Life is Built on Trust.

Environmental Report 2021

DAITO TRUST CONSTRUCTION CO., LTD.

Message from Our President and Representative Director (CEO)

Interview

Contributing to the realization of a sustainable society through our business activities as an environmental leader

Katsuma Kobayashi, President and Representative Director (CEO)

小林克満

DAITO TRUST CONSTRUCTION CO., LTD.

We have established a New Environmental Management Strategy that looks forward to 2050, and will work toward realizing it.

Our New Environmental Management Strategy Looks Ahead to 2050

In light of the Paris Agreement, which calls for the international community to eliminate CO2 emissions in the second half of this century, the Daito Group is working hard toward the realization of a post-carbon society.

In fact, we have recently developed a new environmental management strategy that looks ahead to 2050. This is not only a part of our ongoing social responsibility, but also a chance to achieve long-term business growth. At the heart of this strategy is the "Daito 2050 Environmental Vision," which states our aim to contribute to the realization of a sustainable society through our business activities as an environmental leader.

The new environmental management strategy is a tangible outcome of our Environmental Vision that clearly identifies measures to achieve our strategies and targets. The strategy shines a light on, and reconsiders, how the Daito Group does business in the following six areas: construction, lifestyle, waste, business, nature and people.

For example, completely eliminating CO2 emissions from our residential buildings by 2050 is an aim that considers the lifestyle of residents at our rental properties. To that end, we plan to make even more zero-energy house (ZEH) rental properties available for sale by 2030. The Daito Group manages over 1.174 million rental homes in Japan—more than anyone else—so we have the potential to significantly impact society's efforts to eliminate carbon.

Further Construction of Rental Housing Using Wood

The utilization of wood is one of the more distinctive features of our environmental management. Since we started using wood in the construction of our rental housing in 1989, we have propelled the spread of rental housing constructed using the favorable qualities of wood. Constructing rental housing using wood produces less CO2 than the more conventional method of steel construction, which benefits the environment. The wood we use in construction is subject to a set of guidelines that define standards for procurement, so that sustainable forest management is encouraged at sites of production.

In addition to using two-by-fours in our construction work, which is the prevailing wood-based method of construction adopted by the Daito Group, we have also recently introduced cross-laminated timber (CLT) into our construction processes. CLT panels are made by gluing wooden boards in layers at right-angles to one another, so they offer the environmental performance of wood while boasting excellent earthquake-resistance and workability. CLT is already widely used in Europe, where it is not unusual to come across wooden structures around ten stories high. After conducting extensive research into CLT-based construction to determine whether it is viable in an earthquake-prone country like Japan, we were able to launch Japan's first rental property built using CLT in October 2019. CLT makes it possible to construct mid-to-high-rise buildings using wood. Through our use of CLT, we hope to encourage even more enterprises to make use of wood — and in particular, wood grown in Japan. These undertakings saw us honored with the FY2019 Environment Minister's Award for Global Warming Prevention Activity by the Japanese Government's Ministry of the Environment.

The new environmental management strategy involves reducing our CO2 emissions by minimizing construction work, shortening construction periods, optimizing transit, and utilizing long-life technologies, while improving our environmental-friendliness through such initiatives as promoting CLT sales.

Participating in the Planning of International Initiatives

The Daito Group actively participates in, and helps to plan, international initiatives to introduce environmental management standards on a global level.

In January 2019, our greenhouse-gas-reduction targets received approval from the Science Based Targets (SBT*) initiative, meaning they were considered scientifically grounded for limiting global warming to below 2°C, the goal of the Paris Agreement. And in March 2020, our targets were verified as 1.5°C-aligned.

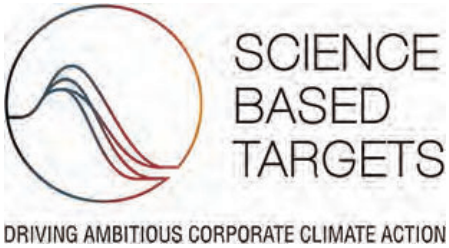
We are also involved in initiatives to help us reach these targets. In January 2019, the Daito Group joined RE100,* an initiative with the aim of sourcing 100% renewable energy to supply the electricity consumed in business activities. We have pledged to source 100% of the electricity used for our business activities from renewable sources by 2040, and to contribute to the promotion of renewable energy by increasing the use of solar power in our rental homes.

We also joined the EP100* initiative in August 2020 with the aim of doubling energy efficiency across the entire business. This has enabled us to develop our previous energy-saving efforts in a more structured manner, and solidify the ways in which we are progressing toward our goals.

*SBT: See "Setting Reduction Targets Based on Science" for details.

*RE100: See "Moving Toward 100% Renewable Energy" for details.

*EP100: See "Aiming to Improve Energy Efficiency" for details.



Facing the Risks and Opportunities Presented by a Climate Crisis

In June 2020, in light of the unexpectedly high occurrence rate of meteorological disasters, the Japanese Ministry of the Environment started describing climate change as a "climate crisis." The Daito Group takes a very serious view of meteorological disasters, which grow worse year by year. In the last few years, a large number of homes and rental properties managed by organizations throughout Japan have been damaged by flooding, demonstrating the risks of climate change.

We must do all we can to mitigate climate change, and take adaptive measures to minimize its impact. To this end, the Daito Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*, and is using its framework to comprehend the risks and opportunities associated with climate change—from a short-, medium- and long-term perspective—to mount a comprehensive response.

*TCFD: See "Disclosing Information on the Impact of Climate Change" for details.

Initiatives Based Around Lifestyle and People

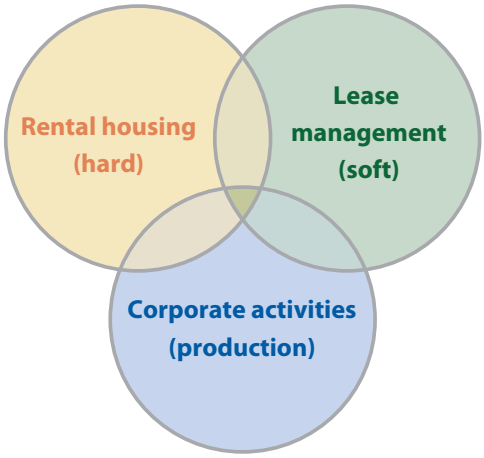
Of the six business areas discussed in the new environmental management strategy, I think there is still much that needs to be done in the areas of lifestyle and people.
When it comes to lifestyle, we have always tried to reduce the environmental impact of our rental properties by focusing on "hard" aspects, such as improving the performance of the buildings and their adjoined facilities, or building new structures. Moving forward, we will focus on how people live their lives day-to-day, by offering support and services that encourage others to take actions that benefit the environment. For example, installing and making use of a deliveries locker allows individuals to accept packages even when they're not home, which reduces the distance couriers are required to travel, thereby reducing CO2 emissions. Installing charge stations for electric cars, and providing or introducing ride-share services can encourage tenants to adopt a more environmentally friendly lifestyle. We also need to ensure that people—in particular, our own employees—have a deeper understanding of what we are trying to do. We want the actions of people in each of our office branches and stores to make tenants and individuals across Japan more aware of how living in a Daito Group rental property can contribute to the environment.

We base our environmental management on the outlook that we are an organization with a responsibility for the environment through lease management.

Becoming an Organization with a Responsibility for the Environment Through Lease Management

In our new five-year plan, which covers the period up to and including the year ended March 2024, the Daito Group set out our vision to be a company that can continue to grow in line with the dreams and futures of our stakeholders. In light of this, if we are to succeed at environmental management, I believe we need to see ourselves as a company with a responsibility for the environment through lease management. We intend to develop environmental models that apply to the rental housing (hard) and lease management (soft) areas of our business, as well as the Group business activities that produce them, and promote and develop those models as a single integrated whole.

We will take a nationwide community-based approach to the development of our business, offering unified, comprehensive one-stop support for all stages of the rental-home business process, from design to construction, agency and management. We are extremely fortunate to be in a position where we can think about how to practice environmental management in a nationwide network that manages more rental properties than anybody else in Japan. Through dialog with owners and tenants, we will strive for deeper mutual understanding as we find new ways to contribute to the protection of the environment, and aim to become a company that is trusted to do so.



Environmental Policy

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. We offer people-friendly living environments and provide services that contribute to reducing environmental impact.

Making Decarbonization a Reality

Special Feature

DAITO TRUST CONSTRUCTION CO., LTD.

Participation in Decarbonization Initiatives

SBT | RE100 | EP100 | TCFD | JCI

The decarbonization movement is spreading throughout the world. The Daito Group is continuing in our structured and committed efforts to set ambitious targets for decarbonization by participating in initiatives that support autonomous and innovative corporate activities.

Setting Reduction Targets Based on Science

The "Special Report on Global Warming of 1.5°C" released by the Intergovernmental Panel on Climate Change (IPCC) in October 2019 warned that if global warming continues to advance at the current pace, the global average temperature could rise to 1.5°C greater than pre-industrial levels by 2030 at the earliest, and predicted an increased risk of natural disasters and ecological destruction. Aiming to limit global temperature increase to 1.5°C rather than the previous target of 2°C is expected to help mitigate many of the effects of climate change, including 10 million fewer people being affected by rising sea levels.
In light of predictions such as these, the international Science Based Targets (SBT) initiative encourages companies to set, and seek validation for, greenhouse gas reduction targets that are consistent with reduction scenarios backed by climate science.
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, in January 2019. 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. Following on from this, we then set new reduction targets in line with the updated SBT standard ("1.5°C Level," which aims for a 1.5°C reduction, well under the previous 2°C), and were recertified in March 2020.
We will actively use renewable energy to achieve our certified greenhouse gas reduction targets, while at the same time continuing our efforts to determine and reduce greenhouse gas emissions resulting from our business activities—including procurement of raw materials, production processes, logistics and the supply chain—in aims of realizing a post-carbon society.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBT-Certified Greenhouse Gas Reduction Targets

CO_2 emissions from energy used in business activities (Scope 1 and 2)

By 2030 (compared to FY2017)

55% reduction (SBT 1.5°C level)

⇒SBT certification: Recertified in March 2020

CO_2 emissions from use of the Group's multi-unit rental housing (Scope 3)

By 2030 (compared to FY2017)

16% reduction (SBT 2°C level)

⇒SBT certification: Certified in January 2019

Moving Toward 100% Renewable Energy

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

The Daito Group joined RE100 with a view to ensuring 100% of the electricity consumed by our business activities will come from renewable sources by 2040.

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.

RE100

RE100 Targets

Source 100% of electricity used for our business activities from renewable sources by 2040

Contribute to the increased use of renewable energy by increasing solar power generation equipment in rental housing

Aiming to Improve Energy Efficiency

Energy Productivity 100 (EP100) is an international environmental initiative that promotes energy efficiency through energy conservation initiatives.
The Group joined EP100 in September 2020 with the goal of doubling energy efficiency (net sales/energy consumption) by 2030. Our EP100 commitments are positioned as an extension of the SBT greenhouse gas reduction and RE100 renewable energy promotion initiatives. By combining these three sets of initiatives together, we will contribute to realizing a post-carbon society.

CLIMATE GROUP
EP100

Targets

Doubling our energy efficiency by 2030 (compared with FY2017)

Disclosing Information on the Impact of Climate Change

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. (See "Major Risks, Opportunities and Our Responses" for details)

Expanding Cooperation in Japan

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.

External Recognition

By responding to questionnaires from the international environmental non-profit organization CDP, the Daito Group is disclosing information to a high degree of quality.

The CDP Climate Change report evaluates companies based on their disclosure of information about concrete initiatives for reducing greenhouse gas emissions and their strategies in response to climate change. The Daito Group has been responding to CDP questionnaires since 2010. Since 2015, we have responded to the CDP Forest questionnaire, which evaluates disclosed information relating to the use of major commodities linked with deforestation (timber, cattle products, palm oil, soy, and rubber). In the latest round of scoring, we were ranked on CDP's 2021 A List for climate change, and on the B List for forests.

Evaluation over the last three years	2019	2020	2021
CDP Climate change	A	C	A-
CDP Forests	A-	B	B

*CDP: Formerly known as the Carbon Disclosure Project, CDP is an international environmental not-for-profit organization that evaluates climate change-related efforts such as the reduction of greenhouse gas emissions and the related disclosure of information.

Improving Environmental Management as an Eco-First Company

The Eco-First Program from Japan's Ministry of the Environment aims to produce companies that lead the way in environmental conservation.

As a company treading new ground in land usage, the Daito Group will actively use this system to develop advanced, unique and industry-leading business activities that are also environmentally friendly.

Daito Group's "Eco-First Commitments"

- Construction
- Lifestyle
- Waste
- Business
- Trees
- People

Promoting environmental initiatives in these six areas

DAITO TRUST CONSTRUCTION CO., LTD.

Toward 100% Renewable Energy

Shifting to Renewable Energy in Our Offices

Since July 2020, 636 offices throughout Japan have started to use renewable energy, with 202 sites having completed the transition as of the end of August 2020. This is expected to produce a 12.6% reduction in CO2 emissions compared to FY2017 across the Daito Group, and will contribute greatly to us reaching our goal of reducing CO2 emissions by 55% compared to FY2017 by FY2030, as acknowledged by the SBT's 1.5°C standard.*5

100% Renewable Energy at ROOFLAG

The ROOFLAG Rental Housing Future Showroom, which opened in June 2020, is part of our commitment to achieving our RE100 goals. All the electricity used in the facility is renewable biomass energy generated by burning unused wood from forests, sawmill offcuts, and waste wood.

Trialing Renewable Energy at Construction Sites

We are also promoting initiatives to use renewable energy at construction sites, and we have so far conducted trials of renewable energy at two rental property construction sites. In line with our company-wide efforts to achieve 100% renewable energy, we will promote decarbonization at all construction sites in the future, and will aim to eliminate CO2 emissions owing to the use of electricity at construction sites by 2040. We will also share what we have learned from these with construction industry stakeholders across Japan, contributing the realization of a post-carbon society.

Supplying Renewable Energy to Shinagawa East One Tower

From November 1, 2021, we will start to supply Shinagawa East One Tower, which serves as the Daito Group's head office, with renewable energy.

This renewable energy comes from biomass energy generated by burning unused wood from forests, such as from forest thinning, sawmill offcuts, and waste wood.

As a result of this, we expect that we will be able to reduce annual CO2 emissions originating from electricity usage by around 1,600 tons across the Daito Group, and by around 5,400 tons across resident businesses.

This initiative will contribute to the decarbonization of business activities for both Daito Group and resident businesses of Shinagawa East One Tower.

Shinagawa East One Tower

*Shinagawa East One Tower

In March 2017, Shinagawa East One Tower was recognized as a "green building" under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE)*2 for its conservation of energy and high environmental performance, and received a Rank S certification, the highest level possible.

*2 "CASBEE®" is a system for evaluating the environmental performance of buildings that was developed by the Japanese Institute for Building Environment and Energy Conservation. It evaluates and certifies the quality of the building, taking into account environmental factors such as use of environmentally friendly materials and machinery, as well as things like the level of comfort and appearance of the interior. This certification considers 21 items in five different areas, evaluating environmental performance on five levels from a variety of different perspectives in relation to buildings, urban areas and cities.

Main points evaluated in consideration of environmental performance (offices/retail premises):

- Majority of light fixtures in communal areas are LED
- District heating and cooling used for heating
- Water conservation devices have been installed, and water usage is rated at the highest level
- Kitchen waste water reclaimed and recirculated for use in toilets
- Proactive initiatives to reduce waste (involving all tenants)
- High earthquake resistance for a high-rise building of 60 m or more
- Use of shear-yield vibration control devices (natural disaster risk countermeasure)
- Two minutes' walk from public transport (high convenience)

The Challenge of "Woodenizing" Cities Using Cross-Laminated Timber Housing

The Eco-First Program from Japan's Ministry of the Environment aims to produce companies that lead the way in environmental conservation.
As a company treading new ground in land usage, the Daito Group will actively use this system to develop advanced, unique and industry-leading business activities that are also environmentally friendly.

CLT Expands the Potential of Wood

Cross-Laminated Timber (CLT) is a new type of wooden building material consisting 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 to countering global warming, as wood stores carbon internally (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 impact throughout the building's entire life cycle.


Conceptual image of CLT


External view of a CLT product (conceptual image)

Creating Wooden Medium-Rise Buildings

We are exploring the potential of CLT, establishing an original CLT construction method, and actively utilizing it in new buildings.

We have commercialized Japan's first CLT medium-rise multi-unit housing by developing a unique CLT construction method together with an integrated supply framework, which was launched for initial sale in some areas from October 2019. We were awarded the FY2019 Environment Minister's Award for Global Warming Prevention Activity (Technological Development and Commercialization Section) for our use of CLT—which was recognized as an advanced construction method that is a viable alternative to reinforced concrete construction with low greenhouse gas emissions—and for the widespread influence of its commercialization.

In February 2020, the Group's efforts to promote CLT through commercialization of CLT multi-unit housing won the Environment Minister's Gold Award in the Corporate and Municipality section for the Decarbonization Challenge Cup 2020, hosted by the Decarbonization Challenge Cup Executive Committee.

In the future, the Group will combine environmental and social solutions with profit generation by actively selling and promoting CLT multi-unit housing, which will contribute to sustainable growth while helping to create a post-carbon society.

FY2019 Environment Minister's Award for Global Warming Prevention Activity


Decarbonization Challenge Cup 2020

Assessing the Effects of Decarbonization

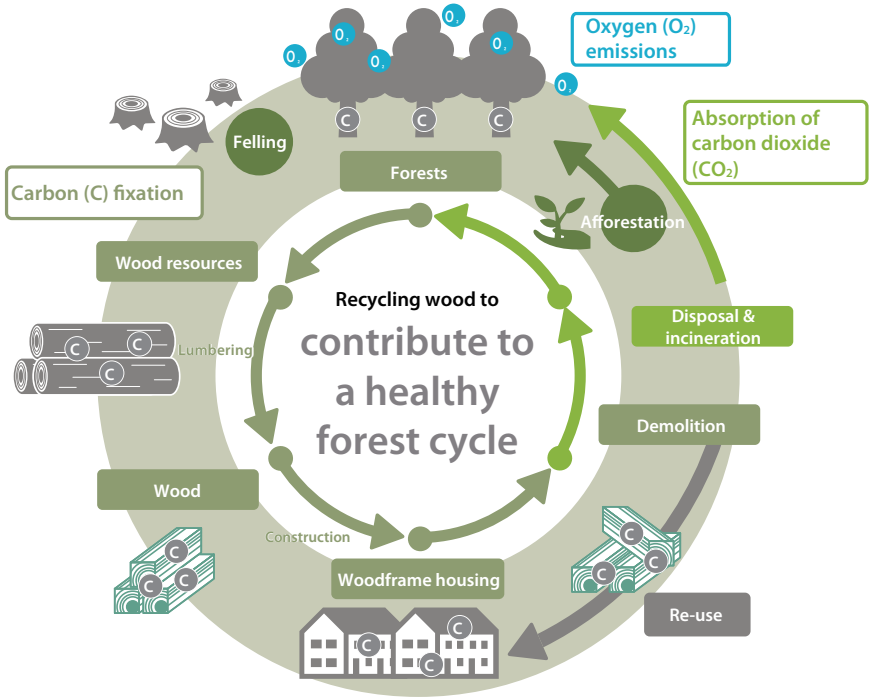
Cross-laminated timber, or CLT, is a wood product, so it absorbs carbon dioxide and stores carbon, whereas the manufacture of concrete produces a lot of carbon dioxide. Using cross-laminated timber as a building material helps significantly reduce the amount of concrete used in construction, contributing to decarbonization efforts. And the cyclical use of wood—from felling to construction, demolition, disposal, and afforestation—can encourage forest growth and effectively absorb more CO2.

Compared with other buildings built to the same scale using reinforced concrete, we envisage that CLT housing will reduce carbon emissions by around 274 t-CO2 per building, which is roughly the same amount of CO2 emitted by 61 households in a year. Moreover, the energy used in CLT production is 100% renewable, reducing the amount of carbon dioxide emitted during manufacture. And 100% of the wood used in CLT is grown in Japan, contributing to the promotion of Japanese forestry and regional development.

Decarbonization effect

Approximately
274 t-CO_2
per building (compared to RC construction)

Equivalent to the annual emissions of
approximately 61 households



Large-scale CLT construction at the ROOFLAG Rental Housing Future Showroom

The Group opened the ROOFLAG Rental Housing Future Showroom in Shinonome, Koto-ku, Tokyo, in June 2020. It functions as a facility to spread information on the latest research and initiatives around living and lifestyle in rental and CLT homes.

The building's defining characteristic is a large, triangular roof featuring a large frame constructed using CLT beams. Inside the facility there is a model building for the CLT multi-unit housing product "Forterb."

LCCM: A Step on the Path Toward Carbon-Free Housing

Low-Carbon Housing Initiatives (ZEH)

In November 2017, Daito Trust Construction completed the first multi-unit rental housing property in Japan to satisfy the ZEH standard. ZEH stands for "Zero Energy House," and refers to residential properties with net zero annual primary energy consumption. We have worked hard to develop multi-unit rental housing that satisfies the ZEH standard by putting together a low-voltage collective power-reception system.

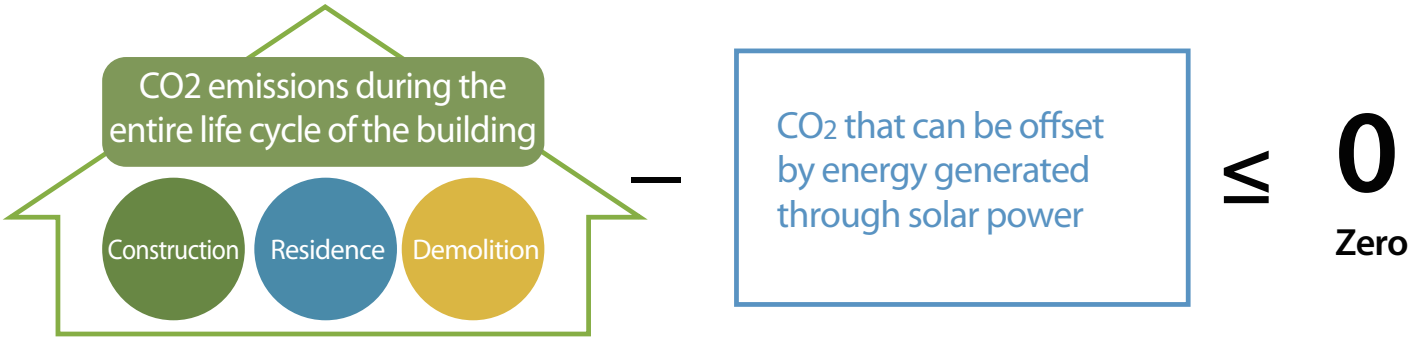
Since April 2021, we have expanded our undertakings to include the commercialization of "nearly ZEH" rental apartments equipped with storage batteries for household use as a response to worsening natural disasters.

Moreover, our knowledge of multi-unit rental housing that satisfies the ZEH standard has been put to good use in developing LCCM multi-unit rental housing, a more evolved form of carbon-free multi-unit rental property.

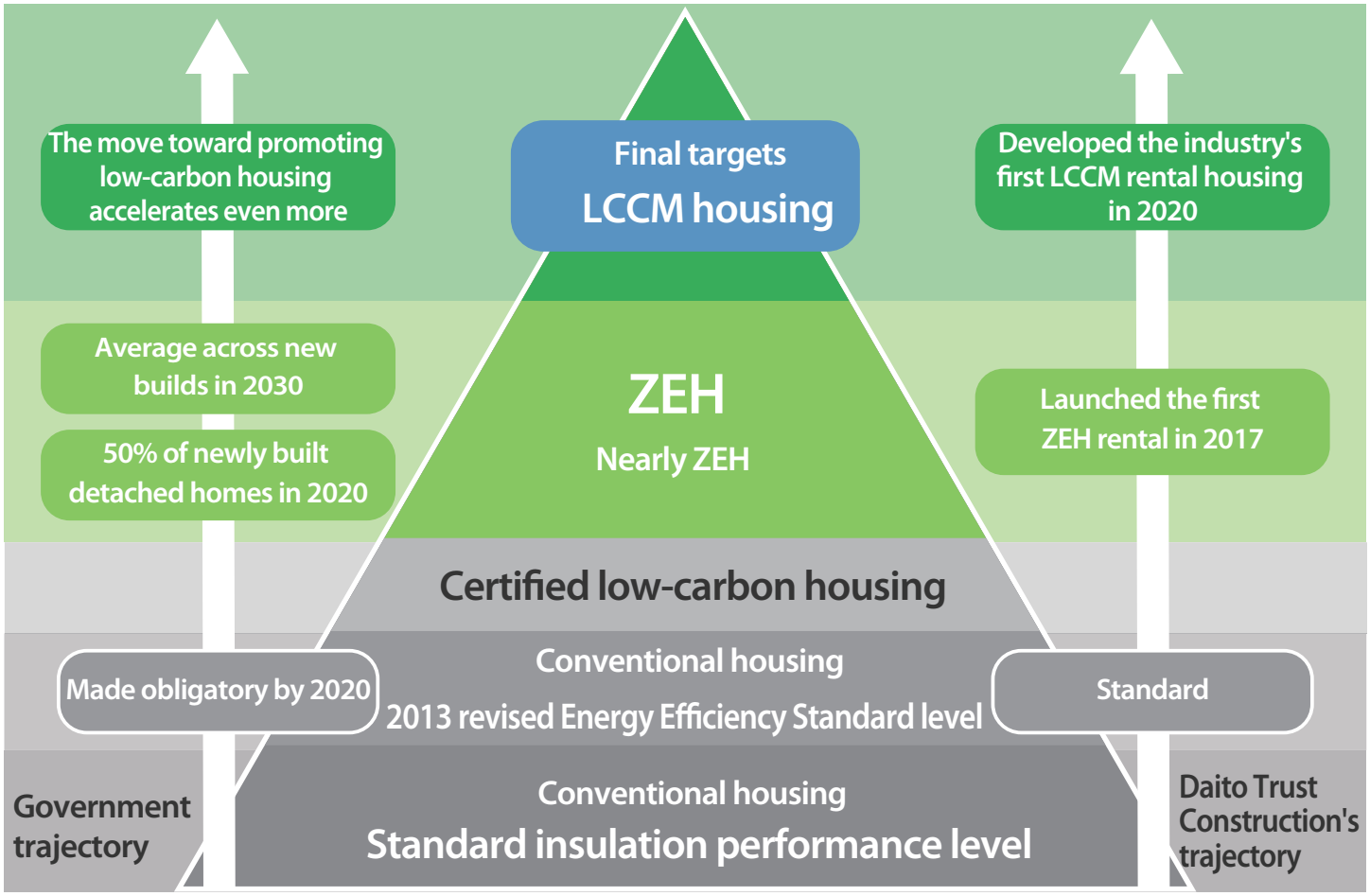
Carbon-Free Housing Initiatives (LCCM)

LCCM multi-unit rental housing is a form of carbon-free housing in which the overall amount of CO2 emitted across the entire life cycle of the property (production, transportation, construction, inhabitation, renovation, demolition and disposal) is offset by renewable solar energy such that the net output is zero or less.

	Production	Transportation	Construction	Inhabitation	Renovation	Disposal
LCCM	○	○	○	○	○	○
ZEH	–	–	–	○	–	–



For ZEH-standard housing, it was necessary to work to reduce CO2 emissions from use of the home (i.e. daily inhabitation) to close to net zero, but the LCCM standard requires that CO2 emissions be reduced across the entire life cycle from production to disposal.



Since 2014, Daito Trust Construction has been partnering with Kensuke Kobayashi, Associate Professor of Biological System Sciences at the Prefectural University of Hiroshima's Department of Life and Environmental Sciences, to research life-cycle assessment (LCA), a method for evaluating the environmental burden of buildings across their entire life cycle, and in June 2021, we completed Japan's first ever LCCM multi-unit rental housing property.

Key Issues, Vision, Strategy, Goals and Measures

Clearly Identifying Key Issues, and Developing Responses That Are Comprehensive and Focused.

DAITO TRUST CONSTRUCTION CO., LTD.

The Group views environmental initiatives as ways of increasing our corporate value, and sets our vision, strategy and goals based on them.

An environmental challenge that the Group considers particularly important is the climate crisis (global warming).

The background to this thinking is that:
❶ Global warming is progressing (rapid increase in greenhouse gases, average temperatures rising and recurring weather anomalies).
❷ Movement on climate change by the international community is accelerating (Paris Agreement, SDGs).
❸ Companies and investors are becoming more proactive
in addressing climate change.

We believe the climate crisis could bring a variety of risks and opportunities to our business, which it is important to respond to as a company (see "Risks and Opportunities Relating to Climate Change").

*In June 2020, Japan's Ministry of the Environment revised its terminology for the expected rise in frequency and intensity of natural disasters such as flooding from "climate change" to "climate crisis."

Approach to increasing corporate value

The integration of environmental management and growth strategies is essential for the long-term survival and growth of the Group in the future

We are able to solve environmental problems and generate profits while leveraging our company's strengths (management resources, expertise, etc.)

New Environmental Management Strategy

(1) Vision

DAITO 2050 Environmental Vision
As an environmental leader, we will contribute to the realization of a sustainable society through our business activities

(2) Strategy

Construction	Lifestyle	Waste	Business	Nature	People
Consider the environment and reduce CO_2 emissions during construction	Completely eliminate CO_2 emissions from our residential buildings	Recycle all types of waste	Completely eliminate CO_2 emissions during our business activities	Create a society that coexists with the natural environment	Develop environmentally conscious people and an environmentally friendly organization

(3) Measures

Construction	Lifestyle	Waste	Business	Nature	People
Minimize construction and shorten construction times	Reduce greenhouse gas emissions	Promote waste wood recycling (convert to renewable energy)	Promote energy conservation	Promote recycling of wood	Promote sales of wooden multi-unit rental housing
Visualize greenhouse gas emissions	Promote sales of ZEH	Develop construction methods that reduce on-site waste	Promote renewable energy	Help protect forests and biodiversity in the region	Conduct environmental education for employees
Decarbonize construction sites	Develop and introduce energy-saving materials	Reduce plastic waste	Promote reduced greenhouse gas emissions from vehicles	Promote the use of domestically produced wood	
				Make the supply chain transparent	

(4) Targets

Greenhouse gas reductions backed by climate science (SBT)

A new reduced target of 1.5°C by 2030 (compared to FY2017)

We will continue our efforts to determine and reduce our greenhouse gas emissions in aims of realizing a post-carbon society

Use 100% renewable energy for business activities (RE100)

We aim to source 100% of electricity used for our business activities from renewable sources by 2040

Promote increased energy efficiency through energy conservation initiatives (EP100)

We aim to double our energy efficiency by 2030 (compared to FY2017)

Risks and Opportunities Relating to Climate Change

Major Risks, Opportunities and Our Responses

In line with the TCFD's policies, the Group is committed to understanding the risks and opportunities that climate change could present to our construction and real estate businesses. We have evaluated the impact on the business over the short-, medium- and long-term in future climate change scenarios (the "less than 2°C scenario" and the "4°C scenario").

Transitory Risks

Policy/Legal

Increased Operating Costs If Carbon Tax Is Introduced (Scope 1 + 2)

We analyzed how an estimated taxation on greenhouse gas emissions resulting from our Group's business activities would impact on operating costs in the event that a carbon tax is introduced in the future. The impact is assumed to be minimal if reductions are implemented in line with SBT reduction targets (see "Participation in Decarbonization Initiatives").

Response We are continuing to work on reductions in line with our SBTs.

Increased Material Costs and Reduced Owner Demand If Carbon Tax Is Introduced

We analyzed how an estimated taxation on greenhouse gas emissions produced during the Group's procurement of raw materials (Scope 3, Category 1) would be passed on to products in the event that a carbon tax is introduced in the future. We also analyzed how operating (construction) costs would be impacted and the resulting impact on the cost of products if greenhouse gases produced by activities at construction sites were taxed. Based on this, we analyzed how the increased cost per building would impact demand.
The impact is assumed to be minimal if reductions are implemented in line with SBT reduction targets (see "Participation in Decarbonization Initiatives").

Response We are actively transitioning to construction methods with low greenhouse gas emissions, such as developing and promoting the sale of CLT (see "Toward a Sustainable Society [Construction]" and "Toward a Sustainable Society [Lifestyle]"). We are also working on reductions in line with our SBTs, and implementing renewable energy at construction sites in line with RE100 (see "Participation in Decarbonization Initiatives").

Impact of Carbon Price on Occupancy Rate

We analyzed the increase in the unit price of electricity, and the corresponding increase in the percentage of energy-saving housing and housing using renewable energy—and the decrease in the occupancy rate of non-energy-saving and non-renewable housing—in the event that a carbon tax is introduced in the future. (No quantitative assessment.)

Response We are working on improving the energy-saving performance of housing (see "Toward a Sustainable Society [Construction]" and "Toward a Sustainable Society [Lifestyle]").

Technology

Increased Installation Costs for Electric Vehicle Charging Stations

We are analyzing the cost of installation and maintenance fees, assuming that electronic vehicle charging stations are installed at branches across the country, in the event that company cars used for business activities are replaced with electric vehicles in the future.

Response We are working toward the electrification of company-owned vehicles, having installed 7 charging stations at our branch offices in FY2019 and 11 more in 2020. We will continue to steadily switch to electric vehicles and install more charging stations.

Cost of Purchasing Renewable Energy

We analyzed the cost of continuing to purchase renewable energy in the future, in aims of achieving the RE100 target, based on our Group's solar power generation prospects, the purchase price of renewable energy, the cost of disposing of solar power equipment, and the cost of purchasing power conditioners.

Response We are increasing our ownership of renewable energy sources through solar power generation, in order to account for future fluctuations in the purchase price of renewable energy.

Markets

Impact of ZEH Market Expansion on Revenue

We analyzed the impact on sales of the expected decline in demand for non-ZEH housing, in the event that the shift to ZEH rental properties progresses in line with the country's ZEH roadmap in the future. Since the Group already owns ZEH technology, we expect there will be no impact.

Response We are working on developing and selling multi-unit rental housing that meets the ZEH standard (see "Toward a Sustainable Society [Lifestyle]").

Ratings

Loss of Trust from Stakeholders and Loss of Brand Strength Due to a Slow Response to Climate Change

We analyzed the impact on sales of the expected decline in demand for non-ZEH housing, in the event that the shift to ZEH rental properties progresses in line with the country's ZEH roadmap in the future. Since the Group already owns ZEH technology, we expect there will be no impact.

Response The share of overseas investors in the Group is 49.34%, and given the current trend toward ESG investment, we analyzed the impact on capital and financing in the event of a slow response to climate change. (No quantitative assessment.)

Material Risks

Acute

Increased Storm/Flooding Damage During Construction

We analyzed the effect on cost of increased insurance premiums and damage during construction, in the event of an increased risk of flood and storm disasters due to climate change in the future.

Response In light of increased flood and storm disasters in recent years, we are implementing construction plans that take such risks into account.

Increased Damage to Solar Power Equipment Due to Storms and Flooding

We analyzed the effect on cost of increased insurance premiums and damage to solar power generation equipment in the event of an increased risk of flood and storm disasters due to climate change in the future.

Response In light of increased flood and storm disasters in recent years, we are implementing plans for solar power installation that take such risks into account.

Reduced Demand Caused by Increased Ownership Costs Due to Storm and Flood Damage

We analyzed the increase to fire insurance premiums and per-building costs for the owner, and the resulting impact on demand, in the event of an increased risk of flood and storm disasters caused by climate change in the future.

Response In light of increased flood and storm disasters in recent years, we are implementing sales plans that take such risks into account.

Chronic

Restrictions on Working Hours Due to Rising Temperatures and Consequent Delays to Completion

We analyzed the impact of an increased number of days required for construction per building, and the resulting increases to construction cost, in the event that construction working hours need to be limited in the summer months due to rising temperatures in the future.

Response Due to rising temperatures, we are implementing construction plans that place the highest priority on safety, such as restricting working hours during the summer months.

Increased Air Conditioning Costs Due to Rising Temperatures

We analyzed how factors such as additional energy costs from stronger air conditioning would impact on costs, if necessitated by rising temperatures as a result of climate change in the future.

Response Due to rising temperatures, we are promoting the Cool Biz campaign and encouraging working from home during the summer months.

Increased Construction Costs Due to Sharply Rising Wood Prices

We analyzed the impact of decreased demand due to increased construction costs and product costs in the event that climate change makes wood more expensive to procure in the future.

Response We are diversifying our wood sources and responding to increased procurement costs.

Financial Impact of Climate Change Risks and Opportunities (Unit: hundreds of millions of yen)

				Less Than 2°C Scenario			4°C Scenario		
				Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
Transitory Risks	Policy/Legal	Increased operating costs if carbon tax is introduced (Scope 1 + 2)	Introduction of a carbon tax	-5.7	-9.1	-12.7	0.0	0.0	0.0
			Reduction in line with SBT initiative	2.5	6.2	12.7	0.0	0.0	0.0
		Increased material costs and reduced owner demand if carbon tax is introduced	Decline in sales	-28.9	-45.8	-64.2	0.0	0.0	0.0
			Reduction in line with SBT initiative	1.4	5.2	19.3	0.0	0.0	0.0
	Technology	Increased installation costs for electric vehicle charging stations		-1.0	-1.6	-1.1	0.0	0.0	0.0
		Cost of purchasing renewable energy	Renewable Energy Certificate purchasing costs	-0.9	-1.4	-0.7	0.0	0.0	0.0
			Reduced power certificate costs due to FIT	0.0	0.1	0.7	0.0	0.0	0.0
			Disposal and purchase of panels and power conditioners	0.0	-9.5	-30.6	0.0	0.0	0.0
			Profit from electricity sales	0.0	0.0	43.0	0.0	0.0	0.0
	Markets	Impact of ZEH market expansion on revenue	Decline in demand	-5,720.0	-8,800.0	-8,800.0	0.0	0.0	0.0
			Amount from ZEH initiatives	5,720.0	8,800.0	8,800.0	0.0	0.0	0.0
Material Risks	Acute	Increased storm/flooding damage during construction		0.0	-0.4	-1.2	0.0	-0.6	-1.8
		Effect of storm and flood damages	Increased damage to solar power generation equipment	0.0	-0.3	-0.7	0.0	-0.4	-1.1
			Reduced demand due to increased ownership costs	0.0	-7.6	-11.7	0.0	-10.8	-32.5
	Chronic	Effect of rising temperatures	Restrictions on working hours and consequent delays to completion	0.0	-2.1	-4.2	0.0	-4.7	-18.6
			Increased air conditioning costs	0.0	-6.8	-10.1	0.0	-15.1	-20.2
		Effect of sharply rising wood prices	Increased construction costs	-0.4	-0.9	-2.2	-1.1	-2.2	-5.4

Prerequisites

• The time periods are short-term (around 2023–2025), medium-term (early 2030s) and long-term (late 2040s).

• In line with the new five-year "Reiwa New Growth Plan" the business will expand until FY2023 and remain steady from then.

Scenarios Used

• Sustainable Development Scenario (SDS): Beating the 2°C target, with a 50% probability of keeping the average temperature rise of the Earth within 1.75°C.

• New Policies Scenario (NPS): Reflects recently announced government policies, effective policies and country-specific goals in line with the Paris Agreement.

• Stated Policies Scenario (STEPS): Equivalent to NPS above. The name has been changed to emphasize that it reflects policies declared by various national governments, and is not an estimate from the International Energy Agency (IEA). Adopted from the IEA's "World Energy Outlook 2019" report, which provides an insight into supply and demand of energy, and technological developments.

• Current Policies Scenario (CPS): A scenario that reflects existing laws and regulations. Government statements and ambitious targets are excluded. Higher temperature rises than NPS and STEPS.

• Reference Technology Scenario (RTS): Baseline scenario that takes into account the existing energy and climate-related commitments of each country, including the Nationally Determined Contributions (NDCs) committed to under the Paris Agreement. Used in the IEA's "Energy Technology Perspectives."

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Medium- to Long-Term Environmental Targets

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.

"Low-Carbon Society"

Sustainable Society	Related SDGs	Category	Item	Daito Trust Medium- to Long-Term Environmental Targets
Low-carbon Society		Greenhouse gas emissions	Reducing overall greenhouse gas emissions	Reduce total overall greenhouse gas emissions (Scope 1 + 2) by 55% compared to FY2017 by FY2030*
				Reduce total overall greenhouse gas emissions (Scope 3) by 16% compared to FY2017 by FY2030*
		Energy consumption	Reducing electricity used in offices	Reduce total amount of electricity used in offices (kWh) by 4.2% annually compared to the previous year
			Reducing electricity used on construction sites	Reduce the total amount of electricity used on construction sites (kWh) by 4.2% annually compared to the previous year
			Reducing the amount of gasoline and diesel fuel used	Reduce total amount of gasoline and diesel fuel used (L) by 4.2% annually compared to the previous year
		Developing and proposing energy-saving solutions	Promoting the introduction of energy-saving materials	Promoting the setting of standards and options for energy-saving materials
			Increase in percentage of buildings using energy-saving materials	Buildings with a BEI value (as of FY2016 standards; to be revised when standards are updated) of 0.9 or less to be 100% of contracted buildings by FY2030
		Low-carbon energy	Use of low-carbon energy	Proactively procure electrical power with a low CO2 emissions coefficient
		Renewable energy	Use of renewable energy	Increase use of renewable energy in business activities to 100% by 2040

Scope 1: Emissions directly generated by businesses themselves (e.g. gasoline, gas)

Scope 2: Indirect emissions resulting from the use of electricity, etc., supplied by other companies (e.g. power, steam, water)

Scope 3: All indirect emissions other than those listed under Scope 1 and Scope 2, such as emissions generated

	FY2020 Performance	FY2021 Environmental Targets
*Obtained SBT certification *	19.5% reduction	4.2% reduction compared to FY2020
*	30.2% reduction	1.23% reduction compared to FY2020
Annual reduction of 4.2% compared to the previous year	1.4% reduction	4.2% reduction compared to FY2020
Annual reduction of 4.2% compared to the previous year	9.2% reduction	4.2% reduction compared to FY2020
Annual reduction of 4.2% compared to the previous year	3.6% reduction	4.2% reduction compared to FY2020
Promotion	Promoted	1 item added to standards set 2 options added to options set
	77.6%	Keep percentage of buildings with BEI value of 0.9 or lower at 65% or higher
Proactive procurement	Underway	-
	Underway	-

"Recycling-Oriented Society"

Sustainable Society	Related SDGs	Category	Item	Daito Trust Medium- to Long-Term Environmental Targets
Recycling-oriented Society	12 つくる責任 つかう責任 13 気候変動に具体的な対策を	Industrial waste	Reducing industrial waste emissions	Reduce total industrial waste emissions (t) by 1.23% annually compared to the previous year
		Industrial waste	Reducing industrial waste emissions at new-build construction sites	Reduce industrial waste emissions at new-build construction sites (t) by 1.23% per home annually compared to the previous year
			Improving recycle rate of industrial waste	Reach an industrial waste recycle rate of 97% by FY2030
		Industrial waste	Ensuring legal compliance with rules for industrial waste disposal	Apply industrial waste management checksheets (manifests) appropriately Continuously implement monitoring methods used for proper disposal of Check status of disposal of waste at branches and other offices on a
	12 つくる責任 つかう責任 13 気候変動に具体的な対策を	Amount of resources used	Reducing the amount of photocopy paper used	Reduce the total amount of photocopy paper used (kg) by 1.23% annually compared to the previous year
			Reducing the amount of water used in offices	Commit to reducing the amount of water (m^3) used in offices
			Reducing the amount of water used on construction sites	Commit to reducing the amount of water used on construction sites (m^3)
		Green purchasing	Improving the purchasing rate for items eligible for green purchasing	Increase purchasing rate for items eligible for green purchasing (%) to 26% by FY2030
		Resource productivity	Improving resource productivity	Reach resource productivity (net sales/total amount of materials used) of ¥500,000/ton or higher by FY2030

		FY2020 Performance	FY2021 Environmental Targets
	Annual reduction of 1.23% compared to the previous year	29.5% reduction	1.23% reduction compared to FY2019
		Added 4 sites	Addition of 2 new sites to use for siding manufacturer Wide-Area Disposal System
		15.0% reduction	Reduced waste paper processing by 5% compared to FY2019
		37.6% increase	Reduced waste metal processing by 5% compared to FY2019
	Annual reduction of 1.23% compared to the previous year	-	1.23% reduction compared to FY2019
		-	Addition of 2 items for pre-cut materials
		-	Addition of 3 items for resource-saving packaging materials
		85%	Achieving a recycle rate of 85% or higher
		Applied	-
of industrial waste (industrial waste inspections)		Implemented	-
regular basis	Regular checks	Implemented	-
	Annual reduction of 1.23% compared to the previous year	-	1.23% reduction compared to FY2019
	Commit to reducing	Committed	-
	Commit to reducing	Committed	-
		-	2.1% increase compared to FY2019
		-	2.1% reduction in total amount of materials used compared to FY2018

"Green Society"

Sustainable Society	Related SDGs	Category	Item	Daito Trust Medium- to Long-Term Environmental Targets
Green Society	14 海の豊かさを守ろう	Domestically grown wood	Raising the percentage of domestically grown wood used	Reach 4% usage of domestically grown wood by FY2020
	15 陸の豊かさも守ろう	Biodiversity	Managing biodiversity conservation areas	Appropriately manage interest in biodiversity conservation areas on land owned
	16 平和と公正をすべての人に	Supply chain	Implement surveys on conflict minerals	Continuously conduct surveys on conflict minerals in procured materials
			Implement surveys on legality of procured materials	Continuously conduct surveys on legality of procured materials (under
			Eliminate building materials containing hazardous chemicals	Continuously implement elimination of building materials containing
			Implement surveys on wastewater quality	Continuously implement elimination of building materials containing
		Environmental education	Planning and implementation of environmental education and nature conservation activities	Continuously plan and implement environmental education and nature conservation activities
Other		Environmental laws and regulations	Compliance with environmental laws and regulations	Manage compliance with environmental laws and regulations appropriately

Our Environmental Initiatives and SDGs

The business activities of the Group align with the targets set in the SDGs. Those that particularly relate to the environment and their relevance to the SDGs are listed to the right.

7 エネルギーをみんなにそしてクリーンに
- Solar power generation
- RE100 membership
- Sale of ZEH rental properties

11 住み続けられるまちづくりを
- Providing highly durable housing
Our Group Standards
  - Primary energy consumption: Grade 5
  - Insulation performance, etc.: Grade 4
  - Seismic rating: Grade 1

12 つくる責任つかう責任
- Promoting waste recycling
- Developing materials that do not produce waste
- Reducing plastic waste

13 気候変動に具体的な対策を
- Promoting initiatives for reducing greenhouse gas emissions
- Setting SBTs

14 海の豊かさを守ろう
- Reducing plastic waste
- Reducing water usage and the amount of wastewater produced

15 陸の豊かさも守ろう
- Actively promoting the use of wood
- Promoting the use of domestically produced materials
- Initiatives for conserving biodiversity

SUSTAINABLE DEVELOPMENT GOALS

1 貧困をなくそう
2 飢餓をゼロに
3 すべての人に健康と福祉を
4 質の高い教育をみんなに
5 ジェンダー平等を実現しよう
6 安全な水とトイレを世界中に
7 エネルギーをみんなにそしてクリーンに
8 働きがいも経済成長も
9 産業と技術革新の基盤をつくろう
10 人や国の不平等をなくそう
11 住み続けられるまちづくりを
12 つくる責任つかう責任
13 気候変動に具体的な対策を
14 海の豊かさを守ろう
15 陸の豊かさも守ろう
16 平和と公正をすべての人に
17 パートナーシップで目標を達成しよう

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	FY2020 Performance	FY2021 Environmental Targets
	—	Achieving a rate of 3% or higher for use of domestically grown wood
	Appropriately managed	-
	Implemented	-
the Clean Wood Act, etc.)	Implemented	-
hazardous chemicals in procured materials	Implemented	-
hazardous chemicals in procured materials	Implemented	-
	Implemented	-
	Appropriately managed	-

The Daito Group's Environmental Conservation Initiatives

The Daito Group has formulated a new environmental management strategy (see "Key Issues, Vision, Strategy, Goals and Measures") that looks forward to 2050.

As a concrete part of the core Daito Environmental Vision, we are promoting initiatives in six areas: construction, lifestyle, waste, business, nature and people.

Construction

We will promote environmentally friendly construction practices and the reduction of greenhouse gas emissions.

We are endeavoring to visualize greenhouse gas emissions across the entire life cycle of a building.

The Daito Group has collaborated with the Prefectural University of Hiroshima's Kensuke Kobayashi Laboratory to conduct life-cycle assessments (LCA) of our buildings in order to quantify their environmental impact, and determine how effectively that impact has been reduced. We are conducting multifaceted research into the environmental impact of the entire building life cycle, from the procurement of raw materials to demolition, and using this research in product development. We are also driving cutting-edge efforts to develop life-cycle-carbon-minus (LCCM) housing, and in June 2021 we completed the first LCCM multi-unit rental housing in Japan. We are aiming to commercialize this in the future.

What is LCA?

LCA is used to find out which houses are best for the environment. It calculates the environmental burden involved in the lifecycle of a building (through material procurement, construction, its useful lifespan, and demolition) and numerically quantifies whether it is really good for the environment.

A method of analyzing the environmental impact of a building through its construction, use and demolition

Example: How much greenhouse gas is emitted when transporting the wood used to build the buildings?

Example: If I live in a well-ventilated house, do I use less air conditioning?

Example: How much waste is produced when the building is demolished? How many easily recyclable materials are used?

> We will continue to develop and implement construction methods that reduce environmental impact by minimizing construction work, shortening construction periods, and so on. We will also endeavor to reduce greenhouse gas emissions during construction by continuing to improve the lifespan of our materials and optimize transport.

Our new wooden CLT product, launched in FY2019, has significantly reduced the time required to construct the frame of a building compared to reinforced concrete materials. The amount of energy used during construction has also been significantly reduced, minimizing the impact on the environment.

The Group has a large amount of data on the lifespan and replacement frequency of materials. Based on this data, we have developed and introduced unique materials with longer lifespans that are easier to replace, reducing the environmental impact associated with repairing and replacing materials. In addition, simplifying the packaging materials used when transporting materials has helped improve loading efficiency and reduced the number of shipments required. This reduces the amount of energy used during transportation and minimizes waste from packaging materials at construction sites.

We aim to decarbonize our construction sites through such means as the implementation of renewable energy.

We are also promoting initiatives to make use of renewable energy at construction sites. We have already installed solar panels at a number of our site offices. In the future, we are looking at other ways of introducing renewable energy sources at sites where installation of solar panels would be difficult, as a step toward our goal of using 100% renewable energy across the entire organization, as we continue to drive initiatives to decarbonize all our construction sites. By expanding these efforts to construction sites throughout Japan, we can expect a nationwide ripple effect through the industry, contributing to the realization of a post-carbon society.

A building being constructed using 100% renewable energy

We will work to promote the development and sale of low-carbon multi-unit rental housing that utilizes our new wooden construction material "CLT."

In 2019, we developed our original CLT construction method and successfully commercialized CLT rental housing. As Japan's first successful commercialization of buildings constructed using a standardized and industrialized CLT-based process, this was a cutting-edge undertaking.
CLT-based construction methods yield a significant reduction in greenhouse gas emissions at the time of construction when compared with using reinforced concrete, and the energy-saving effect on the buildings themselves is significant. It also promotes the forest cycle through responsible use of wood, which helps lead to a further reduction of greenhouse gas emissions. In addition, CLT allows us to reduce the amount of greenhouse gases emitted during demolition when compared with reinforced concrete, thereby reducing environmental impact across the entire life cycle.
CLT also offers excellent resistance to seismic activity, making it suitable for construction of mid-to-high-rise buildings. In the future, we will look for ways to use CLT in even more types of buildings.
Our CLT panels are made in Japan using Japanese wood. By developing this method and spreading it across Japan, while pushing the use of Japanese wood, we will promote the forest cycle, stimulate forestry, and contribute to regional development in Japan.

Lifestyle

We will promote ways to reduce the household greenhouse gas emissions of our residents.

We will work to reduce the greenhouse gas emissions produced during the daily lives of our tenants, and target a 16% reduction by 2030 (compared with 2017). (SBT 2°C level, Scope 3)

In November 2017, we completed the first multi-unit rental housing in Japan that meets the net zero-energy housing (ZEH) standards for detached housing. Since then, we have been actively promoting the construction of zero-energy multi-unit rental housing. 85% of the Daito Group's Scope-3 emissions were due to greenhouse gas emissions arising from Category 11: Use of sold products. This amount takes into account the household greenhouse gas emissions of Daito Group multi-unit rental housing residents across 35 years. As such, reducing the amount of greenhouse gases emitted by our residents is directly linked to reducing our Scope-3 emissions. Actively promoting the sale of ZEH, in which the primary energy required for living is virtually nothing, will help us to achieve this goal.

By promoting the sale of ZEH, and developing and introducing energy-saving materials, we will promote efforts to reduce greenhouse gas emissions arising from the lifestyles of our residents.

We are committed to increasing sales of ZEH, which reduce net energy from daily living to zero by generating and saving energy.

As mentioned above, we are actively exploring and promoting the sale of zero-energy housing, as it has a significant impact on efforts to reduce greenhouse gases. In 2018, we registered with ZEH Developer as a provider of multi-unit ZEH, in an effort to promote zero-energy rental properties. The Daito Group has been the largest housing provider in Japan for the last 12 years. Converting our properties into ZEH would have a huge knock-on effect across the entire country, contributing significantly to the realization of a post-carbon society.

A building being constructed using 100% renewable energy

We will develop and implement energy-saving materials that reduce everyday greenhouse gas emissions, thereby striking a balance between environmental consideration and comfortable living for residents.

To reduce the amount of greenhouse gases emissions arising from the lifestyles of our residents, we are doing more than just promoting the sale of ZEH; we are actively working alongside suppliers to develop and introduce unique energy-saving materials with a proven track record.

As we consider our impact on the environment, it is also essential that we enable our residents to enjoy a comfortable lifestyle. We aim to provide living spaces that fulfill both of these aims.

Waste

We aim to recycle all our waste.

> Our aim is to recycle 100% of the waste wood generated during construction and demolition.

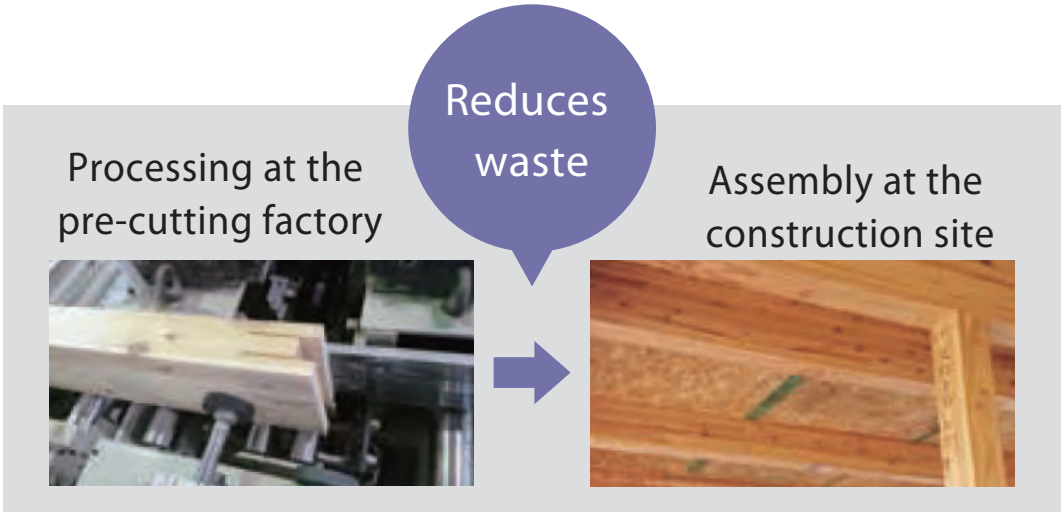
We are promoting our own initiatives to chip waste wood (wood debris) at our construction and demolition sites throughout Japan and have it recycled into materials that can be used in other construction projects. In the future, we will actively promote new initiatives such as the development of wood-based biomass power generation, and aim to recycle 100% of the waste wood generated across all our construction sites.

> We will develop and implement construction methods and technologies that minimize industrial waste produced at construction sites and during the manufacture of materials.

We are promoting efforts to reduce the amount of industrial waste produced at construction sites and during the manufacture of materials, while also developing and introducing new initiatives to further reduce the amount of waste generated in the future.

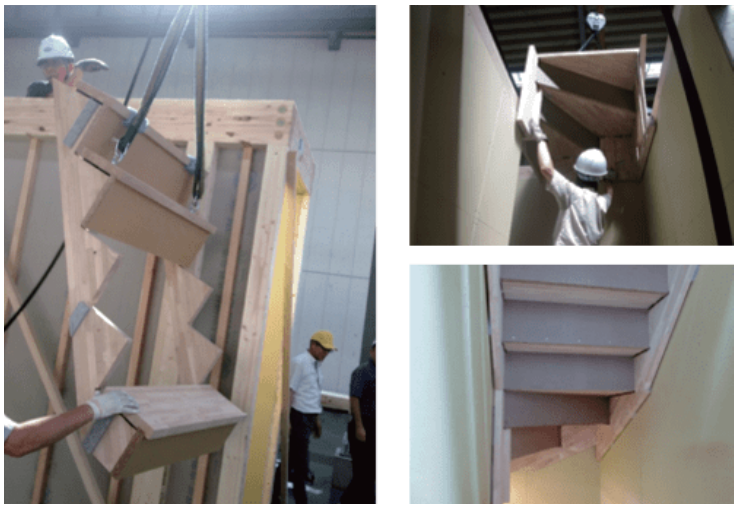
Pre-cutting wood used in construction

The two-by-four construction method, which is a key component of the Daito Group's construction work, is managed by head office from the design stage onward, allowing wood to be allocated with as little wastage as possible, and enabling affiliated panel-production sites throughout Japan to pre-size and pre-cut their panels wherever possible. In addition, we are currently developing the Eco Pre Cut construction method, an original construction method that is similar to conventional wooden construction, but involves pre-cutting batches of wood at the production site and joining them with metal fittings at the construction site. This method has resulted in more efficient use of wood, and reduced the amount of waste wood produced at our construction sites. We will continue to incrementally increase the proportion of wooden components that are pre-cut, including substructure, in order to reduce the amount of waste wood produced at our construction sites throughout Japan.



Pre-cut indoor staircase

Most of the apartment buildings produced by the Daito Group are row houses that require a lot of internal staircases. In order to reduce labor times and industrial waste, we have introduced an original scheme that involves pre-cutting components in bulk at the site of production. This method has resulted in more efficient use of wood, and reduced the amount of waste wood produced at our construction sites. In future, we will continue to incrementally roll out this method of pre-cutting to stairwell components that aren't currently pre-cut, and in doing so, reduce the amount of waste wood produced at our construction sites throughout Japan.



Mock-up test using a pre-cut staircase

Sizing insulating materials to order

In the past, materials used for insulation in wall spaces and similar areas were usually cut to size on-site. We now have our insulation made to order by the manufacturer to a size that matches the specifications of the Daito Group's own two-by-four construction method. This eliminates the need for materials to be cut on-site, and reduces the amount of industrial waste generated. In the future, we will gradually have more materials sized to order, and work to reduce the amount of industrial waste produced at all sites throughout Japan.

Making pallets for imported materials out of cardboard

Materials imported from overseas, such as roof cladding, are loaded onto pallets and shipped in containers before being processed by customs, stored, transported and delivered. These pallets are usually processed on-site as waste wood. Changing these pallets to cardboard has enabled them to be reclaimed on-site and recycled as waste paper, thereby reducing the amount of industrial waste generated. In the future, we are considering transitioning to pallets made of cardboard or other materials with a low industrial waste yield for materials sourced from within Japan, not just for imported materials. We will phase these pallets in gradually, to help reduce the amount of industrial waste generated at sites all across Japan.

Pallets made of cardboard

Pre-cutting external wall coverings (siding)

We are working in cooperation with a partner siding manufacturer to reduce wood loss rate by disclosing information about optimal wood allocation for siding throughout Japan, and started trialing a system of pre-cutting and delivering siding to construction sites using data measured on-site in August 2020.

This trial will help identify issues and potential improvements before the method is deployed nationwide, after which it will help to increase the efficiency of our wood use and reduce wood waste at construction sites.

Using recycled chipboard as a substrate

We have developed and tested original recycled chipboard, made from recycled industrial waste such as lumber and wooden building materials from our construction sites, to be used as a substrate for walls, floors, and roofs. In the future, we will put these to practical use, reducing the creation of wood-based industrial waste at our sites.

Mock-up test using chipboard

Using laminated Japanese cedar as studs

Ordinary Japanese cedar trees are not the perfect size for two-by-four column material (studs), so a lot of them produce offcuts that were discarded. In order to make the most of this waste wood, we employ "finger-joint materials" (long materials created by joining shorter materials and offcuts) which are bonded lengthwise. In the future, two-by-six materials will also be JAS-certified, further reducing waste material from wood processing.

We received JAS certification for our finger-jointed Japanese cedar

Rethinking packaging for large materials

We are constantly reviewing the size of packaging materials for large-scale items (e.g. kitchen equipment, dressers with sinks, shoe racks, air conditioners) to optimize and minimize them in cooperation with each manufacturer. This allows us to reduce the amount of industrial waste from packaging materials at construction sites. We will continue to work on minimizing waste at construction sites by actively developing and implementing these unique initiatives.

Cardboard package covering has been minimized

We will reduce and recycle plastic waste in order to mitigate its environmental impact.

We are working together with experts in the field of industrial-waste disposal to promote material, chemical and thermal recycling, in an effort to improve the recycle rate of plastic waste generated at construction and demolition sites throughout Japan. We are also considering introducing plastic alternatives for the likes of building and packaging materials, and promoting initiatives to reduce the amount of plastic that we use.
The Daito Group managed 38,329 rental properties, including detached houses and rental housing, in FY2020 (April 2020 to March 2021)—more than anyone else in Japan—which means we carry out a significant amount of construction work each year across the country. I believe every little effort made at our sites will have a significant impact on promoting the 3R Policies (Reduce, Reuse and Recycle) for waste plastics across Japan.

We will promote the reduction of greenhouse gas emissions in our business activities.

> We will take action to reduce greenhouse gas emissions across all of our business activities, in aims of reducing output to 55% of our FY2017 levels by 2030. (SBT 1.5°C standard, Scope 1 and 2)

Consumption of electricity and gasoline at business offices and construction sites accounts for the majority of the Daito Group's Scope 1 and 2 emissions.

We will promote initiatives to reduce greenhouse gas emissions in our business activities by saving energy, improving energy efficiency and introducing renewable energy sources.

Save energy

+

Improve energy efficiency

+

Introduce renewable energy

We will promote energy conservation and improved energy efficiency across all of our business activities.

We will actively promote energy conservation, and the improvement of energy efficiency, in an effort to reduce greenhouse gas emissions across all of our business activities. To reduce the consumption of electricity in our office buildings, we made a complete switch to LED lighting. We are also encouraging our employees to cut down their hours of overtime as part of our working-practice reforms, which has contributed to reducing the amount of electricity used in our offices.

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. We are proactively encouraging actions to reduce energy consumption in the temporary offices set up at our construction sites, such as taking care to turn off lights whenever they are not needed, keeping air conditioning to a reasonable temperature, and switching off air compressors while workers are on breaks. We are promoting energy conservation and improved energy efficiency at the Shinagawa East One Tower building, which is owned by the Daito Group and serves as our head office. We are also promoting efforts to turn it into a net-zero energy building (NZEB), in Japan's first renovation of a large-scale building.

We will source 100% of the electricity consumed by business activities from renewable energy sources by 2040.

At present, the Daito Group has installed solar power equipment at approximately 15,000 of the 170,000 rental housing buildings that we manage throughout Japan. This generates approximately 208 GWh of electricity a year, which is equivalent to roughly four times the annual electricity consumption of the entire Daito Group. Once this energy is sold off under the Japanese Feed-In Tariff (FIT) system, we expect to be able to use this renewable energy ourselves to achieve our RE100 goals. And with the establishment of schemes that make effective use of our surplus power in regional areas of Japan, we will contribute to the promotion of renewable energy use all across Japan.

We will promote the reduction of greenhouse gas emissions from automobiles used in our business activities.

In order to reduce the amount of greenhouse gases emitted by automobiles used in our business activities, we are promoting initiatives to track the travel distance and fuel consumption of each vehicle and promote ecological driving. And as a result of an initiative to streamline the number of vehicles deployed to each of our business branches, we now own fewer vehicles, and are able to use them more efficiently. We started rolling out electric vehicles to our business branches across Japan in 2019, and completed rollouts to seven different branches in August 2020. Electric vehicles reduce the impact on the environment, and also have the added benefit of providing an alternative source of power during emergencies. As we continue to roll out electric vehicles to our business branches across Japan, we will explore even more avenues for reducing the amount of greenhouse gases emitted by automobiles.

Nature

We aim to work in harmony with the natural world.

We will promote the sale of housing complexes built using wood, with the aim of promoting wood recycling.

We are helping to promote the forest renewal cycle by proactively using wood as the main construction material for our buildings, and spearheading initiatives to increase the construction of wooden buildings using both CLT and two-by-four construction methods. Wood-based construction should yield a lower output of greenhouse gases at both the production and construction phases than construction using reinforced concrete. And because responsible use of wood promotes a healthy forestry cycle, the utilization of reasonable amounts of wood plays an important role in the conservation of forests.

The Daito Group managed 38,329 rental properties, including detached houses and rental housing, in FY2020 (April 2020 to March 2021)—more than anyone else in Japan. 33,074 of these properties (around 86%) were constructed using wood. This makes us the largest construction and real estate company in Japan to use wood in our construction process. By taking advantage of this fact and promoting responsible use of wood, we contribute significantly to the conservation of forests.

We will promote understanding of regional forest and environment conservation and biodiversity through working together with local governments, NGOs and NPOs.

As a company that makes use of the land, we are committed to the conservation and appropriate management of regional biodiversity as part of our social responsibility. We have created a unique "Biodiversity Initiatives Policy" to reduce the impact our business activities have on biodiversity, and are strengthening our framework for implementing it. We also work with local governments, NGOs and NPOs to promote understanding of forests, forestry and environmental conservation by running forest conservation activities for our employees.

Tree planting session

We will promote the use of domestically produced wood while stimulating forestry and regional revitalization.

We use domestically produced wood, such as cedar wood from Tohoku and Kyushu, in our building materials. Since 2019 we have made such commitments as using CLT, which was launched the same year, in rental housing, and in 2020, we used around 15,000 m^3 of CLT. The "Japan Wood" mark, which indicates that a product is made from domestically grown wood, was created independently by the Group and has now been widely adopted throughout the industry as a symbol to promote the use of domestic wood.

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 is beneficial for the forest's own renewal process, helping to mitigate natural disasters such as landslides and fallen trees due to typhoons.

We will strive to eliminate the destruction of forests caused by wood procurement, and work toward transparency in the supply chain.

We formulated our own unique 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. These guidelines cover our basic approach to wood procurement, and our policy to source legitimate, sustainable wood and forest resources in favor of wood that could adversely affect biodiversity. We support forest conservation by purchasing all of our wood from lumber manufacturing companies who procure their raw materials from CAS-, ISO- and FSC-certified forests. We will continue monitoring the wood supply chain, and aim to eliminate the destruction of forests caused by wood procurement.

People

We aim to develop environmentally conscious people and an environmentally friendly organization.

In order to become an environmentally friendly organization, we will improve the environmental management framework for our employees and branch offices.

In order to become an environmentally friendly organization, we have built and conduct environmental management under our unique environmental management system (EMS) tailored to our business activities and based on ISO14001 and EcoAction 21. To increase the efficiency of our initiatives, we have established cross-functional specialist committees that include our group companies. These will drive ongoing improvement processes, helping us to understand the current situation and address issues.

We will continue to carry out environmental education to raise the awareness of each and every employee.

Increasing the environmental awareness of each employee is critical to promoting environmental management as a company. To this end, we regularly organize environmentally focused hands-on activities for our employees and their families. As a company that uses wood, we are committed to improving our employees' awareness of forests, the forestry industry and environmental conservation by independently planning and implementing forest conservation activities and tree planting events.

Information about local initiatives being undertaken in all Group companies, such as beach cleanups, are being shared across the Group as part of the cross-group Environmental Management Project, and this information is being developed internally for use in environmental education for employees.

In addition, we continue to spread awareness of the environment by regularly posting environmentally focused articles in corporate reports and other communications, as well as through internal broadcasts.

Forest conservation activities

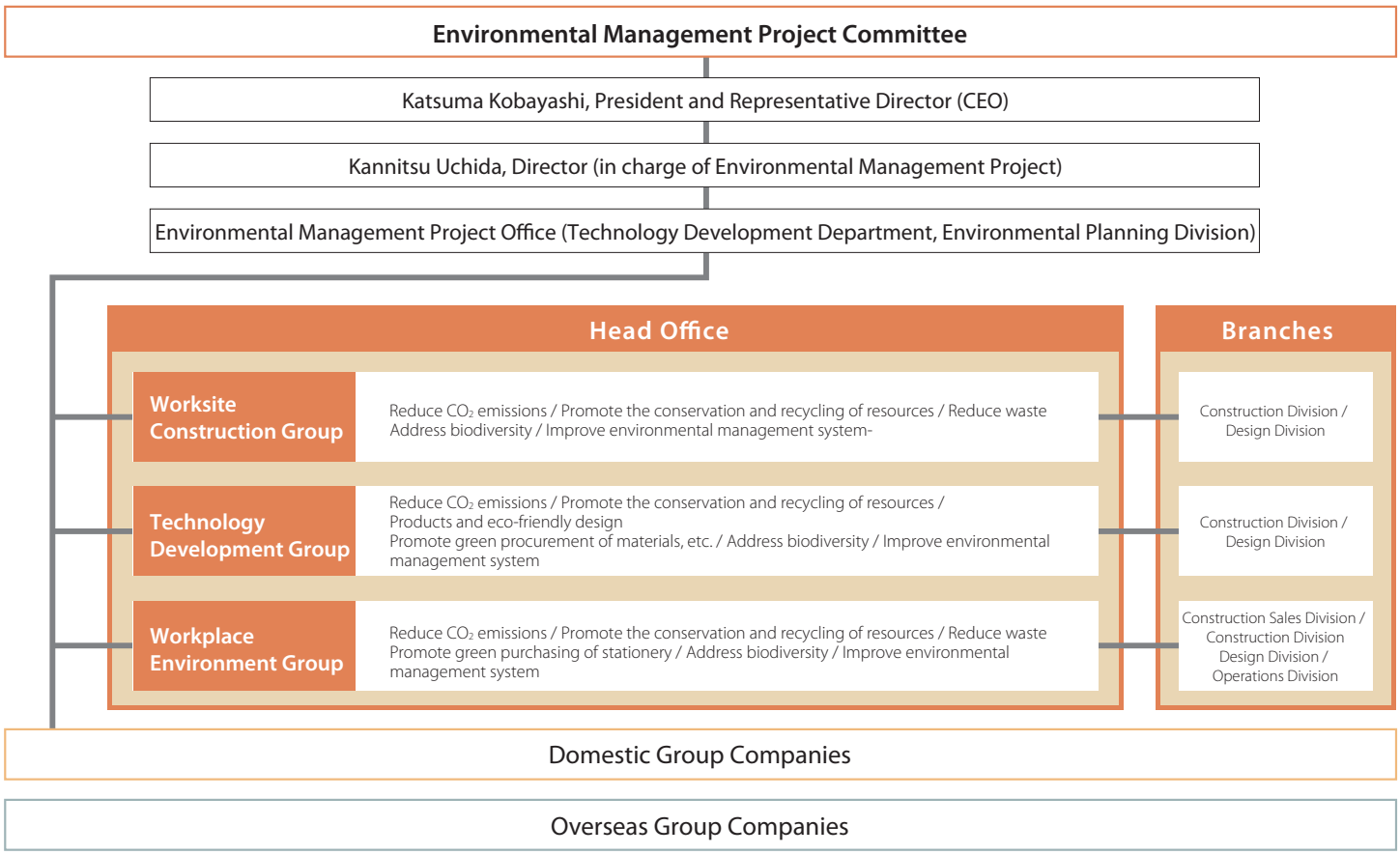
Environmentally Friendly Management

Our Unique Environmental Management System

The Daito Group has built and conducts environmental management under a unique environmental management system (EMS) tailored to our business activities and based on ISO14001 and EcoAction 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 have built an environmental management structure that includes our Group companies. In order to drive group-wide environmental efforts, the Committee holds regular plenary sessions with discussions aimed at understanding and resolving current issues.

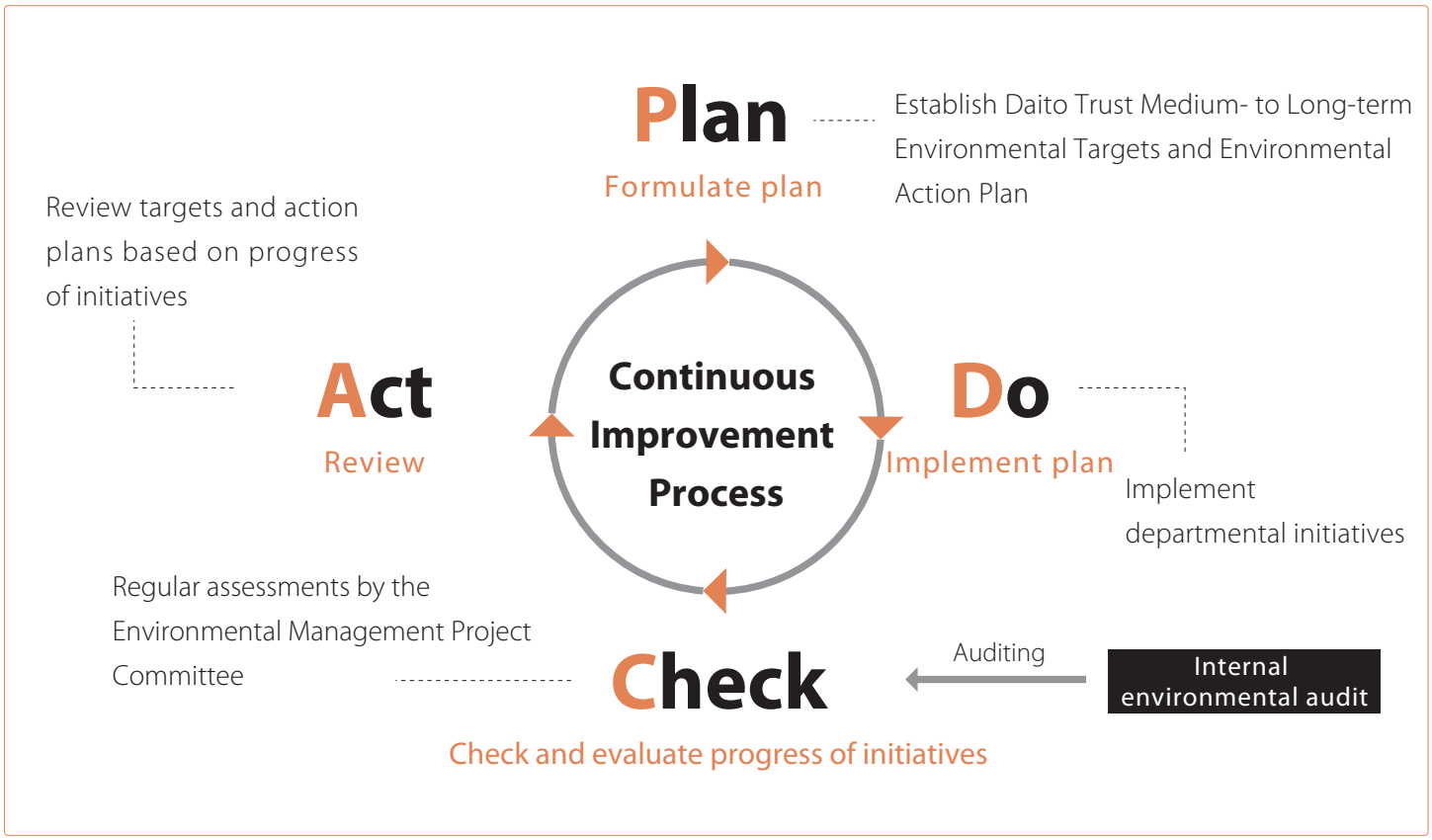


Continuous Improvement Process

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.

Environmental Management System PDCA Cycle



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 and Scope 3 greenhouse gas emissions (see "Medium- to Long-Term Environmental Targets").

Our Basic Approach to Procuring Materials

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

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 are 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 that enables us to build good relationships with our business partners, based on mutual trust, growth and development. When starting a new business relationship, we inquire about the partner business's management policy, financial status, etc., to confirm that stable and continuous trading will be possible.
4. We give top priority to ethical conduct and comply with laws, regulations and rules at all times. We also practice strict and scrupulous control of any information related to business partners and dealings that is obtained in the course of doing business together. Likewise, we ask our business partners to ensure strict compliance with laws, regulations and rules as well.
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 any confidential information, such as information acquired in the course of doing 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 the Group's Environmental Basic Policy and 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 footprint, we give preference to environmentally friendly goods, and those supplied by companies striving to practice environmental management, when purchasing items such as office supplies or procuring 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 CAS-, ISO- and FSC-certified forests. We are also working to strengthen traceability by establishing a Wood Procurement Policy (see "Toward a Sustainable Society").

Our Compliance with Environmental Regulations (April 1, 2019 to March 31, 2020)

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 "Organizational Structure for Promoting Environmental Management") 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 FY2019 compliance checks revealed the need for amendments regarding compliance with environmental legislation, which were subsequently implemented in March 2020. 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: 3

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

Material Balance

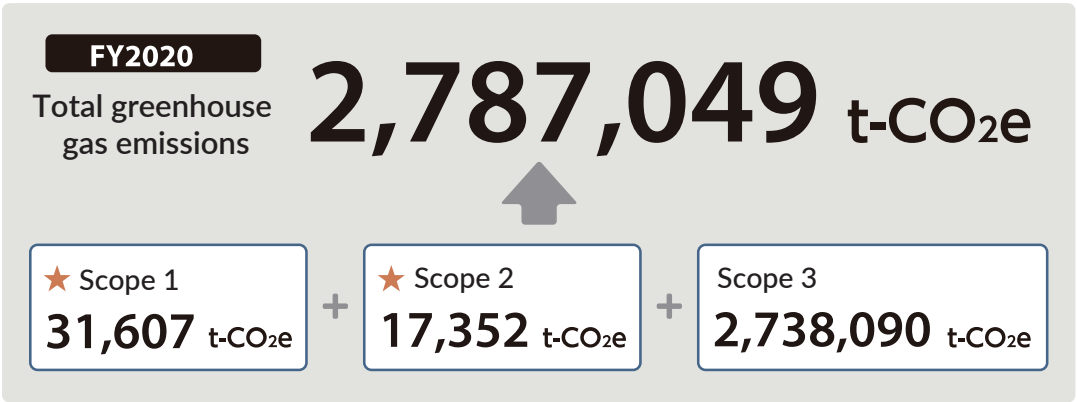
DAITO TRUST
CONSTRUCTION CO., LTD.

FY2020 Material Balance (Environmental Impact of Business Activities)

■ Gasoline, diesel fuel, kerosene, city gas, liquid petroleum gas	Uses actual values.
■ Steam, cold water	Uses estimated values calculated based on area measurements.
■ Electricity	For offices: uses actual values. 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. 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 (CO2) emissions across the entire supply chain

(This is the total for domestic use and emissions among Group companies [Daito Trust Construction Co., Ltd. and its domestic consolidated subsidiaries].)



Greenhouse gas emissions for each item are calculated based on the "Accounting, Reporting and Publishing Greenhouse Gas Emissions Manual, Ver. 4.7" 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.

Organizations covered in this report

This report pertains to the Daito Group (Daito Trust Construction Co., Ltd. and its domestic 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 Corporation, Care Partner Co., Ltd, Daito Corporate Service Co., Ltd., Umecare Co., Ltd., Sakura Care Co., Ltd., Daito Finance Co., Ltd., Daito Mirai Trust Co., Ltd., Daito Kentaku Health Insurance Association JustCo DK Japan Co., Ltd., Invalance Ltd., Lopicma Co., Ltd.

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

Report Period

April 1, 2020 to March 31, 2021

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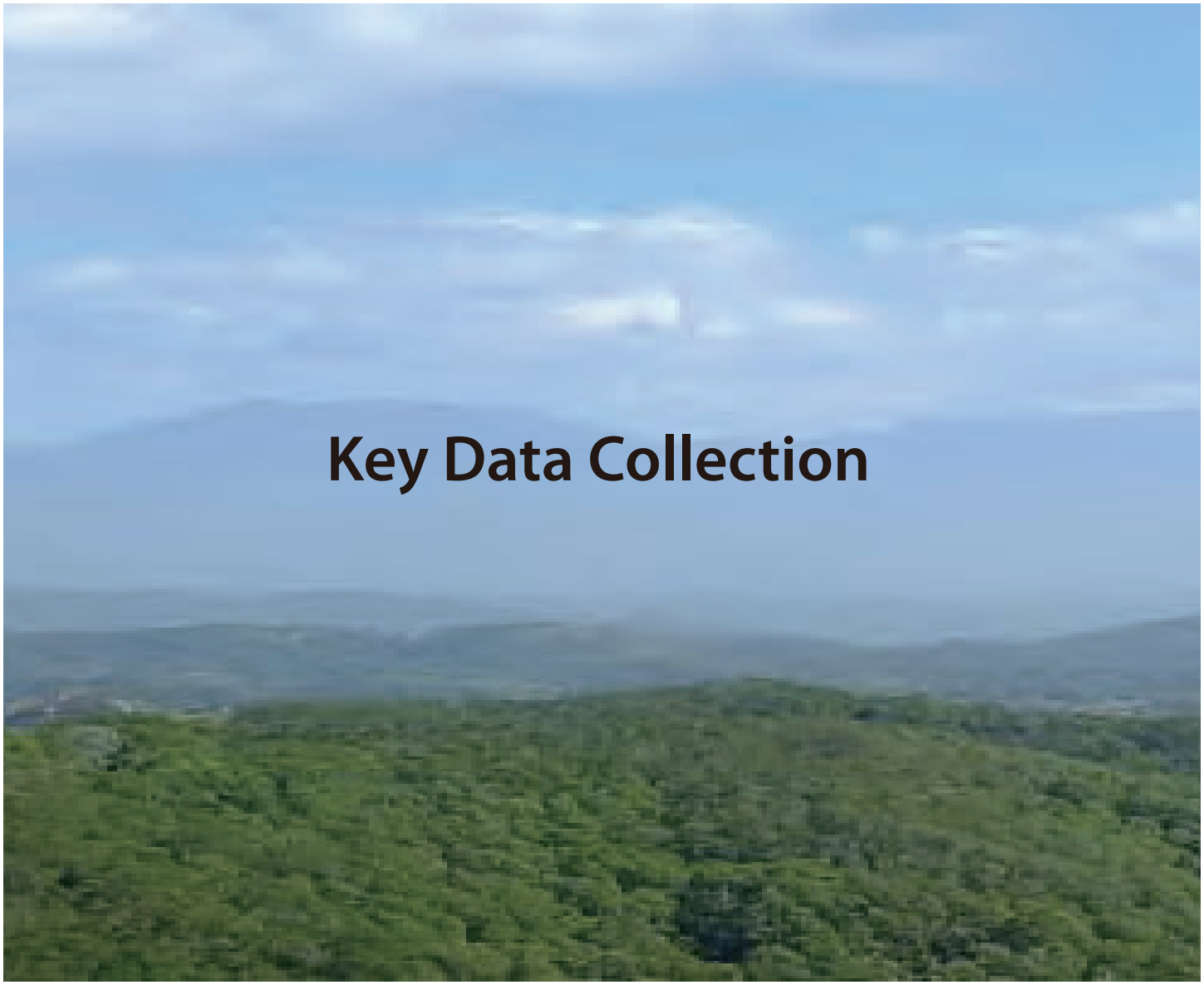


Key Data Collection

DAITO TRUST
CONSTRUCTION CO., LTD.

Resources/Energy Usage

The scope of this data up until FY2019 is the Daito Group (Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries). However, from FY2020, the accounting method for international consolidated subsidiaries was not settled, and there was significant fluctuation, so figures only apply to the domestic Group (Daito Trust Construction Co., Ltd. and its domestic consolidated subsidiaries). Furthermore, figures for resources and recyclable resources used for FY2016 to FY2020 apply only to the domestic Group.

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

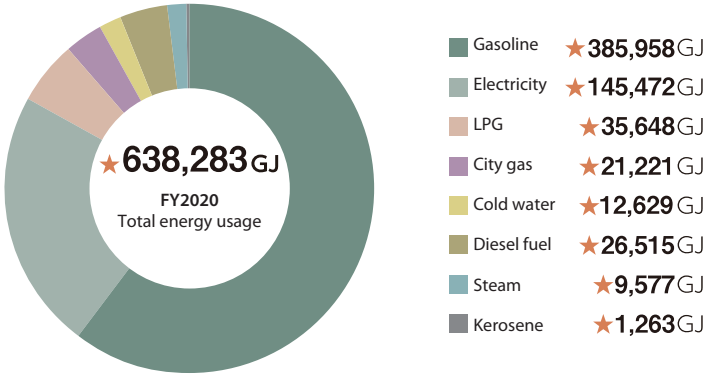
We are working on reducing gasoline usage through the promotion of economical driving practices and deployment of fuel-efficient vehicles.

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, coupled with a decrease in the number of completed buildings. Going forward, we will continue to develop construction methods that use a low amount of resources and have a low environmental impact.

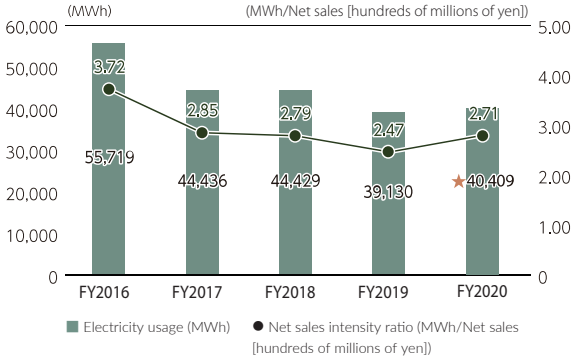
The amount of recyclable resources used is calculated with the amount of recycled material used in construction materials for new construction work included. In FY2018, we reconfirmed and reviewed the definition of green purchasing of new building materials, which has led to a significant reduction.

Total Energy Usage

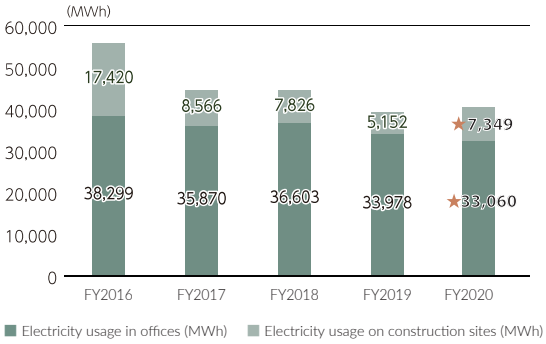
(Usage by Type)



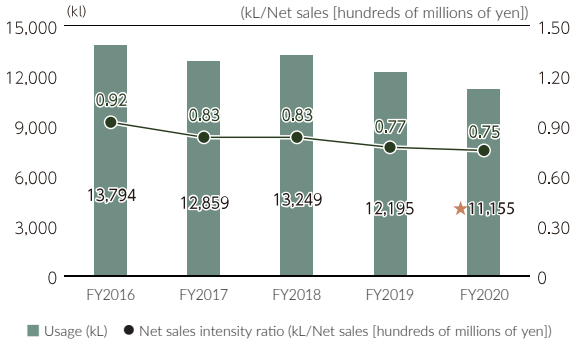
Amount of Electricity Used



Amount of Electricity Used by Site

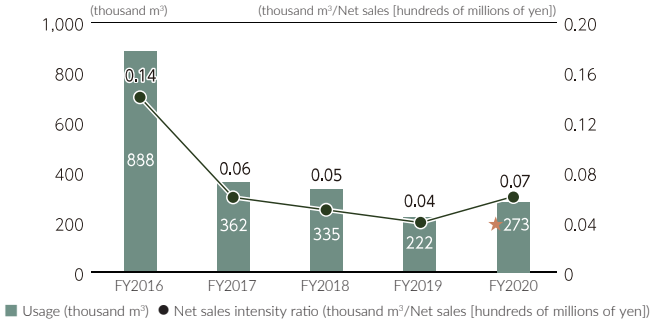


Amount of Gasoline Used



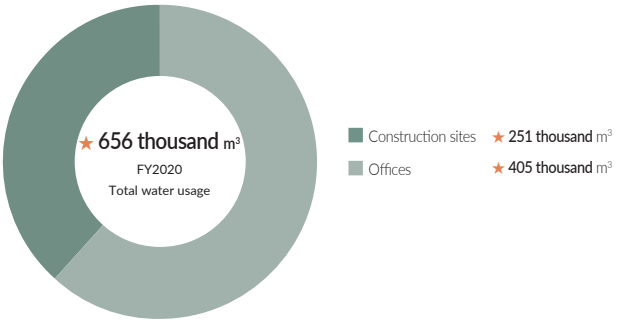
(Non-consolidated) Total Water Usage

(Tap Water & Recycled Water) Usage

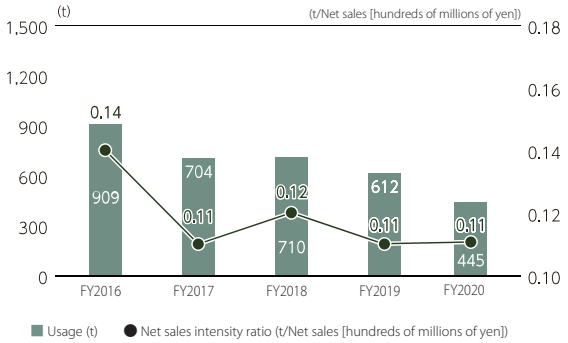


Note: Totalization of the Group's consolidated water usage began in FY2018, so this graph shows the values for Daito Trust Construction Co., Ltd. only.
For the Group's consolidated total water usage of FY2020, please see "Water Usage by Site."

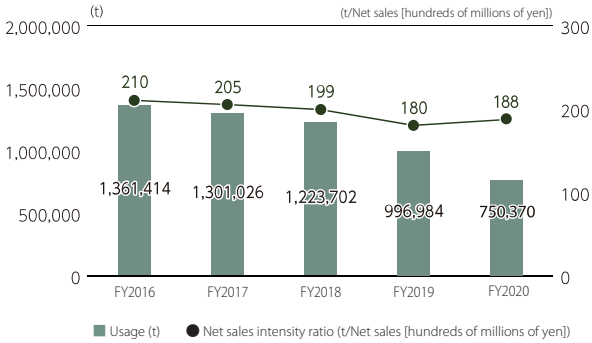
Water Usage by Site



Amount of Photocopy Paper Used



Total Resource Usage

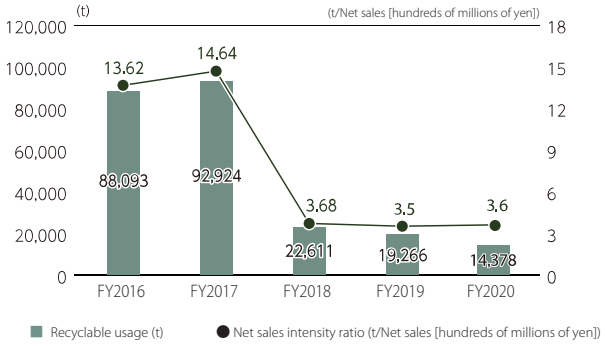


DAITO TRUST CONSTRUCTION CO., LTD.

Resource Usage by Category

Usage (t)	FY2016	FY2017	FY2018	FY2019	FY2020
Iron	57,947	50,360	46,691	37,995	29,207
Aluminum	29,561	32,906	43,102	30,252	14,948
Plastic	2,232	2,154	2,010	1,724	1,261
Glass	1,201	1,150	1,075	917	674
Glass wool	4,358	4,224	3,953	3,589	2,482
Mineral wool	0	0	0	0	0
Wood	138,661	134,546	125,712	111,801	80,531
Plasterboard	65,473	63,521	59,990	53,849	37,117
Exterior siding	30,868	29,988	28,508	25,602	17,462
Concrete	905,350	860,721	796,853	633,423	506,403
AAC	12,484	12,071	11,844	10,418	6,881
Crushed stone	113,278	109,386	103,964	87,413	63,405
Total	1,361,414	1,301,026	1,223,702	996,983	760,370

Amount of Recyclable Resources Used



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

Report Period

April 1, 2020 to March 31, 2021

Publication Date

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Emissions Harmful to the Environment

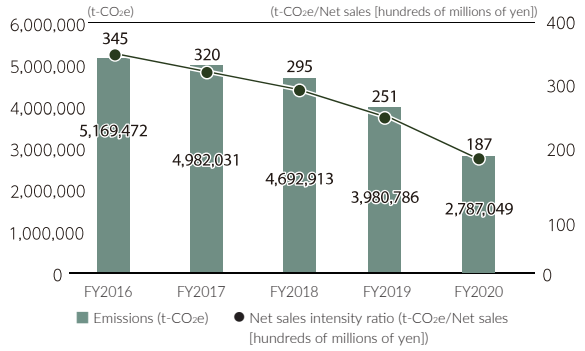
The scope of this data up until FY2019 is the Daito Group (Daito Trust Construction Co., Ltd. and its domestic and international consolidated subsidiaries). However, from FY2020, the accounting method for international consolidated subsidiaries was not settled, and there was significant fluctuation, so figures only apply to the domestic Group (Daito Trust Construction Co., Ltd. and its domestic 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. in order to make the change easy to understand.

A large proportion of greenhouse gas emissions arose from Scope 3, Category 11: "Use of sold products," which accounted 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 multi-unit rental housing sold by Daito Trust Construction Co., Ltd. The total since FY2018 also reflects the emissions reduction due to net zero-energy houses (ZEH) sold. The Daito Group will continue to work toward reducing greenhouse gas emissions by promoting sales of ZEH and developing energy-saving materials that will contribute to reducing energy consumed during tenants' daily lives.

Daito Trust Construction Co., Ltd. non-consolidated industrial waste emissions were reduced through initiatives such as encouraging the use of pre-cut materials and reducing packaging at new-build construction sites, and converting scrap materials into useful materials.

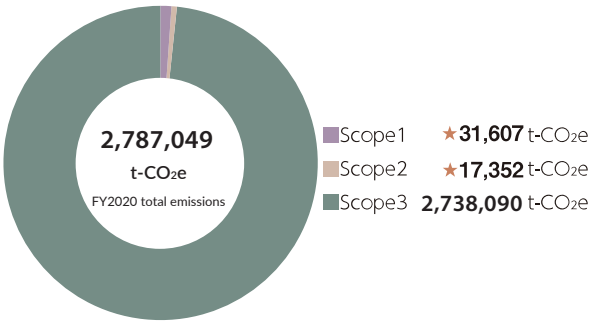
Greenhouse Gas Emissions (Scope 1, 2 and 3)



Greenhouse Gas Emissions (Scope 1, 2 and 3)

	FY2016	FY2017	FY2018	FY2019	FY2020
Scope 1 Emissions (t-CO2e)	37,238	35,169	36,091	33,552	★31,607
Scope 2 Emissions (t-CO2e)	31,366	28,341	25,331	21,691	★17,352
Scope 3 Emissions (t-CO2e)	5,100,868	4,918,522	4,631,490	3,925,542	2,738,090
Scope 1 + 2 + 3 Emissions (t-CO2e)	5,169,472	4,982,031	4,692,913	3,980,786	2,787,049

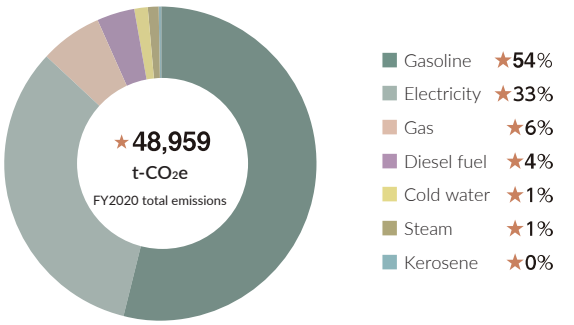
Greenhouse Gas Emissions (Scope 1, 2 and 3)



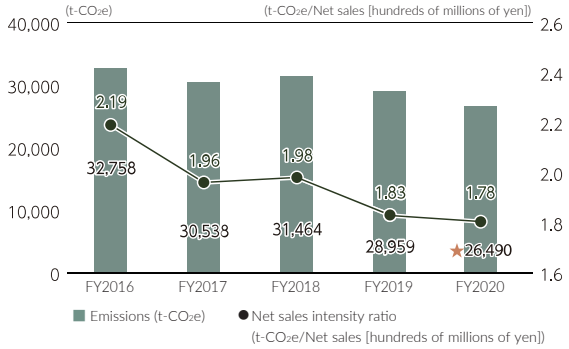
Greenhouse Gas Emissions by Type (Seven Substances) (Scope 1)

Carbon dioxide (CO_2)	★30,964 t-CO2e
Methane (CH_4)	★565 t-CO2e
Nitrous oxide (N_2O)	★78 t-CO2e
Hydrofluorocarbons (HFCs)	0t-CO2e
Perfluorocarbons (PFCs)	0t-CO2e
Sulfur hexafluoride (SF_6)	0t-CO2e
Nitrogen trifluoride (NF_3)	0t-CO2e
Total	31,607 t-CO2e

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

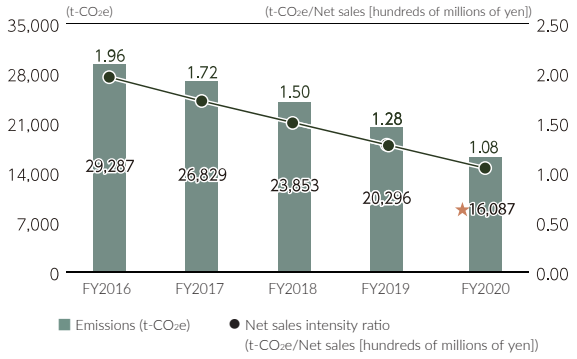


Greenhouse Gas Emissions due to Gasoline (Scope 1)



DAITO TRUST CONSTRUCTION CO., LTD.

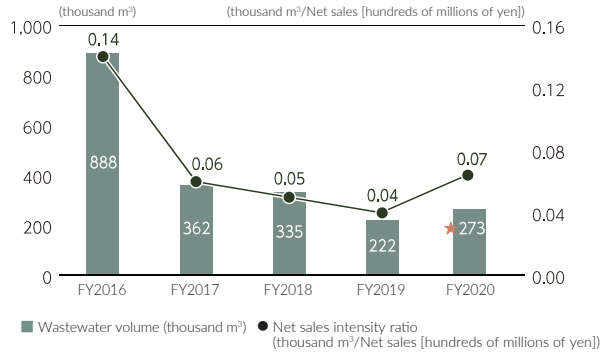
Greenhouse Gas Emissions due to Electricity (Scope 2)



Greenhouse Gas Emissions by Category (Scope 3)

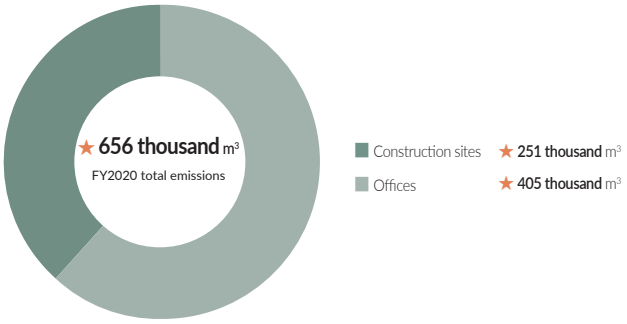
	Emissions (t-CO₂e)	As percentage of total
1. Purchased goods & services	★277,728	10%
2. Capital goods	0	0%
3. Fuel- and energy-related activities not included in Scope 1 or 2	2,803	0%
4. Upstream transportation & distribution	13,897	1%
5. Waste generated in operations	★19,329	1%
6. Business travel	★5,603	0%
7. Employee commuting	3,290	0%
8. Upstream leased assets	★81,102	3%
9. Downstream transportation & distribution	0	0%
10. Processing of sold products	0	0%
11. Use of sold products	★2,331,904	85%
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)	2,428	0%
14. Franchises	7	0%
15. Investments	0	0%
Total	2,738,090	–

(Non-consolidated) Total Wastewater Volume

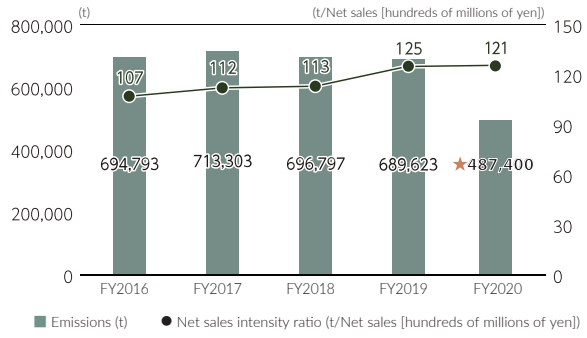


Note: For the Group's consolidated total wastewater volume of FY2020, please see "Wastewater Volume by Site."

Wastewater Volume by Site



(Non-consolidated) Total Emissions for Industrial Waste and Net Sales Intensity Ratio



DAITO TRUST CONSTRUCTION CO., LTD.

Total Emissions, Recycled Amount, Final Disposal Amount and Recycle Rate for General Waste (By Category)

	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate
Copy and printer paper/High-quality paper	1	1	0	100%
Newspapers	3	2	0	82%
Magazines	42	17	26	40%
Cardboard boxes	101	79	22	78%
Mixed paper	225	164	60	73%
Kitchen and miscellaneous waste	947	2	945	0%
Glass bottles/jars	14	14	0	100%
Cans	7	4	3	59%
Plastic bottles	9	4	6	37%
Polystyrene	1	0	1	13%
Plastic waste	27	20	6	77%
Lunch box packaging, etc.	1	0	1	0%
Bulky refuse	104	0	104	0%
Total	★1,482	★308	★1,174	★21%

Total Emissions, Recycled Amount, Final Disposal Amount and Recycle Rate for Industrial Waste by Category

Displayed as "0" if less than thousand tons

	★ Total emissions (unit: thousand tons)	★ Recycled amount (unit: thousand tons)	★ Final disposal amount (unit: thousand tons)	Recycle rate
Construction sludge	20	20	0	100%
Waste alkalis	0	0	0	-
Plastic waste	58	39	19	67%
Paper waste	13	12	1	94%
Waste wood	100	97	3	97%
Waste textiles	1	1	0	83%
Waste drywall boards	17	15	2	89%
Waste metal	19	19	0	98%
Glass and ceramic waste (including concrete)	32	14	18	43%
Rubble (asphalt concrete, concrete and others)	256	224	33	87%
Asbestos-containing material (glass, ceramic and others)	5	0	5	0%
Total	522	440	82	84%

Greenhouse gas emissions for each item are calculated based on the "Accounting, Reporting and Publishing Greenhouse Gas Emissions Manual, Ver. 4.7" 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).

Organizations covered in this report

This report pertains to the Daito Group (Daito Trust Construction Co., Ltd. and its domestic 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 Corporation, Care Partner Co., Ltd, Daito Corporate Service Co., Ltd., Umecare Co., Ltd., Sakura Care Co., Ltd., Daito Finance Co., Ltd., Daito Mirai Trust Co., Ltd., Daito Kentaku Health Insurance Association JustCo DK Japan Co., Ltd., Invalance Ltd., Lopicma Co., Ltd.
With regard to greenhouse gas emissions, this report covers Scope 1, Scope 2 and Scope 3.

Report Period

April 1, 2020 to March 31, 2021

Publication Date

January 2022

Improving the Reliability of the Environmental Report

To ensure the reliability of quantitative environmental information from FY2020 published in this report and marked with a ★ symbol, the Daito Kentaku Group Environmental Report 2021 has undergone third-party assurance provided by Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte.
デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

January 12, 2022

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, 2021 (the "Quantitative Environmental Information") included in the "Environmental Report 2021" PDF (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 (as described in Organizations covered in this report and indicated with the Quantitative Environmental Information of the Report). 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.
- Performing interviews of responsible persons and inspecting documentary evidence 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