



News Release (Translation only)

December 18, 2019

Company: Daiwa House Industry Co., Ltd.
(Code number:1925,
First Section of the Tokyo Stock Exchange)
Representative: Keiichi Yoshii, President, CEO and COO

Notice Concerning Inadequate Work Experience Criteria for Qualifications Tests

We have conducted an internal investigation into the inadequate work experience criteria for operation and management engineer skills qualifications (hereinafter “the Qualifications”) tests in response to an internal report. As a result, we ascertained that some of our employees took Qualifications tests and acquired the Qualifications while lacking the prescribed work experience.

We also ascertained that some employees with off-specification work experience criteria had been assigned as on-site engineers. We reported this to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) today (December 18, 2019).

We would like to sincerely apologize for the considerable concern and inconvenience we have caused all our customers and other stakeholders. We will strive to prevent a situation like this occurring again in the future under the guidance of the MLIT.

1. Details of the Inadequate Work Experience Criteria

We ascertained that some employees passed Qualifications tests with periods that cannot be recognized as work experience, with overlapping work experience and with a number of years of work experience that does not satisfy the eligibility to take the tests. This affects 349 (total number of Qualifications: 422) out of 4,143 (total number of Qualifications: 7,213) holders of the Qualifications among our employees.

We also ascertained that 35 (total number of Qualifications: 50) out of 2,224* (total number of qualifications: 2,771) retirees may not have sufficient work experience.

Six out of our 349 employees with inadequate work experience criteria have actually used the Qualifications as on-site engineers. There have been 16 sites where they were assigned as engineers.

None of the 35 retirees who may not have sufficient work experience actually used their inadequate work experience criteria Qualifications as on-site engineers.

Furthermore, there were no affected buildings involving single-family houses, rental apartment houses or condominiums.

*We plan to confirm with the retirees themselves about whether or not they have insufficient work experience.

2. Customer Support

Our representatives will today (December 18) individually explain this issue to the customers of the 16 properties where employees with inadequate work experience criteria were assigned as on-site engineers. In addition, we will send direct mail to contact them again today (December 18).

We will confirm the validity of the on-site technical management at the time of construction with the consent of our customers in the future. For example, a third party will conduct an investigation on the quality of the affected properties. We will then make a report to the MLIT that serves as the supervising authority after completing our inspection of the 16 properties and reports to our customers.

3. Method of Investigating the Employees with Inadequate Work Experience Criteria

First, we created a list of holders of the Qualifications from our personnel data. We then compared their career records with the number of years of work experience that serves as the condition to take the skills Qualifications tests in the Test Guidebook. Together with this, we also confirmed the periods not recognized as work experience.

4. Main Causes of the Inadequate Work Experience Criteria

- (1) Insufficient Employee Knowledge/Recognition and Inadequate Internal Check Structure
Some employees who took the test did not sufficiently check the contents of the Test Guidebook and so filled out their Work Experience Certificates based on incorrect recognition.

In addition, some managers of departments to which the employees who took the tests belonged and some management departments of each branch then stamped those Work Experience Certificates with our company seal without sufficiently checking them.

- (2) Insufficient Internal Attention and Inadequate Information Management Structure
We encouraged and promoted the acquisition of the Qualifications to improve the skills of our employees and to train versatile engineers. Nevertheless, we did not sufficiently alert candidates about the provision of information concerning their test applications. For example, we failed to provide specific information regarding work experience when employees applied to take these tests.

Furthermore, we did not set up a system to centrally manage the career records of employees and information relating to work experience. Therefore, we did not have the means to check and compare the propriety of the content of the Work Experience Certificates completed by our employees.

5. Recurrence Prevention Measures

We are steadily implementing new recurrence prevention measures we have formulated upon the discovery of this incident so that a similar situation does not occur again. For example, we will check the conditions to be eligible to take the Qualifications tests with a new system when our employees apply to acquire these Qualifications.

■ **Main Recurrence Prevention Measures**

Recurrence Prevention Measure	Details
Build an internal check structure	Candidates for Qualifications tests will complete a Test Qualifications Confirmation Form (designated by our company) and send it to the head office. The head office will then confirm the candidate’s personnel record and site data. After confirming this, the head office will notify the employee of its judgment. We will build a structure in 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 FY2020.)

Recurrence Prevention Measure	Details
Visualize work experience	We will prepare new Personnel Record Confirmation Lists. The candidates for Qualifications tests and the department heads and management departments that check the work experience of those candidates will be able to confirm the work experience of candidates with these lists. With this, we will build a mechanism that allows us to confirm at a glance a candidate’s academic background, record in the company, qualifications held and work experience. (The operation of this will start with those planning to take tests in FY2021.)
Provide a Work Experience Confirmation Checklist	We will provide a self-checklist to satisfy the work experience stipulated by the test body to those planning to take tests in alignment with the application period for Qualifications tests. (The operation of this will start with those planning to take tests in FY2020.)

<p>Establish a systematic qualifications acquisition model plan</p>	<p>We will show employees a career enhancement model through acquiring the Qualifications they need to obtain in work linked with their record in the company and their experience. 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 FY2021.)</p>
--	--

6. Internal Penalties

We decided to impose a penalty on Keiichi Yoshii, President, CEO and COO, and 11 officers responsible for technical and management departments at a meeting of our Board of Directors held on December 6, 2019 in response to this issue. This penalty will be a 10% reduction in monthly remuneration for three months from January 2020.

7. Return of Qualifications

We are working on the procedures to return the Qualifications of our employees with inadequate work experience criteria under the guidance of the MLIT.

8. Impact on Business Performance

There is no significant impact on our business performance as a result of this matter at the present moment in time. We will make a prompt notification if we ascertain new facts.