

## Message from the CEO

Inheriting the spirit of our founder, we aim to be a corporate group that develops from one generation to the next



*Takeo Higuchi*

Takeo Higuchi  
Chairman and CEO

Since its founding in 1955, Daiwa House Industry has succeeded in anticipating social and economic changes during a period of history marked by constant transformation, and has created and offered to the world products and services that meet people's needs in our three broad operational areas of Housing (residential-use construction), Business (commercial-use construction), and Life (products and services that support daily life). The Group's business portfolio has changed greatly as we have responded to social needs by developing our operations, actively innovating and opening up new business fields. As a result, the Group's annual net sales on a consolidated basis have reached ¥3,795.9 billion, with 317 companies employing a total of roughly 64,000 staff. In line with our motto, we have truly grown into a "group that co-creates value for individuals, communities, and people's lifestyles." None of this would have been possible without the constant support we have enjoyed from our stakeholders, and on behalf of the Group, I would like to express our heartfelt gratitude.

**We have inherited the spirit of our founder, and this is the driving force behind our sustainable management**

It is said that fewer than three percent of companies manage to maintain their existence for one hundred years or more. Perhaps one of the reasons why a company fails to continue in operation is that the management becomes overconfident about its ability to develop under its own steam. To be a sustainable enterprise, it is important that management avoids becoming overconfident—one might say "arrogant"—as the company's scale grows: they must constantly exercise humility so as to continue being a corporate group that exercises self-control.

For the Daiwa House Group, "self-control" translates into inheriting the spirit in which our founder Nobuo Ishibashi established Daiwa House Industry. The reason that the Company, and subsequently the Group, have succeeded in maintaining business operations right up to the present day is that every one of our executives and employees has been highly motivated by the corporate philosophy and attitude to business handed down to us by Nobuo Ishibashi. Because of this, we have created and maintained organizational operations characterized by imagination, sincerity, and enthusiasm.

I believe that it is the Daiwa House Group's predestined path to be a sustainable enterprise that continues—far into the future—to be regarded by the community as a whole as a necessary part of society,

and that the Group will be able to achieve this by pursuing the mission of being an enterprise that provides solutions to social issues. To realize this, we must abide by the spirit of our founder, must "get the little things right," and do the obvious tasks correctly and carefully.

**Six criteria for self-control—the cornerstone of management**

In 2001 I drew up six criteria to be used in making decisions relating both to the day-to-day conduct of business and to new issues. These criteria are:

- Does it benefit our company?
- Does it benefit our employees?
- Does it benefit our customers?
- Does it benefit our shareholders?
- Does it benefit society?
- Does it contribute to our future?

These criteria form the cornerstone of the Group management's self-control, which is essential if it is to be a sustainable enterprise.

Another of the important teachings that our founder Nobuo Ishibashi left us is: "Behind all our employees stand their families. And we have subcontractors, whose members also have families. In this way, a company has the duty to protect the livelihoods of many people. A company is a public organ of society." Because we look at our corporate existence in this way, we have always thought about our employees above all else, and have upheld a high level of ethics. Finally, in all its decisions, the Daiwa House Group bases its judgment criteria on the advice of Nobuo Ishibashi: "Do not do things because they will make a profit, but because they will be of service to society."

I believe that it is only by placing great importance on self-control by employees and top management alike, and by creating an environment in which each individual's character can become fully formed—thereby bringing out the total potential of everyone involved in the enterprise—that the Daiwa House Group's true worth and quality can be actualized. I hope that, amid a rapidly changing social and business environment, even though the reins of the Group's management pass on to a new generation, they will continue to exercise self-control while being ever-mindful of the corporate philosophy bequeathed to us by our founder, and the example of his spirit. And I further hope that the management of the Group will maintain the Daiwa House corporate culture of welcoming new challenges, without being afraid of failure.

## Toward the target of ¥10 trillion in annual Group net sales by our 100th anniversary

Nobuo Ishibashi, the founder of Daiwa House Industry, was determined that the Company should provide solutions to social problems and thus become an enterprise that is permanently regarded as essential to society. In line with this, we have inherited his ambitious dream of growing the Group's annual net sales to ¥10 trillion by the 100th anniversary of the Company's founding.

The Group's operating environment certainly does not suggest that the picture for the Group's future is unrelievedly bright, considering such issues as Japan's population, which is simultaneously "super-aging" and declining in number. This means that reaching our goal will not be easy. Nevertheless, we are keeping our founder's spirit alive and applying the six decision-making criteria that I have described, and thus I am confident that our "in-Company entrepreneurs" will work to translate their ideas into new businesses that will be of service to society in the new age that will unfold henceforth. And if the products and services that they create are well-received by the market, there is every reason to believe that we will approach our goal of ¥10 trillion in net sales by the year 2055, when we celebrate the 100th anniversary of the founding of Daiwa House Industry.

The fact of the matter is that I, personally, constantly keep in mind Nobuo Ishibashi's advice to "do things because they will be of service to society." It was because I take seriously our commitment to addressing social issues that I conceived of the Group's catchphrase *Asu Fukaketsuno* (Indispensable for Tomorrow), which encapsulates our desire to develop and offer to society the products and services it will need in the coming years. *Asu Fukaketsuno* is composed of the initial

syllables of the Japanese words for safety & comfort, speed and 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. In line with this catchphrase, the Group has already created numerous businesses addressed to finding solutions to social problems both within Japan and overseas, including in the areas of robotics, environment and energy, and agriculture, and we continue to create new businesses across a wide spectrum.

In November 2017, Daiwa House Industry saw a changing of the guard at the management level, with Keiichi Yoshii becoming the Company's new President and COO. Mr. Yoshii is a graduate from the first year of the Daiwa House Juku—a management skills school that we established to provide future successors to our top management staff—and as such, he has inherited the business spirit of our founder and has all the requisite qualities for leadership. I am confident that he will push the Company further forward along the path of providing new and truly needed value to society.

We at the Daiwa House Group will continue working toward the achievement of our founder's ambitious goal. We will not be satisfied with the status quo, but will always be ambitious and positive, working to raise the Group's enterprise value to still greater heights and further enhance shareholder value. It is my sincere hope that the shareholders of Daiwa House, as well as investors and all our other stakeholders, will continue to support our ongoing efforts.



## Message from the COO

# Contributing to the realization of a sustainable society through the “bottom-up approach”

I assumed the post of President and COO in November 2017, and as I take another look at the Group as a whole from my new viewpoint as a member of the top management, I am once again struck forcefully by the realization of what a great variety of talented personnel we have tackling their tasks every day with a positive spirit. I am acutely aware of my responsibility as the leader of these employees—who hold the future of the Group in their hands—to guide them toward still greater corporate growth.

### The spirit of our founder will live forever in our hearts

Since I joined Daiwa House I have worked on the front line of marketing, and have always put great importance on the “bottom-up approach” to business. Even though the Group’s sphere of business operations has expanded greatly, the central importance of the “front line” (the building site or the factory shop-floor) remains unchanged. The bottom-up approach refers to the concepts of “determining needs and issues on site” and “identifying the realities on the ground”—both of which are aspects of business that cannot be ascertained through data alone. Not only our marketing staff, but all the employees of the Daiwa House Group, are fully trained in this approach. Moreover, as we can see in the words handed down to us by our founder Nobuo Ishibashi—“Marketing begins after your offer has been turned down”—the positive spirit that is born and nurtured at the front line of business is the driving power of our growth. This is the business spirit of Nobuo Ishibashi, and will also remain the Group’s corporate DNA for as long as it exists.

The bottom-up approach, just as other aspects of our founder’s spirit, is not something that can be taught to Group employees overnight and then acted on. Upon joining the Group, all new employees are issued with *The Future of the Daiwa House Group*, a book written by Nobuo Ishibashi, in which he describes his business philosophy. This book enables employees who are having difficulty making a decision to get back in touch with the Company’s roots, and helps show them the way forward. It is our intention that all executives and other employees of the Group should become so fully imbued with the spirit of our founder, as revealed in *The Future of the Daiwa House Group* and elsewhere, that they apply it to every aspect of their everyday work.

It is no exaggeration to say that the strength of the Daiwa House Group lies in the transmission of our founder’s spirit. As a manager, I believe it my duty to make certain that this tradition is passed on to the next generation, and to draw up a reliable course toward the achievement of continuous growth.

### Leveraging the Group’s organizational strength to realize further growth

The Daiwa House Group is composed of an organizational structure encompassing a tripartite system of branches/offices, business divisions, and geographical blocs. Operations are handled by the staff of the branches/offices from a viewpoint originating from the requirements of the front line (building site or factory), while the staff of the business divisions view issues from the standpoint of their respective specialties, and the staff responsible for administering the blocs divide up the entire operational region into smaller areas so as to apportion resources most effectively to those particular areas that need them. This system enables us to review our operations from all possible angles, ensuring multifaceted and efficient business operation.

Thanks to the functioning of this multifaceted organizational structure, over the past two or three years we have achieved considerable progress in realizing synergy between different businesses. There have been cases in which a single business division has wished to undertake a project but found it difficult to do so. However, by collaborating with another division or with more than one division, or through collaboration with Group-member subsidiary companies, they have been able to bring to fruition projects with a greater level of value than would otherwise have been possible. The Group is now capable of handling a wide variety of projects from start to finish, ranging from the construction of infrastructure through urban development covering home building and construction of various facilities (as well as their maintenance and management), to the provision of services. This capability is the Group’s greatest strength, and we are proud to say that there are only a handful of other companies—either in Japan or overseas—that are similarly able to handle every aspect of a project involving real estate transactions and construction work.

In my opinion, it is precisely because the Group’s comprehensive capabilities have grown to the point where we can now make wide-ranging proposals, that we are also able to make our presence felt in overseas markets. With respect to this, we must remember our founder’s admonition: “Don’t get involved in a market just because you can make a profit” Rather, we will set the stage for further growth by demonstrating the sort of organizational strength that is needed to solve the problems faced by the people of each country in which we operate.



### Drawing up a roadmap toward sustained growth

At the moment, the Daiwa House Group is on the verge of reaching ¥4 trillion per annum in net sales in the housing and construction industries. However, we cannot rely solely on our comprehensive strengths: I believe we must capture the No.1 market share in the fields of single-family houses, rental housing, and existing homes business, among others. This is because there are new growth strategies for each particular field that are visible only to the company that dominates that field.

Nobuo Ishibashi set us the ambitious goal of becoming a group with annual net sales of ¥10 trillion by the year 2055, our 100th anniversary, and to achieve this we cannot rely on tactical methods of solving localized problems: we need a thorough rethink of our medium- and long-term strategies that will set us on the path to new heights. I intend to draw up a roadmap to enable us to achieve sustained growth, based on my projections of the business environment twenty or thirty years down the road.

From an early stage, the Daiwa House Group has focused on issues such as environmental degradation as well as social problems including Japan’s aging population combined with a declining number of children. In the environmental field, our founder Nobuo Ishibashi was farsighted, saying that “the 21st century will be the age of wind power,

solar power, and hydro-electric power.” Today, the Group pursues businesses involving the generation of electric power from renewable power sources, and actively proposes environment-friendly construction projects. And in 1989, in anticipation of Japan’s increasingly aging population, Chairman and CEO Takeo Higuchi set up the Silver Age Research Center to handle the planning and design of medical and nursing care facilities. In these ways, the growth of the Group contributes to the sustained development of society through the creation of businesses aimed at solving social problems.

From here onward, too, in its role as an enterprise that develops in tandem with a sustainable society, the Daiwa House Group will realize further growth by operating businesses that people need. And for this purpose, too, we will focus our efforts on nurturing human resources who are the inheritors of the business spirit of Nobuo Ishibashi and who will display the required leadership qualities.

I hope that our shareholders and investors as well as other stakeholders will continue to support us in our future endeavors.

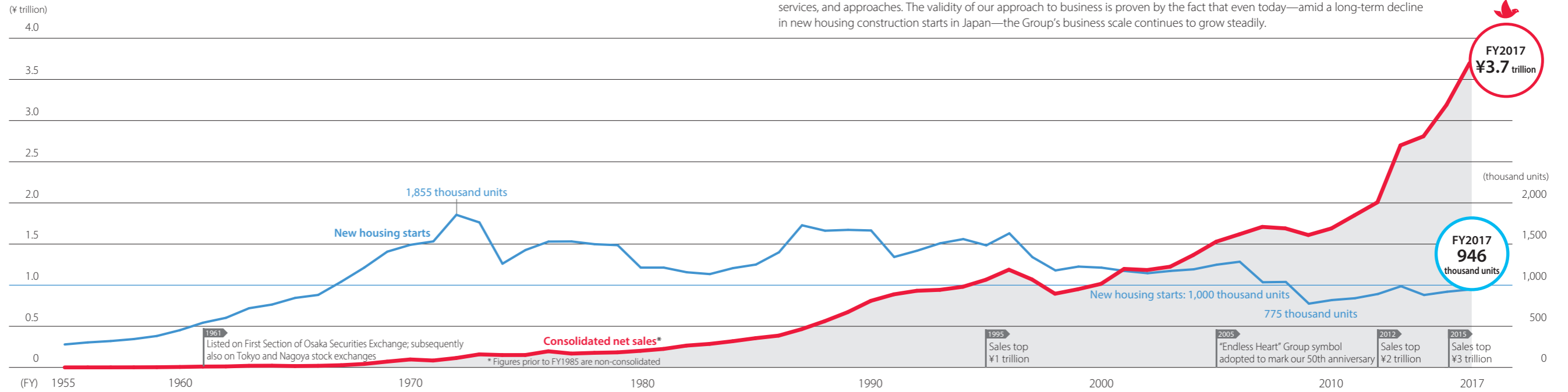
**Keiichi Yoshii**  
Keiichi Yoshii  
President and COO

1 The history of the Daiwa House Group

“Doing things because they will be of service to society”—this is our guiding motto, and with these words always in our minds, we have responded to changing social issues by launching a constant stream of new products and services onto the market.

Immediately after WWII, it was expected that Japan would need large amounts of timber for use as buildings materials in the reconstruction of the country. At that time, Nobuo Ishibashi—who would later become the founder of Daiwa House Industry—harbored a strong desire to protect Japan's forestry resources. A major typhoon had recently devastated parts of the country, causing immense damage to timber-framed houses, and Mr. Ishibashi noticed that bamboo and rice plants in the fields had been largely unaffected by the typhoon. This was because their hollow-tube structure allowed them to bend with the wind without breaking. Seeing this, he was inspired to create the Company's first product—the Pipe House. Rather than using Japan's rapidly diminishing timber resources, Mr. Ishibashi came up with the concept of the “industrialization of construction,” in which the structural framework of a house consisted of factory-made steel pipes assembled on site. This enabled the erection of high-quality housing with a short construction period, constituting a revolution in the construction industry of Japan.

Since then, following our founder's guiding principle of “doing things because they will be of service to society,” we at Daiwa House have been accurately evaluating social needs and employing a flexible mindset to invent and deploy a constant stream of new products, services, and approaches. The validity of our approach to business is proven by the fact that even today—amid a long-term decline in new housing construction starts in Japan—the Group's business scale continues to grow steadily.



- Transition of sales
- Evolution of field of operations
- Social issues

Solutions from the Daiwa House Group



Postwar housing and materials shortage

**1955—the Pipe House, our first product**  
Solving the timber resources shortage and creating a revolution in the construction industry of Japan



Following a major typhoon that destroyed and damaged large numbers of wooden structures, Nobuo Ishibashi noticed how both bamboo and rice, which have hollow stems, were able to bend flexibly and gracefully despite the fury of the wind, without breaking. This gave him the idea of a steel-pipe structure, and the Pipe House pioneered the subsequent industrialization of construction in Japan, by which the country's construction industry was revolutionized.

**1959—the Midget House**  
The starting point for the construction of the prefabricated houses needed to meet the lack of living space caused by the Baby Boom



Nobuo Ishibashi realized that the average house was too small for the large families resulting from the Baby Boom, and he heard children complain that there was nowhere at home where they could study properly. In response, he conceived the Midget House, which could be erected in only three hours. This proved immensely popular, and laid the groundwork for today's prefabricated housing industry.

**1962— foreshadowing today's housing mortgage loans**  
Solving the problem of buying one's own home through a tie-up with a private financial institution



At that time, to purchase one's own home generally required being able to pay the full price in cash. Daiwa House constructed Habikino Neopolis—Japan's first private-sector large-scale housing development— and to facilitate the sale of these homes it was able to offer the country's first mortgages through a tie-up with a private financial institution. In addition, mortgages linked with a life insurance policy were devised—the first such system ever proposed.

On the eve of motorization of Japanese society

**1976— startup of retail and wholesale facilities business**  
Opening up of new market made possible by increased motorization



With the growth of motorization in Japan, we at Daiwa House saw possibilities opening up for a promising new market—retail outlets located along major roads leading into and out of major urban areas, known as “roadside shops” in Japan. Since then, we have been growing this new market by deploying our proprietary LOC System, which lets us match up landowners seeking effective ways to utilize their idle land holdings with prospective corporate tenants looking to open new outlets.

Preparing for advent of aging population

**1989— Silver Age Research Center established**  
Unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities



We set up the Silver Age Research Center in anticipation of the fully-fledged arrival of an aging population, and as part of our dedication to creating a social environment in which people can be sure of spending their post-retirement years in comfort and without worries. The staff at the center study the design of nursing care facilities and certain aspects of the care services provided there, and thus far we have put this know-how to use in the planning and design of more than five thousand medical and nursing care facilities.

Retailing revolution with advent of Internet-dominated society

**2003— development of large-scale logistics facilities**  
The logistics revolution—playing a core role in the infrastructure revolution, for consumers and for industry



The logistics industry is a vital part of today's Japanese economy, and the Daiwa House Group has developed a large number of logistics facilities, centered on build-to-suit facilities, which are closely tailored to meet each individual tenant company's requirements. Our start-to-finish comprehensive services, from site proposal through facility design and construction to day-to-day operation, are now relied on by a large number of corporations.

Ongoing global warming

**2007— Group commenced wind-generated electric power business**  
Helping solve global environmental issues through our Environment & Energy business



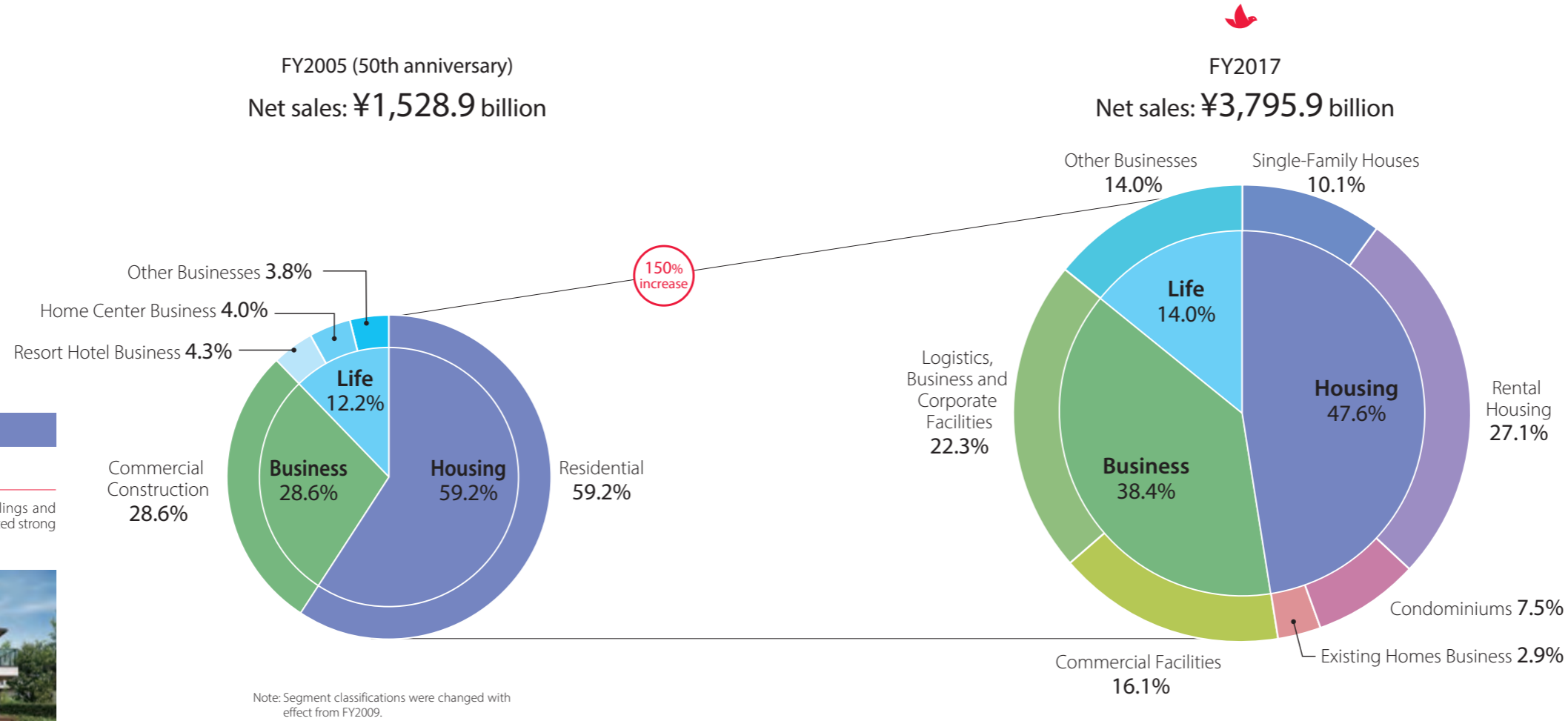
The Group has long focused its attention on the world's increasingly severe environmental issues. We believe that, in the 21st century, it is vital to commercialize electricity power generation from the renewable natural sources of wind, solar radiation, and water. As a first step, we entered the wind-power field, and subsequently expanded our use of photovoltaic power generation using solar panels on the roofs of our own facilities and others. As a result, the total amount of electricity generated by the Group from renewable energy sources have grown to approximately 302GWh/year\*, sufficient to supply the needs of around 68,000 households. \*As of March 31, 2018

## 2 The Daiwa House Group today

**We are no longer just house builders.**  
**In line with our motto of being “a group that co-creates value for individuals, communities, and people’s lifestyles,” we create new value for the whole of society.**

In 2005 (the 50th anniversary of the founding of Daiwa House Industry) the Daiwa House Group adopted a new group symbol—the “Endless Heart.” Since then, in line with our motto of being “a group that co-creates value for individuals, communities, and people’s lifestyles,” we have extended our operations beyond the confines of the category of “house builder” to establish a wide range of businesses needed by society. Our long-term goal is to help realize a sustainable society by the time we reach our 100th anniversary.

We divide the Group’s business operations into three broad areas that we call Housing (construction of single-family houses, rental housing, and condominiums, and operation of home renovation services), Business (construction and operation of commercial and business facilities, logistics facilities as well as medical and nursing care facilities, among others), and Life (operation of home centers, hotels, and others). Through these operations, we aim to provide new value in all aspects of society.

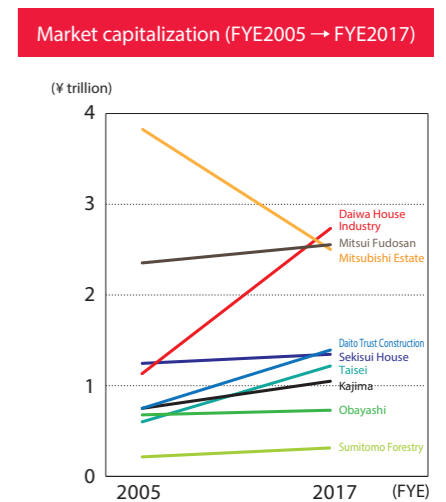
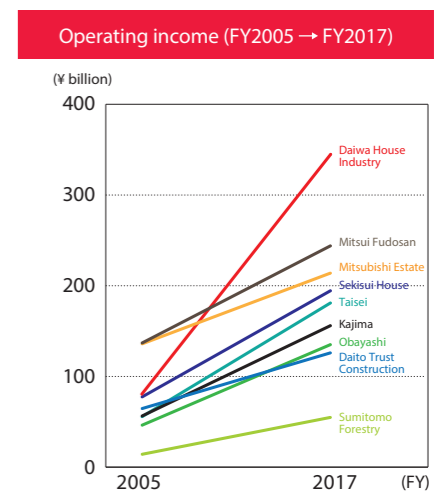
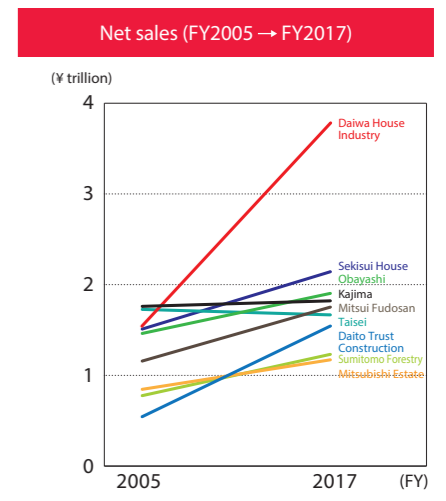


### Housing

**Popularization of long-life quality housing**

Providing spacious houses (with high ceilings and large open spaces) that can withstand repeated strong earthquakes  
 2014 Launched the xevoΣ

Housing	Business
<p><b>Increase in single-person households and increased entry of women into the workforce</b></p> <p>Providing rental housing with security features to meet rising demand caused by increase in number of working women</p> <p>2010 Became first housing company to offer rental housing with advanced security features</p>	<p><b>Raising the asset value of residential communities</b></p> <p>Urban planning that makes optimal use of the natural environment and offers greater convenience for residents</p> <p>2017 Completion of Takao SakuLa City commercial/residential development</p>
<p><b>Increased number of tourists visiting Japan</b></p> <p>Offering accommodation and services targeted at growing number of tourists coming to Japan</p> <p>Construction of city hotels offering wider variety of unique local attractions</p>	<p><b>Japanese companies expand operations overseas</b></p> <p>Helping Japanese companies set up operations overseas through development of conveniently located industrial parks</p> <p>2016 Completed distribution-use warehousing facilities at Daiwa Manungal Industrial Parks in Indonesia</p>
<p><b>Strong economic growth by ASEAN nations</b></p> <p>Fujita joins Group, strengthening our ability to offer project proposals and undertake construction overseas in addition to our urban redevelopment business in Japan</p> <p>2018 Construction started on Water Front City Project (provisional), a hotel project in Vietnam</p>	



③ The source of our value creation lies in the Group's three "bases" and two strengths, plus our organizational ability

The source of our value creation consists of the three "bases" that we possess—our human resources, customer, and technology & manufacturing skills—as well as our strengths in data collection and in the proposal of effective solutions to customer issues, in addition to the organizational ability that stems from the matrix formed by our offices and branches, business divisions, and Group-member subsidiaries and affiliates.

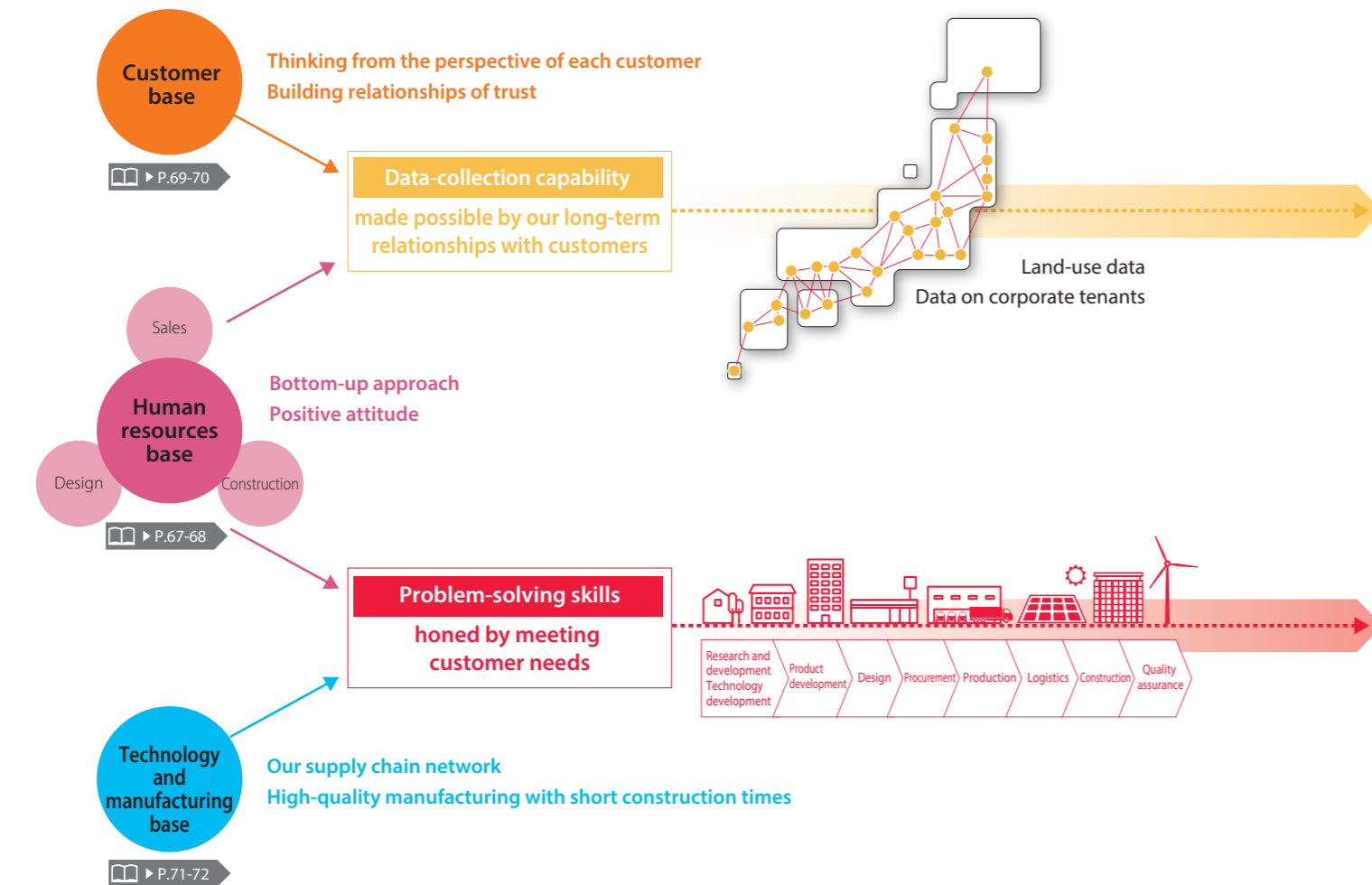
Three bases plus two strengths



Organizational ability made possible through collaboration among Offices and Branches × Business divisions × Group companies



Comprehensive business proposal capability that enables us to offer start-to-finish services in a wide range of daily life areas



Simultaneously with creating new businesses that address social issues, we have also worked to strengthen the Group's business foundations. These consist principally of three "bases"—our human resources, which support our ability to continuously evolve in line with our founder's business philosophy; our solid customer base, which has been built up over long years of close relationship with our corporate clients and individual customers; and our thoroughly reliable technological expertise and manufacturing skills, which enable us to embody the value our customers seek in the products and services we provide. Finally, the data collection capability and problem-solving skills that these three bases have made possible constitute the Group's vital intangible assets, built up over many years of operation.

At the same time, the Group's organizational ability has been greatly reinforced thanks to the comprehensive strength provided by the three-in-one matrix formed by our offices and branches, business divisions, and Group-member subsidiaries and affiliates. In line with our emphasis on the bottom-up approach and speedy execution, we have delegated considerable decision-making authority to our branches and offices; we have created business divisions designed to optimally leverage proprietary technology and specialist know-how; and the subsidiaries and affiliates who are members of the Daiwa House Group work efficiently to highlight the unique characteristics of each of their businesses and to reinforce intra-Group collaboration.

These important intangible assets and this strong organizational ability operate as the wellspring of our value creation. They are the Group's prime forte, which will enable us to continue contributing to society across a wide range of fields through the comprehensive business proposal capability that will come into being from here onward.



	Housing			Business		Life
	Single-Family Houses	Rental Housing	Condominiums	Commercial Facilities	Logistics, Business and Corporate Facilities	Other Businesses
Offices and branches	Single-family house sales offices (99)	Rental housing sales offices (182)	Condominium sales offices (10)	Commercial facility sales offices (75)	General construction sales offices (36)	Environment and energy sales offices (22)
Planning and construction (Flow business)			Cosmos Initia		Fujita	Daiwa Energy
				Daiwa Lease		Eneserve Corporation
Management and operation (Stock business)	Existing Homes Business					Construction Support Business
	Daiwa House Reform				Daiwa Royal	Royal Home Center
	Nihon Jyutaku Ryutu				Daiwa Information Service	Daiwa Logistics
		Daiwa Living	Daiwa LifeNext			DesignArc
						Health and Leisure Business
						Daiwa Resort
						Sports Club NAS

Note: This report shows Daiwa House Industry's seven business divisions, non-consolidated (Single-Family Houses, Rental Housing, Condominiums, Commercial Facilities, General construction, Environment and energy, Overseas).

### 4 The Daiwa House Group's value-creation process

**Our business is built on a base that is in turn strengthened by the conduct of that business.**

**To this virtuous circle that underpins our sustainable growth, Daiwa House Industry brings a medium- to long-term perspective on both society and the environment to make social contributions through our business activities.**

**Changes in the operating environment**



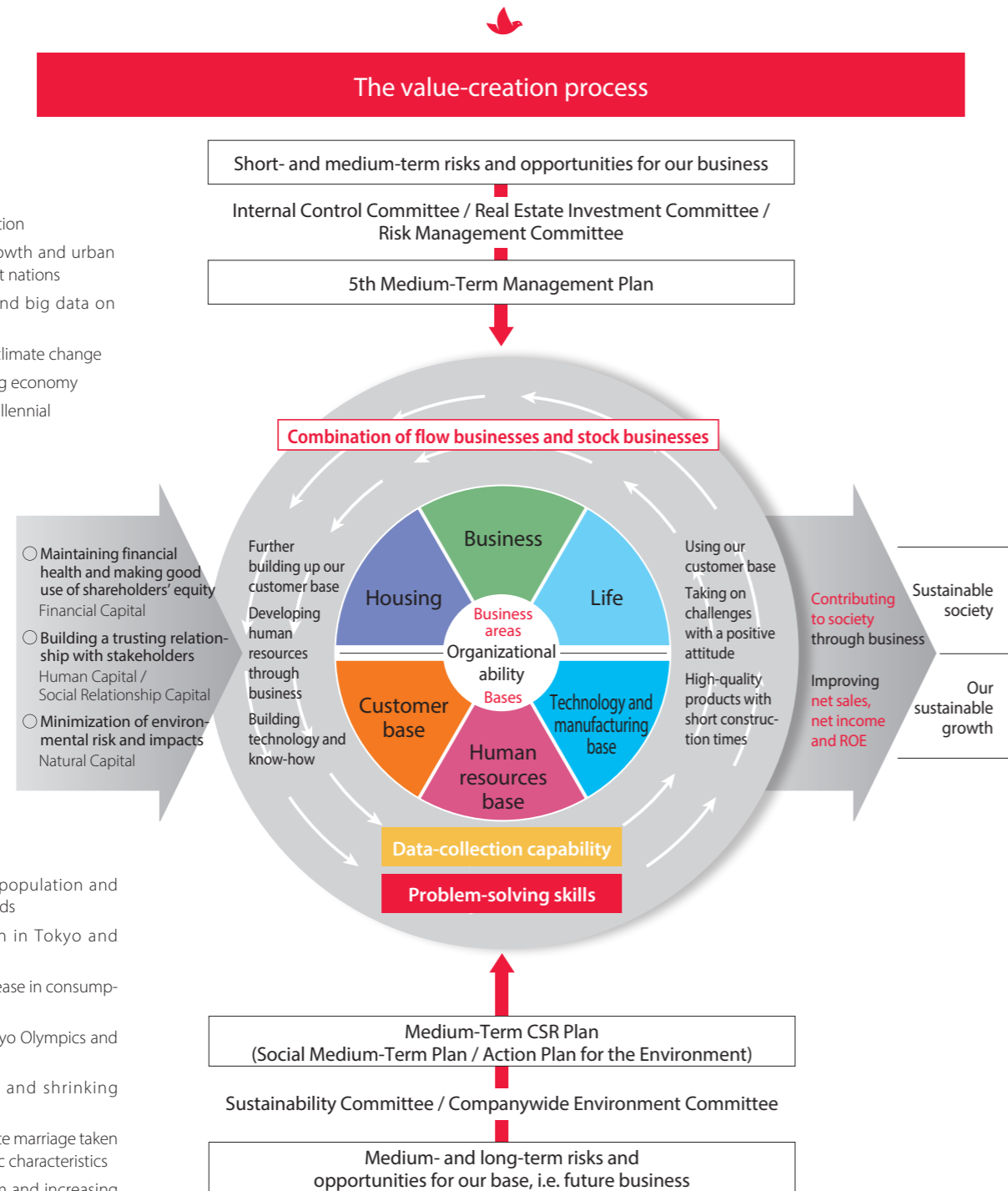
**World**

- ✓ Rising global population
- ✓ Rapid economic growth and urban progress in emergent nations
- ✓ Impact of AI, IoT, and big data on society
- ✓ Growing severity of climate change
- ✓ Growth of the sharing economy
- ✓ Emergence of the millennial generation



**Japan**

- ✓ Falls in both total population and number of households
- ✓ Overconcentration in Tokyo and decline of regions
- ✓ Planned further increase in consumption tax
- ✓ Holding of 2020 Tokyo Olympics and Paralympics
- ✓ Aging population and shrinking workforce
- ✓ Low birth rate and late marriage taken hold as demographic characteristics
- ✓ Working style reform and increasing public role of women
- ✓ Persistence of energy problems



Our business model is characterized by a virtuous circle in which, by strengthening our three bases—our human resources, our customer, and our technology and manufacturing—through our involvement in a diversity of business activities that cover individuals, communities, and people's lifestyles under the headings of Housing, Business (non-housing construction), and Life (daily life-related services), we in turn draw on these core capabilities to generate new business opportunities. This has given us a distinctive business activity portfolio that combines flow businesses and stock businesses, something not found among other home builders and developers.

To ensure that this virtuous circle retains its integrity into the future, we seek to minimize risks and maximize opportunities by considering our medium- and long-term risks and opportunities in terms of society and the environment with regard to changes in the operating environment, and to incorporate these into our Medium-Term CSR Plan (Social Medium-Term Plan and Action Plan for the Environment). As a result, we not only make a contribution to society and help preserve the natural environment, the very basis of our business is transformed into something that takes greater account of society and the environment. Through this two-fold approach, we will both help realize a sustainable society and achieve our own sustainable growth as a company.

FY2017 Business areas	Results (outputs)	Contribution to society and the environment (outcomes)	
<b>Housing</b>	<ul style="list-style-type: none"> <li>▶ Number of housing units sold: 52,199 (↘)</li> <li>▶ Units under management*: 896,150 (↗)</li> <li>▶ Number of renovations: 49,721 (↗)</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of quality housing stock</li> <li>Long-life quality housing <b>83.7%</b></li> <li>Purchase and resale of existing homes</li> </ul>	<ul style="list-style-type: none"> <li>Different living to suit different stages of life</li> <li>Home with rental units</li> <li>Rental housing boasting advanced security features</li> <li>Serviced homes for elderly</li> </ul>
<b>Business</b>	<ul style="list-style-type: none"> <li>▶ Retail and wholesale facilities constructed: 1,478 (↘)</li> <li>▶ Leasing floorspace of sublease areas within commercial facilities: 6,157,287m<sup>2</sup> (↗)</li> <li>▶ Development site area of logistics projects: 8,207,537m<sup>2</sup> (↗)</li> <li>▶ Orders received for contract-based medical and nursing care facilities: 574 (↗)</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive diverse and sophisticated urban functions</li> <li>Community-based commercial facilities</li> <li>Care-based medical facilities</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of urban infrastructure for changing industrial structures</li> <li>Advanced logistics facilities</li> <li>Next-generation industrial parks</li> <li>Smart cities</li> </ul>
<b>Life</b>	<ul style="list-style-type: none"> <li>▶ Customer visits to our home centers: Approx. 28,526,000 (↘)</li> <li>▶ Guest stays at our resort hotels *: Approx. 8,337,000 (↗)</li> <li>▶ Number of sports club users: 188,696 (↗)</li> <li>▶ Number of parking lots under management: 53,375 (↗)</li> </ul>	<ul style="list-style-type: none"> <li>Quality of life (QoL) improvement</li> <li>Slow living</li> <li>Greater health and leisure</li> <li>Convenience of transportation</li> </ul>	<ul style="list-style-type: none"> <li>Transition to lifestyles in tune with environment</li> <li>Contribution to CO<sub>2</sub> reduction: <b>5.14 million t</b></li> <li>Urban greening: <b>765,000m<sup>2</sup></b></li> </ul>
Bases	Results (outputs)	Contribution to society and the environment (outcomes)	
<b>Customer</b>	<ul style="list-style-type: none"> <li>▶ Number of Daiwa Family Club members*: 234 thousand (↗)</li> <li>▶ Rental housing owners*: 81,606 (↗)</li> <li>▶ Members of Owners Clubs*: 6,728 (↗)</li> <li>▶ Corporate tenants*: Approx. 4,000 (↗)</li> </ul>	<ul style="list-style-type: none"> <li>Resolution of consumer issues</li> <li>Rate of satisfaction in ten-year inspection (Single family housing) <b>95.9%</b></li> <li>Rate of reordering by existing owners (Rental housing) <b>39.5%</b></li> <li>Rate of reordering by existing owners (Retail and wholesale facilities) <b>33.3%</b></li> </ul>	
<b>Human resources</b>	<ul style="list-style-type: none"> <li>▶ Training hours per employee: 3.70 hours per year</li> <li>▶ Rate of satisfaction of employees: 82.7% (↗)</li> <li>▶ Number of female managers: 15.3 times compared to FY2005 (↗)</li> <li>▶ Overtime work hours: 5.6 fewer hours per month on average compared to FY2014</li> </ul>	<ul style="list-style-type: none"> <li>Development of human resources with a variety of skills</li> <li>Satisfaction of our employees with respect to general personnel development <b>67 points/100</b></li> </ul>	<ul style="list-style-type: none"> <li>Achievement of employment diversity and job satisfaction</li> <li>Proportion of employees with high work motivation <b>64%</b></li> </ul>
<b>Technology and manufacturing</b>	<ul style="list-style-type: none"> <li>▶ The Trillion Club (Materials suppliers): 241 companies</li> <li>▶ The Setsuwa Club (Equipment manufacturers): 149 companies</li> <li>▶ Partner companies in construction and manufacturing: 4,663 companies</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of CSR management by business partners</li> <li>Number of companies with whom we have CSR procurement agreements <b>6,593 (95.4%)</b></li> </ul>	<ul style="list-style-type: none"> <li>Improve working conditions and secure personnel for business partners</li> <li>Number of employees trained on-site: <b>793</b> (Housing: <b>484</b> Building construction: <b>309</b>)</li> </ul>

\*1 Combined total for rental houses and condominiums under management  
 \*2 Combined total for resort and city hotels  
 \*3 Daiwa Family Club is the membership organization for the owners of Daiwa House Industry residences (houses or condominiums), non-consolidated  
 \*4 Number of landowners on whose land we have built rental housing  
 \*5 Clubs for landowners with whom our commercial facilities business has done business  
 \*6 The number of companies dealt with our commercial facilities business

## 5 A vision of the Daiwa House Group's future (co-creating a brighter future for society and environment)

**We will make more active use in our business operations of the problem-solving skills we have built up together with stakeholders, as a way to expand new business opportunities.**

Based on our Medium-Term CSR Plan, we are working from the perspectives of society and the environment to build relationships of trust with stakeholders and minimize environmental risks and impacts. By integrating this work into the value creation process and strengthening the three "bases" and the "organizational ability" that underpin these activities, these initiatives help us maintain and improve the competitiveness of our existing businesses and contribute to society through our operations.

Moreover, by ensuring that this work is put into practice and maintained, we are strengthening our ability to identify complex societal needs, to engage in dialogue and co-creation with a variety of other parties, and to respond to social issues.

We also intend to make maximum use of our ability to respond to social issues as a means of extending the scope of new business opportunities by devising business strategies that emerge from these social issues in order to expand our business fields in the future.

Current: Strengthen business base by addressing social and environmental issues from a longer-term perspective to maintain our competitive advantage

Future: New business opportunities arising out of social issues



See the Group's Sustainability Report 2018 P.27-28



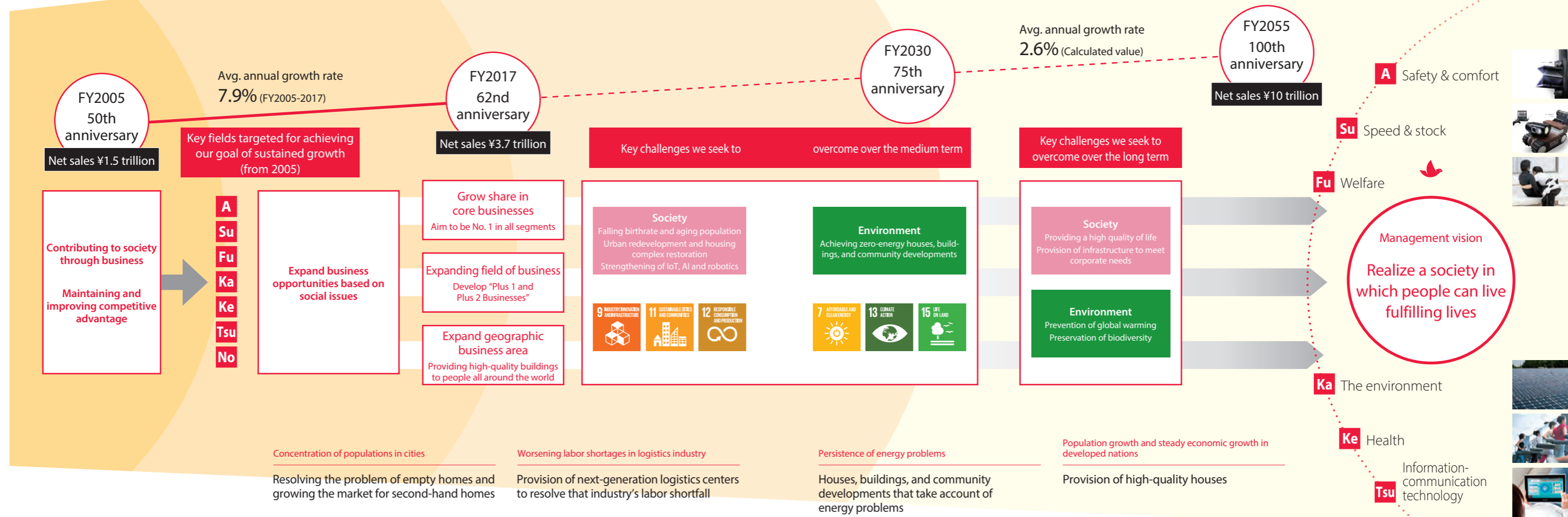
⑥ A vision of the Daiwa House Group's future (expanding our business fields)

To realize our management vision, Daiwa House Industry will continue to be a corporate group that listens to and responds to the voices of the world around us so as to achieve our ambitious dream of annual net sales of ten trillion yen by our 100th anniversary.

Nobuo Ishibashi, the founder of Daiwa House Industry, handed down to us his dream of achieving annual net sales of ten trillion yen by the year 2055, which will be the 100th anniversary of the Company's establishment. This goal reflects Mr. Ishibashi's strong desire that Daiwa House be permanently regarded by society as a necessary entity because of the major contribution it makes to solving social problems.

By expanding both our field of business and our geographic business area, as well as by listening to the voices of the world around us to improve the market share of the core businesses we have been involved in to date, Daiwa House Industry is taking up the challenge of achieving our dream. This dream is expressed in our management vision of "realizing a society in which people can live fulfilling lives".

To achieve this, we seek to lay the groundwork for new business and maintain ongoing growth while also considering contribution to the SDGs, based around concept of *Asu Fukaketsuno* (Indispensable for Tomorrow), which details the businesses we must engage in.



Concentration of populations in cities

Resolving the problem of empty homes and growing the market for second-hand homes

Worsening labor shortages in logistics industry

Provision of next-generation logistics centers to resolve that industry's labor shortfall

Persistence of energy problems

Houses, buildings, and community developments that take account of energy problems

Population growth and steady economic growth in developed nations

Provision of high-quality houses



Groundwork for the future

Adopting our group-wide brand "Liveness", we are drawing on the comprehensive capabilities of the group to supply streamlined one-stop services for customers that include handling the sale and purchase of existing homes as well as their purchase and resale and renovation.

Provision of highly functional and well-located logistics facilities through the development of appropriate and suitably located logistics facilities and the adoption of intelligent logistics using the IoT, AI, and robotics.

Utilizing energy use minimization and renewable energy generation to achieve a carbon-free society through the spread of zero-energy houses, buildings, and community developments.

In the USA, where steady growth is anticipated, Stanley-Martin Communities, LLC has been made into a subsidiary. We intend to supply high-quality houses in areas where population growth is anticipated, and are building our local knowledge.

**A Su**  
Expanding field of business

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

**Tsu**  
Expanding field of business

**9 INDUSTRY INNOVATION AND INFRASTRUCTURE**

**Ka Tsu**  
Expanding field of business

**7 AFFORDABLE AND CLEAN ENERGY**  
**13 CLIMATE ACTION**

Expanding field of business

**11 SUSTAINABLE CITIES AND COMMUNITIES**