



DAITO TRUST  
CONSTRUCTION CO., LTD.

Life is Built on Trust.

DAITO KENTAKU GROUP

Environmental Report 2019



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Note: The woodgrain texture featured on the cover is cross-laminated timber (CLT), a wooden construction material promoted by the Daito Group. (See p. 6 for details.)

## Corporate Philosophy

**"Contributing to society by realizing extensive and effective use of limited land."**

### Our Promise (CSR Action Policy)

- To our owners: "Entrusted with land that was built on or land to build on," we constantly pursue value that lasts for generations.
- To our tenants: From housing search to providing support for comfortable living, we offer services that bring the highest level of satisfaction to tenants.
- To our shareholders: We promise a stable shareholder return by realizing our business plan.
- To our business partners: We will build symbiotic partnerships by placing importance on local and human relationships.
- To local communities: We will contribute to revitalizing local economies and communities by anticipating social changes.
- As employees: We will build a vibrant workplace environment where every employee is able to gain a sense of satisfaction through their challenges.

Based on our Corporate Philosophy and our Promise, and as part of our social responsibility, the Daito Group is committed to environmental management toward realizing a low-carbon society.

### Environmental Basic Policy

We are committed to the 3Rs (Reduce, Reuse, Recycle) and proactively working to conserve the global environment through all of our business activities.  
As a leading corporation in terms of land use, we will continue to offer excellent living environments with an emphasis on maintaining harmony with local communities and nature.

### Environmental Action Guidelines

- 1 Legislation: We conduct business activities in compliance with laws and regulations relating to the environment.
- 2 Education: We continue to run awareness-raising activities, and all of our employees continue to take the lead in promoting eco-friendly activities.
- 3 Reducing resources: We are committed to reducing our environmental impact by aiming to extend the service life of our buildings and use fewer resources.
- 4 Reusing resources: We are committed to reducing our environmental impact through actively promoting the reuse of materials.
- 5 Recycling resources: We are committed to reducing our environmental impact by promoting the recycling of resources.
- 6 Creation: We develop people-friendly living environments and provide services that contribute to reducing environmental impact.

### Editorial Policy

In recognition that our company plays a significant role as a generator of emissions, we at the Daito Group have made appropriate additions to the scope of our report on our environmental impact, based on the "Accounting, Reporting and Publishing Greenhouse Gas Emissions Manual, Ver. 4.3.2" (published in June 2018 by the Ministry of the Environment (MOE) of the Government of Japan) under the system for mandatory accounting, reporting and disclosure of greenhouse gas emissions, based on Japan's Global Warming Law.

We use actual figures as much as possible when reporting performance. However, where actual figures are not currently available, we use estimated figures based on sampling, or a combination of estimated and actual figures.

From 2019 onwards, in regard to coverage and types of data, the scope of data reported in this Environmental Report has been expanded to pertain to the Daito Group (Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries.)

### Policy on Publication Media

We disclose information relating to the Group's environmental activities in this Environmental Report, and in the "Kankyo e no torikumi" ("Environmental initiatives") section of the Daito Group's Japanese-language website.

This report also includes detailed values and figures relating to past data on environmental activities covered in the Integrated Report. In addition, Environmental, Social and Governance (ESG) information is disclosed in the Integrated Report.

### Integrated Report

<https://www.kentaku.co.jp/corporate/ir/report.html>

For convenience, corporate names are abbreviated as follows in this document.

- Daito Trust Construction Group → Daito Group
- Daito Trust Construction Co., Ltd. → Daito Trust

### Organizations Covered in This Report

This report pertains to the Daito Group (Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries).

### Boundary

Daito Trust Construction Co., Ltd., Daito Construction Co., Ltd., Daito Steel Co., Ltd., Daito Kentaku Partners, Co., Ltd. (including House Leave, Co., Ltd., House Payment Co., Ltd., HOUSE GUARD SSI, Daito Energy Co., Ltd.), Daito Kentaku Leasing Co., Ltd., Housecom Co., Ltd., Gaspal Co., Ltd., Care Partner Co., Ltd., Daito Corporate Service Co., Ltd., Umecare Co., Ltd., Sakura Care Co., Ltd., Ju-See Publishing Co., Ltd., Daito Finance Co., Ltd., Daito Mirai Trust Co., Ltd., Daito Kentaku Health Insurance Association, Daito Asia Development Pte. Ltd., Daito Asia Development (Malaysia) Sdn. Bhd., Daito Asia Development (Malaysia) II Sdn. Bhd., Daito Asia Investment Pte. Ltd., D.T.C. Reinsurance Limited, Daito Kentaku USA, LLC.

With regard to greenhouse gas emissions, this report covers Scope 1, Scope 2 and Scope 3.

### Report Period

April 1, 2018 to March 31, 2019

### Guidelines Referenced

Environmental Reporting Guidelines 2018 published by the Ministry of the Environment (MOE), Japan

### Publication Date

September 2019



**We aim to realize an eco-friendly society through our business activities, which are designed for us to grow sustainably as a company, entrusted with the dreams and futures of our stakeholders.**

Katsuma Kobayashi, President and Representative Director (CEO)

小林克満

## Our environmental management keywords are "Wood," "Rentals," "Homes," and "Lifestyles."

### In its business activities, what priority does the Daito Group give to addressing environmental issues?

If corporations are to achieve sustainable growth, it is vital that we address environmental issues. We are all feeling the effects of climate change, such as outbreaks of summer heat-waves and catastrophic levels of rainfall, which are becoming more and more severe. Global awareness of environmental issues is on the rise, with increasing efforts aimed at resolving issues caused by global warming, such as the destruction of ecosystems and marine pollution caused by microplastics.

These are the kinds of issues behind the United Nations' adoption of the Paris Agreement and Sustainable Development Goals (SDGs) in 2015. That year is now remembered as a major turning point in terms of the environmental activities of corporations. Among these initiatives, the decarbonization advocated by the Paris Agreement is on a whole new level above and beyond current climate change countermeasures, which focus mainly on saving energy. Personally speaking, this renewed my sense of the dangers posed by global warming. In my current capacity as President, I believe that it is extremely important from a management perspective to recognize and appropriately deal with the commercial risks and opportunities arising from climate change.

The principal role that the Daito Group must fulfill in regard to society is to serve our property owners by resolving their various concerns around asset succession and the effective use of valuable land, by

providing long-term reliable, secure and stable management support of the building rental business, and to serve our tenants by providing them with comfortable homes and helping them live comfortable lifestyles. In this context, I want us to place importance on four environment-related keywords as we go about our business activities. The first keyword is "Wood," the construction material. The second is "Rentals," a business linked to entire lifestyles. The third is "Homes," and the fourth is "Lifestyles," both of which we provide to society through wood and our rental business. Centered around these key words, it is important that we solve environmental problems through our business activities while fulfilling our role as a company.

### Could you talk us through the specifics and strengths of the Daito Group's environmental management?

The Daito Group is engaged in a wide spectrum of operations, ranging from planning, designing and constructing rental housing, to rental brokerage, management, supplying energy, care and nursery school businesses, and more. We have set up a cross-Group organization made up of these various Group companies in the form of our Environmental Management Project Committee, which has established and is committed to a framework for promoting environmental management throughout the entire Group. The core businesses of the Daito Group are our construction and real estate businesses, whose mainstay is woodframe multifamily rental housing built using the two-by-four construction method. Through our business, we promote the active use of wood, which is a renewable and recyclable construction material. One of our strengths is our ability to promote environmental management that makes extensive use of wood, which is eco-friendly. Another of our strengths is that we can leverage economies of scale, because we manage approximately 1.08 million rental housing units

throughout Japan (as of end of March, 2019), making us the country's leading company in terms of the number of rental housing units under management. Housing approximately two million people, these buildings represent a great resource for us in terms of promoting the Group's environmental management. The Daito Group builds rental housing units at the request of our property-owners and takes on the management of these units while they are occupied by tenants, so we are also responsible for necessary repairs required in the course of lease management over time. We also demolish the buildings once they have reached the end of their useful life, and in some cases, we rebuild them. This means we can be involved with our buildings over the long term, for the whole of their life-cycle. The fact that we are in a position to tackle issues from an environmental perspective with regard to rental housing and the lifestyles of our tenants is a great strength.



## We are also taking a proactive approach to global environmental trends

### Could you tell us about the principal achievements of the Daito Group's environmental activities in FY2018, and your vision for the future?

In FY2018, the Daito Group joined RE100<sup>1</sup>, an international environmental initiative aimed at using renewable energy to meet 100% of the electricity used across business activities. We have set ourselves the goal of ensuring all the electricity we consume will be from renewable sources by 2040. We envisage that, eventually in the future, we will be able to achieve our RE100 goal by allocating the surplus electricity produced by the solar panels already installed on the roofs of our multifamily rental housing to meet our own electricity needs.

In addition, we are proactively participating in and declaring our support for environmentally related initiatives, recommendations and guidelines both in Japan and overseas. To give just two examples, we have obtained Science Based Target (SBT) Initiative<sup>2</sup> Certification, and declared our support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD)<sup>3</sup>. Through such initiatives, along with promoting the Daito Group's environmental efforts to our stakeholders, we are also pursuing activities aimed at solving various environmental issues.

To set out our vision going forward, we unveiled our New Five-Year Plan: Reiwa New Growth in April 2019. Under this plan, along with strengthening our two core businesses—real estate and building multifamily rental housing—we will be expanding the energy business and diversified leasing business with a view to becoming a total lifestyle support company. In order to continue sustainable

growth going forward, it is vital that the Daito Group unifies this growth strategy with our environmental management. In this context, part of our strategy is to use wood more extensively by supplying woodframe multifamily rental housing built using CLT<sup>4</sup>, which has excellent environmental performance. CLT is an eco-friendly wood-based material that has great potential for use in medium- and high-rise buildings due to its high earthquake- and fire-resistance, and so we anticipate we can use it toward expanding our business operations going forward. Also, we can contribute to resolving environmental issues by proactively promoting the use of domestic and other wood through CLT.

Furthermore, Japanese corporations are continually expanding their initiatives related to the UN's Sustainable Development Goals (SDGs). The Daito Group is also taking a step in this direction by holding SDGs workshops for managers. Our workshops have been valuable in allowing participants to have lively discussions and think about the overall direction of the company going forward. These initiatives are still at an early stage. However, rather than simply contributing to society, we want to capitalize on the Group's strengths to help realize an eco-friendly society through our business activities.

\*1, \*2: See p. 8 for details. \*3: See p. 9 for details.

\*4: See p. 6 for details.

## Message to our stakeholders

### Finally, what message would you like to send to our stakeholders?

As we announced in our New Five-Year Plan, the Daito Group aspires to be entrusted with the dreams and futures of our stakeholders. This means that we are committed to seriously confronting environmental issues and implementing initiatives toward realizing a low-carbon society.

We will continue to take responsibility for the entire life-cycle of our rental housing and stand by our owners and tenants throughout their lives. So in addition to offering proposals for eco-friendly rental housing management to benefit property owners, we will also supply all tenants with eco-friendly homes and lifestyles. I would therefore like to ask our stakeholders to continue to give us their same unwavering support as always.

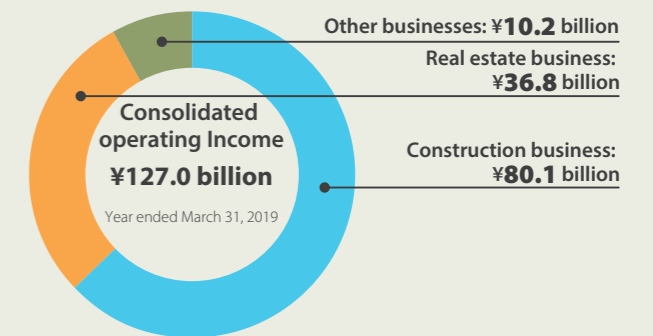
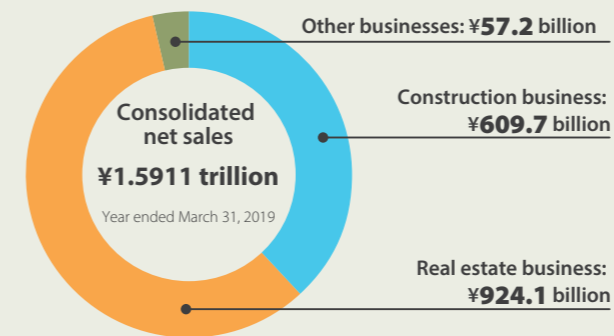




Centered around our unique Lease Management Trust System, the Daito Group is engaged together with our group companies in our construction business, real estate business, and other sectors to provide owners with a stable rental housing business, and tenants with safe and reliable housing and convenient living.

In commitment to our brand message, "Life is Built on Trust," we are constantly pursuing new values enabling us to make a positive contribution to the global environment, local communities and the lifestyles of our tenants.

## Main Business Indicators



## Construction Business

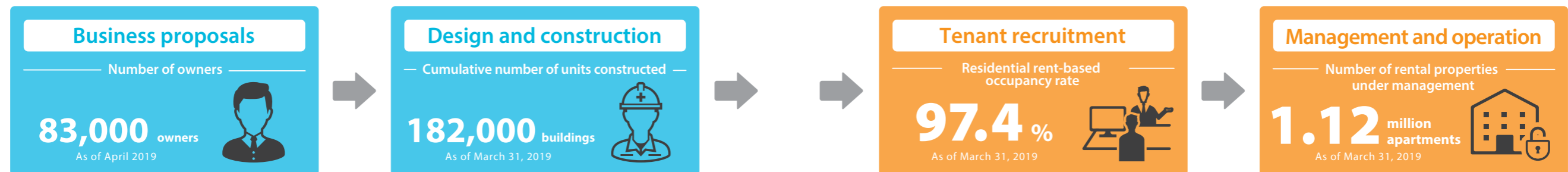
We offer planning and proposals for rental housing business to landowners who are considering land utilization and asset succession. We also handle the design and construction of rental properties on a contractual basis.

## Real Estate Business

We provide services such as tenant recruitment, management and operation of the rental properties we have built.

### Lease Management Trust System

Transforming the various risks of leasing management into piece of mind, our Lease Management Trust System is the kind of comprehensive service that only the Daito Group can provide.



## Other Businesses

Our specialized group companies are engaged in meeting the various land use needs of landowners, and supporting tenants with services that provide safe and comfortable lifestyles.

Energy business



Care and nursery school businesses



Overseas businesses



Other businesses (Finance, etc.)



### Company Overview As of March 31, 2019

|                   |  |                      |                       |
|-------------------|--|----------------------|-----------------------|
| Corporation Name: | Daito Trust Construction Co., Ltd.             | Capital Stock:       | ¥29.06 billion        |
| Head Office:      | 2-16-1, Konan, Minato-ku, Tokyo 108-8211 Japan | Number of Employees: | 17,646 (consolidated) |
| Established:      | June 20, 1974                                  |                      |                       |

### Main Group Companies As of March 31, 2019

- Construction Businesses**
  - Daito Construction Co., Ltd.
  - Daito Steel Co., Ltd.
- Real Estate**
  - Daito Kentaku Partners Co., Ltd.
  - Daito Kentaku Leasing Co., Ltd.
  - HouseCom Co., Ltd.
- Other Businesses**
  - Gaspal Co., Ltd.
  - Care Partner Co., Ltd.
  - Daito Corporate Service Co., Ltd.
  - Umecare Co., Ltd.
  - Sakura Care Co., Ltd.
  - Ju-See Publishing Co., Ltd.
  - Daito Finance Co., Ltd.
  - Daito Mirai Trust Co., Ltd.
  - Daito Kentaku Health Insurance Association
  - Daito Asia Development Pte. Ltd.
  - Daito Asia Development (Malaysia) Sdn. Bhd.
  - Daito Asia Development (Malaysia) II Sdn. Bhd.
  - Daito Asia Investment Pte. Ltd.
  - D.T.C Reinsurance Limited
  - Daito Kentaku USA, LLC

Note: Ju-See Publishing Co., Ltd. became a subsidiary of HouseCom Co., Ltd. in May 2019, changing its corporate name to HouseCom Technologies Co., Ltd.

The Daito Group's Climate Change Countermeasures



# Toward Realizing a Post-carbon Society with Virtually Zero Greenhouse Gas Emissions

Greenhouse gas emissions, the cause of global warming, just keep on rising. They are now around 60% higher than they were compared with 30 years ago. The Paris Agreement, adopted by the United Nations in December 2015, incorporates "decarbonization," with the aim of reducing greenhouse gas emissions to virtually zero. Global measures to combat climate change are transitioning from aiming for a "low carbon society" which merely curbs greenhouse gas emissions, to that of a "post-carbon society," where they are virtually eliminated. Here at the Daito Group, we are aiming to help realize a post-carbon society through reducing greenhouse gas emissions in our rental housing business, and also promoting the increased use of renewable energy, among other things.

## Initiatives Toward Decarbonization in Our Rental Housing Business

### Implementing the CLT construction method, which has the effect of saving energy and also fixation of greenhouse gases

Having assessed a new wooden building material called CLT (cross-laminated timber), the Daito Group established and is actively promoting the implementation of our original CLT construction method for building new properties. CLT consists of porous, high-insulation thick wooden panels that are oriented perpendicular to adjacent layers and then glued together. With its extremely low thermal conductivity, it is the perfect construction material for energy-saving housing. Its thermal insulation is so good that it can be used for the skeleton frame of a building's exterior walls with no other special thermal insulation required. CLT also enables the efficient use of timber that is too narrow or knotty to be suitable for use in conventional building materials, thus contributing to the healthy cycling of timber forests. In comparison to reinforced concrete structures, wood can help contribute toward countering global warming, as wood stores carbon inside (carbon fixation), preventing it from getting into the atmosphere in the form of greenhouse gases. Even when demolished, buildings using CLT generate fewer greenhouse gas emissions compared with reinforced concrete structures. And because CLT from demolished buildings can be processed into woodchips to be recycled as fuel, we anticipate this will help to reduce environmental impacts throughout the building's entire life cycle. We have commercialized Japan's first CLT medium-rise multifamily housing by developing a unique CLT construction method together with an integrated supply framework, which will be launched for initial sale in some areas from October 2019.



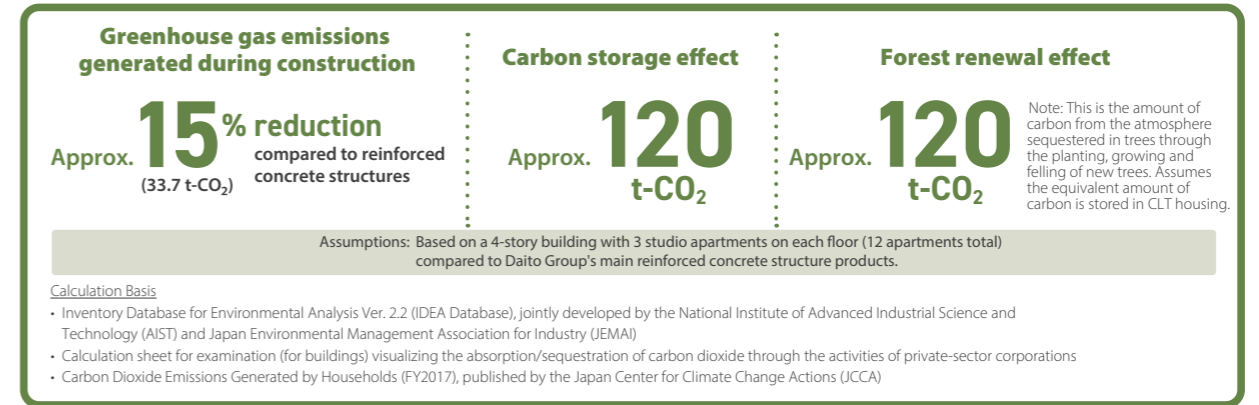
External view of a CLT product (conceptual image)



CLT construction material

### Visualizing the Greenhouse Gas-reducing Effect of CLT

To analyze the CLT construction method's greenhouse gas-reducing effect, during development of our CLT medium-rise multifamily housing we carried out a quantitative comparison with the amount of greenhouse gas emissions generated from a reinforced concrete structure, in collaboration with the Kensuke Kobayashi Research Laboratory at the Prefectural University of Hiroshima. At the same time, we studied the "carbon storage effect" of the use of wood in housing, and the "forest renewal effect" that shows the amount of carbon stored by promoting forest renewal. These investigations made the CLT construction method's greenhouse gas-reducing effect more apparent.

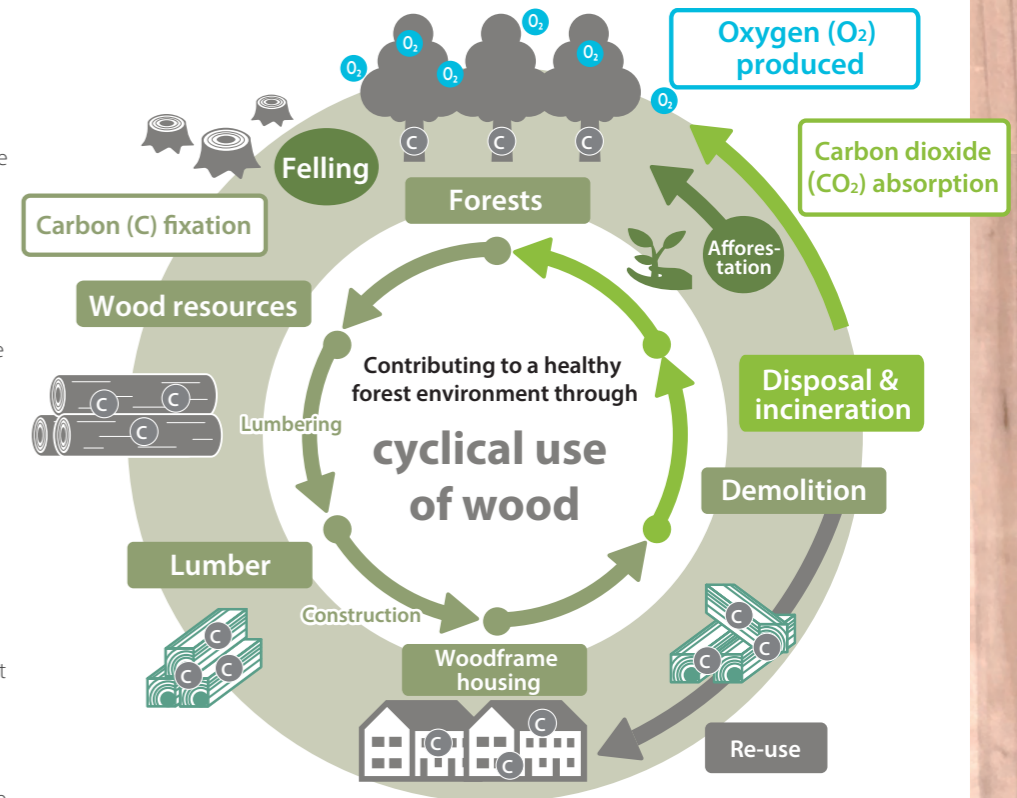


The results of these investigations showed that we are able to produce approximately 15% fewer greenhouse gas emissions during construction of CLT multifamily housing compared with reinforced concrete multifamily housing. We also saw that one CLT multifamily housing building of the size used in our study can have a carbon fixation effect of approximately 120t-CO<sub>2</sub>. Furthermore, assuming that the same quantity of new trees as used in the CLT structure are planted, this would have the effect of producing the same volume of carbon fixation.

### The Environmental Conservation Effects of Using Wood

Using greenhouse gas (carbon dioxide)-fixing wood as the principal construction material for buildings contributes to countering global warming. At the same time, the proper use of forest resources promotes a cycle of forest renewal, contributing to the healthy preservation and regeneration of forests.

As a carbon sink, forests play a significant part in countering global warming as they absorb carbon dioxide from the atmosphere. The greenhouse gas-absorbing and sequestering effect of trees continues even after they are felled and processed into lumber. Furthermore, the appropriate use of wood resources helps to enrich the forest's own renewal process, which in turn helps to conserve the biodiversity of the forest's ecosystem. The Daito Group is committed to using wood that has been produced in an environmentally and socially considerate way, avoiding the use of wood that would risk having an adverse effect on ecosystems and biodiversity.



## Initiatives Toward Decarbonization by Utilizing Renewable Energy

### Joining the international environmental initiative RE100

In January 2019, the Daito Group joined RE100, an international environmental initiative that has a target of sourcing 100% renewable energy to meet the electricity consumed in business activities. Along with further promoting the use of renewable energy to reduce greenhouse gas emissions generated in the course of our own business activities, we are also contributing to the proliferation and promotion of renewable energy throughout society, which is the philosophy of RE100.

Note: RE100 (Renewable Energy 100) is an international environmental initiative bringing together businesses that have set themselves the target of sourcing 100% renewable energy to meet the energy requirements of their business activities.



#### Targets toward achieving RE100

- Source renewable energy for **100%** of electricity consumed in business activities by 2040
- Contribute to the increased use and promotion of renewable energy by expanding solar power generation in rental housing

#### Utilizing Solar Panels on Buildings under Our Management

The Daito Group has installed solar panels on approximately 13,000 of the 150,000 rental housing buildings we manage throughout Japan. This generates approximately 180GWh of electricity, which is equivalent to roughly four times the annual electricity consumption of the Daito Group.

At present, all this renewable energy is sold to electricity companies under Japan's Feed-In Tariff (FIT) system. However, when the FIT system comes to an end, the first thing we plan to do is aim to decarbonize the Daito Group by using this renewable energy to meet the electricity needs of our own business activities.



Solar panels generating power on a building managed by the Daito Group

Amount of electricity generated in one year **Approx. 180GWh** → Compared to the annual electricity consumption of the Daito Group: **Approx. 4x**

## Setting Targets for Reducing Greenhouse Gas Emissions and Ramping Up Our Efforts Toward Decarbonization

### Having our Greenhouse Gas Emissions Reduction Targets Validated by the SBT Initiative

In January 2019, the Daito Group received approval from the Science Based Targets (SBT) initiative for our greenhouse gas reduction targets, set in our Medium- to Long-term Environmental Targets. This means the targets were considered as being scientifically grounded for limiting global warming to below 2°C, which is the goal of the Paris Agreement. Aiming to achieve our validated greenhouse gas emission targets, we will continue further promoting environmental management and to contribute to the realization of a post-carbon society.

Note: The Science Based Targets (SBT) Initiative is an international environmental initiative encouraging companies to set, and seek validation of, greenhouse gas emissions reduction targets consistent with a reduction scenario formulated by the Intergovernmental Panel on Climate Change (IPCC), based on climate science.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

#### Targets that Earned SBT Approval

- Target for reducing greenhouse gas emissions (Scope 1 + 2) from the energy consumed by the Daito Group's business activities by 2030 (compared with FY2017):
- Target for reducing greenhouse gas emissions (Scope 3) through the Daito Group's multifamily rental housing by 2030 (compared with FY2017):

**16% reduction**  
**16% reduction**

#### Initiatives Toward Achieving Our SBT

##### Promoting the Increased Use of ZEH Multifamily Rental Housing

In November 2017, we completed the first multifamily rental housing in Japan that meets the net Zero Energy House (ZEH) standards for detached housing. Since then, we have been actively promoting the construction of ZEH multifamily rental housing.

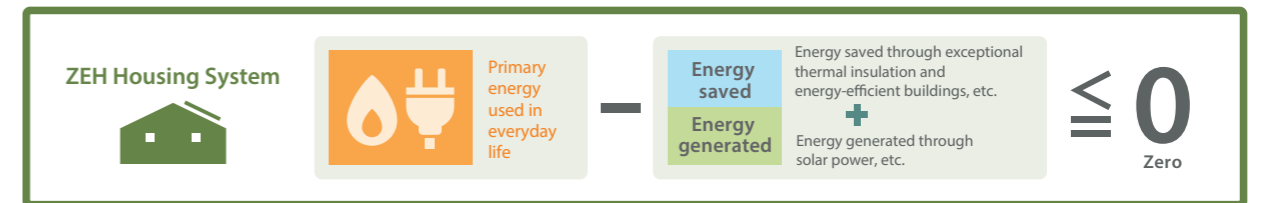
In FY2018, the Daito Group officially became a registered "ZEH Developer," or in other words, a building developer that supplies multifamily housing that meets ZEH standards. In May of the same year, the Ministry of Economy, Trade and Industry (METI) also established a new standard known as ZEH-M (Net Zero Energy House Mansion [for Japanese-style apartments]). In response to this, we started developing multifamily rental housing that meets the new standard. We are also developing original ZEH rental housing that not only meets the ZEH-M standard, but also incorporates a low-voltage collective power-reception system\*1.

As the next logical step forward from ZEH, we continue to work with the Kensuke Kobayashi Research Laboratory at the Prefectural University of Hiroshima on research and development for Life Cycle Carbon Minus (LCCM) housing\*2, which aims for net minus greenhouse gas emissions generated over its life cycle.



(Izu, Shizuoka Prefecture) Japan's first multifamily rental housing to meet the ZEH standards for detached housing

\*1: A system whereby the Daito Group interfaces with electric power companies to collectively manage receiving low-voltage power, selling surplus electricity, distributing solar power to the apartments, and other operations for all the apartments in the building.  
\*2: Life Cycle Carbon Minus (LCCM) housing: Housing where total greenhouse gas emissions over the total life cycle of the building (during its construction, use, and demolition) are less than the total amount of greenhouse gases offset by the energy generated by the building's solar panels or other methods.



#### Declaring our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB), which represents the central banks and financial regulation authorities of major nations. The TCFD makes recommendations to private sector companies regarding the disclosure of information on the impact of climate change on business. In May 2019, the Daito Group declared its support for the TCFD recommendations. Going forward, as well as striving to ascertain the risks and opportunities that climate change presents for our business, we will continue to disclose information in a transparent way through our Environmental Reports, Integrated Reports and other publications.



#### Participating in the Japan Climate Initiative (JCI)

Born in Japan and spearheaded by companies, NGOs and other organizations taking proactive measures to combat climate change, the Japan Climate Initiative (JCI) has independently launched a raft of activities aimed at realizing a post-carbon society. The JCI declares that "the transition to a post-carbon society agreed under the Paris Agreement will generate new opportunities for growth and development." In September 2018, the Daito Group endorsed this sentiment and announced our participation in the initiative. We are now working harder than ever to combat climate change while sharing information with other participating organizations.

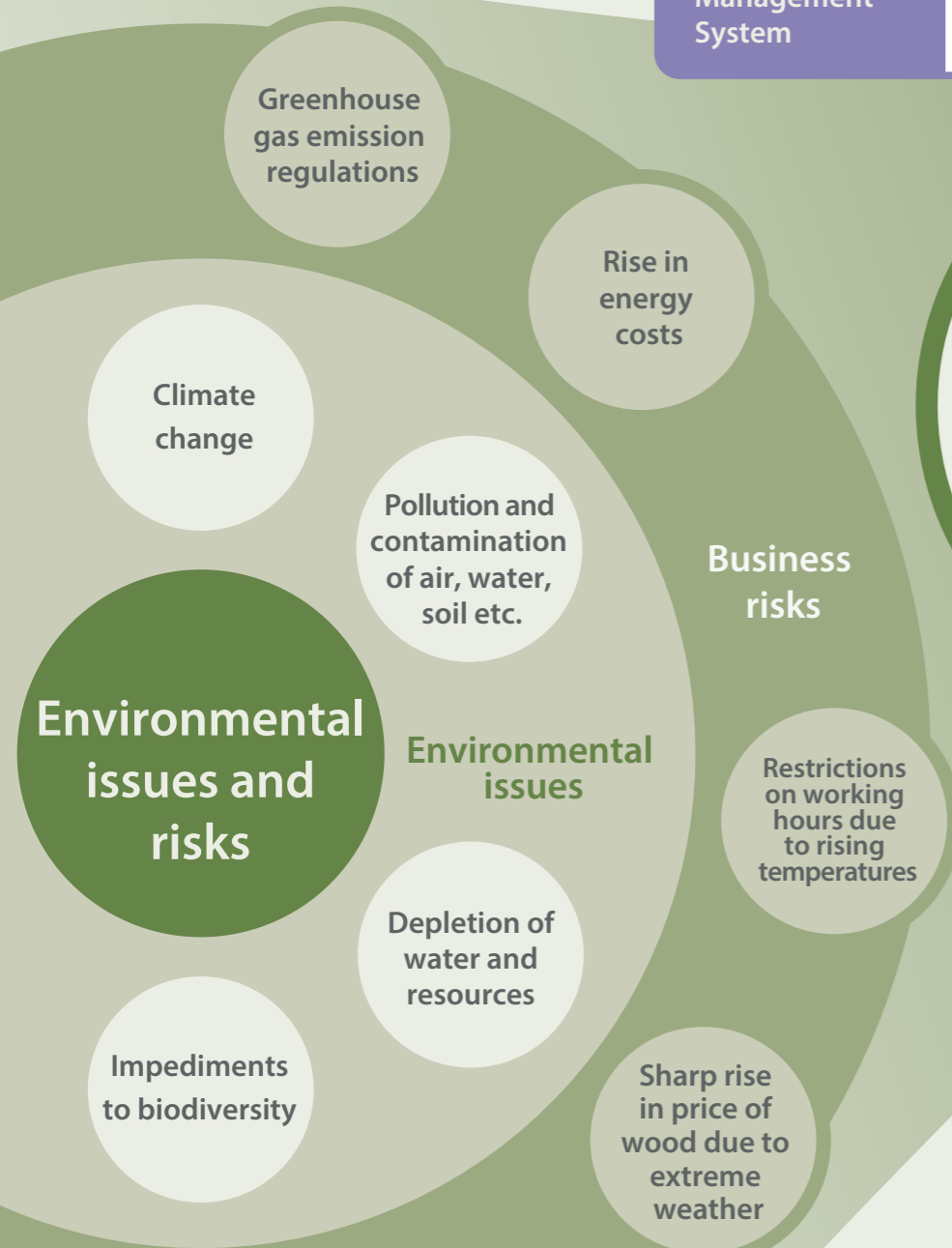


# Toward Creating a Sustainable Society

Based on environmental problems and their accompanying business risks, the Daito Group has formulated medium- to long-term environmental targets up until 2035 for aiming at realizing a sustainable society.

We are implementing concrete initiatives in line with our Environmental Action Plan in order to achieve these targets.

We are pursuing environmental initiatives by building a unique environmental management system and putting in place an organized structure to serve as the basis for continuous improvement processes.



|  | Risks            |  |   |  | Opportunities   |                            |  |
|--|------------------|--|---|--|---|----------------------------|--|
|  | Category         | Item   | Risks We Face   | Response to Risks  | Item  | Our Opportunities          |  |
| Risks and Opportunities Relating to Climate Change | Transitory Risks | Policies and regulations                                 | Greenhouse gas emission regulations   | →  | Promote greenhouse gas-reduction activities in line with SBT reduction targets.   | Efficient use of resources | In order to deal with restrictions on working hours due to rising temperatures and restrictions on the amount of greenhouse gas emissions generated by construction work, we will need to find ways to make construction work more efficient. This could result in shorter construction times, leading to increased profitability. |
|  |                  | Markets (economy)  | Rise in energy costs  | →  | Promote the use of renewable energy (joining RE100).  | Sources of energy          | In order to meet growing demand for renewable energy, we could use our existing solar-power generation operations to reduce operational costs (electricity procurement expenses) and sell electricity to maintain profits.   |
|  |                  | Technology   | Increased competition with our competitors in developing and selling low-carbon housing | →  | Continue to develop low-carbon construction materials in collaboration with suppliers.<br>Increase investment of management resources toward developing post-carbon housing, such as LCCM houses. | Products and services      | In response to the growing demand for eco-friendly products, we can supply eco-friendly products such as ZEH and CLT to keep sales stable and increase earnings.   |
|  |                  | Reputation (society)                                     | More public attention on how eco-friendly companies are                                 | →  | Strengthen stakeholder engagement to take the appropriate actions.<br>Promote the disclosure of information in a highly transparent way, in line with TCFD recommendations.                       | Markets                    | Increased eco-friendly housing subsidies due to energy-saving policies could enable us to sell more eligible housing, thereby increasing our earnings.   |
| Material risks                                     | Chronic          | Restrictions on working hours due to rising temperatures | →   | Pursue the development of new construction methods (CLT, etc.) aimed at shortening construction times.       |   |                            |  |
|  | Acute            | Sharp rise in price of wood due to extreme weather       | →   | Keep supply chain stable by working toward a more diverse portfolio of suppliers of domestic and other wood. |   |                            |  |



# Medium- to Long-term Environmental Targets and Progress

Every year, using our Medium- to Long-term Environmental Targets as a base, we consider and implement concrete initiatives and action plans toward achieving them. At the same time, we also consider initiatives in line with the SDGs.

Going forward, we will continue to pursue initiatives toward attaining our environmental targets and resolving global social issues.

## What are the SDGs?

Sustainable Development Goals are international goals set by the United Nations Sustainable Development Summit in September 2015. All nations were asked to take action toward achieving the 17 global goals and 169 targets that have been set in order to solve a variety of problems see around the world, such as hunger, poverty, advancing climate change, and the decline in biodiversity.



| Sustainable Society | Related SDGs   | Category  | Item  | Daito Trust Medium- to Long-term Environmental Targets |   | FY2018 Performance  | FY2019 Environmental Target  | FY2019 Environmental Action Plan (Concrete Initiatives)   |   |   |
|---------------------|--|---|---|--|---|---|--|---|---|---|
| Low-carbon Society  | 7 SUSTAINABLE AND CLEAN ENERGY<br>11 SUSTAINABLE CITIES AND COMMUNITIES<br>13 CLIMATE ACTION | Greenhouse Gas Emissions                              | Reducing overall greenhouse gas emissions                         | Overall greenhouse gas emissions (Scope 1 + 2)         | Total amount                                | 26% reduction compared to FY2013 by 2030                      | 28.0% reduction  | 9.2% reduction compared to FY2013   | -   |   |
|                     |  |   |   |  | Total amount                                | 50% reduction compared to FY2013 by 2035                      |  | 13.6% reduction compared to FY2013  | -   |   |
|                     |  |   |   | Overall greenhouse gas emissions (Scope 3)             | Total amount                                | 16% reduction compared to FY2017 by 2030 (Note: SBT-approved) | 3.3% reduction   | 2.5% reduction compared to FY2017   | -   |   |
|                     |  |   |   |  | Total amount                                | 26% reduction compared to FY2013 by 2030                      | 7.6% reduction   | 9.2% reduction compared to FY2013   | -   |   |
|                     |  | Energy Consumption                                    | Reducing electricity used in offices                              | Amount of electricity used in offices (kWh)            | Total amount                                | 26% reduction compared to FY2013 by 2030                      | 68.2% reduction  | 2.1% reduction compared to FY2018   | <ul style="list-style-type: none"> <li>● Changing office lighting to LEDs</li> <li>● Following recommendations for Cool Biz and Warm Biz dress codes</li> <li>● Continuing to participate in the Light-Down Campaign</li> </ul> |   |
|                     |  |   |   |  | Net sales intensity ratio                   | 26% reduction compared to FY2013 by 2030                      | 69.9% reduction  | 2.1% reduction compared to FY2018   |   |   |
|                     |  |   | Reducing electricity used on construction sites                   | Amount of electricity used on construction sites (kWh) | Total amount                                | 26% reduction compared to FY2013 by 2030                      | 30.4% reduction  | 2.1% reduction compared to FY2018   |   | <ul style="list-style-type: none"> <li>● Changing construction site lighting to LEDs</li> <li>● Aiming to keep wasteful use of electricity in check by disclosing data on offices and staff that use unusually large amounts</li> </ul> |
|                     |  |   |   |  | Completed construction jobs intensity ratio | 26% reduction compared to FY2013 by 2030                      | 43.2% reduction  | 2.1% reduction compared to FY2018   |   |   |
|                     | Reducing gasoline and diesel fuel used   |   | Amount of gasoline and diesel fuel used (L)                       | Total amount   | 26% reduction compared to FY2013 by 2030    | 33.5% reduction   | 2.1% reduction compared to FY2018  | <ul style="list-style-type: none"> <li>● Promoting economical driving practices</li> <li>● Introducing fuel-efficient vehicles</li> </ul> |   |   |
|                     |  |   |   | Net sales intensity ratio                              | 26% reduction compared to FY2013 by 2030    | 32.8% reduction   | 2.1% reduction compared to FY2018  |   |   |   |
|                     | Developing and Proposing Energy-saving Solutions   | Promoting the introduction of energy-saving materials | Setting standards and options for energy-saving materials         | Promotion  |   | 2 items added to standards set                                | 2 items added to standards set   | <ul style="list-style-type: none"> <li>● Promoting the setting of standards and options for energy-saving materials</li> </ul>            |   |   |
|                     |  |   |   | 100% of buildings under contract by 2030               |   | 64.2%   | Keep percentage of buildings with BEI value of 0.9 or lower at 65% or higher |   | <ul style="list-style-type: none"> <li>● Collecting and managing performance figures</li> <li>● Considering efficient energy-saving methods</li> </ul>  |   |
|                     | Low-carbon Energy  | Use of low-carbon energy                              | Electrical power with a low CO <sub>2</sub> emissions coefficient | Proactive procurement                                  |   | -   | -  | <ul style="list-style-type: none"> <li>● Considering specific measures toward using low-carbon energy</li> </ul>                          |   |   |
|                     | Renewable Energy   | Use of renewable energy                               | Use of renewable energy in business activities                    | 100% by 2040   |   | -   | -  | <ul style="list-style-type: none"> <li>● Considering specific measures toward using renewable energy</li> </ul>                           |   |   |

\*2016 Energy Efficiency Standard, Japan (reviewed when the standard was revised)

Scope 1: Direct emissions generated by businesses themselves (gasoline, gas, etc.)  
 Scope 2: Indirect emissions (power, heat, steam etc.) resulting from the use of electricity, etc., supplied by other companies  
 Scope 3: All indirect emissions other than those listed under Scope 1 and Scope 2, such as emissions generated by other companies, relating to business activities, and emissions resulting from procuring materials, waste, construction, transportation, business travel, commuting, etc.



# Medium- to Long-term Environmental Targets

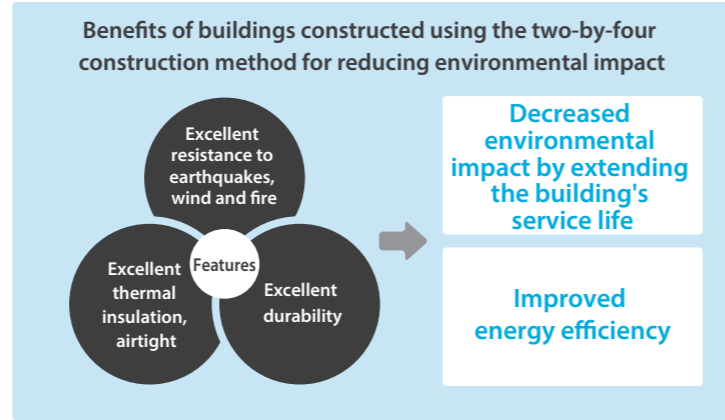
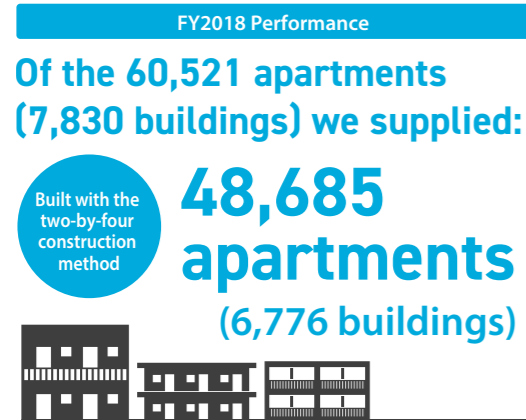


| Sustainable Society        | Related SDGs   | Category   | Item  | Daito Trust Medium- to Long-term Environmental Targets                            |  | FY2018 Performance  | FY2019 Environmental Target  | FY2019 Environmental Action Plan (Concrete Initiatives)  |   |
|----------------------------|--|--|---|---|--|---|--|--|---|
| Recycling-oriented Society | <br>   | Industrial Waste   | Reducing industrial waste emissions                           | Total amount  | 26% reduction compared to FY2017 by 2030   | 2.3% reduction  | 2.1% reduction compared to FY2018  | <ul style="list-style-type: none"> <li>Promoting selling off used paper and metals as useful materials</li> <li>Separating and sorting more thoroughly; finding ways to reduce volume when placing waste in containers</li> <li>Analyze waste emissions by item</li> </ul> |   |
|                            |  |  |   | Net sales intensity ratio   | 26% reduction compared to FY2017 by 2030   | 1.0% increase   | 2.1% reduction compared to FY2018  |  |   |
|                            |  |  |   | Industrial waste emissions (t)  |  | -   | Addition of 2 new sites to use for siding manufacturer Wide-Area Disposal System |  | Promoting addition of 2 new sites   |
|                            |  |  |   |   |  | -   | Amount of waste (scrap paper) disposed: 5% reduction compared to FY2018          |  | <ul style="list-style-type: none"> <li>Promoting fully recyclables (add throughput of fully recyclables)</li> <li>Promoting sales contracts</li> </ul>  |
|                            |  |  | Reducing industrial waste emissions at construction sites     | Industrial waste emissions at new-build construction sites (t)                    | Per apartment  | 26% reduction compared to FY2017 by 2030  | 0.9% reduction   | 2.1% reduction compared to FY2018  | <ul style="list-style-type: none"> <li>Promoting selling off used paper and metals as useful materials</li> <li>Separating and sorting more thoroughly; finding ways to reduce volume when placing waste in containers</li> <li>Analyze waste emissions by item</li> </ul>                            |
|                            |  |  |   |   |  |   | -  | Adding 2 items for pre-cut materials   | Promoting introduction of pre-cut materials   |
|                            |  |  |   |   |  |   | -  | Adding 3 items for resource-saving packaging materials   | Promoting introduction of resource-saving packaging materials   |
|                            |  |  | Improving the industrial waste recycle rate                   | Industrial waste recycle rate   | 97% by FY2030  | 86.3%   | Achieving a recycle rate of 85% or higher  | <ul style="list-style-type: none"> <li>Promoting full recycling of paper and metals</li> <li>Separating more thoroughly and selecting recycling contractors</li> <li>Analyze waste emissions by item; using recyclable products wherever possible</li> </ul>               |   |
|                            |  |  | Monitoring the proper disposal of industrial waste            | Industrial waste management checksheet (manifest)                                 | Implement correctly  |   | Appropriately managed  | -  | <ul style="list-style-type: none"> <li>Ensure that head office issuing and collection delays are kept to a minimum</li> <li>Carrying out regular checks for anomalies</li> </ul>  |
|                            |  |  |   |   | Monitoring methods used for proper disposal of industrial waste (industrial waste inspections) |   | Implemented  | -  | <ul style="list-style-type: none"> <li>Ensuring annual inspections of contractors' facilities once per year</li> <li>Educating construction staff through industrial waste inspections; holding meeting with waste-management operators to finding ways to prevent improper waste disposal</li> </ul> |
|                            |  | Status of disposal of waste at branches and other offices        |   |   | Implemented  |   |  |  |   |
|                            |  | Amount of Resources Used   | Reducing the amount of photocopy paper used                   | Amount of photocopy paper used (kg)   | Total amount   | 26% reduction compared to FY2013 by 2030  | 32.1% reduction  | 2.1% reduction compared to FY2018  | <ul style="list-style-type: none"> <li>Using smartcard verification to control photocopier output</li> <li>Encouraging paperless working by publicizing the number of sheets of photocopier paper used by branch and individual</li> </ul>  |
|                            |  |  |   |   | Net sales intensity ratio  | 26% reduction compared to FY2013 by 2030  | 37.7% reduction  | 2.1% reduction compared to FY2018  |   |
|                            |  |  | Reducing the amount of water used in offices                  | Amount of water used in offices (m³)  | Commit to reducing   | Made efforts to reduce  | -  | -  |   |
|                            |  |  | Reducing the amount of water used on construction sites       | Amount of water used on construction sites (m³)                                   | Commit to reducing   | Made efforts to reduce  | -  | -  |   |
| Green Purchasing           | Improving the purchasing rate for items eligible for green purchasing                | Purchasing rate for items eligible for green purchasing (%)      | 19% increase compared to FY2017 by 2030                       | 2.0% decrease   | 2.1% increase compared to FY2018   | <ul style="list-style-type: none"> <li>Considering making more products eligible for green purchasing and promoting the purchasing of those products</li> </ul> |  |  |   |
| Resource Productivity      | Improving resource productivity  | Resource Productivity (Net sales/total amount of materials used) | ¥500,000/ton or higher by 2030                                | ¥500,000/ton  | 2.1% reduction in total amount of materials used compared to FY2018                            | <ul style="list-style-type: none"> <li>Introducing lightweight materials for structural and decorative elements; consider streamlining</li> </ul>               |  |  |   |
| Green Society              | <br><br>   | Domestically Grown Wood  | Raising the percentage of domestically grown wood used        | Percentage of domestically grown wood used  | 4% by FY2020   | 4.2%  | Achieving a rate of 3% or higher for use of domestically grown wood              | <ul style="list-style-type: none"> <li>Expand operation into some areas managed by the Osaka warehouse</li> <li>Expand operation into some areas managed by the Sendai warehouse</li> </ul>  |   |
|                            |  | Biodiversity   | Managing biodiversity conservation areas                      | Engage in managing biodiversity conservation areas on land owned                  | Appropriately managed  | Appropriately managed   | -  | -  |   |
|                            |  | Green Procurement  | Implementing surveys on conflict minerals                     | Surveys regarding conflict minerals in procured materials                         | Continuous implementation  | Implemented   | -  | -  |   |
|                            |  |  | Implementing surveys on legality of procured materials        | Surveys regarding legality of procured materials (under the Clean Wood Act, etc.) | Continuous implementation  | Implemented   | -  | -  |   |
|                            |  |  | Eliminating building materials containing hazardous chemicals | Eliminate building materials containing hazardous chemicals in procured materials | Continuous implementation  | Implemented   | -  | -  |   |
|                            |  |  | Implementing surveys on wastewater quality                    | Survey wastewater quality   | Continuous implementation  | Implemented   | -  | -  |   |
| Environmental Education    | Planning and implementing environmental education and nature conservation activities | Environmental education and nature conservation activities       | Continuous planning and implementation                        | Implemented   | -  | -   |  |  |   |
| Other                      | Environmental Laws and Regulations   | Compliance with environmental laws and regulations               | Compliance with environmental laws and regulations            | Appropriately managed   | Appropriately managed  | -   | -  |  |   |

## Supplying Energy-saving, Low-carbon Products

### Providing Housing Built Using the Exceptionally Energy-efficient Two-by-Four Construction Method

The Daito Group has adopted the exceptionally energy-efficient two-by-four construction method (wood-framed wall construction method) as the method used in our wooden buildings. The wood we use in the two-by-four construction method consumes less energy during the production and processing stages compared with the other construction materials we use, such as concrete. It also helps counter to counter global warming due to its great thermal insulation.



### Eco-friendly Housing Facilities

As it is crucial that we aim to reduce the amount of energy consumed and the amount of greenhouse gas emissions generated by our tenants in their daily lives, we are pressing ahead with introducing various eco-friendly housing facilities. For example, we use glass wool in outer walls, and aluminum-resin composite sliding window frames (low-emissivity composite glass) in large windows to minimize heat transfer. Thanks to this and other measures, these buildings have secured a high thermal insulation performance rating of Class 4 (equivalent to the 2016 Energy Efficiency Standard, Japan), delivering a living environment that stays cool in summer and warm in winter. They also consume less energy to cool and heat, thereby helping to reduce greenhouse gas emissions. Furthermore, we have fitted these homes with water-saving faucets, showers and bathtubs, together with LED lighting to provide eco-friendly homes that keep general utility costs down.

**Saving Water**

**Bench-type bathtub\***  
The bench section turns the tub into a hip bath, which use less water. A bathtub with a bench section uses approximately 35 L less water than a conventional bathtub.

**Water-saving shower head\***  
The rotation of the impeller enables the shower head to deliver a powerful spray using less water to use significantly less water for a shower.

**Hot water-saving C1 faucet\***  
The lever has a cold-water priority-release function ensuring that hot water is not released when the lever is in the central position. This enables hot and cold water to be used separately, making it easier to save hot water.

**Conventional bathtub**  
295 L

**Bench-type bathtub**  
260 L  
35 L of water saved

**Reducing Greenhouse Gas Emissions**

**Parcel delivery boxes**  
We have developed and installed parcel delivery boxes in multifamily housing, thus helping to reduce the greenhouse gas emissions that would have been generated by re-deliveries due to tenants not being at home for the initial delivery.

**Thermal Insulation and Saving Energy**

**LED lighting**  
Using LED lighting helps to save energy and cut costs.

**Aluminum-resin composite sliding window frame (low-emissivity composite glass)**  
Using aluminum-resin composite sliding window frames saves energy and provides high durability.

**Frame**  
Uses resin on the indoor side to help prevent heat transfer

**Frame**  
Uses aluminum on the outdoor side for excellent weather resistance and durability

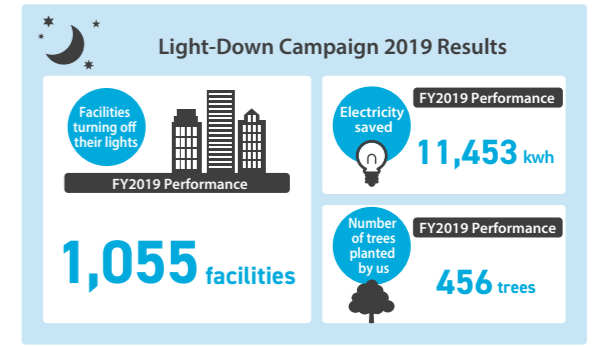
**Glass**  
Uses low-emissivity composite glass for great thermal insulation and heat-shielding

Aluminum-resin composite structure combines durability with great thermal insulation

## Initiatives in Our Offices

### Light-Down Campaign 2019

Our Light-Down Campaign has been running since FY2014. In FY2019, we ran a simultaneous light switch-off throughout all Daito Group facilities across Japan for 2 hours (between 8:00 pm and 10:00 pm) on 21st June and 5th July. We calculated the amount of electricity saved by our Light-Down efforts and worked out what it represented in terms of reduced greenhouse gas emissions. Then we worked out how much it would cost to plant and manage enough Japanese cedar trees to absorb the same amount of greenhouse gas emissions. Finally, we donated an equivalent sum of money to the town of Sumita in Iwate Prefecture, enabling them to do just that. FY2019 saw the 6th iteration of this campaign, and we have planted a cumulative total 2,644 Japanese cedar trees as a result.



### Green Curtain Project 2019

The Green Curtain Project was launched by Japan's Ministry of the Environment to promote the saving of energy and the reduction of greenhouse gas emissions. We participate by growing bitter melon and sponge gourd vines every year at our branches as our own "green curtains." These healthy and vigorous "green curtains" shade our windows from bright sunlight, which helps to keep indoor temperatures down.

**COOL CHOICE**

The Light-Down Campaign and the Green Curtain Project are part of the Cool Choice initiative promoted by Japan's Ministry of the Environment, with a view to minimizing the greenhouse gas emissions that cause global warming. The Daito Group supports the Cool Choice campaign.



Green Curtain at one of our branches

## Construction Site Initiatives

### Energy-saving Activities: LED Lighting, Etc.

At our construction sites, on top of promoting the use of energy-efficient machinery and vehicles, we are encouraging economical driving practices and asking workers to stop idling engines. In the temporary offices set up at our construction sites, lights are turned off whenever they are not needed, air-conditioning is kept to a reasonable temperature, and air compressors are turned off while workers are on break. We also use LED lighting at the temporary offices at some of our construction sites. Furthermore, we make efforts to shorten transportation distances and reduce fuel consumption used for transporting waste by selecting waste disposal contractors based near to our construction sites.



LED lighting at one of our construction sites

## Vehicle Driving Initiatives

### Economical Driving Practices

We are committed to improving efficient driving practices for our company vehicles. We looked into the distance traveled and fuel consumed, and have implemented economical driving practices in order to improve fuel efficiency. We are also reducing our greenhouse gas emissions generated by fossil fuels by selecting fuel-efficient and hybrid vehicles when purchasing company vehicles.



## Our Basic Approach to Conserving Biodiversity

As befits our status as a leading company in terms of land use, the Daito Group is committed to the conservation and appropriate management of regional biodiversity as part of our social responsibility.

At present, we believe that we have limited the major impacts of the Group's business activities on ecosystems and wildlife, and that this is something that we have scope to deal with in compliance with general laws and regulations.

Furthermore, we do not currently own, lease or manage any land in protected or restored habitats, conservation areas, or next to any areas with high biodiversity.

### Biodiversity Initiatives Policy

- 1 We are committed to understanding the benefits and effects of biodiversity.
- 2 We use resources in a way that conserves biodiversity and its benefits without causing long-term decline.
- 3 We are committed to reducing the impact our business activities has on biodiversity.
- 4 We contribute to society by conserving, appropriately managing, and restoring regional biodiversity.
- 5 We are committed to establishing a framework for promoting biodiversity initiatives.

## Initiatives for Conserving Biodiversity

### Contributing to Preserving Forests Through Proper Use of Wood and the Increased Construction of Wooden Buildings

Although wood is a renewable resource, the fact that trees have to be felled for wood means that there are a variety of impacts on forest wildlife.

We are aware that, although forests and trees are home to rich ecosystems, they can be revitalized through proper felling and regular management. The appropriate use of timber resources helps to enrich the forest's own renewal process, which in turn helps to conserve the biodiversity of the forest.

The Daito Group is helping to promote the forest renewal cycle by proactively using wood as the main construction material for our rental buildings, and spearheading initiatives to increase the construction of

wooden buildings. Using domestically grown wood also contributes to solving social issues such as forests being neglected due to the decline of forestry in Japan.

Furthermore, wood for use as a construction material is mainly procured from lumber manufacturing companies that have various overseas accreditations (CAS, ISO, FSC), meaning that the wood is certified and traceability is ensured.

We are committed to strengthening our supply chain management by procuring all wood in line with our independently established wood procurement guidelines.

#### Benefits of using domestically grown wood

Our proactive use of domestically grown wood contributes to solving social issues such as forest maintenance and the revitalization of the forestry industry in Japan. Furthermore, the proper use of wood helps the forest's own renewal process, helping to mitigate natural disasters such as landslides and fallen trees due to typhoons.

**Benefit 1**  
Conserves regional forests and ecosystems

**Benefit 2**  
Reduces greenhouse gas emissions generated by transporting construction materials

**Benefit 3**  
Local production and use revitalizes local economies and promotes local employment

### Activities Using the "Japan Wood" Mark to Promote Domestically Grown Wood

The Japan Wood certification mark indicates that a product is domestically grown wood, and started out as an independent initiative to publicize the fact that the Daito Group uses domestically grown wood. Currently, the Japan Wood Mark Promotion Committee (Japan Federation of Wood-Industry Associations) runs activities to raise industry-wide awareness. The Daito Group also prints the Japan Wood certification mark on the domestically grown wood we use in order to promote the mark. In FY2018, we used 11,677t of wood bearing the Japan Wood mark.

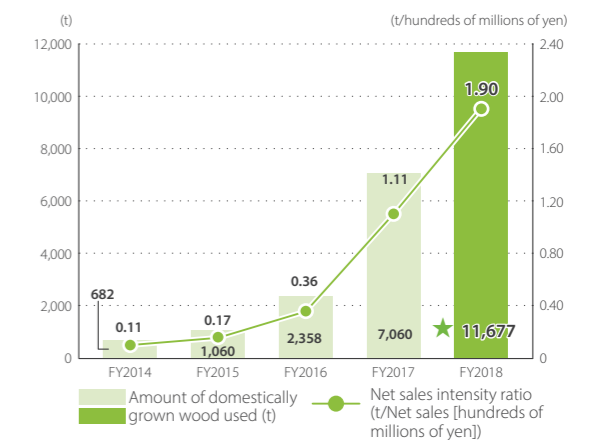
Additionally, in September 2018 we launched an initiative whereby "Gunma Wood," which is timber grown in Gunma



Prefecture, is used as a construction material for the rental buildings we construct there. In December 2018 in Tomioka, we completed our first rental building constructed using Gunma Wood.

Until now, not much Gunma Wood has been used for buildings erected using the two-by-four construction method. So in order to increase its use, we have independently developed and ran performance evaluations of the wood for use as a component in the two-by-four construction method. Through our proactive use of Gunma Wood, the Daito Group is contributing to revitalizing the local economy and promoting the local production and use of the wood within Gunma Prefecture.

### Amount of domestically grown wood used



### Establishing Our Own Wood Procurement Guidelines

We formulated the Daito Group Wood Procurement Guidelines with the aim of conserving biodiversity and using forest resources in a sustainable way. We also communicate and keep our business partners informed about these guidelines.

In addition to setting out our basic approach to wood procurement, these guidelines also cover specific policies and provide clear criteria on procurement decisions—such as not procuring wood that may have an adverse impact on biodiversity, or wood from endangered or rare tree species.

### Wood Procurement Policy

- 1 We do not procure wood that we suspect may have an adverse impact on ecosystems and biodiversity. We are committed to protecting ecosystems and high conservation value forests.
- 2 We do not procure wood or wood products made from endangered or rare species of trees. We are committed to protecting endangered tree species.
- 3 We promote the procurement of wood or wood products whose legality is confirmed.
- 4 We promote the procurement of sustainable forest resources.
- 5 We proactively procure domestically grown wood.

### Forest Conservation Activity

On July 27, 2019, we held a Forest Conservation Activity in a mountain forest in Ome, Tokyo to promote understanding of forests and forestry and raise environmental awareness.

Aimed at conserving the valuable remaining natural environments in Tokyo, public bodies, non-profit organizations and companies work together to run this activity, which is part of the Tokyo Greenship Action initiative sponsored by the Tokyo Metropolitan Government. 52 people took part, including employees of Daito Group companies along with their family members. The day included watching a professional forester fell a Japanese cedar tree, along with activities including branch pruning, log bench making, woodworking, and more. This gave participants the chance get closer to nature and gain a deeper understanding of forests and forestry.

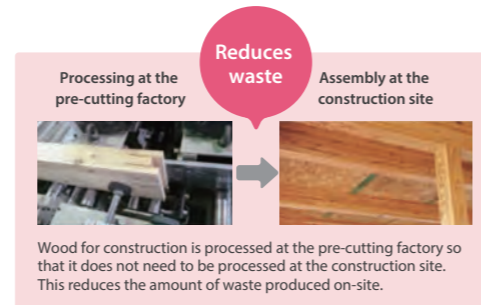


## 3Rs Initiatives

The Daito Group ensures that waste is appropriately managed at our construction sites and offices. We are committed to thoroughly sorting and recycling to reduce emissions, with particular emphasis on designated construction materials at our construction sites.

### Reduce

In order to use wood more efficiently and reduce the amount of waste generated by construction sites, wood used in construction is now pre-cut in bulk at a factory rather than at the construction site. The Eco Pre Cut construction method, whereby wood used in construction is pre-cut at the factory and then joined using metal fittings at the construction site, is an eco-friendly construction method that can dramatically reduce the amount of waste generated at construction sites. We are also committed to reducing waste generated by construction sites by other means, such as reducing the packaging used when transporting materials.



### Reuse

#### Re-using Packaging-material Pallets

We have established a system that enables the same pallet to be used multiple times in order to promote the reuse of packaging-material pallets on our construction sites.

### Recycle

We promote thorough waste sorting at our construction sites by posting industrial waste sorting checksheets and distributing industrial waste sorting cards to our employees. We are promoting an initiative whereby the waste wood generated when buildings are demolished is processed into woodchips and then used in construction materials and other materials for new-build projects. We are also taking steps to reduce the amount of waste for final disposal by implementing wide-area disposal and recycling of exterior wall siding offcuts.



There are 8 sorting categories: waste plastic, waste drywall board, waste wood, other rubble, concrete rubble, waste metal, paper waste, and glass/concrete/ceramics waste



#### Promoting the Recycling of Plastic Waste

With microplastics causing marine pollution, and Southeast Asian countries starting to set import restrictions on waste plastics, the disposal of plastic waste, more than any other waste product, is becoming a social issue around the world. The Daito Group is working with industrial waste disposal contractors to promote material recycling<sup>\*1</sup>, chemical recycling<sup>\*2</sup> and thermal recycling<sup>\*3</sup> of the waste plastics generated at our construction sites. This has enabled us to raise our recycle rate year-on-year, reaching 68.15% in FY2018.

\*1: Material recycling: Re-using waste as raw material for products

\*2: Chemical recycling: Chemically altering and then re-using waste

\*3: Thermal recycling: Incinerating waste and collecting/using the thermal energy generated

## Proper Disposal of Waste

For industrial waste generated at our construction sites, we operate an electronic manifest system that ensures the traceability of industrial waste that has been consigned for disposal. We also strictly manage our industrial waste right up to its final disposal. For all the waste disposal contractors we deal with, we conduct annual on-site surveys of the collection and transport facilities (including vehicles), intermediate treatment facilities, and final disposal facilities.

### Proper Disposal of Asbestos

We carry out demolition work on buildings containing asbestos in accordance with Japan's Revised Ordinance on Prevention of Health Impairment due to Asbestos and the Revised Air Pollution Control Act (effective since June 2014). Asbestos removed in the course of our demolition work is correctly disposed of in accordance with the Waste Management and Public Cleansing Act, Japan.

## Preventing Air Pollution

We are careful to prevent releasing dust from our demolition sites, making sure to set up noise-proofing and dust-proofing panels and sheets during demolition work. We are also finding ways to prevent woodchips and other debris being released into surroundings area in the form of dust, such as by spraying water as and when required.

### Preventing the Release of Asbestos from Demolition Sites

When demolishing buildings that are likely to contain asbestos due to their age or other factors, we carry out an advance survey in accordance with Japan's Air Pollution Control Act and the Revised Ordinance on Prevention of Health Impairment due to Asbestos. When we have established that asbestos has been used, we take appropriate measures to safeguard our workers from exposure to asbestos dust, such as enclosing and containing areas where asbestos has been used.

## Preventing Water Pollution

We are striving to prevent water pollution by installing settling tanks at construction sites where appropriate, in order to route waste water generated while working through the settling tank before being disposed of.



Settling tank installed at a construction site

## Countermeasures for Hazardous Chemicals

We are making effort to eliminate the effects of hazardous chemicals by requiring our suppliers of construction materials and other materials to submit Material Safety Data Sheets (MSDSs)<sup>\*1</sup> in advance, and checking that our suppliers provide materials with an F Four Star<sup>\*2</sup> rating. In FY2018, we continued ongoing checks on MSDSs, F Four Star ratings, etc., relating to construction materials and other procured materials. As a result of these checks, we did not use any hazardous chemicals that would cause any problems. We operate a quality control system at our construction sites to ensure that adhesives and materials other than those we specify are not brought on-site, to reduce the environmental impact of business activities and good procured by businesses other than ourselves.

\*1: Material Data Safety Sheets, which include chemical substance safety data sheets and product safety data sheets, are documents containing information required for the safe handling of chemical substances, and raw materials containing chemical substances.

\*2: Under the Building Standards Act, the F Four Star rating is the highest rating for formaldehyde off-gassing (indicates a product with the lowest levels of off-gassing).

## Participating in the Ecocap Initiative

The Daito Group is proactively engaging in the Ecocap Initiative, which is spearheading the collection and recycling of caps from discarded plastic bottles. In FY2018, we received a letter of thanks from the non-profit organization Ecocap Promotion Association, recognizing our continued efforts to date. Every 1 kg of plastic bottle caps recycled prevents approximately 3.15 kg-CO<sub>2</sub> of greenhouse gas emissions. We will be continuing our efforts in support of the Ecocap Initiative going forward.



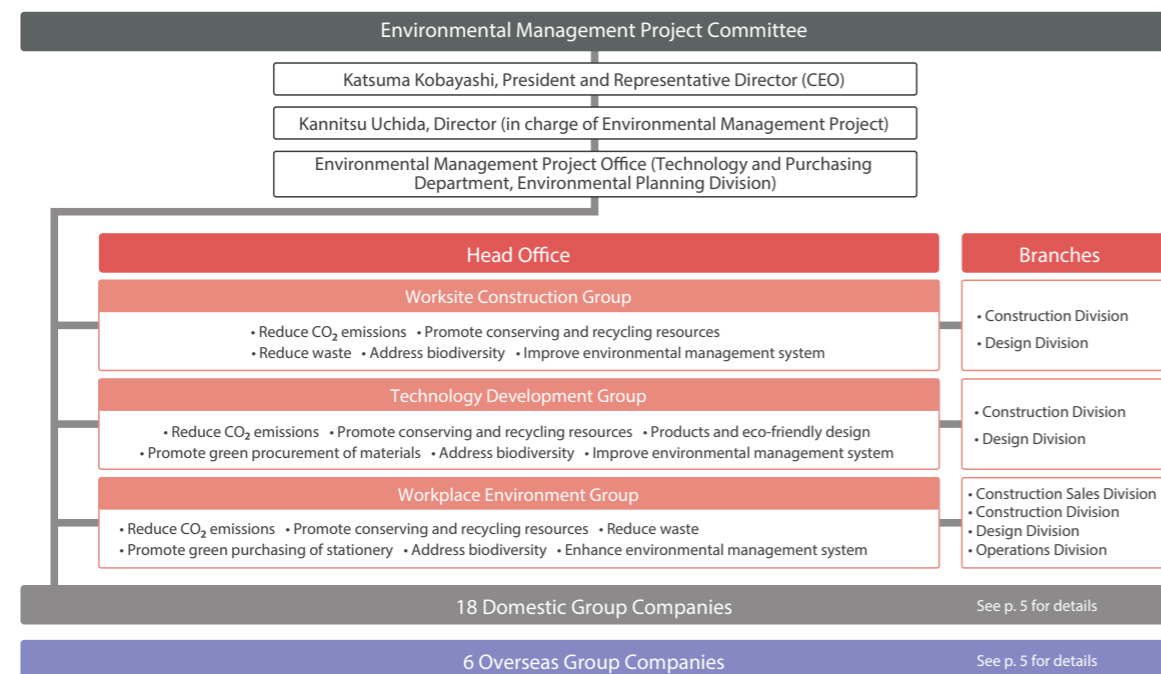


# Our Unique Environmental Management System

The Daito Group has built and conducts environmental management under our unique environmental management system (EMS) tailored to our business activities and based on ISO14001 and Eco Action 21.

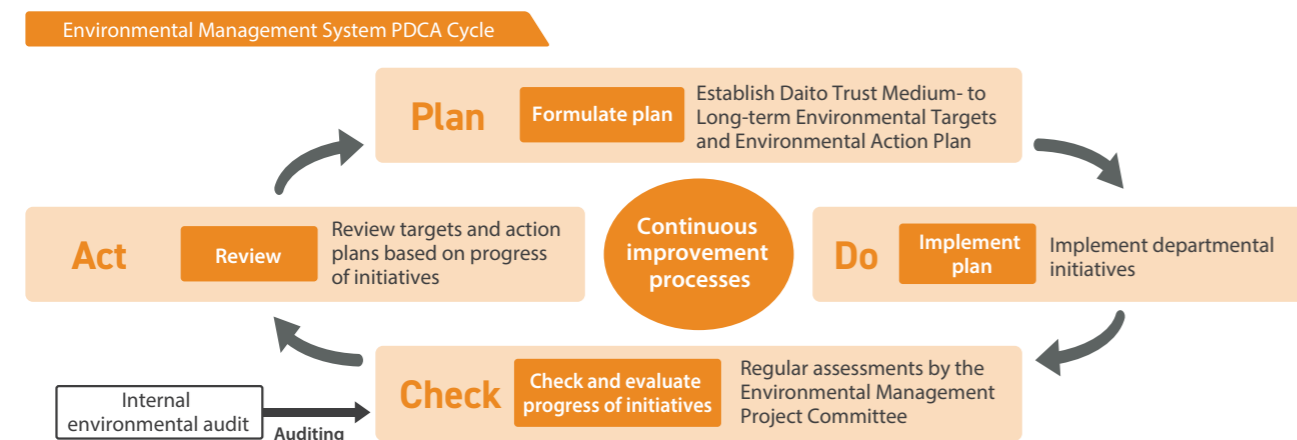
## Organizational Structure for Promoting Environmental Management

To make our environmental efforts even more efficient, we have established an Environmental Management Project Committee chaired by the Director of our Environmental Management Project, and we have built an environmental management structure that includes our Group companies. In order to drive group-wide environmental efforts, the Committee holds plenary sessions with discussions aimed at understanding and resolving current issues.



## Continuous Improvement Process

The Environmental Management Project Committee has adopted the PDCA Cycle to help make our environmental efforts even more efficient. We strive for continuous improvement by conducting an annual group-wide internal environmental audit to review and improve our efforts.



# Supply Chain Management

## Supply Chain Scope

Based on the Ministry of the Environment's guidelines on supply chain emissions accounting, the scope of our supply chain covers the Daito Group companies (see p. 5) and Scope 3 greenhouse gas emissions (see p. 12).

## Our Basic Approach to Procuring Materials

The Daito Group's procurement of materials from our business partners is based on the approaches described below.

- 1 There are no restrictions on selecting business partners. We procure materials irrespective of whether the business partners are located in Japan or overseas, and we are also proactively looking out for new business partners.
- 2 When deciding whether to use a supplier, we comprehensively consider quality, delivery times, price and transaction terms. If we deem these to be suitable, we ask to work with the supplier. We also procure eco-friendly materials.
- 3 We aim to create a system enabling us to build good relationships with our business partners, based on mutual trust and mutual growth and development. When starting a new business relationship, inquire about the business' management policy, financial status, etc., to confirm that stable and continuous trading will be possible.
- 4 Giving top priority to ethical conduct, we comply with laws, regulations and rules at all times, and practice strict and scrupulous control of information about our business partners and their dealings that we obtain in the course of business. Likewise, we ask our business partners to ensure strict compliance with laws, regulations and rules.
- 5 Trading between Group companies is carried out on equal footing, impartially and transparently at market prices. The same stance applies in cases where Group companies have conflicting business interests.
- 6 We enforce strict controls in accordance with laws and regulations, and strive to prevent leaks of all confidential information such as information acquired in the course of business, trade secrets, etc.

## Eco-friendly Procurement

### Eco-friendly Supply Chain Management Policy

- 1 When deciding whether to use a supplier, we comprehensively consider quality, delivery times, price and transaction terms. If the Group deems these to be suitable, we ask to work with the supplier. We also procure eco-friendly materials.
- 2 We carry out advance checks regarding the environmental management of our business partners and their compliance with laws and regulations.
- 3 We explain our Environmental Basic Policy and our Environmental Action Guidelines to our business partners, and ask them to do business in an environmentally friendly way.

### Our Basic Approach to Green Purchasing

We keep in mind the impact our business activities have on the environment. In order to reduce our environmental impact, we give preference to environmentally friendly goods and goods supplied by companies striving to practice environmental management in our purchasing of office supplies and other goods, and our purchasing of construction supplies, machinery, energy, etc.

### Wood Procurement Policy

We indirectly support forest conservation by purchasing from lumber manufacturing companies who procure their raw materials from ISO- and FSC-certified forests. We are also working to strengthen traceability by establishing a Wood Procurement Policy (see p. 19).



# Economic Considerations

## Environmental Accounting

In FY2008, we introduced environmental accounting. Ever since then, we have evaluated our environmental conservation activities quantitatively by calculating our environmental conservation costs and environmental conservation effects and continue to strive to reduce our environmental impact and improve our environmental efficiency.

### Costs of Environmental Conservation

(Millions of yen)

| Category   | Breakdown of Main Initiatives  | FY2018          |              |
|--|--|-----------------|--------------|
|  |  | Invested amount | Cost         |
| <b>1. Business area costs</b>                        |  |                 |              |
| (1) Cost of preventing pollution                     | Cost of preventing air pollution, noise, vibration, land subsidence, sediment outflow, etc., at construction sites   | 0               | 590          |
| (2) Global environment conservation cost             |  | 0               | 0            |
| (3) Resource recycling cost                          | Expenditure on re-using excavated soil, expenditure on waste disposal, expenditure on providing space for sorting waste, expenditure on general waste disposal, etc. | 0               | 4,655        |
| <b>2. Management activities cost</b>                 | Expenditure on environmental committees, cost of management activities for environmentally related departments, etc.   | 0               | 19           |
| <b>3. Research and development cost</b>              | Cost of research and development relating to making products more eco-friendly and lengthening their service life, etc.  | 0               | 215          |
| <b>4. External activities cost</b>                   |  | 0               | 0            |
| <b>5. Cost of responding to environmental damage</b> | Cost of purchasing manifest forms, etc.  | 0               | 44           |
|  | <b>Total</b>   | <b>0</b>        | <b>5,523</b> |

Note: Invested amount: Amount invested in depreciable assets (environment-related)  
 Note: Cost: Amount of expenditure for the purpose of environmental conservation  
 Note: Scope of aggregation: Daito Trust Construction Co., Ltd. only (non-consolidated)

### Effects of Environmental Conservation

|   | Environmental Performance Indicators                         | Unit                | FY2018  |
|---|--|---------------------|---------|
| <b>Effects of environmental conservation relating to resources used in business activities</b>                          | Total energy usage   | GJ                  | 722,443 |
|   | Electricity purchased  | GJ                  | 159,939 |
|   | Kerosene   | GJ                  | 2,942   |
|   | City gas, liquefied natural gas, liquefied petroleum gas     | GJ                  | 60,379  |
|   | Gasoline   | GJ                  | 458,429 |
|   | Diesel fuel  | GJ                  | 14,821  |
|   | Heat, steam  | GJ                  | 10,408  |
|   | Heat, cold water   | GJ                  | 15,526  |
|   | Amount of recyclable resources used                          | t                   | 22,611  |
|   | Water usage  | m <sup>3</sup>      | 758,863 |
|   | Tap water  | m <sup>3</sup>      | 757,964 |
|   | Recycled water   | m <sup>3</sup>      | 899     |
| <b>Effects of environmental conservation relating to environmental impact and waste output from business activities</b> | Greenhouse gas emissions (Scope 1+2)                         | t-CO <sub>2</sub> e | 61,422  |
|   | Designated hazardous materials (asbestos) emissions/transfer | t                   | 5,267   |
|   | Total waste emissions  | t                   | 736,498 |
|   | Final disposal amount  | t                   | 105,429 |
|   | Total volume of wastewater                                   | m <sup>3</sup>      | 758,863 |
|   | NOx emissions  | t                   | 0       |
|   | SOx emissions  | t                   | 0       |

Note: Scope of aggregation: Daito Group (Daito Trust Construction Co., Ltd. and its consolidated domestic and overseas subsidiaries)

## Product Development Using Life Cycle Assessment (LCA) and Natural Capital Accounting

The Daito Group is carrying out a joint study with the Prefectural University of Hiroshima regarding the environmental impact of the whole life cycle of buildings, from the procurement of construction materials to demolition and disposal. We are also implementing trial calculations for Natural Capital Accounting using a method known as LIME2, which is the second version of the "Life-cycle Impact assessment Method based on Endpoint modeling" developed by the Life Cycle Assessment Society of Japan (ILCA). In the Life Cycle Assessment (LCA) method, volumes of CO<sub>2</sub>, CFC, SOx, NOx and other greenhouse gas emissions, energy consumption, water consumption and other factors in the environmental burden are expressed in numerical form. Attaining this reducing effect quantitatively makes it possible to select materials with a low environmental footprint for use as structural and other materials for buildings and facilities. The introduction of high-efficiency facilities with good thermal insulation can also be expected to lead to reductions in the environmental impact of buildings while they are inhabited.

# Social Considerations

## External Recognition

### Selected for the S&P/JPX Carbon Efficient Index\*

We are now listed in the real-estate section of the S&P/JPX Carbon Efficient Index, one of the new global environmental stock market indices selected in FY2018 by Japan's Government Pension Investment Fund (GPIF). Additionally, we are classified in the 1st Decile—the highest of the 10 Deciles—regarding carbon efficiency.

\*S&P/JPX Carbon Efficient Index: Jointly developed by the Japan Exchange Group, the Tokyo Stock Exchange and S&P Dow Jones Indices, this is a stock market index that determines the weighting of its constituents based on their disclosure of environmental information and their carbon efficiency (carbon emissions per net sales).



### Included on the SNAM Sustainability Index for 7 consecutive years

Managed by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM), the SNAM Sustainability Index is a proprietary index listing companies rated highly for their environmental, social and governance (ESG) performance. We have been selected for inclusion on this index for 7 consecutive years, based on integrated assessments of our business and CSR activities.



### B List rating based on our response to the CDP\* Climate Change 2018 Questionnaire

In FY2018, we were selected for the B List under the CDP global disclosure system. With a view to continuing ESG investment, we are continuing to promote the disclosure of information to our investors and our other stakeholders.

\*CDP: Formerly known as the Carbon Disclosure Project, CDP is an international not-for-profit organization working with over 827 institutional investors with a total of US\$100 trillion in invested assets. It evaluates climate change-related efforts such as the reduction of greenhouse gas emissions and the related disclosure of information, for over 5,000 companies worldwide, including 500 companies in Japan.



### Third in the construction industry in the Nikkei Environmental Management Ranking

We were ranked third in the construction industry category in the 21st Nikkei Environmental Management Ranking (2018), in which companies endeavoring to combine environmental measures with improving management effectiveness are evaluated by Nikkei Inc.

## Our Compliance with Environmental Regulations (Period: April 1, 2018 to March 31, 2019)

### Methods and results for checking we are complying with important legislation strongly relevant to our business activities

Based on the Japanese government's checklist for compliance with environmental legislation, our Environmental Management Project Committee (see p. 22) carries out checks, whenever necessary, on the Worksite Construction Group, the Technology Development Group and the Workplace Environment Group. We also implement an annual internal audit to simultaneously check compliance across the Group. Our FY2018 compliance checks revealed the need for amendments regarding compliance with environmental legislation, which were subsequently implemented in March 2019. The checks revealed that the Daito Group committed no legislation-related violations, and was not subject to administrative guidance or administrative sanctions.

### Breaches of important regulations (amount of penal fines and non-penal fines relating to the environment, and number of incidents)

- Impact on the environment resulting from violations of environmental regulations: None
- Amount of penal fines, non-penal fines, etc., relating to environmental regulations: ¥0; Number of incidents: 0

### Environmental lawsuits

- Number of environmental lawsuits: 0

### Details of any environmentally related grievances or requests from stakeholders, and number of incidents

- Number of environment-related complaints: 4

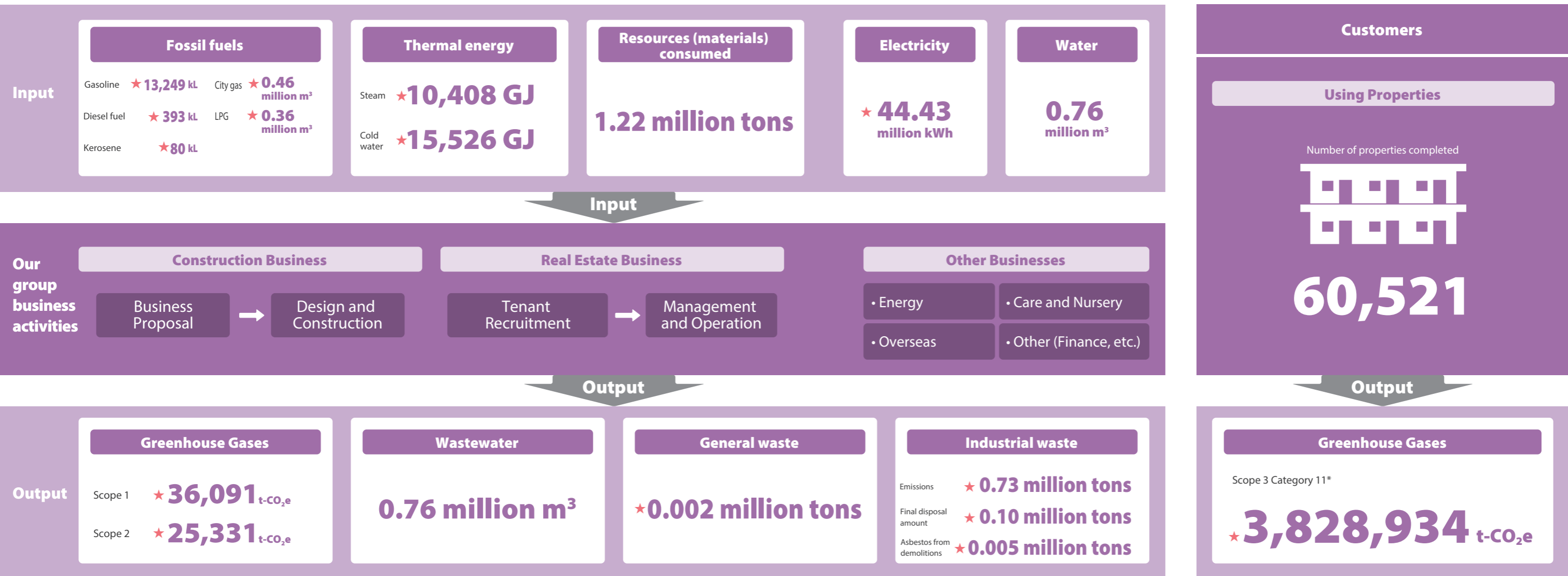
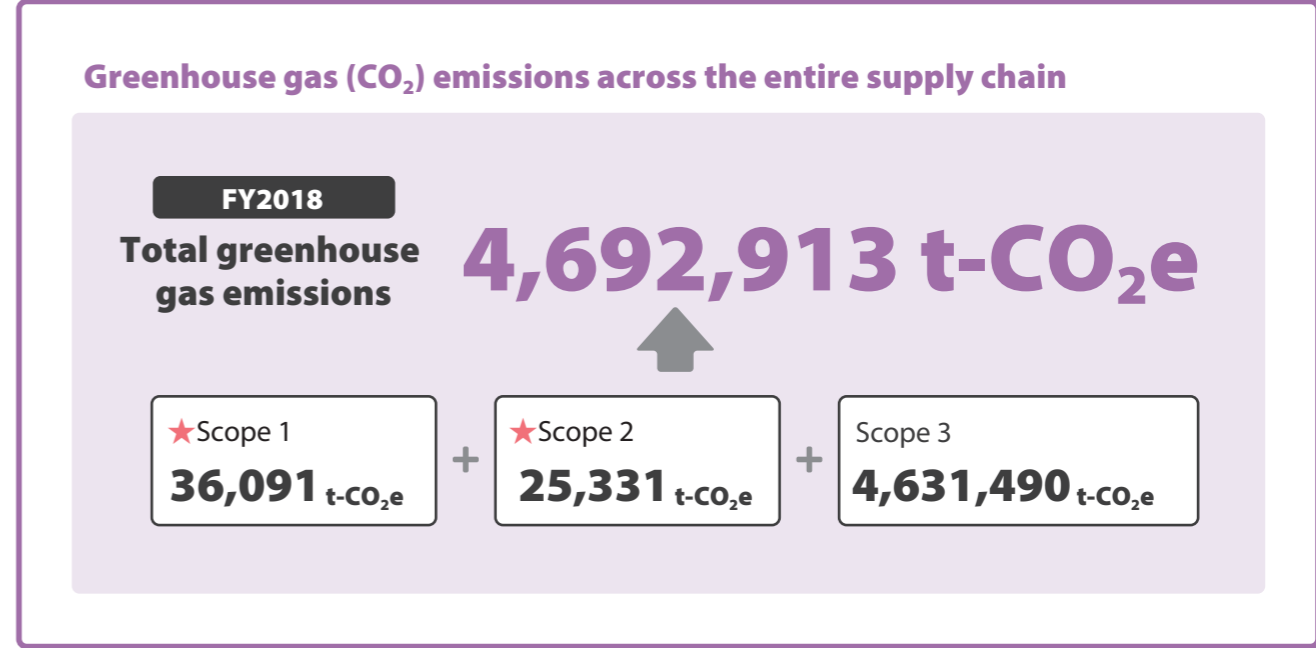
Note: Regarding vibration and noise at construction sites, waste management, etc. (not resulting in lawsuits, administrative guidance or administrative sanctions)



# FY2018 Material Balance (environmental impact of business activities)

|   |       |  |
|---|-------|--|
| Gasoline, diesel fuel, kerosene, city gas, liquid petroleum gas | ..... | Uses actual values.  |
| Steam, cold water   | ..... | Uses estimated figures calculated based on area measurements.  |
| Electricity   | ..... | For offices: uses actual values.<br>For construction sites: uses actual values, and estimated values based on costs.   |
| Water   | ..... | For offices: uses actual values, and estimated values based on number of people.<br>For construction sites: uses actual values, and estimated values based on costs. |
| Waste   | ..... | Uses actual values, and estimated values based on costs and number of people.  |

\* Greenhouse gas emissions for each item are calculated based on the "Accounting, Reporting and Publishing Greenhouse Gas Emissions Manual, Ver. 4.3.2" under the system for mandatory accounting, reporting and disclosure of greenhouse gas emissions, based on Japan's Global Warming Law and "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.3," by The Government of Japan's Ministry of the Environment (MOE) and Ministry of Economy, Trade and Industry (METI).  
 \* ★: Subject to third-party assurance.  
 \* Due to numbers being rounded up/down, total amounts appearing in graphs and tables may not correspond exactly to the actual totals of the figures shown.



\*Wastewater volume uses water consumption figures.

\*Category 11: Of greenhouse gas emissions from sold products, only greenhouse gas emissions from property sales by Daito Trust Construction Co., Ltd is recorded.  
 \*Assuming that a property sold by the group company will house customers for 35 years.



# Resources/Energy Usage

This page contains the data from the last five years of resource and energy usage by Daito Group. From 2019 onwards, the scope of data displayed in this Environmental Report has been expanded to pertain to Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries.

As totalization of the total water usage for the domestic consolidated subsidiaries began in FY2018, this report only shows Daito Trust Construction Co., Ltd. this fiscal year in order to make the change easy to understand.

In order to produce more accurate figures, the way the actual values (some values are estimates) are calculated for energy and water use at production sites changed in FY2017. Therefore, these values are lower compared to FY2016.

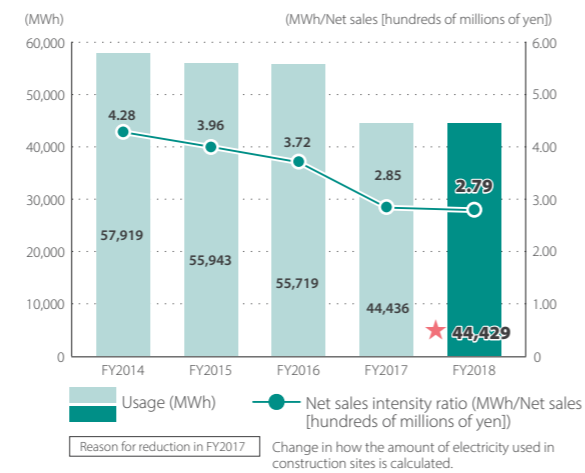
The amount of electricity used decreased thanks to energy-saving initiatives in construction sites and offices, despite an increase in the number of sites across the Group.

The amount of gasoline used increased due to a large increase in the number of company vehicles, despite the promotion of economical driving practices and deployment of fuel-efficient vehicles.

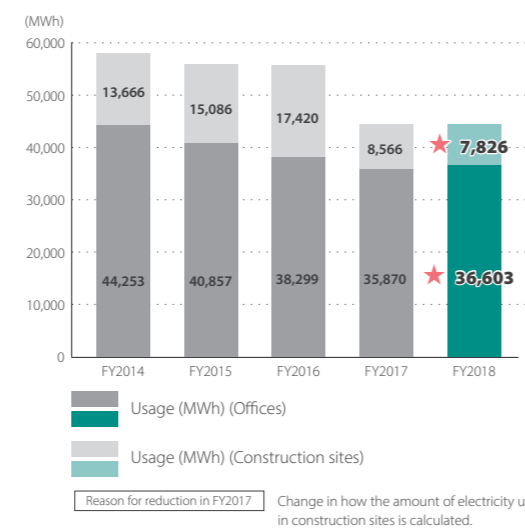
Total resource usage decreased due to an increased number of buildings being built using a less resource-intensive wood construction, rather than using steel or reinforced concrete. Going forward, we will continue to develop construction methods that use a low amount of resources and have a low environmental impact.

The amount of recyclable resources used is calculated including the amount of recycled material used in construction materials for new construction work. We reconfirmed and rechecked the definition of green purchasing of new building materials, showing a massive reduction as a result.

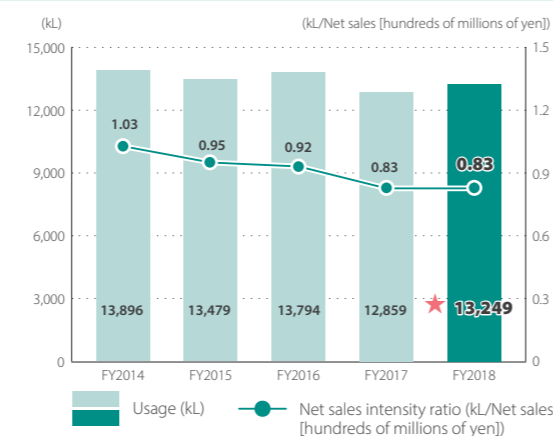
## Amount of Electricity Used



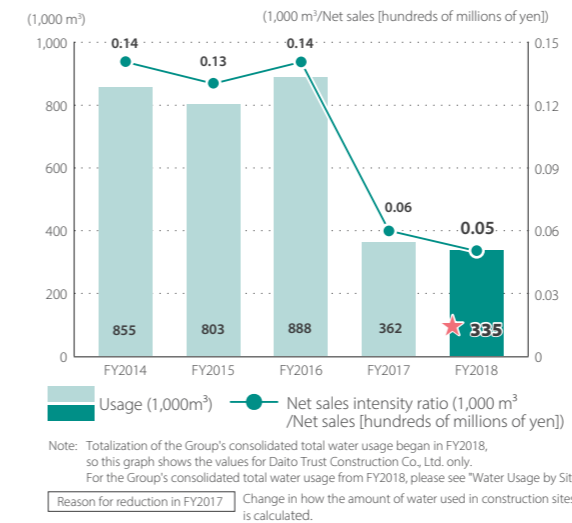
## Amount of Electricity Used by Site



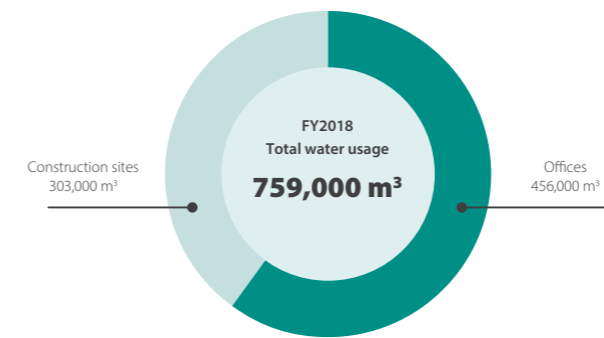
## Amount of Gasoline Used



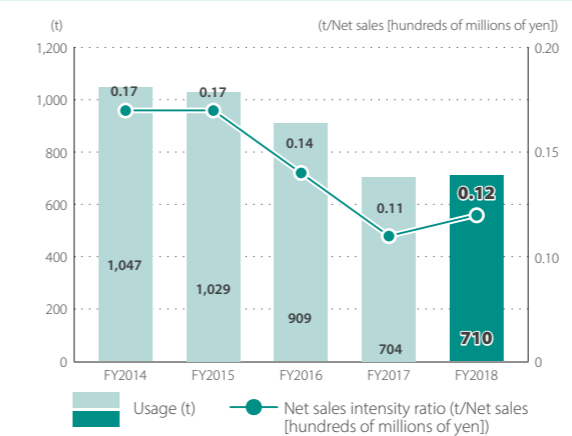
## (Non-consolidated) Total Water Usage



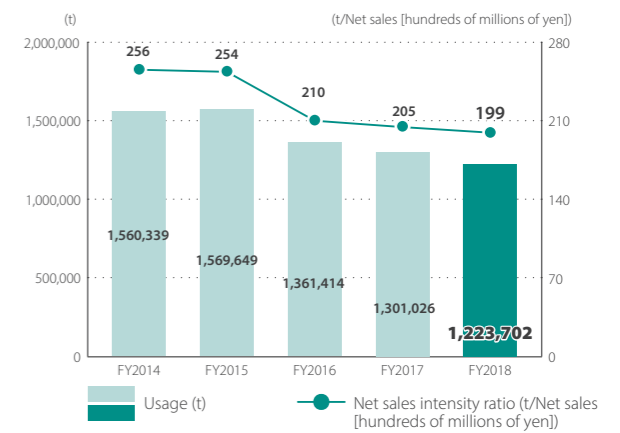
## Water Usage by Site



## Amount of Photocopy Paper Used



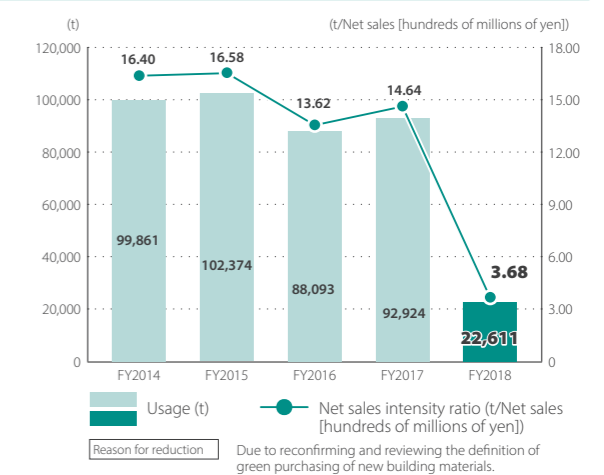
## Total Resource Usage



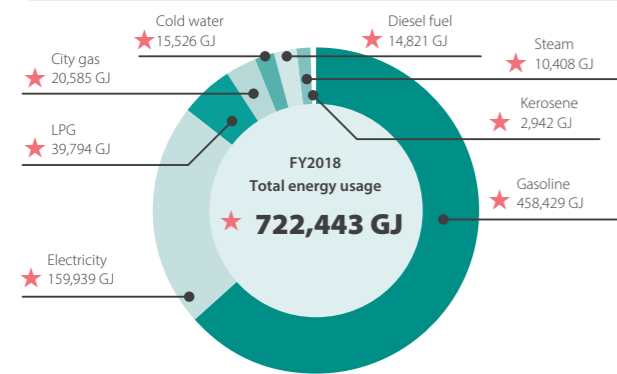
## Resource Usage by Category

| Usage (t)       | FY2014           | FY2015           | FY2016           | FY2017           | FY2018           |
|-----------------|------------------|------------------|------------------|------------------|------------------|
| Iron            | 80,320           | 79,136           | 57,947           | 50,360           | 46,691           |
| Aluminum        | 45,002           | 32,265           | 29,561           | 32,906           | 43,102           |
| Plastic         | 2,518            | 2,376            | 2,232            | 2,154            | 2,010            |
| Glass           | 1,337            | 1,310            | 1,201            | 1,150            | 1,075            |
| Glass wool      | 2,752            | 4,273            | 4,358            | 4,224            | 3,953            |
| Mineral wool    | 1,783            | 0                | 0                | 0                | 0                |
| Wood            | 147,745          | 139,350          | 138,661          | 134,546          | 125,712          |
| Plasterboard    | 67,120           | 65,013           | 65,473           | 63,521           | 59,990           |
| Exterior siding | 32,630           | 30,526           | 30,868           | 29,988           | 28,508           |
| Concrete        | 1,038,830        | 1,079,031        | 905,350          | 860,721          | 796,853          |
| AAC             | 15,200           | 12,853           | 12,484           | 12,071           | 11,844           |
| Crushed stone   | 125,103          | 123,515          | 113,278          | 109,386          | 103,964          |
| <b>Total</b>    | <b>1,560,339</b> | <b>1,569,648</b> | <b>1,361,414</b> | <b>1,301,026</b> | <b>1,223,702</b> |

## Amount of Recyclable Resources Used



## Total Energy Usage







# Emissions Harmful to the Environment

These pages show the data related to Daito Group's emissions over the past 5 years that have an environmental impact. From 2019 onwards, the scope of data displayed in this Environmental Report has been expanded to pertain to Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries.

As totalization of the total volume of wastewater for the domestic consolidated subsidiaries began in FY2018, this report only shows Daito Trust Construction Co., Ltd. this fiscal year in order to make the change easy to understand.

A large proportion of greenhouse gas emissions was due to Scope 3, Category 11: "Use of sold products", accounting for over 80%. This figure is the result of calculating the estimated volume of greenhouse gas emissions produced by the primary resource consumption of tenants living for at least 35 years in multifamily rental housing sold by Daito Trust Construction Co., Ltd. The total for FY2018 also reflects the emissions reduction due to net zero-energy houses (ZEH) sold (see p. 9). The Daito Group will continue to work towards reducing greenhouse gas emissions by promoting sales of ZEH and developing energy-saving materials that will contribute to reducing energy consumed during tenants' lives.

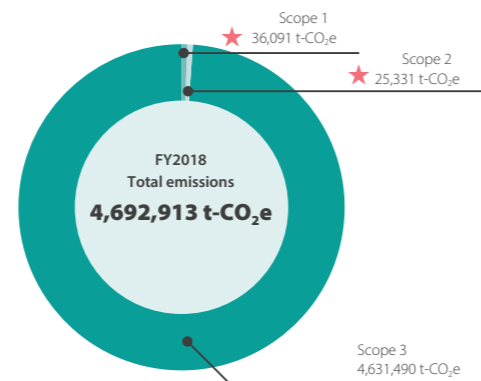
Industrial waste emissions were reduced through initiatives such as encouraging the use of pre-cut materials, reducing packaging at new-build construction sites, and converting scrap materials into useful materials.

The percentage of industrial waste recycled increased as the result of recycling initiatives at construction sites (see p. 20). Going forward, we will take a multi-pronged approach aimed at further increasing this percentage.

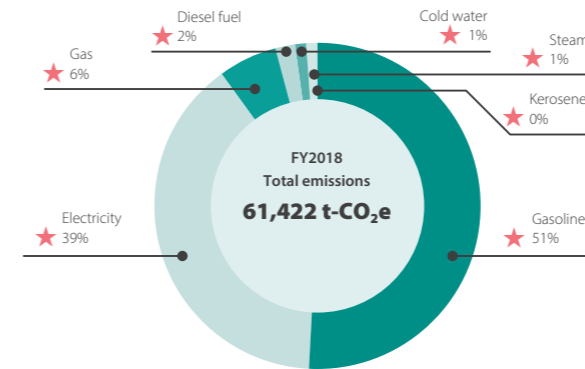
## Greenhouse Gas Emissions (Scope 1, 2, 3)

|   | FY2014    | FY2015    | FY2016    | FY2017    | FY2018    |
|---|-----------|-----------|-----------|-----------|-----------|
| Scope 1 Emissions (t-CO <sub>2</sub> e)         | 39,322    | 38,097    | 37,238    | 35,169    | ★ 36,091  |
| Scope 2 Emissions (t-CO <sub>2</sub> e)         | 34,808    | 32,740    | 31,366    | 28,341    | ★ 25,331  |
| Scope 3 Emissions (t-CO <sub>2</sub> e)         | 5,697,764 | 5,642,749 | 5,100,868 | 4,918,522 | 4,631,490 |
| Scope 1 + 2 + 3 Emissions (t-CO <sub>2</sub> e) | 5,771,894 | 5,713,587 | 5,169,472 | 4,982,031 | 4,692,913 |

## Greenhouse Gas Emissions (Scope 1, 2, 3)



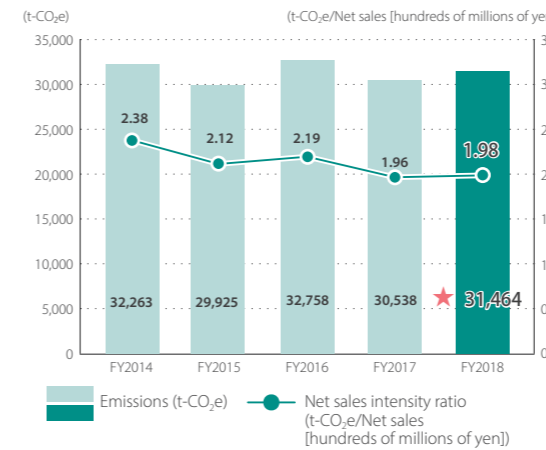
## Proportion of Greenhouse Gas Emissions by Source (Scope 1, 2)



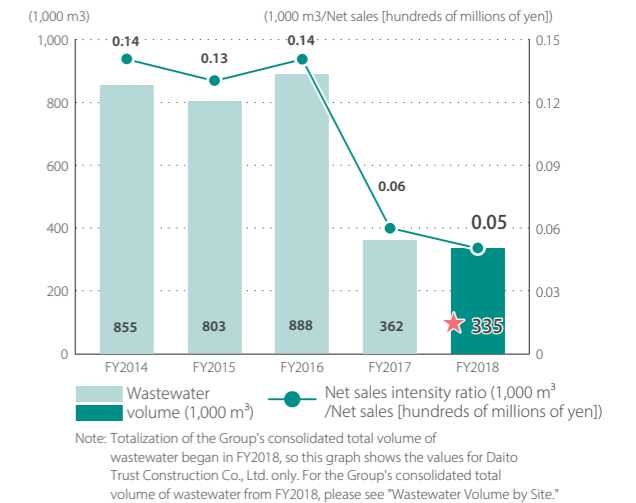
## Greenhouse Gas Emissions by Category (Scope 3)

| Category   | Emissions (t-CO <sub>2</sub> e) | As a percentage of total |
|--|---------------------------------|--------------------------|
| 1. Purchased goods & services  | ★ 438,130                       | 9%                       |
| 2. Capital goods   | 64                              | 0%                       |
| 3. Fuel- and energy-related activities not included in Scope 1 or 2                    | 1,716                           | 0%                       |
| 4. Upstream transportation & distribution  | 24,313                          | 1%                       |
| 5. Waste generated in operations   | ★ 70,960                        | 2%                       |
| 6. Business travel   | ★ 2,996                         | 0%                       |
| 7. Employee commuting  | 2,512                           | 0%                       |
| 8. Upstream leased assets  | 64,533                          | 1%                       |
| 9. Downstream transportation & distribution  | 241                             | 0%                       |
| 10. Processing of sold products  | 0                               | 0%                       |
| 11. Use of sold products   | ★ 4,018,272                     | 87%                      |
| 12. End of life treatment of sold products   | 0                               | 0%                       |
| 13. Downstream leased assets (Shared with E1 or all those not held by the Daito Group) | 7,748                           | 0%                       |
| 14. Franchises   | 5                               | 0%                       |
| 15. Investments  | 0                               | 0%                       |
| <b>Total</b>   | <b>4,631,490</b>                | <b>-</b>                 |

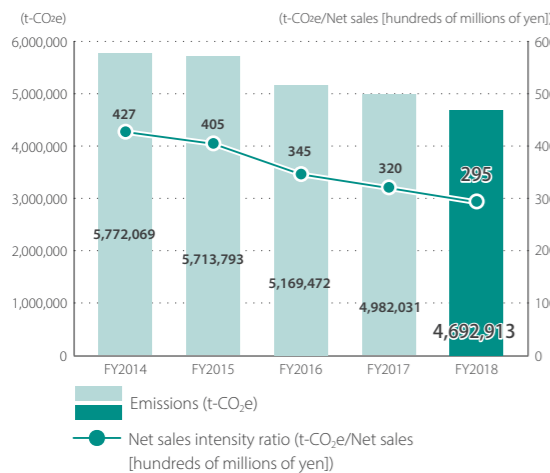
## Greenhouse Gas Emissions due to Gasoline (Scope 1)



## (Non-consolidated) Total Wastewater Volume



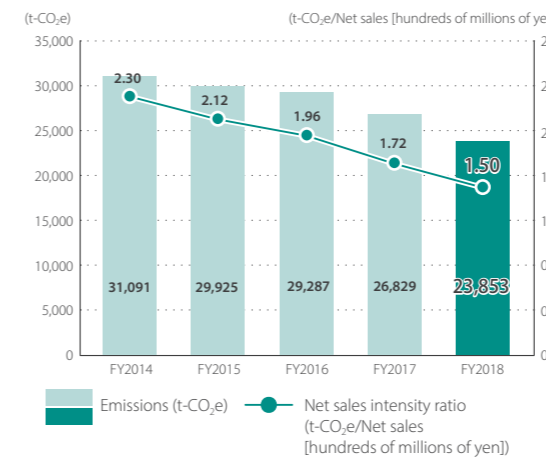
## Greenhouse Gas Emissions (Scope 1, 2, 3)



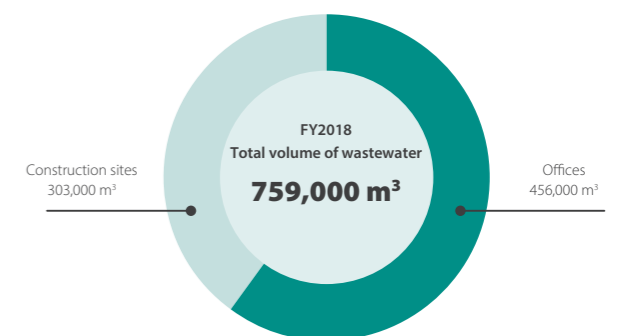
## Greenhouse Gas Emissions by Type (Seven Substances) (Scope 1)

| Type                                    | Emissions (t-CO <sub>2</sub> e) |
|---|---------------------------------|
| Carbon dioxide (CO <sub>2</sub> )       | ★ 35,352 t-CO <sub>2</sub> e    |
| Methane (CH <sub>4</sub> )              | ★ 650 t-CO <sub>2</sub> e       |
| Nitrous oxide (N <sub>2</sub> O)        | ★ 89 t-CO <sub>2</sub> e        |
| Hydrofluorocarbons (HFCs)               | 0 t-CO <sub>2</sub> e           |
| Perfluorocarbons (PFCs)                 | 0 t-CO <sub>2</sub> e           |
| Sulfur hexafluoride (SF <sub>6</sub> )  | 0 t-CO <sub>2</sub> e           |
| Nitrogen trifluoride (NF <sub>3</sub> ) | 0 t-CO <sub>2</sub> e           |
| <b>Total</b>                            | <b>36,091 t-CO<sub>2</sub>e</b> |

## Greenhouse Gas Emissions due to Electricity (Scope 2)



## Wastewater Volume by Site

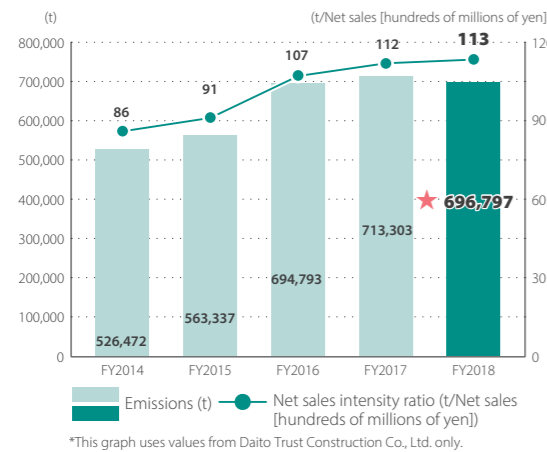




# Improving the reliability of the Environmental Report

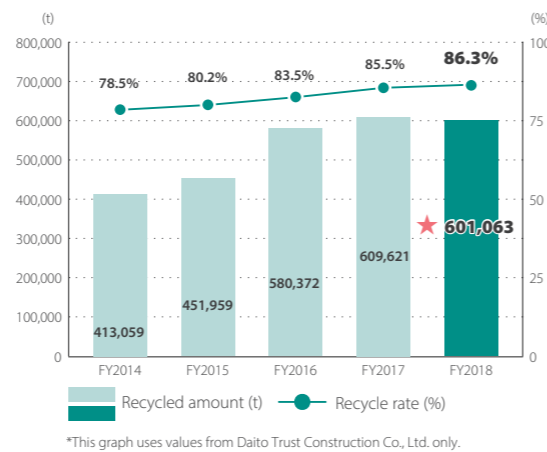
To ensure the reliability of quantitative environmental information from FY2018 published in this report and marked with a ★ symbol, the Daito Kentaku Group Environmental Report 2019 has undergone third-party assurance provided by Deloitte Tohmatsu Sustainability Co., Ltd.

(Non-consolidated) Total emissions for industrial waste



\*This graph uses values from Daito Trust Construction Co., Ltd. only.

(Non-consolidated) Recycled amount and recycle rate for industrial waste



\*This graph uses values from Daito Trust Construction Co., Ltd. only.

Total emissions, recycled amount, final disposal amount and recycle rate for industrial waste (by category)

| Category   | Total emissions (t) | Recycled amount (t) | Final disposal amount (t) | Recycle rate |
|--|---------------------|---------------------|---------------------------|--------------|
| Burnt residue  | -                   | -                   | -                         | -            |
| Construction sludge                                  | 26,925              | 26,528              | 398                       | 99%          |
| Waste oil  | 0                   | -                   | 0                         | 0%           |
| Waste acids  | -                   | -                   | -                         | -            |
| Waste alkalis  | 1                   | -                   | 1                         | 0%           |
| Plastic waste  | 86,217              | 59,246              | 26,971                    | 69%          |
| Paper waste  | 15,491              | 14,652              | 840                       | 95%          |
| Waste wood   | 152,404             | 148,717             | 3,687                     | 98%          |
| Waste textiles                                       | 1,354               | 1,119               | 235                       | 83%          |
| Waste drywall boards                                 | 24,729              | 22,249              | 2,480                     | 90%          |
| Animal and plant residue                             | -                   | -                   | -                         | -            |
| Solidified animal waste                              | -                   | -                   | -                         | -            |
| Waste rubber   | -                   | -                   | -                         | -            |
| Waste metal  | 23,666              | 23,212              | 453                       | 98%          |
| Glass and ceramics waste (including concrete)        | 44,890              | 19,645              | 25,246                    | 44%          |
| Slag   | -                   | -                   | -                         | -            |
| Rubble(asphalt concrete)                             | 353,146             | 314,696             | 38,450                    | 89%          |
| Rubble (concrete)                                    | -                   | -                   | -                         | -            |
| Rubble(other types of rubble)                        | 1                   | 1                   | 1                         | 54%          |
| Compounds (stable)                                   | 494                 | 221                 | 273                       | 45%          |
| Compounds (mixed)                                    | 31                  | 1                   | 30                        | 4%           |
| Asbestos-containing material (glass and ceramics)    | 5,267               | 7                   | 5,260                     | 0%           |
| Asbestos-containing material (other types of rubble) | -                   | -                   | -                         | -            |
| Asbestos-containing material (plastic waste)         | -                   | -                   | -                         | -            |
| Particulate  | -                   | -                   | -                         | -            |
| Mercury  | 2                   | 2                   | 0                         | 99%          |
| <b>Total</b>   | <b>734,620</b>      | <b>630,296</b>      | <b>104,324</b>            | -            |

\* Values which do not meet the minimum unit (t) will be displayed as "0". Non-applicable values will be displayed as "-".

Total emissions, recycled amount, final disposal amount and recycle rate for general waste (by category)

| Category                                  | Total emissions (t) | Recycled amount (t) | Final disposal amount (t) | Recycle rate |
|---|---------------------|---------------------|---------------------------|--------------|
| Copy and printer paper/High-quality paper | 4                   | 4                   | 0                         | 97%          |
| Newspapers                                | 5                   | 5                   | 0                         | 99%          |
| Magazines                                 | 68                  | 51                  | 17                        | 75%          |
| Cardboard boxes                           | 124                 | 98                  | 27                        | 79%          |
| Mixed paper                               | 621                 | 554                 | 67                        | 89%          |
| Kitchen and miscellaneous waste           | 882                 | 2                   | 880                       | 0%           |
| Glass bottles/jars                        | 0                   | 0                   | 0                         | 52%          |
| Cans                                      | 3                   | 0                   | 3                         | 9%           |
| Plastic bottles                           | 8                   | 2                   | 6                         | 24%          |
| Polystyrene                               | 0                   | 0                   | 0                         | 32%          |
| Plastic waste                             | 60                  | 55                  | 4                         | 93%          |
| Lunch box packaging                       | 16                  | 0                   | 16                        | 1%           |
| Waste oil                                 | -                   | -                   | -                         | -            |
| Bulky refuse                              | 85                  | 0                   | 85                        | 0%           |
| Sludge                                    | 1                   | 1                   | -                         | 100%         |
| <b>Total</b>                              | <b>1,878</b>        | <b>773</b>          | <b>1,105</b>              | -            |

\* Values which do not meet the minimum unit (t) will be displayed as "0". Non-applicable values will be displayed as "-".

**Deloitte.**

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

September 13, 2019

Mr. Katsuma Kobayashi,  
President and Representative Director,  
Daito Trust Construction Co., Ltd.

Masahiko Sugiyama  
Representative Director  
Deloitte Tohmatsu Sustainability Co., Ltd.  
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the quantitative environmental information indicated with ★ for the year ended March 31, 2019 (the "Quantitative Environmental Information") included in the "DAITO KENTAKU GROUP ENVIRONMENTAL REPORT 2019" (the "Report") of Daito Trust Construction Co., Ltd. (the "Company").

**The Company's Responsibility**

The Company is responsible for the preparation of the Quantitative Environmental Information in accordance with the calculation and reporting standard adopted by the Company (the Report contents page, P.1 and P.26). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Quantitative Environmental Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Undertaking site visits to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

**Limited Assurance Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Quantitative Environmental Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of  
Deloitte Touche Tohmatsu Limited



**Daito Trust Construction Co., Ltd.**  
**2-16-1, Konan, Minato-ku, Tokyo, 108-211**

<https://www.kentaku.co.jp>

Capital: ¥29.06 billion

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Editing: Environmental Planning Division, Technology and Purchasing Department

Inquiries: Customer Service Office, Tel: 0120-1673-43

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Environmental Report 2019



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