

Presentation on 2023 ESG Activities



December 6, 2023

1. Sustainability Management

2. Environmental Initiatives

3. Social Initiatives

4. Governance Initiatives

Sustainability Management



TAKEUCHI Kei

Representative Director,
Chief Executive Officer
General Manager of
Construction Business
Headquarters

In June 2023, the Daito Group marked its 50th anniversary and formulated its Purpose, which is to realize greater corporate value.

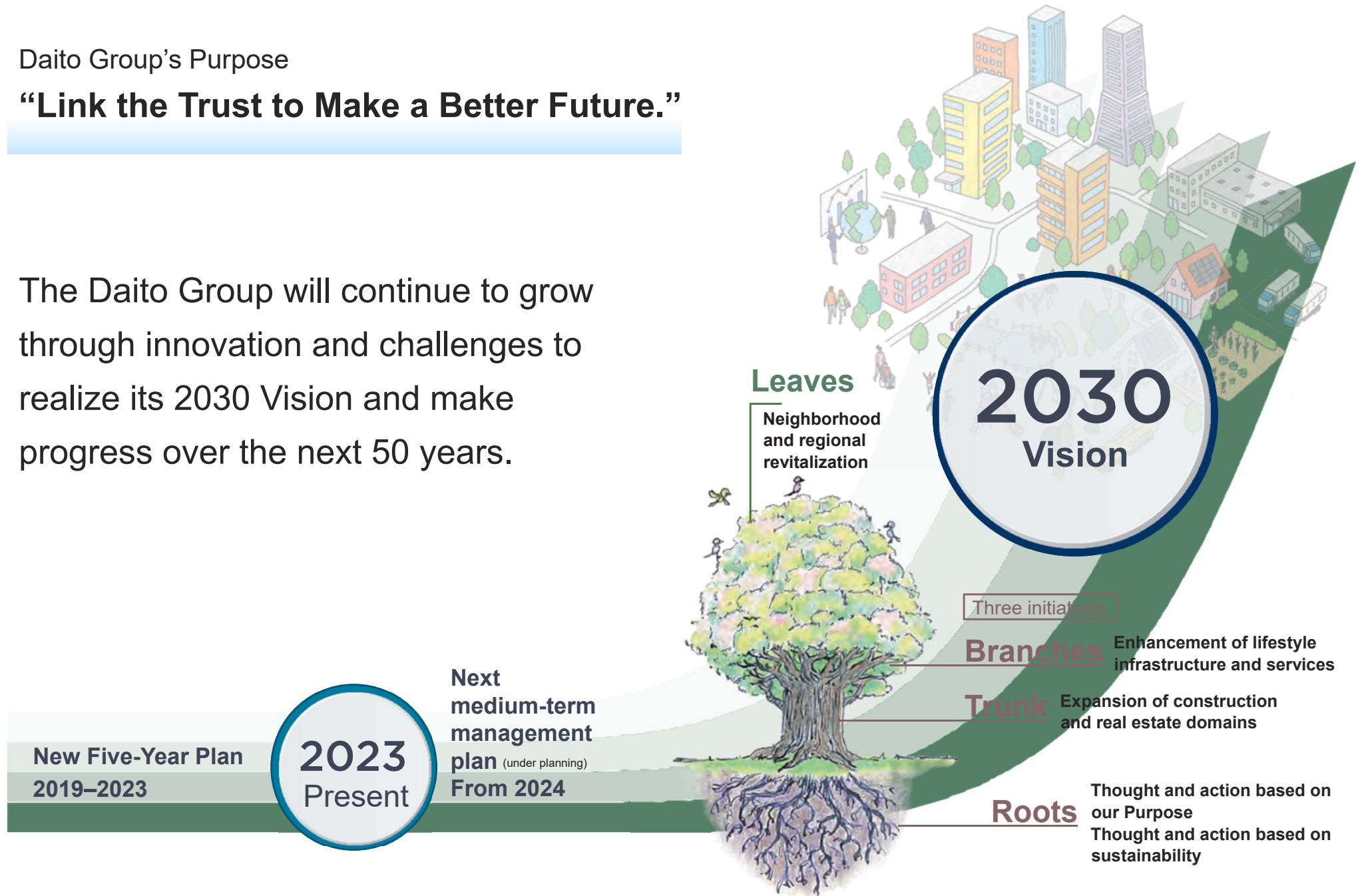
Daito Group's Purpose

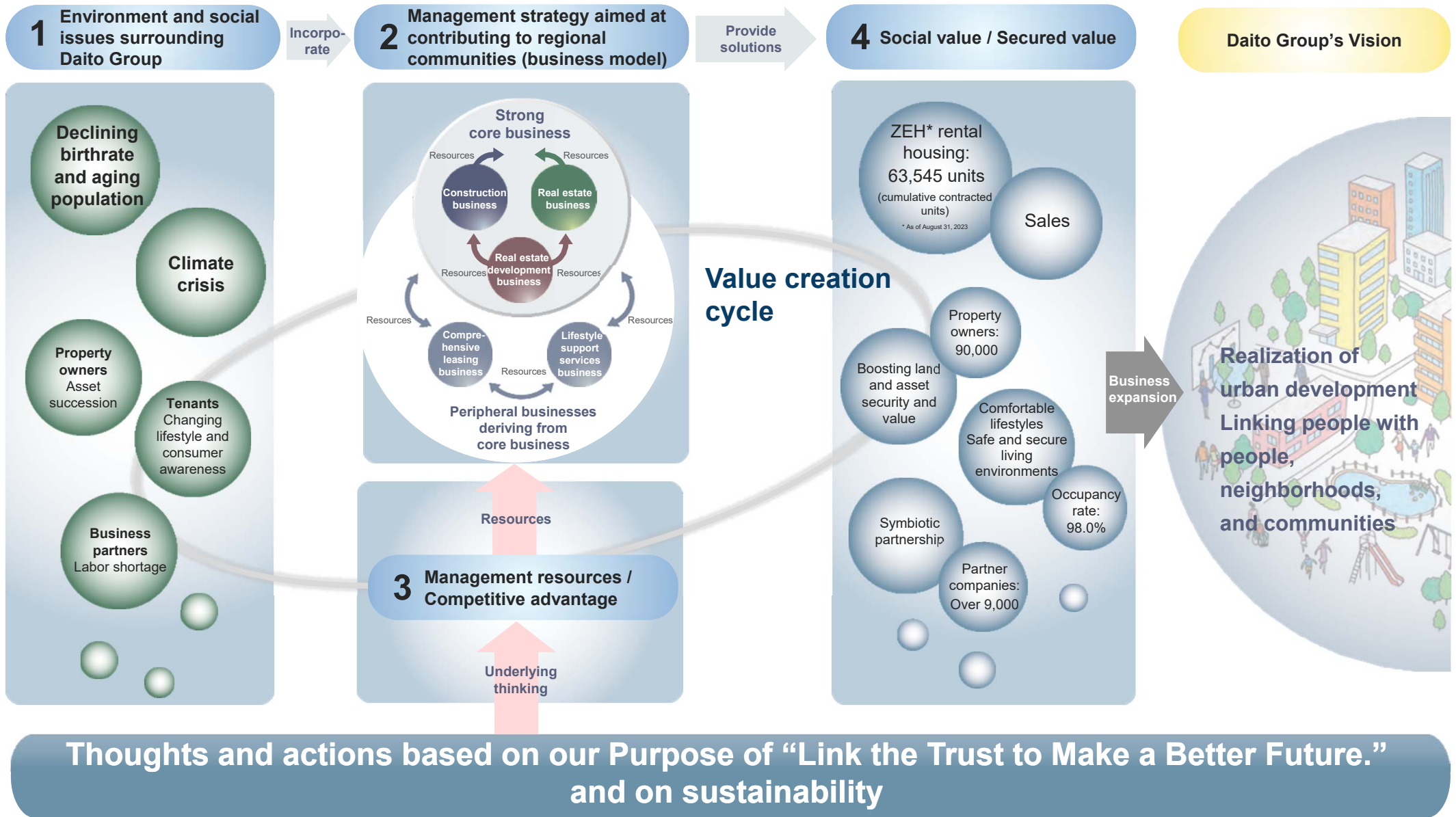
**“Link the Trust to
Make a Better Future.”**

Daito Group's Purpose

“Link the Trust to Make a Better Future.”

The Daito Group will continue to grow through innovation and challenges to realize its 2030 Vision and make progress over the next 50 years.





Seven Material Issues and KPIs

Daito Group Basic Policy on Sustainability

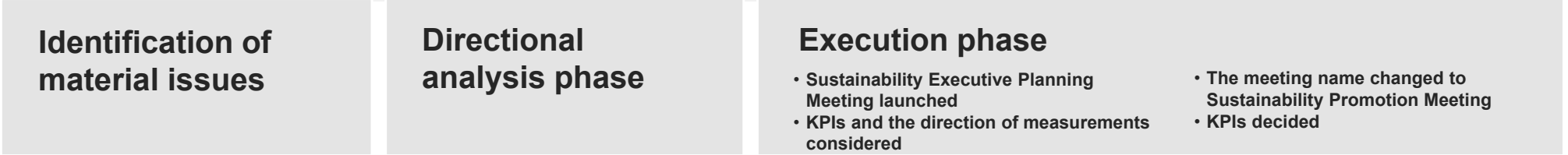
As a company that supports affluent lifestyles, the Daito Group regards social changes as opportunities for growth, and we work to develop our business activities and realize a sustainable society with our stakeholders.

	Material Issues	KPIs	Medium-Term Targets (2030)
Management Material Issues	1. Environment Taking action on climate risk through business activities Environment	1 Greenhouse gas emissions reduction rate (SBT) 2 Rate of renewable energy use (RE100) 3 Energy efficiency (EP100)	1 Greenhouse gas emissions (Scope 1 + 2 and 3): 55% reduction * Compared to FY2017 2 Rate of renewable energy use: 60% (100% by 2040) 3 Energy efficiency: 2 times * Compared to FY2017
	2. Society Contributing to a society where no one is left behind Society	1 Number of prefectures in which community contribution activities* are conducted * Our original programs winning SDG awards, etc. 2 Promotion of services and business enabling everyone to live with peace of mind (qualitative)	1 Number of prefectures in which activities are conducted: 47 2 Enhancement of tenant support for peace of mind
	3. Talent/organization Instilling a corporate culture where everyone can grow and take on challenges Talent/organization	1 Employee engagement score 2 Percentage of female management personnel	1 Engagement score: 62.0 (AA) 2 Percentage of female management personnel: 10.0%
	4. Corporate governance Building an industry-leading governance system Corporate governance	1 Number of serious compliance violations 2 Penetration rate of compliance efforts	1 Number of serious compliance violations: 0 cases 2 Penetration rate of compliance efforts: 100%
Business Material Issues	5. Land/assets Support for the most effective use of land and assets Land/assets	1 Unit occupancy rate 2 Expansion and enhancement of services for effective land and asset utilization (qualitative)	1 National occupancy rate: 96% or more 2 Building of a system enabling proposals to be made on optimal utilization of all land and assets
	6. Rental housing Improving asset value while also resolving social issues Rental housing	1 Rate of provision of rental housing that responds to social issues 2 Enhancement of services for improving asset value of old buildings (qualitative)	1 Rate of ZEH provision: 100% 2 Development of business that leads to improvement of the asset value of old buildings and resolution of social issues
	7. Living/lifestyles Improving convenience of living and neighborhoods Living/lifestyles	1 Number of users of platform services useful for their everyday lives (ruum) 2 Proactive engagement in non-residential business (qualitative)	1 ruum business platform members: 4 million 2 Diversification of businesses and services that increase neighborhood convenience

Non-financial indicators (materiality KPIs) have been adopted as coefficients for the performance-linked component of director compensation from FY2023.

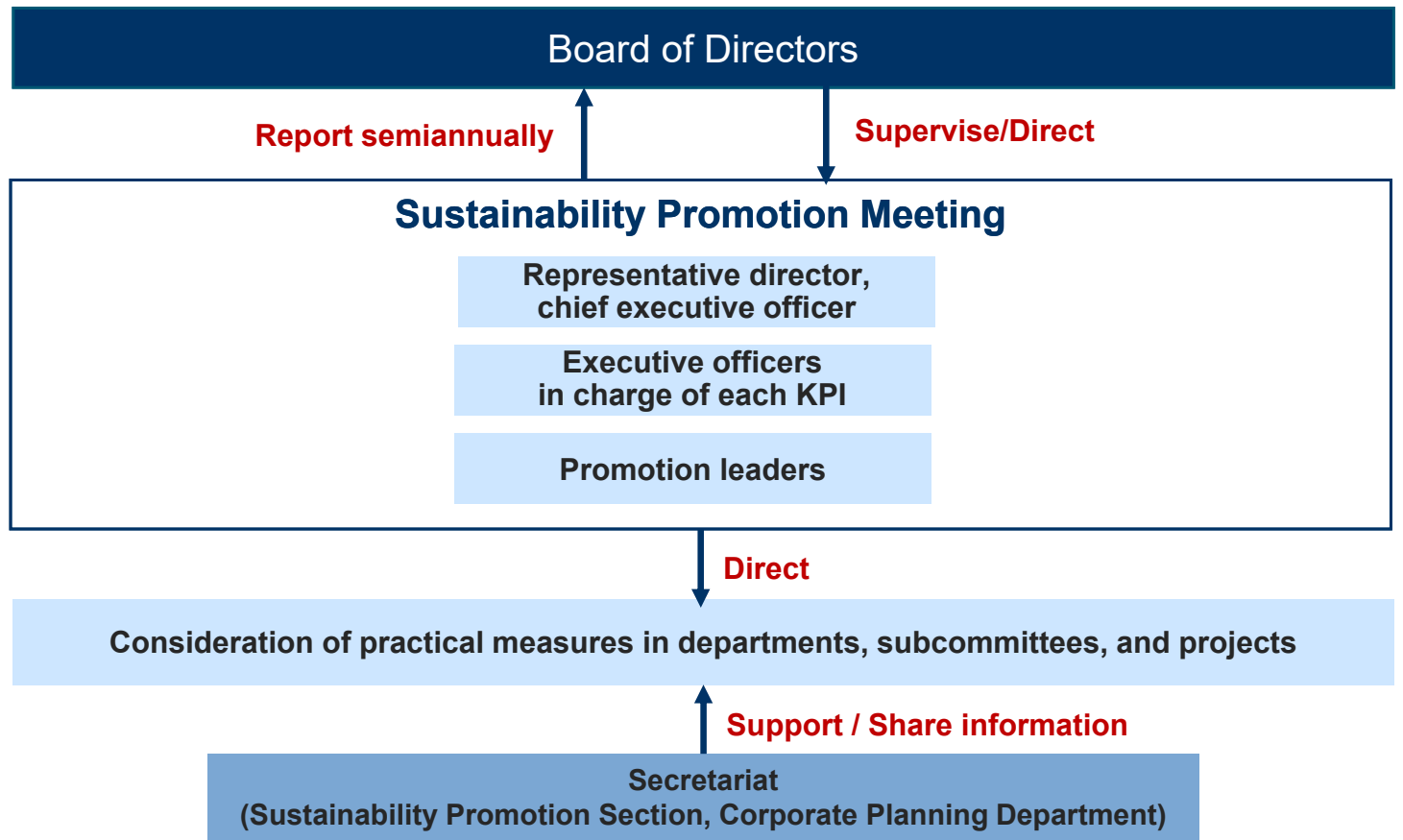
	Material Issues	KPIs (Text in blue: To be reflected in director compensation)	Bonuses	Stock Compensation
Management Material Issues	1. Environment Taking action on climate risk through business activities	<ul style="list-style-type: none"> ① Greenhouse gas emissions reduction rate (SBT) ② Rate of renewable energy use (RE100) ③ Energy efficiency (EP100) 		●
	2. Society Contributing to a society where no one is left behind	<ul style="list-style-type: none"> ① Number of prefectures in which community contribution activities are conducted ② Promotion of services and business enabling everyone to live with peace of mind (qualitative) 		
	3. Talent/organization Instilling a corporate culture where everyone can grow and take on challenges	<ul style="list-style-type: none"> ① Employee engagement score ② Percentage of female management personnel 	●	● ●
	4. Corporate governance Building an industry-leading governance system	<ul style="list-style-type: none"> ① Number of serious compliance violations ② Penetration rate of compliance efforts 	●	●
Business Material Issues	5. Land/assets Support for the most effective use of land and assets	<ul style="list-style-type: none"> ① Unit occupancy rate ② Expansion and enhancement of services for effective land and asset utilization (qualitative) 		
	6. Rental housing Improving asset value while also resolving social issues	<ul style="list-style-type: none"> ① Rate of provision of rental housing that responds to social issues ② Enhancement of services for improving asset value of old buildings (qualitative) 	●	
	7. Living/lifestyles Improving convenience of living and neighborhoods	<ul style="list-style-type: none"> ① Number of users of platform services useful for their everyday lives (room) ② Proactive engagement in non-residential business (qualitative) 		

Sustainability Promotion Structure



Management decision-making and supervision

Consideration of and decision-making on business execution and measures





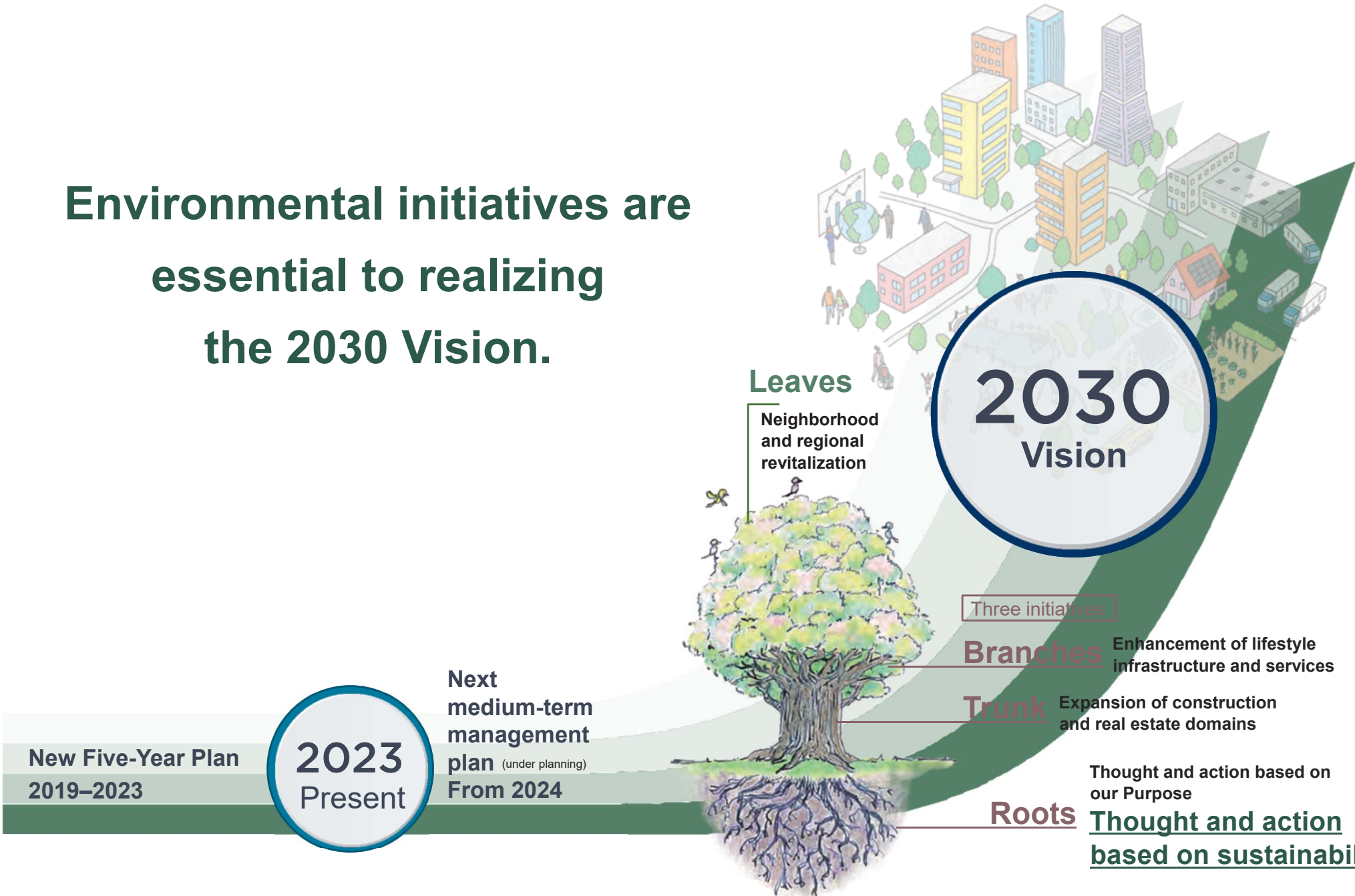
The Daito Group seeks to realize sustainability management by resolving social issues and enhancing corporate value, through solutions to the Seven Material Issues.

Environmental Initiatives



TATE Masafumi
Director, Senior Executive
Officer
General Manager of Design
Management Department

Environmental initiatives are essential to realizing the 2030 Vision.



2030 Vision

Leaves

Neighborhood and regional revitalization

Three initiatives

Branches

Enhancement of lifestyle infrastructure and services

Trunk

Expansion of construction and real estate domains

Roots

Thought and action based on our Purpose

Thought and action based on sustainability

New Five-Year Plan 2019-2023

2023 Present

Next medium-term management plan (under planning) From 2024

Management Material Issues

Environment



Taking action on climate risk through business activities

Society



Contributing to a society where no one is left behind

Talent/organization



Instilling a corporate culture where everyone can grow and take on challenges

Corporate governance



Building an industry-leading governance system

Business Material Issues

Land/assets



Support for the most effective use of land and assets

Rental housing



Improving asset value while also resolving social issues

Living/lifestyles



Improving convenience of living and neighborhoods

Management Material Issues

Environment



Taking action on climate risk through business activities

Society



Contributing to a society where no one is left behind

Talent/
organization



Instilling a corporate culture where everyone can grow and take on challenges

Corporate
governance



Building an industry-leading governance system

Business Material Issues

Land/
assets



Support for the most effective use of land and assets

Rental
housing








Improving asset value while also resolving social issues

Living/
lifestyles



Improving convenience of living and neighborhoods

Material Issues, KPIs, and Targets

Material Issues	KPIs	Medium- and Long-Term Targets	FY2022 Results
Environment  Taking action on climate risk through business activities	① Greenhouse gas emissions reduction rate	Greenhouse gas emissions (Scope 1 + 2 and 3): 55% reduction by 2030 * Compared to FY2017  Net zero by 2050	Scope 1 + 2: 20% reduction Scope 3: 33% reduction
	② Rate of renewable energy use	Rate of renewable energy use: 100% by 2040 	26%
	③ Energy efficiency	Energy efficiency: 2 times by 2030 * Compared to FY2017 	0.93 times
Rental housing  Improving asset value while also resolving social issues	① Rate of provision of rental housing that responds to social issues	Rate of ZEH provision: 100% by 2030	11.7%

Specific Initiatives to Resolve Material Issues	Related Materiality KPIs			
	1-① Rate of greenhouse gas emissions reduction	1-② Rate of renewable energy use	1-③ Energy efficiency	6-① Rate of provision of rental housing that responds to social issues
① Standardization of ZEH in rental housing	● Scope 3			●
② Development of LCCM rental housing	● Scope 3			●
③ Development of rental housing using CLT construction methods	● Scope 1 + 2			●
④ Issuance of renewable energy credits and energy efficiency credits from ZEH rental housing	● Scope 1 + 2			
⑤ Development of methods for use as post-FIT renewable energy	● Scope 1 + 2	●		
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① Standardization of ZEH in rental housing

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2017

2021

2022

2023

Completion of Japan's first ZEH rental housing

Completed Japan's first ZEH rental housing in November 2017



ZEH standardization in wooden products

Standardized proposal of ZEH rental housing beginning in November 2021



Launch of products based on ZEH

Launched sales of products based on ZEH-M Oriented in May 2022

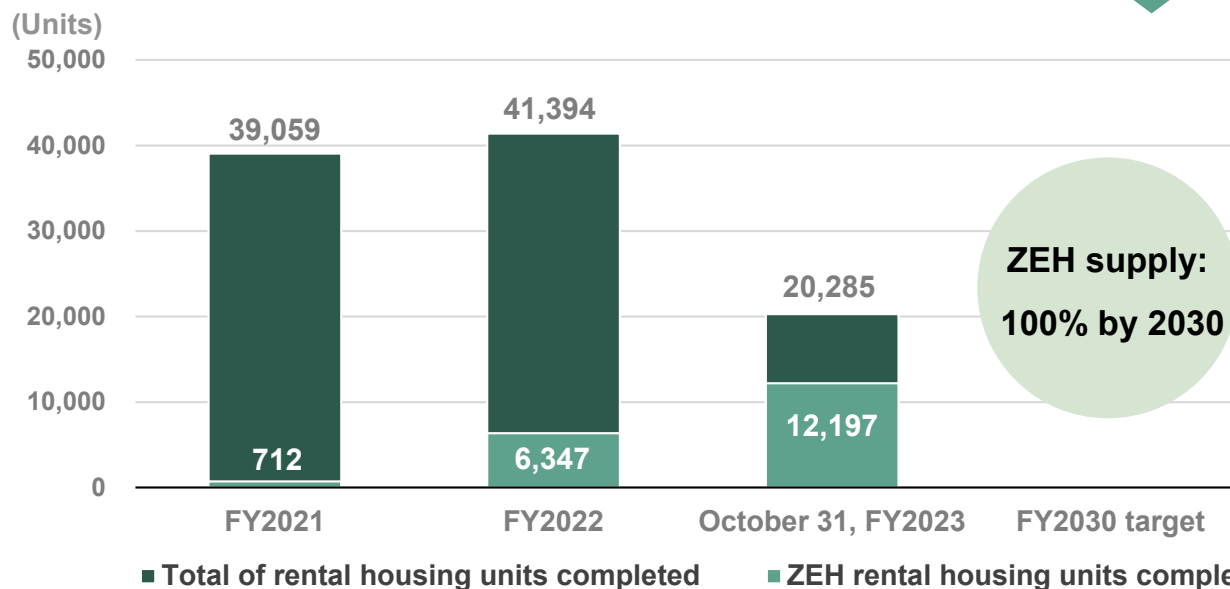


Over 60,000 units of cumulative contracts on ZEH rental housing

Contracts on ZEH rental housing reached **63,545 units** in October 2023



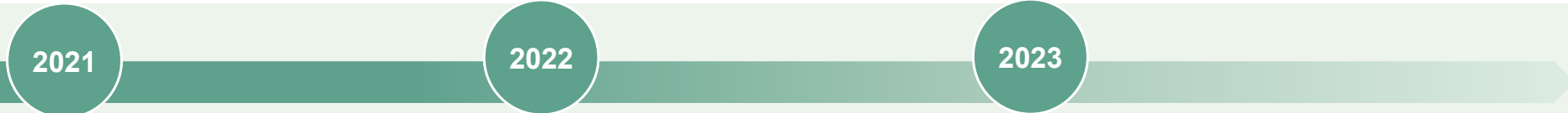
Trends in number of ZEH rental housing units completed



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② Development of LCCM rental housing

1-① Rate of greenhouse gas emissions reduction	1-② Rate of renewable energy use	1-③ Energy efficiency	6-① Rate of provision of rental housing that responds to social issues
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2021 Completion of Japan's first LCCM rental housing

Completed Japan's first rental housing that satisfies LCCM standards in June 2021



2022 Launch of LCCM rental housing products

Launched sales of LCCM rental housing products in October 2022



2023 Acquisition of LCCM certification with rental housing using CLT construction methods

Adopted as Ministry of Land, Infrastructure, Transport and Tourism's Sustainable Building Leading Projects Program

LCCM housing

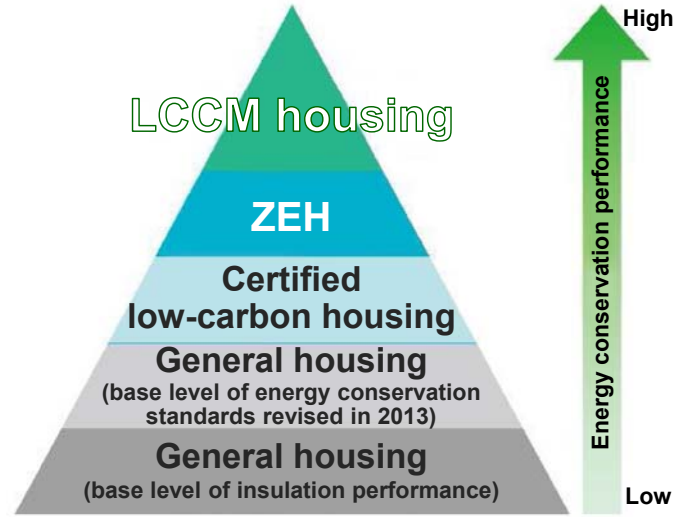
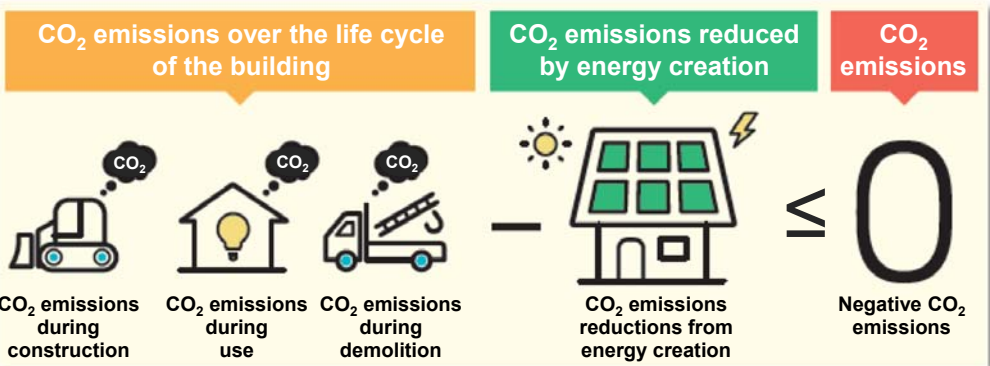


Illustration of housing targeting low-carbon performance promoted by the Japanese government

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③ Development of rental housing using CLT construction methods

1-① Rate of greenhouse gas emissions reduction	1-② Rate of renewable energy use	1-③ Energy efficiency	6-① Rate of provision of rental housing that responds to social issues
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Launch of rental housing products using CLT construction methods

Launched sales of rental housing products using CLT construction methods in September 2019



Completion of rental housing using CLT construction methods

Four-story rental housing completed using CLT construction methods in August 2022

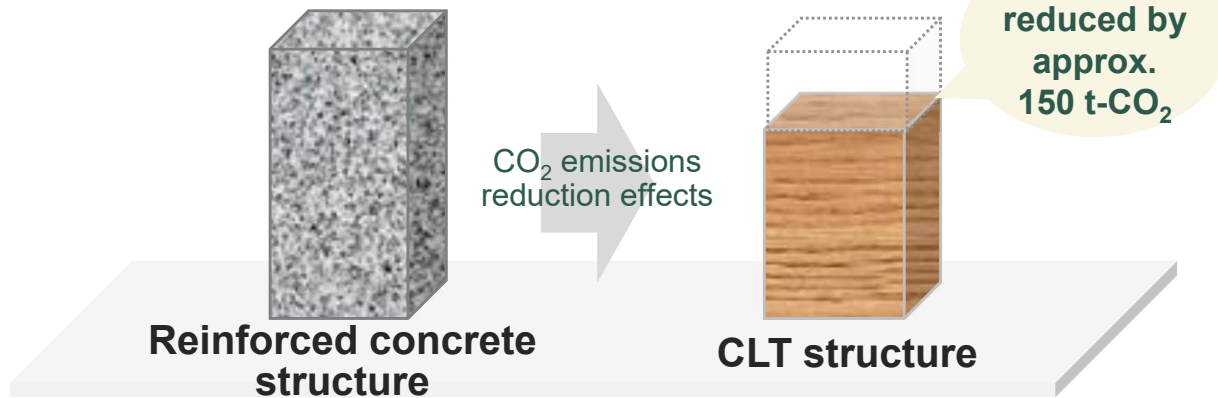


Completion of detached rental housing using CLT construction methods

LCCM-certified detached rental housing using CLT construction methods completed in January 2023



CLT environmental impact reduction effects



* Example for a four-story, 12-unit apartment
* Estimated CO₂ emissions during manufacturing and construction

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④ Issuance of renewable energy credits and energy efficiency credits from ZEH rental housing

1-① Rate of greenhouse gas emissions reduction	1-② Rate of renewable energy use	1-③ Energy efficiency	6-① Rate of provision of rental housing that responds to social issues
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Two types of credits can be issued from a single ZEH rental housing under the J-Credit program



Starting in 2023


Renewable energy credits 

Credits earned on CO₂ emissions reductions achieved through self-consumption of solar power

↓ * Can be used for renewable energy balancing for RE100 and other purposes

Use to switch to renewable energy in company business activities from next year

Starting in 2021

Energy efficiency credits 

Credits earned on CO₂ emissions reductions achieved through energy saving effects of buildings/equipment

↓

Use to offset greenhouse gas emissions from various events

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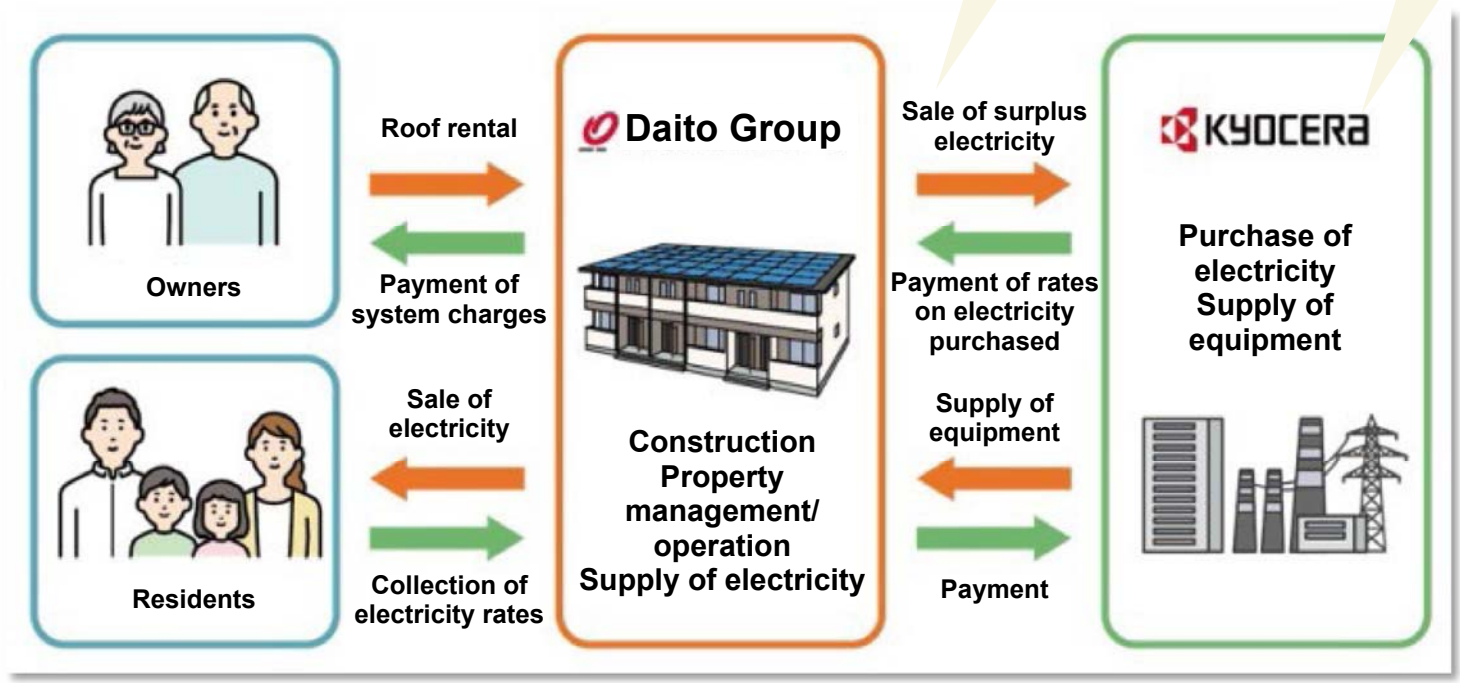
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Launch of sales in 2023 of ZEH rental housing under a program through which Kyocera purchases surplus electricity generated by the housing

Provide surplus electricity to Kyocera business facilities and other sites instead of selling it under the FIT scheme

Use as renewable energy



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⑥ Installation of solar power generation equipment

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Installation of solar power generation equipment on rental housing managed by the Daito Group

Annual power generation **Approx. 410 GW**

* Installed at approx. 25,900 buildings



➔ Use as renewable energy within the Group after the end of electricity sale under the FIT scheme

Fund raising

Green bonds (¥11 billion)

Green loans (¥9 billion)

➔ Allocate funds raised to new installation costs

Specific Initiatives to Resolve Material Issues	Related Materiality KPIs			
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⑦ Entry to biomass power generation business

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July 2023: Business transfer agreement concluded on Asago Biomass Power Station in Hyogo Prefecture

October 2023: New company DAITO BIO ENERGY CO., LTD. established; procurement of fuel began

April 2024 and later: Operations slated to begin

Key points:

- Purchasing fuel from forest thinning and other sources in collaboration with local forestry industry, forestry cooperatives, and chip plants
- Contributing to forest conservation and revitalization of the forestry industry in Japan through a forestry cycle using Japan's forestry resources
- Adopting renewable energy to achieve RE100 goals, targeting use of 50% renewable energy after operation begins



- ① **Formulation of a Sustainable Procurement Policy**
- ② **Revision of Wood Procurement Policy for sustainability**
- ③ **Introduction of supplier evaluation system**
- ④ **Initiatives to enhance supply chain sustainability**

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① Formulation of a Sustainable Procurement Policy



Targeting sound, sustainable transactions reflecting consideration for ESG topics as a whole throughout the entire supply chain

- ① Formulation of a Sustainable Procurement Policy
- ② Revision of Wood Procurement Policy for sustainability**
- ③ Introduction of supplier evaluation system
- ④ Initiatives to enhance supply chain sustainability

② Revision of Wood Procurement Policy for sustainability

Wood Procurement Policy for sustainability revised in September 2023, targeting a level of zero deforestation

**Daito Group
Wood Procurement
Policy**

- Ensuring legality**
 - We will procure wood in conformity with the law.
 - We will procure wood from forests managed under sustainable use plans.
 - We will ensure compliance with corporate ethics within the supply chain and within the Group.
- Ensuring social sustainability**
 - We will ensure worker safety and health within the supply chain and within the Group.
 - We will respect human rights and prohibit various forms of discrimination within the supply chain and within the Group.
 - We will respect indigenous people's rights as well as the local culture and practices of local communities.
 - We will contribute to promotion of the forestry industry and regional revitalization in Japan by actively procuring domestic wood.
- Ensuring environmental sustainability**
 - We will not procure wood from ecosystems or forests that have high conservation value.
 - We will not procure wood from endangered species or genetically modified species.
 - We will not engage in land use conversion for wood procurement.



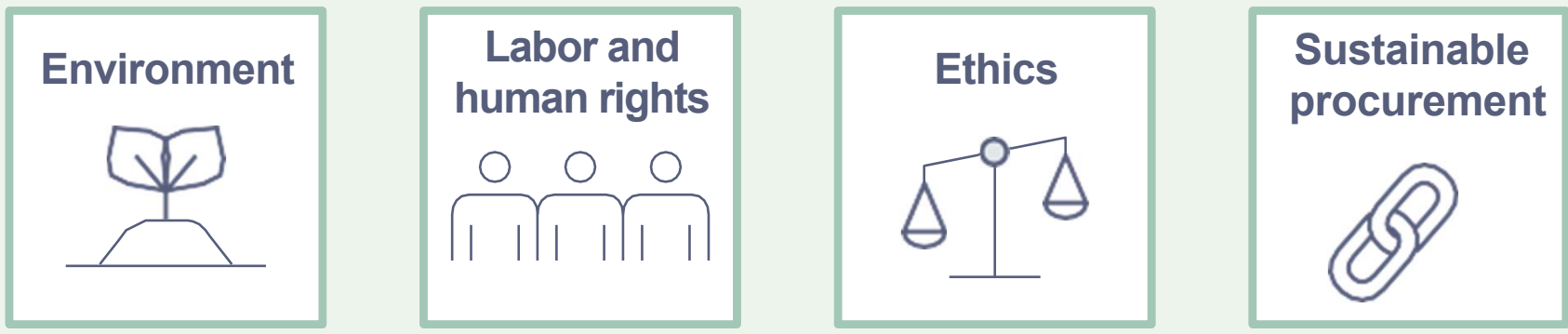
Striving to ensure that all wood used in our business activities is sustainable

- ① Formulation of a Sustainable Procurement Policy
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- ④ Initiatives to enhance supply chain sustainability



③ Introduction of supplier evaluation system (EcoVadis)

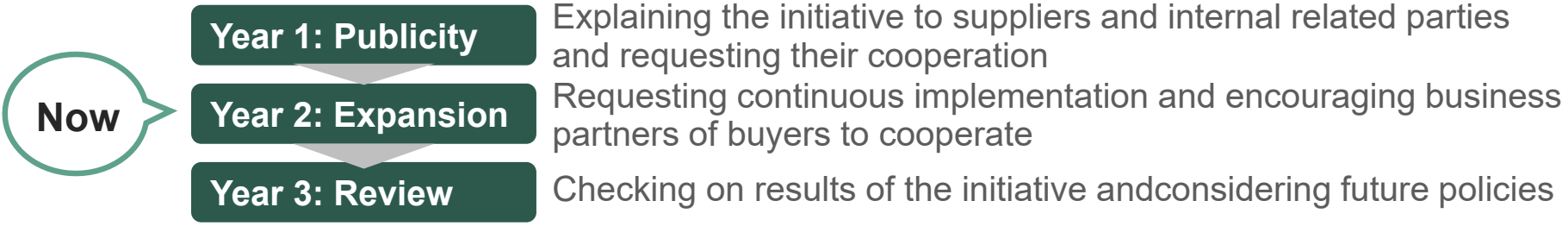
EcoVadis* evaluation areas



* An evaluation system covering more than 200 industries and 160 countries, based on international sustainability standards

Conducting verification and evaluation based on global standards in four evaluation areas

Policy: This initiative was started on a three-year trial basis.



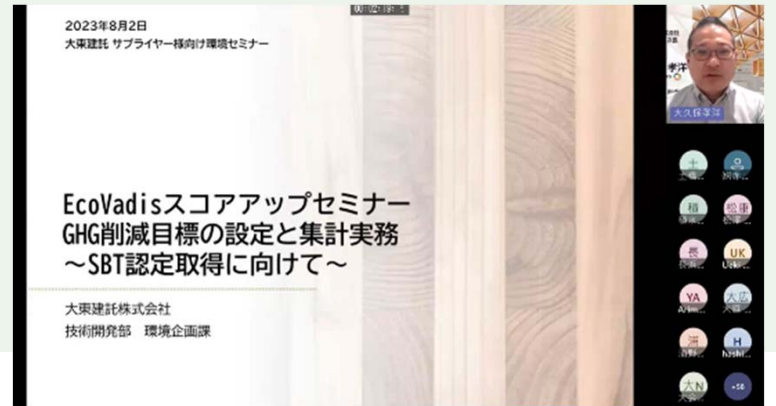
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④ Initiatives to enhance supply chain sustainability

Enhancing initiatives toward risk avoidance throughout the supply chain

Holding of seminars:

- CO₂ emissions calculation seminar
- Greenhouse gas calculation / SBT seminar
- Wood procurement seminar



Creating opportunities for sustainability initiatives

Enhancing sustainability initiatives throughout the entire supply chain

We will contribute to a sustainable society and enhance corporate value by further accelerating environmental initiatives through our business activities.



Social Initiatives



TANAKA Yoshimasa
Director, Senior Executive
Officer
General Manager of Corporate
Business Headquarter

Daito Group's Purpose

“Link the Trust to Make a Better Future.”

Everyone wants peace of mind in their lifestyle.

That's why we have pressed on with building and supplying safe, secure, and comfortable rental housing on the precious land that customers entrust to us. We will continue working as a Group to address the challenge of supporting lifestyles so as realize all our customers' dreams.

But because lifestyle changes as rapidly as the times go by, we will not—and cannot—rest on the status quo. We must remain to be a challenger.

Through coexistence and co-creation with other business types, we will massively expand our business domains toward realizing a zero-waste society, disaster-resilient housing, and regional revitalization, with a focus on the rental housing business.

We will never cease striving to realize lifestyles that we can entrust with confidence to the next generation.

With people's hearts entrusted to us and with the Daito Group's accumulated experiences, each employee of the Group will work on changing people's difficulty into peace of mind around the world by being entrusted with each other. And through our full range of services, we will link people with people, people with buildings, and people with communities carefully and respectfully.

To deliver the future of new “lifestyle” where people around the world can feel safe and comfortable from the bottom of their hearts.



Changes in Human Capital Management

Basic management policies

A thorough focus on high pay backed by high productivity (compensation based on performance-based assessment)

Founder's philosophy: "Human resources are our capital"

Unchanging

■ Trends in Japan and the Group Until now ➡ From now

Business Environment	<ul style="list-style-type: none"> Startup spirit ("challenger" company) Stable business model (based entirely on the Lease Management Trust System) 	➡	<ul style="list-style-type: none"> Industry leader A specialist in rental housing → A total lifestyle support company (enhancing foundations in construction and real estate businesses while also growing business domains)
Business Execution Method	<ul style="list-style-type: none"> Top down (led by business headquarters) Focus mainly on operations 	➡	<ul style="list-style-type: none"> Top down and bottom up (collaboration between business headquarters and front lines) Enhancement of operations and innovation
Personnel Structure	<ul style="list-style-type: none"> Pyramid (with young and mid-level personnel forming the base) 	➡	<ul style="list-style-type: none"> Inverted pyramid (middle-aged and older personnel forming the base → support for vitality of middle-aged and older personnel, enhancement of post-retirement reemployment system, reskilling, etc.)
Securing of Human Resources	<ul style="list-style-type: none"> Japan: Abundant labor Uniform hiring schemes → Large-scale hiring, large-scale separation (horizontal strategy to hire more human resources) 	➡	<ul style="list-style-type: none"> Japan: Severe labor shortage Challenges in the construction industry with enactment of working-hour restrictions in 2024 → Enhancement of hiring and development (vertical strategy to develop human resources)
Compensation System	<ul style="list-style-type: none"> Japan as a whole: Deflation, rigid compensation system (wages not increasing, salaries based on job abilities) Daito Group: Performance-based assessment based on qualification grades and results 	➡	<ul style="list-style-type: none"> Japan as a whole: Inflation, flexible compensation system (wages increasing, salaries based on roles and job duties, job-focused personnel system) Daito Group: Normalization of compensation levels for more competitive hiring and better human resource retention, based on performance-based assessment
Assessment System	<ul style="list-style-type: none"> Quantitative assessment focusing on results 	➡	<ul style="list-style-type: none"> Assessment balancing quantitative and qualitative aspects (based on process, results, team contributions, growth, etc. → demonstration of reproducibility)
Career and Skills Development	<ul style="list-style-type: none"> National policy: Company-led career development (employers nurture careers) Standardized training and job rotations 	➡	<ul style="list-style-type: none"> National policy: Promotion of career independence (workers create their own careers) Standardized and selective training Job rotations and opportunities to take on job challenges employees choose themselves
Motivation Management	<ul style="list-style-type: none"> Monetary incentive (incentive-based travel, awards, etc.) 	➡	<ul style="list-style-type: none"> Monetary and non-monetary incentive (attachment to the company, career growth, workplace culture, colleagues, etc.)

Unchanging/changing

Overview of human capital management: **Focusing even more on talent development**

Under formulation

Daito Trust Construction talent development cycle

“Human resources are our capital, not costs”

Talent/
organization



Instilling a corporate culture where everyone can grow and take on challenges

Talent development is the source for all we do

- Human resources are a common element in both our vision and the social issues we face.
- We will create a virtuous cycle through investment in human resources, maximizing employee growth and added value, and reinvestment in human resources.

Corporate culture development

- Annual management plan briefings (sharing of vision and targets)
 - * Participation by all employees
- Work-style reform
- Communication stimulation measures (San-Shine Campaign, etc.)
- Positive feedback
- “Mirai-novator” (internal venture system), etc.

Assessment/compensation

- Focus on actual abilities
- Returning of results (bonuses)
- Target management / feedback
- Multifaceted assessment
- Medium- and long-term incentives (stock compensation, employee stock ownership plan)
- Inflation allowances, etc.



Hiring/retention

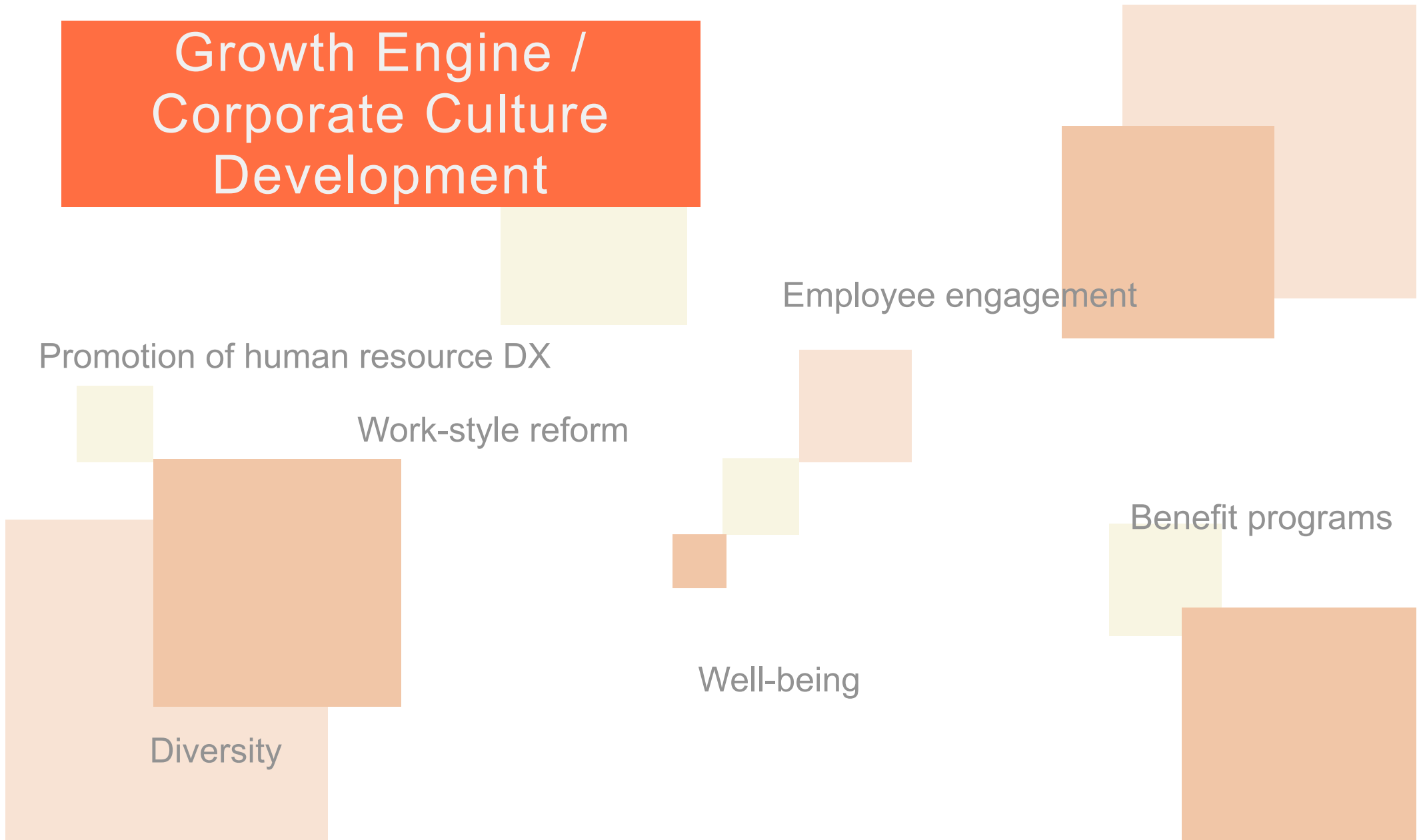
- Diverse hiring methods (new graduates/mid-career, referrals, reemployment)
- Professional system (expert positions, specialist positions)
- Post-retirement reemployment
- Flexible work styles (flextime, remote work, support for balancing work with childcare or nursing care), etc.

Career/development

- New talent development program
- Job-specific training
- Kentaku Master qualifications testing system
- Qualification and skill allowances
- Support for self-development
- Various career training
- Job switching program
- DX talent development, etc.

*The measures above are implemented by Daito Trust Construction on a non-consolidated basis (also implemented by some Daito Group companies).

Growth Engine / Corporate Culture Development



Diversity Declaration

1. We aim to create a corporate culture that respects the individuality of each and every one of us, recognizes diversity, and allows us to maximize our abilities.
2. We will pursue creating an environment where employees feel motivated and comfortable to become a company we can be proud of, a company we can entrust our dreams and future to.
3. We aim to be a sustainable company that can continue to create new value by promoting diversity as a management strategy.

Striving to **build an organization in which diversity is a strength**, through mutual respect for individuality



Work-style reform



Work-life balance



Talent development



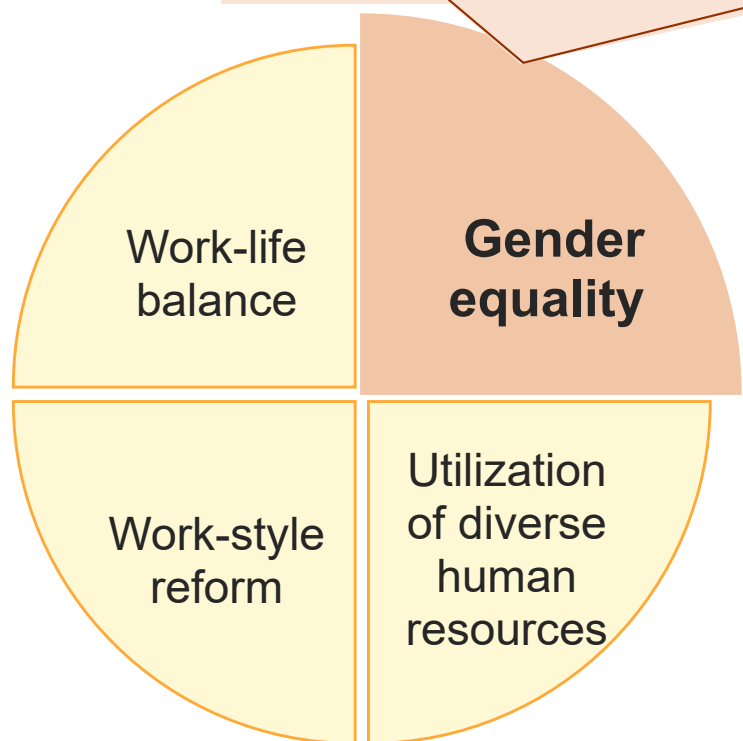
Engagement



Health and productivity management

Increasing the percentage of female management personnel by not only appointing but systemically identifying and developing talented female employees

2021: **Female Employee Development Program** introduced



Quota System Phase 1 ending April 1, 2024

Establishing a certain number of female managers (including senior managers) to be developed systemically over the course of three years

Female Advancement Promotion Committee

Reporting regularly on progress by persons responsible (executive officers) in various roles for company-wide promotion through sharing information on issues and other means

Education Programs for Female Employees

Providing numerous training programs at individual levels to build self-confidence by motivating women to believe in themselves as they overcome perceived barriers to promotion

Percentage of female management personnel:

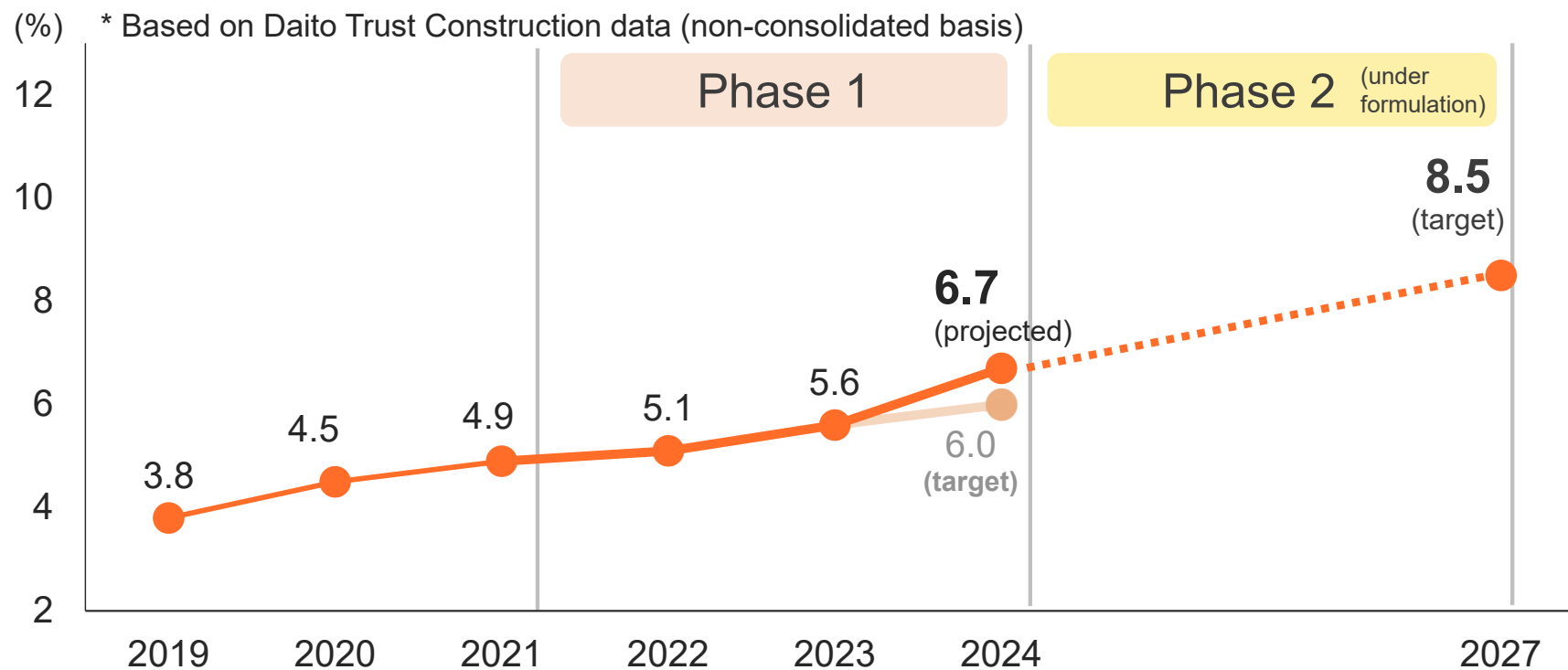
**Projected to achieve Phase 1 target;
now formulating Phase 2 targets and new measures**

Phase 1
To April 2024

Projected level: **6.7%**
(Target: 6.0%)

Phase 2
To April 2027
(under formulation)

Target: **8.5%**



Adopting various systems including requiring eligible men to take mandatory childcare leave
Striving to build a workplace culture in which men can participate actively in childcare

Special leave for childbirth by spouse



* From 1 month before expected due date to age 1

Mandatory childcare leave



Sharing of childcare leave experiences with colleagues



* Published on internal information-sharing site

Childcare leave



First **10** days paid

Childcare support discussions



* Developing cooperative structures to encourage systematically using childcare leave programs

Percentage of employees taking childcare leave

119.1%*
(FY2022)

* Number of male employees taking childcare leave / Number of male employees to whom children were born

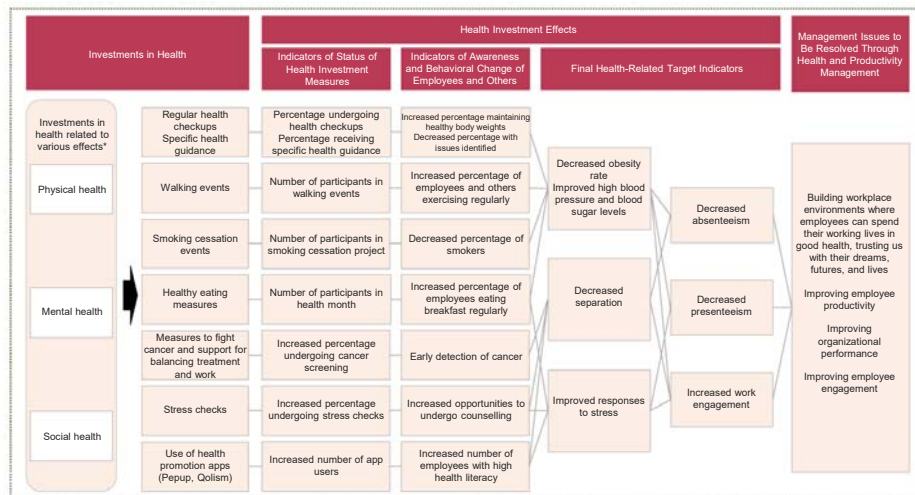
Daito Group Health Declaration

The Daito Group sees the health and happiness of each of its employees as an asset, and will realize workplace environments enabling vibrant work.

Good health = Important management issue and foundation for building workplace environments

Publishing the health and productivity management strategy map (September 30, 2023)

Promoting strategically health and productivity management by improving health literacy while also developing workplace environments where diverse human resources can work with vitality



* Basically, "Investments in health" and "Indicators of status of health investment measures" are in a 1:1 relationship. However, "Investments in health" that concern multiple "Indicators of status of health investment measures" are identified as "Investments in health related to various effects."

• [\(Download PDF file\)](#)

Joining the Health & Productivity Management Alliance* (October 26, 2023)

Participating to help realize a **healthier society**

Member companies and other organizations

290 (as of November 30, 2023)

* An organization intended to evaluate various measures by implementing data-driven identification of issues and solutions through promoting collaborative health in which employers collaborate with health insurance associations, under a vision calling for revitalizing Japanese businesses and realizing sustainability of health insurance associations through employees' good health

Introducing systems to enable employees to **autonomously** work
in comfortable working environments

Employee engagement
surveys



Sound branch
management ranking



Organizational issues

Stimulating internal communication, increasing permeation of corporate philosophy and values in the workplace, improving managers' management skills



Promoting mutual understanding between the Company and employees and implementing improvement activities in both the Company and workplaces

Major initiatives



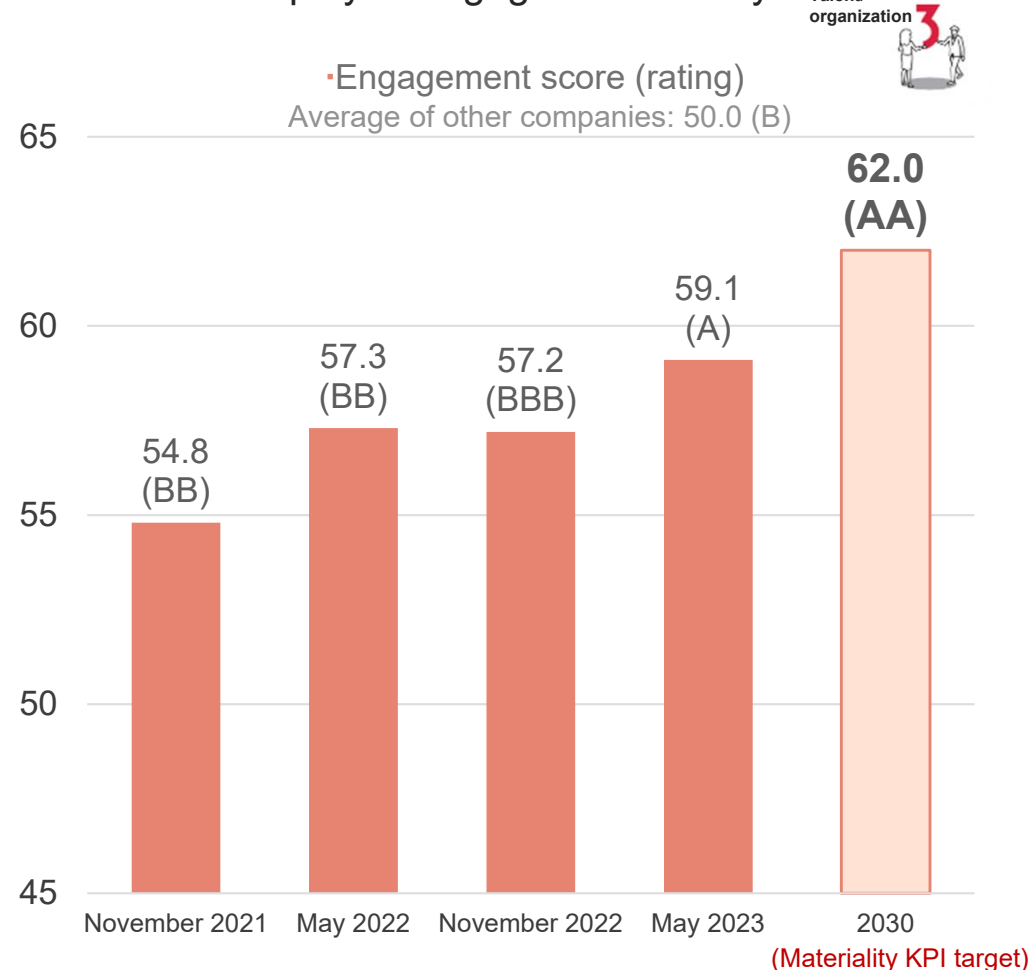
Company-led

- Promoting the San-Shine Campaign (A movement led by the chief executive officer to use the honorific “-san” in the workplace)
 - Thanks Present activities
 - Positive feedback (Measure to foster a spirit of mutual respect)
 - Training using DNA note* (Measure to promote Purpose and philosophy)
- * Booklet distributed to employees describing the foundations of awareness, values, and thinking that should be shared by the Group
- Workshops for managers

Workplace-led

Implementing workplace improvement activities by managers to address organizational issues identified in each department

Trends in employee engagement surveys

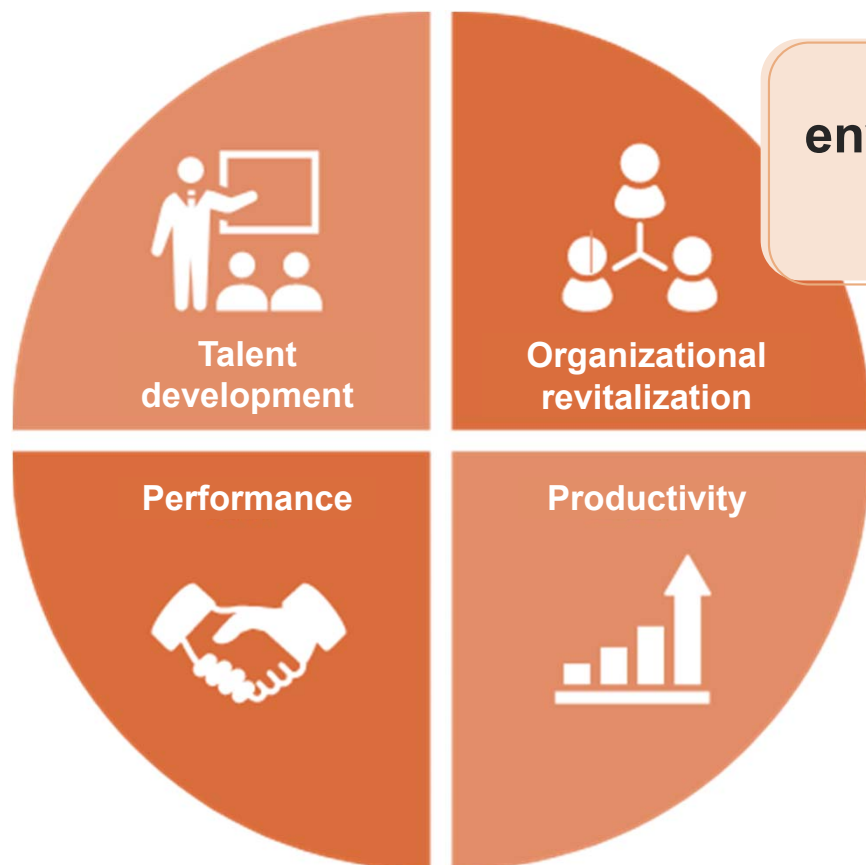


* Conducted using a Link and Motivation Inc. Engagement Survey; assessment and deviations based on Link and Motivation calculation standards

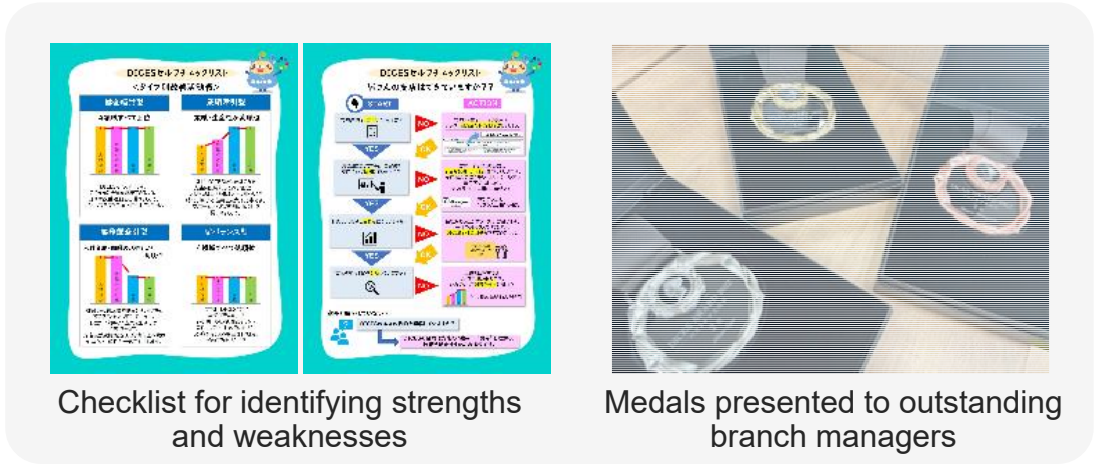
Simultaneously securing high performance and building workplace environments where employees can work with vitality

Realizing branch (department) management conscious of efficiency and productivity, not just transaction volume

Building a culture to improve results as a team, through organization-wide initiatives



Making conditions of workplace environments visible by consolidating a wide range of internal data
(launched in 45th period)



Hiring/retention

Job switching / career support

Diverse hiring methods for new graduates

Programs for earning qualifications

Post-retirement reemployment

Professional system (expert positions, specialist positions)

Flexible work styles (flextime, remote work, support for balancing work with childcare or nursing care)

Hiring enhancements (new graduate hiring)

Market backdrop

- Decreasing students in civil engineering programs
- Decreasing number of companies students apply for



Adopting different hiring methods in response to market changes, as the Company too is seeing decreasing number of applicants

Efforts to build up the reservoir of talent



A site tour for student

- University visits
- Site tours for students
- Beginning to hire high school graduates

Striving to realize long-term career development through exchange meetings and system enhancements

Various support structures (construction management)

Participation in the Jutaku Komachi cross-industry project

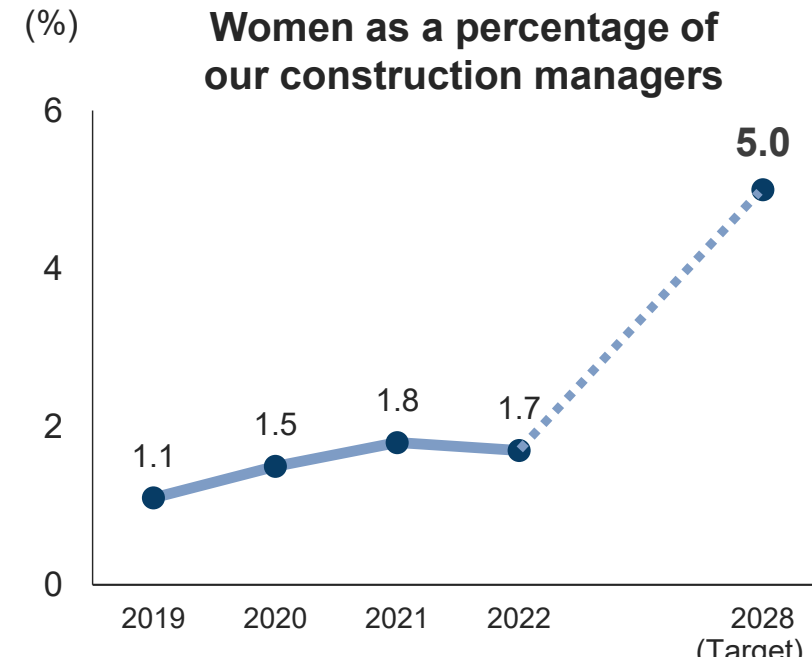
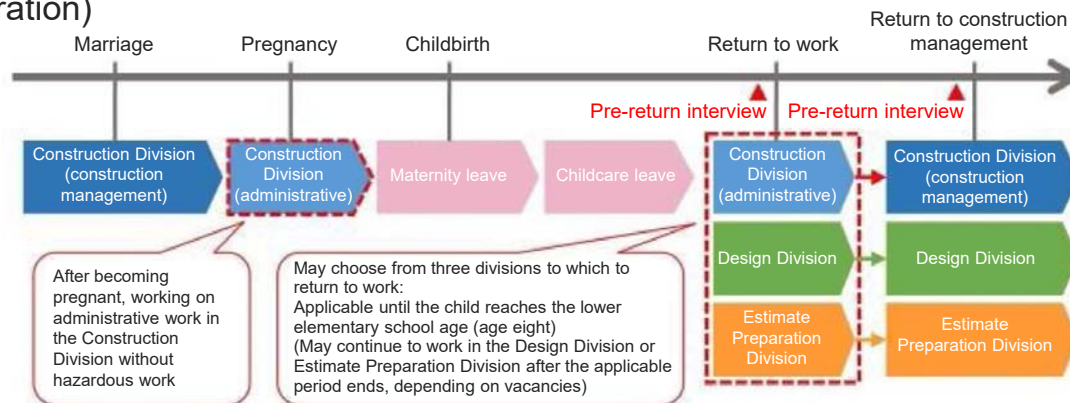
Periodic exchange meetings and training

Adoption of a job switching program*

Support for balancing work with childcare by alleviating concerns related to work-life balance

* Enables switch to a desired position such as construction (administrative work), design, or estimate preparation for a fixed period when employee face life events such as childbirth or childcare

(Illustration)



Career/development

Kentaku Master qualifications testing system

Qualification and skill allowances

New talent development program

Support for self-development

Online training environment

DX talent development

Various career training programs

Fostering a corporate culture where human resources continue to grow and learn, on the assumption of sustained growth

Level	Timing	Training		Program Details	
Administrative position	Upon employment	New graduates	Introductory training upon employment	Understanding the basic knowledge needed as professionals and the meaning of working at the Company	
			Follow-up training	Looking back on first year and third year; setting medium-term targets	
	Second through fourth years after employment	Mid-career	New-employee training for all jobs		Acquiring basic knowledge necessary for each job
			Year-two training		Acquiring basic business skills
	Year-four training		Acquiring human skills and problem-solving skills		
	Other	Female employees	Women's career planning seminar		Developing women's career
			Women's career study meeting		
			Women's Academy		
Candidates for promotion	Training for division manager candidates		Understanding roles; acquiring management skills; exchanging opinions with management		
Management position	On promotion	Training for newly promoted managers Skill improvement training for managers		Understanding roles; acquiring management skills and problem-solving skills	
	Other	Female employees	Women's leader seminar	Developing women's career	
		Managers	Training for managers		Acquiring basic knowledge for women's career development; requesting subordinate development
	Candidates for promotion	Training for senior management candidates		Acquiring transformation leadership behavior and problem-solving skills; exchanging opinions with management	
New Business Creation Academy		Conducting practical management training			
Senior management position	On promotion	Training for newly promoted senior management Skill improvement training for senior management		Understanding roles; acquiring management skills, problem-solving skills, strategic skills for the organization, human resources, management, etc., and financial/accounting knowledge	
	Officer candidates	Management Training Academy		Conducting practical management training; exchanging opinions with management	
		Business school attendance		Acquiring management perspectives and views, decision-making abilities, and organizational management abilities; exchanging with other industries	
Officers	Training for newly appointed executive officers and directors		Achieving qualitative improvements in strategy formulation and decision making; learning how to use legal/financial knowledge; developing strategic perspectives on management innovation		
	Training for executive officers and directors				

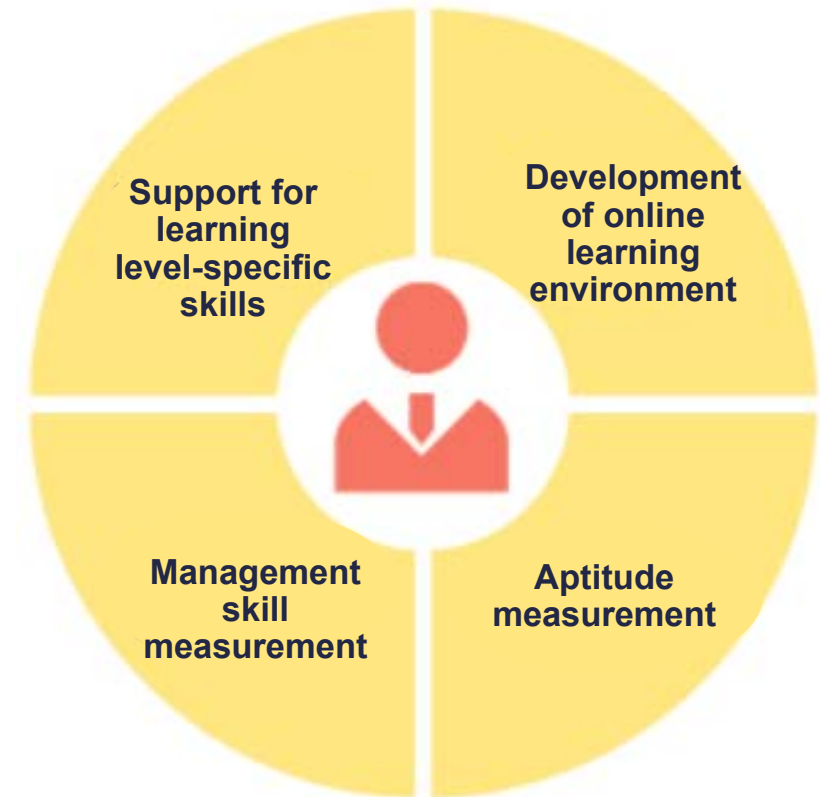
* As of March 2023; each job-specific training implemented at all levels by a specialized training department for each job

Plans call for introducing a new talent development program in FY2024



Key points of new program

- Focusing on human skills, problem-solving skills, and management skills, and raising their levels
- Supporting autonomous learning by providing an online learning environment for all employees
- Supporting consistent accumulation of skills from new hires through mid-level employees, managers, and candidates for senior management
- Introducing objective promotion requirements to measure skills and aptitude in training for managers



■ Illustration of talent development measures

Stimulating DX activities through employee awareness reforms and talent development

DX talent vision



Developing talent able to utilize data and digital technologies, based on knowledge of the Daito Group's operations and business domains

Roles	Knowledge	Skills	Mindset
Identifying potential issues through data analysis	Knowledge of operations and business domains	Data analysis abilities	Spirit of taking on challenges Autonomy Flexibility
Conceiving solutions using digital technologies	Knowledge of digital technologies	Business design abilities	
Taking project leadership to realize solutions	Knowledge of management methods	Project management abilities	

DX talent education

Promoting the development of all employees as DX talent by expanding the scope of talent development

第5回 大東建託DXセミナー

KDDIの事例に学ぶDX
不動産業界のDXとは？



Through FY2022	FY2023	FY2024 and beyond
Launched the following initiatives: <ul style="list-style-type: none"> ● Video streaming of DX seminars ● Workshops (85 participants) 	<ul style="list-style-type: none"> ● Reskilling through e-learning and other means ● Training curriculum enhancements 	<ul style="list-style-type: none"> ● Enhancement of DX promotion capabilities through improving employee engagement and enhancing talent development and infrastructure

Assessment/ compensation

Medium- and long-term incentives
(stock compensation, employee
stock ownership plan)

Multifaceted assessment

Focus on actual abilities

Target management / feedback

Inflation allowances

Returning of results (bonuses)

Realizing appropriate compensation levels to improve hiring competitiveness and human resource retention as well as enhancing operation of assessment system to motivate employees to achieve their targets

Assessment/compensation

Increasing initial pay for new graduate hires and paying inflation allowances (special one-time payments)

Increasing initial pay for new graduate hires

	Before	After
Graduate school graduates	¥230,000	¥250,000 (+8.7%)
University graduates	¥220,000	¥240,000 (+9.1%)
Junior college / trade school graduates	¥207,000	¥227,000 (+9.6%)

* General sales position, design position, construction management position

+

Inflation allowances:
Uniform ¥100,000

* ¥10,000 for those who joined the Company on or after April 1, 2023

Major subjects for future consideration

- Increasing base pay
- Reflecting individuals' market value (e.g., skills, experience) in the hiring market with consideration for job descriptions and roles



■ Illustration of assessment/compensation structure

We will strive to enhance corporate value
by drawing out maximum value
from our employees as human capital.



Governance Initiatives



SHIOMI Hiroshi

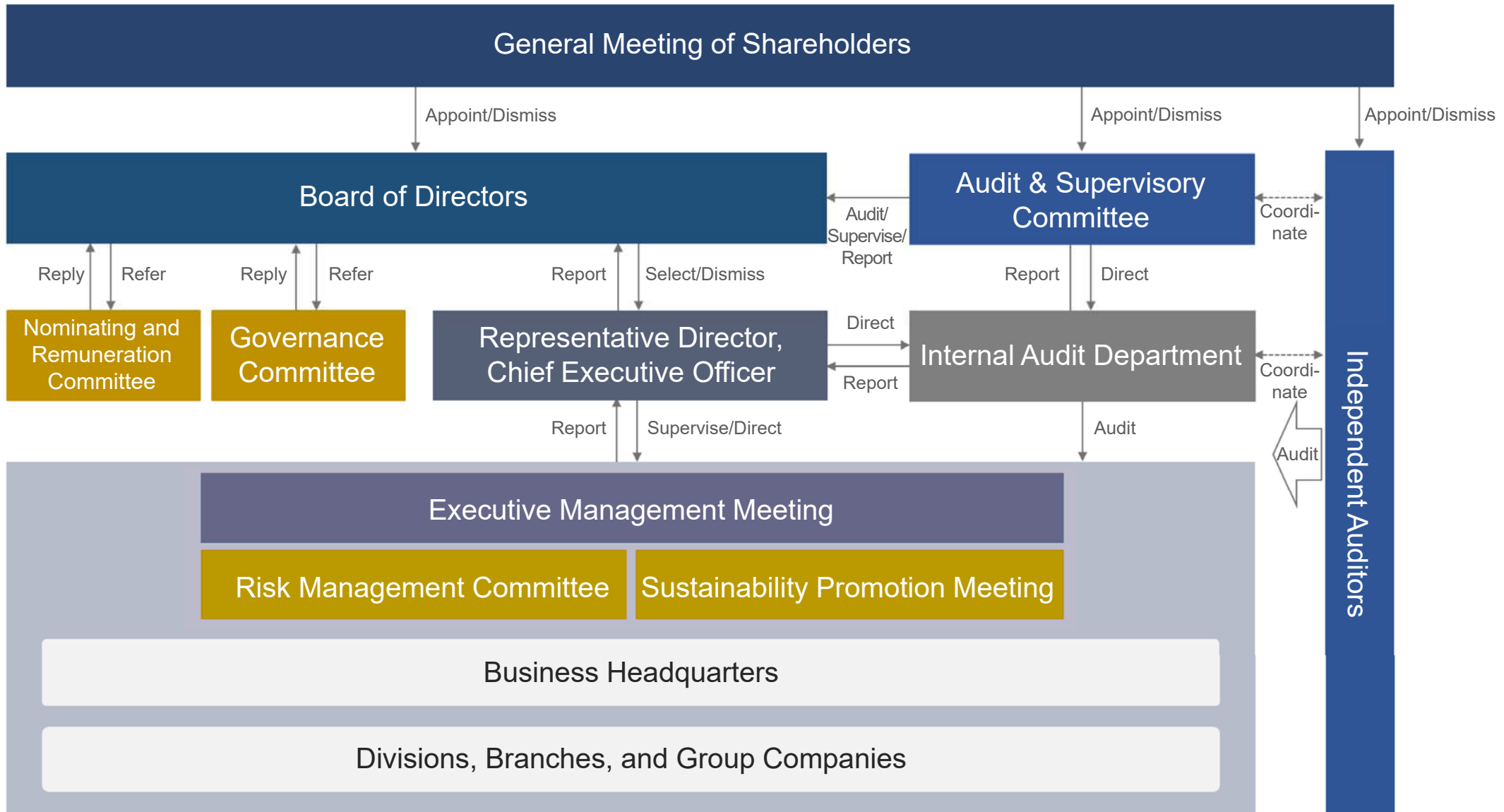
Manager of
Corporate Planning
Department

Basic Policy on Corporate Governance

Basic Policy on Corporate Governance

We will maximize the corporate value for our shareholders and all other stakeholders to make our management more transparent and efficient.

Corporate Governance System



1. Corporate Governance System

In June 2023, we made the transition from a company with an Audit & Supervisory Board to a **company with an Audit & Supervisory Committee**.

	Management-Based	Advisory-Based	Monitoring-Based
	Company with an Audit & Supervisory Board (before transition)	Company with an Audit & Supervisory Committee (now)	Company with a Nominating Committee, etc.
Important Business Execution Decisions	Board of Directors (May not be delegated to executive officers)	Board of Directors / executive officers (Some may be delegated to executive officers)	Executive officers (All delegated)
Audit System	Independent audits by each auditor	Organized audits by Audit & Supervisory Committee	Organized audits by Audit & Supervisory Committee
Directors' Terms of Office	2 years	Other than Audit & Supervisory Committee members: 1 year Audit & Supervisory Committee members: 2 years	1 year



- Some important business execution duties delegated from the Board of Directors to executive officers
(i.e., **greater authority and accelerated action by executive officers**)
- Further discussion by the Board of Directors of more important matters**

Composition of the Board of Directors

Percentage of outside directors: 36% → **41%**
 Maximum age of internal directors: 60 years → **65 years**

Board of Directors

Governance Committee

Nominating and Remuneration Committee

TAKEUCHI Kei



Representative Director,
 Chief Executive Officer
 General Manager of Construction
 Business Headquarter
 Member of Nominating and
 Remuneration Committee
 Member of Governance Committee

MORI Yoshihiro



Director, Managing Executive Officer
 General Manager of Real Estate Business
 Headquarter
 President and Representative Director of
 Daito Kentaku Partners Co., Ltd.
 Member of Governance Committee

IRITANI Atsushi

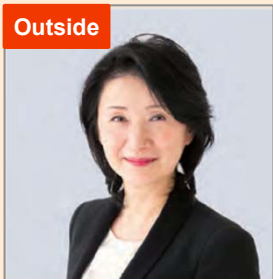


Outside

Lead
 Independent
 Outside
 Director

Outside Director
 Chairman of Nominating and
 Remuneration Committee
 Chairman of Governance Committee

SASAKI Mami



Outside

Outside Director
 Member of Nominating and
 Remuneration Committee
 Member of Governance Committee

TATE Masafumi



Director, Senior Executive Officer
 General Manager of Design
 Management Department

OKAMOTO Tsukasa



Director, Senior Executive Officer
 General Manager of Finance and
 Accounting Department

AMANO Yutaka



Director, Senior Executive Officer
 General Manager of Real Estate
 Development Headquarter

TANAKA Yoshimasa



Director, Senior Executive Officer
 General Manager of Corporate
 Business Headquarter

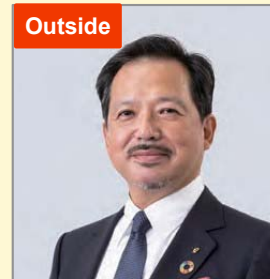
Audit & Supervisory Committee

KAWAI Shuji



Director
 Standing Audit & Supervisory
 Committee Member
 Member of Governance Committee

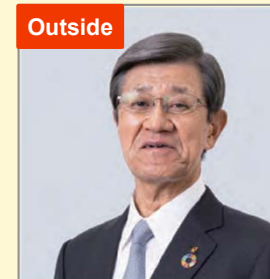
MATSUSHITA Masa



Outside

Outside Director
 Standing Audit & Supervisory
 Committee
 Chairman of Audit & Supervisory
 Committee
 Member of Governance Committee

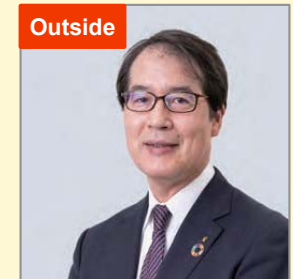
SHODA Takashi



Outside

Outside Director
 Audit & Supervisory Committee
 Member
 Member of Governance Committee


KOBAYASHI Kenji



Outside

Outside Director,
 Audit & Supervisory Committee
 Member
 Member of Governance Committee

Freestanding committees

	Nominating and Remuneration Committee	Governance Committee
Membership	Representative director 2 outside directors who are not Audit & Supervisory Committee members	3 internal directors, including the representative director All 5 outside directors
Chair	Lead independent outside director	Lead independent outside director
Major Roles	Advice on the Board of Directors on nomination and compensation Formulation of basic policies on nomination and compensation Deliberation on succession plans for the representative director and executive officers	Deliberation on enhancement and review of governance Consideration of conflicts of interest with directors Discussion of matters such as investigative committees in response to scandals
Major Matters Discussed in FY2022	Management structure for next period (including succession plans)  Review of director compensation	Monitoring of measures to prevent reoccurrence of inappropriate accounting Study of institutional redesign Discussion on analysis of Board of Directors effectiveness evaluation results and improvement measures

Major Board of Directors agenda items

FY2022

Met 14 times

- ▶ **Transition to a company with an Audit & Supervisory Committee**
- ▶ **Review of Board of Directors submission standards (delegation of authority to executive officers)**
- ▶ **Formulation of Group Purpose**
- ▶ **Formulation and monitoring of measures to prevent reoccurrence of inappropriate accounting**

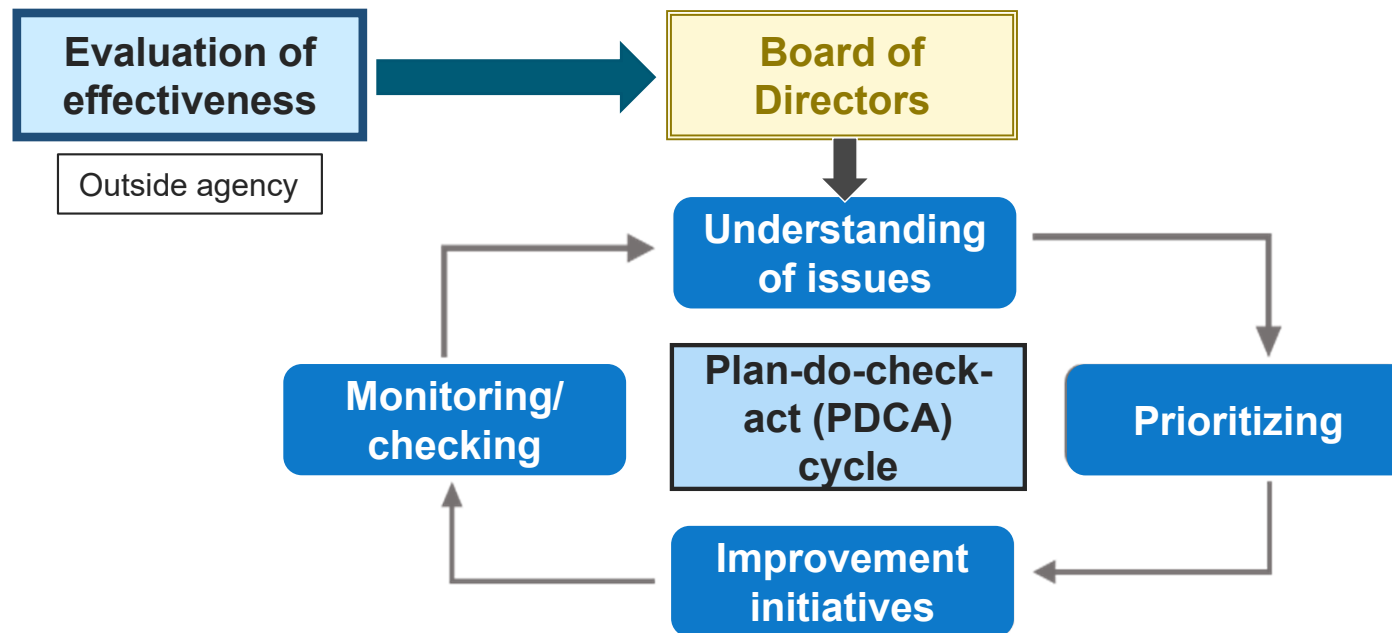
FY2023

Met 10 times (as of November 30)

- ▶ **Next medium-term management plan / business portfolio**
- ▶ **Returns to shareholders (purchase of treasury stock)**
- ▶ **Report on audit results by the Audit & Supervisory Committee (interim)**

Evaluation of effectiveness of the Board of Directors

- We evaluate the effectiveness of the Board of Directors once a year, employing an outside agency.
- Results of evaluation are provided to the Board of Directors as feedback, and **the Governance Committee analyzes the results and discusses improvement measures.**



Issues identified in FY2022:

- Inadequate discussion of medium- and long-term management strategies
- Enhancement of Group internal controls, etc.



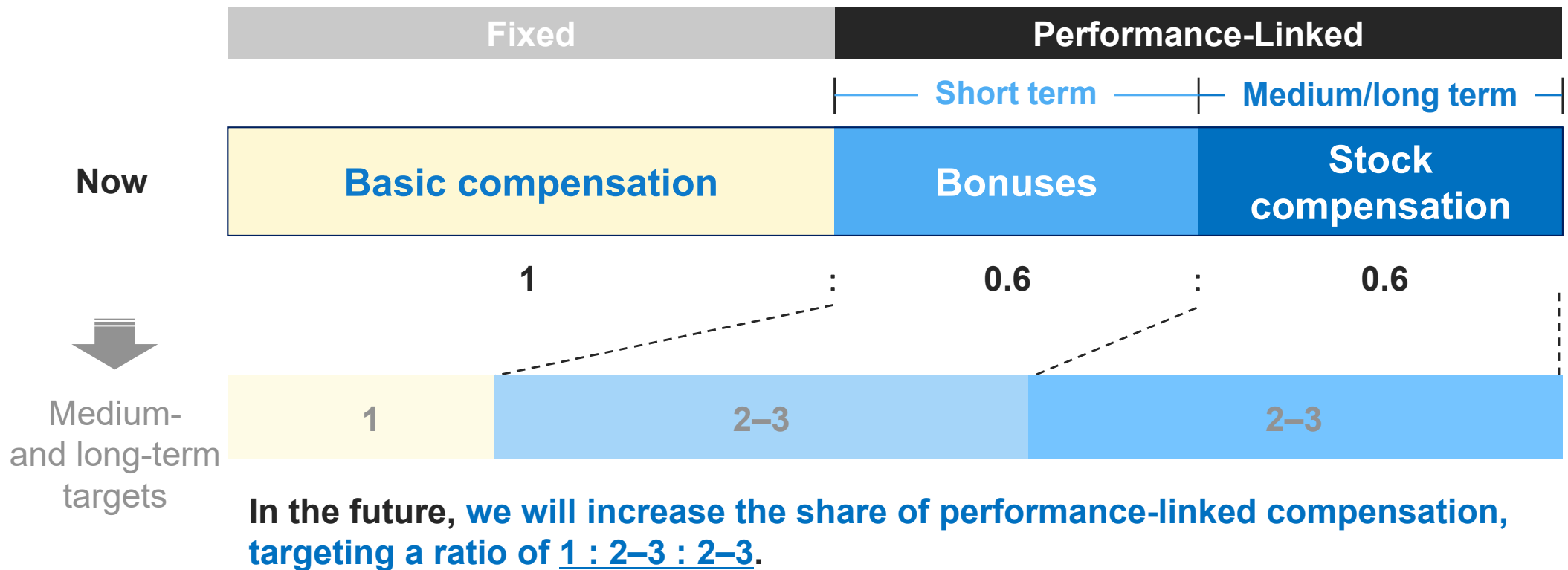
This period, members of the Board of Directors will engage in formulating the next medium-term management plan and monitoring enhancement of internal controls.

3. Director Compensation Structure

- Director compensation consists of basic compensation (fixed), bonuses (linked to short-term performance), and stock compensation (linked to medium- and long-term performance).
- **Non-financial KPIs are reflected in performance-linked compensation beginning in FY2023 to promote sustainability management.**

Compensation structure

* Excluding outside directors and directors who are Audit & Supervisory Committee members



Adoption of non-financial indicators

Starting in FY2023, we have adopted **non-financial indicators (materiality KPIs)** accounting for about 20% of coefficients for performance-linked compensation.

We will strongly encourage management’s commitment to address social issues through compensation governance.

Materiality KPIs ▼

	Material Issues	KPIs
Management Material Issues	1. Environment Taking action on climate risk through business activities Environment 1	① Greenhouse gas emissions reduction rate (SBT) ② Rate of renewable energy use (RE100) ③ Energy efficiency (EP100)
	2. Society Contributing to a society where no one is left behind Society 2	① Number of prefectures in which community contribution activities* are conducted <small>* Our original programs winning SDG awards, etc.</small> ② Promotion of services and business enabling everyone to live with peace of mind (qualitative)
	3. Talent/organization Instilling a corporate culture where everyone can grow and take on challenges Talent/organization 3	① Employee engagement score ② Percentage of female management personnel
	4. Corporate governance Building an industry-leading governance system Corporate governance 4	① Number of serious compliance violations ② Penetration rate of compliance efforts
Business Material Issues	5. Land/assets Support for the most effective use of land and assets Land/assets 5	① Unit occupancy rate ② Expansion and enhancement of services for effective land and asset utilization (qualitative)
	6. Rental housing Improving asset value while also resolving social issues Rental housing 6	① Rate of provision of rental housing that responds to social issues ② Enhancement of services for improving asset value of old buildings (qualitative)
	7. Living/lifestyles Improving convenience of living and neighborhoods Living/lifestyles 7	① Number of users of platform services useful for their everyday lives (ruum) ② Proactive engagement in non-residential business (qualitative)



Director Compensation KPIs		FY2023 Targets
E	CO ₂ emissions reduction rate	25.4% reduction (compared to FY2017)
	Rate of ZEH provision	60%
S	Employee engagement score	60.0 (A)
	Percentage of female management personnel	8.0%
G	Penetration rate of compliance efforts	90% (according to results of compliance survey)

We will strike a balance between enhancing corporate value and achieving a sustainable society by periodically reviewing director compensation KPIs and adopting suitable indicators in each instance.

Overview of inappropriate accounting (from June 2022 timely disclosure)

Overstatement of accounts payable and inappropriate payment of advertising expenses at consolidated subsidiaries: **¥780 million in total**

Major causes (from report on investigation results):

- Inadequate internal controls in accounting department
- Underdeveloped functions for auditing of Group companies
- Inadequate internal permeation of internal whistleblowing system, etc.



Recurrence prevention measures were discussed and formulated by the Board of Directors.

Recurrence prevention measures (from Integrated Report 2023)

Implementation of the following short-term measures was completed by March 31 of this year.

- ▶ Reviewing the business control processes in accounting department and reaffirming thorough compliance
- ▶ Strengthening internal controls, expanding the Group audit organization, increasing related personnel
- ▶ Promoting use of internal whistleblowing system, issuing a message from top management on whistleblower protections, etc.

Monitoring enhancement of internal controls

Since the improper accounting treatment was discovered, in addition to taking prevention measures, the Company has strengthened the internal governance of the Daito Group as a whole. In FY2022, an implementation plan was steadily actioned by a management execution team drawn primarily from management departments.

Internal controls need to be verified and strengthened not just once but on an ongoing basis. Rather than simply preventing the recurrence of individual incidents and dealing with these in management departments, the issue going forward will be for directors and all employees to have a strong sense of their own departments as key internal control departments and operate and enhance their respective accountability processes.



MATSUSHITA Masa
Outside Director
Standing Audit & Supervisory
Committee Member
Chairman of Audit &
Supervisory Committee
Member of Governance
Committee

(From an interview with the outside director in the Integrated Report 2023)

We regard enhancements in the Group's overall internal control to be a management issue of the utmost importance, and continue to engage in the initiative for the medium and long term under monitoring by the Board of Directors.

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