

Preliminary version

As of February 2021, we are proceeding with the Integrated Report revision due to new law enforcement.

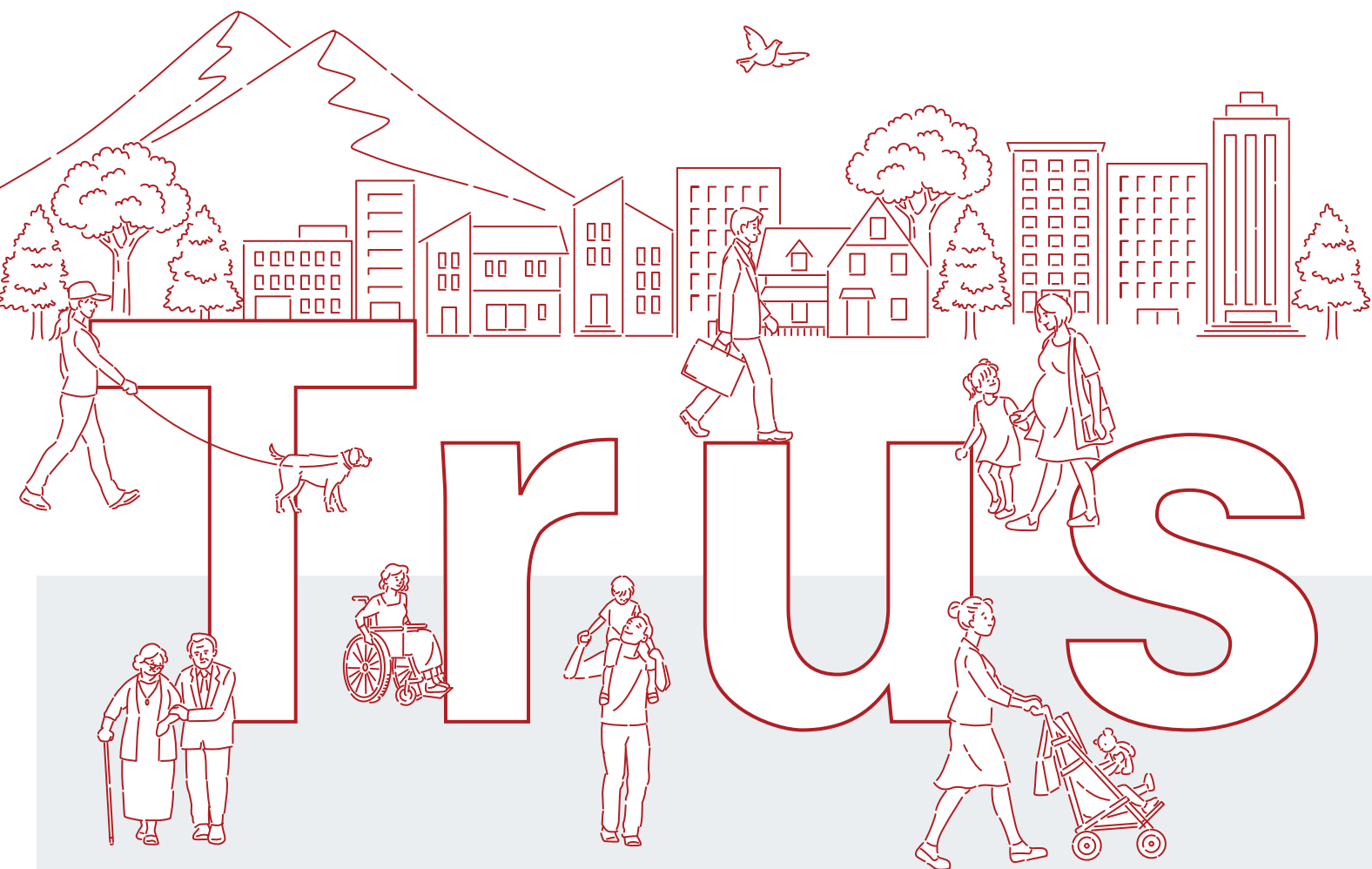
Life is Built on Trust.

Integrated Report

2020

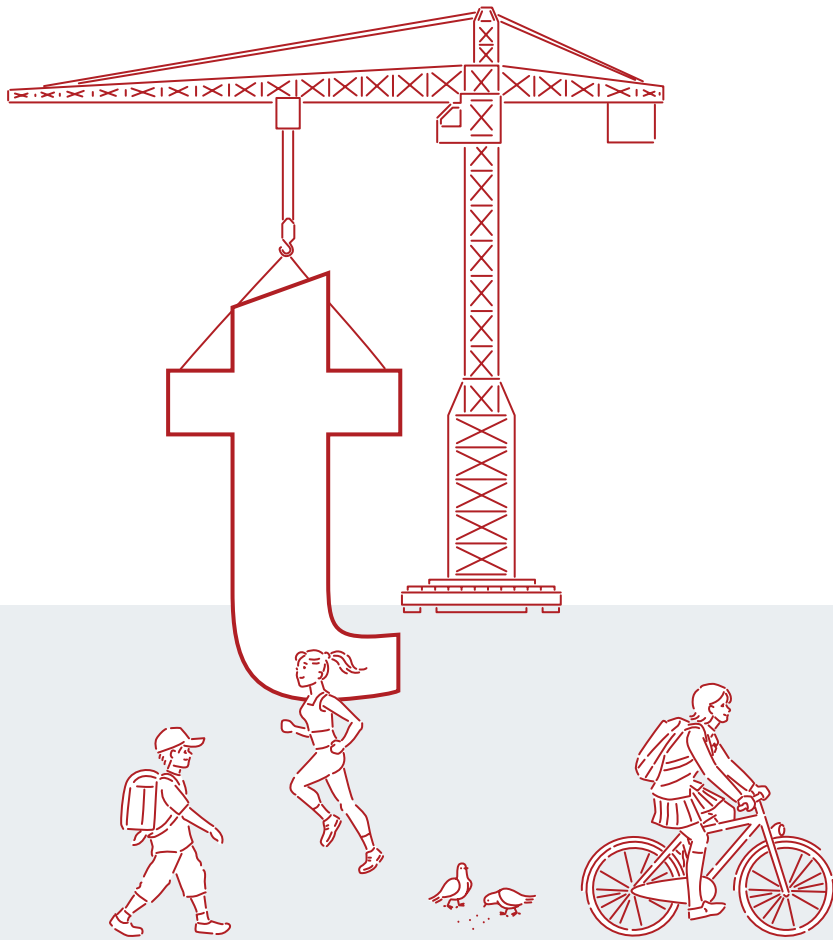


**DAITO TRUST
CONSTRUCTION CO., LTD.**



Moving forward to greater confidence

Owners entrust us with valuable property and building assets, while tenants entrust us with the foundations for their living. Because of this, we have taken the utmost care even to the minutest detail, from building materials to construction methods, to maintain the value of these properties for our owners in the long term and to build living environments that are safe and comfortable for our tenants. Our aim is to be a company entrusted with the dreams and futures of our many stakeholders.



By continually living up to this trust placed in us, we have been able to hone our strengths in other areas such as offices and commercial properties. Through this expansion from living spaces to being entrusted with all aspects of living, we hope to gain even greater trust from all of our stakeholders.

Our Desire

At the Daito Group, we have an unshakable commitment to our Corporate Philosophy and to strengthening and expanding business domains with the aim of becoming a company that our stakeholders feel comfortable entrusting their dreams and future to and that can generate sustainable growth as a total lifestyle support company.

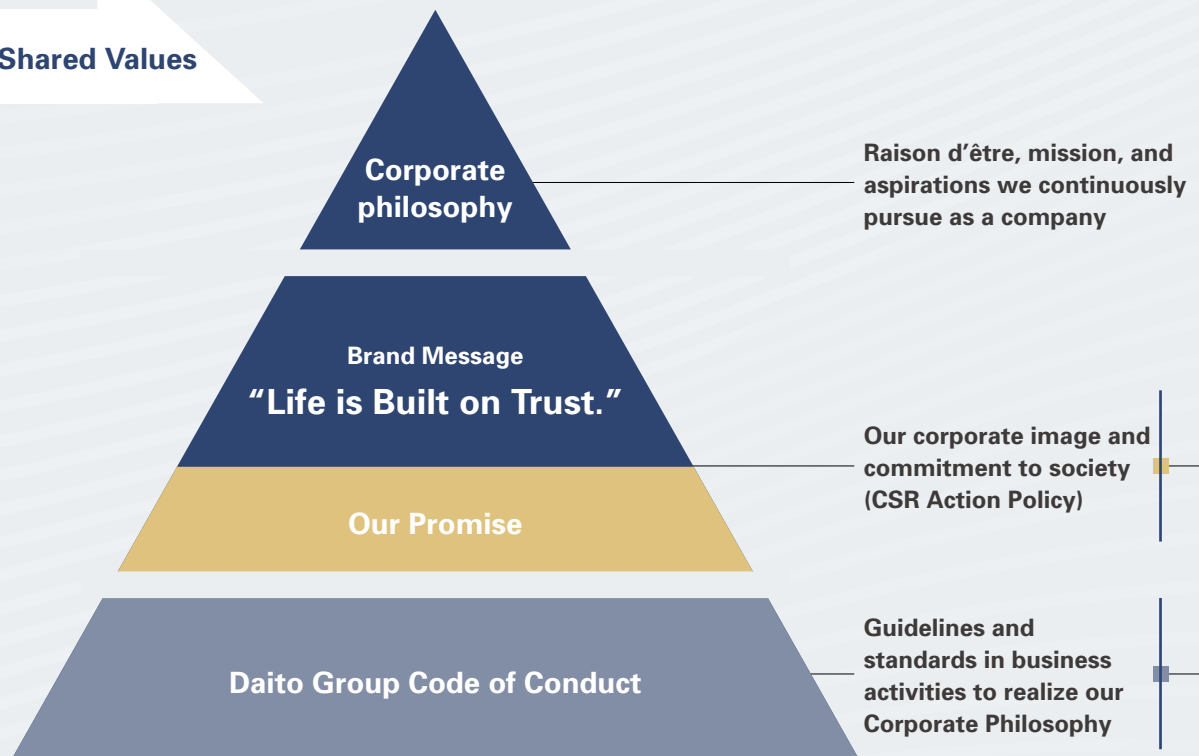
Corporate Philosophy

“Contributing to society by realizing extensive and effective use of limited land.”

Brand Message

“Life is Built on Trust.”

Daito Group’s Shared Values



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Our Promise

To our owners

"Entrusted with land that was built on or land to build on," we constantly pursue value that lasts for generations.

To our tenants

From housing search to providing support for comfortable living, we offer services that bring the highest level of satisfaction to tenants.

To our shareholders

We promise a stable shareholder return by realizing our business plan.

To our business partners

We will build symbiotic partnerships by placing importance on local and human relationships.

To our communities

We will contribute to revitalize local economies and local society by anticipating social changes.

As employees

We will build a vibrant workplace environment where every employee is able to gain a sense of satisfaction through their challenges.

Daito Group Code of Conduct

Daito Trust Co., Ltd. and each of the Daito Group companies have adopted the Daito Group Code of Conduct to facilitate the implementation of our Corporate Philosophy and earn the confidence of our customers and society in general. With the following six items as guidelines and standards for daily business activities, the code applies to the conduct of everyone in the Group.

1. Legal Compliance and Corporate Ethics
2. Management Transparency and Confidentiality
3. Customer-First Principle
4. Social Responsibility
5. Environmental Issues and Health and Safety
6. Overseas Activities

*Please see our website.

<https://www.kentaku.co.jp/corporate/en/ir/governance/compliance.html>

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About this Integrated Report

Editorial policy

This report is for our stakeholders, especially our shareholders and investors, to deepen their understanding of the Daito Group. This report discloses and explains highly important information directly related to the improvement of our value creating activities, among the Group's financial and non-financial information.

Target readers

Our stakeholders, especially our shareholders and investors.

Indicators

Unless otherwise indicated, the figures in this report are "periodic" figures for FY2019. Other figures are accurate as of March 31, 2020.

Report period

The fiscal year ended March 31, 2020 (FY2019)

Forward-looking statements

Statements regarding the Group's future, including business forecasts, in this report are based on assumptions used for planning, predictions, and on future projections at the time of this report's release. The Daito Trust Construction Co., Ltd. (the "Company") does not in any way guarantee the achievement of the projections. Our actual performance could significantly vary from these future projections, due to a variety of reasons.

Inquiries

Customer Service Office: 0120-1673-43 (toll free in Japan)
Business hours: 10:00 am to 5:00 pm (except weekends, public holidays and the Company's summer and New Year holidays)



Story of Value Creation at
the Daito Group

Value Creation

Since its founding in June 1974, the Daito Group has grown sustainably by transforming numerous challenges into opportunities, responding flexibly to the changing times and society, and through an unshakable commitment to its customer-first principle. Key to this growth has been the Group's unique business model, the Lease Management Trust System, built during this history. This report will highlight the uniqueness and competitive advantage of our business model based on the Lease Management Trust System and our current business environment.

The foyer of Daito Construction Co., Ltd.

In the headquarters and the hall leading to the foyer are a series of photos containing our mainstay products ranging from our founding warehouses to those in the present.

PAST

Development of a business model adapted to the changing times

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Path to Earning Trust and Growth

The Daito Group is not merely a construction company. We support our owner's varied worries related to the use of valuable land and asset succession through reliable, secure, and stable management support of the rental housing business that suits the changing times. By deepening trust with owners and families, as well as tenants, we have driven growth over the year.

Forerunner to the Lease Management Trust System

Founded in 1974 as Daito Sangyo Co., Ltd. (currently Daito Trust Construction Co., Ltd.), we gained our start by building commercial rental properties and proposing solutions for self-utilization of land to produce rental income. In 1980, we established Daito Kyosaikai to guarantee rent during times of vacancy—the first step on our path to establishing a comprehensive lease management support service.

Units under management

1,000,000

800,000

600,000

400,000

200,000

0

1974

1980

1985

1990

1995

June 1974

Established rental property business for supporting land-owners, Daito Sangyo, in Nagoya City, Aichi Prefecture

Turning Point

1980

March 1980
Established Daito Kyosaikai to guarantee rent during times of vacancy

April 1990
Relocated head office to Shinagawa Ward, Tokyo

March 1989
Listed on the Second Section of the Nagoya Stock Exchange

*Moved to the First Section in September 1991

April 1988
Changed name to Daito Trust Construction through introduction of Corporate Identity (CI)

Turning Point

1992

February 1992
Listed on the First Section of the Tokyo Stock Exchange

1992
Productive Green Land Act revised and enforced

1991
Burst of economic bubble

1993
100,000

February 1995
New Crestall 24 rental apartment building launched

1995
Great Hanshin Awaji Earthquake

History of Main Financial Indicators

	FY1980	FY1992
Net sales	¥2.3 billion	¥277.9 billion
Operating income	¥0.1 billion	¥37.7 billion
Profit attributable to owners of the parent	—	¥20.1 billion
Shareholders' equity	—	—
ROE	—	—
EPS	—	¥148
Number of rental properties under management	800 units	85,000 units
Payout ratio	—	16.8%

Start of the Lease Management Trust System

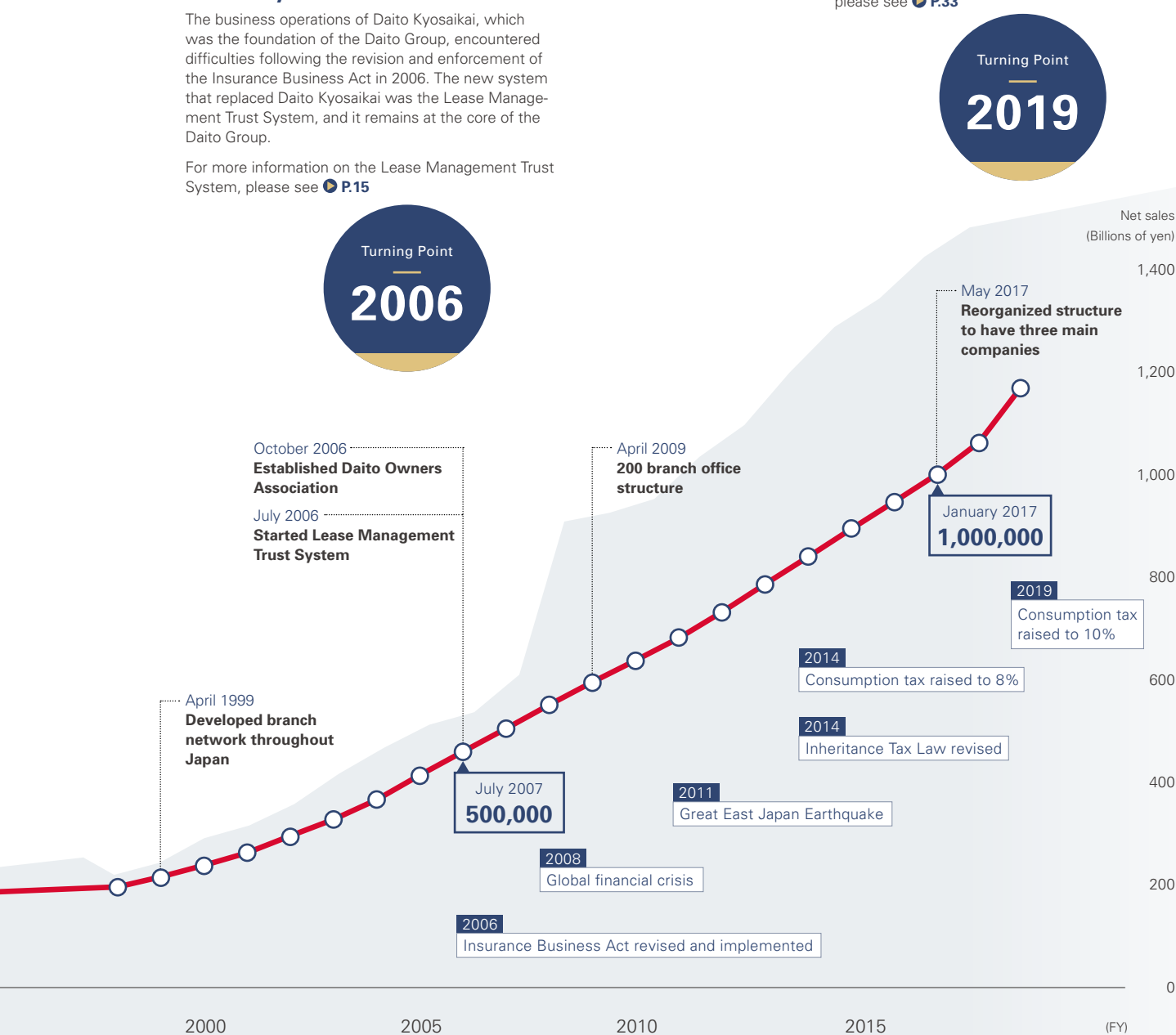
The business operations of Daito Kyosaikai, which was the foundation of the Daito Group, encountered difficulties following the revision and enforcement of the Insurance Business Act in 2006. The new system that replaced Daito Kyosaikai was the Lease Management Trust System, and it remains at the core of the Daito Group.

For more information on the Lease Management Trust System, please see [P.15](#)

Transition to a Total Lifestyle Support Company

With an aim of sustainable growth, we launched the New Five-Year Plan in 2019 with a vision of becoming a total lifestyle support company.

For more information on the New Five-Year Plan, please see [P.33](#)



	FY2006	FY2019
Net sales	¥564.3 billion	¥1,586.2 billion
Operating income	¥72.6 billion	¥127.9 billion
Profit attributable to owners of the parent	¥41.8 billion	¥90.3 billion
Shareholders' equity	¥274.6 billion	¥286.5 billion
ROE	16.2%	30.6%
EPS	¥345	¥1,306
Number of rental properties under management	493,000 units	1,165,000 units
Payout ratio	27.2%	50.0%

Financial Highlights

		FY2008	FY2009	FY2010	FY2011	FY2012	
Operating results							
	Unit						
Net sales	Billions of yen	954.8	972.6	1,001.1	1,087.1	1,152.4	
Construction business	Billions of yen	469.6	465.5	430.2	468.6	489.5	
Real Estate business	Billions of yen	464.7	483.5	545.2	589.9	630.4	
Other businesses	Billions of yen	20.4	23.4	25.6	28.5	32.4	
Gross profit	Billions of yen	181.8	188.7	195.3	214.1	218.4	
Construction business	Billions of yen	150.3	166.4	167.0	175.1	172.1	
Real Estate business	Billions of yen	25.3	14.4	19.2	29.2	35.3	
Other businesses	Billions of yen	6.2	7.8	9.0	9.7	10.9	
Operating income	Billions of yen	70.3	71.1	73.7	81.9	82.4	
Operating income margin	%	7.4	7.3	7.4	7.5	7.2	
Profit attributable to owners of the parent	Billions of yen	42.1	45.3	43.1	47.1	51.6	
Financial position							
Owner's equity	Billions of yen	295.7	311.5	131.1	158.3	191.2	
Equity ratio	%	54.7	55.8	24.6	27.8	31.0	
ROE	%	14.1	14.9	19.5	32.5	29.6	
Shareholder return							
EPS	Yen	349	386	384	594	648	
Cash dividends per share	Yen	104	193	229	297	324	
Payout ratio	%	29.8	49.9	59.6	50.0	50.0	
Total return ratio (including treasury stock acquisition)	%	57.2	79.8	526.0	50.0	50.0	
Indicators related to the Construction business							
Value of orders received	Billions of yen	437.2	435.2	503.4	611.7	655.1	
Number of construction sales representatives	People	3,020	2,830	2,981	3,222	3,204	
Net income of completed construction contracts*	Billions of yen	469.6	465.5	430.2	468.6	489.5	
Gross profit margin for completed projects	%	32.0	35.8	38.8	37.4	35.2	
Indicators related to the Real Estate business							
Number of tenant recruitments	Thousands	171	180	204	214	220	
Rental housing units under management	Thousands	552	598	645	694	747	
Rent-based occupancy rate	%	95.6	94.6	96.0	96.8	96.7	
Cash flows							
Net cash provided by operating activities	Billions of yen	30.2	46.0	60.7	77.8	87.8	
Net cash (used in) provided by investing activities	Billions of yen	(13.4)	(26.8)	49.9	(11.3)	(10.3)	
Net cash used in financing activities	Billions of yen	(39.6)	(29.8)	(94.9)	(29.4)	(36.2)	
Cash and cash equivalents at end of period	Billions of yen	181.5	170.7	184.8	221.0	264.1	

*In accordance with the revision of the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," from FY2010, the sales from building and repairs of Daito Building (now Daito Kentaku Partners) that had previously been included under other in net income of completed construction contracts were recorded under net sales—real estate.

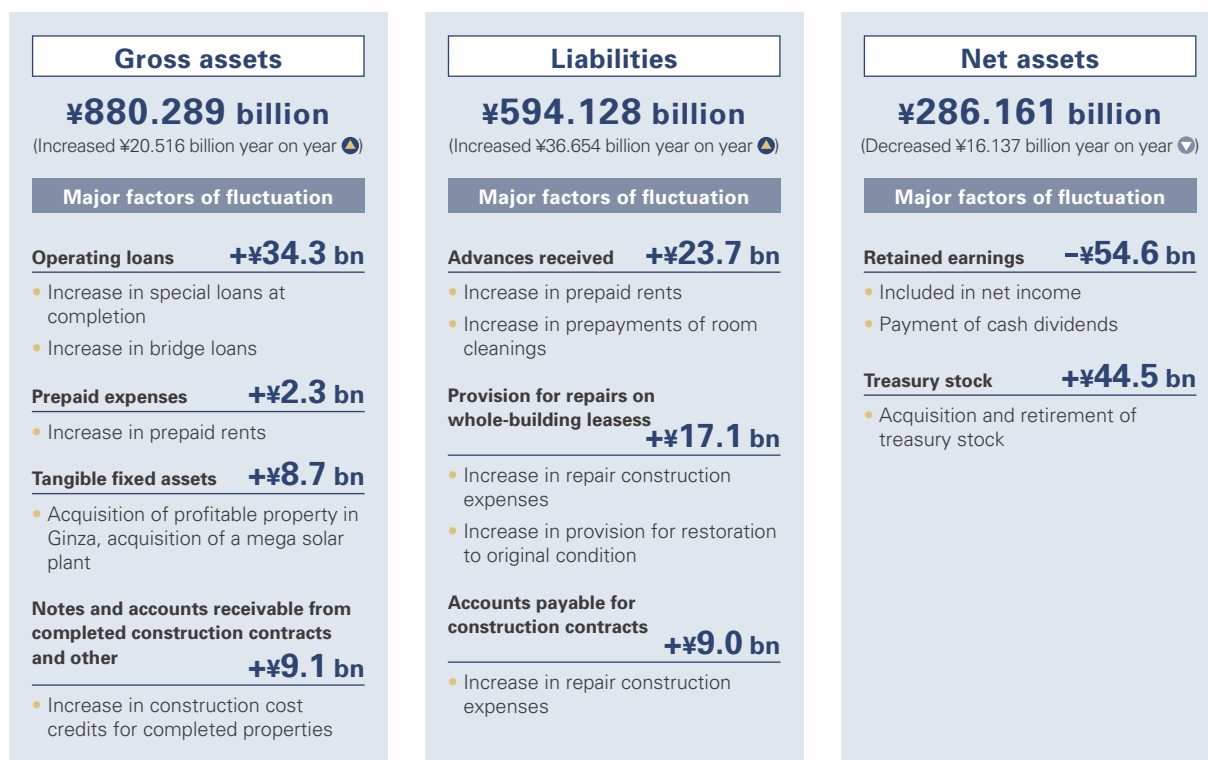
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Year-on-year change (FY2018 FY2019)
	1,259.6	1,353.1	1,411.6	1,497.1	1,557.0	1,591.1	1,586.2	1,480.0	99.7%
	545.3	589.1	595.3	623.9	627.6	609.7	551.1	407.0	90.4%
	677.6	723.8	774.8	824.6	871.3	924.1	973.6	1,013.0	105.4%
	36.6	40.1	41.4	48.5	57.9	57.2	61.4	60.0	107.3%
	233.0	238.9	254.4	285.5	297.0	296.0	282.4	232.3	95.4%
	175.2	172.5	176.2	197.6	197.5	183.7	159.1	102.8	86.6%
	45.3	52.2	62.6	72.7	79.0	88.9	98.7	106.2	111.0%
	12.4	14.1	15.5	15.2	20.4	23.3	24.6	23.3	105.4%
	89.7	91.5	101.0	120.1	126.3	127.0	127.9	80.0	100.7%
	7.1	6.8	7.2	8.0	8.1	8.0	8.1	5.4	+0.1p
	55.2	56.1	67.2	82.1	87.8	89.9	90.3	56.0	100.5%
	224.8	240.5	250.1	276.0	299.8	303.8	286.5	—	94.3%
	32.9	34.3	34.3	35.3	35.6	35.3	32.5	—	-2.8p
	26.6	24.1	27.4	31.2	30.5	29.8	30.6	20.0	+0.8p
	693	710	863	1,072	1,165	1,212	1,306	816	107.8%
	347	375	432	536	583	606	653	408	107.8%
	50.0	52.8	50.1	50.0	50.0	50.0	50.0	50.0	±0.0p
	80.0	82.8	80.1	80.0	80.0	95.5	115.7	50.0	+20.2p
	625.8	660.4	693.0	655.2	651.0	635.2	519.2	450.0	81.7%
	3,325	3,247	3,420	3,383	3,313	3,291	3,140	3,200	95.4%
	545.3	589.1	595.3	623.9	627.6	609.7	551.1	407.0	90.4%
	32.1	29.3	29.6	31.7	31.5	30.1	28.9	25.3	-1.2p
	241	253	267	281	296	323	334	336	103.6%
	805	864	923	978	1,036	1,086	1,130	1,168	104.0%
	96.9	96.7	96.8	96.9	97.2	97.4	97.2	97.7	-0.2p
	83.8	59.4	78.8	124.0	62.5	71.9	102.1		
	(59.4)	0.9	(93.5)	(33.4)	(22.9)	0.082	(18.3)		
	(39.1)	(60.8)	(57.9)	(72.2)	(25.3)	(97.6)	(111.4)		
	253.2	255.5	182.6	200.1	213.7	187.6	159.9		

CAGR (10-year period from FY2009 to FY2019)					
Net sales	5.0%	EPS	13.0%	Number of tenant recruitments	6.4%
Operating income	6.1%	Number of construction sales rep.	1.0%	Rental housing units under management	6.6%

Financial Review

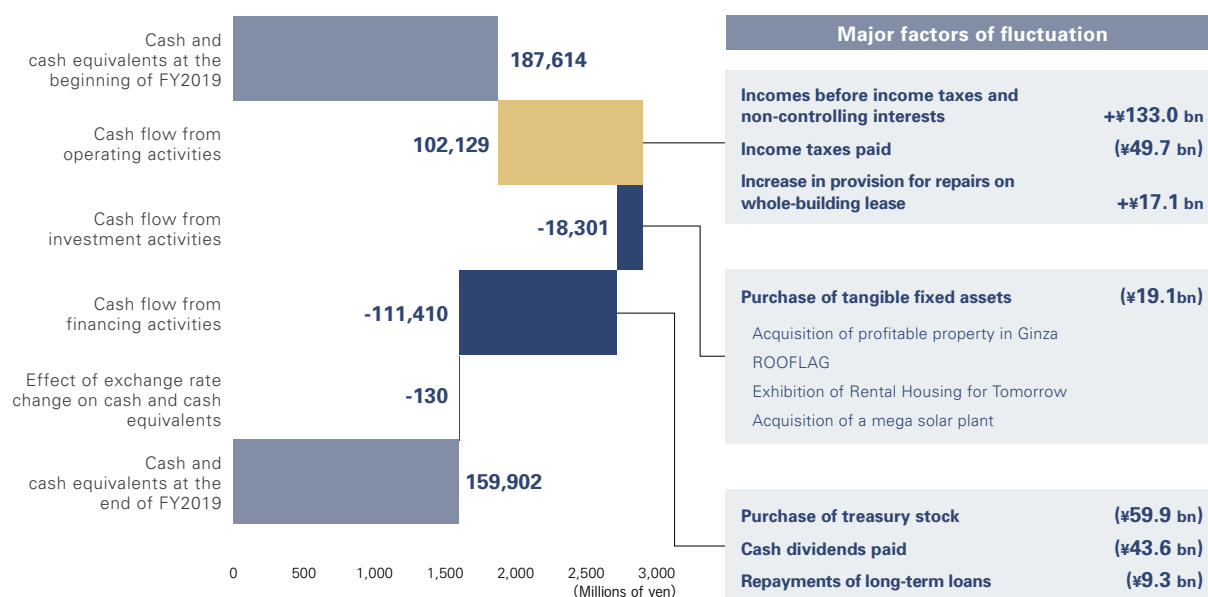
Financial Position

The equity ratio as of March 31, 2020 was 32.5%, 2.8 percentage points lower year on year.



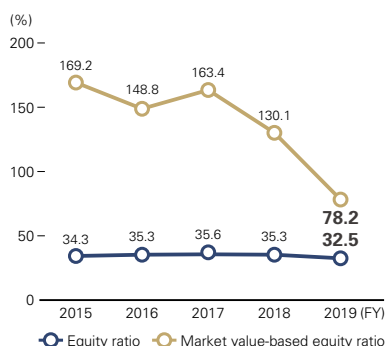
Cash Flow

Cash and cash equivalents as of March 31, 2020, was ¥159.902 billion, decreased ¥27.711 billion year on year. The major factors of the fluctuations in cash flows conditions are as follows.

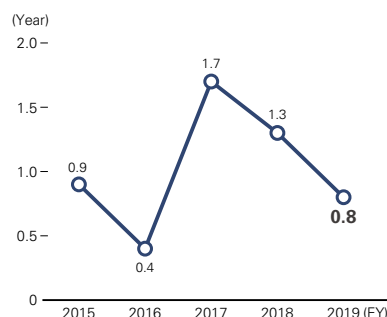


Reference: Trends in cash flow-related indicators

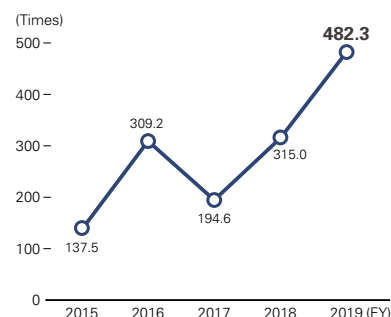
Equity ratio/ Market value-based equity ratio



Cash flow to debt ratio



Interest coverage ratio



Basic Policy on Distribution of Profits

Dividend policy

The Company recognizes adequate profit return to shareholders as one of the most important management matters and practices it. For dividends, the Company, while taking the basic policy stance of providing stable dividends through ongoing reinforcement of our business foundation, aims to set the payout ratio at 50%, and includes a basic dividend of ¥100 and the profit return based on consolidated business performance.

Acquisition and retirement of treasury stock

We have decided to suspend the purchase and cancellation of treasury stock in accordance with our existing policy, which specifies continual acquisition of treasury stock with a target of 30% of net income. We made this decision after comprehensive consideration of the Group's financial position and long-term investment, given the business conditions surrounding the Daito Group, and trends in the stock market. We will examine again the purchase and cancellation of treasury stock as conditions warrant.

Annual dividend
(FY2019)

¥653/share

(Increased ¥47 year on year)

Annual dividend target
(FY2020)

¥408/share

(Decreased ¥245 year on year)

Acquisition and retirement
of treasury stock
(FY2019)

Approx. ¥59.1 billion

(4.167 million shares)

Acquisition and retirement
of treasury stock
(FY2020)

Suspended

Business Risks

Initiatives to prevent the spread of COVID-19

Construction Business	<ul style="list-style-type: none"> Decrease in orders due to the suspension of operating activities Decrease in net income of completed construction contracts due to the suspension of construction work
Real Estate Business	<ul style="list-style-type: none"> Decrease in tenant recruitments and lower occupancy rates due to the suspension of operating activities More tenants leaving and lower occupancy rates due to a worsening economy and employment conditions
Other Businesses	<ul style="list-style-type: none"> Decrease in gas sales due to lower occupancy rates Decrease in service users due to extended leave requests for care and nursery schools Lower utilization rate of Malaysian hotels as a result of government order restricting activity

Effects upon finances and countermeasures

Regarding COVID-19, we have adequate working capital, including cash and deposits, and do not expect a significant impact on our business activities for now. Nevertheless, in order to be prepared for further expansion or prolongation of the pandemic and to ensure stable and flexible access to financial facilities, in May 2020, we entered into a commitment line agreement for ¥70 billion using syndication arranged by Sumitomo Mitsui Banking Corporation. We believe this action will buttress our financial foundation. We also believe the impact upon the fiscal year ended March 31, 2021 financial results will be slight.

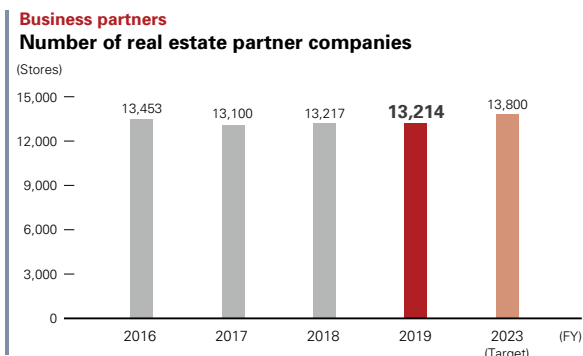
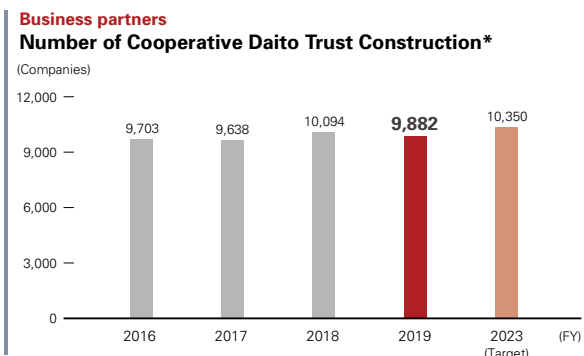
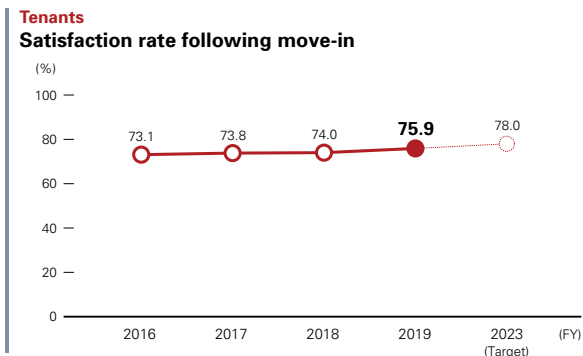
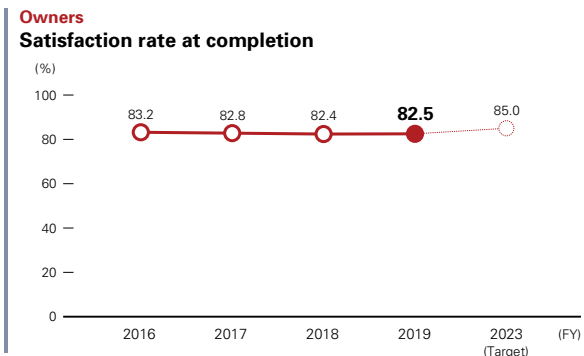


For information on other financial risks, please visit this website:

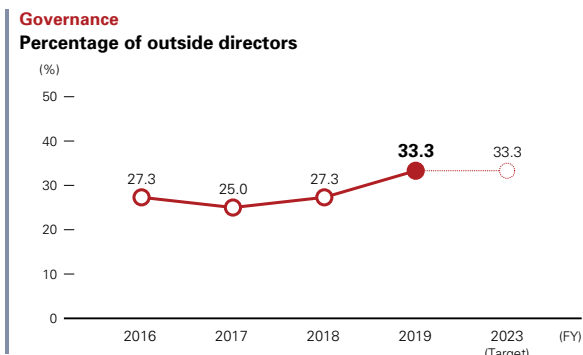
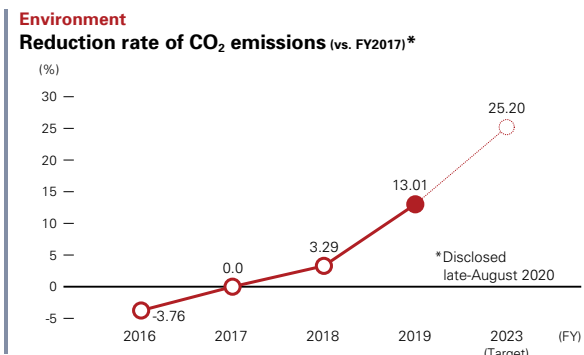
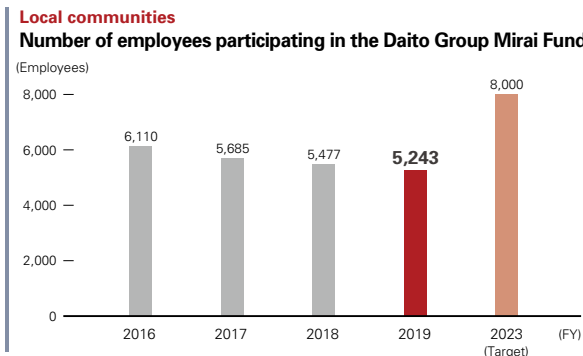
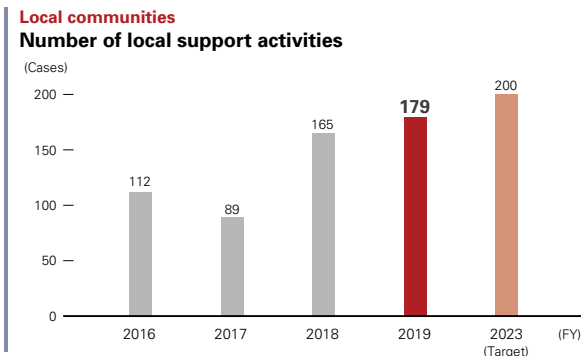
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Non-financial Highlights

New Five-Year Plan KPIs

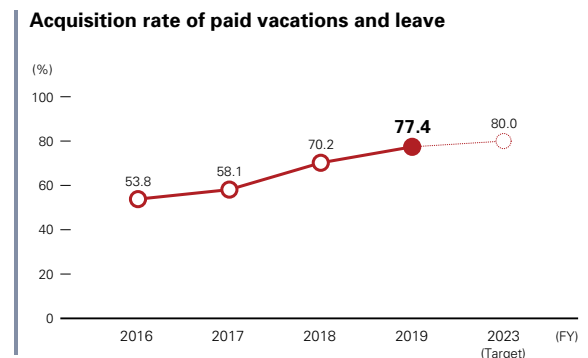
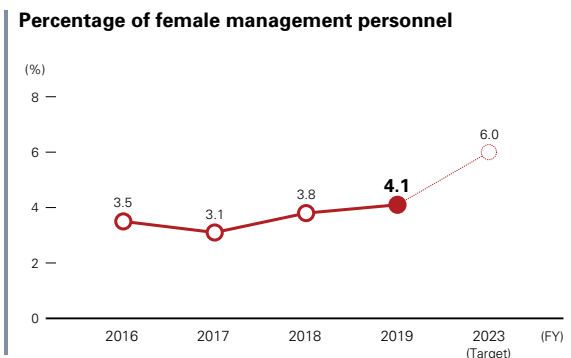
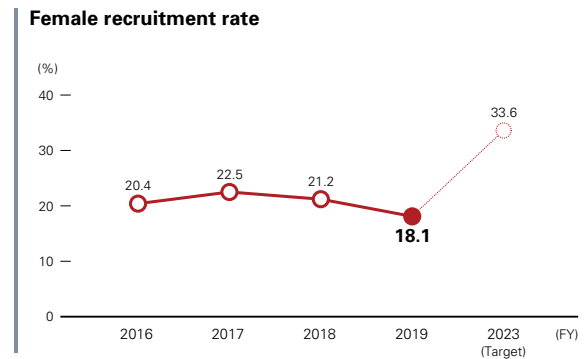
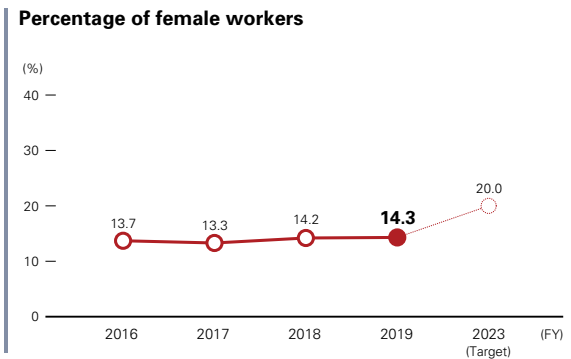


*An organization comprising collaborating companies in design and construction that cooperate with the Daito Group on building construction

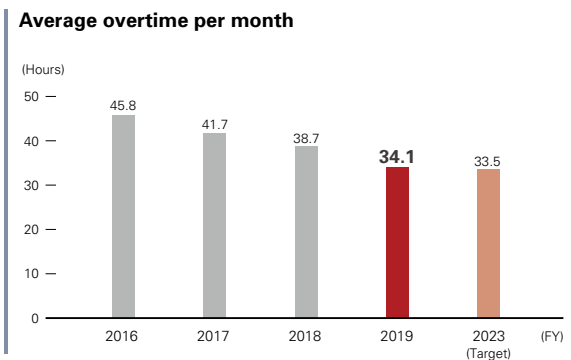


*In March 2020, after obtaining SBT re-certification, we set new reduction targets based on a 1.5°C scenario.

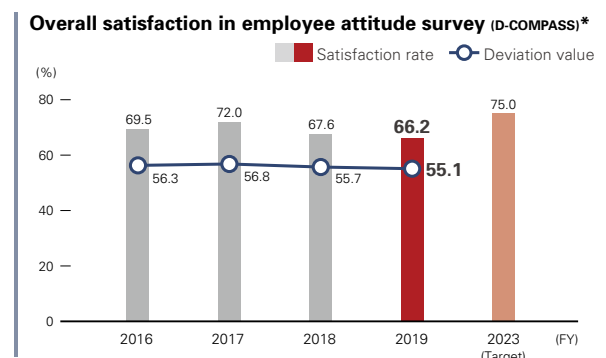
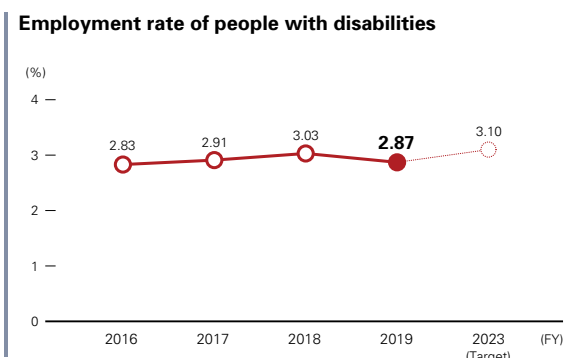
Employee Targets Under the New Five-Year Plan



*An anniversary leave system was introduced in March 2016.



*Since October 2018, male employees have been required to take childcare leave (five days with pay).



*An employee satisfaction survey conducted annually and covering all employees. The fiscal year ended March 31, 2020 response rate was 96.4%.

Our Value Creation Process

We have grown sustainably based on our mainstay Lease Management Trust System by continually evolving and bolstering our core businesses in response to social changes, and by solving the various issues faced by our stakeholders.

Incorporating Issues into Our Business Issues into Our Business

01

Issues and Background Related to our Businesses

The Daito Group’s core business is supporting property owners in solving various issues related to land utilization and asset succession. Because the issues and background of society, markets, and property owners change according to the times, we have continued to grow and provide business services to help solve these issues by appropriately grasping these changing issues and backgrounds and using them as the foundation of our business activities.

Issues and Background Related to Our Businesses ▶▶ p.17

Opportunities and Risks Visualized in Data ▶▶ p.23-24

Providing Stakeholders with Value

04

Delivered and Secured Value

“Our Promise” outlines the Daito Group’s core commitments to its stakeholders, and clarifies the value it will provide each group of stakeholders. The value we provide our stakeholders adds value to our Lease Management Trust System and competitive advantage, as well as to the overall corporate value of the Daito Group. This understanding is behind our aim of contributing to the sustainable development of society while also achieving corporate growth.



▶ By providing value to our stakeholders, we secure trust, contribute to sustainable development of society, and achieve corporate growth

Delivered and Secured Value ▶▶ p.20

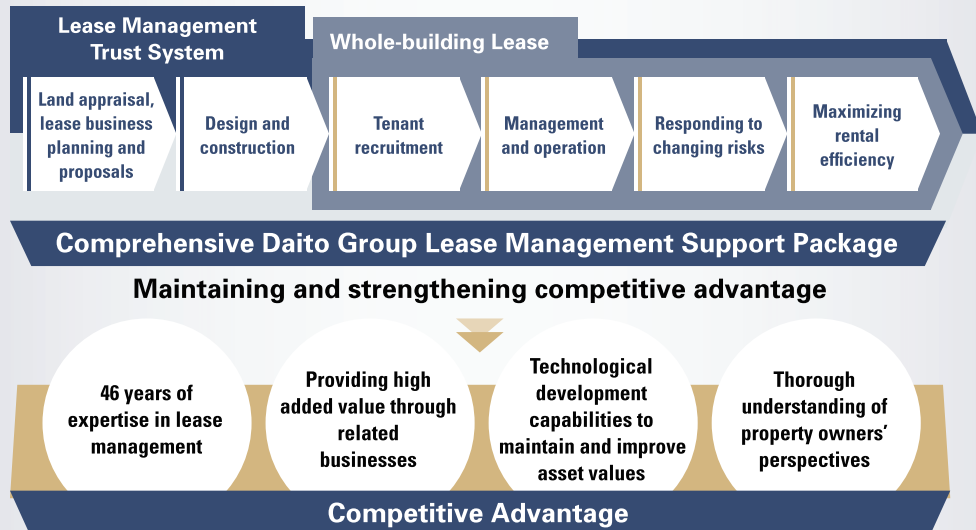
Value Creation Mechanism

Solving Issues through Our Business

02

Business Model

The Daito Group's core business is the Lease Management Trust System that lightens lease management business burden. We are strengthening the competitive advantage established by the Lease Management Trust System through our business activities, while also maintaining this advantage by developing and strengthening tangible and intangible management resources through corporate governance and our stable management foundations.



Competitive Advantage [▶▶ p.19](#)

03

Management Resources

We manage, appropriately monitor, and invest from a medium- to long-term perspective in the tangible and intangible management resources that are vital for maintaining and strengthening our competitive advantage.



The Building Blocks of Our Value Creation Process

Founding Story and Market Background

The founding of the Daito Group was in the 1970s—a period of high economic growth in Japan. In Japan, there is a unique culture and mindset of wanting to hand over land to the next generation that has been passed down through many generations. Meanwhile, in 1970s Japan, with rapid rises in the price of land and commodities due to the national infrastructure boom the burden of maintaining land had become a major issue for landowners. Because of this, we sought to come alongside landowners to help solve this issue through the founding of Daito Sangyo in 1974. Its start was in contracting construction of commercial rental properties (warehouses, factories, stores). Since then we have continued growing our business, in line with our Corporate Philosophy, by providing property owners with value such as supporting asset succession from ancestors and creating rental income by utilizing idle land.



01 Issues and Background Related to Our Businesses

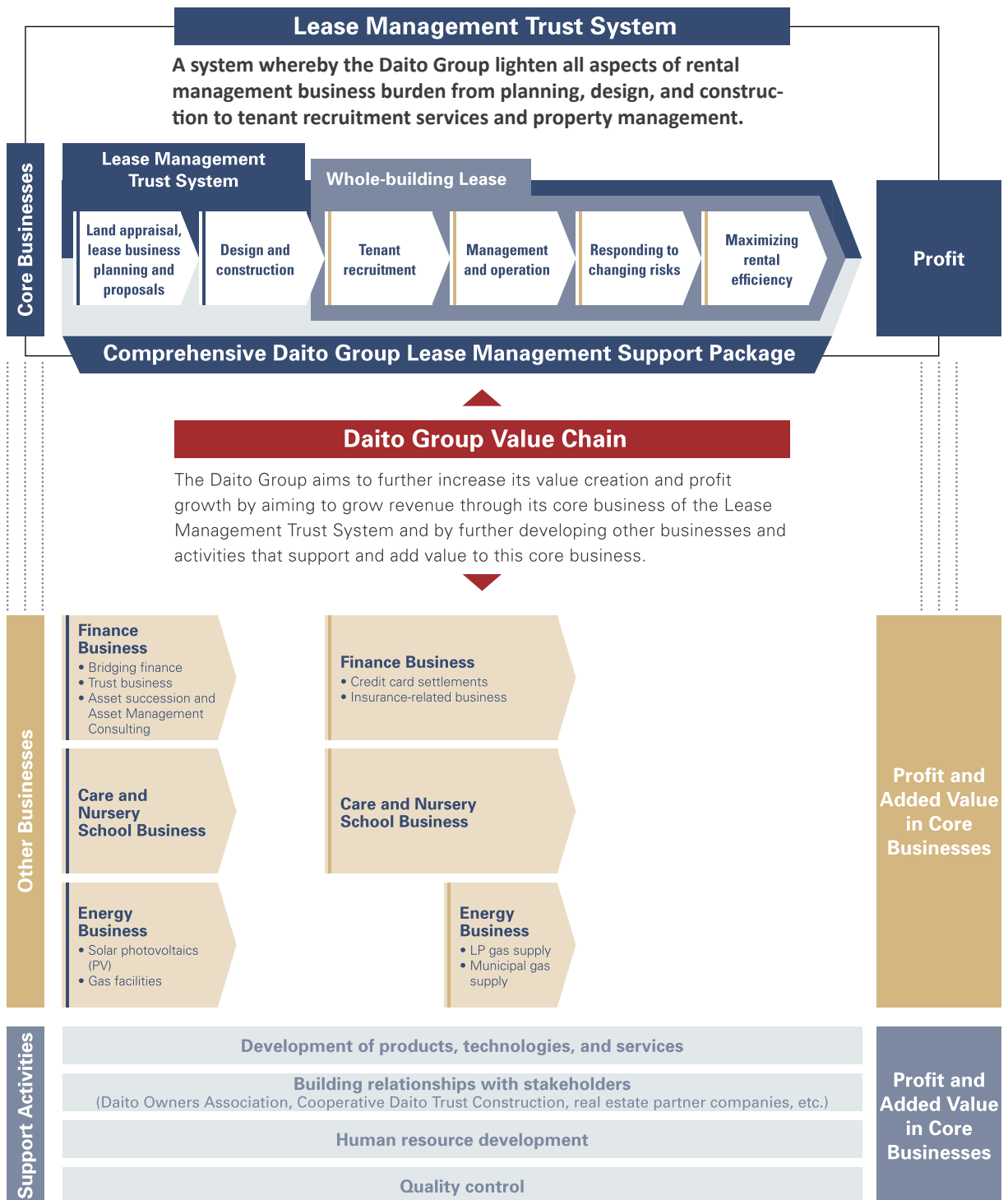
Social changes significantly change the concerns of property owners when related to land utilization and asset succession. Currently, a declining population is a long-term trend in Japan. Moreover, population aging is expected to increase further, the number of households is continuing to decrease, and the number of singles and nuclear family households is increasing. As a result, in the real estate market there is expected to be increased demand for rental housing and further increases in the number of older rental houses. Additionally, there is expected to be increasing needs from real estate owners for companies specializing in stable management of inherited assets and in managing rental housing to ensure their assets are managed stably. While these changes can conceivably pose risks to the Daito Group, they can also be significant opportunities.

Social Issues and Background	Market Issues and Background	Property Owner Issues and Background
<p>Population, household trends, and predictions</p> <p>Population has been in decline since 2015</p> <p>Household numbers will peak in 2023, and remain mostly stable thereafter</p> <p>Aging population</p> <p>Aging population will continue to grow</p> <p>Number of active seniors will increase</p>	<p>Increasing number of rental housing residents</p> <p>Currently one-third of residents in Japan live in rental housing</p> <p>Increasing number of older rental houses</p> <p>Between 2003 and 2018 approximately 300,000 rental houses annually were lost to the market</p> <p>Revision of the Inheritance Tax Law</p> <p>Due to the revision of the Inheritance Tax Law in 2015, the number of people affected by this law doubled (approx.)</p>	<p>Inherited assets</p> <p>Of inherited assets, approximately 42.4% are real estate (land, houses, or other buildings)</p> <p>State of rental housing management market</p> <p>81.5% of owners of rental properties consign all or partial management to a rental management service provider</p> <p>Land utilization demand</p> <p>Demand is stable due to property owners requiring inheritance measures or stable rental income returns</p>

Opportunities and Risks Visualized in Data [▶ p.23-24](#)

02 Business Model

The Daito Group is not merely a construction or real estate company. We have grown by providing our property owners peace of mind in place of the lightened lease management business burden they face, and by adapting the Lease Management Trust System —which encompasses all aspects of lease management, from planning, design and construction to tenant recruitment services and property management—to the changing times. Also, we have ensured reliable, secure, and stable lease management support by providing value to tenants, business partners, and local communities through the Lease Management Trust System.



The Building Blocks of Our Value Creation Process

Competitive Advantage

The Daito Group has built the competitive advantage that sets it apart from its competition by strengthening its value chain focused on its core business, the Lease Management Trust System. We aim to further increase our corporate value in the future by refining our competitive advantage that is the wellspring of our value creation.

Core Businesses

46 Years of Expertise in Lease Management

Strengths in understanding market trends

Our nationwide network of market analysis professionals collects information on trends in supply and demand and local rent data, which is collectively managed in a proprietary system. In the fiscal year ended March 31, 2020, we started trials of a rent appraisal system that utilizes artificial intelligence.

DATA

Market analysis professionals: **997**
Building data: approx. **978,000**

Strengths in rental brokering

We will strengthen our leading rental brokerage brand, E-Heya Net, while also building a strong network consisting of rental brokerage stores throughout Japan, rental brokerage subsidiary, Housecom Co., Ltd., and real estate partner companies.

DATA

Rental brokerage stores: **569**
Rental brokerage professionals: **2,430**

Strengths in management

Our various strengths in property management help us achieve a leasing business that is reliable, secure, and stable in the long term. These strengths include property management to maintain building quality, contract management capacity to respond to over 120,000 requests annually, and strengths in rent management such as collecting rent and passing on rent payments to property owners.

DATA

Number of properties under management: **1.165 million**
Rate of rent delinquency: **0.099%**

Other Businesses

Providing High Added Value through Related Businesses

Adding value to land utilization and the rental housing business

Services include: bridging finance, trust business, asset succession, asset management consulting, comprehensive insurance services, guarantee service so tenants do not require a guarantor, and credit card payment services tailored to the real estate industry.

DATA

Tenants who have used guarantee service (whereby a guarantor is unnecessary): **734,000**

Adding value to products and assets

Construction and operation of nursery schools and care facilities, supply of energy, and so on.

DATA

Day service care facilities: **81**
Nursery schools: **26**
(as of April 1, 2020)
Units supplied with LP gas: **336,000**
Units supplied with municipal gas: **23,000**

Adding value to society

Provision of care and nursery school services, improving the ratio of renewable energy, and so on.

DATA

Users of day service care facilities: **1,140,000**
Equipped units of solar power generations: **14,867**
Solar PV generation: **199.6MW**
(equivalent to the annual electricity consumption of 59,880 average households)

Support Activities

Technological Development Capabilities to Maintain and Improve Asset Values

Architectural technologies that simultaneously boast ease of living, high quality, high durability, and low maintenance

- Siding panels that are cleaned by rain and have low color fading
- Flooring panels that enable replacement of even a single panel
- Original mail and delivery box design that also acts as a privacy partition between apartment entrances

Thorough Understanding of Property Owners' Perspectives

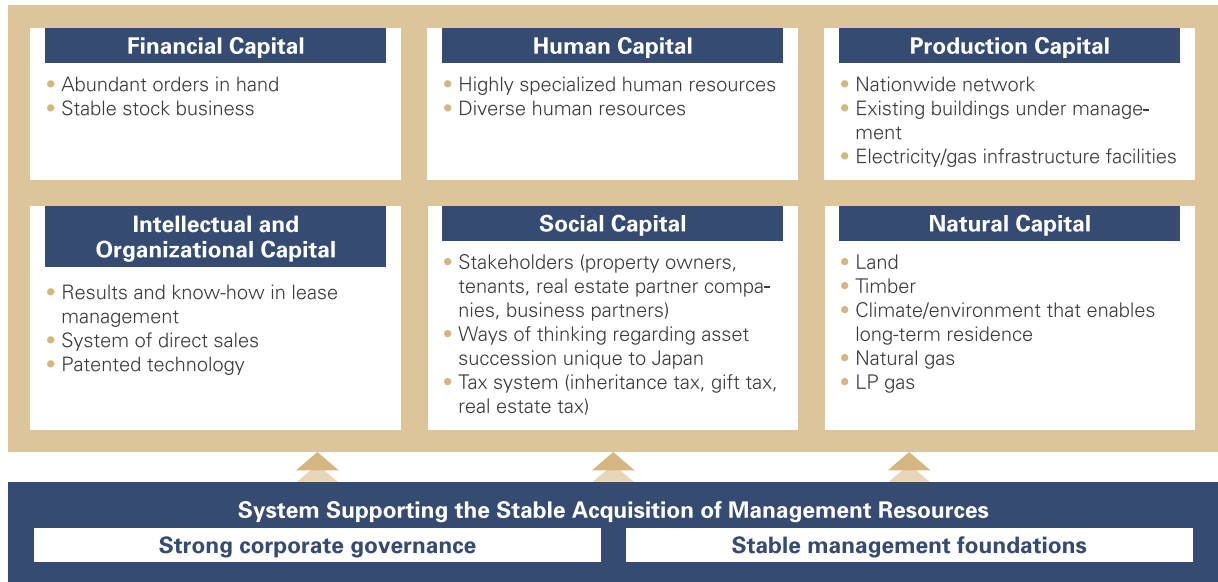
Operations with owners centered on mutual communication

We have grown our whole-building leases business from the perspective of our property owners by ensuring opportunities for exchanging information with property owners such as through: the land-owner-participatory and mutual communication-focused Lease Management Trust System; the Daito Owners Association established to maintain and improve the Group's transparency, soundness, and reliability; and the public relations magazine *Yutorich* we publish for our property owners with the aim of strengthening mutual communication.

Quality Management [▶▶ p.70](#)

03 The Management Resources Key to Maintaining and Strengthening Competitive Advantage

The tangible and intangible management resources vital to maintaining and strengthening the Group's competitive advantage are listed below. The Group's strong corporate governance and stable management foundations support the stable acquisition of these management resources.



04 Delivered and Secured Value

Value provided to stakeholders leads to added value from the Lease Management Trust System and from the Group's competitive advantage, as well as to secured value of the Daito Group, shareholders, and investors.

Delivered Value



Secured Value (Accumulate Trust)



*1. Source: Market Economy Research Institute Ltd. "2020 National Housing and Condominium Supply Survey: Ranking by Company" (Combined results for detached and rental houses for FY2018, released July 25, 2019)

*2. Source: "2020 Rental Housing Brokerage Ranking of 401 Brokerages" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results for October 1, 2018 to September 30, 2019 announced in January 6, 2020)

*3. Source: "2019 Rental Housing Management Ranking of 995 Companies" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results as of March 31, 2018 announced in July 15, 2019)

Opportunities and Risks Related to Growth

By analyzing societal changes and issues that may impact the Group's income, the Daito Group undertakes countermeasures, and both recognizes and evaluates impacts on the Group based on opportunity and risk.

Social Changes and Issues	Impacts on the Daito Group	
<p>Population/household trends</p> <ul style="list-style-type: none"> Long-term trend of declining population and number of households Increasing population depletion in rural areas Increase in single-person and dual-income households Progressive aging of population 	<p>Opportunity Increase in rental housing tenants</p> <p>Opportunity Increase in rent per household</p> <p>Opportunity Increase in inheritance-related needs</p> <p>Opportunity Growing demand in care businesses</p> <p>Opportunity Growing demand for nursery schools</p> <p>Opportunity Growing need for preventive medical care</p> <p>Opportunity Rising demand for residences with health and welfare services for the elderly</p>	<p>Risk Oversupply of houses and increase in vacancy rates</p> <p>Risk Decreasing demand for housing stock for existing family types</p> <p>Risk Increase in people leaving workforce to care for family</p> <p>Risk Increase in solitary deaths</p>
<p>Labor force</p> <ul style="list-style-type: none"> Decrease in working-age population Tightening regulations on labor standards Promotion of diversity Automation, optimization, mechanization Increase of foreign workers 	<p>Opportunity Emergence of full-participation society</p> <p>Opportunity Efforts to improve business efficiency</p> <p>Opportunity Building training systems for engineers/craftsmen</p>	<p>Risk Labor shortages</p> <p>Risk Shortage of sales representatives</p> <p>Risk Increasing labor unit costs</p> <p>Risk Prolonged construction periods</p> <p>Risk Declining construction quality</p>
<p>Housing</p> <ul style="list-style-type: none"> Increasing lifespan of housing Declining desire of people to own homes Rising prices of construction materials 	<p>Opportunity Reduction in repair costs</p> <p>Opportunity Slowdown in rent rate declines due to aging of buildings</p> <p>Opportunity Increasing renovation demand</p> <p>Opportunity Increase in people who prefer rental housing</p>	<p>Risk Decline in rebuilding demand</p> <p>Risk Falling profit margins</p>
<p>Consumer awareness/lifestyles</p> <ul style="list-style-type: none"> Increasing awareness of the environment, crime prevention, and disaster prevention Diversifying life paths/styles Rise of advanced IT In the COVID-19 era 	<p>Opportunity Creation of employee-friendly workplaces</p> <p>Opportunity Improving efficiency of work</p> <p>Opportunity Increase in local immigration</p> <p>Opportunity Rising demand for high value-added rental housing</p> <p>Opportunity Improving efficiency of living</p>	<p>Risk Falling demand for mass-market products (made to suit everyone)</p> <p>Risk Declining use of brick-and-mortar stores and face-to-face sales</p>
<p>Laws and regulations</p> <ul style="list-style-type: none"> Revision of Inheritance Tax Law Revision of Productive Green Land Act Liberalization of retail energy market Stricter lending conditions adopted by financial institutions Interest rate policy Tightening regulations on subleasing 	<p>Opportunity Growing demand for asset succession (if taxes increase or tax target base expands)</p> <p>Opportunity Penetration/expansion of energy business</p> <p>Opportunity Increase in demand for businesses with an exclusive focus on rental housing</p>	<p>Risk Decreasing demand for asset succession (if taxes decrease or taxes are abolished)</p> <p>Risk Stricter lending conditions on apartment loans</p> <p>Risk Increasing interest rates</p> <p>Risk Worsening sentiment of property owners</p>
<p>Environment</p> <ul style="list-style-type: none"> Climate change 	<p>Opportunity Growing demand for eco-friendly housing</p>	<p>Risk Growing demand for eco-friendly management</p> <p>Risk Stricter environmental regulations for buildings</p> <p>Risk Increase in natural disasters</p>

Responses from the Daito Group

Response 1

Creation of a new standard in rental housing that utilizes societal changes, as a leading company in rental housing

- Provision of high value-added rental houses such as for the elderly or detached housing
- Increased business and living efficiencies utilizing advanced IT

Response 2

Expanded business scope utilizing the expertise built up in rental housing

- Full-scale expansion into the domains of commercial and business facilities
- Expansion of lifestyle support services
- Promotion of collaboration with companies that have a high level of synergy with Daito Group businesses

Response 3

Development of stable corporate foundations unwavering in the face of legal and external environmental changes

- Development of a governance system unique to the Daito Group
- Establishment of various specialist departments
- Development of a system for employee self-management and self-supervision

Response 4

Establishing corporate foundations that are ahead of the times to become a company that is chosen by both customers and employees

- Development of a system for supporting employees during life events and in their careers
- Promotion of diversity
- Development of safe workplaces where employees are enthusiastic about work

New Five-Year Plan

▶ p.33

We will transform the Daito Group from an exclusive focus on rental housing to a total lifestyle support company with a core Comprehensive Leasing business. To this end, we will expand our share of the rental housing market by bolstering this core business—that has been a mainstay of the Group's growth—and by capitalizing on the growth in demand for rental houses. Moreover, we will expand our business domains through the expertise built up in our core rental housing business.

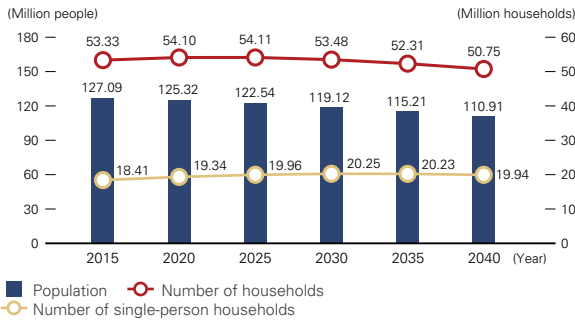
Thorough Corporate Governance

▶ p.51

In times of rapidly changing social and business environments, the importance of management oversight systems, risk management, and the establishment of stable corporate foundations and systems is increasing. We will continue to promote corporate governance at the Daito Group to ensure we become “a company that can grow sustainably, entrusted with dreams and the future.”

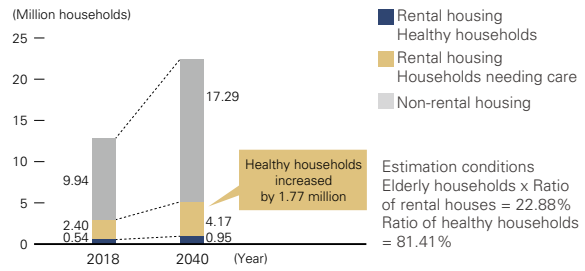
Opportunities and Risks Visualized in Data

Forecasts for population and household trends



Japan's population is predicted to decline by 12.7% by 2040 compared to 2015. Meanwhile, the number of households is expected to peak in 2023 and then decline by 4.8% by 2040 compared to 2015. Single-person households, however, are expected to continue increasing until 2032.

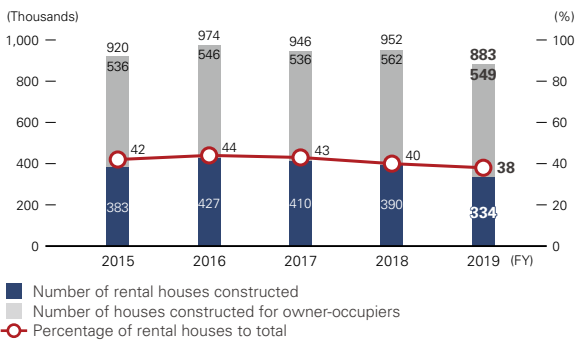
Forecasts for the aging society



Sources: "Household Projection for Japan: 2015-2040" (2018), National Institute of Population and Social Security Research; "Housing and Land Survey" (2018), Ministry of Internal Affairs and Communications (MIC); "Housing Life General Survey" (2018; preliminary figures), Ministry of Land, Infrastructure, Transport and Tourism (MLIT)

While the number of households where the head of the household is 65 years or older is predicted to increase by 17% to 22.42 million by 2040 compared to 2015, the Daito Group estimates that 81% of these elderly households will be households of active seniors.

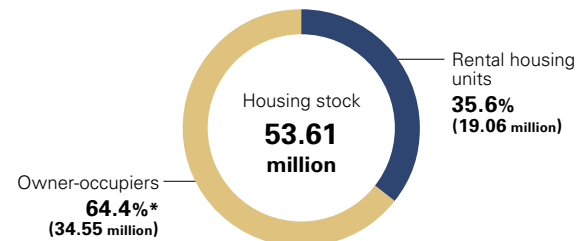
Number of housing starts



Source: "Survey on Building Construction," Ministry of Land, Infrastructure, Transport and Tourism (MLTI)

The total number of new housing starts in the fiscal year ended March 31, 2020 was 883,687, of which 37.9% (or 334,509) were rental houses. The number of rental housing unit starts remained stable after the Lehman Crisis, however, in the fiscal year ended March 31, 2020 it was down 14.2% year on year—the third consecutive year of decline.

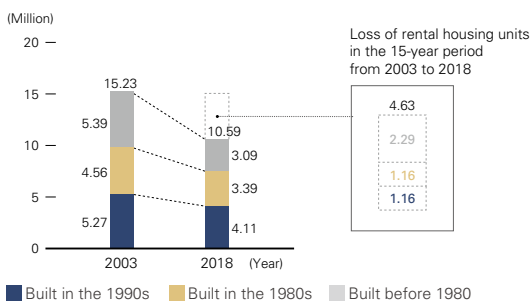
Percentage of rental housing units



Source: "Housing and Land Survey" (2018), Ministry of Internal Affairs and Communications (MIC)
 *Survey is conducted once every five years
 *Includes those houses for which designation is unknown

The percentage of rental housing units in Japan had reached 35.6% or 19.06 million houses as of 2018, according to the MIC "Housing and Land Survey" (2018).

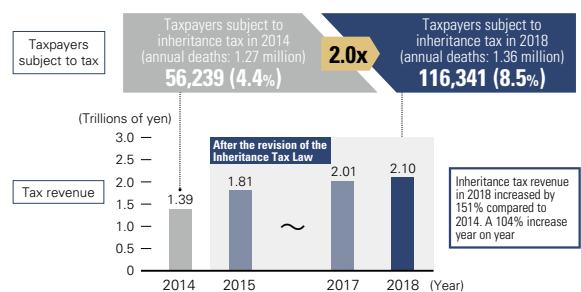
Loss of old rental housing units



Source: "Housing and Land Survey" Ministry of Internal Affairs and Communications (MIC)

An estimated 4.63 million (approx. 308 thousands annually) rental housing units were lost from the housing stock in Japan in the 15 years from 2003 to 2018. Because of this, there is expected to be continued demand for supply of new rental housing units.

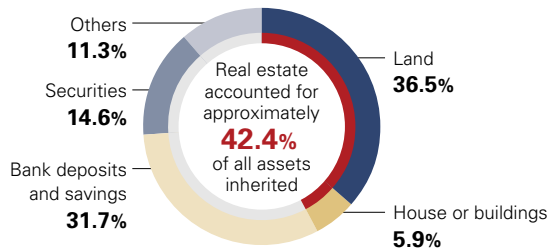
Inheritance tax: taxpayers subject to tax and tax revenue



Source: "Inheritance Tax Filing Status (from 2014 to 2017)," National Tax Agency (Japan)

The number of people subject to inheritance tax in Japan has been increasing since the revision of this law in 2015. By 2018 the number of people subject to the tax had almost doubled (compared to pre-tax-reform 2014) to 116,341 people. Revenue from the inheritance tax had risen by approximately 1.5 times the pre-tax-reform amount to ¥2.1 trillion.

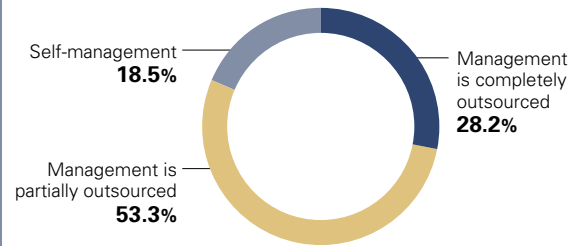
Inheritance tax: breakdown of assets inherited



Source: "National Tax Agency Report" (2017), National Tax Agency (Japan)

Real estate accounted for approximately 42.4% of all inherited assets, while the majority of inheritance and succession planning measures involve the utilization and succession of real estate.

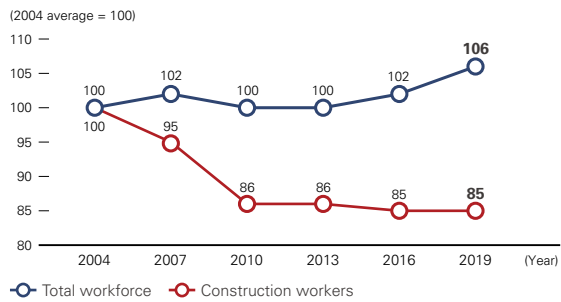
Management of rental housing units (excluding subleases)



Source: "Questionnaire Survey of Rental Housing Management," Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (December 2019)

Subleased properties are owned by 62.6% of lease management property owners. Meanwhile, 81.5% of lease management property owners, excluding those of subleases, either completely or partially outsource management of their rental property to a professional lease management company to avoid common management issues.

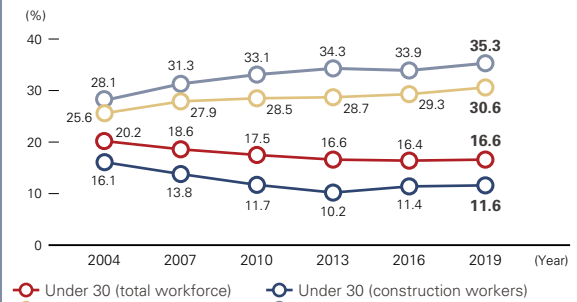
Construction worker trends



Source: Long-term time series data of the "Labour Force Survey," Ministry of Internal Affairs and Communications (MIC)

According to the "Labour Force Survey" (MIC), there is a gradual increasing trend of total labor force participation in Japan, while the trend for construction workers is decreasing.

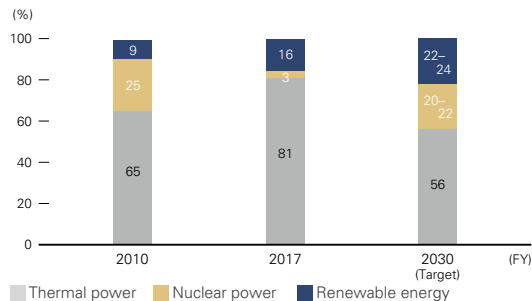
Ages of construction workers



Source: Long-term time series data of the "Labour Force Survey," Ministry of Internal Affairs and Communications (MIC)

The number of construction workers is increasing each year compared to the total workforce in the "55 and over" age group, while it is on a decreasing trend in the "under 30" age group.

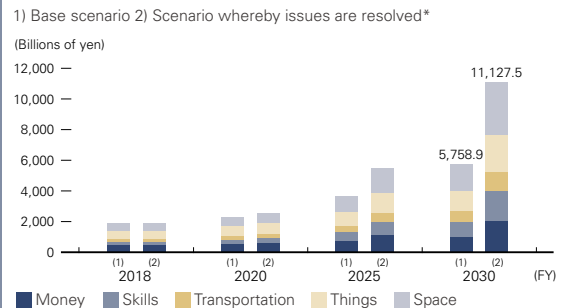
Renewable energy adoption



Source: "Current Situation of Renewable Energy in Japan and Overseas and Proposed Points of Discussion at the Procurement Price Calculation Committee for this Fiscal Year," Agency for Natural Resources and Energy (September 2019)

The current rate of adoption of renewable energies in Japan is 16%, as of the fiscal year ended March 31, 2018. The government has set a target of raising this to 22-24% by the fiscal year ending March 31, 2029.

Forecasts for the size of the sharing economy



*Forecasts for the size of the sharing economy market when current issues have been resolved
Sources: Sharing Economy Association, Japan, InfoCom Research, Incorporated

In the case whereby issues—such as the low level of familiarity and uncertainties surrounding using services provided by individuals—are overcome, the scale of the sharing economy is expected to grow to ¥11,127.5 billion by the fiscal year ending March 31, 2029, which is roughly equal to the electronic parts manufacturing industry in Japan.

The Daito Group is transitioning from an exclusive focus on rental housing to a community-based total lifestyle support company centered on the Comprehensive Leasing business.

Having achieved growth through specialization in rental housing, the Daito Group is now moving toward a new growth phase under its New Five-Year Plan. While achieving further growth in our main rental housing business, we aim to use the knowledge gained in that area to expand the range of our activities. Our ultimate goal is to be a company to which our stakeholders can entrust their dreams and futures, a company that is indispensable to people and society.

TRUST

Review of the Fiscal Year Ended March 31, 2020

The fiscal year ended March 31, 2020 brought significant changes in the economic environment and business conditions. There was a continuing gradual recovery trend in the Japanese economy driven by sustained improvement in business earnings and employment. However, trade issues between the United States and China as well as the United Kingdom's exit from the European Union created growing uncertainty about economic policies. There was also concern about a downturn in consumer spending due to a consumption tax increase. These and other factors created increasing uncertainty about the economic outlook.

In the housing industry, new housing construction starts in the period from April 2019 to March 2020 declined by 7.3% year on year to a cumulative total of 883,687. In rental housing, the Group's main focus, the number of new

rental units shrank by 14.2% year on year to 334,509, in part because financial institutions tightened lending criteria. By the end of the period, rental housing construction has been in decline for 19 consecutive months.

However, underlying demand for convenient, safe, and comfortable rental housing is expected to remain firm, and we anticipate an increasing need for high-quality products and services. This includes support for the sound management of rental housing to meet future demand, and the supply of rental housing to meet the changing needs of tenants in areas such as disaster preparedness and environmental soundness.

The fiscal year ended March 31, 2020 was also a time of dramatic change in the Daito Group's business environment. In addition to the consumption tax increase, the industry was also impacted by violations of the Building Standard Law and defective construction work. Other challenges included the tightening of lending criteria, and



小林克満

KOBAYASHI Katsuma

President and
Representative Director (CEO)
General Manager of the
Construction Business Headquarters of
Daito Trust Construction Co., Ltd.

the imposition of upper limits on working hours as part of work-style reforms. Despite making thorough preparations to work in new environments in the fiscal year ending March 31, 2021, we now face the need for continual adjustments because of the impact of the global COVID-19 pandemic. (Situation as of July 27, 2020.)

This was the business environment in which we launched our New Five-Year Plan covering the fiscal years ending March 2020 through March 2024. The goals in this plan are based on a robust business foundation in rental housing, our main focus area. That is why I decided on becoming CEO in April 2019 that our initial goals should be the achievement of revenue growth for a 12th successive year, and a turnaround in the Construction business. The consolidated results for the fiscal year ended March 31, 2020 show that net sales decreased by 0.3% year on year to ¥1,586,293 million, operating income increased by 0.7% to ¥127,956 million, ordinary income increased by 0.6% to

¥133,028 million, and profit attributable to owners of the parent increased by 0.5% to ¥90,380 million. Unfortunately, we were unable to add another year to our record of 11 straight years of continuous revenue growth.

We face continuing challenges as we work toward a turnaround for construction sales, which is vital to the Daito Group's growth. Both sales and profit were lower in the fiscal year ended March 31, 2020, with net sales declining by 9.6% year on year to ¥551,103 million and operating income by 19.2% to ¥77,391 million. However, we gradually began to make tangible progress with our strategies for increasing our share of rental housing stocks under the New Five-Year Plan, including the establishment of the Planning and Sales Section to respond to replacement demand for buildings constructed and managed by other companies, and the Special Construction Sales Section, which will make proposals for commercial facilities and business buildings. We also launched a

Top Message

renovation business specializing in rental housing on a trial basis. Despite the impact of the COVID-19 pandemic, we are determined to achieve visible progress under our new structure in the fiscal year ending March 31, 2021.

Our goals for the Real Estate business are to combine rent maintenance and improvement with the achievement of high occupancy rates, to promote the use of RevPAR*¹ standard, and to increase the number of contracts brokered for buildings managed by other companies, as well as the number of contracts concluded by real estate companies. Efforts in these areas yielded excellent results, with net sales rising by 5.4% year on year to ¥973,694 million, operating income by 28.2% to ¥56,514 million, the number of tenants recruited by 3.6% to 334,854*², and the rent-based occupancy rate declined by 0.2 percentage points to 97.2%. We also succeeded in strengthening systems and improving efficiency in the management

business through measures that include the company-wide introduction of general call centers, and the trial operation of an AI-based rent appraisal system. The number of units under management increased by 3.8% to 1,165,772.

Results for the Other businesses segment were generally on target. Net sales expanded by 7.3% year on year to ¥61,494 million, while operating income was 4.3% higher at ¥12,721 million. Contributing factors included growth in the number of homes supplied with liquefied petroleum gas (LPG) by the Gaspal Group, and an increase in the number of users of elder care and childcare facilities operated by Care Partner Co., Ltd.

*¹ RevPAR stands for revenue per available room which is an indicator calculated by multiplying the advertised room price by the room occupancy rate.

*² This figure is the total for Daito Kentaku Leasing Co., Ltd. and Daito Kentaku Partners Co., Ltd. (including properties managed for other companies).

Perceptions of the Market and Business Environment—Policies and Countermeasures

As outlined above, the market and business environment for the Daito Group is changing rapidly, frequently causing uncertainty for our shareholders and investors. Through our management plans, we consistently remind Daito Group employees that management is a problem-solving process. In the fiscal year ended March 31, 2020, we continued to respond to change as an opportunity for growth and improvement.

Apartment Loans

The lending environment is characterized by a buoyant trend in the overall market for rental housing finance, and by easing under the zero interest rate policy. We regard the present situation as normal. In the fiscal year ended March 31, 2020, we managed our lending business prudentially by ascertaining situations in advance through in-depth information sharing with financial institutions, by checking the content of applications, and by focusing on agreements covering projects with clear evidence of suitability for lending. Financial institutions appeared to have basically finalized their lending stances, allowing us to enter into agreements adapted to conditions in the fiscal year ending March 31, 2021.

Law on the Normalization of Rental Housing Management Services (Subleasing Regulation Law)

Introduced in response to frequent problems between subleasing companies and property owners, this law, which will progressively come into force from December 2020 onwards, will require management companies to provide proper explanations and deliver documents when soliciting for business and signing agreements. We do not expect it to have a major impact on the Daito Group, since we are already meeting the requirements, including


double-checking by business units after the signing of agreements, and the clear stipulation of fixed rent periods in marketing documents and briefings provided by our group company, Daito Kentaku Partners Co., Ltd. However, because of the risk that owners may misunderstand some aspects of the marketing process, we will take steps to ensure consistent compliance with the law, including employee training and supervision of frontline activities.

Construction Quality Control

Recently in the rental housing industry, there has been a series of problems, which is because of violations of the Building Standard Law and defective construction. This has resulted in an increasing focus on quality control during the construction process. The Daito Group has earned an excellent reputation with its clients through its commitment to the creation of high-quality rental housing through an integrated management structure spanning all stages from purchasing materials to design, construction, and inspection at completion. When the Ministry of Land, Infrastructure, Transport and Tourism conducted on-site inspections of projects by 17 major apartment construction companies in May 2019, it confirmed there were no issues in the quality, site management, construction registration system, or inspection processes of any Daito Group property. We saw these inspections as an excellent opportunity to carry out additional checks of the Daito Group's internal structure at all levels from product development to construction quality control.

Compliance

We recognize the enhancement of governance systems across the entire Daito Group as a vital priority. We are continually working to ensure consistent compliance with laws and regulations and develop effective internal control systems. We are currently engaged in continual discussions and studies concerning the introduction of a Triple Defense Line system. The three lines of defense are risk



The fiscal year ending March 31, 2021 will be an excellent time to take up totally new challenges and we will explore a wide variety of business opportunities.

management by the executive organization, risk monitoring by the management organization, and risk management through internal audits. We aim to build an effective risk control system by separating and allocating these roles. The Governance Committee is the core of our governance structure. We are committed to continually enhancing and strengthening our systems, including further improvements in the effectiveness of the Board of Directors, the appointment of outside directors to at least one-third of Board seats, and the enhancement of Group governance.

Responding to the COVID-19 Pandemic

The spread of COVID-19 has caused serious disruption since the early months of 2020, and the war with this invisible virus is expected to be a long struggle. The Daito Group has needed to take urgent steps to create new mechanisms capable of coping with this unprecedented situation.

One urgent task is the modification of our approach to marketing. Because the Daito Group handles products with very high prices, our marketing activities were based primarily on direct face-to-face sales. As a result of the COVID-19 crisis, we are, for the first time, in a situation in which marketing is not possible through visits and meetings. To survive through this emergency, we need to find ways to build trust and promote the advantages of our business without visits or face-to-face meetings, especially with new clients.

However, the present situation can also be seen as an opportunity, since we have fortunately been able to discover weaknesses that were not apparent in a normal environment, allowing us to enhance our potential as a company

by remedying these issues. If we can establish new business styles that encompass remote marketing, we will be able to improve efficiency and open up new possibilities that were not apparent in the past. In fact, we have established a remote approach to marketing activities for corporate marketing of commercial and business facilities, and we aim to use ideas developed for that area as the basis for the development of new marketing styles. Furthermore, while the COVID-19 crisis has destabilized many business and investment activities, one positive outcome is that no major losses have been incurred in the rental housing business since the leasing of entire buildings ensures reliable rent payments. We expect that our marketing activities will gain additional impetus from the new strengths that have become apparent as a result of the COVID-19 crisis.

The pandemic will eventually end; however, we need to use the experience gained from the shock of COVID-19 to assemble business approaches that encompass the reality of living with the virus. We need to work as quickly as possible to gain an advantage by creating a roadmap for building customer interfaces that reflect new lifestyles. I believe that we also need to discover wide-ranging business opportunities by approaching the present situation positively as a chance to take up totally new challenges.

On July 30, 2020, we announced our financial forecasts and dividend plan for the fiscal year ending March 31, 2021, which we had previously been unable to finalize due to the effects of the COVID-19 pandemic. For details of the plan, please see the “Financial Highlights” section on pages 09 and 10, and the “Strategies by Business Segment” section on pages 39 through 46.

Top Message

The Strengths of the Daito Group

The most important strength of the Daito Group is our customer-first principle. Our activities in the leasing business are built on a management approach that gives first priority to a policy of ensuring long-term security, safety and stability to owners by supplying high-quality rental housing to owners and tenants. This approach is a key strength that we have turned into a competitive advantage.

The best example of this is our Lease Management Trust System. This system was carefully designed from the owners' perspective and gives priority not only to the construction and supply of high-quality buildings, but also to stable business management. We handle all processes from planning, design, and construction, to the recruitment of tenants, and property supervision and management. We also offer plans that include a part of maintenance costs. Features such as these reassure owners about various risks. The confidence inspired by this system and the value that owners place on our services is reflected in a high percentage of repeat business in our order books. Other sources of strength and growth for the Daito Group include organizational resources that allow us to provide one-team, one-stop services, as well as a diverse range of capabilities on a level

that is unmatched by our competitors, including our planning, brokerage, and management capabilities and our technical expertise.

All of these strengths rely ultimately on our human resources, whom I regard as the Daito Group's most valuable management resource. Many of our employees have joined us mid-way through their careers and bring with them a wide range of experience and specialist skills. The result is a richly diverse environment in which people can produce ideas without being confined by preconceived notions. We have developed a flat organizational environment free of factionalism and aged-based promotion. This allows people to advance quickly according to the results achieved. Sales staff are able to develop new projects based on their own judgment, and to earn remuneration linked to the results. These systems have fostered an organizational culture in which people approach their work strongly motivated toward the achievement of ambitious goals. By providing additional impetus for individual efforts, this environment has helped to drive our corporate growth. I believe that we have a responsibility to create opportunities for our employees to enjoy a real sense of growth, by ensuring that Daito Trust is a company to which stakeholders will entrust their dreams and future, a company in which we can feel pride.



Evolution as a total lifestyle support company essential to the achievement of our goals under the New Five-Year Plan.



The New Five-Year Plan and Strategies for the Fiscal Year Ending March 31, 2021

The Daito Group has achieved growth since the late 1980s as a company specializing in rental housing. Under our New Five-Year Plan, which covers the period to March 2024, we aim to take the Daito Group beyond the rental housing segment through its evolution into a community-based total lifestyle support company, and with comprehensive leasing as its core field of activity. In the fiscal year ended March 31, 2020, which was the first year under that plan, our first priority was to strengthen our core business areas. We also positioned the year as a time to look for the seeds for new businesses for the future, and we actively explored undeveloped areas on the periphery of our rental business with the aim of creating new value. The fiscal year ending March 31, 2021 is the second year of the plan. Our goals include further strengthening and deepening of our core activities, and the expansion of our share in the rental market. We also see the current year as a time to sow the seeds that we discovered last fiscal year. We have formulated a growth strategy under which we will use the

resources that we have accumulated and matured through our rental business to drive the concentric expansion of business activities centering on our core business areas.

As I stated earlier, our most important task in terms of strengthening our core rental housing business is to achieve a turnaround in construction sales. The Tokyo metropolitan area, where our shares of both new construction starts and housing stocks have stagnated, will be a priority area for these efforts. We will use the key strengths of the Daito Group, as described previously, including our customer-first principle, and our integrated construction management system spanning all stages from design to building maintenance and management, to strengthen our Construction business based on the marketing structures that we developed in the fiscal year ended March 31, 2020. At the same time, we will employ a diverse range of measures to drive a recovery in earnings. For example, we will increase opportunities to win orders through introductions from existing clients, while also moving forward with the DK Select Reform renovation business, which we launched in the fiscal year ended March 31, 2020. We will also enhance our product ranges

in various areas, including rental detached housing. Despite the COVID-19 crisis, our real estate business has continued to perform well, in part because of existing initiatives targeting unmanned, automated, and remote operations.

We will continue to target rent increases and efficiency improvements. In addition, we will promote our real estate broker business and AI-based rent appraisal system that we introduced in the fiscal year ended March 31, 2020, while also looking at the stock business.

In the Comprehensive Leasing business, our efforts in the fiscal year ended March 31, 2020 to strengthen our approach in the non-residential category, such as drug-stores and convenience stores, resulted in positive reactions that exceeded our expectations. We will continue our efforts to strengthen this business in the fiscal year ending March 31, 2021, including the matching of merchants with building owners.

We are developing a flexible working space business in collaboration with JustCo Holdings Pte. Ltd., Asia's biggest company in this field, with which we formed a strategic alliance in November 2019. The launch date remains uncertain due to the impact of COVID-19, but we are working toward the commencement of business operations during the fiscal year ending March 31, 2021.

We were able to launch a variety of initiatives in the

Achieving Targets under the New Five-Year Plan

The New Five-Year Plan encapsulates our strong determination to achieve continual growth as a company to which stakeholders can confidently entrust their dreams and future. The Daito Group originally specialized in rental housing. I envisage that five years from now we will have expanded the scope of our activities to encompass not only rental housing, but also homes and lifestyles, and that we will be continually creating comfortable living environments in local communities by providing one-stop solutions to a variety of lifestyle needs.

There is limitless potential for the development of this concept of a total lifestyle support company. To begin this process, we must first sow the seeds that we have found. We will plant, water, and nurture each of these seeds. Some will be ready to harvest in one year, while others may take three or four years. In some cases, we may decide to exit before that. We must sow new seeds every year, but if we continue to take up this challenge with passion and courage, making improvements or course changes where necessary, and if we can consolidate these initiatives into a strategic system that will bear fruit each year, I am confident that the Daito Group can evolve into a total lifestyle support company capable of achieving sustainable growth. As CEO, I see this as a mission that I must fulfill to secure the future of the Daito Group.

I took office as CEO of Daito Trust Construction Co., Ltd. on April 1, 2019. In the year since that time, we have

area of lifestyle support services in the fiscal year ended March 31, 2020, including the acquisition of a mega solar plant by Gaspal Co., Ltd., and the trial introduction and expansion of various lifestyle services, such as proxy shopping, storage and delivery services, car sharing, and the purchasing of unwanted goods from people moving houses. We launched an accelerator program targeted toward collaboration with start-up companies. We will continue to expand and enhance the services that we provide to enhance lifestyles in local communities in the fiscal year ending March 31, 2021, in part through business alliances and M&A.

A particular focus under the New Five-Year Plan is to start small and build rapidly. Instead of building organizations and recruiting human resources as the basis for large-scale initiatives, we believe that a more appropriate approach to these new initiatives is to open up new opportunities by moving quickly and flexibly with the smallest possible organizations. Based on a variety of perspectives, we will make faster decisions about whether it will be quicker to move forward with our own Group resources, as in the case of the renovation business, or to partner with companies that offer significant synergies with our Group companies, such as proxy shopping and storage and delivery.

formulated the New Five-Year Plan and moved forward with initiatives to build foundations for the next growth phase and expand our business areas. Some initiatives have evolved as expected, while others have not because of rapid changes in the business environment and the abnormal situation created by the COVID-19 pandemic. I am certainly not satisfied with our present situation. However, I feel that people both within and outside the Daito Group are now aware of our new strategic direction and our commitment to take up new challenges, and that this awareness is driving a steady shift in the mindsets of those working on the front line. The entire Daito Group remains committed to achieving the targets in the New Five-Year Plan. We look forward to the continuing support of our stakeholders.





Responding to Opportunities

**A Growth Strategy that
Capitalizes on Social Changes**

Strategy

The operating environment of Daito Group businesses is changing significantly because of decreasing population, households, and new housing starts. To transform these changes into opportunities for greater growth, the Daito Group has launched its new medium-term plan, the New Five-Year Plan. This section will outline the direction the Daito Group is heading, and the strategies and policies of the New Five-Year Plan that aims to not only strengthen our core business (rental housing business), but to also concentrically grow our business fields based on the strong foundations of its core business.

Cross-laminated Timber (CLT)

Cross-laminated timber is a wood panel product made from gluing together layers—each oriented perpendicular to adjacent layers—of solid-sawn lumber. Daito Group is helping protect our environment through the circular use of timber by helping to popularize CLT.

CORPORATE PLAN

Our management plan to transform into a total lifestyle support company

33 Progress and Evaluation of the New Five-Year Plan

BUSINESS PLAN

Our business strategies aiming to secure opportunities in a changing business environment

39 Construction Business

41 Real Estate Business

43 Other Businesses

45 Comprehensive Leasing Business

46 Lifestyle Support Services Business

FUTURE PLAN

Our initiatives toward becoming a company people entrust with their dreams and future

47 Non-financial Activities

Outline of Our New Five-Year Plan: Reiwa Era New Growth

Our New Five-Year Plan: Reiwa Era New Growth, is the Daito Group's roadmap to transforming into a total lifestyle support company aiming to secure new business opportunities by capitalizing on social changes.

Opportunities and Risks Behind the New Five-Year Plan

Opportunities	Risks
Increase in demand for care and nursery services due to increased dual-income households	Decline in rebuilding demand due to increasing lifespans of houses
Increase in demand for high value-added rental housing	Falling profit margins due to rising prices of construction materials
Growing demand for renovations as the lifespans of houses increases	Revision of tax laws (if taxes are cut/abolished)
Increase in people moving to rural areas due to the COVID-19 pandemic	Increase in interest rates
Increased efficiencies in living and work due to rise of IT	Increase in natural disasters

Two Focus Areas for Expansion in the New Five-Year Plan

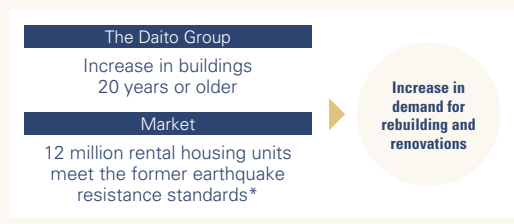
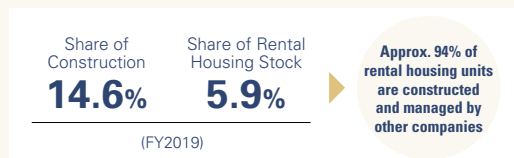
Expansion of Rental Housing Market Share

Market position in our core business ▶▶ p.19

In our core business of rental housing (construction and real estate), we maintain the lead in various Japanese markets such as the number of rental housing units supplied, brokered, and under management. This position is one of the indicators we must solidify going forward to maintain public trust and internal morale.

Rental housing market share of the Daito Group

To solidify our rental housing market position, we must ensure we are gaining market share.



Continued expansion of the market share is possible

*Buildings constructed before the revision of the earthquake resistance standards in 1981

Expansion of Business Domains

Market conditions ▶▶ p.23-24

Medium- to long-term decline in population/ households (2040 projections compared to 2015)

Population	Households
Approx. 12.7% decline	Approx. 4.8% decline

Rental house construction: 3 consecutive years of decline (FY2019)

Construction of new houses	Construction of rental housing units
7.3% year-on-year decline	14.2% year-on-year decline

Sustainable growth is difficult to maintain based solely on supplying new rental housing units

Utilizing competitive advantage built up in our core business ▶▶ p.19

Strategy 1 Expansion of rental housing business domain

We will expand this business domain by utilizing built-up strengths in peripheral businesses such as the proposal and construction of commercial and retail properties.

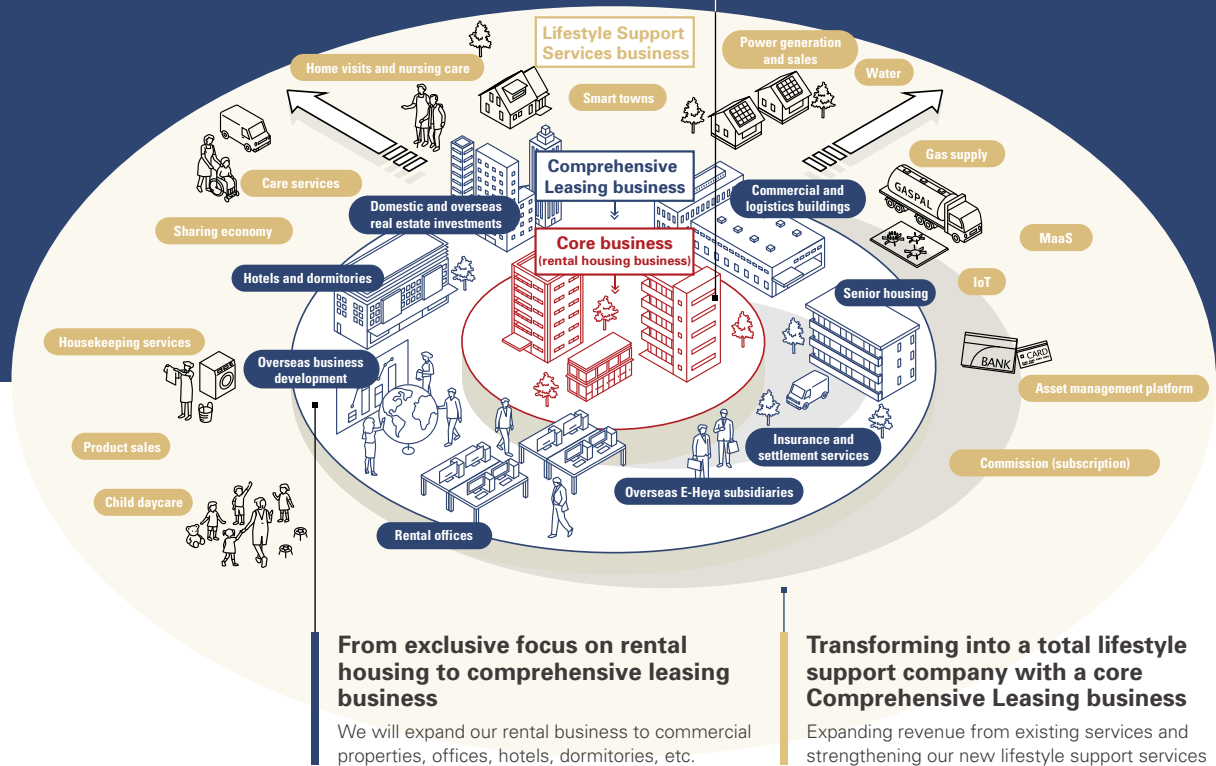
Strategy 2 Expansion of Lifestyle Support Services business

We will utilize the foundations and expertise in lifestyle support services we have provided our many stakeholders, starting with the 2.07 million residents of the 1.13 million rental houses under our management (as of March 31, 2020).

Expansion of business domains through a two-pronged approach: expansion of new services and expansion of the scope of existing services

“A Company that can grow sustainably, entrusted with dreams and the future”

We will transform the Daito Group from an exclusive focus on rental housing to a total lifestyle support company with a core Comprehensive Leasing business. To this end, we will expand our share of the rental housing market by bolstering this core business—that has been a mainstay of the Group’s growth—and by capitalizing on the growth in demand for rental housing units. Moreover, we will expand our businesses through the expertise gathered in our core rental housing business.



Strengthening of our core business (rental housing business)

Expanding our market share by bolstering our core business and capitalizing on social changes,

From exclusive focus on rental housing to comprehensive leasing business

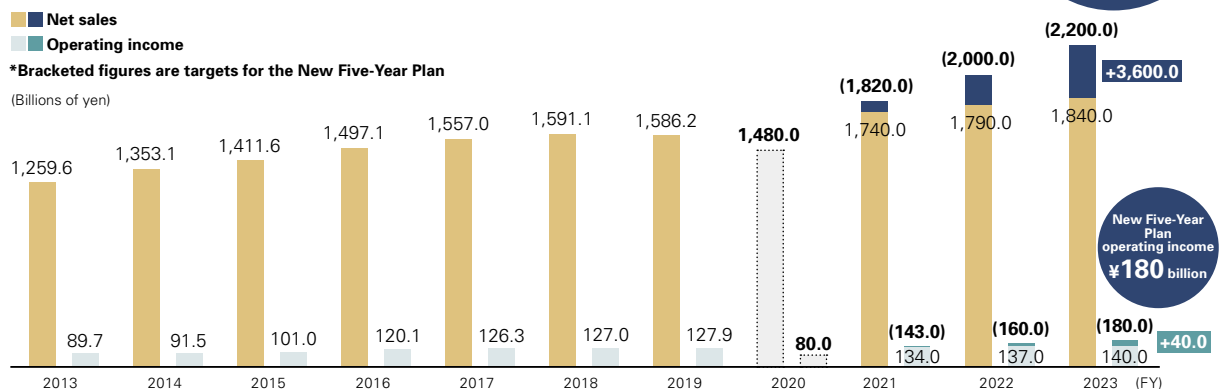
We will expand our rental business to commercial properties, offices, hotels, dormitories, etc.

Transforming into a total lifestyle support company with a core Comprehensive Leasing business

Expanding revenue from existing services and strengthening our new lifestyle support services

Performance Targets for the New Five-Year Plan

We will achieve sustainable growth by expanding revenue from our Comprehensive Leasing business and Lifestyle Support Services business, while also stably growing our Group by strengthening our core business (rental housing business).



*The fiscal year ended March 31, 2021 earnings forecast and dividend targets that were deemed pending due to the COVID-19 pandemic, were released on July 30, 2020. For further details please see “Financial Highlights” on pages 09–10 and “Strategies by Business Segment” on pages 39–46.

*Regarding performance targets of the New Five-Year Plan, there is no plan to change the values from the fiscal year ending March 31, 2022 and thereafter, as these are medium- to long-term targets. We will make a timely announcement of any changes made as a result of future events or change of circumstances.

Transforming from an exclusive focus on rental housing to a community-based total lifestyle support company with a core Comprehensive Leasing business

-FY2018

Up to Now

Fiscal year ended March 31, 2020

Activities of First Year of the New Five-Year Plan

Exclusive focus on rental housing

Land utilization solutions through provision of newly supplied rental buildings

Strengthening of core business (rental housing business)—making all-new

Daito Trust's first product offering of a detached rental housing unit **LIBERTE DUPLÉ** went on sale in January 2020



A rent appraisal system utilizing artificial intelligence (AI) began trial operations in June 2019

Houses under contract: **20**
(as of March 31, 2020)
(Annual sales target: 100)

LIBERTE DUPLÉ detached rental houses

Expertise only used in rental housing business

- Business planning/proposals
- Design/construction
- Tenant recruitment
- Management/operation

Comprehensive Leasing business—utilizing our wealth of expertise in fields

Special Construction Sales Section established focusing on sales in commercial properties
Expansion of sales in non-housing fields such as drug stores and convenience stores

Acquisition of profitable property in Ginza
The tenant is Hotel Remm Plus Ginza, which opened in December 2019



Remm Plus Ginza

Other businesses that help increase the value of the Lease Management Trust System

- Energy
- Childcare and nursing care
- Real estate investment
- Finance, etc.

Lifestyle Support Services business—comfortable and safe lifestyle services

First rental building using Internet of Things (IoT) technology, **DK SELECT Smart Rental Housing** completed
(100% occupancy as of March 31, 2020)

Gaspal Corporation Acquired a mega solar plant in Hokota City, Ibaraki Prefecture
Operational as of October 2019

Business results of fiscal year ended March 31, 2019
Net sales **¥1,591.1 billion**
Operating income **¥127.0 billion**

Other businesses

Real Estate business

Construction business

Target management benchmark 1: ROE

29.8% in the fiscal year ended March 31, 2019

Target management benchmark 2: Operating income margin

8.0% in the fiscal year ended March 31, 2019



Evaluation as of March 31, 2020

Planted the Seeds of New Businesses to Achieve the New Five-Year Plan

1 Strengthening of core business (rental housing business)

Despite establishing new organizations and services, continuing issues with restructuring construction sales, a key growth factor under the New Five-Year Plan.

2 From exclusive focus on rental housing to comprehensive leasing business

Various initiatives are being implemented with speed. Focus has also been on nurturing a culture of taking on challenges. Contribution to revenues are still to come.

3 Transforming into a total lifestyle support company with a core Comprehensive Leasing business

Expansion of new services focused around the accelerator program and business partnerships

Business results of the fiscal year ended March 31, 2020

Net sales

¥1,586.2 billion

Operating income

¥127.9 billion

proposals for rental housing, land utilization and lifestyles to meet new social needs

DK SELECT

Reform

Operating nationwide in 32 prefectures

Contracts won:

186

(as of March 31, 2020)

First overseas rental brokerage, E-Heya Net subsidiary, established in Shanghai, China



beyond housing

Our first rental space, .room Gotanda, opened in Tokyo's Shinagawa Ward in November 2019



.room Gotanda

for everyone

Joint venture for flexible working spaces, JustCo DK (Japan) Co., Ltd. established with the Singaporean company, JustCo Holdings Pte., Ltd., in December 2019

Started an open innovation program to foster new businesses: Daito Trust Accelerator program 2019

(71 participants, 5 companies started proof-of-concept trials)



Proof-of-concept trial started for shopping concierge service for tenants started in Tokyo area in April 2020



30.6% in the fiscal year ended March 31, 2020

8.1% in the fiscal year ended March 31, 2020



FY2020-

Vision and direction

Policy for the fiscal year ended March 31, 2021

Strengthening core business (rental housing business)

- Restructure and whole-of-group support of construction sales
 - Strengthening of rebuilding and renovation business
 - Strengthening of mainstay products
 - Promotion of real estate broker business
 - Promotion of stock business
- Initiatives from the fiscal year ended March 31, 2021**
- Establishment of department specializing in private tendering, Corporate Sales Division
 - Expansion into business for rebuilding public housing as part of private financing initiative (PFI) business
 - Self-sufficiency of 2x4 sales channel

Comprehensive Leasing business

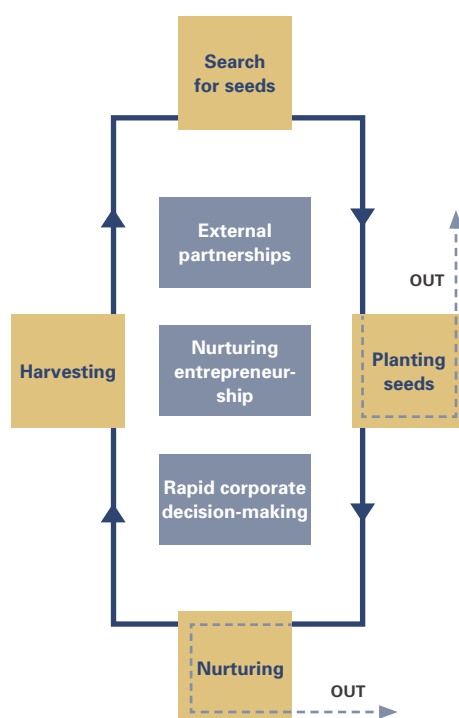
- Promotion of contracts for non-housing rentals
 - Promotion of special construction projects
 - Diversification of channels and business types
 - Promotion of securitization of real estate
 - Promotion of space-sharing business
- Initiatives from the fiscal year ending March 31, 2021**
- Establishment of a new department specializing in projects targeting real estate developers, Corporate Sales Department
 - Expansion of rental office business
 - Launch and promotion of small-offering real estate securitization

Lifestyle Support Services business

- Promotion and expansion of care, nursing care, and energy businesses
 - Start "planting the seeds" for new businesses
 - Promote M&A, business, capital partnerships with projects, and companies expected to produce synergistic effects
- Initiatives from the fiscal year ending March 31, 2021**
- Entry into biomass electricity generation business
 - Expand in-home services such as housekeeping services
 - Develop multi-purpose-facility-type homes for the elderly
 - Start in-house system for fostering business start-ups

Conceptual Diagram of Growing New Businesses

We will build the foundations of a business portfolio by normalizing the following business development cycle from "planting seeds" through to "harvesting"



Targets for the fiscal year ending March 31, 2021	
Net sales	¥1,480.0 billion
Operating income	¥80.0 billion

Targets for the fiscal year ending March 31, 2024	
Net sales	¥2,200.0 billion
Operating income	¥180.0 billion

*Consolidated earnings forecasts for the fiscal year ending March 31, 2021 have been deemed pending because of the difficulty of rationally calculating a forecast as of July 2020 due to the impact of the COVID-19 pandemic. A forecast will be announced as soon as possible when it is deemed possible to release a rational forecast after carefully considering the various impacts on earnings.

*Regarding performance targets of the New Five-Year Plan—considering the fact it is a medium- to long-term plan—we are not considering changing the plan or targets from the fiscal year ended March 31, 2022 and thereafter. We will make a timely announcement of any changes made as a result of future events or change of circumstances.

Target management benchmark 1: ROE

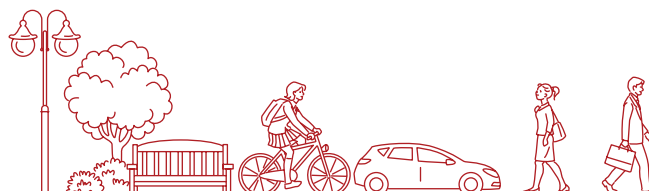
20% in the fiscal year ending March 31, 2021

Target: 20% or higher

Target management benchmark 2: Operating income margin

5.4% in the fiscal year ending March 31, 2021

Target: 7% or higher

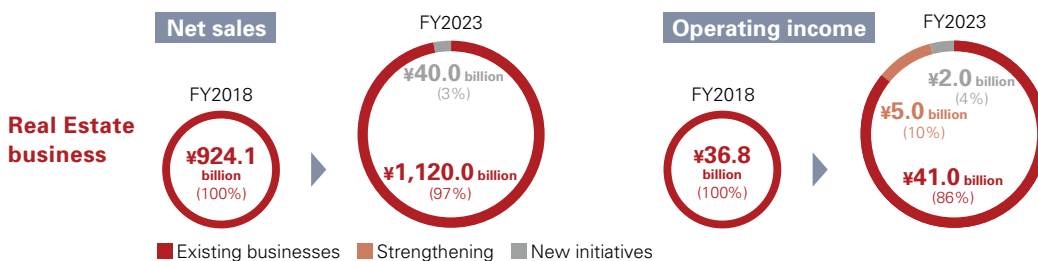
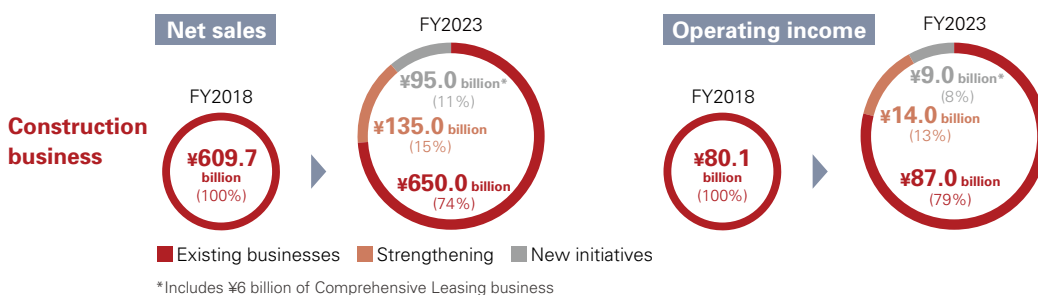


-FY2023

Transforming into a total lifestyle support company with a core Comprehensive Leasing business

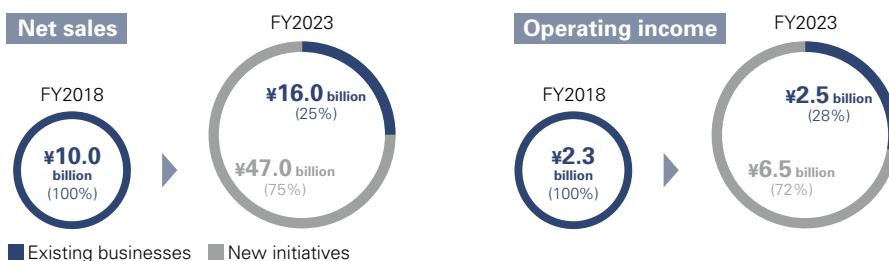
Core Business (Rental Housing Business)

We will provide a one-stop service of rental housing and lifestyle solutions.



Comprehensive Leasing Business

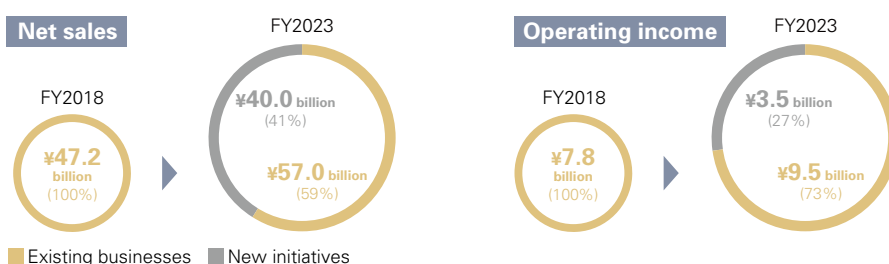
We provide diverse options for protecting assets and asset succession in line with the wishes of property owners.



*The figures mentioned under Construction business—¥36 billion of net sales and ¥6 billion of operating income—are not included in this figure.

Lifestyle Support Services Business

We will transform into a company that provides new lifestyle value to local communities with a core comprehensive leasing business.



Construction

Business



Business Overview

We propose optimal lease business plans tailored to landowners' needs after research and analysis of the location, the surrounding environment, and tenant needs. We provide high-quality, highly durable rental buildings using our integrated system to practice thorough and consistent quality management ranging from purchasing construction materials to design, construction, and inspection at completion.

Opportunities

- An increased need for inheritance measures from an aging society
- Growth in renovation demand as a result of homes with longer lifespans
- More people moving to rural areas as lifestyles become more diverse
- Changes to tax laws (if taxes increase or tax target base expands)
- Greater demand for companies specializing in rental housing due to the strengthening of sublease restrictions

Risks

- Housing surplus brought about by a decrease in population and number of households
- The decreasing and aging of construction industry workforce
- Restrictions on face-to-face business during the COVID-19 era
- Stricter standards for apartment loans
- Increase in interest rates

Review of FY2019

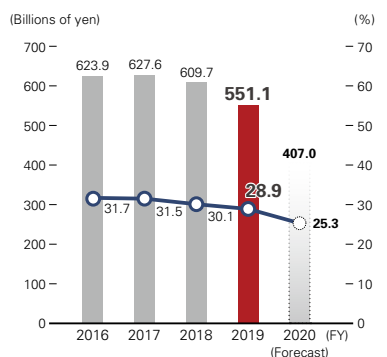
Challenges Faced in FY2019

- 1 To renovate construction sales
- 2 To capture demand for rebuilding
- 3 To bolster operations in the Tokyo metropolitan area

Responses

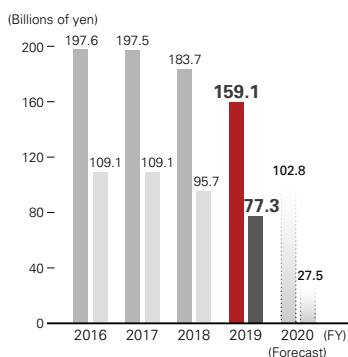
- 1 Establish a department specializing in rebuilding (Planning and Sales Section)
- 2 Expand the sales and marketing channels (bolster the renovation business, detached rental housing business, and referral acquisitions)
- 3 Launch the Metropolitan Construction Business Headquarters

Net sales of completed construction contracts/Gross profit margin for completed construction contracts



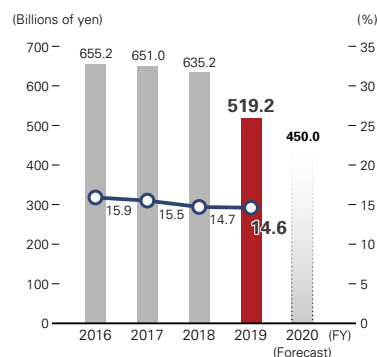
■ Net sales of completed construction contracts
 ● Gross profit margin for completed construction contracts

Gross profit of completed construction contracts/Operating income



■ Gross profit of completed construction contracts
 ■ Operating income

Value of orders received/Share of construction starts



■ Value of orders received
 ● Share of construction starts

In the fiscal year ended March 31, 2020, as a result of fewer construction starts, stricter standards for apartment loans, and reduced overtime, net sales of completed construction contracts was ¥551.1 billion (-9.6% year on year) and value of orders received was ¥519.2 billion (-18.3% year on year).

To expand our share of stock, we set up a dedicated department for proposals on rebuilding, entered the renovation business, and bolstered our referral acquisitions, which led to the creation of order opportunities. This resulted in a 14.6% share of construction starts (-0.1% year on year).

We are facilitating the specialization and division of work within construction operations in order to realize a renovation of the Construction business.



TAKEUCHI Kei

Managing Director
General Manager of West Japan
Construction Business Headquarters

SAITO Kazuhiko

Director
General Manager of East Japan
Construction Business Headquarters

Business Plans for FY2020

Responsibilities Under the New Five-Year Plan

- Strengthening the rental housing business as a foundation for growth
- Increasing share of construction starts
- Attaining the industry's highest-level construction management structure
- Developing products and technology according to demand

The recovery of the Construction business—the foundation of the Daito Group—is an absolute condition for continued growth and the achievement of the New Five-Year Plan. We continue to position the renovation of this foundation (e.g. construction operations) as a top priority item and strive to recover orders. We have reorganized the organizational structure of the Construction business with the size of the market and have established a full-time department in corporate sales in order to enhance the acquisition of referrals by financial institutions and other intermediaries. Also, we will promote the specialization and division of work within construction operations through such plans as speeding up the efforts of the full-time rebuild department launched in the fiscal year ended March 31, 2020 and raising the number of rebuild contracts. Regarding the tightening of lending standards, we strive for better quality loan agreements, not only by having a better relationship with partner financial institutions, but also by

Major Policies in FY2020

- Reorganize and restructure the business division and its sections
- Raise contract quality
- Strengthen rebuild and renovation initiatives
- Expand and reinforce business methods and marketing channels
- Reinforce sales engineers
- Develop high value-added products

reviewing the Company's internal processes through to the finalization of the loan and the proposal to property owners in order to fit it to the market conditions and lending standards.

In the area of technology, we will enhance operations and sales support by having professionals accompany sales engineers to strengthen relationships with planning offices.

Given our lead in rolling out and expanding on original cross-laminated timber (CLT) products, we will also enhance our core products based on the development of high value-added rental housing that suits requirements including smart-rental and disaster-protected rentals.

In addition, we will strive to reinforce the Construction business by focusing on market and business environment changes resulting from the COVID-19 outbreak, expanding our sales and marketing channels, and examining as well as proposing living environments that fit to new types of lifestyles.

Contributions to Achieving the New Five-Year Plan

Develop high value-added products in a sustainable way

Using CLT materials to standardize and industrialize rental housing for the first time in Japan

In October 2019, Daito Trust started sales of Forterb, four-story rental housing using wood construction, through the CLT* method that it developed independently. The standardization and industrialization of rental housing using CLT construction materials is a first in Japan.

With its concrete-level strength, CLT is gathering attention as a construction material that capitalizes on the hardness of wood. It emits less CO₂, shortens the construction period, saves on construction labor, and promotes the use of wood. It is also expected to contribute to solutions for environmental and social issues. Our initiatives toward wood products and activities regarding the adoption of CLT construction materials and turning them into mainstream materials are well acclaimed. For this, Daito Trust was presented in 2019 with the Ministry of the Environment Minister's Award for Global Warming Prevention Activity (Technology Development and Commercialization Section).

*Cross-laminated timber: Wood materials that are bound in layers of solid-sawn lumber and are lined up so that each layer is perpendicular to the one below it.



Outside view of Forterb

Real Estate

Business



Business Overview

We maintain high occupancy rates by providing service such as tenant recruitment utilizing diverse media and channels and by providing unique tenant services. We not only managed and operate our rental housing businesses by collecting rent and managing buildings, but also provide stable management support of rental properties to owners, such as by dealing with balance fluctuation risks accompanying business. Taken together, these responsibilities allow us to provide peace of mind, security, and stability to property owners and their rental housing businesses.

Opportunities

- More rental housing tenants as the number of single-person households increases
- More rent per household as dual-income households increase
- Lower repair expenses and a limit to the decrease in rent over time due to the increasing lifespan of housing
- An increase in the renter population in conjunction with decreasing ownership thinking
- Greater demand for dedicated rental companies due to the strengthening of sublease restrictions

Risks

- Higher vacancy rates as a result of the falling population and number of households
- Lower demand for existing family-type dwelling units
- More solitary deaths with the advancement of the aging society
- Restrictions on operation of real stores during the COVID-19 era

Review of FY2019

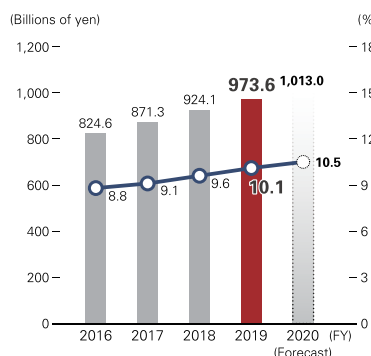
Challenges Faced in FY2019

- 1 To expand the share of rental housing stock
- 2 To streamline leasing work and reduce its costs
- 3 To preserve and/or raise rents

Responses

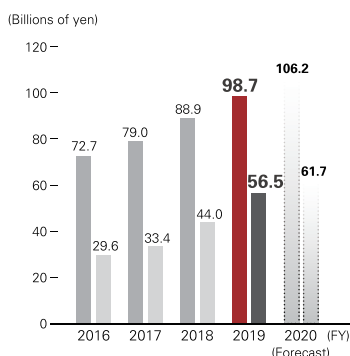
- 1 Enhance tenant recruitment and contract management of buildings constructed by other companies
- 2 Turn the E-Heya Support Center into a general call center
- 3 Promote higher RevPAR (room price × room occupancy rate)

Net sales/ Gross profit margin



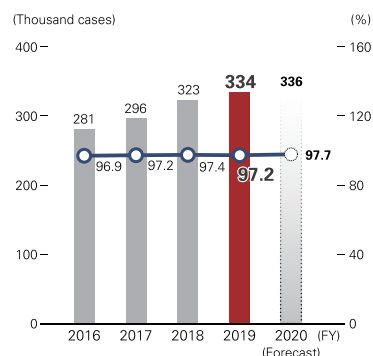
■ Net sales
● Gross profit margin

Gross profit/ Operating income



■ Gross profit
■ Operating income

Number of tenant recruitments/ Residential-use rent-based occupancy rate



■ Number of tenant recruitments
● Residential-use rent-based occupancy rate

In the Real Estate business, as a result of increased RevPAR (room price × room occupancy rate) and enhanced tenant recruitment and contract management of buildings constructed by other companies, net sales were ¥973.6 billion (+5.4% year on year), operating income was ¥56.5 billion (+28.2% year on year), and tenant recruitments

were 334 thousand (+3.6% year on year)—all solid results. Also, the business improved its work efficiency through initiatives such as turning the E-Heya Support Center into a general call center and holding a trial introduction of an AI-based rent appraisal system.

While preserving and raising rents, we maintained a low vacancy rate and improved the reliability of the Lease Management Trust System.



SATO Koji

Director
General Manager of the Real Estate
Business Headquarters

Business Plans for FY2020

Responsibilities Under the New Five-Year Plan

- Strengthening the rental housing business as a foundation for growth
- Expanding share of rental housing stock
- Expanding the business domain
- Raising work efficiency and reducing costs

Major Policies in FY2020

- Strengthen the E-Heya Net brand
- Promote to the fullest the real estate brokerage business
- Reinforce of inbound business
- Increase and develop rental housing management staff
- Expand management agreements for buildings constructed by other companies
- Promote stock businesses

Revenue growth in the Real Estate business—achieved by preserving and raising rents and keeping vacancy rates low as well as by making continuous improvements to management quality—together with repeat contracts generated by obtaining the trust of property owners lead to an enhanced Lease Management Trust System.

In leasing operations, we strive for greater penetration of the E-Heya Net rental housing agency brand and an expanded fan base using integrated policies, both offline and online, including linking social media to brokerage offices and communicating branch referral content. In the fiscal year ended March 31, 2020, we extended our business domain by expanding the available areas for the real estate brokerage business. During the year, we also established our first overseas subsidiary, Lianghuwu

Business Consulting (Shanghai) Co., Ltd., which is advancing initiatives for company housing and to provide accommodation for foreign exchange students, as we plan to strengthen our inbound business.

In management and operations, our aim is to earn the trust of property owners by enhancing our relationship with them, and we plan to increase management staff and build up our training and development. Another goal is to expand management revenues and to secure future demand for rebuilding based on the expansion of management agreements for buildings constructed by other companies. In addition, we will continue to preserve and raise rents through the full-scale introduction of an AI-based rent appraisal system.

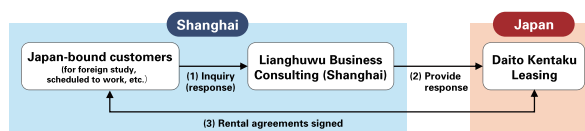
Contributions to Achieving the New Five-Year Plan

Expanding areas of business by utilizing our know-how

Establishing the business's first base overseas in Shanghai, China

Daito Kentaku Leasing Co., Ltd. established its first base overseas in Shanghai, China in October 2019 called Lianghuwu Business Consulting (Shanghai) Co., Ltd.

Within China, a strong source of inbound demand including the numerous foreign exchange students who come to Japan, many Japanese companies choose to set up in Shanghai, the prime source of the country's inbound market. Given this background, the corporation has entered into an alliance with the 239 dedicated brokerage offices operated by Daito Kentaku Leasing in Japan and supports the foreign exchange students and workers from China searching for living quarters in Japan (facility count is current as of December 31, 2019). In the future, we will examine entry into other countries and expand our branch network in Japan.



Other

Businesses



Business Overview

In cooperation with the Construction business and Real Estate business, the Group companies with specialized functions provide support services in every corner of tenants' lives for their safety and comfort, as well as various services that respond to the land use needs of landowners.



LP gas supply business



Solar power generation



Nursing care business



Nursery school business



Hotel business



Domestic and overseas real estate investments



Sale of comprehensive insurance to landowners and tenants



Inheritance tax payment loan service

Review of FY2019

Challenges Faced in FY2019	Responses
① Promoting the energy business	① Expanding the number of units supplied with LP gas or municipal gas
② Driving the care and nursery school business	② Opening new facilities for the care and nursery school business

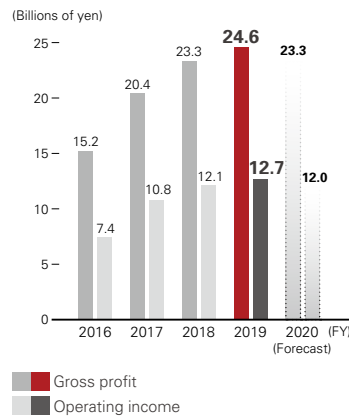
The Other businesses segment turned in a strong performance with net sales of ¥61.4 billion (+7.3% year on year) and operating income of ¥12.7 billion (+4.3% year on year). Major factors behind these results are as follows. For Gaspal Corporation, increases in the number of units supplied with LP gas (+6.5% year on year to 336,000 units) and city gas (23,000 units, +167.1% year on year). Care Partner Co., Ltd. had an increase in the number of users of daycare services as a result of its new care and nursery school facilities (+1.3% year on year to 1.14 million users) and an increase in users of its nursery school facilities

(7,337 people, +45.6% year on year). House Leave, Co., Ltd. had an increase in the rent management utilization rate for arrangements not requiring a guarantor (67.7%, up 2.9 percentage points). In addition, synergies with the core businesses grew as Gaspal expanded its service area for municipal gas and Care Partner Co., Ltd. entered the group home business. These and other initiatives facilitated the expansion of the business domain, which is tied to the growth of the comprehensive leasing business and life-style support services in line with the New Five-Year Plan.

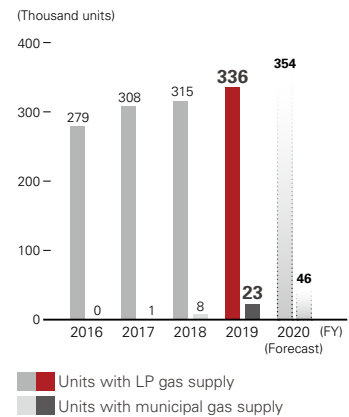
Net sales/ Gross profit margin



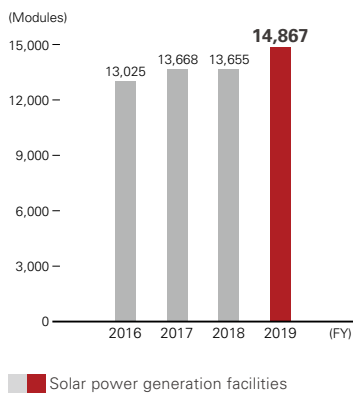
Gross profit/ Operating income



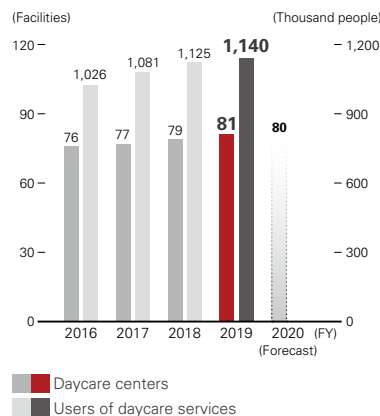
Units with LP gas supply/ Units with municipal gas supply



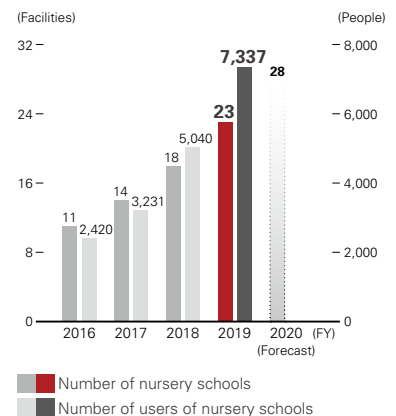
Solar power generation facilities



Daycare centers/ Users of daycare services



Number of nursery schools/ Number of users of nursery schools



Contributions to Achieving the New Five-Year Plan

Solving social issues by building up the residential elder care facilities business

Care Partner Co., Ltd. enters the group home business

According to the "White Paper on the Aging Society" published by the Ministry of Health, Labour and Welfare, one out of every five people aged 65 or older (about 7 million people in total) is expected to be suffering from dementia in 2025, making countermeasures against dementia a social priority. Under these conditions, Care Partner Co. Ltd. entered the group home* business by opening a home for dementia treatment in Yokohama, Kanagawa Prefecture, during the fiscal year ended March 31, 2020. Looking ahead, the company aims to open five new group home facilities by the fiscal year ending March 31, 2025.

The company has been providing nursing care and nursery school services since 1999. As a result of its entry into group homes, Care Partner is making a

contribution to society by keeping close ties to local regions through its centers for dementia treatment. It aspires to raise the quality of the residential elder care facilities business to a new level and to improve the ability to respond to challenges in a society where more and more senior citizens are suffering from dementia. One initiative in this regard is the joint establishment of a care service for dementia treatment at its group homes.

*Facilities adopting a care insurance system in which a small number of people live together while people, such as the elderly with dementia and persons with disabilities, receive assistance and nursing care from staff as one means of keeping close ties to local regions. With the goal of having people continue to live in local regions where they are accustomed to living, the facility is normally for people aged 65 or older certified with certain age-related diseases.

Comprehensive Leasing

Business



Business Overview

As a leading company in rental housing, the Daito Group seeks expansion of the business domain together with sustainable growth by applying assets and know-how developed up to now to the general leasing business—a diversified industry where the Group has made few inroads—including commercial facilities, hotels, offices, and dormitories.

Note: Individual financial indicators such as sales and profits are integrated into each operated business: Construction business, Real Estate business, and Other businesses.

Opportunities and Risks

- **Opportunity** Diversification of a person's course in life and lifestyle
- **Opportunity** Longer lifespans for residences and buildings
- **Risk** Price inflation for construction materials
- **Risk** Arrival of the COVID-19 era

Responsibilities Under the New Five-Year Plan

- Expand the business domain into non-housing areas
- Promote contracts for commercial buildings
- Erect and reinforce a design, estimation, and construction system
- Cultivate and advance new fields of business resulting from construction contract work (including shared office operations and third-place business)

Review of FY2019

In the fiscal year ended March 31, 2020, the start of the New Five-Year Plan, the Daito Group took up the challenge of entering new business domains. In August, it started introducing a trial of Times CAR SHARE (by TIMES24 CO., LTD.) for the Group's rental housing units, and in December it entered into a strategic alliance with JustCo Holdings Pte. Ltd., a major Asian operator of flexible working spaces.

Business Plans for FY2020

We plan to promote non-housing contract agreements. This we will do by building up a specialized construction sales organization for new commercial facilities and businesses opened in the fiscal year ended March 31, 2020, by creating a specialized organization for proposals by real estate developers, and by erecting and enhancing a design, estimation, and construction system for buildings other than housing. We will also continue our efforts to enlarge our scope of activity by leveraging our expertise in operations and management, especially in the business of space sharing, and in investing in revenue-producing real estate in Japan and overseas.

Contributions to Achieving the New Five-Year Plan

New businesses that are responsible for growth in the Comprehensive Leasing business

Entering the flexible workspace* business



In cooperation with JustCo Holdings Pte. Ltd., Daito Trust Construction Co., Ltd. established a joint venture named JustCo DK (Japan) Co., Ltd. in December 2019 and also made an investment in JustCo. From its base in Singapore, JustCo, Asia's largest premium flexible workspace business, is expanding its business to cover 40 operating bases in seven countries within the Asia-Pacific region. This strategic alliance was created with the goal of making a full-scale entry into the

flexible workspace business in Japan by capitalizing on the JustCo brand. It is targeting the opening of seven to nine facilities over the coming two years. Through this activity, the Daito Group intends to expand its scope of business and raise its corporate value.

*The concept covers offices such as coworking space, shared offices, service offices, and meeting rooms for rent, in order to provide a flexible response to the diverse array of working styles.

Lifestyle Support Services

Business



Business Overview

The Daito Group keeps close ties to local regions by providing living services to the 2.07 million tenants of the 1.13 million rental housing units under Group management, and supplies the know-how and services cultivated by the Group in the energy, nursing care, and nursery schools businesses with the aim of becoming a total lifestyle support business.

Note: Individual financial indicators such as sales and profits are integrated into each operated business: Construction business, Real Estate business, and Other businesses.

Opportunities and Risks

- **Opportunity** Increase in dual-income and single households
- **Opportunity** Progressive aging of society
- **Opportunity** Greater awareness of the environment, crime prevention, and disaster preparedness
- **Opportunity** Emergence of advanced IT technology
- **Opportunity** Full deregulation of retail energy
- **Risk** Increasing population depletion in rural areas
- **Risk** Climate change

Responsibilities Under the New Five-Year Plan

- Expand and promote the energy, nursing care, and nursery school businesses
- Enrich lifestyle services and expand the range of offerings
- Build a corporate culture for creating new businesses
- Create business and capital alliances with businesses and companies with the prospect of creating synergies

Review of FY2019

In October 2019, Gaspal Corporation acquired a mega solar plant and entered into the renewable energy business. The Daito Group has expanded services by working in collaboration with companies that have high potential for synergy with the Group. This includes a business and capital alliance with AIR TRUNK Corporation and its "Air Trunk" line of products providing home delivery-type trunk room services as well as a business alliance with Double Frontier Co., Ltd. to expand its "twidy" shopping agency service.

Business Plans for FY2020

In the fiscal year ending March 31, 2021, we will continue collaborating with other companies that have high potential for synergy, for example developing hybrid facilities for the elderly, possible entry into the biomass electric power generation business, and exploring further expansion in the energy, nursing care, and nursery school businesses. Also, through measures like our accelerator program and internal venture system, we will put a lot of effort into building a culture and developing a framework to continue creating new businesses.

Contributions to Achieving the New Five-Year Plan

Shift to a "comprehensive energy company"

Gaspal Group enters the renewable energy business

Gaspal, which handles contract work in gas supply and facilities construction, acquired the Yamato Ibaraki No. 2 Power Plant, a mega solar power plant in Hokota, Ibaraki Prefecture, in October 2019, and started to sell electric power to Tokyo Electric Energy Partners Co., Ltd. The power plant's site covers an area of 22,000 m² (about half the size of the Tokyo Dome sports stadium) and comprises 7,616 solar panels. It has total generation capacity of 1,990 kW and produces approximately 2.10 million kWh per year (enough to power 575 general residences), and is expected to reduce CO₂ emissions by 785 metric tons. Because they purchased this power plant, Gaspal Corporation has entered into the renewable energy business and has now become a "comprehensive energy company" actively engaged in driving the adoption of renewable energy as well as environmental protection activities.



Yamato Ibaraki No. 2 Power Plant

Non-financial Activities

Although there is currently no direct financial impact, the Daito Group has defined initiatives to raise future corporate value—also known as “not-yet” financial activities—and is engaged in a variety of these initiatives under an employee-led model.

1 The New Business Concept Project

Taking as its origin “a society and a future we want to build,” in November 2019, Daito Trust launched the “New Business Concept Project” intended to create new ventures outside its current business and to nurture entrepreneurs. About 20 employees gathered together and came up with ideas based on social issues and their own experiences. They drew up a final list of eight proposals and made an internal presentation that was full of ideas. The project will also advance initiatives aimed at commercializing new businesses.



An internal presentation

Launching the Mirai-novator Internal Venture System

With the goal of achieving the New Five-Year Plan and realizing the Group’s sustainable growth, the Daito Group started an internal venture system in April 2020. Named “Mirai-novator,” or “innovator of the future,” the system seeks to create businesses and support entrepreneurs along with fostering a corporate culture where all employees can actively produce plans and proposals. Mirai-novator allows participation by any Group employee and offers incentives that fit the commercialization stage of the proposal. In addition, it uses workshops and individual consultation to support the owners of these proposals in commercializing their business.

LEADERS’ VOICES



**TERADO
Kentaro**

Division Manager,
Business Strategy
Department

Number of New Business Proposals Is Over 450, a Clear Sign of the Group’s Potential for Growth

In our aim to create a total lifestyle support company, we started with our own thoughts and gave it a try with the launching of the “New Business Concept Project.” In advancing the project, we placed the greatest importance on what the image of the future is that we want to build. By having participants individually brush up their depiction of the Group’s future—what type of value we will provide to our stakeholders, what type of world and society we would like to build—I feel the Daito Group was able to get an image of the future, although one that is rough and unrefined.

Through this type of implementation, the Mirai-novator internal venture system started with the intention of creating a system that empowers employees to propose business ideas on their own. It got off to a quick start despite being affected by COVID-19, and received a total of 451 proposed ideas (from 313 people). I am impressed. Now, 38 of them have passed through document review and are proceeding with being brushed up for the next presentation review. I feel it is a sign of the potential growth of the Group that many employees support the Company’s ideas, and are both thinking and putting their own skills, expertise, and passion into this system. Although, Mirai-novator is still on its training wheels, we would like to make improvements while it is being rolled out and develop it to the point where, in a few years from now, we can say, “I am glad this was started.”

2 Open Innovation Program

Daito Trust Accelerator 2019

In October 2019, Daito Trust launched the Daito Trust Accelerator 2019 program for creating new businesses through the use of open innovation*¹ with start-up companies*². The aim of this program is to make use of both the resources of the Daito Group and the original ideas and know-how of a start-up company to facilitate shared creation of new value. This will lead to the solution of issues affecting all of society by creating new services that exist outside the framework of existing businesses.

In the fiscal year ended March 31, 2020, 71 items were solicited, and trial demonstrations were started for the five companies that made the final selection. The program will also be making an active push for collaboration with companies that have the potential for positive synergy with the Daito Group as it seeks to realize a society in which ordinary citizens can live in comfort.

*1 A mechanism for shared creation of innovative businesses and services using the company's own corporate resources and technology plus collaboration with outside companies.

*2 A company that builds a business model based on no prior examples. Using its own technology and ideas, the start-up company challenges incumbent markets with its rapid growth.



A final presentation

Director Koji Sato poses a question to a presenting company

Collaboration Case Study

Trial Demonstrations for a Shopping Agency Service in Tokyo

In March 2020, Daito Kentaku Partners Co., Ltd. went through the final selection for Daito Trust Accelerator 2019 and entered into a business alliance with Double Frontier Co., Ltd., which is rolling out the “twidy” shopping agency service. Starting in April 2020 in parts of the Tokyo metropolitan area, the alliance has been running trial demonstrations of a shopping agency service for tenants in rental housing managed by the Daito Group.

The purchased goods support service “twidy” is built upon the model of keeping close ties to local regions. It links to retail operators rooted in the local region such as supermarkets and to local sales outlets such as news vendors. Compared to general online retailers, “twidy” features the ability to place orders dynamically according to each user’s own situation. The trial demonstrations are scheduled to last for six months until September 2020 and we are examining cases of use and other conditions. The alliance will then proceed with considering full-scale introduction.

LEADERS’ VOICES



OSAWA Masaki

Division Manager,
Business Strategy
Department

Using the Resources of “Japan’s No.1 Landlord” to Create New Value

The Daito Group invited collaborative proposals for the Group’s first accelerator program under the theme of “changing Japanese life with the country’s No.1 landlord!” The Group’s businesses—the areas of construction, real estate, and rental housing—by themselves have a high degree of specialization, but as a company that watches over housing on a scale such as a city with 1.13 million homes and 2.07 million people, we were able to bring a wide range of resources into play. The business ideas were proposed by as many as 71 start-up companies, and five companies, especially those that advanced to the trial demonstration phase, went through back-and-forth discussions to combine the individual attributes of every company with the resources of the Daito Group. This resulted in ideas with great feasibility.

The important thing, I believe, is to take these activities and make the ideas that have advanced to the trial demonstration phase into a reality, so that the program does not end up becoming a one-shot business contest or event. We shall continue the activities after the results are shown, and will build partnerships with more companies by making these activities something that all start-up companies would like to propose. In this way, we will contribute to resolving social issues, leading to the creation of new value that has not yet existed.

3 The Disaster Prevention & Living Research Project

Bo-Ku Lab



Members of the Bo-Ku Lab

The Daito Group is putting in place the Disaster Prevention & Living Research Project (Bo-Ku Lab) with the aim of raising awareness of disaster preparedness in rental housing. In addition to Group employees, the Bo-Ku Lab welcomes as members NPOs that are active on the ground at preparing for and responding to disasters. The Lab engages in activities that contribute to making disaster prevention skills stronger within the Group, such as creating opportunities in local regions for communications about disaster preparedness and response, as well as developing products and services that utilize knowledge acquired from disaster support activities. In recent years, we have seen numerous disasters causing damage within Japan. As a result, disaster consumer awareness is growing greater each year. The Daito Group, through the activities of the Bo-Ku Lab, is not only reinforcing its disaster prevention skills, it is also aiming to be a company that contributes to the creation of buildings and towns that exhibit strength in face of a disaster.

Major initiatives of the Bo-Ku Lab

- Rolling out Bo-Ku Lab Stations for deploying support materials and power supply facilities throughout the country
- Providing support to groups involved in regional revitalization and disaster recovery and restoration
- Expanding rental housing equipped with solar panels for supplying power to a region when a disaster occurs
- Posting content online about disaster prevention
- Selling disaster-related goods to tenants on commercial websites



Bo-Ku Lab website (Japanese language only)

<https://www.kentaku.co.jp/miraiken/homes/kurashi/bousai/boku-lab/vol01.html>

LEADERS' VOICES



CHINO Emiko

Product Development Department
Chief of the Planning Section

Disasters and How We Think the Individual, the Local Region, and Life Should Be

The Disaster Prevention & Living Research Project (Bo-Ku Lab), through its Bo-Ku Lab Stations for disasters, has compiled the disaster preparation and response activities performed by the Daito Group, and is examining and developing plans that deepen knowledge and awareness about measures against disasters from various perspectives. As testament to the favorable assessment these initiatives have received, we were awarded the Good Design Award for the fiscal year ended March 31, 2020 by the Japan Institute of Design Promotion (JIDP).

Natural disasters have been frequent in the fiscal year ending March 31, 2021, extending from the outbreak of COVID-19, to the widespread water damage from heavy rains, and the swarm of earthquakes. Against natural disasters like these, the Daito Group takes advantage of its business development rooted in local regions, and takes preparation measures from two sides: the so-called hard side of rental housing and the so-called soft side, including employees' abilities to take action on disaster response as well as the Group's sympathetic nature and networking ability. This should result in mechanisms that encourage "self-help and shared help" during a disaster—something that can well serve disaster response in the local regions, I hope. I believe we should also provide the information many people perceive as public rescue and assistance, the public role held by rental housing, and create the type of disaster prevention devices and mechanisms that take a small point and expand on it.

Natural disasters are not just a matter for someone else, because we never know when one will strike. I would like for us to form a network full of experiences and knowledge, and move forward with activities that people will have sympathy for, in order for us to be of some help to local regions and the people who live there if a disaster occurs.

4 Projects for All Employees to Play an Active Role

Irodori Lab

In April 2019, Daito Trust launched the Irodori Lab, a project designed to induce sustainable corporate growth by preparing an environment that enables all employees, especially female employees, to continually play an active role. Eleven female employees from a variety of departments came together and conducted a questionnaire survey regarding review and enrichment of existing systems as well as matters related to work styles and careers. As a result of these project activities, in January 2020 we enhanced the support systems, as explained below, for maintaining a proper balance between work and private life including one that covers infertility treatment.

Future project activities will be directed toward becoming a company where each and every employee can realize their preferred work style and their career goals while continuing to work with great enthusiasm.



Members of the Irodori Lab project

NEW Main Systems Established in FY2019

Family Leave	Infertility Treatment Leave	Maternity Leave
<p>A system in which leave can be used for the nursing of a child, a spouse, a parent, or a grandparent—not just for everyday events but for times such as infertility treatment, pregnancy, child-rearing, and nursing care. The system grants five days of paid leave per year, separate from annual paid leave.</p>	<p>Infertility treatment leave: A type of family leave. A system in which five days of paid leave, separate from annual paid leave, can be used for such purposes as regular medical visits for examination and treatment and for recovery from poor health.</p> <p>Extended leave for infertility treatment: A system allowing a work absence, until confirmation of a pregnancy, of up to three years.</p>	<p>As a type of family leave, a maternity leave system was newly established in addition to the existing system for part-time work arrangements during maternity leave and the system for extended maternity leave. Under the maternity leave system, five days of paid leave can be taken in order to make regular medical visits or for recovery from poor health. This leave is separate from annual paid leave.</p>

LEADERS' VOICES



YUNOME Yukari


Human Resources Department, Division Manager of the Diversity Promotion Section

Always by Your Side. A Company that Brings to Life the Phrase "To Each Their Own."

Originally, the Irodori Lab undertook its activities as a gathering with various ideas regarding women playing an active role. However, from the first day of our activities I was astonished at the number of various viewpoints toward women playing an active role. We started to examine it from the starting point of, "What does it mean to have women play an active role?" This impression remains with me. While we held discussions—not just about women, but about employees in general and their various conditions and perspectives of value—the targeted image of playing an active role led to the conclusion that people are different in their own way. Because of this, we settled on the active slogan of, "Always by your side. A company that brings to life the phrase 'To each their own.'"

To make "always by your side" a reality, the support system for maintaining a proper balance between work and private life was reviewed and expanded in the fiscal year ended March 31, 2020. From the beginning, the Company set up a system that exceeded laws and regulations. Then, in order to respond to the various conditions of employees, and with a desire for employees to continue playing an active role while balancing work with private life, we expanded the period covering part-time work because of childcare to graduation from middle school and established nursing leave not only for children, but also for the whole family. In this way, we were able to achieve the introduction of a bold system.

Our final objective is that by stimulating these activities all employees will play a primary and active role in making an organization that can produce sustainable results. For this reason, in the fiscal year ending March 31, 2021, we will make it well-known inside and outside the Company just what it means at Daito Trust to have women playing an active role and to promote diversity. By doing this, we will energize these efforts, and from a variety of angles, examine a system, a training system, and a corporate culture that help support the formation of careers that fit each individual in their own way.



Countermeasures Against Threats

Thorough Corporate Governance

Corporate Governance

With the increasing uncertainty of current times, each year, companies' social responsibilities and the threats they face are both increasing. It is with the understanding that a company that is able to respond to these situations will continue to grow and be respected, that we at the Daito Group are taking action to focus our resources on strengthening corporate governance and responding to the various threats to our Group. Of these actions, this Integrated Report focuses on the concerted efforts we are taking to strengthen our corporate foundations.

The main conference room at Daito Trust Construction head office

Important matters pertaining to the management of the Daito Group are decided, such as items at Board of Directors' and executive management meetings. During the COVID-19 pandemic, we held these meetings remotely using video conferencing systems.



GOVERNANCE

Management structure to stably maintain and strengthen competitive advantage

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Stable corporate foundations unwavering in changing times

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- 63** Compliance
- 65** Protecting Human Rights and Diversity
- 67** Health Management, Occupational Safety, and Health
- 69** Nurturing Talent
- 70** Quality Management
- 71** Environmental Management

Outside Director's Message

Relentlessly and appropriately advancing business strategy to contribute to achieving the New Five-Year Plan

YAMAGUCHI Toshiaki

Lead Independent Outside Director
Chairman of the Company's
Governance Committee



Role Required of an Outside Director:

Making the most of insights as a lawyer and focusing on promoting compliance management

The role of an outside director is to give advice from an independent position necessary for improving corporate value, as well as overseeing management from the perspective of shareholders, ensuring transparency of management, and contributing to strengthened corporate governance. Additionally, a strong requirement of Daito Group outside directors—as stipulated in the selection guidelines for outside directors—is whether they can directly supervise the discussions and decisions of the Board of Directors concerning management, corporate legal affairs, governance, and so on. With a background as a lawyer, I believe I am expected to strictly supervise the

Board of Directors from a corporate legal perspective. Therefore, I always try to give advice and instructions to help promote compliance management. On the other hand, Daito Group's customers are remarkably diverse, from property owners to service users—both individuals and corporations—therefore the issues that arise are also diverse. In dealing with these issues, I believe I play a vital role in supervising, not only from the perspective of a lawyer—that is, assessing the legality—but also supervising from the perspective of shareholders—that is, whether the actions would be acceptable by society.

Evaluating Directors of the Governance Committee,

which Leads Daito Group Governance, to Increase the Effectiveness of the Board of Directors

A specific example of Daito Group outside director activities is the director-evaluation role of the Governance Committee. This committee consists of the President and Representative Director (CEO), and all outside directors and outside Audit and Supervisory Board members, and currently I am the chairperson. I am also currently director of the Japan Corporate Governance Network, and through involvement with institutional investors and the leaders of listed corporations, I have built knowledge of both growth-oriented governance—including promoting growth strategies to increase corporate value and appropriate and rapid risk taking—and protective governance—including risk mitigation and internal controls. It is this kind of experience that saw me appointed committee chairperson.

The Governance Committee fulfills various corporate governance functions, but a key function is the evaluation of directors. This evaluation is conducted annually, by a team of four—three outside directors and a standing Audit

and Supervisory Board member—and involves interviews with each standing director based on the mutual assessments of executive directors. It also involves evaluating both whether the director is being suitably responsible for business execution, and fulfilling a suitable role as a director with the power of supervision as a member of the Board of Directors.

This evaluation is used for selecting the President and deciding on basic compensation for directors. Thus, the Governance Committee undertakes some of the roles of the Nominating Committee and the Compensation Committee. At the time of the change in President in April 2019, the Governance Committee played a significant role in the appointment of the President by conducting interviews with the candidates after first defining the attributes of a leader suitable for guiding the Daito Group into the future.

Evaluation and Issues Related to the Effectiveness of the Board of Directors: Necessary to increase effectiveness in response to new challenges

The effectiveness of the Daito Group Board of Directors needs to be evaluated in relation to the New Five-Year Plan currently being implemented.

With regard to the rental housing business, which is the Group's core business, strengthening the business model can be considered extremely effective. However, regarding the new challenge of aiming to evolve into a total lifestyle support company, I feel discussions at Board of Directors' meetings are somewhat insufficient, and I get the impression that effectiveness is also lacking. It is my impression that, while the standing directors have significant capacity for executing tasks in their areas of expertise, they lack a sense of speed in strategic management in areas in which they are inexperienced.

To achieve the New Five-Year Plan, it is evident that

new solutions to challenges are necessary. Therefore, the Board of Directors must improve its effectiveness, and each of the directors must reach a higher level. Regular training and so on is conducted for directors and executive directors, but the training does not necessarily address the improvement of skills and knowledge in areas they do not have experience in. Therefore, I hope, through exchanges of opinions with us outside directors who have specialist knowledge, we can help supplement their skills and knowledge. I believe it is important to increase the opportunities for such exchanges of opinions. Additionally, I believe an effective way of improving the effectiveness of the Board of Directors is to further promote diversity on the Board such as by bringing in outside directors with different specialties than those of the current members.

Toward Achieving the New Five-Year Plan: The key to success is a flexible approach that brings in outside resources

I believe the direction of the New Five-Year Plan is correct to the extent that I feel it is the only real option. It is vital for the Construction business to improve its profitability, so we must put even greater effort into this area where we can utilize the Group's greatest strengths. In the Group's other key business, the Real Estate business, I believe we can expand our opportunities further by effectively utilizing the various data obtainable from our nationwide network of rental houses, which is an intangible asset unique to the Daito Group.

Additionally, toward our five-year goal of "A Company that can grow sustainably, entrusted with dreams and the future," it is vital to pursue new businesses to create a business model that will become a new pillar of the Group. Of course, making a concerted Group-wide effort is a must, however, it is important we do not get stuck on successful business models of the past. As our Group has a long history of continued income and profit growth, we

tend to think of things on a continuum of our business track record. However, market uncertainties are increasing with significant changes in the rental housing market, strengthened legal requirements related to subleasing, in addition to the impact of the COVID-19 pandemic. In this kind of climate, I believe the key to success is actively adopting a flexible approach—such as collaboration or joint ventures with other companies or employing new talent—rather than trying to solve everything within the Group.

I have experience as an outside director of various companies, however, I very much like Daito Trust's rare quality of not having internal factions. Not having factions takes away the need for guesswork and enables open and frank discussions at Board of Directors' meetings. I believe we will certainly achieve the major goal of the New Five-Year Plan if we can cherish this culture and all of us can keep running in the same direction.

About this Talk

This interview was conducted remotely by video conference due to the COVID-19 pandemic.

List of Officers

Directors



KOBAYASHI Katsuma

President and Representative Director (CEO)
General Manager of Construction Business Headquarters

Feb. 1986 Joined the Company

Apr. 2011 Executive Officer,
General Manager of Sales Management Department

Apr. 2012 Managing Executive Officer,
General Manager of Sales Management Department

Jun. 2012 Managing Executive Officer,
General Manager of Sales Management Department

Apr. 2016 Managing Director,
General Manager of Sales Management Department

Apr. 2017 Managing Director,
In charge of Construction Business Headquarters

Apr. 2018 Senior Managing Director,
In charge of Construction Business Headquarters

Apr. 2019 President and Representative Director (CEO)
In charge of Construction Business Headquarters
(current position)



KAWAI Shuji

Managing Director
General Manager of Corporate Management Headquarters
General Manager of Subsidiary Business Headquarters

Apr. 1989 Joined the Company

Apr. 2012 Executive Officer,
General Manager of Corporate Planning Division

Jun. 2012 Director, Executive Officer,
General Manager of Corporate Planning Division

Apr. 2013 Director, Executive Officer,
General Manager of Subsidiary Business Headquarters,
General Manager of Corporate Planning Division

Apr. 2014 Director, Managing Executive Officer,
General Manager of Corporate Management Headquarters

Apr. 2016 Managing Director,
In charge of Corporate Management Headquarters

Apr. 2017 Managing Director, In charge of Corporate Management
Headquarters and Subsidiary Business Headquarters
(current position)



TAKEUCHI Kei

Managing Director
General Manager of West Japan Construction
Business Headquarters

Apr. 1989 Joined the Company

Apr. 2012 Executive Officer, General Manager of Tenant Recruiting
Management Department

Jun. 2014 Director, Executive Officer, General Manager of Tenant
Recruiting Management Department

Apr. 2015 Director, Executive Officer, General Manager of Central
Japan Construction Business Headquarters

Apr. 2016 Director, General Manager of Central Japan Construction
Business Headquarters

Apr. 2017 Director, General Manager of Real Estate Business
Headquarters

Apr. 2018 Managing Director,
In charge of Real Estate Business Headquarters

Apr. 2020 Managing Director, In charge of West Japan Construction
Business Headquarters (current position)



UCHIDA Kanitsu

Director
Manager of Subsidiary Business Headquarters
General Manager of Nursing Care and
Childcare Businesses and Overseas Business

Aug. 1987 Joined the Company

Apr. 2012 Executive Officer,
General Manager of Cost Management Department

Apr. 2013 Executive Officer,
General Manager of Design Management Department

Jun. 2014 Director,
General Manager of Design Management Department

Apr. 2016 Director,
General Manager of Design Management Department

Apr. 2017 Director, Manager of Subsidiary Business Headquarters,
In charge of Nursing Care and Childcare Businesses and
Overseas Business (current position)



SAITO Kazuhiko

Director
General Manager of East Japan Construction
Business Headquarters
Responsible for Earthquake Restoration of the Company

Mar. 1992 Joined the Company

Apr. 2009 Executive Officer, General Manager of Chu-Shikoku
Construction Sales Department

Apr. 2011 General Manager of Tohoku Construction Sales Department

Apr. 2013 Executive Officer, General Manager of Tohoku Construction
Business Department, Officer Responsible for Local
Post-Quake Restoration

Apr. 2015 Executive Officer, General Manager of East Japan
Construction Sales Headquarters, Officer Responsible for
Post-Quake Restoration Company

Jun. 2015 Director, Executive Officer, General Manager of East Japan
Construction Business Headquarters

Apr. 2016 Director, In charge of East Japan Construction Business
Headquarters

Apr. 2019 Director, In charge of Construction Business Management
Headquarters

Apr. 2020 Director, In charge of East Japan Construction Business
Headquarters, Responsible for Earthquake Restoration of
the Company (current position)



SATO Koji

Director
General Manager of Real Estate Business Headquarters
President and Representative Director of
Daito Kentaku Partners Co., Ltd.

Mar. 1991 Joined the Company

Apr. 2013 Director, General Manager of Rental Property Management
Department of Daito Building Management Co., Ltd.
(currently Daito Kentaku Partners Co., Ltd.)

Apr. 2015 Managing Director, General Manager of Corporate Planning
Division of the company

Apr. 2016 Senior Managing Director of the company

Apr. 2017 President and Representative Director of Daito Kentaku
Partners Co., Ltd.

Jun. 2017 Director, President and Representative Director of Daito
Kentaku Partners Co., Ltd.

Apr. 2020 Director, In charge of Real Estate Business Headquarters,
President and Representative Director of Daito Kentaku
Partners Co., Ltd. (current position)

Outside Directors



YAMAGUCHI Toshiaki

Outside Director
Chairman of the Company's Governance Committee

Mar. 1990 Registered with the Osaka Bar Association,
joined Takeuchi and Inoue Law Office

Apr. 1995 Established Yamaguchi Law Office, Representative Attorney
at Yamaguchi Law Office (current position)

Oct. 2008 Director of Japan Internal Control Association
(current position)

Jul. 2010 Director of Association of Certified Fraud Examiners

Jul. 2012 Leader of Outside Director Guidelines Study Team of the
Judicial System Research Board, Japan Federation of Bar
Associations (current position)

Mar. 2013 Outside Director of Nissen Holdings Co., Ltd.

Jun. 2013 Outside Director of the Company (current position)

Aug. 2014 Director of Japan Corporate Governance Network
(current position)

Dec. 2014 Outside Audit & Supervisory Board Member of
Osaka University Venture Capital Co., Ltd.

Jun. 2015 Elected Member of the Committee on Whistleblower
Protection System, Consumer Affairs Agency

Apr. 2018 Outside Audit & Supervisory Board Member of
Osaka Metro Co., Ltd. (current position)



SASAKI Mami

Outside Director
Member of the Company's Governance Committee

Apr. 1983 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
Mar. 1985 Joined Morgan Stanley Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
Jan. 1991 Vice President of the company
Feb. 1994 Executive Director of the company
Dec. 2000 Managing Director of the company
Apr. 2004 Managing Director and Head of Sales of Fixed Income Division of Credit Suisse First Boston Securities (Japan) Ltd. (currently Credit Suisse Securities (Japan) Limited)
Jun. 2015 Outside Director of the Company (current position)
Oct. 2018 External Director of Sumitomo Mitsui Trust Asset Management Co., LTD (current position)



SHODA Takashi

Outside Director
Member of the Company's Governance Committee

Apr. 1972 Joined SANKYO CO., LTD.
(currently DAIICHI SANKYO COMPANY, LIMITED)
Jan. 1999 General Manager of Europe Department of the company
Jun. 1999 General Manager of Overseas Medical Sales Division of the company
Jun. 2001 Director of the company
Jun. 2002 Managing Director of the company
Jun. 2003 Representative Director and President of the company
Sep. 2005 Representative Director, President and CEO of DAIICHI SANKYO COMPANY, LIMITED
Jun. 2010 Representative Director and Chairman of the company
Jun. 2014 Consultant of the company (current position)
Jun. 2015 Outside Director of Ube Industries, Ltd. (current position)
Jun. 2017 Outside Director of the Company (current position)

Audit and Supervisory Board Members



UNO Masayasu

Standing Audit and
Supervisory Board Member (Outside)
Member of the Company's Governance Committee

Aug. 1981 Joined Chuo Accounting Office
Sep. 1984 Joined Integran, Inc.
Oct. 1996 Representative Director and President of US Robotics Co., Ltd.
Nov. 1997 Representative Director and Vice President of 3COM Japan
Oct. 1998 Director and General Manager of Sales Division of Lucent Technologies, Japan
Oct. 2000 Representative Director and President of Avaya Japan, Ltd.
Mar. 2005 Representative Director and President of NetIndex Inc. (currently NCXX Group Inc.)
Nov. 2007 Director of Index Holdings
Jun. 2009 Outside Audit and Supervisory Board Member of the Company (current position)



HACHIYA Hideo

Audit and Supervisory Board Member (Outside)
Member of the Company's Governance Committee

Apr. 1968 Joined Honda Motor Co., Ltd.
Apr. 1981 Registered as an attorney with the Daini Tokyo Bar Association, established Hachiya Law Office, Representative Attorney of Hachiya Law Office (current position)
Jun. 1991 Audit and Supervisory Board Member of the Company
Jun. 1995 Resigned as Audit and Supervisory Board Member
Jun. 1999 Outside Audit and Supervisory Board Member of the Company (current position)



FUJIMAKI Kazuo

Audit and Supervisory Board Member (Outside)
Member of the Company's Governance Committee

Apr. 1976 Joined Hazama Corporation (currently Hazama Ando Corporation)
Apr. 1979 Joined Mitsubishi Motors Corporation
Nov. 1989 Joined Nikko Securities Inc. (currently SMBC Nikko Securities Inc.)
Apr. 1999 Joined Ohta Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
Apr. 2002 Established Fujimaki Sogo Consulting, Representative of Fujimaki Sogo Consulting (current position)
Dec. 2006 Outside Audit & Supervisory Board Member of Yumeshin Holdings Co., Ltd.
Jun. 2013 Outside Audit and Supervisory Board Member of the Company (current position)

Executive Officers

SUZUKI Takashi

Executive Officer, General Manager of Chukyo Area Construction Business Department

TATE Masafumi

Executive Officer, General Manager of Design Management Department

YAMADA Shoji

Executive Officer, General Manager of West Kanto Area Construction Business Department

TANAKA Masayoshi

Executive Officer, President and Representative Director of Daito Mirai Trust Co., Ltd.

FUKUDA Kazunori

Executive Officer, President and Representative Director of Daito Corporate Service Co., Ltd.

MORI Yoshihiro

Executive Officer, President and Representative Director of Daito Kentaku Leasing Co., Ltd.

KAWAHARA Eiji

Executive Officer, Senior Director of Daito Kentaku Partners Co., Ltd.

KOISHIKAWA Masayuki

Executive Officer, General Manager of Sales Management Department

NAKAMURA Kouichi

Executive Officer, Manager of West Japan Construction Business Headquarters

MATSUFUJI Jun

Executive Officer, General Manager of Central Tokyo Area Construction Business Department

SHIBATA Tetsuya

Executive Officer, General Manager of Real Estate Business Promotion Department

IZUMI Kazuhiro

Executive Officer, General Manager of Construction Management Department

NAKAMURA Takeshi

Executive Officer, General Manager of Business Management Department

SHIRASAKI Takeshi

Executive Officer, General Manager of Hokkaido and Hokushin Area Construction Business Department

TAKENAKA Kunihiro

Executive Officer, Manager of East Japan Construction Business Headquarters

OKAMOTO Tsukasa

Executive Officer, General Manager of Accounting Department

Corporate Governance

Since being listed on the stock exchange in 1989, Daito Trust Construction, Co., Ltd. (the “Company”) has positioned reinforcing corporate governance as a critical management challenge. We manage fairly and transparently through a unique structure that centers on our Governance Committee and a mandatory retirement age of 60 for directors.

Corporate Governance Basic Policy

To maximize the corporate value of the Daito Group and for our shareholders and all other stakeholders, our basic policy on corporate governance is making our management more efficient and transparent. To do so, we have separated management’s decision-making and supervisory framework from the work execution and established a framework that enables rapid and efficient management and business execution. We also work to achieve highly transparent management through the participation of outside directors and outside Audit and Supervisory Board members.

Unique Features of the Daito Group’s Governance System

■ Governance Committee

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The Company conducts mutual assessments of the business execution and management oversight of executive directors, mainly through the Governance Committee headed by a lead independent outside director and includes all outside directors, corporate auditors, and Audit and Supervisory Board members. In addition to the mutual assessments by executive directors, fair and transparent evaluations of directors are based on the results of mutual assessments and interviews with each executive director conducted by the Governance Committee. The results of the mutual assessments of executive directors are reflected in the formulation of management structure for the next period, the selection of candidates for directors, basic compensation for directors (excluding outside directors), and bonuses and stock options as stock compensation.

■ Mandatory retirement at age 60 for directors and eliminating hereditary appointments

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The Company has established a mandatory retirement system for directors, with 60 being the mandatory retirement age for directors. After retirement as a director or retirement from the Company under this system, directors cannot remain connected with the Daito Group as a consultant or advisor. In addition, hereditary appointments have been eliminated and directors are not allowed to enter the Group through relatives within two degrees of kinship of upper management.

■ Introduction of stock compensation

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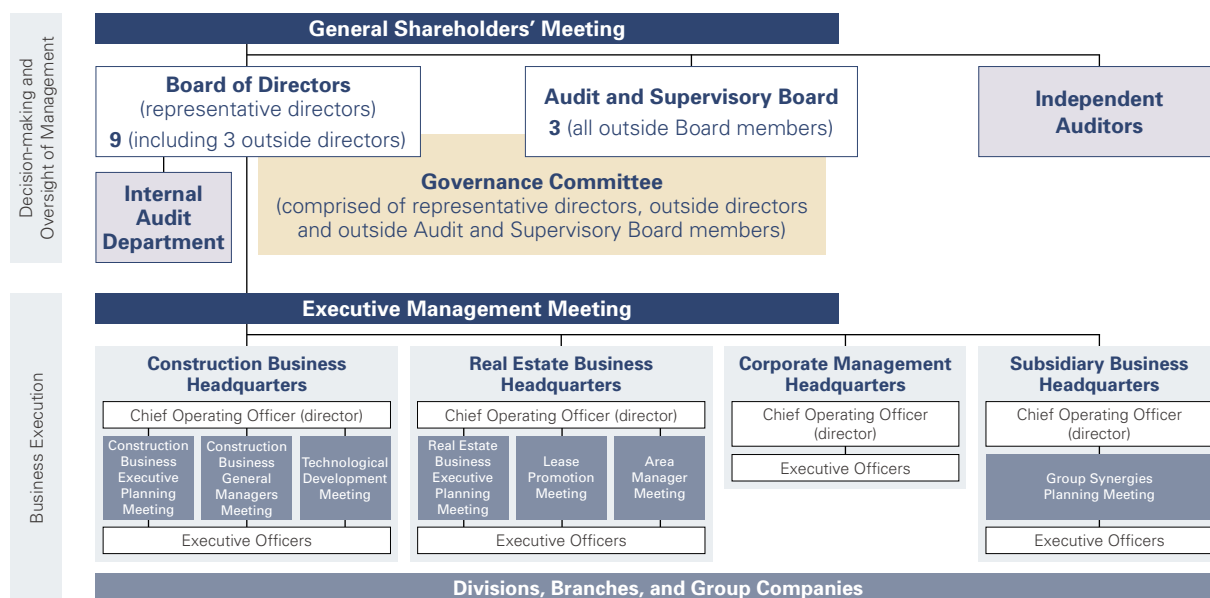
In addition to the fixed amount of basic compensation and bonuses, which are a variable amount of performance-linked incentive compensation, our Company has introduced stock compensation to clarify the correlation between the compensation of directors and the Company’s business performance and shareholder value. It also raises awareness of the contribution to improving medium- to long-term business performance and increasing corporate value, as well as strengthen the sharing of interests with shareholders.

History of the Daito Group's Corporate Governance Structure

	1974 Foundation of the Company	1989 Listed on the Second Section of the Nagoya Stock Exchange	2011 Acquired and cancelled the shares held by the founder in a TOB
Separation of management and business execution			2000 Introduced the executive officer system
Term of office of directors		1989 Introduced mandatory retirement age of 60 for directors	
Remuneration of directors			2011 Introduced stock options as stock-linked compensation
			2019 Introduced stock compensation
Outside directors		2005 Appointed one outside director	2011 Appointed two outside directors
			2013 Appointed three outside directors (from 2015, one female outside director shall be included)
Outside Audit and Supervisory Board members	1986 Appointed one Audit and Supervisory Board member	1989 Appointed three Audit and Supervisory Board members	1999 Appointed four Audit and Supervisory Board members (all four are outside Audit and Supervisory Board members)
			2020 Appointment of three directors (all outside directors)
Voluntary committee			2012 Established the Evaluation Committee System (currently, Governance Committee)

Management Structure

The Company has the Board of Directors as the management's decision-making and supervisory framework, a Management Committee for executing business based on decisions made by the Board of Directors, as well as a Chief Operating Officer, Board of Directors, and executive officers for each business segment. In addition, the Company has enabled rapid decision-making by dividing business areas into the Construction Business Headquarters, the Real Estate Business Headquarters, the Corporate Management Headquarters, and the Subsidiary Business Headquarters and assigning the Chief Operating Officer with the highest level of authority in each business area from among the Board of Directors, by entrusting the Executive Management Meeting with decision-making authority over business execution as necessary, and by having the Board of Directors decide on important management issues.



Board of Directors

The Board of Directors includes directors with expertise in the individual business fields of the Company and the Daito Group, as well as outside directors, including lawyers and experienced business owners, with expertise in their respective areas of specialization. They are responsible for deciding on matters of law and by the Articles of Incorporation, as well as other items important to the Company and Group companies, and for receiving reports from individual directors on the status of business execution.

Audit and Supervisory Board

Made up of certified public accountants, lawyers, others with experience in supervisory agencies and others with expertise in specialized fields, the Audit and Supervisory Board is responsible for monitoring the execution of business by the directors in accordance with the audit policy, and for reporting, discussing, and deciding on important audit-related matters. A standing Audit and Supervisory Board member is also selected, and attends meetings of the Board of Directors as well as the Executive Management Meeting and other meetings important for business execution.

Board of Directors

In the third quarter of each year, the Company conducts interviews with and mutual assessments of representative directors, outside directors and outside Audit and Supervisory Board members, mainly through the Governance Committee. Verifying the results of those mutual assessments by the Governance Committee enables the Company to analyze and evaluate the effectiveness of the Board of Directors.

Governance Committee

A voluntary committee that assesses director performance, and deliberates on proposals for Board organization for the next term, candidates for director positions and other matters.

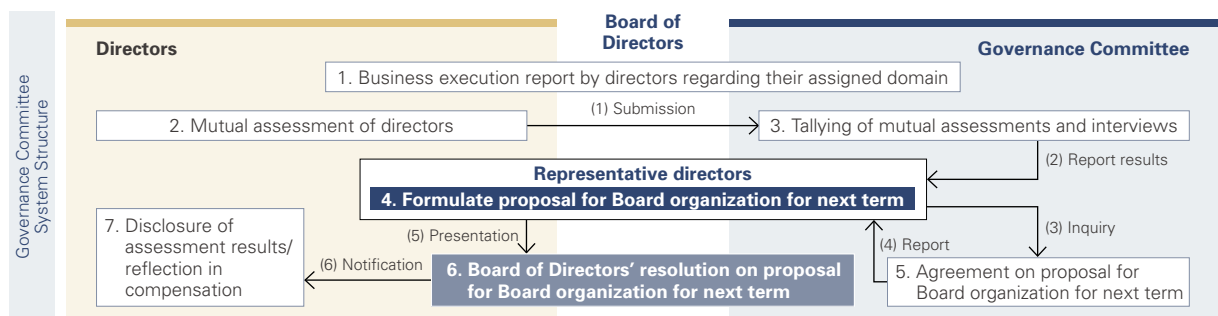
Composition of the Governance Committee

Made up of representative directors, outside directors and outside Audit and Supervisory Board members. (The Chairperson is a lead independent outside director.)

Functions of the Governance Committee

- (1) Collate and report on the results of mutual assessments of directors.
- (2) Deliberate and submit findings regarding proposals for Board organization for the next term (directors and executive officers) as formulated by the representative directors and director candidates proposal (both reappointments and new appointments). Note: The representative director cannot present proposals for Board organization for the next term and director candidates' proposal without the prior deliberation of the Governance Committee.
- (3) Deliberate and submit findings regarding proposals for performance-linked incentive compensation.
- (4) Review and make recommendations for the role of corporate governance.

Corporate Governance Committee Director Assessment System



1. Business execution report	Directors report on the status of business execution in their assigned areas to the Board of Directors.
2. Mutual assessment	Directors assess one another's business execution and management supervision function.
3. Tallying and interviews	The Governance Committee chairperson reports on the proposal for board organization for next term after deliberating on whether there are inconsistencies with the mutual assessment results.
4. Formulate proposal for Board organization for next term	Based on the results of the mutual assessments, the representative directors create a proposal for Board organization for the next term and conduct an inquiry with the Governance Committee.
5. Deliberation on Board organization for next term	The Governance Committee agrees on the proposal for Board organization for the next term after confirming there are no inconsistencies with the mutual assessment results.
6. Resolution on board organization for next term	The Board of Directors passes a resolution on the Board organization for the next term.
7. Disclosure of assessment results/ reflection in compensation	The assessment results are disclosed to the executive directors and reflected in their compensation.

Evaluating the Effectiveness of the Board of Directors as a Whole

Steps for evaluating the effectiveness of the Board of Directors as a whole (outline)



Ensures the objectiveness of evaluation by the process utilizing the Governance Committee

Summary of Evaluation Results for FY2019

Based on the confirmed evaluation results, the Board of Directors verified from the perspectives of the Board of Directors' management and supervisory functions, the outside directors' activities and contribution, objectivity and systemization of the appointment process for directors and executive officers as well as the leadership of the organization's top management that the Company is being managed well overall and there are currently no areas requiring major improvement.

Director Compensation System

The basic compensation of the directors, Audit and Supervisory Board members, and other executives of the Daito Group takes into consideration such matters as company performance, the compensation of executives in other companies in the industry, employee pay raises, and years worked, as well as the executives' management skills, successes, and level of contribution to the Company. A lump-sum payment for the bonuses of all executives is calculated based on a fixed rate—which is decided at the Board of Directors' meeting—and paid out of the Company's consolidated profit attributable to owners of the parent for the current fiscal year. How much each executive receives in bonuses takes into consideration factors like an executive's level of contribution to the Company. (Note: This does not apply to outside directors.) In June 2019, the Company introduced stock compensation, clarifying the link between director compensation and the Company's performance and shareholder value. The system aims to raise awareness of the contribution to improving medium- to long-term business performance and increasing corporate value, as well as strengthen the sharing of interests with shareholders. (Note: This does not apply to outside directors.)

Director Compensation System			
2011– (total amounts shown)		2019– (total amounts shown)	
Performance-linked	Stock options as stock-linked compensation (not applicable to outside directors) Up to ¥530.0 million per year	June 2019 Introduction of stock compensation plan	Stock compensation (not applicable to outside directors) Maximum ¥1.9 billion over a three-year period
	Stock options as stock-linked compensation (of which, up to ¥50.0 million per year for outside directors) Up to ¥1.0 billion per year		Stock options as stock-linked compensation (not applicable to outside directors); up to ¥1.0 billion per year
Fixed	Basic compensation up to ¥1.0 billion per year (of which, up to ¥50.0 million per year for outside directors)		Basic compensation up to ¥1.0 billion per year (of which, up to ¥50.0 million per year for outside directors)

Compensation system for directors			
Types of compensation	Details	Fixed/Change	Compensation limitations/Conditions
Basic compensation	Determined in consideration of corporate performance, employee salary increase rate, length of service, compensation of other companies in the industry, contribution, etc.	Fixed compensation	Fixed compensation up to ¥1.0 billion per year (of which, up to ¥50.0 million per year for outside directors)
Bonus	The total amount is calculated by multiplying consolidated net income by 0.45%, and the amount to be paid to each director is determined in consideration of the contribution of each director in a single year.	Change	Bonus total up to ¥1.0 billion per year (not applicable to outside directors). Condition: consolidated profit attributable to owners of the parent over ¥20.0 billion and certain performance achieved
Stock compensation	Performance-linked compensation	Change	Upper limit: Total contribution of ¥1.9 billion for three years plus 210,000 shares of common stock for three years. Condition: ROE of 20% or more and payout ratio of 50% or more.
	Non-performance tracking	Fixed	
Stock option: No new parent assignment since FY2019	Determined based on single-year evaluation fluctuation.	Change	Upper limit: Total amount of ¥530 million per year and a total number of stock acquisition rights of 92,000 shares per year

Reference: Total amount paid for directors' compensation for FY2019

Name	Total compensation (Millions of yen)	Position	Company	Total compensation, etc. by type			
				Basic compensation	Stock options	Stock compensation	Bonus
KOBAYASHI Katsuma	176	Director	The Company	107	21	48	—
			Consolidated subsidiary	—	—	—	—
KAWAI Shuji	119	Director	The Company	74	18	26	—
			Consolidated subsidiary	—	—	—	—
TAKEUCHI Kei	106	Director	The Company	64	15	26	—
			Consolidated subsidiary	—	—	—	—

Name	Total compensation (Millions of yen)	Position	Company	Total compensation, etc. by type			
				Basic compensation	Stock options	Stock compensation	Bonus
NAKAGAMI Fumiaki	221	Director	The Company	62	5	152	—
			Consolidated subsidiary	—	—	—	—
KUMAKIRI Naomi	203	Director	The Company	3	199	—	—
			Consolidated subsidiary	—	—	—	—

Note: Includes only those directors with total consolidated compensation, etc. exceeding ¥100 million.

Management Replacement Cycle

Mandatory Retirement at 60 for Directors

- Directors retire from business execution on the last day of the fiscal year (March 31) in which they become 60 years old, becoming non-executive directors (part-time) from April 1.
- At the end of the General Shareholder's Meeting held in the following June, they retire or resign.
- After retirement, they may not serve as an advisor, consultant or any other role.



*The minimum appointment for representative directors is four years (two terms).

Elimination of Hereditary Appointments

- Persons within two degrees of kinship of upper management personnel (assistant manager and above) are not admitted to join the Daito Group, in order to eliminate hereditary appointments.



See the website below for more detailed information regarding corporate governance.
<https://www.kentaku.co.jp/corporate/en/ir/governance/top.html>

Appointment Guidelines for Outside Directors and Outside Audit and Supervisory Board Members

The Daito Group's outside directors and outside Audit and Supervisory Board members, and candidates for those positions, satisfy the following criteria:

1. Be able to directly supervise the deliberations and decision-making of the Board of Directors on key issues—for example, issues related to management, corporate law, and governance.
2. Be able to reflect their own knowledge and expertise to formulate growth strategies, determine management strategies, and achieve medium-term management plans.
3. Be able to offer advice and leadership based on their own knowledge, expertise and experience regarding other issues related to corporate management.

Standards for the Independence of Outside Directors and Audit and Supervisory Board Members

To ensure the independence of outside directors and outside Audit and Supervisory Board members (or candidates for those positions), those persons must not fall under any of the following categories. The periods for which these criteria apply are: 1) from the unlimited past to the present for Category ① and 2) from the past 10 years to the present for Categories ② to ⑤.

① Daito Group affiliate

The individual is not a director (unless an outside director), a member of the Audit and Supervisory Board (unless an outside Board member), an accounting advisor, an executive officer, or an employee of Daito Trust, a subsidiary*1, or an affiliated company*2.

② Holder of voting shares

- 1) The individual is not a major shareholder (holding a 10% or greater share) of Daito Trust or an executive or employee of any major shareholder.
- 2) The individual is not an executive or employee of a company for which the Daito Group is a major shareholder (holding a 10% or greater share).

③ Business partner affiliate

- 1) The individual is not an executive or employee of a business partner whose transactions with the Daito Group account for 2% or more of consolidated net sales.
- 2) The individual is not an executive or employee of a financial institution from which the Daito Group borrows capital amounting to 2% or more of Daito Trust's consolidated gross assets.
- 3) The individual is not an executive or employee of the Daito Group's main securities company.

④ Provider of specialized services (lawyer, certified public accountant, consultant, etc.)

- 1) The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as the independent auditor.
- 2) The individual does not receive ¥10 million or more a year from the Daito Group (apart from director or Board member compensation) for his/her services as a lawyer, certified public accountant, tax accountant, or consultant.

⑤ Others

- 1) The individual is not a relative within two degrees of kinship of people falling under the Categories ① to ④ above.
- 2) The individual is not an executive or employee of a company that has one or more directors holding a post in the Daito Group.
- 3) The individual is not an executive or employee of a company that holds shares in the Daito Group.

*1. "Subsidiary" refers to a subsidiary as defined in Article 8, Paragraph 3 of the Ordinance on Consolidated Financial Statements.

*2. "Affiliated company" refers to an affiliated company as defined in Article 8, Paragraph 5 of the Ordinance on Consolidated Financial Statements.

Standards for Independence of Outside Directors

	Activities	Name	Directors				Expertise
			Profession	Corporate management	Finance	Financial accounting	
Outside directors	YAMAGUCHI Toshiaki	Lawyer	—	—	—	●	Attended 100% (13/13) of Board of Directors' meetings
	SASAKI Mami	Former foreign financial institution management	—	●	—	—	
	SHODA Takashi	Former company manager	●	—	—	—	
Outside Audit and Supervisory Board members	UNO Masayasu	Certified public accountant Former company manager	●	—	●	—	Attended 100% (13/13) of Board of Directors' meetings Attended 100% (13/13) of Audit and Supervisory Board meetings
	HACHIYA Hideo	Lawyer	—	—	—	●	
	FUJIMAKI Kazuo	Consultant U.S.-certified Public Accountant	—	—	●	—	

Risk Management

In recent years, during a period of bewildering changes in social conditions and the business environment, future uncertainty has soared to new heights and risk management has been upgraded a level in its importance for corporate management. In consideration of these conditions, the Daito Group has identified a multitude of latent business risks and enacted appropriate responses. Together with this, the Group is proceeding to solidify the risk management foundation, leading to added business growth and enhanced corporate value.

Risk Management Policy and Framework

The implementation of the Risk Management Regulations, which define the basic elements of risk management, help to enable accurate understanding, assessment, and management of risk for the Daito Group as well as to avoid the occurrence of risk, and to take prompt countermeasures when risks arise. These regulations, which apply to all Group employees, are designed to anticipate risks in business and assess them appropriately in order to avoid the occurrence of risks, develop prompt reporting, and take appropriate countermeasures when risks are imminent.

We have also constructed a framework for addressing risk management by preventing risk occurrence, minimizing the effects of such occurrences, and through the establishment of a Compliance Promotion Meeting. The meeting is comprised of representatives from the Compliance Promotion Department, the specialty J-SOX Promotion Department, and, as additional members, three executive directors, one standing Audit and Supervisory Board member, and one outside expert.

Preparing a BCP

Because the Daito Group operates businesses throughout Japan, it has drawn up a business continuity plan (BCP). The plan is based on the recognition that the occurrence of unforeseen conditions would hinder business continuity and understands that initiatives addressing business continuity are an important element of management strategy. The plan puts together a standard of conduct and a decision-making structure for use during emergencies such as pandemics and natural disasters, including earthquakes and large-scale floods. It not only lays out the fundamental direction of response for business continuity and swift restoration, but also covers communication of information and effectively providing support ahead of other companies. Also, it sets the direction regarding proper conduct for fulfilling social responsibility.

In addition, as guidance to secure the safety of employees as envisioned for natural disasters and pandemics, we have prepared the Initial Response Manual for use during an emergency. We are conducting our response to the recent COVID-19 outbreak in conformance with this manual.

Risk Definition

The prime possibilities for risks for the Daito Group are listed below. All possibilities may create a disadvantage to the Group or loss of trust in the Group on a physical or business basis.

- ① Causing a direct or indirect business loss to the Group
- ② Interrupting or suspending the Group's business continuity
- ③ Impaired trust in the Group or a degraded brand image

Basic Policy on Risk Management

- ① Regarding the business activities of the Daito Group, we will strive to obtain an accurate understanding of the risks that are present in our business activities and to manage these risks through advance prevention of risk occurrence and swift response.
- ② When specific risks occur, we will take countermeasures quickly and appropriately and will minimize the impact on the business continuity and stable operations of the Group.



For details about risk identification, please see the following website. (Japanese language only)

<https://www.kentaku.co.jp/corporate/en/ir/governance/risk.html>

Response to COVID-19

While COVID-19 is a threat throughout the world, the Daito Group has set up a COVID-19 response headquarters in accordance with its own BCP (version for a pandemic), and has both obtained an understanding of the situation and collected information for preventing the spread of the infectious disease as it strives for a rapid response.

(Basic policy on the BCP for a pandemic)

- ① To protect the life and safety of our employees and their families
- ② To execute critical business necessary for continuity
- ③ To fulfill our responsibility to explain the situation to stakeholders
- ④ To focus efforts on preventing the spread of infection

(Primary measures for preventing the spread of COVID-19)

- Closing offices and construction sites in accordance with the requests made by the national government and each local government; postponing or suspending events hosted by the Group
- Thorough and consistent practice of working from home and waiting on standby at home; moving both internal and external conferences and meetings to online formats
- Opening a new website for issuing messages from top executives to stakeholders and gathering and disseminating related information
- Implementing the industry's first deferred rent measure as well as discounts and deferred payment of gas charges



For details on our response to COVID-19, please see the following website:

<https://www.kentaku.co.jp/etc/info/info202005/>

In the future, we will strive for responses in line with requests from the national government and each local government.

Compliance

The Daito Group positions compliance as a critical management issue. With respect to compliance, the Group is engaged in building mechanisms that reinforce the monitoring system and prevent improper conduct as well as achieve early detection and resolution. In addition, we are focused on compliance training directed at raising employee awareness and aspire to develop a healthy corporate culture that honors fairness.

Related Social Changes and Social Issues

- Tax reforms (inheritance tax, consumption tax, etc.)
- Enactment and amendments to laws (Labor Standards Act, Construction Standards Act, etc.)
- An increase in corporate scandals (leaks of personal information, harassment, etc.)
- Greater consumer awareness

Responses from the Daito Group

- Assign outside Audit and Supervisory Board members
- Establish relevant departments (Legal Department, Compliance Promotion Department, Internal Audit Department)
- Develop an internal reporting system accessible to people inside and outside the Company
- Implement thorough compliance training for employees

Basic Compliance Policy

We conduct compliance thoroughly and consistently in all aspects of our business activity and have set these two compliance standards: 1) the Daito Group Code of Conduct, which lays out the conduct standards and guidelines that all Group employees should follow, and 2) "Daito Gohatto Nana-kajo," Daito Group 7 Prohibition Rules (maximum punishment dismissal) which, as one of a series of standards within the Daito Group, specifies matters that are especially prohibited. We recognize as another major social issue that antisocial forces and organizations that threaten the order and safety of civil society shall be eliminated from society. Heeding our corporate social responsibility (CSR) and compliance, we have laid out the Basic Policy toward the Elimination of Antisocial Forces. We will never comply with unfair or illegal demands from antisocial forces and vow that the entire organization shall take countermeasures against these antisocial forces.

Compliance Promotion Structure

The Compliance Promotion Meeting convenes regularly and discusses compliance-related matters such as employee enlightenment and concerns. It also monitors the state of legal compliance.

We have also set up internal reporting system at both the departments engaged in compliance and an outside law office, and we strive for early discovery and correction of wrongful behavior. Guided by the Compliance Promotion Department, we supply compliance-related training and information with regular frequency, applicable to executive officers and employees. In this way, we raise awareness of observing the law and promote the prevention of wrongful acts.

The Daito Group's Internal Regulations



Compliance guidelines, please see the following website:

<https://www.kentaku.co.jp/corporate/en/ir/governance/compliance.html>

Composition and Responsibilities of the Major Departments and Committees

Compliance Promotion Meeting

Members include three executive directors, one standing Audit and Supervisory Board member, and one outside expert. In addition to individual compliance matters, carries out discussions on countermeasures and responses for matters concerning risk management.

Internal Audit Department and J-SOX Promotion Division

The Internal Audit Department conducts audits of the Daito Group based on the audit plan and reports results to the Board of Directors and Audit and Supervisory Board. The J-SOX Promotion Department was set up within the Internal Audit Department to monitor the status and work in internal controls of financial reporting for the entire Company and the reasonableness of the accounts settlement and financial reporting process.

Compliance Promotion Department

The Compliance Promotion Department has established a code of conduct that covers Group employees and is working to have all employees be well-acquainted with the code. The department is also engaged in providing guidance for in-service compliance training, raising compliance awareness among employees, and the prevention of wrongful acts.

Compliance Promotion Initiatives

In compliance countermeasures, it is very important “to nip the problem in the bud” or address problems before they occur. The Group is introducing an internal control system with the goals of early discovery of legal violations and wrongful conduct within an organization, and using personally devised remediation to reinforce compliance management and aid the maintenance of a healthy working environment. We have set up a reporting system at an independent external organization (a law office) as well as an internal system. In addition to Group officers and employees, the reporting system covers all stakeholders as applicable users especially collaborating companies and business partners. When an internal notification is issued, a proposal or implementation plan for an investigation and/or countermeasure response is submitted by the Compliance Promotion Department to the relevant department. The directors that oversee the compliance departments, who are appointed by the Board of Directors, verify the operating condition of the internal reporting system and submit appropriate reports to the Board. We have also erected a structure that ensures the notifier will be protected. The investigation is carried out in a manner that does not identify the notifier and ensures that duty of confidentiality is upheld for the investigation contents. The structure also specifies that the Company will not dismiss the notifier from employment or subject the person to some other type of disadvantageous treatment. Together with this, follow-up activities are conducted with the notifier, including operation of a compliance card that serves as a set of guidelines for when a decision goes astray as well as interviews and questionnaire surveys regarding the work environment. This structure leads to the early uncovering of violations and wrongful acts.

Thorough Compliance Education and Training

With the Compliance Promotion Department providing guidance, in-service compliance training is carried out for all employees on subjects such as harassment and information security, which facilitates a greater understanding of compliance by employees.

Through distribution of *Compliance Communications*, our in-house email magazine, we communicate compliance information on a regular basis and develop compliance awareness, in furtherance of our aims to prevent wrongful conduct.



Compliance Communications, our in-house email magazine

Report from the Japan Fair Trade Commission on the Act Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on

In September 2019, Daito Trust Construction Co., Ltd. and Daito Kentaku Partners Co., Ltd. received a report from the Japan Fair Trade Commission in accordance with Article 6, Paragraph 1 of the Act Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on, etc. with the Aim to Ensure Smooth and Proper Pass-on of Consumption Tax. The report acknowledged conduct in violation of the provision in the second sentence of Item 1 under Article 3. Because the Group had an inadequate understanding of this Act and its guidelines, we caused problems for applicable property owners and related parties. We are profoundly sorry for any harm or inconvenience that we have caused.

As a result of the report, since October 2019, we have disseminated our acknowledgment of the facts surrounding the violation of the Act to specific suppliers

(counterparties to business transactions) and are currently taking restorative measures for these suppliers.

We have also implemented in-service training in order to deepen our understanding of the Act with the goal of preventing recurrence and undertaking thorough compliance. Also, in December 2019, we newly established a Transaction Audit Department to provide guidance and monitoring of the compliance structure for transaction-related laws and regulations.

We earnestly accept the report. Looking ahead, we are disseminating information about relevant laws and regulations throughout the Company, implementing internal training, and creating a structure for sharing information among Group companies—examples of the thorough measures being taken throughout the entire Group in a major strengthening of compliance.

Refund for Application Fees

In March 2019, in response to a public call from the certification NPO, Consumers Organization of Japan, a Qualified Consumer Organization, we refund customers the fees for construction contract agreement applications made with the Group when the application did not lead to subsequent execution of an agreement.

Respect for Human Rights and Diversity

Maintaining employee diversity and affirming diversity in society is more than just making work pleasant. It is also something that leads to diversity in products and services offered by the Daito Group. In all business activity of the Daito Group, we focus on respect for human rights, accepting diverse individuals as well as talented people who hold diverse values. We will also strive to make sure every employee keeps a proper balance between work and private life. In this way, we aspire to construct a workplace full of energy where all can play an active role.

Related Social Changes and Social Issues	Responses from the Daito Group
<ul style="list-style-type: none"> Enforcement and amendment of laws (Act on Promotion of Women's Participation and Advancement, Act on Advancement of Measures to Support Raising Next-Generation Children, etc.) 	<ul style="list-style-type: none"> Establish a specialty department for the advancement of diversity
<ul style="list-style-type: none"> Expanding diversity by gender and ethnicity 	<ul style="list-style-type: none"> Appoint female outside directors
<ul style="list-style-type: none"> Diversity of consumer preferences and value perspectives 	<ul style="list-style-type: none"> Enrich various structures (support for live events, career support)
<ul style="list-style-type: none"> Decrease in the working population 	<ul style="list-style-type: none"> Promote work support, employment, and training (people with disabilities, foreigners, etc.)

Basic Policy on Respect for Human Rights and Promotion of Diversity

Based on the belief that the Daito Group does not discriminate for reason of race, nationality, ethnicity, gender, gender identity, disability, age, religion, or social status, the Daito Group Code of Conduct states that we at the Daito Group practice mutual respect of character and individuality, do not permit social discrimination and violation of human rights, comply with international rules and local laws and regulations, and respect local culture and customs.

Regarding diversity, we uphold the medium- to long-term

vision of "maintaining a vital organization and erecting a work environment where employees work with vigor" and strive to create a pleasant working environment led by the Diversity Promotion Office of the Human Resources Department.



For the full text of the Daito Group Code of Conduct, please visit the following website:
<https://www.kentaku.co.jp/corporate/en/ir/governance/compliance.html>

Systems Designed to Support Life Events (Daito Trust Construction Co., Ltd.)

	Marriage	Infertility Treatment	Pregnancy and Childbirth	Childcare	Nursing Care	Retirement
Systems related to work styles			(From discovery of pregnancy to the day before the start of prenatal leave) <ul style="list-style-type: none"> Maternity part-time work 	(Until the child is 1 year old) <ul style="list-style-type: none"> Childcare time (up to entry into elementary school) Limited overtime work Limited late-night work Limited off-hours work Part-time work arrangements for child-rearing 	<ul style="list-style-type: none"> Part-time work arrangements for nursing care (for 5 years) Limited overtime work Limited late-night work Internal and external nursing care consultation desk 	<ul style="list-style-type: none"> Re-employment system Extended retirement age system
			Work location designation system			
			Come Back Pass system (for rejoining the Company)			
			Reduced work (when regular out-patient hospital visits are required and when the home situation requires)			
			Flextime system			
			Long-distance transfer support system (covers changes due to nursing care or spouse)			
Systems related to vacation and leave	<ul style="list-style-type: none"> Special marriage leave (5 consecutive days) 	<ul style="list-style-type: none"> Infertility treatment extended leave (maximum of 3 years) Infertility treatment leave (5 days per year with pay) 	(From discovery of pregnancy to the day before the start of prenatal leave) <ul style="list-style-type: none"> Maternity leave extended leave (5 days per year with pay) (From 6 weeks before childbirth to 8 weeks after childbirth) <ul style="list-style-type: none"> Prenatal and postpartum leave Special leave for spouse at the child's birth (total of 7 days of paid leave) 	(Up to the day before the 3rd birthday) <ul style="list-style-type: none"> Childcare leave 	<ul style="list-style-type: none"> Nursing care extended leave (1 year) Nursing care leave (total of 5 days of paid leave per person) 	
	Paid vacation (able to take in hourly, half-day, or full-day units) *As of April 2018, at least 5 days must be taken each year					
	Support paid leave system					
	Spouse job transfer leave system					
	Nursing leave (applies to a child, spouse, employee, and spouse's parent, or grandparent of employee or spouse)					
Benefits and allowances	<ul style="list-style-type: none"> Monetary marriage gift (employee association) 	<ul style="list-style-type: none"> Infertility treatment fertility assistance (employee association) 	<ul style="list-style-type: none"> Childbirth benefits (health insurance) Monetary childbirth gift (employee association) (From 6 weeks before childbirth to the day before the 3rd birthday) Exemption from social insurance premiums	<ul style="list-style-type: none"> One-time compensation for childbirth and childcare (health insurance) Special case for pension value settlement (following childbirth to the day before the 3rd birthday)	<ul style="list-style-type: none"> Nursing care leave payments (employment insurance) Assistance for nursing care expenses (employee association) 	<ul style="list-style-type: none"> Compulsory retirement benefits system
Other initiatives: ● Anniversary leave ● Refresh leave ● Volunteer leave ● Employee welfare services ● Opt-in defined contribution plan (DC) system ● Group long-term disability (GLTD) insurance system, etc. Family leave: Allows paid leave to be earned separate from annual paid vacation. Can be earned regardless of purpose. Unified under the general name, "family leave."						

As of April 1, 2020

■ Build a Pleasant Workplace Environment where Everyone is Enthusiastic about Their Work

(1) Initiatives for realizing work-life balance

We are building a work environment where every employee continually plays an active role while balancing their work life with their private life. We support employees in their quest to continue employment at the Company as well as build their careers and have introduced a flexible and diverse employment system closely tied to life events. One example is the introduction of a system for employees who have left work out of necessity due to family circumstances and who wish to re-enter the Company. This has involved expanding the scope of leave, extended leave, shortened working hours, and part-time work to meet and exceed legal requirements to cover infertility treatment leave; pregnancy, childbirth, and childcare; nursing care; and regular medical visits.

Partial case study of a system to support employees' work-life balance

Support paid leave system

Allows paid leave that would otherwise expire two years after it is granted to be accumulated within a certain timeframe and used by an employee for caring for a sick family member.

Return-to-work interview

So that someone on extended leave can have peace of mind about returning to work, they will have an interview to discuss their work style and career plans after they return to work from maternity leave or from leave for infertility treatment, prenatal or postpartum care, nursing care, or a spouse's job change.

(2) Promoting employment of persons with disabilities

The Daito Group strives to expand opportunities for persons with disabilities. In May 2005, we established Daito Corporate Service Co., Ltd. as a special subsidiary*¹ for the employment of persons with disabilities. Since then, the subsidiary has been contracted by the Group to perform over 500 types of work revolving around the three work types of printing, business services, and manufacturing, and we are encouraging the employment of persons with disabilities along with the intensification and greater efficiency of their work.

Also, when the Group undertook a full-scale introduction of robotic process automation (RPA)*² in 2019, it worked with Honest Co., Ltd. to start employing and training people with disabilities in an RPA program.

*1 The main component of a scheme in which a business owner establishes an entity (the special subsidiary) that gives special consideration to the employment of persons with disabilities in order to promote the stable employment of such persons. Under this scheme, the workers are deemed to be employed by the parent company when calculating the employment rate of persons with disabilities.

*2 A process of automating certain administrative work previously handled by people that now uses software installed on a computer, etc.

(3) Implementation of the D-COMPASS employee satisfaction survey

To raise employee satisfaction and realize a pleasant work environment, D-COMPASS, an employee satisfaction survey from an outside survey organization, has been conducted each year since the fiscal year ended March 31, 2016. The fiscal year ended March 31, 2020 survey showed that overall satisfaction remained good at 66.2%. The results showed that "feedback on work content," "acceptance and agreement with management policy," and "management vision and supervisor's support" received high evaluations. The survey results will be used not only to initiate improvement to the work environment at each organization, but also to brush up and execute action plans for Company-wide challenges and specific challenges by type of work.

(4) Support for accepting foreign technical interns

Daito Trust has been accepting Foreign Technical Interns since 2014. The Foreign Technical Internship System strives to nurture the human talent that will carry forth the promotion of economic expansion and industry in their home countries. The Daito Group supports a total of 955 Foreign Technical Interns (figure current as of March 31, 2020).

Before the interns were received in Japan, training staff were dispatched to local regions within Vietnam to hold training under conditions similar to those at Japanese work sites, so that the interns could safely acquire technology and technical skills that they can implement. Then after arriving in Japan, the interns received support for mental health and well-being and subsidies for rental housing. As well, the interns participate in e-learning to further their training.

Since March 2019, we have started accepting Foreign Technical Interns from Indonesia. Our plans call for receiving about 1,000 people in total by 2021.

(5) Toward the active use of communications with employee families

At Daito Trust we intend to be a company that can grow sustainably, entrusted with dreams and the future not only for our employees, but also for their families. In August 2008, with the goal of deepening the understanding of our Group, we held the Daito Construction Family Day and invited all employees and their families to the Group headquarters. Also, in July 2019, we held a gathering for explaining our Group to families, which was intended for students who had passed the final interview for new graduate hiring, prospective employees, and their families. The purpose of this event was to deepen the understanding of the Daito Group and to reduce the number of mismatches after entering the Company.

Health Management, Worker Safety, and Health

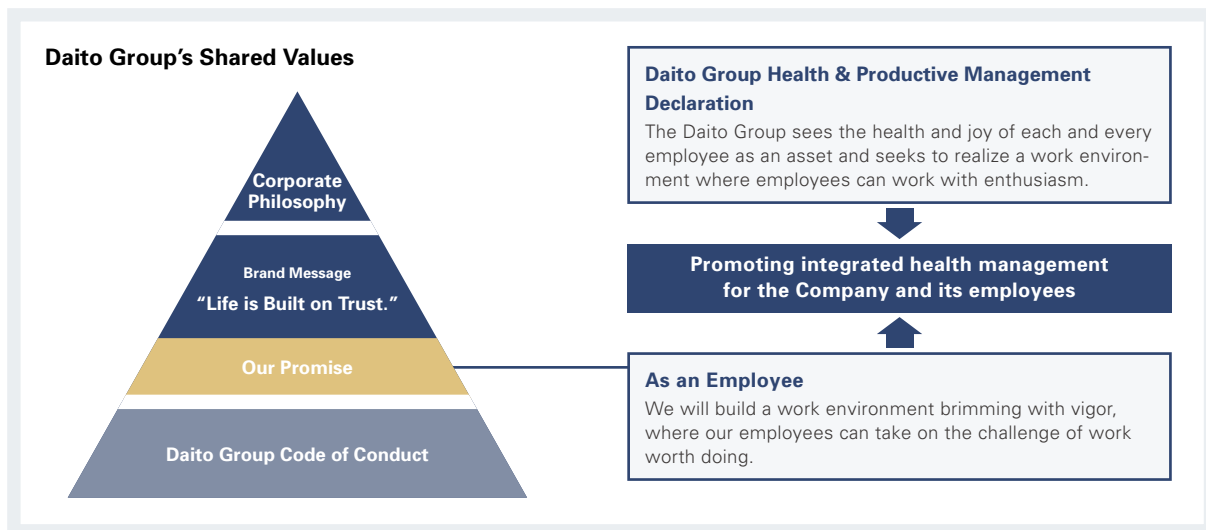
Our strategic initiatives in promoting employee health and managing their safety brings about various benefits including the raising of productivity and the revitalization of organizations. The Daito Group, in carrying out health management across the entire Group, ensures thorough management of safety and health based on laws and regulations as well as Company regulations as it strives to put in place a safe working environment that provides peace of mind.

Related Social Changes and Social Issues	Responses from the Daito Group
<ul style="list-style-type: none"> • Enforcement and amendment of laws (Labor Standards Act, Ordinance on Industrial Safety and Health, etc.) 	<ul style="list-style-type: none"> • Establish a full-time department and a Safety and Health Committee
<ul style="list-style-type: none"> • Mounting demands to take positive actions on industrial accidents 	<ul style="list-style-type: none"> • Organize rotating visits by industrial physicians and public health nurses
<ul style="list-style-type: none"> • Decrease in the working population 	<ul style="list-style-type: none"> • Develop and use our own published standards and written procedures for construction work

Promoting Health Management

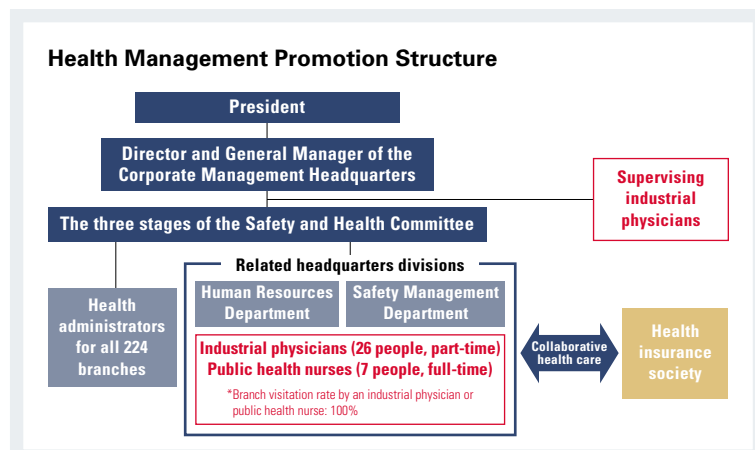
Based on the Health Management Regulations targeting suitable health management for employees, the Safety and Health Management Regulations targeting industrial accidents and illnesses arising during work, and the “Daito Group Health & Productive Management Declaration” formulated to promote health management at the Daito Group, we promote health management uniformly for all

companies and employees as one part of our business strategy. In our aim to foster collaboration between headquarters, branches, and individual Group companies, we have rolled out a multi-faceted set of initiatives intended to make the Company one in which all employees and other stakeholders entrust their dreams of the future.



Health Management Promotion Structure

To promote health management, we have put in place the Safety and Health Committee with the General Manager of the Corporate Management Headquarters as chairman. Meeting monthly in three stages—central, nationwide, and the branches—the committee provides reporting, discussion, and guidance toward safety management and toward health and sanitation management at business offices and worksites. It also serves as a venue where measures to foster health are shared and disseminated across the entire Company.



As of June 30, 2020

Major Policies on Health Management

(1) Thorough use of period health checkups and prevention of serious illnesses

Annual periodic health checkups and secondary examinations are pursued at a 100% rate. The checkup results are used to initiate individual responses and ensure swift follow-up according to values set in the Company's working standards.

(2) Preserving and promoting health

In order to prevent employee illness and promote their health, we have started an insurance business adopting an employee-participation model that includes morning follow-along exercise, a breakfast photo contest, and a challenge to improve check-up results. Also, we are undertaking aggressive initiatives toward lowering the rate of smoking and second-hand smoking (amendments to the Health Promotion Act), including regular communication about the dangers of smoking and financial assistance for outpatient programs.

(3) Our response to COVID-19

In an effort to make everyone in society thoroughly acquainted with the proper response to COVID-19, we are providing guidance on the key points of managing one's health to avoid infection and compiling a set of measures for employees and stakeholders to take if infected.

(4) Measures for overwork

In accordance with Article 15 of the Ordinance on Industrial Safety and Health, industrial physicians visit workplaces and public health nurses visit branches (except for the branches visited by industrial physicians). In this way, we strive for a regular assessment and improvement of workplace and employees' health conditions. We are also advancing work-style reforms including the introduction of a flextime system for all types of work.

(5) Mental health measures

To preserve and improve the mental health of our employees, we have implemented participation-model stress checks for all workers and mental health training for each work role. We are also building a consultation structure which includes individual worker interviews conducted during visits by industrial physicians and public health nurses, sanitation management consultations, health guidance, and online consultation for teleworkers.

Main Health Management KPIs

	Targets	FY2019 results
Health checkups and secondary examinations	100.0%	100.0%
Stress-check participation rate	90.0%	94.7%
Breakfast intake rate	58.0%	57.5%
Working campaign participation rate	51.0%	50.2%
Branch visitation rate by an industrial physician or public health nurse	100.0%	100.0%
Branch AED installation rate	100.0%	100.0%

Safety Management at Construction Worksites

The Daito Group considers safety and health management

a part of its basic philosophy, stating that "setting the mental attitude of respect for mankind as the foundation, our social responsibility that we are obliged to fulfill as a company is the protection of life and preservation of health of those who work at construction sites." According to this basic philosophy and labor safety statutes, the Industrial Safety and Health Act, and Company regulations, we have prepared a work environment that allows people to work with peace of mind by thorough management of health and safety and through advanced prevention of industrial accidents and illnesses that can arise when working.

Primary Measures Regarding Safety Management at Construction Sites

(1) A council for preventing disasters and accidents

In accordance with the Labor Standards Act and as a result of mutual discussions between the Group and cooperating companies, a council for the prevention of disasters and accidents at branches, construction sites, and sites where industrial accidents occur has been established with the goal of ensuring smooth operation of supervisory management at construction sites and of contributing to the prevention of disasters and accidents affecting employees.

(2) Manual for safety procedures and published standards for safe construction

To comply with work regulations and to eliminate the factors behind disasters and accidents, and in order to eradicate worksite industrial accidents through the reinforcement of the safety and health system, we conduct thorough and consistent operation of the Safety and Health Standards derived from work and construction standards and the Work Safety Procedures Manual prepared for each construction site.

(3) Activity chart for work injury prevention

Through measures to address latent hazards in work performed daily and measures to avoid such hazards, Daito Trust strives for thorough operation of an activity chart for work injury prevention and a set of activities for preventing work injuries.

(4) Health management for site workers

To help prevent heart attacks or strokes from occurring at a construction site, and to have suitable health management for workers, we instituted blood pressure testing for all workers entering a construction site and restricted access for those with measured values outside the norm.

(5) Safety management guidelines

To eliminate variations in safety management resulting from the supervisory method selected (full-time personnel or an inspector making the rounds) or from the management skills of the person in charge, we developed a Safety Management Guide covering each type of structure used in the buildings that we construct and stated the key management points for each type of structure. We also adopted a set of safety instructions to follow before beginning work.

Nurturing Talent

The nurturing of human talent, which is the most valuable resource of the Group, is indispensable to sustainable growth of the Daito Group. We are moving ahead on a variety of initiatives aimed at developing talented personnel that actualize the Corporate Philosophy, Basic Management Policy, and Daito Group Code of Conduct.

Related Social Changes and Social Issues	Responses from the Daito Group
<ul style="list-style-type: none"> • Diversification of life course and career plans • Raising consumer awareness • Decrease in the working population 	<ul style="list-style-type: none"> • Expanded support for seeking accreditation or career development • Construction and operation of talent development programs • Operation of an internal credential system

Talent Development Program

Forging ahead with the talent development required by the Daito Group, and in order to foster a corporate culture that furthers learning, in April 2016 we constructed a talent development program covering officers and employees at all levels. We have inherited and built upon the philosophy

of our existing training system and developed a system of training on portable skills common to all types of work (i.e. skills that can be applied across different workplaces and types of jobs).

Training System Within the Talent Development System (an excerpt from Daito Trust Construction Co., Ltd.)

Level	Timing	Training		Purpose	
Administrative position	Upon employment	New graduate recruits	Introductory training upon employment	Acquire the fundamental knowledge essential to working members of society	
			Follow-up training	Review the 1st and 3rd years after employment and set medium-term goals	
	2-4 years after employment	Mid-career recruits	Training for new employees in all occupations		Acquire the fundamental knowledge essential to each occupation
			2nd year of training		Acquire the basic skills of a businessperson
			4th year of training		Acquire interpersonal skills and critical thinking skills
Other	Female employees	Career planning training		Training to promote the advancement of women	
Management position	Candidate for promotion	Training for division manager candidates		Acquire management skills, improvement skills, leadership skills, facilitation skills, etc.	
Upper management position	Upon promotion	Training for newly promoted managers, development training for managers, and management position skill enhancement training		Acquire management skills, improvement skills, leadership skills, facilitation skills, etc.	
	Candidate for promotion	Upper management position candidate training		Acquire an understanding of the role of management positions as well as coaching skills for subordinate training, etc., acquire the basic skills for management positions	
		Business school attendees		Acquire management skills and interact with those in other industries	
Officers	Upon promotion	Training for newly promoted upper management, enhancement training		Acquire upper management position skills in human resources, strategy, finance, etc.	
	Candidate for officer	Training for senior management candidates		Acquire problem-solving skills, interpersonal skills, leadership conduct, and other management strategy and business strategy skills	
		Business school attendees		Acquire the perspective of a manager, decision-making skills and organization management skills, and interact with those in other industries	
		(New appointee) Executive officer and director training		Acquire the skills required for an officer and share changes in the business environment	
		Executive officer and director training			

Note: Training based on job title is not listed

“Kentaku Master” Certificate System

The Daito Group has introduced the “Kentaku Master” internal qualifications testing system regarding the Company’s overall business and its construction business. The goal is that certified Masters will communicate accurate information outside the Company and carry forward precisely targeted business proposals by having qualifications certified for their vast and fundamental expertise. The system goes beyond the Lease Management Trust System and product expertise to include expertise about the markets, taxes, and specialized terminology. In so doing, the system supports the acquisition of expertise that is wide-ranging yet essential in light of the proposed land use.

Sound Branch Management Ranking

Since 2018, we have been operating the Sound Branch Management Ranking as a branch evaluation system focused on factors essential to sound branch management, namely process and working environment. The results evaluated cover not just operating results and profits, but also productivity, talent development, and the creation of a pleasant workplace environment. Following common standards and calculation methods, we calculate equivalent points for each evaluation item. Then, in light of the calculated score by related departments, we determine and publish each branch’s ranking, leading to an improved working environment to support employee leadership.

Quality Management





To realize long-term peace of mind, safety, and stability in rental management, the building where people work has to have quality characteristics such as durability and be maintained. Based on strict quality control and precise construction management ranging from planning and design to post-construction maintenance management, the Daito Group has put in place a management structure that is working at full strength as it continues its pursuit of constructing high-quality rental buildings.

Related Social Changes and Social Issues	Responses from the Daito Group
<ul style="list-style-type: none"> • Increase in company scandals (violations of the Construction Standards Act and construction deficiencies, etc.) • Increase in natural disasters • Raising consumer awareness 	<ul style="list-style-type: none"> • Formulate and operate our own construction standards and inspection items • Conduct inspections through an independent department • Implement thorough construction management and reporting based on data and images

Quality Management System

From procurement of construction materials through design and construction to inspections at the completion of construction, we supply high-quality rental buildings using an integrated system of management. After

completion of construction, we conduct period inspections once every two months and then add on measures to preserve quality and conduct early maintenance. The result is preserving the value of a building in the long term.

(1) Design	(2) Construct	(3) Inspect	(4) Manage
			
<p>Using the expertise that we accumulated as a rental housing specialty company, based on our own Design Standards with over 380 items, we design buildings that best suit the client. Also, by adopting high durability materials developed in-house and using optimal construction methods, we realize long-term preservation of building quality and value.</p>	<p>With DK NETWORK, our proprietary construction management system, we manage and share construction conditions using images that we store in a database as we strive for greater efficiency in process management and construction work. Our standards for safe construction, which serve as a clear statement of our internal construction standard, help us to provide high-quality buildings.</p>	<p>Under the principle of “passing quality inspection before proceeding to the next process,” the Construction Division conducts a self-administered inspection of approximately 500 items for each building. Then the Supervision Center, an independent department, conducts its strict inspections, thoroughly and consistently. Also, images recorded during the various inspections are compiled into a Self-administered Inspection Report and given to the property owner.</p>	<p>Periodic inspections by staff specialized in construction management are used to preserve building quality, make early discovery of locations needing repair, and perform needed maintenance. The details and conditions are then reported to the property owner every two months. We also put great efforts into preserving an attractive appearance through regularly conducted cleanings and the management and maintenance of common areas and common facilities.</p>

TOPICS Government Ministry Conducts Fact-finding Investigations and Interviews at Construction Sites

In May 2019, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), in response to a series of construction deficiencies at rental housing, conducted fact-finding investigations of the quality control systems of 17 companies involved in rental housing construction, including the Daito Group. Findings are shown on the right.

Through on-site investigations and interviews, the MLIT verified that for the construction and management performed by the Daito Group there are no problems with the on-site management system focused on building

quality, the construction records system, inspection operations, and other matters.

- (1) For the quality control process and organizational framework from period development to completion of construction, the MLIT reconfirmed the contents of interviews held in advance.
- (2) The MLIT verified construction conditions at Daito Group sites and confirmed the consistency between the quality control contents described in the interviews and those at the actual site.

Environmental Management

Addressing environmental challenges is indispensable to achieving sustainable growth of businesses. Based on the idea that “global environment = living environment,” the Daito Group makes recommendations toward a hospitable global environment that establishes harmony between local businesses and nature. It promotes environmental management across the entire Group in order to pass on the global environment, an important corporate resource, to the next generation.

Basic Policy on the Environment

In our business activities, we put a large amount of effort into the 3Rs—reduce, reuse, recycle—and are actively engaged in preserving the environment. On top of this, as a business that promotes land utilization, we highlight the harmony between local companies and nature and offer proposals toward a hospitable global environment.

Environmental Management System

In service of environmental management, the Daito Group is building its own Environmental Management System (EMS), which refers to ISO 14001 and Eco Action 21 and adapts these standards and guidelines into Group business activities.

ment Project Committee with a director (in charge of environmental management projects), appointed a chairman and erected an EMS that includes the Group companies. Through general meetings held on a regular basis, the committee holds discussions on understanding current conditions and resolving challenges.

Environmental Management Promotion System

To enhance the effectiveness of our initiatives toward the environment, we established the Environmental Manage-



For details on the Daito Group's initiatives, please visit our website:

<https://www.kentaku.co.jp/corporate/csr/environment/> (Japanese language only)

Risks and Opportunities Related to Climate Change (Disclosures Based on TCFD)

In April 2019, the Daito Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). In alignment with TCFD guidelines, the Group strives to comprehend the risks imposed on its businesses by climate change, and the opportunities created. We have evaluated the impact on our short-, medium-, and long-term growth under climate change scenarios (less than 2 degrees Celsius and 4 degrees Celsius).

		Less than 2°C			4°C				
		Short term	Medium term	Long term	Short term	Medium term	Long term		
Sales plan		(Billions of yen)							
		2,200	2,200	2,200	2,200	2,200	2,200		
Transition risks	Policy/legal	—A Higher operating costs from introducing carbon tax (Scope 1 and 2)	Carbon tax	(0.57)	(0.91)	(1.27)	0.0	0.0	0.0
		—B	Portion reduced by incorporating SBTs	0.25	0.62	1.27	0.0	0.0	0.0
		—A Reduced demand from property owners due to higher material costs induced by a carbon tax	Portion reduced by lower sales	(2.89)	(4.58)	(6.42)	0.0	0.0	0.0
		—B	Portion reduced by incorporating SBTs	0.14	0.52	1.93	0.0	0.0	0.0
	Technology	Higher installation costs for charging stations due to EV adoption	(0.10)	(0.16)	(0.11)	0.0	0.0	0.0	
		—A Purchase costs for renewable energy	For green power certificate	(0.09)	(0.14)	(0.07)	0.0	0.0	0.0
			—B Reduced value of power certificates due to FIT	0.0	0.01	0.07	0.0	0.0	0.0
			—C Disposal and purchase costs for panels and PCs	0.0	(0.95)	(3.06)	0.0	0.0	0.0
	—D Charging income	0.0	0.0	4.3	0.0	0.0	0.0		
	Market	—A Profit impact of ZEH market expansion	Lower demand portion	(572)	(880)	(880)	0.0	0.0	0.0
—B		Portion from incorporating ZEH	572	880	880	0.0	0.0	0.0	
Physical risks	Acute	Greater wind and water damage during construction	0.0	(0.04)	(0.12)	0.0	(0.06)	(0.18)	
		Impact of wind and water damage	Greater loss for solar generation equipment	0.0	(0.03)	(0.07)	0.0	(0.04)	(0.11)
			Lower demand resulting from higher owners' costs	0.0	(0.76)	(1.17)	0.0	(1.08)	(3.25)
	Chronic	Impact of rising temperatures	Restrictions on working hours and the resulting longer construction times	0.0	(0.21)	(0.42)	0.0	(0.47)	(1.86)
			Higher cooling costs	0.0	(0.68)	(1.01)	0.0	(1.51)	(2.02)
		Impact of wood price inflation	Higher construction costs	(0.04)	(0.09)	(0.22)	(0.11)	(0.22)	(0.54)
	Sales under the scenarios		Sales plan—business losses	2,196.7	2,192.6	2,193.6	2,199.8	2,196.6	2,192.0
	Business losses		Business losses <1–15 total>	(3.30)	(7.40)	(6.37)	(0.11)	(3.38)	(7.96)

*In “Climate Change Risks in the Construction and Real Estate Industries” on page 72 the item number is linked to the preconditions and time axis as follows:

Short term: 2023–25; medium term: 2030s, first half; long term: 2040s, latter half

In line with the Daito Group's New Five-Year Plan, business expansion is set through the fiscal year ending March 31, 2024; after that growth is fixed.

Climate Change Risks in the Construction and Real Estate Industries

Transition risks

Policy/legal

Higher operating costs from introducing a carbon tax (Scope 1 and 2)	We analyzed the impact on operating costs based on the scenario of a carbon tax being adopted in future by projecting the cost of the tax on greenhouse gas (GHG) emissions from Company business activities. This analysis found the impact to be minimal due to reductions made in line with science-based targets (SBTs). Response We are making reductions in line with science-based reduction targets.
Reduced demand from property owners due to higher material costs induced by a carbon tax	We analyzed the impact on costs being passed on to products based on the projected tax on greenhouse-gas (GHG) emissions from Company raw material procurement (Scope 3 Category 1). Moreover, we projected the carbon tax on GHG emissions from our activities at local sites and analyzed operational (construction) costs and the resulting costs that would be passed on to our products. Based on this analysis we then analyzed the impact on demand due to the increased cost per building constructed. Response We are proactively working to transition to low GHG emission construction techniques such as by developing and promoting sales of CTL. Also, we are working on initiatives to reduce GHG emissions in line with SBTs and introducing renewable energy to construction sites in line with Renewable Energy 100% (RE100).
Impact on occupancy rates due to carbon price	We analyzed the potential for increases in unit prices of electricity under the case of a carbon tax being adopted in future. We also analyzed the resulting potential for increases in tenancy rates at housing featuring energy conservation and renewable energy, and for decreases in tenancy rates at housing without such measures. (Quantitative assessment is deferred until later.) Response We are working on measures toward greater energy conservation performance of our housing.

Technology

Higher installation costs for charging stations due to EV adoption	We analyzed the cost of installing electric vehicle (EV) charging stations and maintenance costs under the projected case of using EVs in our fleet for business activities and the rollout of charging stations to our nationwide branch network. Response We are moving forward with electrification of our fleet, and have installed seven charging stations at Daito Trust stores in 2019 and 11 in 2020. We will continue to gradually transition to EVs and install charging stations.
Renewable energy purchasing costs	We analyzed—under a future case of progress in purchasing renewable energy toward achieving RE100—cost projections of our solar power generation business, of purchase prices of renewable energy, disposal costs of solar power generation facilities, and cost of purchasing power converters. Response We are progressing with our response to changes in future purchasing costs of renewable energy by advancing with Group possession of renewable energy generation sources through our solar power generation business.

Market

Profit impact of net zero energy housing (ZEH) market expansion	We analyzed the impact on sales of a projected decline in demand for non-net zero energy houses (ZEH) under the future case of further transition to ZEH rental housing in line with the Japan's ZEH roadmap. We project there would be no impact on sales because the Company already possesses ZEH technology. Response We are progressing with development and sale of rental housing complexes that meet ZEH standards.
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Evaluation

A loss of trust from stakeholders and our brand loses power from a delay in responding to climate change	We analyzed the impact from a capital and financing point of view—due to the fact overseas investors own 49% of the Company's stock and given the trend toward ESG (environmental, social and governance) investing—under the case of the Company's responses to climate change being delayed. (Quantitative assessment is deferred until later.) Response We are progressing with various climate change countermeasures with a view to improved ESG-related evaluation.
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Physical risks

Acute

Increase in wind and water damage during construction	We analyzed the impact on cost such as increased cost of insurance and damage during construction under the case of future increases in flooding and wind damage risk due to the impact of climate change. Response We are progressing with construction planning accounting for risks associated with increases in flooding and wind damage in recent years.
Increase in damage to solar power generation facilities as a result of wind and rain	We analyzed the impact on cost such as increased cost of insurance and damage to solar power generation facilities under the case of future increases in flooding and wind damage risk due to the impact of climate change. Response We are progressing with solar power installation planning accounting for risks associated with increases in flooding and wind damage in recent years.
Decline in demand as a result of increased costs to property owners due to wind and water damage	We analyzed the impact on demand of higher insurance expenses and higher expenses per building unit facing property owners under the case of future increases in flooding and wind damage risk due to the impact of climate change. Response We are progressing with sales strategies accounting for risks associated with increases in flooding and wind damage in recent years.

Chronic

Restrictions on working hours due to rising temperatures and the resulting longer construction times	We analyzed the impact on cost of higher construction expenses due to the increase in construction days per building unit under the case of the necessity in future of imposing restrictions on summer working hours for construction work as a result of rising temperatures and other effects of climate change. Response We are progressing with construction planning placing highest priority on safety such as restricting summer work hours in response to the rising temperatures of recent years.
Increase in cooling costs due to rising temperatures	We analyzed the impact on cost of additional heating and lighting expenses under the case of the future need to enhance cooling and air conditioning at worksites because of rising temperatures and other impacts of climate change. Response We are promoting measures such as working from home and casual business attire in summer in response to rising temperatures in recent years.
Increase in construction costs due to higher prices for wood	We analyzed the impact of higher construction costs and the impact of decreased demand due to higher product costs under the case of increased wood procurement costs due to the impact of climate change in future. Response We are progressing with diversification of wood procurement sources and with measures in response to increases in procurement costs.

Scenarios Used

- Sustainable Development Scenario (SDS): a scenario where the probability of keeping global average rises in temperature to less than 1.75°C is 50% (that is, of going beyond the 2°C target). This is used in this report as the less than 2 degrees Celsius scenario.
- New Policies Scenario (NPS): a scenario where factors are reflected such as policies and effective measures announced by governments in recent years and targets of each country in accordance with the Paris Agreement. This is used in this report as the 3 degrees Celsius scenario.
- Stated Policies Scenario (STEPS): is equal to the above New Policies Scenario (NPS). This scenario reflects the announced policy intentions of each country, and its name has been changed to emphasize it is not a prediction of the International Energy Agency (IEA). This scenario is adopted

from World Energy Outlook 2019, a report published by the IEA on the outlook for energy demand and technological developments.

- Current Policies Scenario (CPS): a scenario that reflects current laws and policies. It omits policy intentions of national governments and ambitious targets. The rise in temperature of this scenario is greater than NPS or STEPS.
- Reference Technology Scenario (RTS): a baseline scenario that considers current energy and climate-related commitments of each country including Nationally Determined Contributions (NDCs) pledged under the Paris Agreement. It is used in the IEA's Energy Technology Perspectives (ETP).

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Assets		
Current assets		
Cash and deposits	188,614	159,930
Money held in trust	16,000	14,000
Notes and accounts receivable from completed construction contracts and other	67,325	76,456
Short-term investment securities	12,509	4,028
Costs on uncompleted construction contracts	14,144	12,098
Other inventories	7,412	4,329
Prepaid expenses	66,861	69,187
Operating loans	93,259	127,592
Other	18,881	23,462
Allowance for doubtful accounts	(308)	(481)
Total current assets	484,700	490,604
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,415	58,782
Machinery and equipment	34,476	35,641
Tools, furniture and fixtures	2,117	2,787
Land	76,364	76,432
Lease assets	1,211	974
Other	1,010	685
Total property, plant and equipment	166,595	175,304
Intangible assets	27,896	28,282
Investments and other assets		
Investment securities	53,167	45,799
Subordinated bonds and subordinated trust beneficiary rights	11,140	10,642
Deferred tax assets	71,406	83,234
Other	49,354	51,548
Allowance for doubtful accounts	(4,488)	(5,127)
Total investments and other assets	180,579	186,098
Total non-current assets	375,071	389,684
Total assets	859,772	880,289
Liabilities		
Current liabilities		
Accounts payable for construction contracts	45,687	54,760
Current portion of long-term loans payable	19,816	21,640
Lease obligations	200	210
Income taxes payable	28,324	30,081
Advances received on uncompleted construction contracts	48,141	40,258
Advances received	65,867	89,571
Provision for bonuses	21,363	14,131
Provision for warranties for completed construction	1,016	819
Deposits received	8,782	10,003
Other	50,957	57,041
Total current liabilities	290,155	318,519
Non-current liabilities		
Long-term loans payable	72,300	61,110
Lease liabilities	648	514
Deferred tax liabilities	297	308
Provision for repairs on whole-building leases	134,732	151,862
Net defined benefit liability	13,387	15,228
Long-term guarantee deposits	34,109	33,644
Other	11,843	12,940
Total non-current liabilities	267,318	275,609
Total liabilities	557,473	594,128
Net assets		
Shareholders' equity		
Capital stock	29,060	29,060
Capital surplus	34,540	34,540
Retained earnings	297,952	243,349
Treasury stock	(55,565)	(11,021)
Total shareholders' equity	305,988	295,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,486	767
Deferred gains or losses on hedges	222	258
Revaluation reserve for land	(7,584)	(7,584)
Foreign currency translation adjustment	(3,207)	(3,841)
Remeasurements of defined benefit plans	(2,989)	(3,011)
Total accumulated other comprehensive income	(7,071)	(13,412)
Subscription rights to shares	491	482
Non-controlling interests	2,889	3,161
Total net assets	302,298	286,161
Total liabilities and net assets	859,772	880,289

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales		
Net sales of completed construction contracts	609,778	551,103
Sales on real estate business	924,112	973,694
Sales on other business revenue	57,286	61,494
Total net sales	1,591,178	1,586,293
Cost of sales		
Cost of sales of completed construction contracts	426,014	391,992
Cost of sales on real estate business	835,194	874,962
Cost of sales on other business	33,925	36,874
Total cost of sales	1,295,134	1,303,829
Gross profit		
Gross profit on completed construction contracts	183,764	159,111
Gross profit—real estate business	88,918	98,731
Gross profit—other business	23,361	24,620
Total gross profit	296,044	282,463
Selling, general and administrative expenses	168,996	154,506
Operating income	127,047	127,956
Non-operating income		
Interest income	509	436
Dividends income	248	268
Commission fee	3,456	3,101
Share of profit of entities accounted for using equity method	229	829
Miscellaneous income	1,616	1,572
Total non-operating income	6,059	6,209
Non-operating expenses		
Interest expenses	229	210
Provision of allowance for doubtful accounts	96	92
Commission paid	91	—
Loss on transfer of receivables	—	274
Miscellaneous expenses	450	559
Total non-operating expenses	867	1,137
Ordinary income	132,240	133,028
Extraordinary income		
Gain on sales of non-current assets	60	22
Gain on sales of investment securities	1,065	960
Total extraordinary income	1,126	982
Extraordinary loss		
Loss on sales and retirement of non-current assets	665	620
Impairment loss	29	34
Loss on disaster	316	216
Loss on sales of investment securities	12	7
Loss on valuation of investment securities	—	118
Total extraordinary loss	1,024	997
Income before income taxes and non-controlling interests	132,342	133,014
Income taxes—current	51,736	51,572
Income taxes—deferred	(9,753)	(9,272)
Total income taxes	41,982	42,299
Net income	90,359	90,714
Profit attributable to non-controlling interests	428	334
Profit attributable to owners of the parent	89,930	90,380

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net income	90,359	90,714
Other comprehensive income		
Valuation difference on available-for-sale securities	604	(5,719)
Deferred gains or losses on hedges	517	35
Foreign currency translation adjustment	(988)	(634)
Remeasurements of defined benefit plans	(1,714)	(13)
Total other comprehensive income	(1,581)	(6,332)
Comprehensive income	88,778	84,382
(Breakdown)		
Profit attributable to owners of the parent	88,339	84,039
Profit attributable to non-controlling interests	439	343

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(Millions of yen)

Year Ended March 31, 2019	Shareholders' equity					Accumulated other comprehensive income						Subscription rights to shares	Non- controlling interests	Total net assets
	Capital assets stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income			
BALANCE, APRIL 1, 2018	29,060	34,540	253,108	(17,203)	299,507	5,882	(294)	(7,584)	(2,219)	(1,264)	(5,479)	415	2,596	297,039
Change in the year														
Cash dividends			(45,044)		(45,044)									(45,044)
Profit attributable to owners of the parent			89,930		89,930									89,930
Purchase of treasury stock				(40,934)	(40,934)									(40,934)
Disposal of treasury stock			(33)	2,572	2,538									2,538
Change in treasury shares of the parent arising from transactions with non-controlling shareholders			(8)		(8)									(8)
Net changes of items other than shareholders' equity						604	517	—	(988)	(1,724)	(1,591)	76	293	(1,221)
Net change in the year	—	—	44,843	(38,362)	6,481	604	517	—	(988)	(1,724)	(1,591)	76	293	5,259
BALANCE, MARCH 31, 2019	29,060	34,540	297,952	(55,565)	305,988	6,486	222	(7,584)	(3,207)	(2,989)	(7,071)	491	2,889	302,298

Year Ended March 31, 2020	Shareholders' equity					Accumulated other comprehensive income						Subscription rights to shares	Non- controlling interests	Total net assets
	Capital assets stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensive income			
BALANCE APRIL 1, 2019	29,060	34,540	297,952	(55,565)	305,988	6,486	222	(7,584)	(3,207)	(2,989)	(7,071)	491	2,889	302,298
Change in the year														
Cash dividends			(43,620)		(43,620)									(43,620)
Profit attributable to owners of the parent			90,380		90,380									90,380
Purchase of treasury stock				(59,941)	(59,941)									(59,941)
Disposal of treasury stock			(124)	3,244	3,120									3,120
Retirement of treasury stock			(101,241)	101,241	—									—
Change in treasury shares of the parent arising from transactions with non-controlling shareholders			2		2									2
Net changes of items other than shareholders' equity						(5,719)	35	—	(634)	(22)	(6,341)	(9)	271	(6,079)
Net change in the year	—	—	(54,603)	44,544	(10,058)	(5,719)	35	—	(634)	(22)	(6,341)	(9)	271	(16,137)
BALANCE, MARCH 31, 2020	29,060	34,540	243,349	(11,021)	295,929	767	258	(7,584)	(3,841)	(3,011)	(13,412)	482	3,161	286,161

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Income before income taxes and minority interests	132,342	133,014
Depreciation and amortization	12,512	15,002
Impairment loss	29	34
Increase (decrease) in allowance for doubtful accounts	632	811
Increase (decrease) in provision for bonuses	(1,816)	(7,231)
Increase (decrease) in provision for repairs on whole-building leases	19,229	17,130
Increase (decrease) in net defined benefit liability	991	1,826
Interest and dividend income	(757)	(705)
Interest expenses	229	210
Loss (gain) on sales of short-term and long-term investment securities	(1,053)	(952)
Loss (gain) on valuation of investment securities	—	118
Share of (profit) loss of entities accounted for using equity method	(229)	(829)
Decrease (increase) in notes and accounts receivable—trade	(15,275)	(9,132)
Decrease (increase) in costs on uncompleted construction contracts	702	2,045
Decrease (increase) in other inventories	(1,499)	3,083
Decrease (increase) in prepaid expenses	424	(1,030)
Decrease (increase) in operating loans	(28,998)	(34,332)
Increase (decrease) in notes and accounts payable—trade	2,958	9,074
Increase (decrease) in accounts payable—other	(8,122)	1,141
Increase (decrease) in advances received on uncompleted construction contracts	(1,378)	(7,882)
Increase (decrease) in advances received	5,523	23,704
Increase (decrease) in long-term guarantee deposits	(2,667)	(464)
Other	8,111	6,273
Subtotal	121,887	150,909
Interest and dividend income received	1,058	1,220
Interest expenses paid	(228)	(211)
Income taxes paid	(50,735)	(49,788)
Net cash provided by operating activities	71,982	102,129
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	82,000	2,000
Payments into time deposits	(47,000)	(1,002)
Proceeds from decrease in money held in trust	3,000	2,000
Purchase of securities	(9,100)	—
Proceeds from sales and redemption of securities	21,985	12,510
Purchase of property, plant and equipment	(24,835)	(19,130)
Purchase of intangible assets	(10,088)	(8,230)
Purchase of investment securities	(10,844)	(5,969)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,040)	—
Proceeds from sales and redemption of investment securities	1,477	1,620
Other	(5,471)	(2,100)
Net cash used in investing activities	82	(18,301)
Cash flows from financing activities		
Proceeds from long-term loans payable	17,100	10,700
Repayments of long-term loans payable	(30,416)	(20,066)
Repayments of lease liabilities	(240)	(241)
Cash dividends paid	(45,044)	(43,620)
Purchase of treasury stock	(40,934)	(59,941)
Disposal of treasury stock	2,020	1,906
Dividends paid to non-controlling interests	(130)	(133)
Other	(24)	(13)
Net cash provided by (used in) financing activities	(97,670)	(111,410)
Effect of exchange rate change on cash and cash equivalents	(494)	(130)
Net increase (decrease) in cash and cash equivalents	(26,100)	(27,711)
Cash and cash equivalents at beginning of period	213,714	187,614
Cash and cash equivalents at end of period	187,614	159,902

Corporate Information

Outline (As of March 31, 2020)

Company Name: Daito Trust Construction Co., Ltd.	Established: June 20, 1974	Number of Employees: 17,757 (consolidated basis)
Head Office: 2-16-1, Konan, Minato-ku, Tokyo 108-8211, Japan	Capital: ¥29,060 million	

Main Group Companies

Construction Business

Daito Trust Construction Co., Ltd.
2-51-3, Akabane, Kita-ku, Tokyo 115-0045, Japan
Proposes building rental business, design and construction

Daito Steel Co., Ltd.
901-1, Hamatoume, Yaizu-shi, Shizuoka 425-0012, Japan
Produces and constructs steel frames and sale of exterior products

Real Estate Business

Daito Kentaku Partners Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Total management of rental buildings and provision of customer services

House Leave Co., Ltd.
3-20-20, Kaigan, Minato-ku, Tokyo 108-0022, Japan
Provides agency guarantee services mainly for tenants' rent liabilities

Daito Kentaku Leasing Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Rental building brokerage and tenant recruitment

Housecom Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Rental building real estate agent in Kanto and Tokai regions

Other Businesses

Gaspal Corporation
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Constructs LP gas plants and supplies LP gas to rental buildings

Daito Asia Development (Malaysia) II Sdn. Bhd.
3, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia
Conducts overseas hotel business (Le Méridien, Malaysia)

Daito Energy Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Supplies and sells energy such as electric power to rental buildings

Daito Finance Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Handles financing such as construction funds (for a contract fee)

Care Partner Co., Ltd.
6-20-14, Minamioi, Shinagawa-ku, Tokyo 140-0013, Japan
Operates elderly day care centers (visiting care) and nurseries

HOUSE GUARD S.S. Insurance Co., Ltd.
3-20-20, Kaigan, Minato-ku, Tokyo 108-0022, Japan
Sells comprehensive insurance to rental housing owners and tenants

Sakura Care Co., Ltd.
1-22-12, Setagaya, Setagaya-ku, Tokyo 154-0017, Japan
Home care services, in-home support planning and services, home visit nursing care, comprehensive support for people with disabilities, housekeeper referrals, and nursing care personnel introductions

House Payment Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Payment services for credit card settlements and other payment methods

Ume Care Co., Ltd.
6-3-10, Matsubara, Setagaya-ku, Tokyo 156-0043, Japan
Home care services, in-home support planning and services, and home visit nursing care

Daito Mirai Trust Co., Ltd.
2-16-1, Kounan, Minato-ku, Tokyo 108-0075, Japan
Consulting services for trust businesses centered on real estate management trusts as well as asset succession and asset management

Daito Asia Development (Malaysia) Sdn. Bhd.
2, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia
Conducts overseas hotel business (Le Méridien, Malaysia)

Daito Corporate Service Co., Ltd. (special subsidiary)
2-2-8, Higashi Shinagawa, Shinagawa-ku, Tokyo 140-0002, Japan
Document shipping services, document shredding, printing services, and clerical work, etc.

Introduction to Website



Corporate website

We distribute the latest information on the Daito Group, including news releases, as well as an archive of TV commercials and other items.

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



Latest IR information

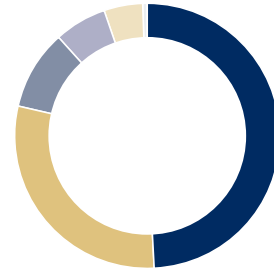
The latest IR information, including monthly reports and financial summaries.

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

Stock Data (As of March 31, 2020)

Fiscal year	April 1 to March 31
Number of shares authorized	329,541,100 shares
Number of shares outstanding	68,918,979 shares
Shareholders	18,136
Trading unit	100 shares
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact information	Stock Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikkou-cho, Fuchu-shi, Tokyo 137-8081, Japan Tel: 0120-232-711 (toll-free number in Japan only)
Method of public notice	Public notices are posted on the Company's website. http://www.kentaku.co.jp/e/fir/index.html However, in the event that it is not possible to issue an electronic public notice due to an accident or for any other unavoidable reason, the Company will post public notices in the <i>Nihon Keizai Shimbun</i> newspaper.
Stock exchange listing	Tokyo Stock Exchange (First Section) Nagoya Stock Exchange (First Section) Securities Code: 1878

Breakdown of Shareholders (As of March 31, 2020)

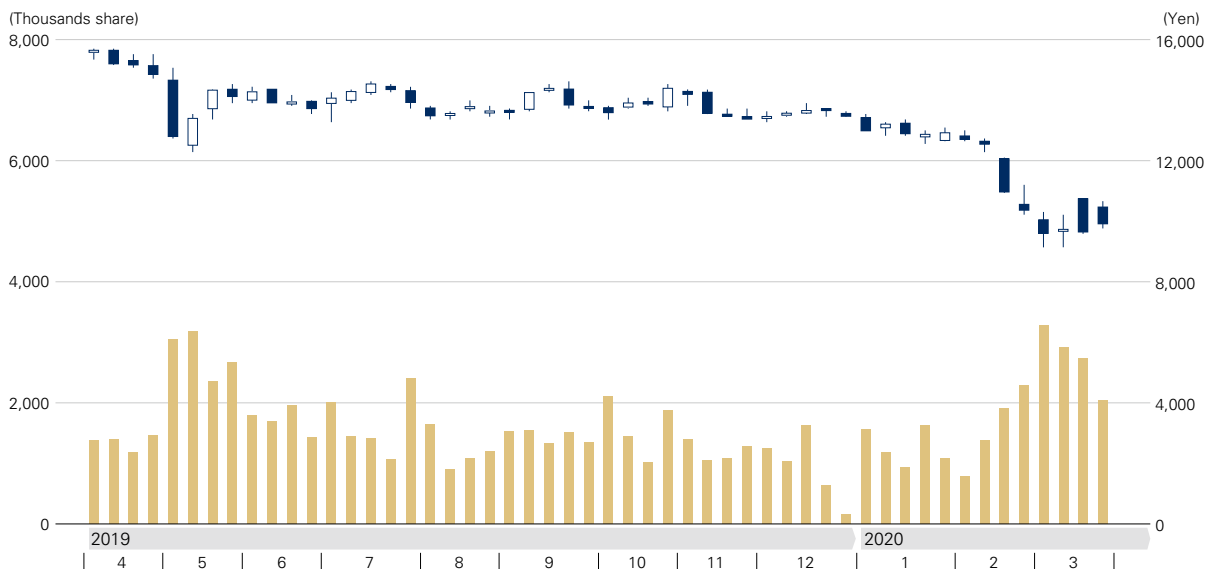


Overseas corporations	34,004,923 (49.34%)
Financial institutions	20,349,662 (29.53%)
Individuals and others	6,643,546 (9.64%)
Domestic corporations	4,424,758 (6.42%)
Financial instruments firms	3,201,647 (4.65%)
Treasury stock	294,443 (0.43%)

Largest Shareholders (As of March 31, 2020)

Shareholders	Number of shares (thousand)	Percentage held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,133	7.48
SSBTC Client Omnibus Account	4,351	6.34
Japan Trustee Services Bank, Ltd. (Trust account)	3,407	4.96
Japan Trustee Services Bank, Ltd. (Trust account 7)	1,836	2.68
Sumitomo Realty & Development Co., Ltd.	1,606	2.34
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,531	2.23
Daito Kentaku Partners Stockholding Association	1,514	2.21
Sumitomo Mitsui Trust Bank, Ltd. (Sumitomo Mitsui Banking Corp. retirement benefit trust account)	1,474	2.15
The Bank of New York Mellon 140044	1,301	1.90
JP Morgan Chase Bank 385635	1,182	1.72

Stock Price and Trading Volume





DAITO TRUST CONSTRUCTION CO., LTD.

Daito Trust Construction Co., Ltd.
2-16-1, Konan, Minato-ku, Tokyo 108-8211 Japan
<https://www.kentaku.co.jp/corporate/en/>

Capital:29,060 million

Stock:Listed on the First Sections of the Tokyo Stock Exchange and Nagoya Stock Exchange (Code: 1878)

ADR Code:DIFTY

Editing: Public Relations Department

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