



News Release (Translation only)

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(Code number: 1925,
First Section of the Tokyo Stock Exchange)

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Identification of Causes of Off-Specification Components in Daiwa House Single-Family Houses and Rental Housing, and Measures to Prevent Recurrence

In response to the revelation of the use of components that do not conform to specifications in some single-family houses and rental housing built by Daiwa House, on April 26, Daiwa House Industry Co., Ltd. (“Daiwa House” or “we”) requested that an external investigative committee consisting of an external auditor and third-party experts investigate the facts (survey of the appropriateness of our internal investigations and relevant documents, interviews of relevant personnel, etc.), analyze the causes and propose measures to prevent recurrence.

We received the “Investigation Report (Final Report)” from the external investigative committee on June 17.

In addition, the Board of Directors passed a resolution on measures to prevent recurrence based on the external investigative committee’s Investigation Report in a meeting held today (June 18). Daiwa House’s measures to prevent recurrence and the Final Report from the external investigative committee were also submitted to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

We have also asked a third-party organization to examine the safety of the properties newly found to have off-specification pad footings that were announced today in the same manner as those already reported. An additional report will be made once the results of the examination are available.

We deeply apologize to customers, residents and all other stakeholders for any and all inconvenience and confusion caused by the use of such off-specification components.

Daiwa House will steadily implement measures to prevent recurrence of this incident and eliminate the use of off-specification components.

■ Identification of Causes of Off-Specification Components in Daiwa House Single-Family Houses and Rental Housing, and Measures to Prevent Recurrence

1. Overview of the Use of Off-Specification Components

(1) Possibility of insufficient fire safety and off-specification columns

Rental housing properties built by Daiwa House that were erected with corridor supports (inverted-L columns) for external second-floor side corridors must include fire resistance measures in principal structural elements when constructed as quasi-fireproof structures under the Building Standards Act, the Fire Services Act and relevant local ordinances, but the personnel in charge of design drew up plans for the inverted-L columns with specifications that deviated from the company's standard specifications and may have insufficient fire safety, and the plans were executed without change.

Furthermore, the plans for many of Daiwa House's residential products are subject to type-certified specifications in advance based on the Building Standards Act, and we have obtained Certification as a Manufacturer of Type-Certified [Building] Components. However, the personnel in charge of design failed to adequately check the type-certified specifications, mistakenly assumed that inverted-L columns were subject to type-certified specifications, and drew up plans without going through the usual procedures for design-document approval and building-permitting, resulting in construction based on specifications that differed from the type-certified specifications.

(2) Off-specification footings

Some Daiwa House single-family houses and rental housing include pad footings in their foundations. The personnel in charge of design drew up plans that differed from the specifications (height) of footings placed on properties with footings on improved surface soil, footings in areas with designated freeze depths and footings on lots of uneven grade, and the plans were executed without change.

2. Causes revealed by the external investigative committee

The Final Report was received from the external investigative committee on June 17, 2019, and the following causes of each problem were presented as the results of the investigation of facts and the analysis of the causes.

■ Results of analysis of causes of each problem (key points)

[Principal cause 1] Problems with implementation of the legal compliance system
Inadequate understanding of the system of type-certified specifications on the part of the personnel in charge of design in business offices were not resolved.

<p>【Principal cause 2】 Insufficient communication between business offices and the head office</p>
<ul style="list-style-type: none"> - Applications for type-certified specifications required to allow various footing heights were not made because requests from business offices did not reach the head office. - The height of footings was not included as an item on the check sheet for type-certified specifications due to a lack of awareness in the head office. - The need for inverted-L columns in the Kanto area was not recognized, and no applications for type-certified specifications were made.
<p>【Principal cause 3】 Problems with the process of drawing up plans</p>
<ul style="list-style-type: none"> - Although the architects elected non-standard footings, these were not displayed in CAD during the production phase. - Inverted-L columns were displayed as non-standard specifications in CAD during the production phase, but the information was not effectively utilized.

3. Measures to prevent recurrence in light of the recent use of off-specification components

In response to the proposals made by the external investigative committee, Daiwa House will newly institute and steadily implement the following measures to prevent recurrence including seven basic policies and countermeasures.

■ Basic policies and countermeasures to prevent recurrence

<p>【Basic policy 1】 Rebuilding the legal compliance system related to companywide design operations</p>
<ul style="list-style-type: none"> - Rebuilding the legal compliance system related to building laws and regulations including the system of type-certified specifications - Establishment of an independent Legal Compliance and Quality Assurance Promotion Division (tentative name) as a division directly reporting to the President
<p>【Basic policy 2】 Introduction of an internal qualification system related to the system of type-certified specifications</p>
<ul style="list-style-type: none"> - Introduction of an internal qualification system related to the system of type-certified specifications, and appropriate assignment of personnel in charge of design
<p>【Basic policy 3】 Strengthening of functions for communication of risk information</p>
<ul style="list-style-type: none"> - Strengthening of functions for internal communication of information on risks related to building laws and regulations including the system of type-certified specifications
<p>【Basic policy 4】 Strengthening of internal auditing functions</p>
<ul style="list-style-type: none"> - Strengthening of the internal auditing system related to building laws and regulations

including the system of type-certified specifications
【Basic policy 5】 Appropriate evaluation of the state of legal compliance of business offices
- Reflection of the state of compliance with building laws and regulations including the system of type-certified specifications in the performance evaluations of business offices
【Basic policy 6】 Strengthening the sharing of information between the head office and business offices, and reiteration of training
- Strengthening of functions for conveying information from the head office to business offices, enhancement of communication between the head office and business offices, and reimplementation of legal compliance training throughout the entire company.
【Basic policy 7】 Strengthening of internal check functions
[Countermeasures]
- Reestablishment of internal standard design rules (design guidelines) / standard specifications
- Improvement of design processes for strengthening systems for checking type-certified specifications
- Strengthening of functions for checking conformity to laws and regulations by BIM
- (Rebuilding of) mechanism enabling long-term storage of plans

End

Disclaimer:

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