officer system (2007)	•Issuance of performance-based stock options for value (2013/2016) •Attendance by independent officers at shareholder opinion-voicing sessions (debriefing session for independent officers) (2012)	•Corporate Governance Guidelines established (2015)	•Introduction of stock compensation plan (2016) •Introduction of employee stock ownership plan (2016) •Introduction of corporate auditors' whistle-blowing system (2016)	•Newly established Legal Compliance and Quality Assurance Promotion Division, and Compliance Promotion Department (2019) •Established an internal reporting (whistleblower) system with an external law office (2019) •Developing a system to promote SDGs and ESG (2018)	

Transition of Board of Directors and Audit & Supervisory Board composition

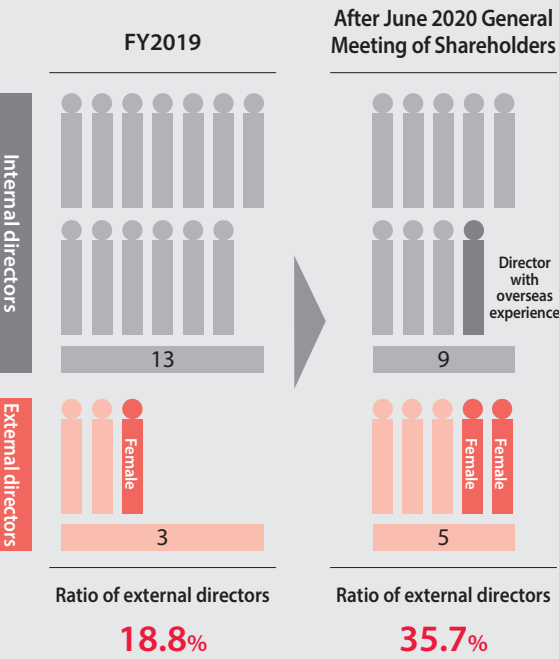


2020
Initiatives to enhance governance



Improvements to management structure

We have increased the number of outside directors in order to enhance the Board of Directors' supervisory function. We are also heightening diversity by appointing a female director and a director with experience of being stationed outside of Japan.



Corporate Governance System

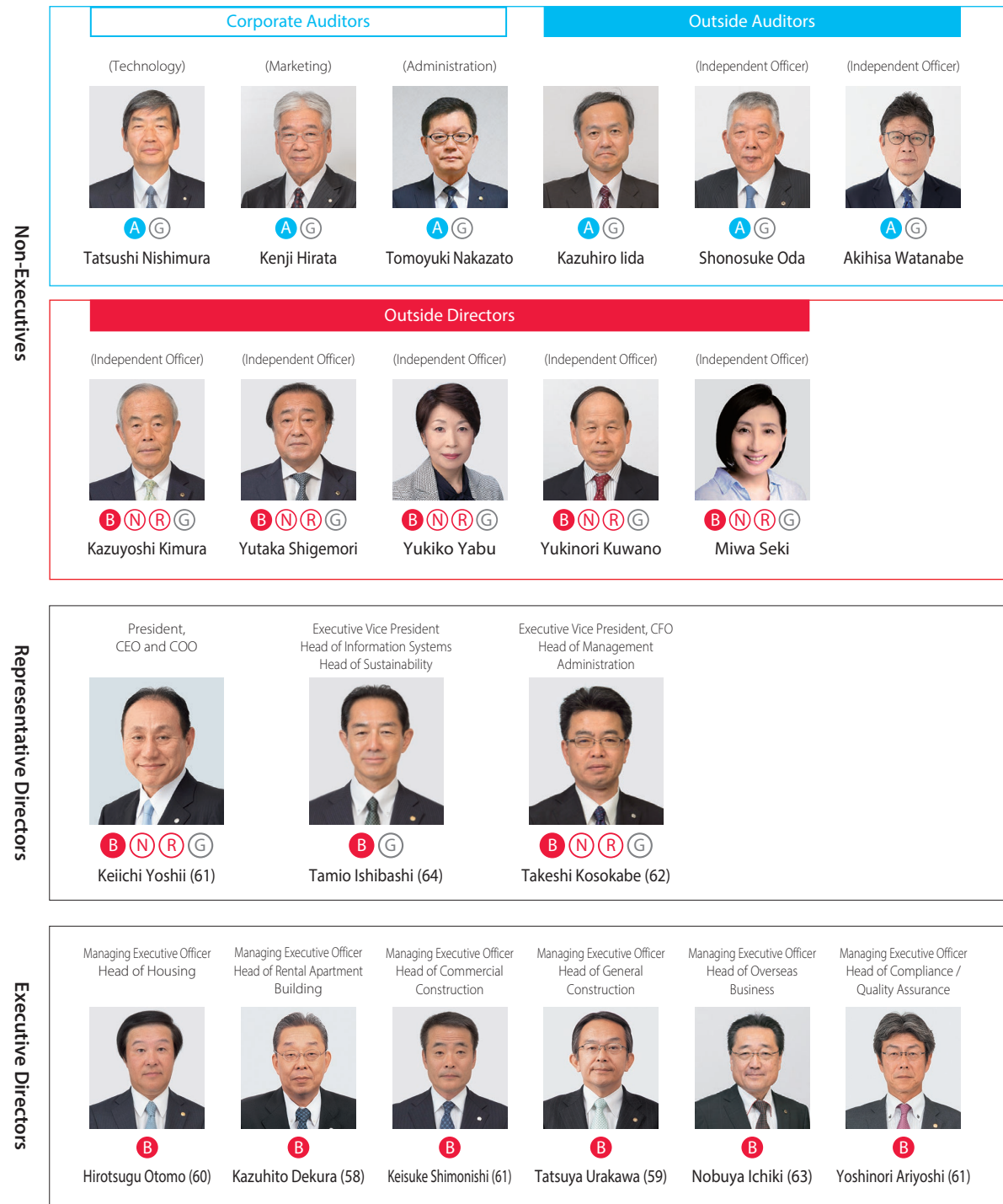
Concept of Board of Directors structure

Based on a long-cherished concept from the day of founding to promote a business that “will be useful to people and that will make them happy,” the Company’s Board of Directors upholds this concept in its management vision of being a group that co-creates value for individuals, communities, and people’s lifestyles. The Board’s mission is to embody the statement and to develop human resources that will carry on this mission into the future.

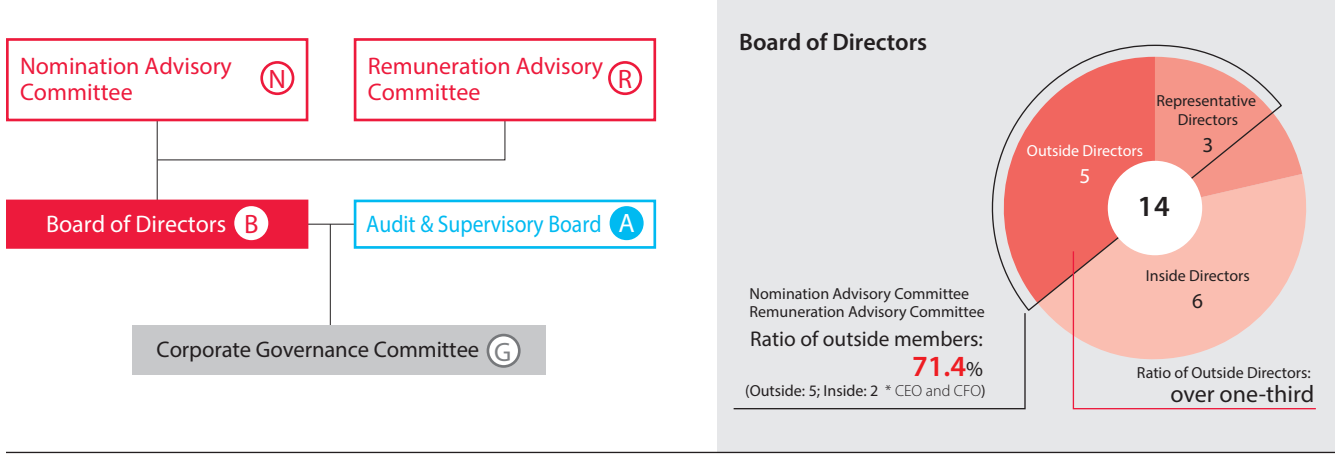
To realize the management vision, executive management must always explore the needs of society based on the attitude of a

bottom-up approach while the Board of Directors deliberates and decides how to embody such needs as a business, and quickly grasps reported risks regarding business execution to control and oversee these risks.

The Board of Directors has outside members who account for over one-third of the Board. By making greater use of diverse and external knowledge, experience and know-how possessed by Outside Directors, we aim for trustworthy and transparent management.



Structure of Committee for strengthening monitoring function of Board of Directors



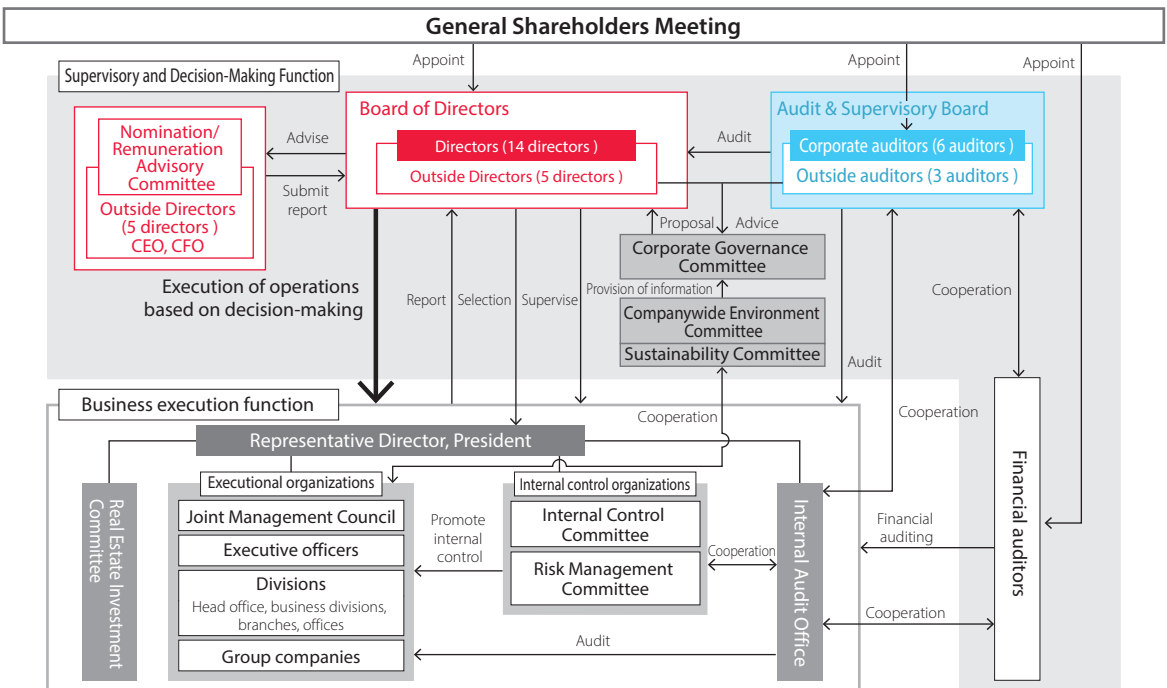
Expertise, experience and reasons for selection of Outside Directors

Name	Reasons for selection	Years in office	Nomination/Remuneration Advisory Committee	Expertise and experience			
				Corporate management	Audit	Investment/Finance	Marketing, planning, development
Kazuyoshi Kimura	Utilizing his extensive knowledge of corporate management cultivated over many years through his abundant experience as a business manager, he has played an important role in strengthening governance by providing opinions and remarks from various perspectives. Accordingly, the Company expects that he will continue supervising the Company's management from an independent standpoint.	8	●	●		●	
Yutaka Shigemori	Utilizing his extensive knowledge of corporate management cultivated over many years through his abundant experience as a business manager, he has played an important role in strengthening governance by providing opinions and remarks from various perspectives. Accordingly, the Company expects that he will continue supervising the Company's management from an independent standpoint.	8	●	●	●		
Yukiko Yabu	Utilizing her abundant experience in planning, development, market research, etc., of general consumer merchandise over many years, she has played an important role in strengthening governance by providing useful advice from the perspective of consumers. Accordingly, the Company expects that she will continue supervising the Company's management from an independent standpoint.	4	●				●
Yukinori Kuwano	Utilizing his abundant knowledge and experience as a corporate manager, he has been conducting highly effective audits as Independent Outside Audit & Supervisory Board Member of the Company for many years. Accordingly, the Company expects that he will supervise the Company's management from an independent standpoint through providing opinions and remarks from various perspectives to strengthen governance by utilizing his extensive knowledge in the future.	0	●	●	●		
Miwa Seki	She has entrepreneurial experience and has worked as a branch manager at a foreign financial institution. Accordingly, the Company expects that she will supervise the Company's management from an independent standpoint through providing opinions and remarks from not only an investor's viewpoint but also various perspectives by utilizing her extensive global knowledge cultivated through her experience as an educator and as a translator at present.	0	●		●	●	

* Figures in parentheses are the ages as of April 2020

Corporate Governance System

Corporate Governance System



Advisory Committees of Board of Directors (Board Committees)

Nomination Advisory Committee

Receives information from directors or executive officers in charge of human resources on individual director assessments and on proposals at the General Meeting of Shareholders relating to the appointment of directors, discusses the appropriateness of these, and presents an opinion, in order to ensure objectivity in the nomination of directors.
(Chair: an independent outside director; Meeting frequency: once a year in principle) / (Major past agenda) Draft of candidates for directors to be proposed at the General Meeting of Shareholders, etc.

Remuneration Advisory Committee

Receives advice on policy for decisions concerning director remuneration and details of individual remuneration, etc., and presents an opinion to ensure objectivity in the function concerning director remuneration. In addition, deliberates appropriateness of the decision-making process of remuneration by actively using external investigation data, etc.
(Chair: an independent outside director; Meeting frequency: once a year in principle)
(Major past agenda) Officers' remuneration system, etc.

Corporate Governance Committee

Meets for the primary goal of contributing to the medium- and long-term growth in corporate value. Exchanges views on vision, strategies, and other items pertaining to corporate governance and overall management, considering diverse viewpoints and taking a long-term perspective. Aims to make the company better by fully incorporating into management the knowledge and expertise possessed by Outside Directors and Outside Auditors. (Chair: President; Meeting frequency: twice a year in principle)
In addition, the Committee exchanges views on the initiatives for SDGs and ESG upon having informed of important matters by the Companywide Environment Committee and Sustainability Committee.
(Major past agenda) Measures to enhance governance of the Daiwa House Group, etc.

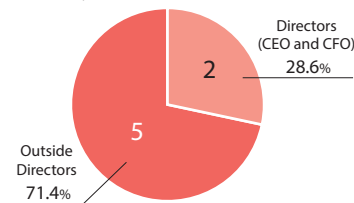
Committees concerning operational execution (Management Committees)

Joint Management Council

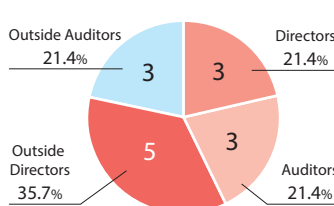
The Joint Management Council is established for appropriately executing the decisions made by the Board of Directors through having the Board of Directors and executive officers fulfill their respective duties and communicate each other. Deliberates and reports on important matters relating to business execution and evaluates internal control and risk management systems.
(Chair: President) / (Major past agenda) Report on progress of each business, report on progress in product development and research divisions, etc.

* Held 7 times in FY 2019

Members of Nomination Advisory Committee and Remuneration Advisory Committee



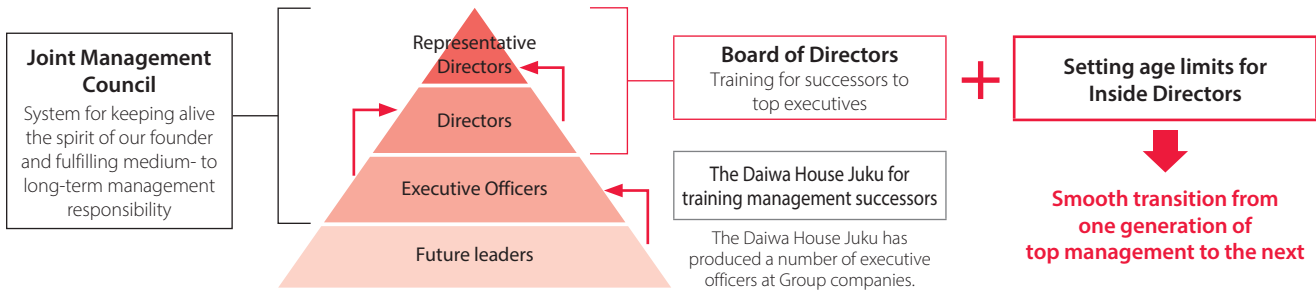
Members of Corporate Governance Committee



Putting in place a program to nurture the next generation

To ensure further business growth under a rapidly changing operating environment, the Company has set age limits for Inside Directors (Representative Directors: sixty-nine; Directors: sixty-seven), thereby promoting smooth transition from one generation of top management to the next.
In nurturing management successors, we believe that seamlessly passing down managerial experience and accumulated know-how is indispensable for sound and sustainable development. We

intentionally create opportunities for employees at each grade to interact with staff in higher positions, such as Joint Management Council, who are in this way constantly reminded of their responsibility to prepare their successors for promotion, while striving to expand the pool of human resources who demonstrate remarkable abilities to innovate and are capable of challenging new business fields and responding to the expansion in the range and operating regions of our businesses.



Procedures for director nominations and proposed dismissal

The procedures for director nominations and proposed dismissal are determined on the basis of Principle 3.1 of the Corporate Governance Code, which was revised in June 2018.

When a director nomination is made, the matter is discussed by a Nomination Advisory Committee made up of five outside directors and two inside directors to ensure independence and objectivity, and the decision is made by the Board of Directors with reference to the outcomes of this discussion.

When the dismissal of a director is proposed, the matter is decided by the Board of Directors.

Criteria for candidate directors	
1. They should have excellent personality and wisdom, excel in management sense, and possess expertise in various management issues.	5. They should be highly motivated to improve their own abilities.
2. They should excel in the ability to analyze and judge objectively from the perspective of the whole company.	6. They should be capable of actively stating the opinion from the perspective of the whole company.
3. They should excel in foresight and insight.	7. They should not fall under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.
4. They should be capable of accurately grasping the trends of the time, business conditions, and changes in the market.	

Criteria for director dismissal	
1. In case the director has committed an act that violates public order and morality.	
2. In case the director is unable to continue the execution of duties in the cause of health problems.	
3. In case the director has caused tremendous corporate value damage by its laziness.	
4. In case the director has fallen under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.	
5. In case the director is considered to be lack of motivations and abilities stipulated in Selection criteria.	

Procedures for director nominations	Nomination Advisory Committee	Board of Directors
	Discuss whether the candidate satisfies the above criteria and present conclusions to the Board of Directors	Decisions regarding director nominations

[Procedure for CEO dismissal]

The procedures for CEO dismissal are determined on the basis of Supplementary Principle 4.3.3 of the Corporate Governance Code, which was revised in June 2018.
The Nomination Advisory Committee meets and deliberates, considering quantitative assessments of financial performance targets and other circumstances, and debates whether a proposal to dismiss should be put before the Board of Directors.

When the proposal is subsequently put before the Board of Directors, the CEO shall be dismissed if a majority vote to do so. The CEO shall not take part in any of these deliberations or decisions.

Sale of cross-shareholdings

The Company owns cross-shareholdings to strengthen its relationships and collaboration with partner companies. The Board of Directors conducts an annual comprehensive review of each cross-shareholding in terms of the risks and benefits of maintaining it, based on conditions of trade, financial statements, external ratings and the required profit figure for cross-shareholding calculated from the WACC (weighted average cost of capital). As a result, the number of cross-shareholdings has fallen from 98 at the end of fiscal 2014 to 66 at the end of fiscal 2019.

[Criteria for sale of cross-shareholdings]

The purposes for which the shares are held are categorized into "increasing sales", "relationship building (with suppliers, etc.)", "business collaborations", and "other reasons", and the reasons for continuing to hold cross-shareholdings are reviewed once a year with reference to current dealings with the company concerned. Shareholdings are sold if there are no longer good reasons for holding them.

Actual sales of cross-shareholdings over past three financial years

FY	Number of shareholdings sold
2017	6 companies (sale of entire holding), 2 companies (partial sale of holding)
2018	6 companies (sale of entire holding), 1 company (partial sale of holding)
2019	4 companies (sale of entire holding), 4 company (partial sale of holding), 1 newly listed company

Policy on Remuneration and Evaluation on Effectiveness of Board of Directors

Remuneration policies

Objective

The Company's director remuneration*1 is designed to cultivate and secure superior management personnel and contribute to its sustainable development as a listed company by including a portion linked to operating performance and an appropriate remuneration system in consideration for corporate value creation.

A balanced remuneration system has been developed to ensure that appropriate management decisions are made by managers of a listed company—in response to changes in the operating environment—to primarily enhance the medium- to long-term corporate value.

*1 Excluding Outside Directors.

Details

The remuneration shall be as follows.

(i) Fixed remuneration

Fixed remuneration shall be paid in cash as compensation for fulfilling job responsibilities, to all Directors and Audit & Supervisory Board Members. By resolution of the General Meeting of Shareholders, the limit on remuneration for Directors is 70 million yen per month, and for Audit & Supervisory Board Members 18 million yen per month.

(ii) Annual incentive bonus

Directors (excluding Outside Directors) will be paid in cash as performance-based remuneration within 0.5% of consolidated ordinary income for “generating profits and fostering the Company's growth and development.” (KPI: consolidated ordinary income)

(iii) Stock compensation

Directors (excluding Outside Directors) will be paid two types of stock compensation as follows as performance-based remuneration in shares. The aim of this is to increase still further the connection to shareholders' profits, and to heighten incentives to raise corporate value over the medium to long term.

(1) Performance-based remuneration of transfer-restricted stocks (hereinafter “Transfer-restricted stock remuneration”)

This is paid to encourage commitment to achieving medium-term performance targets and raising shareholder value. This is a system to grant company shares with restrictions on transfer up to retirement from the said position, at the start of the Medium-Term Management Plan, and according to attainment of consolidated operating income each fiscal year in the Medium-Term Management Plan. (KPI: consolidated operating income in the Medium-term Management Plan period)

(2) Stock issuance trust

This is paid as compensation for long-term shareholder value creation.

This system puts cash in trust and acquires company shares to the limit decided at the General Meeting of Shareholders, to grant shares to Directors, according to attainment of ROE (return on equity). (KPI: ROE for each fiscal year)

Regarding the amount to be paid, in principle efforts will be made to secure approximately 10% as stock remuneration to act as an incentive to raise corporate value in the medium and long term.

Determination process

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

And also to ensure that the annual incentive bonus amount provided to Directors in relation to operating performance in the subject fiscal year is in accordance with the will of the shareholders, this amount is tabled as a proposal at the annual General Meeting of Shareholders.

Initiatives to further share value with our shareholders

The Company recommends to its executives to own company shares through shareholders associations and so forth, to encourage a sense of shared profit awareness with shareholders and behavior respecting shareholder value.

The Shareholding Guidelines below in principle require the holding of a certain number of company shares at the minimum by members (or future members) of management, in recognition of the important role they play in sustainable growth and greater corporate value over the medium and long term for the Company.

<Shareholding Guidelines>

Directors:	In principle to own 6,000 or more company shares within 3 years of appointment
Executive Officers:	In principle to own 3,000 or more company shares within 3 years of appointment
Directors of Group companies*2:	In principle to own 2,000 or more company shares within 3 years of appointment

*2 Only for Directors of 100% subsidiaries.

Directors' remuneration structure

Period	Type of remuneration	KPI
Short-term (monetary)	Fixed remuneration	Not more than 70 million yen per month
	Annual incentive bonus	Consolidated ordinary income (paid within 0.5%)
Medium- and long-term (share)	Transfer-restricted stock remuneration	Performance targets of the Medium-Term Management Plan Operating income for the three-year period under the Sixth Medium-Term Management Plan (FY2019: 378.0 billion yen FY2020: 390.0 billion yen FY2021: 405.0 billion yen)
	Stock issuance trust	The number of shares issued changes according to actual ROE figures ROE: 13% or higher = 1, 8% or higher but less than 13% = 0.5 Less than 8% = 0

Fixed remuneration		Performance-based remuneration	
Basic remuneration Approx. 42% (not more than 70 million yen per month)	Annual incentive bonus Approx. 47%	Stock compensation Approx. 10%	
		Performance-based remuneration of transfer-restricted stocks	Stock issuance trust
(KPI: Consolidated ordinary income)		(KPI: Consolidated operating income)	(KPI: ROE)

* As the ratios are rounded off to the decimal point, the sum total of them may be less than 100%.

Remuneration paid

Director remuneration	FY2017*3	FY2018	FY2019	FY2019 Composition of remuneration
Directors' fixed remuneration (excluding outside directors)	735 (19 directors)	742 (16 directors)	710 (13 directors)	42.2%
Directors' annual incentive bonus	986 (15 directors)	836 (16 directors)	798 (13 directors)	47.4%
Stock compensation	129 (15 directors)	145 (16 directors)	175 (13 directors)	10.4%

*3 Excludes ¥100 million in special bonuses awarded to retiring directors through a resolution of the 79th General Meeting of Shareholders held on June 28, 2018.

Overview of evaluation on effectiveness of Board of Directors

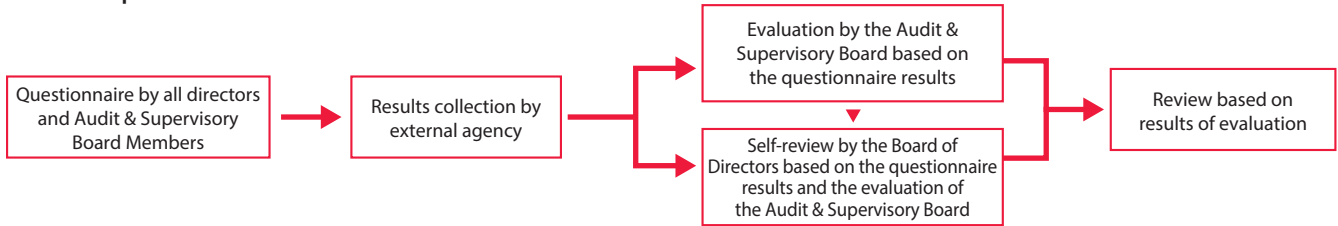
Based on the Corporate Governance Guidelines, the Company has, since 2015, conducted evaluations of the effectiveness of the Board of Directors with the aims of improving the functions and effectiveness of the Board of Directors.

Questionnaire-based surveys of directors and Audit & Supervisory Board members are conducted, and the effectiveness evaluations are

made on the basis of the results of these together with the evaluation of the Board of Directors made by the Audit & Supervisory Board.

While question selection and results collation were undertaken by the Company in 2015 and 2016, an external agency has been engaged to conduct the survey since 2017, with responses being provided directly to the external agency to ensure anonymity.

Evaluation process



Evaluation items

The survey was made up of 32 multiple-choice questions and 10 questions requiring written answers about items on the right.

The multiple-choice questions asked for rankings on a one-to-five scale (where 5 = highest ranking, 1 = lowest ranking).

Although the evaluation of the Board of Directors as a whole was relatively high, a low ranking was given to the composition of the Board of Directors.

Evaluation items	Average score
Composition of Board of Directors	3.7
Operation of Board of Directors	4.4
Support structures for directors and Audit & Supervisory Board members	4.1
Training	3.8
Dialogue with shareholders	4.1
Attitude of directors and Audit & Supervisory Board members to their duties	4.3
Evaluation of the Board of Directors as a whole	4.4

Summary of evaluation results for 2019

Based on the status of each evaluation item, the effectiveness of the Board of Directors was evaluated as being fully satisfactory.

The Company recognizes the need to ensure a balance of knowledge, experience, expertise, genders, internationalism and other factors in the composition of the Board of Directors, for the sake of greater business expansion. In order to further enhance governance, we have shared issues such as rebuilding of the risk management system.

Progress of Recurrence Prevention Measures

We are steadily implementing the measures we have formulated to prevent the recurrence of misconducts.

Case 1: Accounting irregularities in a Daiwa House affiliate in the People’s Republic of China

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Enhancement of Group governance	1. We made it a rule to appoint one or more directors with overseas business experience, and also formulated policies concerning the transition to a region management system overseas, establishment of an Overseas Business Headquarters, and building of management systems for respective regions (regional corporate functions).	Complete
	2. While individually addressing issues requiring immediate response, such as deposit account management and appointment of an auditor, we formulated investment management guidelines with a basic policy for joint venture management, and promoted other concrete actions.	Complete
	3. In fiscal 2020, we strive to enhance risk management and ensure governance and internal control by implementing each measure, building a business execution system for our overseas businesses, and operating investment management guidelines.	In progress

- Dalian Dahezhongsheng Estate Co., Ltd., an equity-method affiliate, ceased its operation on December 31, 2019. As a result, in the fiscal 2019 financial results, an equity method loss of ¥7.3 billion was recorded under non-operating expenses . Then, in April 2020, we filed a petition for compulsory liquidation to wind up the company.

Case 2: Off-specification components in single-family houses and rental housing properties

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Rebuilding the legal compliance system	We established the Legal Compliance and Quality Assurance Division, an independent division under direct control of the president, in August 2019. While strengthening functions for collection and communication of risk information, the Division rebuilds the system for supervising design and construction work in the technology divisions, and confirms and evaluates the operation, in an effort to enhance the legal compliance system.	Complete
Introduction of an internal qualification system	We conducted an internal qualification test related to the system of type-certified specifications in August 2019, and assigned appropriate personnel in charge of design starting from October 2019. The second test was held in January 2020, and personnel in charge of design were appropriately assigned in the same manner. We will annually conduct the internal qualification test in January, and respond to revisions of the system of type-certified specifications.	Complete
Strengthening of functions for communication of risk information	We established a mechanism whereby the risk information of each worksite is reported to the Legal Compliance and Quality Assurance Division without delay, mainly by worksite managers (branch managers and branch office managers) and design managers. The operation started in October 2019.	Complete
Strengthening of internal auditing functions	The Conformance in Specifications Department under the Legal Compliance and Quality Assurance Division has conducted individual design audits and conformity check with bylaws since October 2019. In addition, 100% of our properties go through inspections to verify their conformity to internal rules in the design process.	Complete
Appropriate evaluation of the state of legal compliance of business offices	The state of compliance with building laws and regulations including the system of type-certified specifications has been reflected in the performance evaluations of business offices since October 2019.	Complete
Strengthening the sharing of information between the head office and business offices, and reiteration of training	We reviewed our training program and started in August 2019 a course to provide professional expertise directly related to the design division's work, as well as a general training on basic knowledge in building laws and regulations. We review the legal compliance trainings on a companywide basis, and offer the opportunity to exchange opinions, whereby enhancing the communication between the head office and business offices.	Complete
Strengthening of internal check functions	We reestablished internal standard design rules (design guidelines), and rebuilt rules enabling long-term storage of plans, whose operation started in October 2019. We also began developing a Building Information Modeling (BIM) slated for full-fledged operation in October 2021 to strengthen functions for checking conformity to laws and regulations.	In progress (The operation will start in fiscal 2021.)

- In the Sixth Medium-Term Management Plan, ¥100 billion will be invested in reinforcing technology infrastructure and reforming work practices.

Case 3: Inadequate work experience criteria for qualifications tests

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Establish a systematic qualifications acquisition model plan	We will show the Technology Division employees a career enhancement model through acquiring the Qualifications they need to obtain in work linked with their academic background. With this, we will aim to encourage employees to acquire the appropriate qualifications on a planned basis. The operation of this will start with new employees in fiscal 2021.	In progress (The operation will start in fiscal 2021.)
Build an internal check structure concerning the work experience criteria	1. We established a department that manages the work experience criteria within the Technology Division. The department supervises and manages the work experience criteria of operation and management engineers, and notifies and alerts employees belonging to the Technology Division. The department was already established in July 2020.	Complete
	2. We will prepare a tool by which both the candidates for qualifications tests and a department managing the work experience criteria within the Technology Division will be able to confirm the work experience of candidates. This will build a system that allows us to confirm at a glance a candidate's academic background, record in the company, qualifications held and work experience. Also, work experience accumulated by operation and management engineers will be registered with the system. The system has been under construction since July 2020, whose operation will start with those planning to take tests in fiscal 2021.	In progress (The operation will start in fiscal 2021.)
	3. To accurately confirm the work experience possessed by the candidates for Qualifications tests, the department that manages the work experience criteria within the Technology Division will check what is filled out by the candidates in the Work Experience Certificates. We will also establish a new rule by which candidates will not be able to apply to receive the Company's seal to be affixed to their Work Experience Certificates without a check by the head office. The operation of this will start with those planning to take tests in fiscal 2020.	Complete
Provision of checklist to confirm work experience	A checklist will be prepared 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. The operation of this will start with those planning to take tests in fiscal 2020.	Complete

Other general measures

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Refining our human resources' sensitivity to risks	To enhance the sharing of information between the head office and business offices, compliance reinforcement groups were set up in each business division. The groups are revamping manuals and creating an environment to learn laws and regulations that are relevant to respective onsite operations. In addition, misunderstanding of rules among employees has been often pointed out in internal audits, owing to the head office's instructions coming in via multiple media that complicated the understanding. To resolve the issue, we are providing information by organizing error-prone items, and also developing a new communication system led by the Compliance Promotion Department, which will centralize and transmit the instructions to business offices.	Complete

Note: Items that are already in operation are shown as "Complete."

Reference

- Case 1:**
June 2019: Notice of Receipt of Third-Party Committee Report Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China (https://www.daiwahouse.com/English/about/release/pdf/release_20190618e.pdf)
November 2019: Recurrence Prevention Measures Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China (Japanese only) (https://www.daiwahouse.com/about/release/house/pdf/release_20191108-2.pdf)
- Case 2:**
June 2019: Identification of Causes of Off-Specification Components in Daiwa House Single-Family Houses and Rental Housing, and Measures to Prevent Recurrence (https://www.daiwahouse.com/English/about/release/pdf/release_20190608-4e.pdf)
November 2019: Progress of Recurrence Prevention Measures Concerning Off-Specification Components (Japanese only) (https://www.daiwahouse.com/about/release/house/pdf/release_20191101.pdf)
- Case 3:**
December 2019: Notice Concerning Inadequate Work Experience Criteria for Qualifications Tests (Main Recurrence Prevention Measures) (https://www.daiwahouse.com/English/about/release/pdf/release_20191218e.pdf)
April 2020: Notice Concerning the Receipt of an Investigation Report from an External Investigation Committee (https://www.daiwahouse.com/English/about/release/pdf/release_20200417e.pdf)