



Life is Built on Trust.

Integrated Report 2021



DAITO TRUST
CONSTRUCTION CO., LTD.

PROMOTING EFFECTIVE USE OF LAND

Building a Future with Confidence

Owners entrust us with valuable property and building assets, while tenants entrust us with the foundations for their living. Our greatest strength is living up to this trust placed in us with our entire Group-wide resources and capabilities. Our aim is to be a company entrusted with the dreams and futures of our many stakeholders. We have identified material issues that we should tackle to achieve this goal we have set in times of major change. This materiality is our path to truly achieving this goal and to continue to be a company trusted by society and our stakeholders into the future. Our materiality defines our determination to embed this goal into the core of our management and business activities from the perspective of sustainability in both society and our business.





Our Desire

We have unshakable commitment to our Corporate Philosophy and to strengthening and expanding business domains. We aim to become a company where stakeholders can entrust their dreams and futures, and generate sustainable growth as a total lifestyle support company.

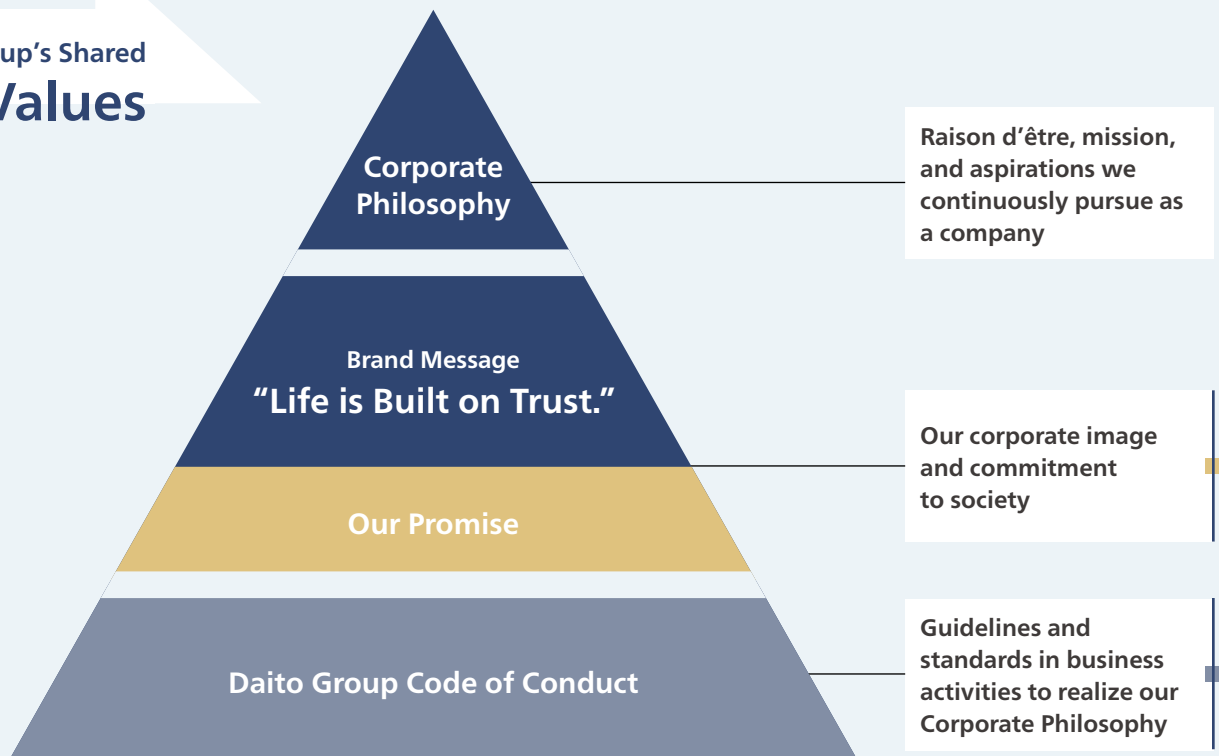
Corporate Philosophy

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

Brand Message

“Life is Built on Trust.”

Daito Group's Shared Values



Contents

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 FY2020. Other figures are accurate as of March 31, 2021.

■ Report period

The fiscal year ended March 31, 2021 (FY2020)

■ Issued

October 2021

Note: This Integrated Report will be issued in November 2021 due to circumstances related to identifying our material issues and formulating our Value Creation Story.

■ 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.



President and
Representative Director (CEO)

KOBAYASHI Katsuma

小林克満

The Daito Group is determined to manage its business in a sustainable manner as a company responsible for the social infrastructure of rental housing. This is our promise to society.

Amid the current context of the COVID-19 pandemic and increasing uncertainty for the future, it is even more important that companies fulfill their responsibility to outlining a clear vision toward sustainable growth and to responding to ever-changing external environmental conditions.

In this integrated report, I would like to discuss the following themes:

“The Daito Group—Transforming Change into Opportunities for Growth,” which is the basis of our vision; “New Five-Year Plan and My Mission” toward sustainable growth; and finally, “My Future Vision for the Daito Group and Society.”

The Daito Group— Transforming Change into Opportunities for Growth

My 35-Year Journey of Change Together with the Daito Group

When I joined the Company around 1986, it was a time when we had our sights set on being listed on the stock market, and when landowners were highly motivated to grow and be recognized nationwide by supporting land utilization. After joining the Company, I was assigned to the sales planning section of the head office and oversaw tasks including being the only person on advertising. Since then, I have been fortunate to have the opportunity to take on many new challenges and issues of significance, including during major Company transition periods. Looking back, I think I was very fortunate to be in a position where I could grow together with our Company. Looking back on my 35 years at a Daito Group that started in this way, I am again reminded of how our Group has grown by creating unique value through repeated trial and error in response to changes in the times and society. The Group started as a building leasing business centered on warehouses and factories. However, the market went through a major transition to rental housing in 1992, immediately after the burst of the bubble economy, with the amendment of the Productive Green Land Act. As a result, our business also shifted from commercial buildings and properties to rental housing. At the beginning of this turning point, the Daito Group, still widely known for leasing warehouses, was highly regarded for its system that could guarantee rent during times of vacancy called Daito Kyosaikai, the

forerunner of the current Lease Management Trust System. Therefore, both the sales and technical departments thought we would be able to compete well with our competitors if we could combine the competitive advantage of our Daito Kyosaikai with rental housing products of the same level as other companies. However, it proved difficult to beat the products of other companies that had already gained trust in the market despite the strengths of our Daito Kyosaikai system. So, we were faced with a major issue of coming up with products that could beat other companies. After this, there was a boom in imported housing in Japan. Thus, we decided, in line with the intent of our founder, to seize this boom as an opportunity to develop products designed in the style of the imported housing trends. At that time, I was the manager of the Product Development Department. Our technical staff came up with excellent designs in new rental housing proposals with a terraced housing concept that incorporated imported housing styling. The result was the acclaimed low-rise rental housing product using a 2x4 construction method, the New Crestall 24, launched in February 1995. The key features of this style are still used in our products, which are terraced units with entrances along the first floor. The Western-inspired exterior design that sets us apart from our competitors proved so popular it propelled this product to become one of our mainstay products that at times had a waitlist for tenants wanting to move in. This experience taught me an important

lesson. I learned firsthand that a key condition for coming out on top in a competitive market is by producing impactful and highly differentiated products. Another event that has left a lasting impression on the Daito Group and me is the launch of the Lease Management Trust System, the foundation of our current core businesses. In 2006, with the revision and enforcement of the Insurance Business Act, we decided that continuing with Daito Kyosaikai, which had played an important role for our Company, would reduce benefits to our landowners. As a result, we chose to switch to the whole-building lease system. At that time, as the General Manager of the Sales Planning Department, I was serving as secretariat of the project to develop the current Lease Management Trust System. At the beginning of my investigations, I thought we could make the system work by using our Group's sales and marketing capabilities—based on our track record of providing rental income guarantees through our Daito Kyosaikai system—even if we had a whole-building lease service of the same standard as forerunners in the whole-building lease market. However, our thinking changed, believing we would not be able to beat our competitors this way, much like during our transition from commercial buildings to rental housing. Thus, through the project, I had in-depth discussions with management about how we could best differentiate and develop a system that would most likely beat our competitors who had entered the whole-building lease market ahead of us. The end result led us to our current position of leading the rental housing industry in Japan. We thoroughly differentiated our product and focused on our landowners by covering everything from a very long lease term of 30 years (at the time) to the costs of repairs and maintenance because of both aging buildings and of restoring properties to their

original states after tenants leave.

My legacy at the Daito Group lies in the privilege of getting to work in creating brand new value by seizing the opportunities presented by changes in the external environment. The senior managers at the time defined and led the Company in the direction of their vision. This experience of seeing and feeling the importance of senior leaders defining a clear direction, I believe, has bolstered my current conviction in strongly valuing our vision.

Thoughts on Management

As a corporate manager, I have three key areas of thinking behind how I manage and lead in business.

First, I think it is vital that management has a vision and takes the lead in achieving it in order for our Group to continue to grow in these times of significant change in society and our operating environment. As I mentioned earlier, I am grateful for the business environment in which I could grow together with the Company. Now, when I think are we successfully providing this same kind of environment to our employees, I think, with the backdrop of an increasingly difficult operating environment due to the COVID-19 pandemic, our employees have a vague sense of uncertainty about our Company's direction. That is why I want to create an environment where we, both as a Group and individually, can find our way into the future by clearly defining our vision. I am strongly convinced, as a leader of this Company, of the importance of defining and disseminating our vision for the future, not only within our Company, but also outside our Group.

Second, I believe a genuine desire to improve the company we work for lies at the heart of our concept of work. In the New Five-Year Plan, our medium-term plan which started in FY2019, the reason behind setting our goal of becoming "a company that can grow sustainably,



**Daito Group creates unique value.
We will clearly make known
our vision both within and
outside our Group.**

entrusted with dreams and the future,” is a strong desire to improve our Company in ways that our employees can feel proud to work for us and can admit to their families and society.

Finally, is my belief in managing in a way that makes progress regardless of the odds in a fair and just manner. I believe these are the ways of thinking that underpin how I manage and run a business.

When it comes to my style of management—based on my background in taking on new challenges in an ongoing process of trial and error—I believe I am the type to act

while I think and think while I act. This kind of style, of doing two things at once, was considered a bad habit by some in the past, but I think going forward this kind of multitasking will be vital. Meanwhile, my aim is to balance both perseverance, or never giving up when pursuing a challenge, with being able to give up graciously when that is the best option. I believe it is a management style where, rather than acting arbitrarily on my own authority, I think and act while listening to the opinions of those around me, before making the final decision myself.

New Five-Year Plan and My Mission

Current State of the New Five-Year Plan

Over the 30 years up to 2019, we grew by expanding our rental housing stock through our Construction business and developing a series of business models nationwide that extended to real estate services such as brokering and managing these properties. We were able to achieve this because a business model where increasing branches and sales personnel directly results in a greater revenue and rental housing stock is possible within a society where the population and household numbers are increasing. What then, if we look at Japanese society in 30 or 50 years from now? Population and household numbers are not expected to increase. Therefore, we must consider growth strategies suited to our potential operating environments that are not limited to what we have done until now; that is, increasing the number of new housing starts. The New Five-Year Plan we launched in FY2019, when I became President, is our answer to this issue. Under the New Five-Year Plan, we will transform the Daito Group from an exclusive focus on rental housing to a total lifestyle support company. To this end, we will expand our Comprehensive Leasing and Lifestyle Support Services businesses concentrically around our core rental housing business, which has been a mainstay of the Group’s growth.

Our actual results for the Construction business centered on the rental housing business are, however, below those stated in the New Five-Year Plan due to the impact of changes in our operating environment, such as stricter lending and the COVID-19 pandemic. Therefore, we believe our highest priority is to rebuild the Construction business and regain our mainstay core business. The Real Estate business, including the occupancy rate, on the other hand, has been performing very well due to the COVID-19 pandemic. However, the pandemic is not over yet, and, therefore, we will continue to pay close attention to the situation and further bolster the stable strengths of the Real Estate business that have become apparent as a result of the COVID-19 pandemic. The

Other businesses segment, besides the hotel business, is performing steadily. In Other businesses, we aim to aggressively advance into new business domains, such as through the integration of INVALANCE Ltd., a provider of condominiums for asset management purposes, into our Group in November 2020. We will continue investigating opportunities to collaborate with companies and services with high potential for synergy.

While there is a market trend of declining new housing starts, the Group’s rental housing stock is increasing. Therefore, I think we should pay particular attention to businesses that utilize our housing stock. In these circumstances, the renovation business is an area we are focusing on in the New Five-Year Plan.

The renovation business, which can utilize our Group resources, can not only expand our Group business domains, but can also lead to strengthening our core business by acquiring stock based on opportunities presented by renovating, such as taking on the management of properties owned by other companies, and opportunities for resale from rebuilding and renovation.

In the Real Estate business, in October 2020, we started developing a business platform aimed at providing services related to rental housing and living. As a first step, we plan to start providing services to the more than 2 million tenants of our managed buildings, in Autumn 2021.

Although we still face the issue of recovering the business performance of our core businesses, especially the Construction business, we are steadily progressing our efforts toward our goal of becoming a total lifestyle support company.

New Five-Year Plan and My Mission

The Lease Management Trust System is a comprehensive package for supporting landowners with lease management. This system ranges from construction and planning of rental housing management by Daito Trust Construction, Co., Ltd.; recruitment of tenants by Daito

Kentaku Leasing Co., Ltd.; and property management, operation, and whole-building leasing by Daito Kentaku Partners Co., Ltd. In other words, the growth of the Daito Group is a business model that naturally leads to the growth of subsidiaries such as Daito Kentaku Leasing and Daito Kentaku Partners. However, in a situation such as this, where Daito Trust Construction is the only engine of the business, if the engine stagnates such as in the current COVID-19 pandemic, the growth rate of the entire Group will also suddenly slow down. While this system has until now been a source of the Group's competitive advantage, in the future, we will need each subsidiary to find and operate an engine that can grow independently. As an example, Daito Kentaku Partners being entrusted with the management of buildings constructed by other companies and independently expanding their portfolio builds their own unique growth engine. This can also be expected to create a virtuous cycle within the Group—with the introduction of rebuilding and renovation work to Daito Trust Construction. This will enable each Group company to have its own growth engine, and if the various Group companies can create a synergistic ecosystem, this can also be expected to fuel sustainable growth. I believe one goal of the New Five-Year Plan is to develop

growth engines in each Group company and to create this kind of self-sustaining ecosystem. If we can fully share the ways of thinking and mechanisms related to this ecosystem, we will be able to continue to create new engines in the future and to strengthen the ecosystem. The first and most important role I should play in achieving the ecosystem is developing the necessary organizations, talent, and systems. In 2019, the first year of the New Five-Year Plan, we began building a culture and programs to create new engines both inside and outside the Company. One such program is the internal venture system, "Mirai-novator." Employees who want to take on challenges that utilize their specialist fields or that utilize Group management resources can apply to become Mirai-novators, or "innovators of the future." We heard from quite a few applicants who have said things like, "I can't see what kind of position I'll end up in by just continuing to work as I am" and "I feel the limits of my career in my current abilities." I certainly want to achieve the development of an ecosystem and growth engines to establish an environment and give our employees similar opportunities to the ones I had as an employee within a growing company, where they can actively take on challenges and feel they are growing along with the Company.

My Future Vision for the Daito Group and Society

Responsibility and Mission of the Daito Group

As of the end of March 2021, the Group manages 1.16 million rental housing units under 88,000 landowners, with an estimated 2.08 million tenants. Just in terms of scale, you can see we have enough tenants spread throughout Japan to fill a city of significant size. If we can make the most of this as one network, I believe we can contribute to solving social issues on an administrative scale through our business activities. At the same time, we also recognize we have an enormous social responsibility based on the scale and size of this network. Taking on the challenge of solving social issues through our business activities and management resources is the key to unlocking the potential of this network and the future growth of our Group. Therefore, it is vital that both as a Group and as individual employees, we must take social issues onboard as if they are our own. In terms of the urgent and global issue of climate change, we have, for example, been caring for our environment proactively by reducing our environmental impact in our construction sites and by developing environmentally friendly rental housing, starting with net zero energy house (ZEH) rental properties. Even so, in recent years, whenever a climate change-induced disaster occurs, such as severe storms that are occurring

every year and are impacting both our landowners and tenants, we are deploying all our employees, who are affiliated with the affected sales area, to help in recovery and rehabilitation activities. In other words, our business, our employees, and our stakeholders are already being impacted by climate change. This is why we must find ways of solving and contributing to issues facing society by taking ownership of the issues across our entire Group. I believe this is truly how our Group can create greater social and economic value going forward.

Sustainability of the Daito Group

Sustainability has become a concept that has grown in familiarity and many people are showing an interest in it. Looking back on my own purchasing behavior, I feel as if my criteria for choosing a product has expanded from price, performance, and design, to include whether or not it is environmentally friendly. Looking at social trends as well, I feel we are now in a time where companies and products that are environmentally and socially friendly are being chosen and evaluated. That is why there is a growing sense of urgency that if we do not sufficiently act on our sustainability responsibilities, we will not survive, regardless of our competition within the market.

We will develop a corporate culture and systems that will continue to create new growth engines. My mission is to create an environment where both the Company and employees can continue taking on challenges.



I believe our main product, rental housing, plays a more significant role as social infrastructure for the public good than private houses, from the perspective of a range of people being able to easily choose and shift rental houses depending on their family makeup or lifestyle needs at the time. Furthermore, as our business creates new housing and impacts people's lives on land owned by our property owners, our business would not function without the cooperation and understanding of local communities and stakeholders. It is with this kind of background that we have now included concepts such as corporate social responsibility (CSR) and creating shared value (CSV) into our corporate management. Going forward, we aim to become a company chosen from the perspective of sustainability by proactively taking on our commitment to the Sustainable Development Goals (SDGs) and our environmental, social and governance (ESG) activities. When developing rental housing products, for example, we focus on three key concepts: the environment, disaster prevention, and lifestyles. Caring for our environment is a natural responsibility for our Group that supplies more than 50,000 homes a year (average for the last five years). Regarding disaster prevention, we believe management from a sustainability perspective is an opportunity to provide new value. For example, in this time of 100-year life expectancies, we propose a new lifestyle that rental housing can only provide in order to fulfill our responsibility to protecting landowners' assets and tenants' lives. I think you, as a reader, will be able to better understand our purpose and intentions if you keep these concepts in mind when reading the materiality (material issues) announced in this integrated report. Our materiality announced here has been identified mainly

by leaders who will lead the Daito Group into the future, which include all executive officers, and managers of the corporate planning and business strategy departments of the three main Group companies. While we will start undertaking measures toward our material issues soon, the current materiality is by no means a finished product. Our challenge will be to make our materiality into a living concept that we will continue revising and nurturing. We must also advance materiality initiatives as a means of accelerating progress on the New Five-Year Plan. We believe our ideal form of sustainability management is to consolidate both perspectives of our management strategy and materiality into informing the ideal direction and path of action for our Group.

Our Promise to Society

As I mentioned at the beginning, our Group has grown by creating unique value in line with the changing times and society. And now, in these times of great change, we are declaring our resolve to transform the Daito Group from an exclusive focus on rental housing to a total lifestyle support company. Therefore, our Group must grow into a company that can contribute to society more broadly, founded on our management resources including good relationships with all our stakeholders such as landowners, tenants, and business partners. Now, the promise to society I want to achieve is to become a company that can grow sustainably, entrusted by our stakeholders with their dreams and the future, and that we will aim to solve social issues through our business. We will continue taking on various initiatives to achieve this promise without being defeated by the COVID-19 pandemic. We hope you will keep looking forward to the new value we will create as a Group.

TOPICS » Responding to the External Environment

The strength of the Daito Group lies in its ability to respond flexibly and rapidly to social changes. Taking the external environment, which is changing significantly on a daily basis, as an opportunity for further growth, we advanced a variety of responses in FY2020.

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Promotion of
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01

Promotion of Digital Transformation (DX)

DX Defined

According to the DX promotion guidelines established by the Ministry of Economy, Trade and Industry, the term “DX” is defined as a situation whereby “a company deals with dramatic changes in business environments, changes its products, services and business models so as to meet the demands of customers and society by taking advantage of data and digital technologies and changes its services per se, organizations, processes, corporate and business culture so that it can establish competitive advantages.”

Against the backdrop of an increase in the number of companies utilizing innovative digital technologies and developing unprecedented business models, many companies feel required to promote DX to maintain and strengthen their competitiveness. In Japan, although many company managers are aware of the need for and have made some investment in DX, the situation is that this awareness has not led to actual business transformation, and the country is said to be lagging behind globally.

Impact on the Daito Group

It is assumed that the promotion of DX by industry-leading companies will stimulate the transformation of old-style businesses, that innovative services providing new customer experiences and value will be created in various industries and, as a result, bring about intensified corporate competition that transcends industries. Nowadays, various markets are being dominated by Big Tech (a group of IT companies that exert a dominant global influence), and it is clear that Daito Trust’s businesses,

which include construction and real estate businesses, are no exception.

For the Group to maintain and strengthen its competitive advantage under such social conditions, we believe that it is necessary for us to promote digital technology-based business transformation and to reshape our own business models while drawing on the experience and expertise we have built over many years in the construction and real estate fields.

Risks

- Loss of competitive advantage (for latecomers to DX)
- Difficulties in maintaining and handing down business foundations
- Increases in system maintenance and management expenses and IT costs
- Heightened IT security risk
- Complexity, aging, and increasing blackboxing of existing systems

Opportunities

- Reform of existing business profit structures
- Creating new businesses and services by utilizing the latest digital technologies and collaborating with start-up companies
- Improvement of employee satisfaction by realizing new employee work styles best suited to new value standards

Recognition and Strategies

The Group recognizes that DX is an indispensable and important factor in evolving to become a total lifestyle support company. In FY2020, we formulated DX strategies to realize business transformation by means of utilizing

digital technology. Among those strategies, we have adopted Three Visions for the direction of our DX strategies, and define the areas to be strengthened and the directions in which we will proceed.

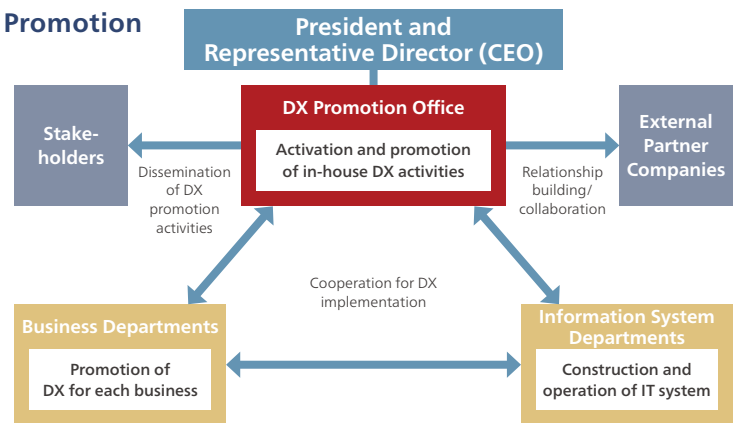
DX Strategy Direction (Three Visions)

DX Three Visions	DX Strategies	Main Responses
1 Digitally transform existing businesses (core Comprehensive Leasing business)	<ul style="list-style-type: none"> Promote digitalization of sales and MA* in line with new normal Utilize technology for business automation and optimization 	<ul style="list-style-type: none"> Develop new sales channels by utilizing MA and strengthening inside sales Utilization of AI (design plans, foundation construction method selection, rent reviews, etc.), development and introduction of construction robots, etc.
2 Create unprecedented lifestyle support services through digital means	<ul style="list-style-type: none"> Become industry platformer with core Comprehensive Leasing business Create more new businesses that will utilize digital technology 	<ul style="list-style-type: none"> Building of new platform to provide variety of lifestyle support services Framework for creating new businesses through collaboration with start-up companies
3 Transform employees' ways of working by digital means	<ul style="list-style-type: none"> Digitally support new work styles Realization of further efficiency and labor savings by utilizing digital technology 	<ul style="list-style-type: none"> Continuation of teleworking and autonomous work styles for all employees Automation of back-office operations by utilization of robotic process automation (RPA) Trialing of evaluation system by job-based employment

*Marketing automation: a tool that automates marketing activities.

System Building Targeting DX Strategy Promotion

We are aiming to achieve DX strategies through system building that will include newly establishing a specialized DX Promotion Office organization and talent development. As a result, on the basis of the Ministry of Economy, Trade and Industry's DX certification system, in October 2021, Daito Trust obtained DX-certified business operator certification as a business operator that is ready to promote DX.



	Goal	Initiatives
Initiatives to Change Awareness	Digital transformation Fostering of awareness	<ul style="list-style-type: none"> Introduction of latest technology trends and case studies of in-house utilization via in-house social media, etc. In-house workshops on latest technologies with cooperation of IT vendors, and lectures held by outside experts, etc.
	Digital technology case studies Participation and experience	<ul style="list-style-type: none"> In-house calls for cases of problem-solving/new service ideas that will utilize digital technology Workshops held to improve design thinking and idea creation capabilities
	Awareness of digital technology Dialogue and sharing	<ul style="list-style-type: none"> Establishment of consultation desk for digital technology Internal and external exchanges through meetings

	Skill	Measures for Securing/Training Talent
Securing and Training of DX Promotion Talent	DX planning/promotion	<ul style="list-style-type: none"> Set DX human resources competency standards Cultivate planning capabilities through in-house venture system
	DX implementation	<ul style="list-style-type: none"> Secure external specialists through job-based employment Skill enhancement/technology transfers of in-house talent through OJT

Leader Insights

Indispensable methods to becoming a total lifestyle support company are the promotion of capital and business alliances, the encouragement of sustainability management, and work-style reforms, such as working remotely from home and our flextime system. These methods are also the revitalization of talent and organizations that can continuously produce results while working with great enthusiasm. One of the most important means in achieving these is DX promotion.

By steadily implementing our DX strategies, we will expand our share in the rental housing market and successfully expand our business, while further accelerating the evolution from our exclusive focus on rental housing to a becoming a total lifestyle support company centered on our Comprehensive Leasing business.



KOBAYASHI Katsuma
President and Representative Director (CEO)

02

Our Response to Wood Shock

Rising Timber Prices Worldwide: “Wood Shock”

A phenomenon in which the price of timber soars due to tight demand, “wood shock” became an issue in Japan from around March 2021.

Factors cited as the backdrop to this situation are the expanding demand for housing in the United States and China, distribution pressures brought about by the COVID-19 pandemic, container shortages due to reduced

cargo ship services, and the stagnation of the timber supply network caused by a decline in operating rates. The prices for the lumber materials used for beams and columns (laminated timber) are particularly high. In Japan, about 70% of lumber is imported, so there are concerns about the impact on consumers as well as on businesses, such as rising house prices and delays in construction.

Impact on Business

The soaring prices of imported timber caused by the wood shock are having a major impact on the Group’s business of supplying wooden housing. Moreover, if the wood shock is prolonged and procurement itself becomes difficult, there are concerns that the situation may lead to delays in or the

suspension of construction work. Alternatively, if the supply chain is reviewed and the focus on and expansion of the remodeling business progresses, the situation could be an opportunity for growth.

Risks

- Difficulties in procuring raw materials, soaring procurement prices
- Delays in construction work due to procurement difficulties, prolonged construction periods
- Decreases in demand for new construction and rebuilding projects due to soaring material prices

Opportunities

- Review and strengthening of supply chain
- Expansion of demand for remodeling due to avoidance of new construction and rebuilding projects

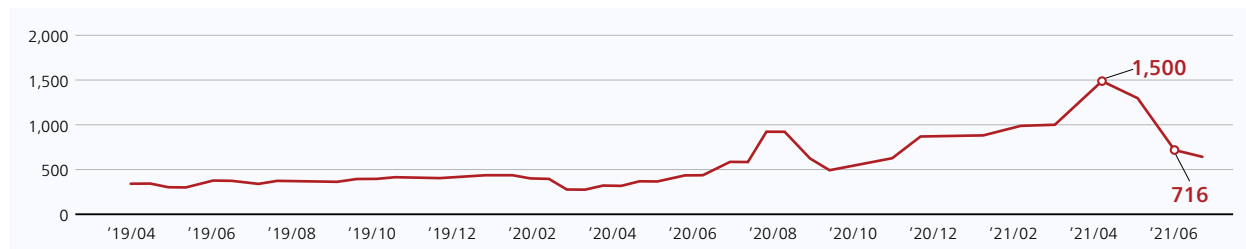
Daito Group Awareness and Response

Currently, there are concerns about a direct impact on timber procurement and timber prices. With regard to timber procurement, we are currently able to continue stable procurement through our supply pipelines with timber manufacturers and purchasing that takes advantage of economies of scale. Regarding timber prices, however,

although futures prices are on a downward trend, local prices, which form the basis for purchase prices, have remained high, and it is unclear what impact on the business that the purchasing starting in September 2021 will have on FY2021. We will take measures with a view to, for example, expand the use of domestic timber.

Reference Data (Lumber Futures Prices)

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Source: Chicago Mercantile Exchange Lumber Futures Prices

(Unit: USD/MFBM)

Note: A thousand board feet (MFBM). Volume of wood per transaction (approx. 2.3 cubic meters)

Leader Insights

As of September 2021, the Group has not suffered any major impact from the wood shock as we procure our lumber outside from North America and also utilize domestic timber. However, due to the multiple factors behind the occurrence of the wood shock, we anticipate the outlook remaining uncertain. Assuming there will be a long-term impact, we will enact countermeasures that take into account timber prices and the exchange rate situation.

Our Response to New Subleasing Regulation Law

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

Against the backdrop of factors that include the advancing years of rental housing owners and the rental management business associated with inheritance, the number of owners who outsource rental management to management and subleasing business operators is increasing. Rental management using such subleasing methods has potential risks, including the risk of rent fluctuations and contract cancellation conditions, and problems caused by a lack of explanation at the time of contract negotiations have increased in recent years. Accordingly, the Law on the Normalization of Rental Housing Management Services came into force in December 2020 with the aim of protecting owners and ensuring sound and proper rental housing

management operations under the subleasing method.

Main rules of conduct

- (1) Ban on misleading advertising
- (2) Ban on unfair solicitation, etc.
- (3) Explanations of contract details and delivery of documents prior to signing of agreement
- (4) Delivery of documents at time of signing of agreement
- (5) Document inspection

Parties targeted by regulations

Subleasing business operators/solicitors (including construction companies, house manufacturers, etc.)

Impact on Business

We believe that the impact will be significant for the Group because the core business is land utilization and leasing management using the subleasing method. We also believe that it will be necessary for us to contribute to the optimization of the industry as a whole.

Risks

- Suspension of business activities, administrative measures due to violation of law
- Deterioration in image of subleasing industry due to frequency of business disposals

Opportunities

- Expanding needs for inheritance measures in accordance with risk reduction
- Increased demand for specialist rental companies
- Improved contract explanation quality

The Daito Group's Response

Improvement of contract explanation quality, employee education, establishment of external point of contact

The Group is working to improve the quality of its explanations for contracts, such as reviewing and revising the content of past advertisements, and is creating new materials that better explain the risks associated with signing agreements. The Group is also—for example by opening a special site on the Company's Intranet, formulating guidelines that summarize the timing and main points of explaining risks at the time of solicitation, and conducting training for sales staff—focusing on educating employees and sharing information to promote understanding of the New Subleasing Regulation Law. In addition, we have set up an external point of contact to facilitate reporting and consultation regarding acts that contravene or may contravene

the New Subleasing Regulation Law, such as misleading advertising and unfair solicitation, and are striving to detect problems early and prevent any recurrence.

Providing information for customers

Our website for owners includes an information dissemination page that is useful for land utilization, and on it we explain in an easy-to-understand manner the New Subleasing Regulation Law, which is a law designed to protect owners. By striving to provide accurate information that includes not only the advantages, but also the disadvantages of rental management by the sublease method, we will continue to do our utmost to ensure that owners fully understand their subleases and conclude contracts with peace of mind.



For some time, double-checking has been conducted by business units after the signing of agreements, and the clear stipulation of fixed rent periods in marketing documents and briefings has been provided by our Group company, Daito Kentaku Partners Co., Ltd. Thus, the impact of the enforcement of the New Subleasing Regulation Law will be minor. However, I believe there is a risk during the marketing process that we will give explanations to owners that might be misunderstood. Because of this, we will continue to take steps to thoroughly train our employees and ensure consistent compliance with the law while promoting sound and appropriate business activities.



Our Value



Our Sustainable Value Creation Story

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Outline

Initiatives for Value Creation in FY2020

- Identification of the Daito Group's Seven Material Issues
- Formulation of an aspirational value creation process
- Steady execution of New Five-Year Plan, including creation of new business and M&A

Building Engines for Growth for Each Group Company with Sustainability as Our Guide

For Daito Group to grow sustainably amid rapidly changing external environments, it is vital for each Group company to utilize its own management assets to create new business models and drive more engines for growth. We will aim to become "a Company that can grow sustainably, entrusted with dreams and the future" by building an ecosystem in which each Group company has a mutually positive impact and by using the Seven Material Issues identified by the Daito Group for creating new value.



Path to Earning Trust and Growth

The Daito Group is not merely a construction company. We support our owner's varied concerns 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 years.

Shift to Rental Housing

With significant declines in demand for commercial rental properties as a result of Japan's economic bubble bursting, we decided on a shift to the rental housing market, which was expanding due to the amendment and enforcement of the production green land law in 1992. We also established a solid position in the rental housing market through the popularity of our low-rise apartment building launched in February 1995, New Crestall 24 (two-by-four method).

Please also refer to the CEO Message [P. 05–10](#) to learn about the shift to rental housing

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
(Tens of thousands)

100

80

60

40

20

0

1974

1980

1985

1990

1995

June 1974

Established rental property business for supporting landowners, 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	815 units	85,397 units
Payout ratio	—	16.8%

Start of the Lease Management Trust System

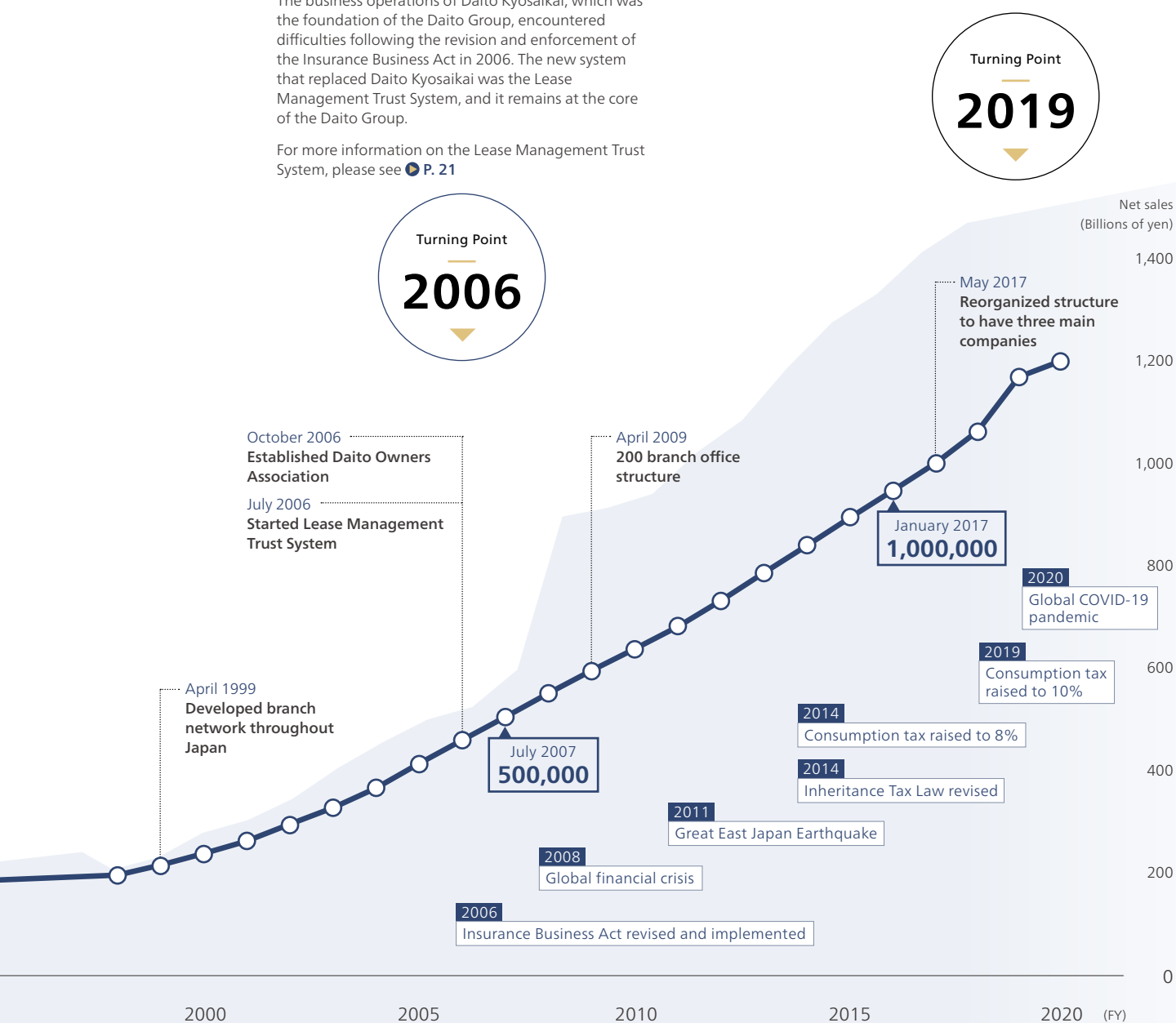
The business operations of Daito Kyosaikai, which was the foundation of the Daito Group, encountered difficulties following the revision and enforcement of the Insurance Business Act in 2006. The new system that replaced Daito Kyosaikai was the Lease Management Trust System, and it remains at the core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

For more information on the Lease Management Trust System, please see [P. 21](#)

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. 35](#)



	FY2006	FY2020
Net sales	¥564.3 billion	¥1,488.9 billion
Operating income	¥72.6 billion	¥86.7 billion
Profit attributable to owners of the parent	¥41.8 billion	¥62.2 billion
Shareholders' equity	¥274.6 billion	¥310.2 billion
ROE	16.2%	20.9%
EPS	¥345	¥909
Number of rental properties under management	493,829 units	1,204,599 units
Payout ratio	27.2%	50.0%

Financial Highlights

		FY2009	FY2010	FY2011	FY2012	FY2013	
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Operating results

	Unit						
Net sales	Billions of yen	972.6	1,001.1	1,087.1	1,152.4	1,259.6	
Construction business	Billions of yen	465.5	430.2	468.6	489.5	545.3	
Real Estate business	Billions of yen	483.5	545.2	589.9	630.4	677.6	
Other businesses	Billions of yen	23.4	25.6	28.5	32.4	36.6	
Gross profit	Billions of yen	188.7	195.3	214.1	218.4	233.0	
Construction business	Billions of yen	166.4	167.0	175.1	172.1	175.2	
Real Estate business	Billions of yen	14.4	19.2	29.2	35.3	45.3	
Other businesses	Billions of yen	7.8	9.0	9.7	10.9	12.4	
Operating income	Billions of yen	71.1	73.7	81.9	82.4	89.7	
Operating income margin	%	7.3	7.4	7.5	7.2	7.1	
Profit attributable to owners of the parent	Billions of yen	45.3	43.1	47.1	51.6	55.2	

Financial position

Owner's equity	Billions of yen	311.5	131.1	158.3	191.2	224.8	
Equity ratio	%	55.8	24.6	27.8	31.0	32.9	
ROE	%	14.9	19.5	32.5	29.6	26.6	

Shareholder return

EPS	Yen	386	384	594	648	693	
Cash dividends per share	Yen	193	229	297	324	347	
Payout ratio	%	49.9	59.6	50.0	50.0	50.0	
Total return ratio (including treasury stock acquisition)	%	79.8	526.0	50.0	50.0	80.0	

Indicators related to the Construction business

Value of orders received	Billions of yen	435.2	503.4	611.7	655.1	625.8	
Number of construction sales representatives	People	2,830	2,981	3,222	3,204	3,325	
Net income of completed construction contracts*	Billions of yen	465.5	430.2	468.6	489.5	545.3	
Gross profit margin for completed projects	%	35.8	38.8	37.4	35.2	32.1	

Indicators related to the Real Estate business

Number of tenant recruitments	Thousands	180	204	214	220	241	
Rental housing units under management	Thousands	598	645	694	747	805	
Rent-based occupancy rate	%	94.6	96.0	96.8	96.7	96.9	

Cash flows

Net cash provided by operating activities	Billions of yen	46.0	60.7	77.8	87.8	83.8	
Net cash (used in) provided by investing activities	Billions of yen	(26.8)	49.9	(11.3)	(10.3)	(59.4)	
Net cash used in financing activities	Billions of yen	(29.8)	(94.9)	(29.4)	(36.2)	(39.1)	
Cash and cash equivalents at end of period	Billions of yen	170.7	184.8	221.0	264.1	253.2	

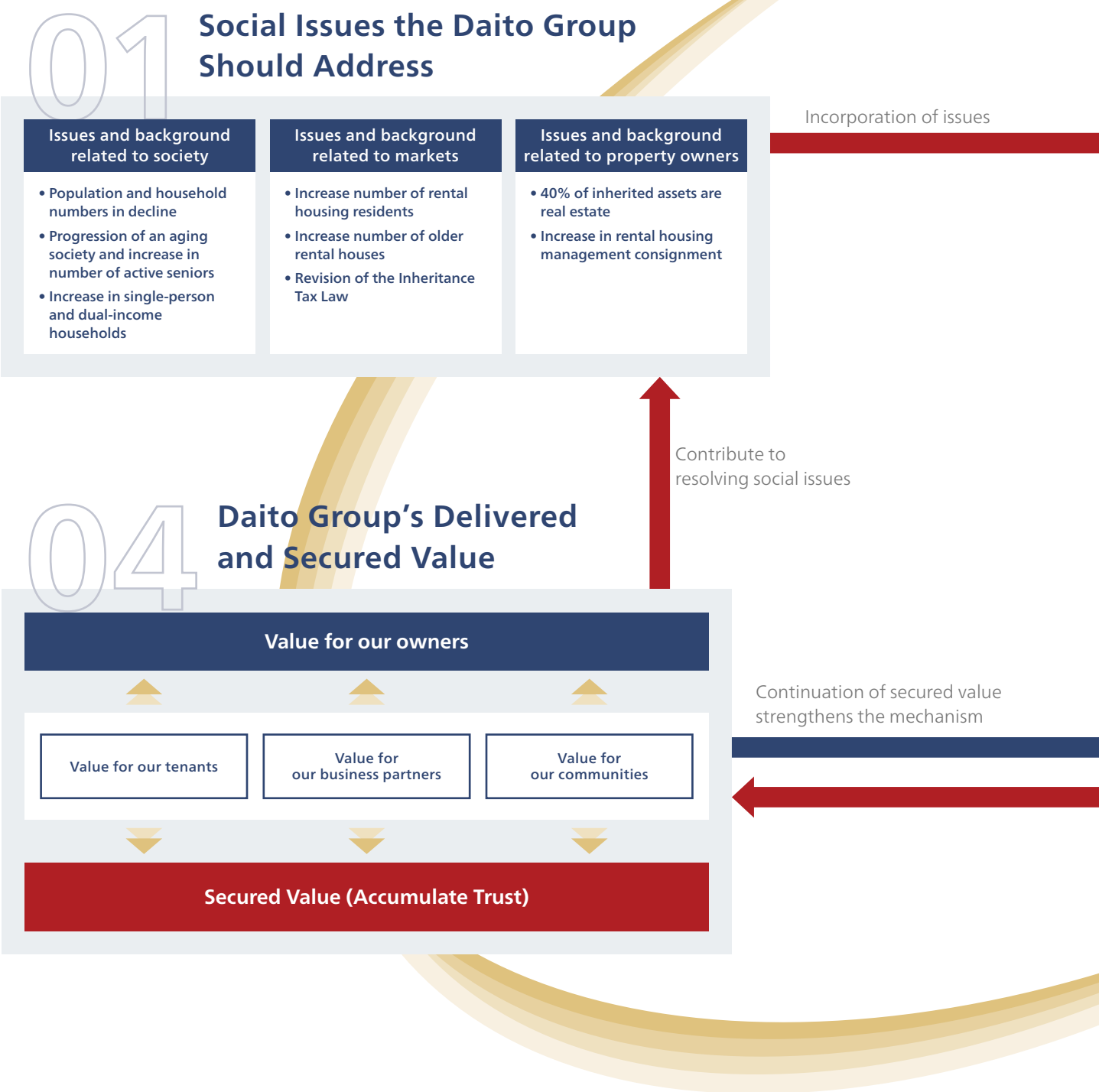
*In accordance with the revision of the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," from FY2010, the sales from building and repairs of Daito Building (now Daito Kentaku Partners) that had previously been included under other in net income of completed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

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Plan)	Year-on-year change (FY2019 FY2020)
	1,353.1	1,411.6	1,497.1	1,557.0	1,591.1	1,586.2	1,488.9	1,570.0	93.9%
	589.1	595.3	623.9	627.6	609.7	551.1	401.7	430.0	72.9%
	723.8	774.8	824.6	871.3	924.1	973.6	1,014.2	1,055.0	104.2%
	40.1	41.4	48.5	57.9	57.2	61.4	72.9	85.0	118.6%
	238.9	254.4	285.5	297.0	296.0	282.4	238.8	254.0	84.6%
	172.5	176.2	197.6	197.5	183.7	159.1	104.4	112.0	65.7%
	52.2	62.6	72.7	79.0	88.9	98.7	109.0	113.0	110.5%
	14.1	15.5	15.2	20.4	23.3	24.6	25.3	29.0	102.8%
	91.5	101.0	120.1	126.3	127.0	127.9	86.7	94.0	67.8%
	6.8	7.2	8.0	8.1	8.0	8.1	5.8	7.0	-2.3p
	56.1	67.2	82.1	87.8	89.9	90.3	62.2	65.0	68.9%
	240.5	250.1	276.0	299.8	303.8	286.5	310.2	—	108.3%
	34.3	34.3	35.3	35.6	35.3	32.5	33.7	—	+1.2p
	24.1	27.4	31.2	30.5	29.8	30.6	20.9	20.0	-9.7p
	710	863	1,072	1,165	1,212	1,306	909	943	69.6%
	375	432	536	583	606	653	455	472	69.7%
	52.8	50.1	50.0	50.0	50.0	50.0	50.0	50.0	±0.0p
	82.8	80.1	80.0	80.0	95.5	115.7	50.3	50.0	-65.4p
	660.4	693.0	655.2	651.0	635.2	519.2	358.8	520.0	69.1%
	3,247	3,420	3,383	3,313	3,291	3,140	2,813	2,850	89.6%
	589.1	595.3	623.9	627.6	609.7	551.1	401.7	430.0	72.9%
	29.3	29.6	31.7	31.5	30.1	28.9	26.0	26.0	-2.9p
	253	267	281	296	323	334	337	344	100.8%
	864	923	978	1,036	1,086	1,130	1,169	1,202	103.5%
	96.7	96.8	96.9	97.2	97.4	97.2	97.8	97.4	+0.6p
	59.4	78.8	124.0	62.5	71.9	102.1	98.4		
	0.9	(93.5)	(33.4)	(22.9)	0.082	(18.3)	(24.7)		
	(60.8)	(57.9)	(72.2)	(25.3)	(97.6)	(111.4)	(34.3)		
	255.5	182.6	200.1	213.7	187.6	159.9	198.7		

CAGR (10-year period from FY2010 to FY2020)					
Net sales	4.05%	EPS	8.99%	Number of tenant recruitments	5.14%
Operating income	1.63%	Number of construction sales rep.	-0.58%	Rental housing units under management	6.13%

Value Creation

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



Value Creation Mechanism

Business Model Making Social Change Our Ally

02



A cycle where competitive advantage is born of our business model and that competitive advantage strengthens the business model

Competitive Advantage

Lease management expertise accumulated since our founding	Technological development capabilities to maintain and improve asset values
Providing high added value through related businesses	Thorough understanding of property owners' perspectives

Management Resources Key to Maintaining and Strengthening Competitive Advantage

Financial capital	Human capital	Production capital
Intellectual and organizational capital	Social capital	Natural capital

System for Supporting Stable Management Resources

Governance	Talent and organizational development	Socially and environmentally friendly management
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Competitive Advantage and Management Resources

03

Output delivered value

The Building Blocks of Our Value Creation Cycle

01 Social Issues the Daito Group Should Address

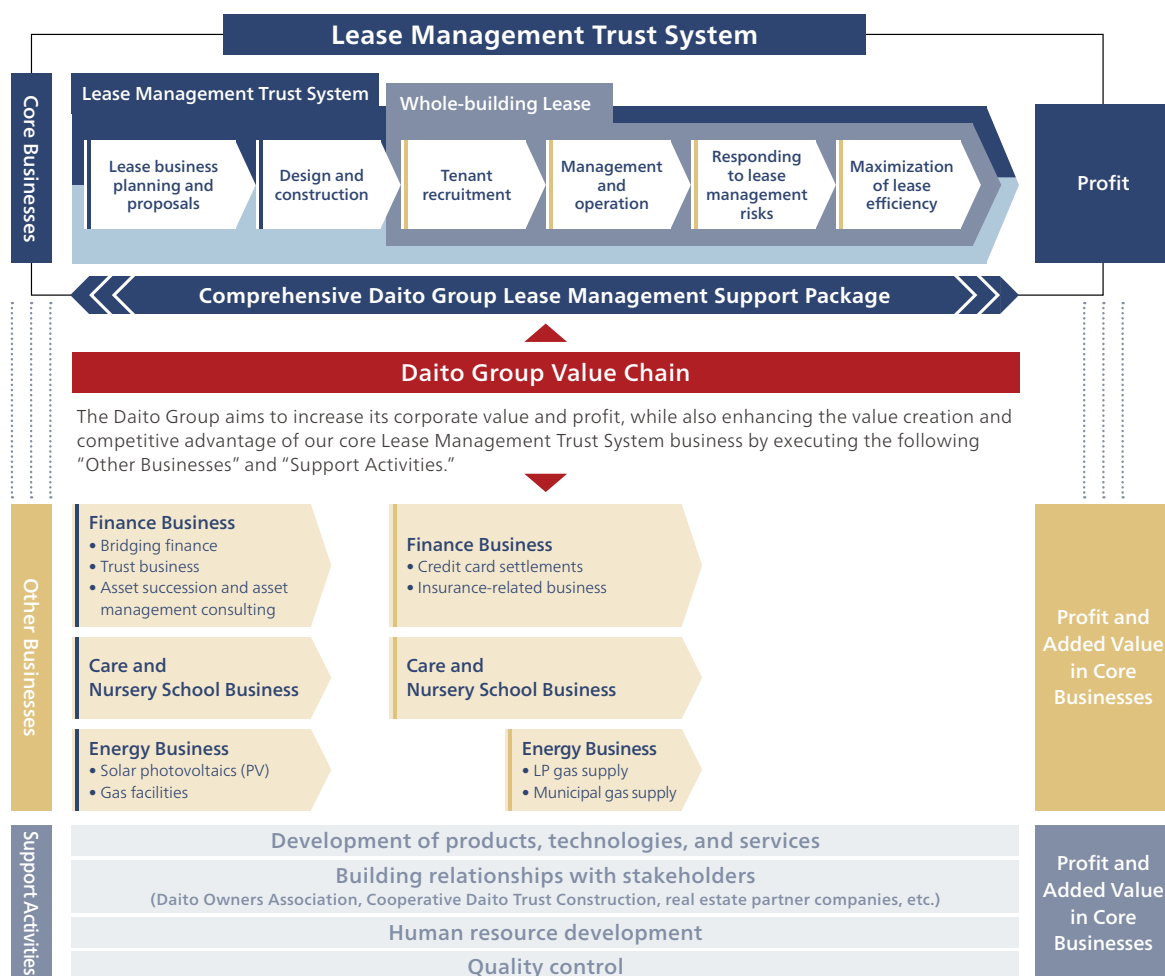
The founding purpose of the Group was to come alongside property owners to help solve their issues, in keeping with their desire “to hand over land to the next generation that has been passed down through many generations.” Our highest priority—since our founding, as we have expanded our business—has been to solve the issues of property owners. Their concerns about land and assets, however, change significantly in step with social changes. In Japan, where there is a long-term trend of a declining population, it is expected that population aging will increase further, and the number of singles and nuclear family households will also increase. In terms of our Group operating environment also, there is expected to be increases in demand for rental housing and in the number of older rental houses. As a result, landowners are now facing more diversified issues—including diversification of rental housing management and a decrease in real estate competitiveness as the buildings age—in addition to traditional issues such as stable management of inherited assets and land. While these changes can conceivably pose risks to the Daito Group, they can also be significant opportunities for us to expand our business domains and enhance our competitive advantage.

02 Business Model Making Social Change Our Ally

The Lease Management Trust System is a unique system created to maximize the asset value of landowners while protecting their precious land by duly considering such social changes and issues of landowners. The Lease Management Trust System—which encompasses all aspects of lease management, from planning, design, and construction to tenant recruitment services and property management—not only supports landowners in lease management, but also reassures them about the various risks they face by flexibly adapting the support offered in line with social changes. Additionally, the value provided to tenants, business partners, and local communities by this system contributes to further solidifying the lease management of landowners. This in turn leads to the ongoing ability of the Group to secure and increase value. We believe this is what makes our business model unique.

Daito Group Risks and Opportunities
Risks and Opportunities Visualized in Data

▶ p.25–26
▶ p.27–28



03 Competitive Advantage and Management Resources

The Daito Group has built the competitive advantage that sets it apart from its competition by strengthening its value chain focused on its Lease Management Trust System.

Competitive Advantage

Lease management expertise accumulated since our founding:

Strengths in understanding market trends...Nationwide network of market analysis professionals—1,037 in 155 branches—collects information on trends in supply and demand and local rent data from approximately one million leased buildings.

Strengths in rental brokering...Strength of our leading rental brokerage brand, E-Heyo Net, and strong network consisting of rental brokerage subsidiary, Housecom Co., Ltd., real estate partner companies, among others.

Strengths in management...Contract management, rent management, and property management of 1.2 million properties.

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, guarantee service so tenants do not require a guarantor, and credit card payment services tailored to the real estate industry.

Adding value to properties and products...Services such as LP and municipal gas supply businesses.

Adding value to society...Provision of care and nursery school services, renewable energy, among others.

Technological development capabilities to maintain and improve asset values:

Architectural technologies born of our growth as a rental housing specialist that simultaneously boast ease of living, high quality, high durability, and low maintenance including, siding panels that are cleaned by rain and have low color fading and flooring panels that enable replacement of even a single panel.

Thorough understanding of property owners' perspectives:

We have grown our business from the perspective of our property owners and an understanding of their needs by operating the Daito Owners Association and thoroughly ensuring we operate our business centered on landowner participation such as disseminating and exchanging information in our public relations magazine for our property owners, *Yutorich*.

Management Resources Key to Maintaining and Strengthening Competitive Advantage

Our tangible and intangible management resources are as follows. We stably secure these resources through our strong governance system, nurturing talent and organizational development, and socially and environmentally friendly management.

Financial capital: Abundant orders in hand, stable stock business

Human capital: Highly specialized and diverse human resources

Production capital: Nationwide network, existing buildings under management, electricity and gas infrastructure facilities

Intellectual and organizational capital: Results and know-how in lease management, system of direct sales, patented technology

Social capital: Stakeholders, Japan's unique approach to asset succession, tax system

Natural capital: Land, timber, climate and environment that enables long-term residence, natural gas, liquefied petroleum (LP) gas

04 Daito Group's Delivered and Secured Value

Delivered Value



Secured Value (Accumulated Trust)

Realization of Corporate Philosophy	
Net sales:	¥1,488.9 billion
Operating income:	¥86.7 billion
Number of property owners:	88,000
Ratio of repeat contracts:	65.9%
Number of housing units supplied (No.1 in industry for 12 consecutive years*1):	38,000
Number of rental housing brokerage (No.1 in industry for 11 consecutive years*2):	337,000
Rental housing units under management (No.1 in industry for 25 consecutive years*3):	1,204,000
Occupancy rate of rental housing units:	98.9%
Partner financial institutions:	370
Cooperating design/construction companies:	8,976
Real estate partner companies:	13,139

*1 Source: Market Economy Research Institute Ltd., "2022 National Housing and Condominium Supply Survey: Ranking by Company." (Combined results for detached and rental houses for FY2020, released July 2021)

*2 Source: "2021 Rental Housing Unit Brokerage Ranking of 400 Companies" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results for October 2019 to the end of September 2020 announced on January 4, 2021)

*3 Source: "2021 Rental Housing Management Rankings of 1,063 Companies" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results for FY2020 announced on July 26, 2021)

Daito Group Risks and Opportunities

By analyzing social 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 risk and opportunity.

Social Changes and Issues	Impacts on the Daito Group	
Population/household trends <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 	Risk Oversupply of houses and increase in vacancy rates Risk Decreasing demand for housing stock for existing family types Risk Increase in people leaving workforce to care for family Risk Increase in solitary deaths	Opportunity Increase in rental housing tenants Opportunity Increase in rent per household Opportunity Increase in inheritance-related needs Opportunity Growing demand for care businesses Opportunity Growing demand for nursery schools Opportunity Growing need for preventive medical care Opportunity Rising demand for residences and services for the elderly
Labor force <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 	Risk Labor shortages Risk Shortage of sales representatives Risk Increasing labor unit costs Risk Prolonged construction periods Risk Declining construction quality Risk Skilled worker shortage	Opportunity Emergence of full-participation society Opportunity Efforts to improve business efficiency Opportunity Building training systems for engineers/craftspeople Opportunity Building a pleasant working environment
Housing <ul style="list-style-type: none"> Increasing lifespan of housing Declining desire of people to own homes Rising prices of construction materials 	Risk Decline in rebuilding demand Risk Falling profit margins	Opportunity Reduction in repair costs Opportunity Slowdown in rent rate declines due to aging of buildings Opportunity Increasing renovation demand Opportunity Increase in people who prefer rental housing
Consumer awareness/lifestyles <ul style="list-style-type: none"> Increase in ethical consumption and awareness of the environment Greater awareness of natural disasters Diversifying life paths/styles Rise of advanced IT In the COVID-19 era Emergence of digital marketing 	Risk Falling demand for mass-market products (made to suit everyone) Risk Declining use of brick-and-mortar stores and face-to-face sales	Opportunity Improving efficiency of work Opportunity Increase in local migration Opportunity Rising demand for high value-added rental housing Opportunity Improving efficiency of living Opportunity Increase in demand for non-face-to-face sales
Laws and regulations <ul style="list-style-type: none"> Revision of Inheritance Tax Law Amendment of production green land law Liberalization of retail energy market Stricter lending conditions adopted by financial institutions Interest rate policy Tightening regulation on subleasing Movement toward ESG investment Promotion of sustainability transformation (SX) 	Risk Decreasing demand for asset succession (if taxes decrease or taxes are abolished) Risk Stricter lending conditions on apartment loans Risk Increasing interest rates Risk Worsening sentiment of property owners	Opportunity Growing demand for asset succession (if taxes increase or tax target base expands) Opportunity Penetration/expansion of energy business Opportunity Increase in demand for businesses with an exclusive focus on rental housing
Environment <ul style="list-style-type: none"> Climate change 	Risk Growing demand for eco-friendly management Risk Stricter environmental regulations for buildings Risk Increase in natural disasters	Opportunity Growing demand for eco-friendly housing

Responses from the Daito Group

In order to be a company that can continue to produce social value by responding flexibly to social changes and issues, the Daito Group mainly undertook the following initiatives in FY2020.

Response 1

Identify the Daito Group's Seven Material Issues that need to be addressed

The Daito Group's Seven Material Issues identify the particularly major social changes and issues that must be responded to and addressed in order to continue the Group's businesses



Daito Group's Seven Material Issues [▶ p.29-32](#)

Response 2

Pursue a value creation process for the Daito Group that revolves around sustainability

Promoting the Group's value creation process in order to achieve the identified Seven Material Issues

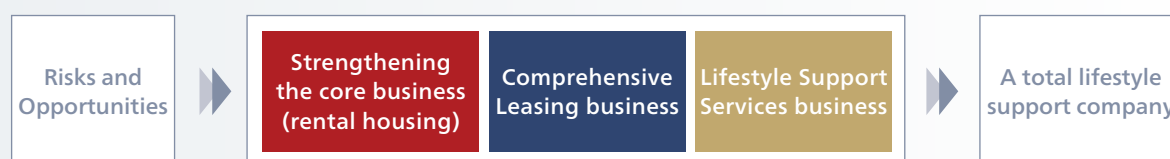


The Value Creation Process We Aim For [▶ p.33-34](#)

Response 3

Execute the New Five-Year Plan, aiming for a trilateral expansion in shares of rental housing stock, business domains, scope of service delivery

Seizing the opportunities presented by social change by executing a medium-term management plan that aims for "a total lifestyle support company," through expansion of the three areas of rental housing stock share, business domains, and scope of service delivery



The New Five-Year Plan

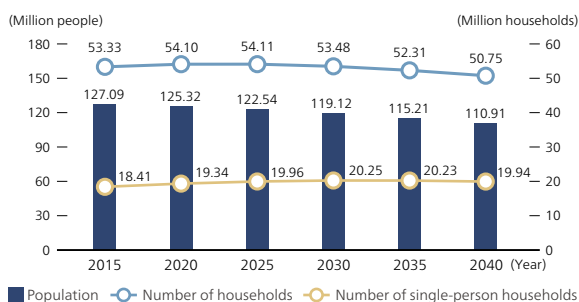
[▶ p.35-36](#)

Progress and Evaluation of the New Five-Year Plan

[▶ p.37-38](#)

Risks and Opportunities Visualized in Data

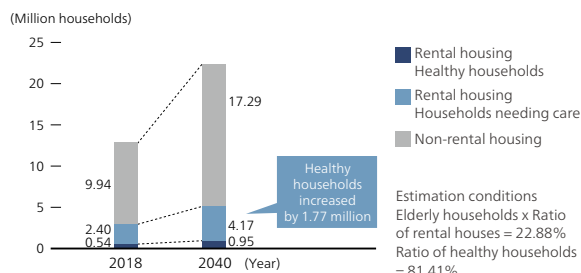
Forecasts for population and household trends



Sources: "Population Projections for Japan: 2016 to 2065" (2017) (medium-fertility, medium-mortality); "Household Projections for Japan: 2010-2035" (2013); and "Household Projections for Japan: 2015-2040" (2018), National Institute of Population and Social Security Research

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.

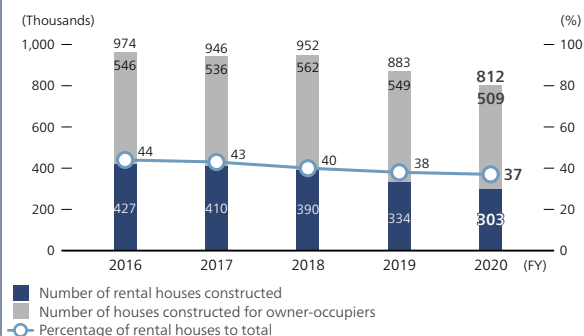
Forecasts for the aging society



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.

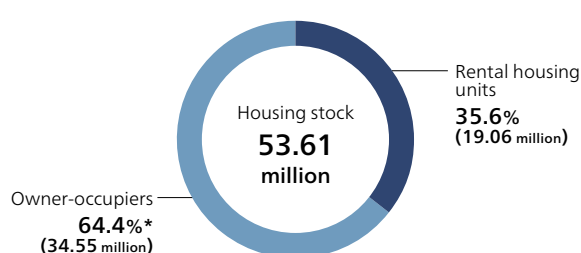
Number of housing starts



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

The total number of new housing starts in the fiscal year ended March 31, 2021 was 812,614, of which 37.5% (or 303,018) were rental houses. The number of rental housing unit starts remained stable after the Lehman Crisis, however, in the fiscal year ended March 31, 2021 it was down 8.1% year on year—the fourth consecutive year of decline.

Percentage of rental housing units



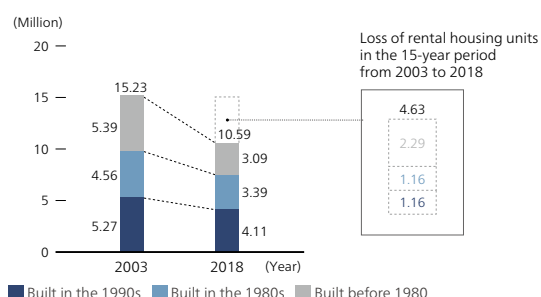
Source: "Housing and Land Survey" (2018), Ministry of Internal Affairs and Communications (MIC)

*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).

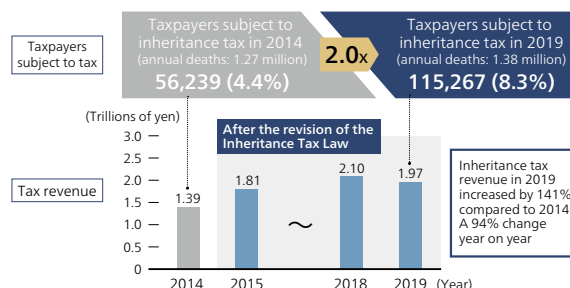
Loss of old rental housing units



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

An estimated 4.63 million (approx. 308 thousand 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.

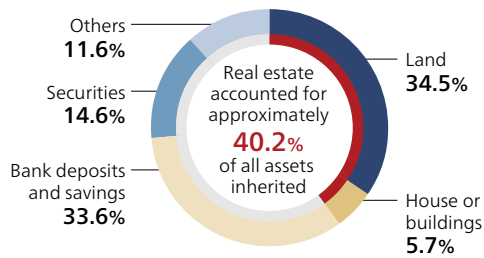
Inheritance tax: taxpayers subject to tax and tax revenue



Source: "Inheritance Tax Filing Status" (from 2014 to 2018), National Tax Agency (Japan)

By 2019, the number of people subject to inheritance tax had almost doubled (compared to pre-tax reform in 2015) to 115,000 people. Revenue from the inheritance tax had risen by approximately 1.5 times the pre-tax reform amount to ¥1.9 trillion.

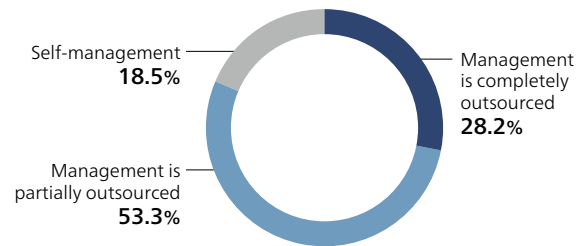
Inheritance tax: breakdown of assets inherited



Source: "National Tax Agency Report" (2019), National Tax Agency (Japan)

Real estate accounted for approximately 40.2% of all inherited assets, while the majority of inheritance and succession planning measures involve the utilization and succession of real estate.

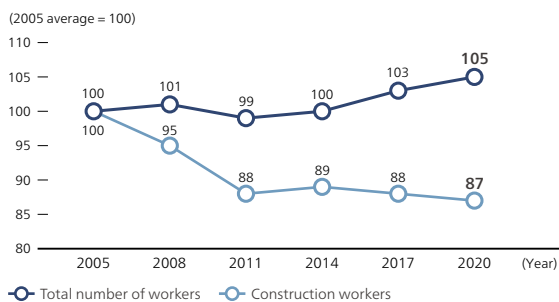
Management of rental housing units (excluding subleases)



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.

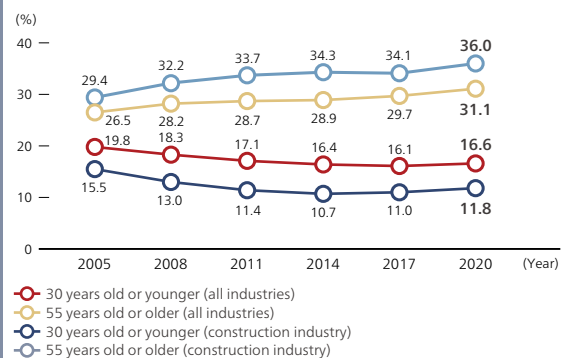
Number of construction workers



Source: "Labour Force Survey: Long-term Time-series Data," 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.

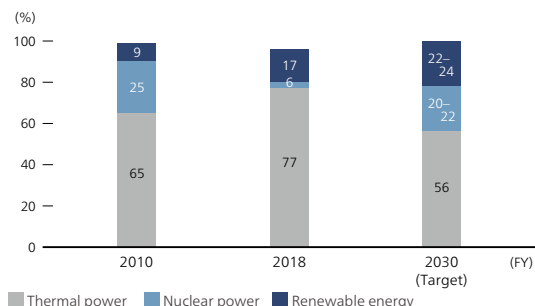
Age composition of construction workers



Source: "Labour Force Survey," 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

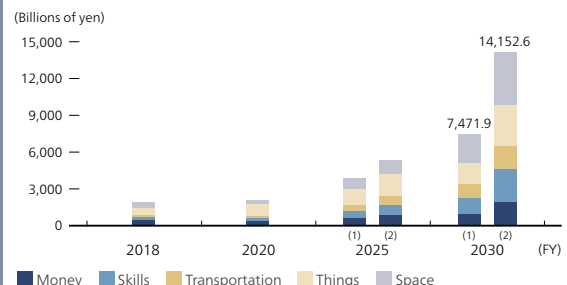


Source: "Current Situation of Renewable Energy in Japan and Overseas and Proposed Points of Discussion at the Procurement Price Calculation Committee for this Fiscal Year," Agency for Natural Resources and Energy (September 2020)

The current rate of adoption of renewable energies in Japan is 17%, as of FY2018. The government has set a target of raising this to 22–24% by 2030.

Forecasts for the size of the sharing economy

(1) Base scenario (2) Scenario whereby issues are resolved*



*Forecasts for the size of the sharing economy market when current issues have been resolved

Sources: "Sharing Economy-related Survey FY2020 Results," Sharing Economy Association, Japan, InfoCom Research, Incorporated

In the case whereby issues—such as the low level of familiarity and uncertainties surrounding COVID-19—are overcome, the scale of the sharing economy is expected to grow to ¥14,152.6 billion by FY2030, which is roughly equal to the real estate sector in Japan.

Toward Management Revolving around Sustainability

Up to now, the Group has been able to grow by providing a flexible response to social changes and issues of the times and creating added value not found at other companies. The effect of social change and issues upon the Group are analyzed from the perspective of both risks and opportunities. This action enables changes in the external environment to be exploited as opportunities to create value for society. To this end, the Group has designated the major issues that most need to be addressed as the Daito Group's Seven Material Issues.

Process for Identifying Material Issues

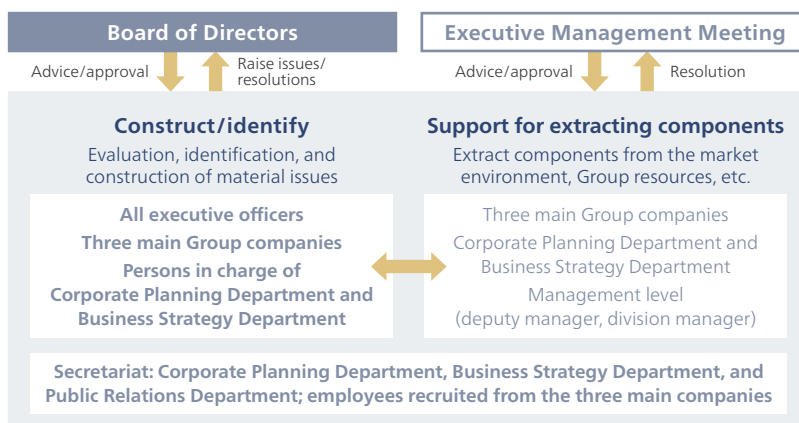
The Six Steps for Identifying Material Issues



Framework for Identifying Material Issues

Assembling a Project Team Led by Executive Officers

For the purposes of identifying more effective material issues and those that foster an awareness of sustainability management, we have put together a project team made up of members who will carry the responsibilities of the next generation. The team, which is concerned with the identification of material issues, is centered on all executive officers, who guide the execution of work laid out in the New Five-Year Plan, and the persons in charge of the Corporate Planning Department and Business Strategy Department of the Group's three main companies.



Daito Group's Seven Material Issues

Through its corporate activities, the Group aims to evolve into “a company that can grow sustainably, entrusted with dreams and the future.” This we will do through our Management Material Issues for maximizing the social value we provide and our Business Material Issues for encouraging the evolution, deepening, and expansion of Daito Group businesses.

Management Material Issues

1. Environment

Taking action on climate risk through business activities

- 1-1. 100% renewable energy in business activities (contribute to achieving RE100)
- 1-2. Increasing energy efficiency (contribute to achieving EP100)
- 1-3. Procuring and using wood in a sustainable manner



2. Society

Contributing to a society where no one is left behind

- 2-1. Regional revitalization through business activities
- 2-2. Revitalizing and creating jobs at local companies
- 2-3. Providing work and a place to live for everyone



3. Talent/organization

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

- 3-1. Providing opportunities for taking on challenges
- 3-2. Fostering and securing highly specialized talent
- 3-3. Constructing an environment that encourages growth and challenge



4. Corporate governance

Building an industry-leading governance system

- 4-1. Strengthening stakeholder engagement
- 4-2. Promoting fair and honest corporate management
- 4-3. Strengthening Group governance



Business Material Issues

5. Land/assets

Support for the most effective use of land and assets

- 5-1. Suitable supply and business proposals that meet demand
- 5-2. Expanding and enhancing our services for land and asset utilization
- 5-3. Promoting partial provision of proprietary technologies and expertise



6. Rental housing

Improving asset value while also resolving social issues

- 6-1. Supplying buildings that maintain their asset value over the long term
- 6-2. Supplying a model of housing that responds to environment and social issues
- 6-3. Renewing/raising value of old and underused buildings










7. Living/lifestyles

Improving convenience of living and neighborhoods

- 7-1. Active participation in and attracting non-residential businesses
- 7-2. Providing services that improve quality of life (QoL)
- 7-3. Promoting accessibility in information retrieval and barrier-free access to services

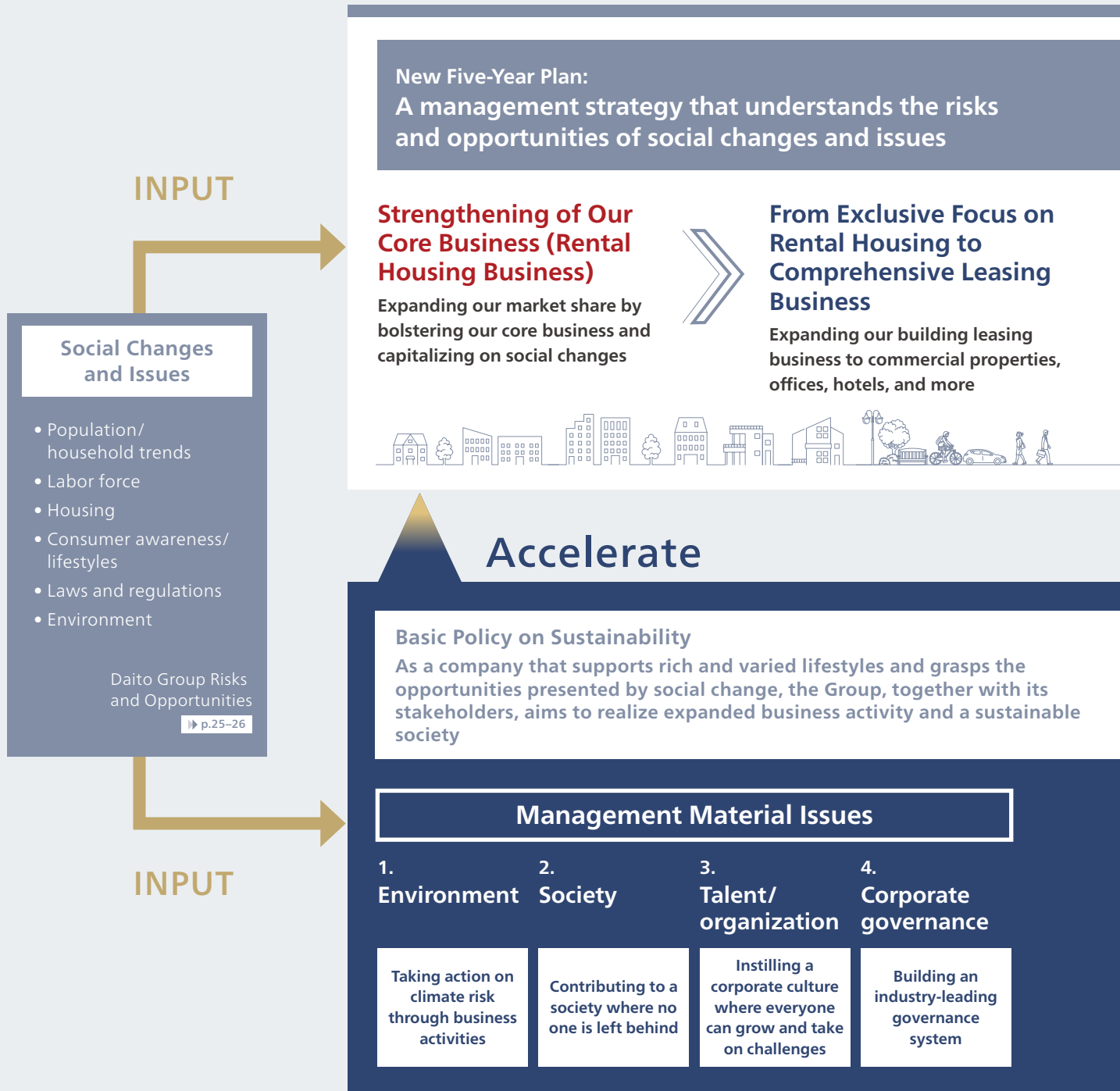


Overview of the Daito Group's Seven Material Issues

	Seven Material Issues	Material issue component
Management Material Issues	1. Environment     	1-1. 100% renewable energy in business activities (contribute to achieving RE100)
		1-2. Increasing energy efficiency (contribute to achieving EP100)
		1-3. Procuring and using wood in a sustainable manner
	2. Society      	2-1. Regional revitalization through business activities
		2-2. Revitalizing and creating jobs at local companies
		2-3. Providing work and a place to live for everyone
	3. Talent/organization      	3-1. Providing opportunities for taking on challenges
		3-2. Fostering and securing highly specialized talent
		3-3. Constructing an environment that encourages growth and challenge
	4. Corporate governance   	4-1. Strengthening stakeholder engagement
		4-2. Promoting fair and honest corporate management
		4-3. Strengthening Group governance
Business Material Issues	5. Land/assets  	5-1. Suitable supply and business proposals that meet demand
		5-2. Expanding and enhancing our services for land and asset utilization
		5-3. Promoting partial provision of proprietary technologies and expertise
	6. Rental housing      	6-1. Supplying buildings that maintain their asset value over the long term
		6-2. Supplying a model of housing that responds to environment and social issues
		6-3. Renewing/raising value of old and underused buildings
	7. Living/lifestyles      	7-1. Active participation in and attracting non-residential businesses
		7-2. Providing services that improve quality of life (QoL)
		7-3. Promoting accessibility in information retrieval and barrier-free access to services

	Direction for achieving material issue (goal)	Social background to identifying material issue
	Facilitate the reduction of greenhouse gas emissions (GHG) and to help achieve the proliferation and promotion of renewable energy throughout society, which is the RE100 philosophy, by using renewable energy to cover electric power requirements in business activities.	<ul style="list-style-type: none"> • Stricter environmental regulations such as on greenhouse gas emissions • Adoption of ESG as criteria for lending • Worsening working conditions due to environmental degradation • Fluctuating lumber prices • Increasing need to promote forest recirculation
	Improve energy efficiency in business activities and curtail GHG emissions by advancing initiatives on energy conservation.	
	Reduce GHGs and improve the effects from energy conservation in the building itself along with promoting forest recirculation and contributing to the growth of forestry and regional revitalization by promoting the procurement and usage of wood, especially cross-laminated timber (CLT).	
	Helping to combat population decline and to build neighborhoods where people can continue to live, by providing housing, commercial facilities, and public services and improving local value and sustainability through Group businesses.	<ul style="list-style-type: none"> • Declining rural populations and increasing urbanization • Promotion of sustainable urbanization • Decreasing number and aging of construction workers • Increasing number of foreign workers • Increasing number of single-person, dual-income, and dual-income-no-kids (DINKS) households
	Provide products and services tailored to local characteristics and revitalize local businesses and create jobs by strengthening partnerships with local partner companies.	
	Creating a prosperous society and life by providing safe housing and work to all people regardless of gender, nationality, and age.	
	Foster an entrepreneurial spirit in employees and put in place an environment to encourage them to take on challenges in order to raise the social value of the Group and increase its sustainability.	<ul style="list-style-type: none"> • Declining working-age population • Promotion of diversity • Promotion of work-style and workplace reforms • Diversification of life paths and lifestyles • Balancing work satisfaction and economic growth
	By nurturing highly specialized talent for each type of work, offer optimal solutions, and aim for an organization that can supply products and services with high added value.	
	Support the self-development and challenges of employees through expansion of the work-life balance support system and non-operating performance evaluation system.	
	Grasp the expectations and concerns of stakeholders and to advance business activities demanded by stakeholders as a result of proactive communications from the Group and expansion of opportunities for mutual communications.	<ul style="list-style-type: none"> • Increased corporate sanctions regarding Company scandals • Increase in demands for responses to work-related injuries, overwork, and mental health • Increased importance of compliance • Tightening regulations of subleasing • Greater importance of stakeholder engagement
	Advancing fair and frank corporate management to become a company that can be entrusted to provide peace of mind and a company that employees can be proud of.	
	Improve competitiveness by enhancing intra-Group collaboration, and to strengthen business segments' portfolio management and intra-Group internal controls in pursuit of increased value and sustainable growth at all Group companies over the medium to long term.	
	Curtail over-supply of housing and an increase in vacancies by thoroughly ensuring an appropriate supply, while on the other hand proposing land and asset utilization in line with demand in order to realize regional revitalization while also combating depopulation and preserving the land and assets of property owners.	<ul style="list-style-type: none"> • Medium- to long-term trend of declining population and number of households • Issues of unoccupied houses and housing oversupply • Declining rural populations and increasing urbanization • Promotion of sustainable urbanization • Absence of successors to one's beneficiaries and changing asset inheritance needs
	For assets that are ill-suited for the building leasing business and cannot be put to effective use, propose a menu of optimal uses so that the land and assets can be preserved and improved.	
	To identify effective uses of land by the building leasing business and offer proposals with broad flexibility using in-house developed technology and know-how to property owners and collaborating companies within the industry.	
	To develop materials with superior durability and maintainability and make use of environmentally friendly materials as well as to preserve the quality of the structure through building management so that buildings required to last a long time can be proposed.	<ul style="list-style-type: none"> • Increasing number of rental housing residents • Increasing number of older rental houses • Increasing awareness of ethical consumption and of environmental issues • Diversification of life paths and lifestyles • Increasing lifespan of housing
	Contribute to the solution of social issues through supply of rental housing, including eco-friendly housing (zero energy housing [ZEH] and life cycle carbon minus [LCCM] housing) and housing that addresses social issues (rental housing suited for teleworking, rental housing for natural disasters).	
	Achieve regional revitalization and upvaluing of assets by remodeling, renovating, and refining (retrofitting of structures) old and underused buildings, including vacant houses and old-standard seismic-resistant buildings.	
	By attracting commercial facilities, active participation in project finance initiatives (PFI) and private tendering, and the promotion of service office and space sharing business, add convenience and improve the neighborhood's value as well as contribute to its sustainability.	<ul style="list-style-type: none"> • Proliferation of renewable energy • Continued growth of aging population and isolation of elderly households • Increasing number of single-person, dual-income, and DINKS households • Promotion of Compact Plus Network • Advances in IT technologies • Arrival of the "with COVID-19 era"
	Support rich and varied lifestyles for everyone by expanding the nursing care and nursery school businesses, making easy access to renewable energy, and in-home services such as housekeeping.	
	To have the Group, a supplier of buildings and housing, compile, manage, and supply information and services, and as a result build an environment where everyone can access the information and services they need.	

Transforming Social Changes and Issues into Value for Society



Raising Effectiveness through Mutual Effects between the New Five-Year Plan and the Daito Group's Seven Material Issues

The incorporation of material issues in the New Five-Year Plan can accelerate the plan, and furthermore provide backing to the sustainable possibilities created by the plan. Moreover, the implementation of the New Five-Year Plan with the material issues incorporated will naturally lead to the creation of value

that plays a part in the achievement of the material issues. In this way, the New Five-Year Plan and the Daito Group's Seven Material Issues will contribute to each other's success and is related to the maximization of value creation. The management strategy of blending together the plan and the material issues, by concentrating what the Group should do from both vantage points, allows us to aim for the realization of highly effective sustainability management.

and the Group

“A company that can grow sustainably, entrusted with dreams and the future” by evolving from a rental housing business to a total lifestyle support company with a Comprehensive Leasing business at its core

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

The New Five-Year Plan [▶ p.35-36](#)
Progress and Evaluation of the New Five-Year Plan [▶ p.37-38](#)

Target

Daito Group’s Seven Material Issues [▶ p.31-32](#)

Business Material Issues

5. Land/assets	6. Rental housing	7. Living/ lifestyles
Support for the most effective use of land and assets	Improving asset value while also resolving social issues	Improving convenience of living and neighborhoods

Operation and Examination of the Value Creation Process to Maximize Secured Value and Social Value

The material issues indicated here should not be considered the final version. Rather, through operation and monitoring as well as continual scrutiny and improvements, the challenge of the future will be to make the Group’s business drivers into valid material issues. First, in FY2021, we built a sustainability

Target Secured Value

The Group has been able to achieve business growth up to now using the Construction business engine as its source of power to propel the Company’s growth in the Real Estate business and in its Other businesses. Nevertheless, when the external environment exerts an adverse influence, a business model that relies on a single source for its engine can lead to a slowdown across the entire Group, as in the case of the current COVID-19 pandemic. To reduce future risk of such a slowdown, we have incorporated material issues encompassing a medium- to long-term perspective in the New Five-Year Plan. This will allow each Group company to discover its own growth engine and build a framework that enables greater business activity. Building upon this, each Group company, having its own unique engine, will build an ecosystem that has mutual effects with the other companies and, as a result, enhance the changes in the external environment. Our aim is to acquire a business model like this that fosters sustainable growth.

Coexistence

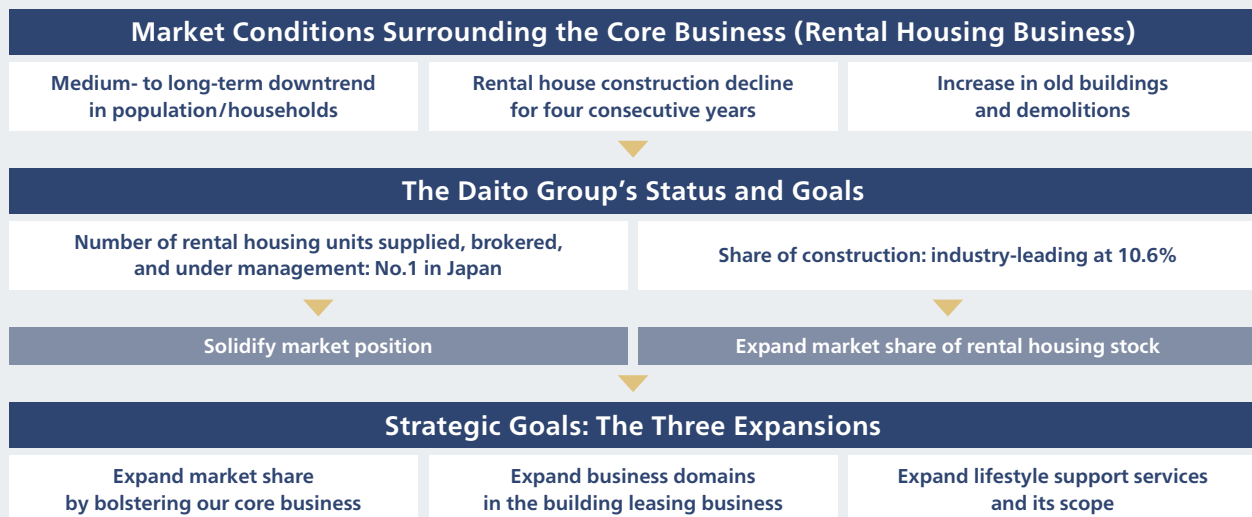
Target Social Value

For the over 1.16 million rental housing units managed by the Group, if the estimated 2.08 million tenants of those units could be activated as a single network, it could make the Group, through its businesses, able to contribute to the resolution of social issues on an administrative scale. On the other hand, at that scale, we recognize that the social responsibility imposed on the Group is extremely significant. To fulfill our responsibility as a company that conducts business related to homes and living, we adopt a sustainability perspective over the medium- to long-term revolving around material issues in the New Five-Year Plan and corporate activities. This will enable us to offer new value through our business activity and contribute to the resolution of social issues by measures to address environmental considerations, natural disasters, and diverse lifestyles.

promotion framework that ensures both management and execution, formulated a basic sustainability policy, and, for each material issue component, selected a supervisor as well as KPIs and target indicators. In addition, through company-wide immersion on the necessity and application methods for the material issues, all officers and employees will build an environment that can make use of the material issues in their respective fields.

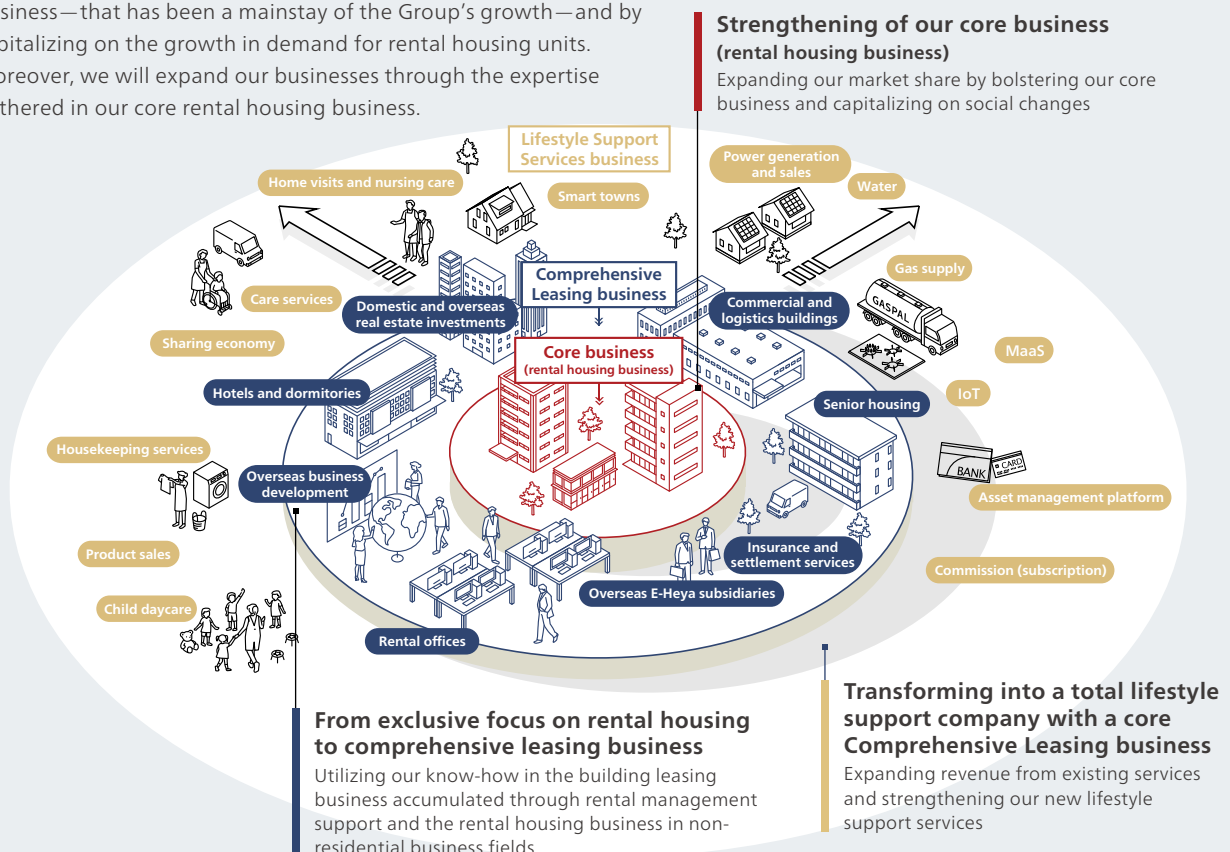
Medium-Term Management Plan: The New Five-Year Plan (Current New Growth)

The New Five-Year Plan is the Daito Group's strategy for transforming into a total lifestyle support company aiming to secure new business opportunities by capitalizing on social changes facing the business.



"A company that can grow sustainably, entrusted with dreams and the future."

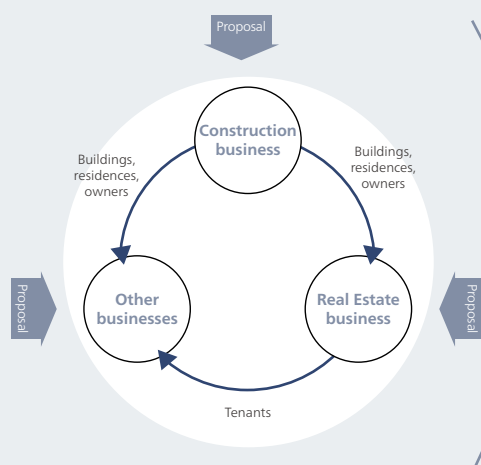
We will transform the Daito Group from an exclusive focus on rental housing to a total lifestyle support company with a core Comprehensive Leasing business. To this end, we will expand our share of the rental housing market by bolstering this core business—that has been a mainstay of the Group's growth—and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



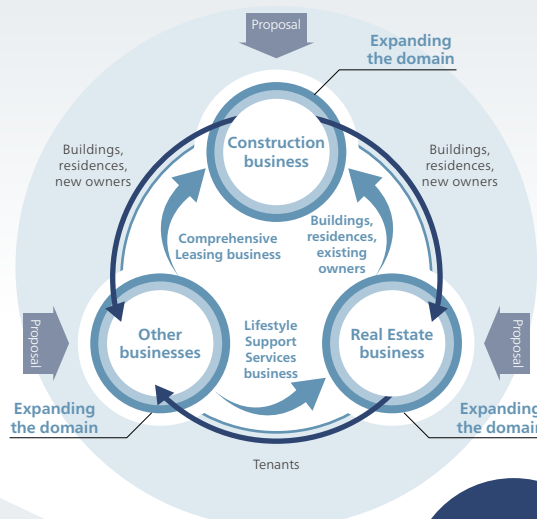
New Five-Year Plan Aims for Evolution of the Business Model

Through the New Five-Year Plan, each Group company drives an engine that leads to the capturing of sales and profits and builds an ecosystem that brings about mutual effects. This is how we aim to be a company that can grow sustainably.

BEFORE: Single-Engine Business Model



AFTER: Multiple-Engine Business Model



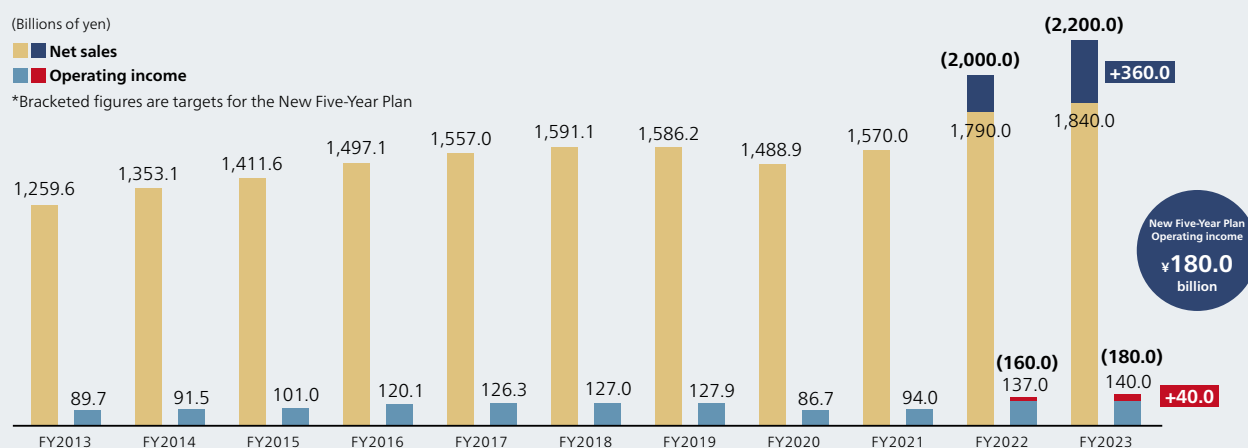
Performance Targets for the New Five-Year Plan

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).

(Billions of yen)

■ Net sales
■ Operating income

*Bracketed figures are targets for the New Five-Year Plan



Comments and Issues on FY2020

The New Five-Year Plan seeks to expand concentrically around the strong foundation of its core rental housing business. However, financial results in the Construction business fell short of the plan, which we attribute to self-imposed restrictions on business activity and face-to-face sales in reaction to the COVID-19 pandemic as well as to the effects of tighter controls in the lending environment. Meanwhile, we are off to a steady start and making consistent progress on initiatives toward our goal of transforming into a total lifestyle support company. These include participation in PFI and private tendering in the rental housing business, our sales brokerage business, and the business and capital alliance with INVALANCE Ltd. in the Comprehensive

Leasing business. In addition, we are creating a business platform in the Lifestyle Support Services business and expanding renovation sales. On top of this are the promotion of sustainability management and DX in addition to work-style reform, which are new opportunities as a result of COVID-19.

In FY2021, we intend to make a recovery in the Construction business, which is the driving force behind the rental housing business. As part of this focus on reinforcing the strong foundation of the core business, we will also be extending our advantages in the robust Real Estate business. This will accompany the steady progress made in the new businesses started in FY2020, and we will continue to carry out verification and improvements to them.

For an assessment of each business, please refer to our progress and evaluation of the New Five-Year Plan

▶ p.37-38

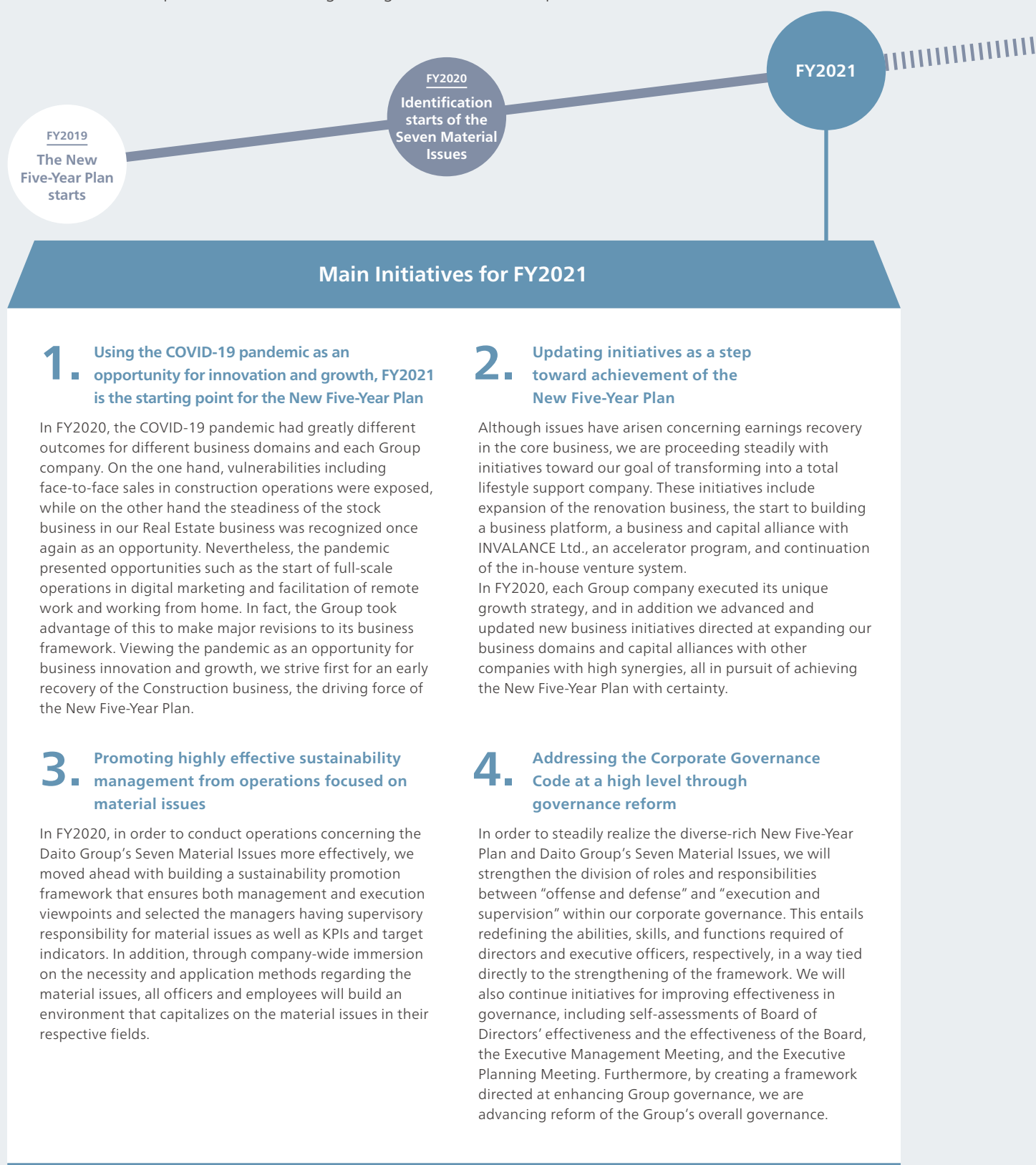
A Year of Bold Initiatives Amid the COVID-19 Pandemic

Strategic direction	Related indicators and FY2020 results			
Strengthening Our Core Business Expand our market share by bolstering our core rental housing business and developing businesses and capitalizing on social changes. Key measures initiated <ul style="list-style-type: none"> • Expansion of rebuilding initiatives • Expansion and strengthening of sales and marketing channels • Development of high value-added products • Participation in PFI and private tendering • Full-scale promotion of the real estate brokerage business • Promotion of the renovation business • Enhancement of the stock business 	Related indicators	Targets		Achievements
		2020	2023	2020
	Gross profit margin on completed construction contracts ●	—	30% or higher	26.0%
	Occupancy to rent vacancy rate ●	—	4% or lower	2.2%
	Share of construction starts ●	—	20% or higher	10.6%
	Satisfaction rate at completion ●	—	85.0%	84.0%
	Satisfaction rate for tenants ●	—	78.0%	80.0%
	Number of construction sales representatives	3,200	—	2,813
	●: New Five-Year Plan KPIs			
Comprehensive Leasing Business Utilize our know-how in the building leasing business accumulated through rental management support and the rental housing business in non-residential business fields. Key measures initiated <ul style="list-style-type: none"> • Investment in revenue-producing real estate in Japan and overseas • Promotion of non-residential business • M&A targeting condominium developers • Promotion of business for shared office space (shared offices, third-place business, etc.) 	Related indicators	Targets		Achievements
		2020	2023	2020
	Malaysian hotel average occupancy rate (Le Méridien)	25.0%	—	24.2%
	Malaysian hotel average occupancy rate (Hilton)	41.4%	—	34.7%
	Number of service offices	—	6	1
Lifestyle Support Services Business Expand the scope of existing services and develop and provide new lifestyle support services. Key measures initiated <ul style="list-style-type: none"> • Driving the nursing care and nursery school business • Promoting the energy business • Create business and capital alliances with businesses and companies with the prospect of creating synergies • Establishment of new business creation mechanisms 	Related indicators	Targets		Achievements
		2020	2023	2020
	Units with gas supply (LP gas/municipal gas)	400,000	—	401,000
	Number of solar power generation facilities installed	—	25,043	15,043
	Number of day service care facilities	80	—	80
	Nursery schools	28	—	28
	Accelerator program proof-of-concept trials (per year)	5	—	5
	Number of in-house venture system trials (per year)	8	—	6
Corporate Build a foundation to support the achievements of the New Five-Year Plan and a brand that everyone involved with the Group can be proud to be associated with. Key measures initiated <ul style="list-style-type: none"> • A review of and improvements to our brand strategy • Identification of our material issues • Implementation of sustainability management and education • Development of a DX strategy • Enhancement of corporate governance system • Conducting self-assessments of the effectiveness of directors • Implementation of work-style reforms in response to COVID-19 	Related indicators	Targets		Achievements
		2020	2023	2020
	Number of Daito Kentaku Partners ●	—	10,350	8,976
	Number of real estate partner companies ●	—	13,800	13,139
	Number of local support activities ●	—	200	147
	Number of employees participating in the Daito Group Mirai Fund ●	—	8,000	4,927
	Reduction rate of CO ₂ emissions (vs. FY2017, Scope 1 and 2, Japan) ●	—	*	21.18%
	Percentage of female workers ●	—	20.3%	14.8%
	Percentage of female management personnel	—	6.0%	4.6%
	Employment rate of people with disabilities	—	3.10%	2.95%
	*Under review due to changes in the calculation method and other factors. The figure will be disclosed as soon as the method has been finalized.			
	●: New Five-Year Plan KPIs			

	Evaluation and response to FY2020	Specific measures for FY2021
	<p>Solidifying the core business (×) While the Real Estate business performed well thanks to ongoing IT-based business initiatives, the performance of the Construction business, which is the driving force for the achievement of the New Five-Year Plan, fell short of our targets. Our first priority will be to achieve a turnaround in the Construction business.</p> <p>Strengthening the core business (△) We responded to the COVID-19 pandemic by launching full-scale digital marketing activities and establishing an Internet equipment sales business. We will continue to develop and closely monitor these activities.</p> <p>Business domain expansion (△) We expanded into the real estate sales brokerage business and participated in PFIs and private tendering. We will continue to move into new business domains.</p>	<ul style="list-style-type: none"> • Continued enhancement of sales methods and channels • Accelerated development of work styles that produce results • Expansion of initiatives relating to PFIs, private tendering, developer projects • Development of high value-added products • Expansion of sale promotion activities by sales engineers • Enhancement of sales business continuity • Expansion of the E-Heya Net business and the franchise business • Increases in sales of the stock business and other profit-making businesses • Expansion of the renovation business
	<p>Domestic and overseas Real Estate business (×) The hotel business was affected by lower profits and occupancy rates in Japan and overseas. We will continue to monitor the COVID-19 situation, while also considering changes to the Real Estate business and development policies in Japan and overseas.</p> <p>Space sharing business (△) The launch of JustCo Japan's business for shared office space was postponed, and we are now aiming to commence the business in FY2021. We also started to look at the parking business, and we will verify business feasibility in FY2021.</p> <p>Business domain expansion (○) We expanded into the asset management condominium market via a capital and business alliance with INVALANCE Ltd. We will continue to develop businesses with high potential for synergy.</p>	<ul style="list-style-type: none"> • Acceleration of retail outlet and commercial facility projects • Enhancement of non-residential building design and construction capabilities • Accelerated development of the space sharing business (shared offices, third-place business, coin parking, etc.) • Review of policies relating to the Real Estate business and development in Japan and overseas
	<p>Energy business (○) We expanded the gas business, net sales, profits, and the number of units supplied with LPG and municipal gas. In FY2021, we will work to expand our renewable energy business.</p> <p>Nursing care and nursery school business (○) We achieved our targets for net sales, profits, and the number of facilities. In FY2021, we will focus on the expansion of regional comprehensive care systems and residential services for the elderly.</p> <p>Business domain expansion (○) We accelerated the formation of capital partnerships with several companies, including Subslife Inc. and Lopicma Co., Ltd. We will also continue to implement the accelerator program and in-house venture system.</p>	<ul style="list-style-type: none"> • Development of the nursing care and nursery school business (e.g. enhancement of regional comprehensive care, development of residential complexes for the elderly, and in-home services) • Accelerated development of the renewable energy business • Launch of business platform business • Acceleration of new business creation and corporate culture reform (e.g. accelerator program, in-house venture system)
	<p>Promotion of sustainability management (△) We launched projects and began to identify our material issues. In FY2021, we announced our material issues. We will select promotion structures and announce KPIs.</p> <p>Work-style reforms (○) We promoted remote working and telecommuting as part of our response to the COVID-19 pandemic. We also began to develop policies and internal systems that take into account sexual orientation.</p> <p>Strengthening corporate governance (○) Measures included conducting self-assessments of the effectiveness of the Board of Directors, and the enhancement of the three lines of defense. In FY2021 we will modify our systems to reflect changes to the Corporate Governance Code.</p>	<ul style="list-style-type: none"> • Continuation of a review of and improvements to our brand strategy • Development of a sustainability management system • Commencement of administration for our material issues • Promotion of IT/DX strategies • Enhancement of the Group's governance system to reflect changes to the Corporate Governance Code • Promotion of employee engagement, health management, and diversity

Sustainability Management Roadmap

The Daito Group promotes sustainability management founded on material issues and the value creation process so that it can accomplish medium- to long-term growth and fulfill its promises to stakeholders.



Current Aim (New Five-Year Plan vision)

A company that
can grow
sustainably,
entrusted with
dreams and the
future

First Goal

FY2023
Achieve the New
Five-Year Plan

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

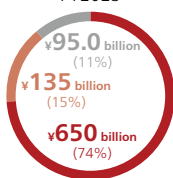
New Five-Year Plan Performance Targets

Core business (rental housing)

Construction business

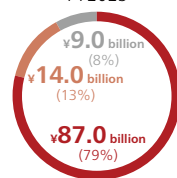
Net sales

FY2023



Operating income

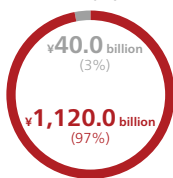
FY2023



Real Estate business

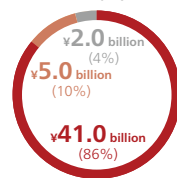
Net sales

FY2023



Operating income

FY2023

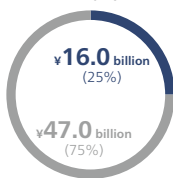


■ Existing businesses ■ Strengthening ■ New initiatives

Comprehensive Leasing business

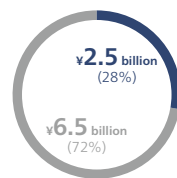
Net sales

FY2023



Operating income

FY2023

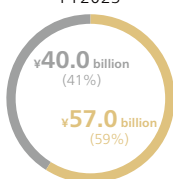


■ Existing businesses ■ New initiatives

Lifestyle Support Services business

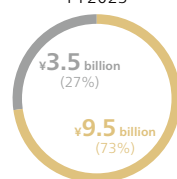
Net sales

FY2023



Operating income

FY2023



■ Existing businesses ■ New initiatives

Fulfilling Our Promises to Stakeholders

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.

- 1 From the owners' standpoint, we offer the preservation of land and asset value, and propose higher-level land use and leasing operations.
- 2 We will continue to use systems to provide long-term lease management that is safe, secure, and stable while supporting harmonious and smooth asset succession to one's beneficiaries over generations.
- 3 We provide highly durable and high-quality buildings for lease that support long-term lease management.

To our tenants

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

- 1 We will use high-quality information to provide the optimal living arrangements that fit the tenant's lifestyle.
- 2 We support a comfortable lifestyle 24 hours a day, including speedy handling of consultations.
- 3 We provide safe and secure living spaces where people want to live for a long time or live in again.

To our shareholders

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

- 1 We will always set highly challenging targets and steadily realize the management plan.
- 2 We promise continually high returns.
- 3 We pledge to proactively make information disclosures that are transparent and fair.

To our business partners

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

- 1 We will build relationships of trust through fair and impartial transactions.
- 2 We will build sincere partnerships where co-existence and co-prosperity can thrive.
- 3 Placing importance on the connections with local communities, we will put to use the abilities of local talent and companies.
- 4 We promise to proactively make information disclosures that are transparent and fair.

To our communities

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

- 1 We will pursue new standards for rental housing and respond to diversifying households and living environments.
- 2 Working as one with the region, we will revitalize regional economies and local communities through the provision of rental housing.
- 3 We will pursue our business activities and provide leased buildings that contribute to environmental preservation.

As employees

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

- 1 We will fairly evaluate forward-looking people who take on challenges with high targets and people who have accomplished something.
- 2 We will build a work environment where employees can feel motivated and take pride in.
- 3 We will acknowledge each other's humanity, values, and personality.



Our Activities



Daito Group Actions

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Outline

Actions toward the Sustainability of the Group and Society

- Promoting the creation of new businesses, M&A, and business alliances to expand our business domains
- Promoting an environmentally friendly business (utilization of renewable energy, development of life cycle carbon minus [LCCM] rental housing complexes, etc.)
- Promoting work-style reforms—utilizing opportunities amid the COVID-19 pandemic
- Enhancing our governance system to oversee new challenges

Maximizing Value Creation through New Five-Year Plan and Sustainability

Our Group, which manages 1.17 million rental housing units and supports the lives of an estimated 2.08 million residents, has the potential to contribute to solving social issues on an administrative scale. On the other hand, we also recognize we have an enormous social responsibility equal to the scale of this potential. We will endeavor to maximize our social and economic value creation and grow as a Group by seeking methods through our business that help resolve and contribute to issues, and by each employee taking ownership of external and internal Group issues, including the Daito Group's Seven Material Issues.

“Leader
Insights”



Strategies by Business Segment

Construction Business

We aim to achieve a recovery in the rental housing business under the flexible sales structure that we developed in response to the COVID-19 crisis.

TAKEUCHI Kei

Managing Director
In charge of Construction
Business Headquarters



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.

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

Opportunities

- An increased need for inheritance measures from an aging society
- Growth in rebuilding and 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

Review of FY2020

Major policies
(described in Integrated Report 2020)

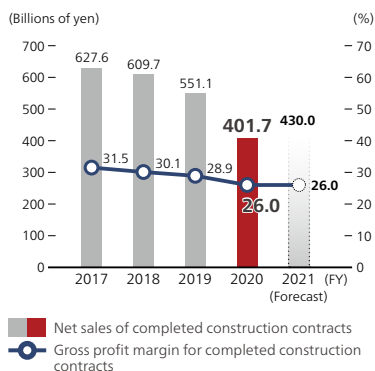
- 1 Strengthen rebuild and renovation initiatives
- 2 Expand and reinforce sales and marketing channels
- 3 Develop high value-added products

Assessment

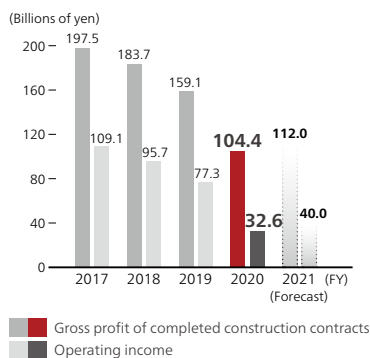
- ✕ Rebuilding projects decreased year on year. Renovations also fell short of the target
- △ We experienced a positive reaction from our digital marketing activities and began full-scale operations relating to PFIs and bidding for private tendering
- We achieved excellent sales of the newly introduced *REVASA* rental units for couples and families. We also developed life cycle carbon minus (LCCM) apartment buildings

○ Positive △ Acceptable ✕ Negative

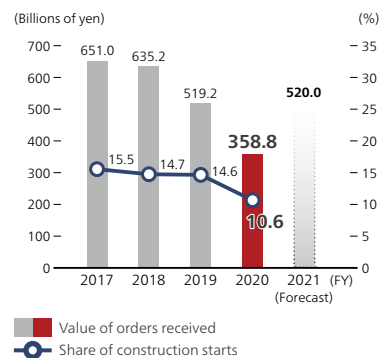
Net sales of completed construction contracts/Gross profit margin for completed construction contracts



Gross profit of completed construction contracts/Operating income



Value of orders received/Share of construction starts



Starting in April 2020, the government issued state of emergency declarations nationwide. This had an impact on the Construction business, including the suspension of work on construction sites, with the result that net sales of completed construction contracts declined by 27.1% to ¥401.7 billion. The value of orders received was also

lower, falling by 30.9% year on year to ¥358.8 billion. Reasons for this downturn included the suspension of marketing activities and voluntary curbs on sales visits to customers after the lifting of the state of emergency. Orders in hand as of March 31, 2021 were 8.8% below the previous year's level at ¥756.8 billion.

Goals under the New Five-Year Plan

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

Business Plans for FY2021

Important challenges in FY2021	Related material issues	Major policies
Continual expansion of sales methods and marketing channels	5. Land/assets: 1	<ul style="list-style-type: none"> Establishment of a Digital Marketing Promotion Department Establishment and consolidation of remote negotiations Expansion of sales promotion by sales engineers
Acceleration of work-style reforms that yield results	3. Talent/organization: 3	<ul style="list-style-type: none"> Consolidation of the flextime system Expansion of team-based marketing Improvement of operational efficiency through specialization and division of tasks
Increased focus on PFIs, private tendering, and developer projects	2. Society: 1 7. Living/lifestyles: 1	<ul style="list-style-type: none"> Expansion of locations for staff deployment Enhancement of construction systems to support project expansion
Expansion of renovation business	5. Land/assets: 3 6. Rental housing: 3	<ul style="list-style-type: none"> Accelerated response to large-scale renovation projects Closer collaboration with related companies, such as real estate and design firms

Lifestyle changes triggered by the COVID-19 pandemic have provided an opportunity to take a new look at sales methods and work styles in the Construction business. We will continue to approach changes in the business environment as opportunities, while using innovations in work styles, sales methods, and other areas to drive a recovery in the performance of our Construction business from FY2021 onward.

We will further enhance new marketing channels for the Construction business, including digital marketing activities by the newly created Digital Marketing Promotion Department, and the expansion of our corporate marketing systems. We also aim to maintain and expand orders through continuing initiatives to improve customer convenience and create opportunities for communication through the use of online technology to diversify sales

promotion and negotiating formats, including meetings, consultation sessions, seminars, and meetings with tax accountants. In addition, we will further reform our internal structures to create a better working environment that also enhances operating efficiency, including consolidation of the flextime system, and expansion of the team system. Our priorities in engineering areas are to expand our share of new construction starts and enhance our competitiveness as a Group. We will achieve these goals by training sales engineers, enhancing sales promotion activities, developing environmentally responsible housing and construction methods and disaster-resistant housing products, as well as enhancing our design, estimation, and construction capabilities in relation to custom orders. Through initiatives in these areas, we will further strengthen our ability to supply buildings with high social and asset value.

Contribution to Achieving the New Five-Year Plan in FY2020

Development of Japan's First LCCM Rental Housing

In March 2021, Daito Trust completed development of Japan's first LCCM rental apartment housing, featuring a solar power generation system developed by Kyocera Corporation.

LCCM apartment housing is designed to minimize CO₂ emissions at the construction, occupancy, and disposal stages. Because these buildings produce renewable energy, including solar power, they have negative total CO₂ emissions over their life cycles from construction through to demolition. By promoting the use of environmentally responsible rental housing, such as LCCM buildings, we aim to achieve a 16% reduction in CO₂ emissions during the occupancy of rental housing managed by the Group by 2030*.

*Target for reducing emissions of greenhouse gases (Scope 3, certified by the Science Based Targets [SBT] initiative). Please refer to "Management Material Issue 1: Environment" on page 55 for information about SBT certification.



The first LCCM building was completed in June 2021.

Real Estate Business

We will continue our efforts to strengthen our rental housing business and expand our business domain.

SATO Koji

Managing Director
In charge of Real Estate
Business Headquarters



Business Overview

We maintain high occupancy rates by providing services such as tenant recruitment utilizing diverse media and channels and by providing unique tenant services. We not only manage and operate our rental housing businesses by collecting rent, managing buildings and contracts, etc., we also deliver long-term peace of mind and secure, stable management by handling all aspects of rental management on behalf of owners, such as by dealing with balance fluctuation risks accompanying business.

Risks

- Higher vacancy rates as a result of the falling population and number of households
- Lower demand for existing family-type dwelling units
- Higher solitary deaths with the advancement of the aging society
- Restrictions on operation of real stores during the COVID-19 era
- Rising rent delinquency due to the economic downturn caused by COVID-19

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 strengthening of sublease restrictions

Review of FY2020

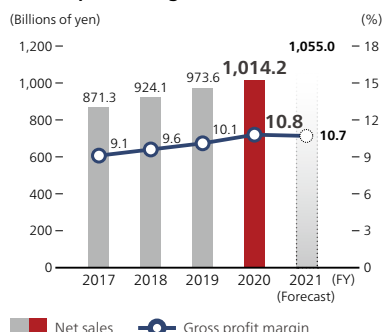
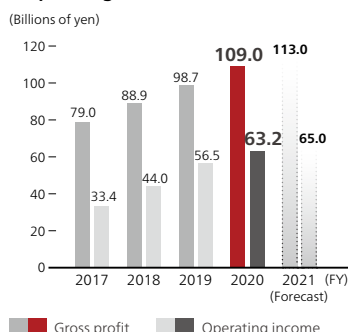
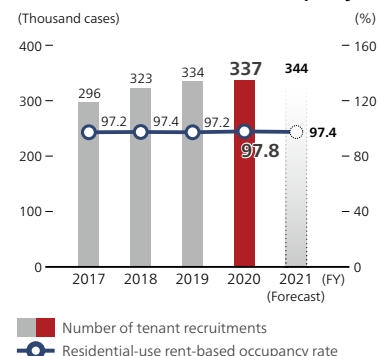
Major policies

(described in Integrated Report 2020)

- 1 Full-scale involvement in the real estate brokerage business
- 2 Increased focus on inbound tourism
- 3 Acceleration of stock business

Assessment

- Positive △ Acceptable × Negative
- In April 2020, 20 branches in Japan began to engage in real estate brokerage
 - △ The E-Heya Net international branch was opened in May 2021 after a delay caused by the COVID-19 pandemic
 - Improved sales of profitable businesses, such as the launch of the mobile data communication service, DK Mobile

Net sales/
Gross profit marginGross profit/
Operating incomeNumber of tenant recruitments/
Residential-use rent-based occupancy rate

Net sales increased by 4.2% over the previous year's level to ¥1,014.2 billion and operating income by 12.0% to ¥63.2 billion. Contributing factors included an increase in whole-building leases, higher rental income from Daito Kentaku Partners Co., Ltd., and the expansion of revenues earned by House Leave Co., Ltd., which provides services

that do not require a guarantor. Despite the temporary closure of branches following the state of emergency declaration, the number of tenants arranged rose by 0.8% year on year to 337,000, resulting in a 97.8% occupancy rate for residential properties.



■ Goals under the New Five-Year Plan

Strengthening the rental housing business as a foundation for growth	Expand our business domain
Expand our share of rental housing stock	Improve operating efficiency and reduce costs

■ Business Plans for FY2021

Important challenges in FY2021	Related material issues	Major policies
Continual expansion of the sales business	5. Land/assets: 2	<ul style="list-style-type: none"> • Increase the number of branches engaged in sales brokerage • Strengthen collaboration with corporate customers
Strengthen E-Heya Net brand and expand franchise business	2. Society: 2	<ul style="list-style-type: none"> • Review management of E-Heya Net brand • Develop an organizational structure for the franchise business and start preparations for full-scale operations
Increase sales from the stock business and profitable businesses	7. Living/lifestyles: 2, 3	<ul style="list-style-type: none"> • Expand e-commerce businesses • Start operation of business platform
Expand the solar power business	1. Environment: 1 6. Rental housing: 2	<ul style="list-style-type: none"> • Promote orders for EV solar power rental properties with Daito Kentaku Partners offices • Start to install solar panels on 10,000 buildings under management

In the Real Estate business, we have come to recognize the stability of the stock business once again after the business in the wake of COVID-19. In FY2021, we will continue our efforts to maintain and improve rents and occupancy rates, while also continuing to take up new challenges as we evolve into a total lifestyle support company.

In the real estate brokerage field, we will continue to promote the sales brokerage business that we launched in April 2020. Our goal is to expand the business domain of the Group while responding to owners' diverse needs. We also aim to develop the brokerage franchise business that we introduced in January 2021 by using results from existing franchise offices to develop business models that

can make substantial contributions to both financial and non-financial performance.

In the management field, we will further enhance our lifestyle-related services and diversify the scope of those services through the launch of a business platform in the Autumn of 2021. We also aim to achieve Renewable Energy 100% (RE100) for our Group businesses and buildings under management and improve the ratio for all buildings under management, by expanding our solar power business, including the promotion of orders for EV solar power rental properties with Daito Kentaku Partners offices, and the installation of more solar panels, in order to increase generation capacity.

Contribution to Achieving the New Five-Year Plan in FY2020

Launch of Real Estate Sales Brokerage Business by Daito Kentaku Leasing Co., Ltd.

Customers who seek advice about real estate sometimes express a wish to sell property managed by the Group following inheritance or other changes. In April 2020, Daito Kentaku Leasing addressed those needs by introducing real estate sales brokerage services at 20 of its branches throughout Japan.

In most ordinary sale and purchase transactions, the buyer acquires only the land and building. When purchasing a property managed by the Group, the buyer also has the option to take over the management structure employed by the previous owner, thereby acquiring a whole-building lease business covered by our

Lease Management Trust System. This means the new owner can benefit from our services, including precautions against risks relating to income and expenditure fluctuations associated with rental management and operation from the moment of acquisition. We will continue to expand the business by adding these services at more branches.

Note: If buildings managed by a Group company other than Daito Kentaku Leasing are sold, the contract format used by the present owner (vendor) cannot be taken over. An inspection is required if the buyer decides to take over the contract format.

Other Businesses

We aim to expand our involvement in business domains that contribute to the expansion of our Comprehensive Leasing business and Lifestyle Support Services business.

For information about our goals under the New Five-Year Plan and our business policies for FY2021, please see the sections on the Comprehensive Leasing business (page 49) and the Lifestyle Support Services business (page 50).

■ Business Overview

Our specialized Group companies provide a wide range of services to help owners improve the value of their assets, the livability of tenants, and the quality of life of local neighborhoods.



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 FY2020

○ Positive △ Acceptable × Negative

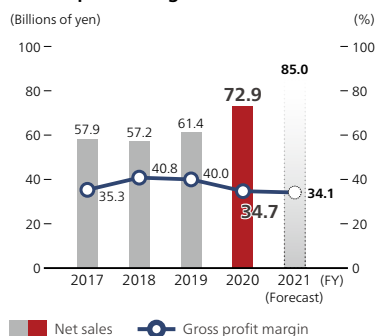
Major policies (described in Integrated Report 2020)	Assessment
① Promoting the energy business	○ Increased sales, profits, and number of gas supply units on the back of expanded demand as more people stayed at home during the COVID-19 pandemic
② Driving the care and nursery school business	○ Opened three home care facilities and five nursery schools

In Other businesses, net sales increased 18.6% year on year to ¥72.9 billion and operating income increased 5.0% year on year to ¥13.3 billion. The contributing factors were increased gas consumption due to expanded demand from people staying at home caused by COVID-19, and INVALANCE Ltd., which supplies condominiums for asset investment purposes, becoming a consolidated subsidiary. This positive result was achieved despite occupancy rates in the hotel business declining due to COVID-19. In terms of our specialized Group companies, Gaspal

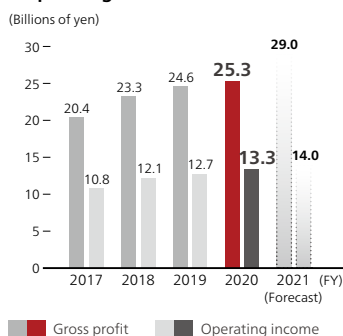
Corporation's units with gas supply increased 7.7% year on year to 361,000 units with LP gas and 77.6% year on year to 40,000 units with municipal gas, while Care Partner Co., Ltd. expanded steadily by opening three home care facilities and five nursery schools. In FY2021, we will continue to expand our business domains, which have high synergies with our core businesses and tied to the growth of our Comprehensive Leasing business and Lifestyle Support Services business in line with our New Five-Year Plan.



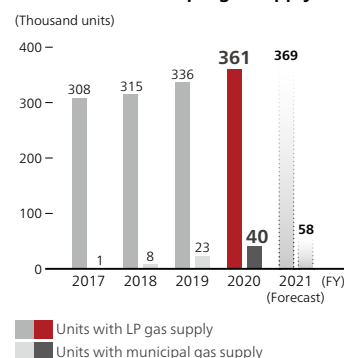
Net sales/ Gross profit margin



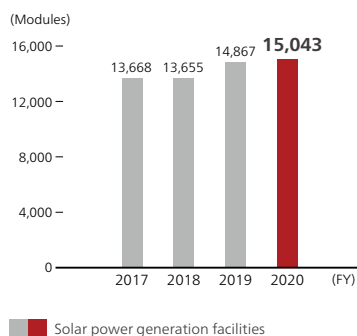
Gross profit/ Operating income



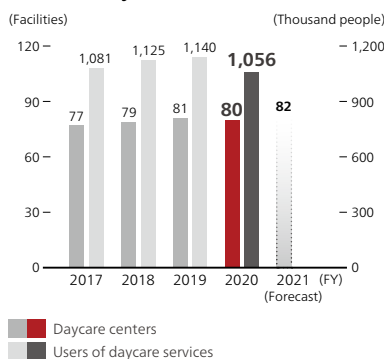
Units with LP gas supply/ Units with municipal gas supply



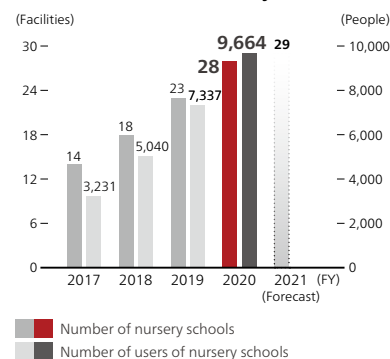
Solar power generation facilities



Daycare centers/ Users of daycare services



Number of nursery schools/ Number of users of nursery schools



Contributions to Achieving the New Five-Year Plan in FY2020

Serviced Housing Complex for Seniors Opened by Daito Kentaku Partners

In June 2020, Daito Kentaku Partners Co., Ltd. opened Elder Garden Minami-Tsukushino, the fourth in our series of Elder Garden serviced housing complexes for seniors. The first floor of the complex has a lounge area and features a care center operated by Care Partner Co., Ltd., which provides outpatient care, in-home support, and home-visit nursing care. Residences are located on the second floor.

Residents in our serviced housing for seniors can enjoy independent living in the same way as in ordinary rental housing, while benefiting from the specialized care services provided by Care Partners. By developing these serviced residential complexes, we will help to create communities in which the elderly can continue to live in familiar surroundings.

Gaspal Corporation Joins the Japan Hydrogen Association

Countries around the world are starting to use hydrogen as part of their transition to a decarbonized society, and there is also growing interest in hydrogen in Japan. Gaspal Corporation has joined the Japan Hydrogen Association (JH2A), which was established in December 2020 to promote global cooperation in the hydrogen

sector and the development of hydrogen value chains. As a member of this organization, Gaspal Corporation aims to work with 88 other private sector companies to build a hydrogen-based society. The Group will also carry out research leading to the development of new services that will be needed in a hydrogen-based society.

Comprehensive Leasing Business

We aim to diversify our business by expanding into non-housing domains.



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.

Risks and Opportunities

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

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 work (including shared office operations and third-place businesses)

Review of FY2020

○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2020)	Assessment
① Investment in revenue-producing real estate in Japan and overseas	× Lower profits from the hotel business due to COVID-19
② Acceleration of non-housing contract agreements	△ Acquisition of large-scale non-residential properties, such as retail outlets and commercial facilities

Business Plans for FY2021

Important challenges in FY2021	Related material issues	Major policies
Expansion of shared office and third-place businesses	2. Society: 1 7. Living/lifestyles: 1, 2	<ul style="list-style-type: none"> • Start of new office operations by JustCo Japan (business for shared office space) • Trial operation and verification of the coin parking business
Review of real estate development activities in Japan and overseas	7. Living/lifestyles: 1	<ul style="list-style-type: none"> • Recovery of earnings from real estate in Japan and overseas • Review of business/development policies for real estate in Japan and overseas

Contribution to Achieving the New Five-Year Plan in FY2020

Acquisition of Shares in an Asset-Managed Condominium Developer

In November 2020, Daito Kentaku Co., Ltd. acquired equity in INVALANCE Ltd., which supplies condominiums for asset investment purposes. As a result of this acquisition, INVALANCE became a consolidated subsidiary, and Daito Kentaku established a presence in the condominium asset investment market. Our strategy for the Tokyo metropolitan area is an important challenge in our efforts to achieve the New

Five-Year Plan through the enhancement of our core business. We will work with INVALANCE, which has an excellent track record as a supplier of asset investment condominiums, especially in Tokyo's 23 wards, to achieve highly effective supply chain synergies. Going forward, we aim to build a relationship that will not only strengthen our core business, but also lead to the collaborative development and expansion of new businesses.

Lifestyle Support Services Business

We aim to evolve into a total lifestyle support company by enhancing our lifestyle support services and expanding the scope of those services.



Business Overview

The Daito Group keeps close ties to local regions by providing living services to the 2.08 million tenants of the 1.16 million rental housing units under Group management, and supplies the know-how and services cultivated by the Group in energy, nursing care, and nursery school 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, the Real Estate business, and Other businesses.

Risks and Opportunities

- **Risk** Increasing population depletion in rural areas
- **Risk** Climate change
- **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

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 FY2020

○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2020)	Assessment
① Enhancement of business and capital alliances	○ Launch of new activities, including a power-assisted bicycle sharing service, and a search and booking portal
② Development of a framework for creating new businesses	△ Six proof-of-concept trials of the Mirai-novator in-house venture system, commercialization of five accelerator program companies

Business Plans for FY2021

Important challenges in FY2021	Related material issues	Major policies
Launch of business platform initiative	7. Living/lifestyles: 2, 3	<ul style="list-style-type: none"> • Introduction of services for new tenants • Expansion of new lifestyle services, including collaborative initiatives
Creation of new businesses and promotion of corporate culture reforms	2. Society: 2 3. Talent/organization: 1, 3	<ul style="list-style-type: none"> • Implementation of a second accelerator program • Continuing implementation of the Mirai-novator in-house venture system

Contribution to Achieving the New Five-Year Plan in FY2020

Introduction of Micromobility Sharing Services at Buildings under Management

In October 2020, Daito Kentaku Partners Co., Ltd. introduced the LUUP electric micromobility sharing service operated by Luup Co., Ltd. in rental buildings managed by our Group. The LUUP project was selected for the Daito Trust Accelerator 2019 program launched in October 2019. Compact power-assisted bicycles and

electric kickboards have been provided at buildings managed by the Group. We are now considering the possible introduction of these systems in major urban areas across Japan as part of Luup's ongoing business development.

Special Feature:

Maximize the Value of the Daito Group through the New Five-Year Plan and Material Issues

New Five-Year Plan

Management Material Issues

We will reevaluate our business and strategies through our Management Material Issues, aiming to maximize the social value created by our corporate activities and develop into a corporation and business that is essential to society.

A virtuous cycle expected by incorporating our Management Material Issues into our value creation process.

Our Current Value Creation Process

Social Change and Issues

- Population/
household trends
- Labor force
- Housing
- Consumer awareness/
lifestyles
- Laws and regulations
- Environment

Daito Group Risks
and Opportunities

▶ p.25-26

Strategy: Medium-Term Management Plan

New Five-Year Plan

- Expand our market share by bolstering our core rental housing business and developing businesses and capitalizing on social changes
- Utilize our know-how in the building leasing business accumulated through rental management support and the rental housing business in non-residential business fields
- Expand the scope of existing services and develop and provide new lifestyle support services
- Build a foundation to support the achievements of the New Five-Year Plan and a brand that everyone involved with the Group can be proud to be associated with

Input

Maximize Value Creation through Our Management Material Issues

■ Daito Group's Management Material Issues

1. Environment

Taking action on climate risk through business activities

2. Society

Contributing to a society where no one is left behind

3. Talent/organization

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

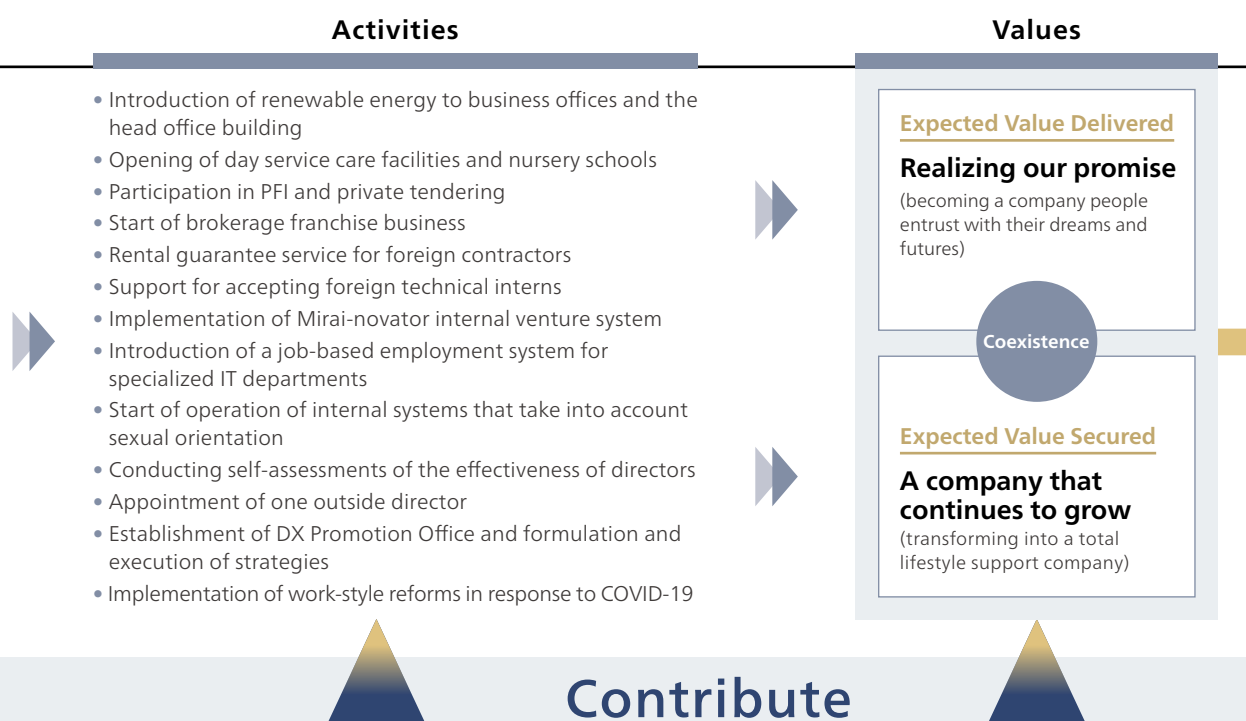
4. Corporate governance

Building an industry-leading governance system

Contribute

Purpose of Setting Indicators for Our Management Material Issues for FY2021

Through the quantification of non-financial activities and a financial interpretation of non-financial activities, we will aim to set indicators that enable the Group to monitor and assess the balance between improving business performance and responding to external demands.



The Role of Our Management Material Issues Is to Maximize Social Value

Background behind developing our Management Material Issues

Our Management Material Issues (environment, society, talent/organization, and corporate governance) are not limited to the selection and evaluation of issues that are essential for the Group's sustainable growth, but is also structured to incorporate the mission (demands of society) that the Company and the Group must fulfill in order to sustain the environment, society, and the economy. This shows the determination of the Group, which aims to be "a company people entrust with their dreams and future," to place sustainability at the core of our management and respond to social issues and the demands of society through our business.

Expectations for our Management Material Issues

By reevaluating our existing businesses and New Five-Year Plan through our Management Material Issues, we will maximize the social value created by our corporate activities and make the Group's businesses even more essential to society.

Special Feature:

Maximize the Value of the Daito Group through the New Five-Year Plan and Material Issues

New Five-Year Plan

Business Material Issues

Through our Business Material Issues, we aim to evolve, deepen, and expand our business by promoting the utilization of existing businesses and resources, and expanding the value we provide to society and our business domains.

A virtuous cycle expected by incorporating our Business Material Issues into our value creation process.

Our Current Value Creation Process

Social Change and Issues

- Population/
household trends
- Labor force
- Housing
- Consumer awareness/
lifestyles
- Laws and regulations
- Environment

Daito Group Risks
and Opportunities

▶ p.25-26

Strategy: Medium-Term Management Plan

New Five-Year Plan

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Input

Maximize Value Creation through Our Business Material Issues

■ Daito Group's Business Material Issues

5. Land/assets

Support for the most effective use of land and assets

6. Rental housing

Improving asset value while also resolving social issues

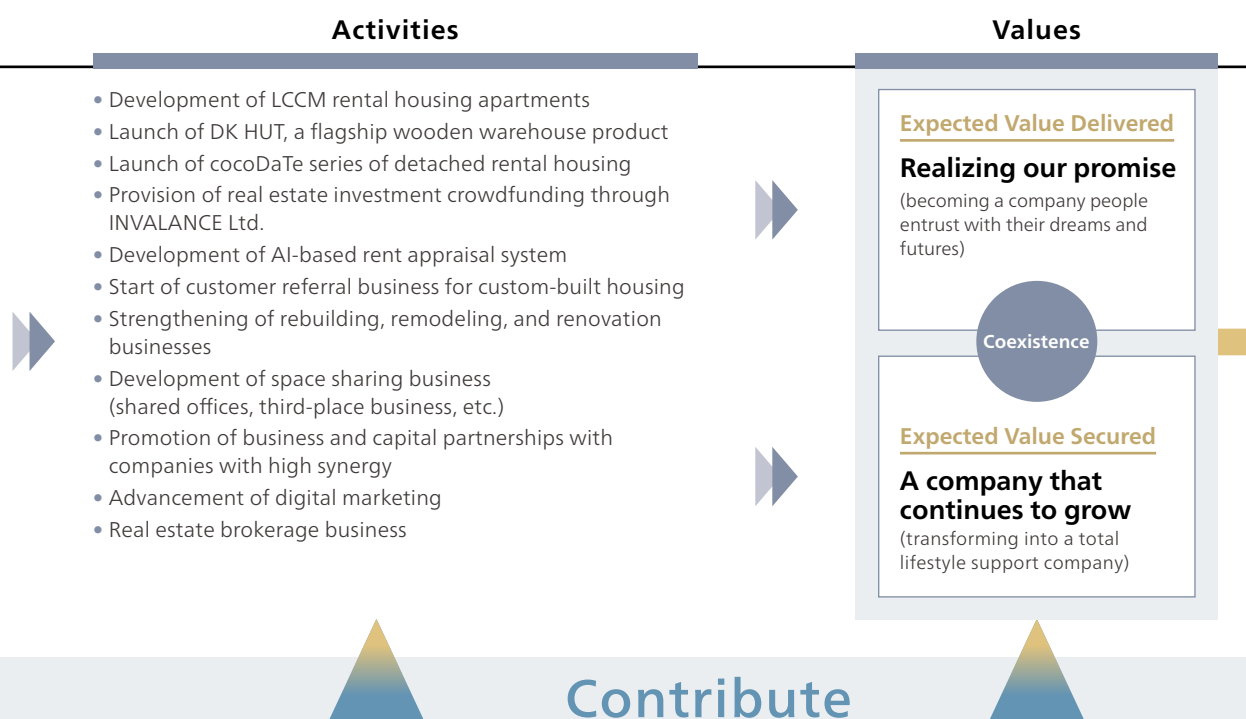
7. Living/lifestyles

Improving convenience of living and neighborhoods

Contribute

Purpose of Setting Indicators for Our Business Material Issues for FY2021

By setting indicators that enable us to monitor the scale of related businesses and measures, as well as the financial impact over time, we aim not only to manage and supervise the material issues but also to set indicators that contribute to the evaluation of our Group's growth.



The Role of Our Business Material Issues Is to Evolve, Deepen, and Expand Our Business

Background behind developing our Business Material Issues

Our Business Material Issues (land/assets, rental housing, and living/lifestyles) are structured to incorporate solutions that should be provided by the Group to address issues faced by stakeholders, including owners and tenants, as well as social change and issues. This shows the direction of corporate activities our Group should promote in order to work with stakeholders to develop business activities and realize a sustainable society embodied in the Basic Policy on Sustainability.

Expectations for our Business Material Issues

By promoting the use of business and resources through our Business Material Issues and expanding the value and business domain that we provide to society, we aim to evolve, deepen, and expand our business toward becoming a total lifestyle support company.

Taking Action on Climate Risk through Business Activities



Background to Identifying this Material Issue

- Stricter environmental regulations such as on greenhouse gas emissions
- Adoption of ESG as criteria for lending
- Worsening working conditions due to environmental degradation
- Fluctuating lumber prices
- Increasing need to promote forest recirculation

Daito Trust's Policies

- 1-1. 100% renewable energy in business activities (contribute to achieving RE100)
- 1-2. Increasing energy efficiency (contribute to achieving EP100)
- 1-3. Procuring and using wood in a sustainable manner

Formulation of Environmental Management Strategy

Based on the core concept of and a recognition that contributing to the environment also increases our corporate value, in 2020, the Group formulated an environmental management strategy, the Daito 2050 Environmental Vision. We believe, moving forward, it is vital we integrate environmental management and growth strategies for the sustainable growth of the Group. We aim to both solve environmental issues and generate profits while leveraging the Group's strengths including our management resources and accumulated expertise.

New Environmental Management Strategy

Daito 2050 Environmental Vision

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

Construction

Consider the environment and reduce CO₂ emissions during construction

Lifestyle

Completely eliminate CO₂ emissions from our residential buildings

Waste

Recycle all types of waste

Business

Completely eliminate CO₂ emissions during our business activities

Nature

Create a society that coexists with the natural environment

People

Develop environmentally conscious people and an environmentally friendly organization

100% Renewable Energy in Business Activities (Contribute to Achieving RE100)

RE100 Membership

Renewable Energy 100 (RE100) is an international environmental initiative uniting businesses that have set themselves the target of sourcing 100% renewable energy to meet the energy requirements of their business activities. The Daito Group joined RE100 in January 2019 with a view to ensuring 100% of the electricity consumed by our business activities will come from renewable sources by 2040. We are moving toward 100% renewable energy as our contribution to the proliferation and promotion of renewable energy throughout society, which is the RE100 philosophy.

RE100

RE100 Targets

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

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

Issuing Green Bonds and Installing 10,000 New Solar Panels

The Daito Group will install 10,000 new solar panels, owned by the Group, on the roofs of rental buildings we manage nationwide as part of our efforts to contribute to the proliferation of renewable energy. By utilizing the electricity we generate in the common areas of the rental buildings we manage and our offices as well as by selling surplus electricity, we will contribute to the proliferation of renewable energy and further reduction in CO₂ emissions throughout society.

Additionally, in conjunction with the installation of these new solar panels, we established the Daito Group Green Bond Framework in October 2021, and, from November 2021, we plan to raise funds by issuing green bonds (unsecured straight corporate bonds) under this framework.



Daito Group Green Bonds

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

Shifting to Renewable Energy in Our Head Office

From November 2021, our Group's head office, the Shinagawa East One Tower building, has started shifting to renewable energy sources. The electricity used is renewable biomass energy generated by burning domestically produced wood such as unused wood from forests, sawmill offcuts, and waste wood. This is expected to reduce annual CO₂ emissions from the use of electricity by approximately 1,600 tons for the Group and approximately 5,400 tons for tenant companies. We will help to decarbonize the business activities of our Group and tenant companies by continuing and expanding this initiative.

Reducing Greenhouse Gas and Improving Energy Efficiency

EP100 Membership

Energy Productivity 100 (EP100) is an international environmental initiative that promotes energy efficiency through energy conservation initiatives. The Group joined EP100 in September 2020 with the goal of doubling energy efficiency (net sales/energy consumption) by 2030 compared to FY2017. Our EP100 commitments are positioned as an extension of the SBT greenhouse gas reduction and RE100 renewable energy promotion initiatives. We will contribute to realizing a decarbonized society through a combination of these three initiatives.



Targets

Doubling our energy efficiency by FY2030 (compared with FY2017)

Greenhouse Gas Reduction Targets Get SBT Approval

Our Group has set Scope 1, 2, and 3 greenhouse gas reduction targets in our medium- to long-term environmental targets. In January 2019, our targets received approval from the Science Based Targets (SBT) initiative, meaning they were considered scientifically grounded for limiting global warming to below 2°C, the goal of the Paris Agreement. Furthermore, in March 2020, after updating our reduction targets to achieve the new 1.5°C SBT target—which goes beyond the previous target of well below 2°C—our new targets were verified 1.5°C-aligned. To realize these verified greenhouse gas reduction targets, we will actively utilize renewable energy, while also continuing our initiatives to grasp and reduce our greenhouse gas emissions from our business activities including procurement of raw materials, production processes, logistics, and our supply chain.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBT-Certified Greenhouse Gas Reduction Targets

CO₂ emissions from energy used in business (Scope 1 and 2)

55% reduction (SBT 1.5°C level)
By 2030 (compared with FY2017)

→ SBT certification: Recertified in March 2020

CO₂ emissions from use of the Group's rental housing complexes (Scope 3)

16% reduction (SBT 2°C level)
By 2030 (compared with FY2017)

→ SBT certification: Certified in January 2019

Procuring and Using Wood in a Sustainable Manner

Promotion of Supply Chain Management

The Group has established an Eco-Friendly Supply Chain Management Policy and aims to build a sustainable supply chain. We have also formulated our own unique Wood Procurement Guidelines and keep our business partners informed about these guidelines. These guidelines stipulate our policy to source legitimate, sustainable wood and forest resources in favor of wood that could adversely affect biodiversity.

Moreover, we purchase all our wood from timber manufacturing companies who procure their raw materials from CAS-, ISO- and FSC-certified forests. We will continue monitoring the wood supply chain, and aim to eliminate the destruction of forests caused by wood procurement.

Promoting the Proliferation of CLT

In October 2019, the Group started selling Forterb, Japan's first building product constructed using a standardized and industrialized CLT-based process, which utilizes our independently developed cross-laminated timber (CLT) construction method.

CLT-based construction methods emit significantly less greenhouse gas emissions at the time of construction when compared with using reinforced concrete, and also has a considerable energy-saving effect on the buildings themselves. It also promotes forest recirculation through responsible use of wood, which helps lead to a further reduction of greenhouse gas emissions. In addition, CLT allows us to reduce the amount of greenhouse gases emitted during demolition when compared with reinforced concrete, thereby reducing environmental impact across the entire life cycle of the building. We will continue striving to reduce environmental impacts by looking for ways to use CLT in even more types of buildings.

Risks and Opportunities Relating to Climate Change (TCFD Disclosure)

In May 2019, Daito Trust declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We strive to ascertain the risks and opportunities that climate change presents for our business, and to disclose information in accordance with TCFD guidelines. Accordingly, the Group has evaluated the impact on the business over the short-, medium-, and long-term in future climate change scenarios (the "less than 2°C scenario" and the "4°C scenario").



					(Billions of yen)					
					Less than 2°C			4°C		
					Short term	Medium term	Long term	Short term	Medium term	Long term
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 SBT	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 SBT	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	4.30	0.0	0.0	0.0	
	Market	—A	Profit impact of ZEH market expansion	Decreased demand due to price increases resulting from shift to ZEH	(0.16)	(0.53)	(0.53)	0.0	0.0	0.0
—B		Suppression of decline in demand through impact of ZEH energy savings		0.04	0.24	0.24	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)

*"Profit impact of ZEH market expansion" has been revised from the figures disclosed in Integrated Report 2020 as a result of more detailed analysis.

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 FY2023; 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 the Science Based Targets (SBT) initiative. 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. This analysis found the impact to be minimal due to reductions made in line with the Science Based Targets (SBT) initiative. Response We are proactively working to transition to low GHG emission construction techniques such as by developing and promoting sales of CLT. Also, we are working on initiatives to reduce GHG emissions in line with SBT 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 revenue—under the future case of further transition to ZEH rental housing in line with the Japan's ZEH roadmap—under two scenarios: demand decreases due to an increase in ZEH construction costs, and demand increases due to impact of ZEH energy savings. Response We are progressing with development and sale of ZEH rental housing complexes that have lower prices and are more energy efficient.
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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°C 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°C scenario.
- Stated Policies Scenario (STEPS): 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).

Contributing to a Society Where No One Is Left Behind



Background to Identifying this Material Issue

- Declining rural populations and increasing urbanization
- Promotion of sustainable urbanization
- Decreasing number and aging of construction workers
- Increasing number of foreign workers
- Increasing number of single-person, dual-income, and dual-income-no-kids (DINKS) households

Daito Trust's Policies

- 2-1. Regional revitalization through business activities
- 2-2. Revitalizing and creating jobs at local companies
- 2-3. Providing work and a place to live for everyone

2-1. Regional Revitalization through Business Activities

Helping to Combat Rural Population Decline and to Build Neighborhoods

As a Group that takes a nationwide community-based approach to the development of our business, regional revitalization is one of our social responsibilities. This guides our aim to contribute to improving regional value and sustainability, combating rural population decline, and developing neighborhoods through our business activities such as the provision of housing, commercial facilities, and public services.

Under the New Five-Year Plan, while expanding our business domains, we are working on expanding nursing care and nursery school businesses and attracting commercial and business facilities to rural areas. In the future, in tandem with strengthening our core business, we will focus on regional revitalization and combating declining populations to maintain and expand our rental housing supply areas. Moreover, we will actively participate in public works projects such as PFI.

2-2. Revitalizing and Creating Jobs at Local Companies

Strengthening Partnerships with Local Partner Companies and Helping Neighborhoods and People to Thrive

While the Group will continue creating jobs for local companies through the implementation of the Lease Management Trust System, we will further strengthen partnerships with local companies such as through the Daito Kentaku Partners Association, real estate partner companies, and financial institutions, and will work to revitalize local companies.

Since the start of the New Five-Year Plan, we have expanded our business domains and worked to strengthen partnerships with local partner companies, such as starting a franchising business for our rental brokerage, E-Heya Net, and starting a customer introduction business for custom-built homes to local builders and design offices. We aim to strengthen each of these measures going forward. We will also be mindful of the working environments and human rights at our partner companies and will contribute to nurturing and revitalizing talent in the construction and real estate industries as a whole.

2-3. Providing Work and a Place to Live for Everyone

Creating a Prosperous Society Where Everyone Can Live with Peace of Mind

The Group will provide housing and employment opportunities where everyone can have peace of mind regardless of gender, nationality, race, age, and so on. We are providing agency guarantee services specialized for foreign and elderly tenants so that all our rental housing tenants can live with peace of mind. In terms of employment, we are actively supporting the intake of foreign technical interns and have accepted a total of 955 interns to date (as of the end of September 2021). In the future, when the number of foreign residents is expected to increase, we will continue strengthening our support for foreigners, such as expanding services for foreign residents and supporting the transition from foreign technical interns to specified skilled workers. Our aim is to help create a prosperous society where everyone can thrive and live with peace of mind.

Instilling a Corporate Culture Where Everyone Can Grow and Take on Challenges



Background to Identifying this Material Issue

- Declining working-age population
- Promotion of diversity
- Promotion of work-style and workplace reforms
- Diversification of life paths and lifestyles
- Balancing work satisfaction and economic growth

Daito Trust's Policies

- 3-1. Providing opportunities for taking on challenges
- 3-2. Fostering and securing highly specialized talent
- 3-3. Constructing an environment that encourages growth and challenge

3-1. Providing Opportunities for Taking on Challenges

Enhancing Our Systems and Environments to Foster an Entrepreneurial Spirit in Our Employees

In our current, drastically changing operating environment, new perspectives and new challenges are indispensable for the sustainable growth of the Group. To this end, the Group will foster an entrepreneurial spirit in our employees and will promote initiatives to encourage them to take on challenges.

One such initiative is our in-house venture system, Mirai-novator. Launched in April 2020, this is an initiative where employees develop and propose new business concepts with the aim of commercializing them. We have already had more than 800 business proposals including some which have moved to the stage of trialing sales and services, such as the private room rental business, E-Heya Space, and the tailor-made DIY service for rental housing, CODD.

Moving forward, we will continue nurturing sustainable talent, such as providing opportunities to take on planning challenges that take into account material issues.

3-2. Fostering and Securing Highly Specialized Talent

Fostering IT Talent Indispensable for Our DX Strategy and Focusing on Strengthening Skills in Each Area of Expertise

We are focusing on developing and securing highly specialized talent to achieve our New Five-Year Plan. We are working to secure outside specialists by introducing and utilizing a job-based employment system in departments specializing in IT to accelerate the

promotion of DX. We are also accelerating our efforts to develop our organization as well as our talent to enhance inside sales and digital marketing toward capturing increased non-face-to-face sales demand resulting from the COVID-19 pandemic and in the post-pandemic market.

We will strengthen our competitiveness by securing specialized talent through the expansion of the job-based employment system beyond our IT departments in the future. We will also continue supporting our employees in obtaining professional qualifications such as first-class architectural and first-class construction management engineering qualifications, which are indispensable for maintaining the competitive advantage of our core business.

3-3. Construct an Environment that Encourages Growth and Challenge

Innovation Is Born in Workplaces Where There Is Mutual Respect for Diverse Personalities and Values

Daito Trust has, for example, since July 2021, started implementing internal systems that take sexual orientation into consideration such as a "Family-ship System" that regards relationships of same-sex partners as being equivalent to marriage and allowing the use of a "chosen name" in place of one's actual name for work purposes. We are continuing to promote measures to support employees in self-development and in taking on challenges under our New Five-Year Plan, such as by developing new businesses that can utilize acquired qualifications and expanding personnel evaluations related to sustainability (non-sales performance evaluations).

Building an Industry-Leading Governance System



Background to Identifying this Material Issue

- Increased corporate sanctions regarding Company scandals
- Increase in demands for responses to work-related injuries, overwork, and mental health
- Increased importance of compliance
- Tightening regulations on subleasing
- Greater importance of stakeholder engagement



Daito Trust's Policies

- 4-1. Strengthening stakeholder engagement
- 4-2. Promoting fair and honest corporate management
- 4-3. Strengthening Group governance

Interview with an Outside Director

Using diversified thinking and perspectives to create sustainable growth and contribute to increased corporate value

Outside director
Governance Committee member

SASAKI Mami



A Board of Directors Containing Open and Free Discussions

Daito Trust's Board of Directors features a well-rooted style of decision-making built upon a free-flowing exchange of views that has no barriers between the standing directors and the outside directors. Having a Board of Directors be a place for open and free discussion is crucial to ensuring a company is being steered in the right direction. The Company's Board of Directors is said to be highly regarded when it comes to effectiveness. Arguments regarding each proposal are thoroughly discussed by the Board, and even if the proposal was passed by a resolution at the Executive Management Meeting, it may be set aside for further review and re-examination following discussions by the Board. Furthermore, the outside directors have a diverse set of backgrounds, so they can provide effective advice for the executive organization from perspectives based on their various careers combined with their individual insight and wisdom. In my opinion, this is a strength of Daito Trust's governance system. In my own case, capitalizing on my experience of having been engaged in the financial industry for a long time, I probe into whether risks that are generally overlooked are pointed out and looked into further, especially in the area of investment proposals. I also try to ask in-depth questions such as, is the investment well-aligned with Company profits? Does it earn a return commensurate with the risks involved? And, what is our judgment of the valuation of a proposal or a marketable security? The most recent

project was the acquisition of the real estate developer INVALANCE Ltd. in 2020, which was put forth as a measure to strengthen our core businesses while also backing Tokyo metropolitan area strategy. I think this was a good use of M&A. When it comes to investment projects, the post-investment follow-up is also important, including the case of the INVALANCE acquisition. The Company will exercise its oversight responsibility, as it has before for the domestic and overseas investment projects handled up through the present.

Promoting Sustainability through Our Business Activities

Daito Group businesses that are directly connected to the social foundation, such as housing and living, including rental housing, have high affinity with the sustainability approach and provide higher earnings. In my view, a business model can exist whereby making profits leads straight to social contribution. Taking advantage of this type of business environment, in FY2020 the Company designated the Daito Group's Seven Material Issues, directed at promoting sustainability management. The work being done on these material issues is currently staged at examining KPIs in ongoing discussions at the Board of Directors. In order that the designated material issues be placed under management, the Board must continue discussion and follow up on the essential tasks of specifying the appropriate KPIs and incorporating them into management plans, as well as constructing a framework in

which their advancement is highly effective.

In the times ahead, we need each and every employee, from the management team to those at local work sites, to not only pick up knowledge of sustainability, but also ensure that a culture of ownership will be fostered through actions and implementation. Our future goal is that the tenants living in the 1.16 million rental housing units in Japan managed by Daito Trust, and possibly members of the broader society as well, will see themselves as "contributing to achieving SDGs by living in rental housing from Daito Trust Construction." The Daito Group has a culture of hope where each time targets are set, everyone presses ahead in unity. Now that the medium- to long-term material issues have been clearly stated, I look hopefully at the ability of the Group to move forward as one.

Toward Achieving the New Five-Year Plan

As a result of the COVID-19 pandemic, some business segments could not make progress in line with their initial plans stipulated in the New Five-Year Plan. However, we have been actively taking on the challenge of coming up with new initiatives, such as promoting online activity as well as

developing and selling new products that address environmental issues. Although we are still in an era of uncertainty, I would like to see us move forward and utilize change as a business opportunity. In addition, new challenges make a robust governance system that supports these efforts necessary. In FY2020, in order to preserve a place where outside directors can exchange views during the COVID-19 pandemic, we started a board of outside directors. The outside directors share their sense of the issues among each other, and when there are opinions and advice that should be discussed, they share them with the full Board of Directors. By squarely performing these roles and others, they seek to raise the Board's effectiveness.

Toward achieving the New Five-Year Plan, one of the major roles the Board of Directors should assume is to exercise solid oversight of the business segments' portfolio strategies. From the beginning, the existing businesses have conducted appropriate analysis and monitoring of new investments and businesses, and through exhaustive discussions they have sought to strengthen their business portfolios and, as a result, improve profitability.



Outside director
Governance Committee member
IRITANI Atsushi

Insights from a Newly Appointed Outside Director

Supporting Innovation at the Daito Group from the Dual Viewpoints of "Offense" and "Defense"

Currently, as a lawyer, I support risk management work such as corporate financial law and compliance. Meanwhile, as a certified public accountant, I have also been engaged in auditing and consulting work at publicly traded companies. I believe that my strengths come from the ability to judge a matter using the dual viewpoints of a lawyer's "defense" point of view and "offense" point of view that considers business from a finance and accounting perspective. Through its New Five-Year Plan, the Company is now engaged in strengthening its framework for expanding its business domains and enhancing governance from an "offense" point of view. If advice only came from a "defense" point of view that considers legal risk, then it would not be able to achieve these goals. Because of this, I believe my expected role is to evaluate the things that the Company wishes to realize from a financial perspective and provide proactive support for things that can be judged as not being a problem, while considering legal risks. Since my appointment in June 2021, I have been participating in the Company's Board of Directors' meetings. My impression has been that it is easy to speak out at these meetings. In general, outside directors are expected to have specialized

views and advice based on both their academic training and work experience. In the case of the Daito Group, however, this goes beyond the views of a specialist, and advice is expected from a broad perspective of someone outside the Company. It is a well-established atmosphere where directors find it easy to share their thoughts. For this reason, the outside directors communicate without reservation, and if necessary, issue forth proposals. This makes Board of Directors' meetings quite lively.

We are now in the middle of major changes following the COVID-19 pandemic. These changes cover people's perspectives on value and behavior patterns as well as changes in the market environment, including the current restructuring of the Tokyo Stock Exchange. I believe these types of changes should be grasped by companies as opportunities for innovation. To begin, regarding the recently issued New Five-Year Plan, I will also evaluate innovations advanced by the Company from my dual viewpoints, which I believe is necessary for the sake of the Company's sustainable growth. This is a role which I plan to fulfill and will actively support. To all stakeholders, I would be grateful if you could watch attentively and look forward to the upcoming innovations by the Daito Group.

Management Material Issue 4: Corporate Governance

Corporate Governance Basic Policy

Our basic policies on corporate governance are maximizing the corporate value of the Daito Group for our shareholders and all other stakeholders, and 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.

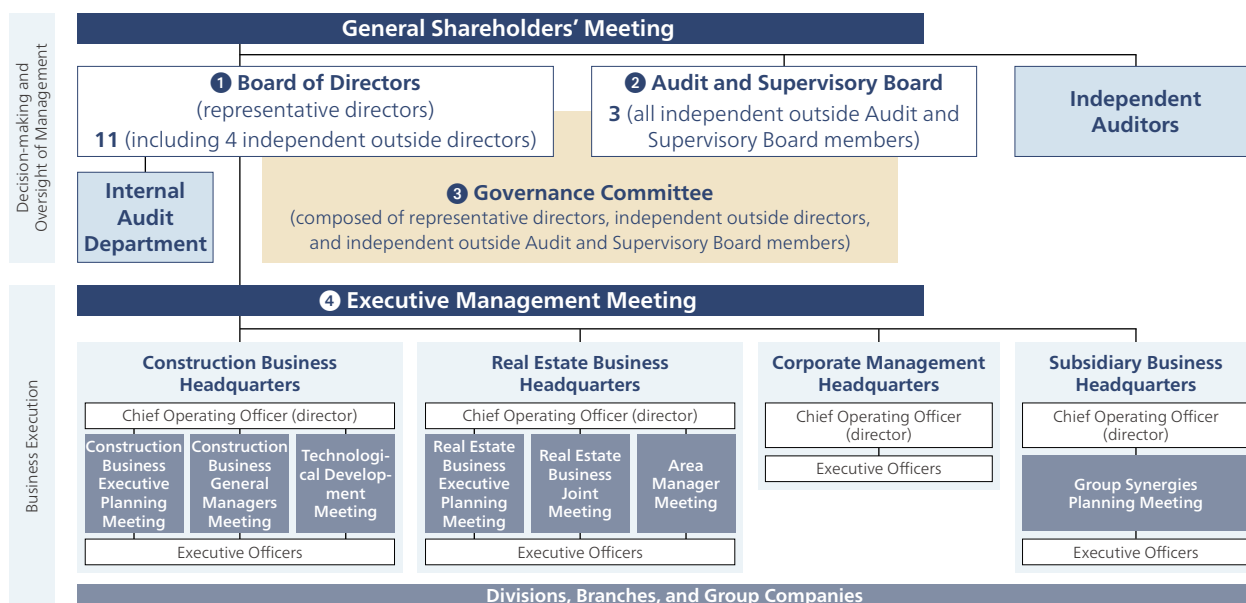
History of the Daito Group's Corporate Governance Structure

	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) 2021 Appointed four outside directors (including one female director)
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

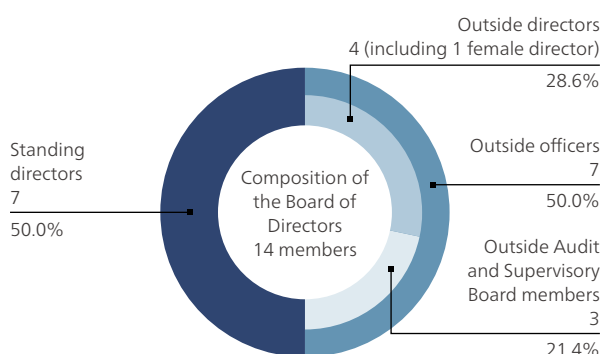
Headquarters, the Corporate Management Headquarters, and the Subsidiary Business Headquarters, and assigning the Chief Operating Officer with the highest level of authority in each business area from among the Board of Directors, by entrusting the Executive Management Meeting with decision-making authority over business execution as necessary, and by having the Board of Directors decide on important management issues.



1 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.

Composition of the Board of Directors



2 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.

3 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 Collect 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.

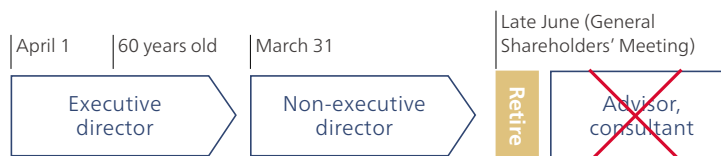
4 Executive Management Meeting

Headed by the representative director and composed of executive officers appointed by the Board of Directors and the chief operating officer of each business headquarters, the Executive Management Meeting makes concrete policies from those decided upon by the Board of Directors and discusses measures on issues that span multiple fields of business. The results of the Meeting are reported to each member of the Board of Directors and the Audit and Supervisory Board as mechanisms that can quickly weed out and deal with specific issues and problems at work sites.

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 Shareholders' 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

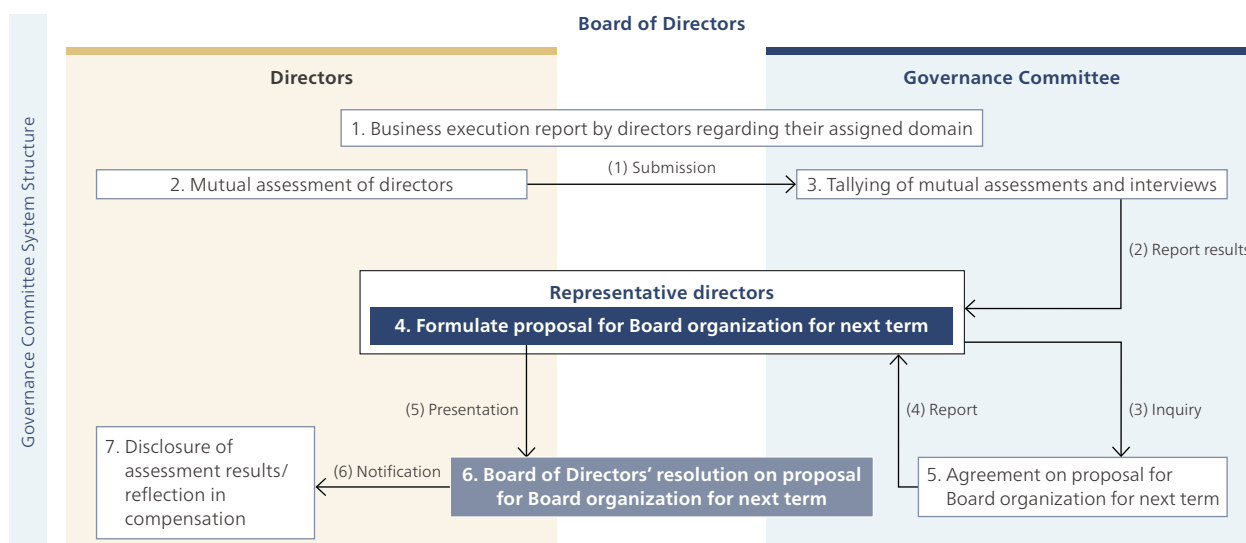
- Persons within two degrees of kinship of upper management personnel (assistant manager and above) are not admitted to join the Daito Group, in order to eliminate hereditary appointments.



See the website below for more detailed information regarding corporate governance.

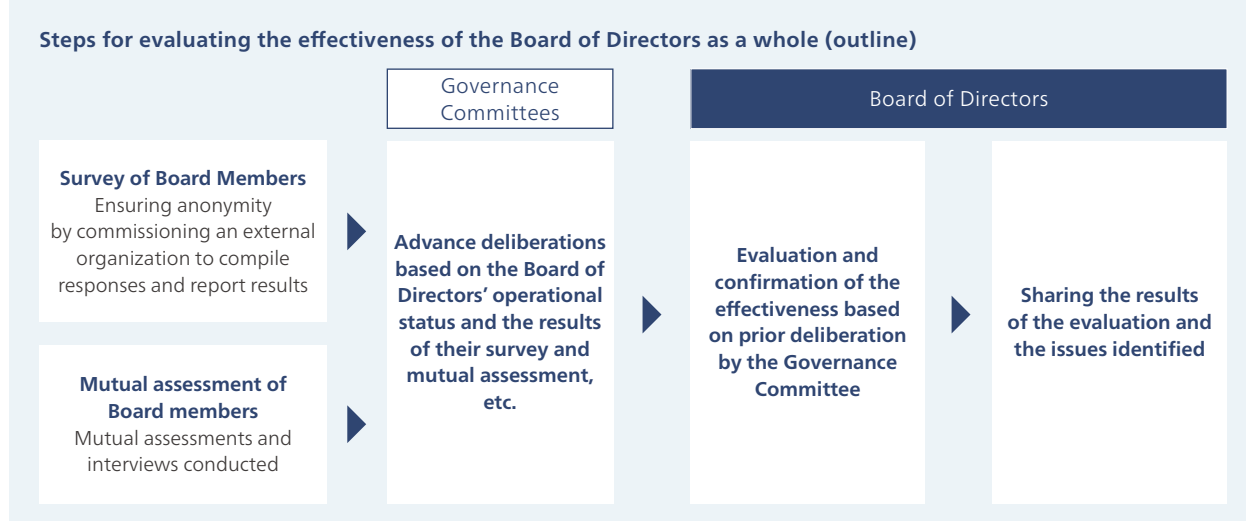
<https://www.kentaku.co.jp/corporate/en/ir/governance/top.html>

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



Director Compensation System

Regarding the compensation system for directors, for the purpose of having shared interests with shareholders and enhancing sustainable corporate value, we have set a basic policy founded on a performance-linked model with sound incentives in effect. Built on top of this basic policy, directors' compensation is made up of basic compensation, which is a fixed amount, and bonus and stock compensation, which tracks business performance. Over the medium- to long-term, if the Company meets 100% of its business performance targets, then compensation is set in the proportion of 1:2-3:2-3 for basic compensation, bonuses, and stock

compensation, respectively.

Furthermore, with the goal of strengthening our shared interests with shareholders, we have introduced a stock compensation system, which started in June 2019, that features a clearly defined linkage between directors' compensation, Company performance, and shareholder value. At the same time, we have been raising awareness of the system's contribution to improving business performance and enhancing corporate value over the medium- to long-term. (The system does not apply to outside directors.)

Director Compensation System

2011- (total amounts shown)			2019- (total amounts shown)
Performance-linked ↑ ↓ Fixed	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
	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	Fixed compensation up to ¥1.0 billion per year (of which, up to ¥50.0 million per year for outside directors).
Bonus		After multiplying consolidated net income by 0.45%, the total amount is calculated from a specified table in accordance with the achievement of performance indicators. The individual amounts paid are determined in consideration of each director's degree of contribution in a single fiscal 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	Non-performance tracking	Decision based on rank. Paid when the individual leaves their position as a director.	Fixed	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.
	Performance-linked compensation	Determined based on the position and multiplied by 0-150% according to the degree of achievement, such as a three-year performance target. Benefits are payable after the end of the period covered (three fiscal years).	Change	

Total Amount of Consolidated Compensation, etc. for Each Director

Name	Consolidated compensation, etc. (millions of yen)	Position	Company	Amount by type of consolidated compensation, etc. (millions of yen)				
				Basic compensation	Stock options	Stock compensation	Bonus	Non-monetary compensation (from those on the left)
KOBAYASHI Katsuma	180	Director	The Company	89	8	24	57	33
			Consolidated subsidiary	—	—	—	—	—
KAWAI Shuji	123	Director	The Company	59	8	17	38	26
			Consolidated subsidiary	—	—	—	—	—
TAKEUCHI Kei	116	Director	The Company	55	7	17	35	25
			Consolidated subsidiary	—	—	—	—	—

Notes: 1. Includes only those directors with total consolidated compensation, etc. exceeding ¥100.0 million.

2. Breakdown of non-monetary compensation for KOBAYASHI Katsuma: Stock options: ¥8.0 million, Stock compensation: ¥24.0 million

3. Breakdown of non-monetary compensation for KAWAI Shuji: Stock options: ¥8.0 million, Stock compensation: ¥17.0 million

4. Breakdown of non-monetary compensation for TAKEUCHI Kei: Stock options: ¥7.0 million, Stock compensation: ¥17.0 million

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.

Management Material Issue 4: Corporate Governance

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.

Outside Directors: Composition and Activities

	Name	Occupation	Expertise				Attendance
			Corporate management	Finance	Accounting	Law	
Outside directors	YAMAGUCHI Toshiaki	Lawyer	—	—	—	●	Attended 100% (13/13) of Board of Directors' meetings
	SASAKI Mami	Formerly in foreign financial institution management	—	●	—	—	Attended 100% (13/13) of Board of Directors' meetings
	SHODA Takashi	Former company manager	●	—	—	—	Attended 100% (13/13) of Board of Directors' meetings
	IRITANI Atsushi	Lawyer/ Certified public accountant	—	—	●	●	Assumed office on June 25, 2021
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% (12/12) of Audit and Supervisory Board meetings
	MATSUSHITA Masa	Lawyer/ Former company manager	●	—	—	●	Assumed office on June 25, 2021
	KOBAYASHI Kenji	Certified public accountant/ Company manager	●	—	●	—	Assumed office on June 25, 2021
	HACHIYA Hideo	Lawyer	Left office on June 25, 2021				Attended 100% (13/13) of Board of Directors' meetings Attended 100% (12/12) of Audit and Supervisory Board meetings
	FUJIMAKI Kazuo	U.S.-certified public accountant	Left office on June 25, 2021				Attended 92% (12/13) of Board of Directors' meetings Attended 91% (11/12) of Audit and Supervisory Board meetings

Management

Directors



KOBAYASHI Katsuma
President and
Representative Director (CEO)

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 Director and 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
Apr. 2021 President and Representative Director (CEO) (current position)



KAWAI Shuji
Managing Director
In charge of Corporate
Management Headquarters
In charge of New Core 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 New Core Business Headquarters, General Manager of Corporate Planning Division
Apr. 2014 Director and 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 New Core Business Headquarters (current position)



TAKEUCHI Kei
Managing Director
In charge of 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
Apr. 2021 Managing Director, in charge of Construction Business Headquarters (current position)



SATO Koji
Managing Director
In charge 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.
Apr. 2021 Managing Director, in charge of Real Estate Business Headquarters, President and Representative Director of Daito Kentaku Partners Co., Ltd. (current position)



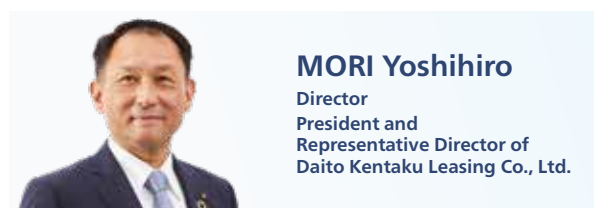
UCHIDA Kanitsu
Director
Manager of New Core Business
Headquarters
In charge of Nursing Care and
Childcare Businesses and
Overseas Business

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, Executive Officer, General Manager of Design Management Department
Apr. 2016 Director, General Manager of Design Management Department
Apr. 2017 Director, Manager of New Core Business Headquarters, in charge of Nursing Care and Childcare Businesses and Overseas Business (current position)



TATE Masafumi
Director
General Manager of
Design Management Department

Apr. 1991 Joined the Company
Apr. 2013 General Manager of Design Department
Apr. 2016 Executive Officer and General Manager of Design Department
Apr. 2017 Executive Officer and General Manager of Design Management Department
Apr. 2019 Senior Executive Officer and General Manager of Metropolitan Area Construction Business Headquarters
Apr. 2020 Executive Officer and General Manager of Design Management Department
Jun. 2021 Director, General Manager of Design Management Department (current position)



MORI Yoshihiro
Director
President and
Representative Director of
Daito Kentaku Leasing Co., Ltd.

Feb. 1994 Joined the Company
Apr. 2012 General Manager of Tenant Sales Promotion Department (in charge of East Japan Region)
Apr. 2014 Director and General Manager of Credit Department, Daito Building Management Co., Ltd. (currently Daito Kentaku Partners Co., Ltd.)
Apr. 2016 Executive Officer, Managing Director and General Manager of Credit Department, Daito Building Management Co., Ltd. (currently Daito Kentaku Partners Co., Ltd.)
Apr. 2017 Executive Officer, President and Representative Director of Daito Kentaku Leasing Co., Ltd.
Jun. 2021 Director, President and Representative Director of Daito Kentaku Leasing Co., Ltd. (current position)

Management

Directors (Outside)



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), Member (now Chairman) of the Evaluation Committee (now the Governance Committee) of the Company
Aug. 2014 Director of Japan Corporate Governance Network (current position)
Dec. 2014 Outside Audit & Supervisory Board Member of Osaka University Venture Capital Co., Ltd.
Feb. 2015 Outside Audit & Supervisory Board Member of the Osaka Municipal Transportation Bureau (current position)
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), Member of the Evaluation Committee (now the Governance Committee) of the Company (current position)
Oct. 2018 External Director and Audit Committee Member 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 to the company (current position)
Jun. 2015 Outside Director of Ube Industries, Ltd. (current position)
Jun. 2017 Outside Director of the Company (current position)
Member of the Governance Committee (current position)
Jun. 2019 Outside Director and Audit and Supervisory Board Member of Ube Industries, Ltd. (current position)
Sep. 2019 Outside Director, Riken Innovation Co., Ltd. (current position)



IRITANI Atsushi
Outside Director
Member of the Company's
Governance Committee

Sep. 1988 Joined Barclays Securities Japan Limited
Oct. 1992 Joined Inoue Saito Eiwa Audit Corporation (currently KPMG AZSA LLC.)
Apr. 1998 Appointed public prosecutor
Sep. 2007 Registered with Daini Tokyo Bar Association; joined Atsumi & Sakai
Jul. 2009 Tokyo Regional Taxation Bureau (fixed-term public employee)
Jul. 2012 Rejoined Atsumi & Sakai
Jan. 2016 Joined Nagashima Ohno & Tsunematsu (current position)
Mar. 2020 Outside Director and Audit & Supervisory Committee Member of AKARU-TASU HOLDINGS Co., Ltd. (current position)
Jun. 2021 Outside Director of the Company (current position)
Member of the Governance Committee (current position)

Executive Officers

SUZUKI Takashi

Executive Officer,
General Manager of Chukyo Area
Construction Business Department

TANAKA Masayoshi

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

KAWAHARA Eiji

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

NAKAMURA Kouichi

Executive Officer,
Manager of West Japan Construction
Business Headquarters

YAMADA Shoji

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

FUKUDA Kazunori

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

KOISHIKAWA Masayuki

Executive Officer,
General Manager of
Sales Management Department

MATSUFUJI Jun

Executive Officer,
In charge of Metropolitan Area
Construction Business Headquarters

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 NCCX Group Inc.)
Nov. 2007 Director of Index Holdings
Jun. 2009 Audit and Supervisory Board Member (current position)
Dec. 2012 Member of the Evaluation Committee (currently the Governance Committee) of the Company (current position)



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

Apr. 1989 Registered with Tokyo Bar Association; Joined Tokyo Aoyama Law Office (currently Baker & McKenzie)
Jan. 1998 Joined GE Yokogawa Medical Systems K.K. (currently GE Healthcare)
Jan. 1999 Director, GE Yokogawa Medical Systems K.K.
Mar. 2003 Vice President and Director, Japan General Electric K.K. (GE Japan)
Jul. 2005 Joined FAST RETAILING CO., LTD.
Sep. 2005 Director and Senior Executive Officer, FAST RETAILING CO., LTD.
Jul. 2010 Director, Siemens K.K.
Mar. 2011 Director of the Board, Managing Executive Officer, KOKUYO Co., Ltd.
Mar. 2015 Joined Adastria Co., Ltd.
May 2017 Representative Director, Adastria Co., Ltd.
Apr. 2018 Outside Director, CYPRESS, INC. (current position)
Jan. 2020 Vice President and General Counsel, Okinawa Institute of Science and Technology School Corporation (current position)
Apr. 2020 Outside Director, afterFIT Co., Ltd. (current position)
Jun. 2021 Audit and Supervisory Board Member of the Company (current position), Member of the Company's Governance Committee



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

Apr. 1987 Joined Mitsui Trust and Banking Company, Limited
Sep. 1989 Joined Asahi Shinwa Accounting Corporation
Apr. 1994 Joined Nagano Morita CPA Office (U.S.)
Sep. 1997 Joined Shin Nihon Ernst & Young Co., Ltd.
Oct. 2001 Director, Shin Nihon Ernst & Young Co., Ltd.
Apr. 2005 Managing Director, Ernst & Young Transaction Advisory Service Co., Ltd.
Jul. 2007 Joint CEO, BVCI, Co., Ltd. (current position)
Mar. 2013 Director, ZEN HOLDINGS Co., Ltd.
Mar. 2015 Representative Director, ZEN HOLDINGS Co., Ltd.
Jun. 2021 Audit and Supervisory Board Member of the Company (current position), Member of the Company's Governance Committee (current position)

SHIBATA Tetsuya

Executive Officer,
Managing Director of
Daito Kentaku Leasing Co., Ltd.

NAKAMURA Takeshi

Executive Officer,
General Manager of
Business Management Department

TAKENAKA Kunihiro

Executive Officer,
Manager of Metropolitan Area
Construction Business Headquarters

OKAMOTO Eiji

Executive Officer,
In charge of West Japan Construction
Business Headquarters

IZUMI Kazuhiro

Executive Officer,
General Manager of
Construction Management Department

SHIRASAKI Takeshi

Executive Officer,
In charge of East Japan Construction
Business Headquarters

OKAMOTO Tsukasa

Executive Officer,
General Manager of
Accounting Department

AMANO Yutaka

Executive Officer,
General Manager of
Business Strategy Department

Support for the Most Effective Use of Land and Assets



Background to Identifying this Material Issue

- Medium- to long-term trend of declining population and number of households
- Issues of unoccupied houses and housing oversupply
- Declining rural populations and increasing urbanization
- Promotion of sustainable urbanization
- Absence of successors to one's beneficiaries and changing asset inheritance needs

5-1. Suitable Supply and Business Proposals that Meet Demand

Our Unique Rental Marketing and Supply Plan that Aims for Stable Management Over a 35-Year Period

We ensure fair rental supply planning and rent setting at the Group through our nationwide network of 1,037 rental marketing professionals (as of June 2021) at 155 sites across the country, who collate trends in rental housing supply and demand and rents. These trends are then managed and analyzed using our unique centralized land and rental property information management system, DK MAP. We also ensure this fairness by thoroughly revising areas where supply is suspended on an annual basis. The mission of our Group is to supply buildings that maximize the value of the land they are on. Recently, with a backdrop of concern about oversupply of rental housing, our aim is for a system in which we supply the necessary buildings where they are needed by investigating and analyzing the land of each landowner from all angles. Our New Five-Year Plan aims at more objective and appropriate local area marketing by further enhancing our existing initiatives while also using a rent appraisal system that utilizes artificial intelligence.

5-2. Expanding and Enhancing Our Services for Land and Asset Utilization

Providing New Land Utilization and Asset Management Services of Which We Are Only Capable

In line with our Corporate Philosophy of realizing extensive and effective use of limited land, we will continue working to expand the scope of utilizing our expertise that we have accumulated through our specialization in rental housing. We are, for example, progressing with new product development that addresses the changing needs of each plot of land, such as with the September 2020 launch of

Daito Trust's Policies

- 5-1. Suitable supply and business proposals that meet demand
- 5-2. Expanding and enhancing our services for land and asset utilization
- 5-3. Promoting partial provision of proprietary technologies and expertise

our first wooden warehouse flagship product, DK HUT, and November 2020 launch of the first one-story detached rental house in the cocoDaTe series, "cocoDaTe One's." Also, in July 2021, INVALANCE Ltd., which became a member of the Group in FY2020, launched a crowdfunding-style real estate investment vehicle, 72CROWD., where investors can start investing from ¥10,000. Our policy, under our New Five-Year Plan, is to expand and enhance services that have high synergies with our core business, such as promoting small-lot real estate securitization.

5-3. Promoting Partial Provision of Proprietary Technologies and Expertise

Providing Value to Stakeholders and the Construction and Real Estate Industries as a Leading Company in Rental Housing

The Group has endeavored to provide services that utilize the Group's technologies, resources, and economies of scale. For example, since October 2015, the credit card payment service that specializes in rental housing, provided by House Payment Co., Ltd., has been available not only for buildings under Group whole-building leases, but also for buildings handled by real estate companies nationwide. This is contributing to the proliferation of credit card settlement in the real estate sector. Moreover, in October 2021, we started a business that introduces customers considering building a custom-built home to local builders and design offices, taking advantage of our strong relationships with these partners. Provision of value to our stakeholders and the construction and real estate industries enhances the value of our Group and helps to revitalize these industries as a whole. Going forward, we will continue aiming to expand our business domains and provide value to society by utilizing the Group's technologies and expertise, such as external sales of call centers for real estate companies and inspection business utilizing our design and construction expertise.

Improving Asset Value While Also Resolving Social Issues



Background to Identifying this Material Issue

- Increasing number of rental housing residents
- Increasing number of older rental houses
- Increasing awareness of ethical consumption and of environmental issues
- Diversification of life paths and lifestyles
- Increasing lifespan of housing

Providing Quality and Socially Sustainable Buildings

The Group is developing products and technologies that can contribute to solving various issues such as risks in the rental housing business, social issues, and environmental issues. Some of the technologies we have developed are as a result of our former specialization in rental housing. These include development of highly secure memory keys that do not require the key cylinder to be exchanged each time there is a change in tenants, and highly durable and self-cleaning siding panels that are cleaned by rain. Our Group will continue to develop technologies to maintain the asset values of buildings. We are also focusing on responding to

Daito Trust's Policies

- 6-1. Supplying buildings that maintain their asset value over the long term
- 6-2. Supplying a model of housing that responds to environment and social issues
- 6-3. Renewing/raising value of old and underused buildings

rapidly changing needs, such as developing and selling rental housing suited for teleworking, where demand has significantly increased due to the COVID-19 pandemic. Our goal, in our New Five-Year Plan, is to make an even greater contribution to various social issues, including issues faced by our landowners, and provide buildings that are needed for the long term. To this end, we are undertaking various initiatives to solve environmental and social issues through our rental housing products and through the renewal and value enhancement of old and underused buildings by strengthening our rebuilding, remodeling, and renovation businesses.

Improving Convenience of Living and Neighborhoods



Background to Identifying this Material Issue

- Proliferation of renewable energy
- Continued growth of aging population and isolation of elderly households
- Increasing number of single-person, dual-income, and DINKS households
- Promotion of Compact Plus Network
- Advances in IT technologies
- Arrival of the "with COVID-19 era"

As a Local Company, We Help Make Neighborhoods Better Places to Live

The Group has, to date, provided various lifestyle services to landowners and tenants to achieve reliable, secure, and stable rental management. We will also, in future, take on new business challenges that will enhance the value of neighborhoods and the assets of our landowners by focusing on revitalization of the neighborhoods in which we operate as a community-based total lifestyle support company. Under our New Five-Year Plan, we will actively participate in projects such as PFI* and private tendering projects to repair and provide facilities needed by neighborhoods, and will improve working conditions by promoting our shared space business

Daito Trust's Policies

- 7-1. Active participation in and attracting non-residential businesses
- 7-2. Providing services that improve quality of life (QoL)
- 7-3. Promoting accessibility in information retrieval and barrier-free access to services

launched in 2019. The Group will also contribute to creating neighborhoods where people want to keep living by serving as a hub for connecting information and services with the neighborhoods and people that need them. Specifically, we will improve the value, convenience, and livability of neighborhoods such as by building platforms that can be used by non-tenants, providing various lifestyle services, and utilization of renewable energy. Moreover, we will accelerate Group-wide DX to ensure we can stably and rapidly deliver these initiatives and services.

*A private finance initiative is a method of constructing, maintaining, and operating public facilities utilizing private funds, management capabilities, and expertise.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Assets		
Current assets		
Cash and deposits	159,930	198,993
Money held in trust	14,000	13,500
Notes and accounts receivable from completed construction contracts and other	76,456	51,880
Short-term investment securities	4,028	1,502
Costs on uncompleted construction contracts	12,098	13,460
Other inventories	4,329	10,457
Prepaid expenses	69,187	70,237
Operating loans	127,592	120,980
Other	23,462	26,697
Allowance for doubtful accounts	(481)	(594)
Total current assets	490,604	507,115
Non-current assets		
Property, plant and equipment		
Buildings and structures	58,782	59,343
Machinery and equipment	35,641	32,910
Tools, furniture and fixtures	2,787	2,397
Land	76,432	76,200
Lease assets	974	716
Other	685	577
Total property, plant and equipment	175,304	172,145
Intangible assets		
Goodwill	1,042	12,224
Other	27,239	26,836
Intangible assets	28,282	39,061
Investments and other assets		
Investment securities	45,799	48,737
Subordinated bonds and subordinated trust beneficiary rights	10,642	9,384
Deferred tax assets	83,234	93,322
Other	51,548	55,309
Allowance for doubtful accounts	(5,127)	(5,621)
Total investments and other assets	186,098	201,132
Total non-current assets	389,684	412,339
Total assets	880,289	919,454
Liabilities		
Current liabilities		
Accounts payable for construction contracts	54,760	27,580
Short-term loans payable	—	690
Current portion of bonds payable	—	140
Current portion of long-term loans payable	21,640	12,444
Lease obligations	210	193
Income taxes payable	30,081	22,493
Advances received on uncompleted construction contracts	40,258	40,814
Advances received	89,571	94,867
Provision for bonuses	14,131	20,372
Provision for warranties for completed construction	819	599
Deposits received	10,003	10,404
Other	57,041	68,467
Total current liabilities	318,519	299,066
Non-current liabilities		
Bonds payable	—	130
Long-term loans payable	61,110	83,344
Lease liabilities	514	361
Deferred tax liabilities	308	246
Provision for repairs on whole-building leases	151,862	169,779
Net defined benefit liability	15,228	14,847
Long-term guarantee deposits	33,644	32,212
Other	12,940	11,259
Total non-current liabilities	275,609	312,181
Total liabilities	594,128	611,247
Net assets		
Shareholders' equity		
Capital stock	29,060	29,060
Capital surplus	34,540	34,540
Retained earnings	243,349	266,899
Treasury stock	(11,021)	(15,352)
Total shareholders' equity	295,929	315,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	767	3,636
Deferred gains or losses on hedges	258	267
Revaluation reserve for land	(7,584)	(7,584)
Foreign currency translation adjustment	(3,841)	(5,806)
Remeasurements of defined benefit plans	(3,011)	(1,927)
Total accumulated other comprehensive income	(13,412)	(11,414)
Subscription rights to shares	482	388
Non-controlling interests	3,161	4,084
Total net assets	286,161	308,206
Total liabilities and net assets	880,289	919,454

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales		
Net sales of completed construction contracts	551,103	401,709
Sales on real estate business	973,694	1,014,262
Sales on other business revenue	61,494	72,943
Total net sales	1,586,293	1,488,915
Cost of sales		
Cost of sales of completed construction contracts	391,992	297,239
Cost of sales on real estate business	874,962	905,183
Cost of sales on other business	36,874	47,627
Total cost of sales	1,303,829	1,250,049
Gross profit		
Gross profit on completed construction contracts	159,111	104,470
Gross profit—real estate business	98,731	109,078
Gross profit—other business	24,620	25,315
Total gross profit	282,463	238,865
Selling, general and administrative expenses	154,506	152,126
Operating income	127,956	86,738
Non-operating income		
Interest income	436	353
Dividends income	268	221
Commission fee	3,101	2,432
Share of profit of entities accounted for using equity method	829	307
Subsidy income	—	857
Miscellaneous income	1,572	1,389
Total non-operating income	6,209	5,562
Non-operating expenses		
Interest expenses	210	290
Provision of allowance for doubtful accounts	92	103
Commission paid	—	392
Loss on transfer of receivables	274	349
Miscellaneous expenses	559	557
Total non-operating expenses	1,137	1,693
Ordinary income	133,028	90,607
Extraordinary income		
Gain on sales of non-current assets	22	19
Gain on sales of investment securities	960	744
Total extraordinary income	982	764
Extraordinary loss		
Loss on sales and retirement of non-current assets	620	434
Impairment loss	34	154
Loss on disaster	216	12
Loss on sales of investment securities	7	—
Loss on valuation of investment securities	118	—
Total extraordinary loss	997	601
Income before income taxes and non-controlling interests	133,014	90,770
Income taxes—current	51,572	40,780
Income taxes—deferred	(9,272)	(12,377)
Total income taxes	42,299	28,403
Net income	90,714	62,367
Profit attributable to non-controlling interests	334	81
Profit attributable to owners of the parent	90,380	62,285

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net income	90,714	62,367
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,719)	2,869
Deferred gains or losses on hedges	35	8
Foreign currency translation adjustment	(634)	(1,965)
Remeasurements of defined benefit plans	(13)	1,082
Total other comprehensive income	(6,332)	1,995
Comprehensive income	84,382	64,362
(Breakdown)		
Profit attributable to owners of the parent	84,039	64,283
Profit attributable to non-controlling interests	343	79

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(Millions of yen)

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	Remeasurements 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

Year Ended March 31, 2021	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
BALANCE APRIL 1, 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
Change in the year														
Cash dividends			(37,723)		(37,723)									(37,723)
Profit attributable to owners of the parent			62,285		62,285									62,285
Purchase of treasury stock				(11,378)	(11,378)									(11,378)
Disposal of treasury stock			(1,015)	7,047	6,031									6,031
Change in treasury shares of the parent arising from transactions with non-controlling shareholders			4		4									4
Net changes of items other than shareholders' equity						2,869	8	—	(1,965)	1,084	1,997	(93)	923	2,826
Net change in the year	—	—	23,550	(4,331)	19,218	2,869	8	—	(1,965)	1,084	1,997	(93)	923	22,045
BALANCE MARCH 31, 2021	29,060	34,540	266,899	(15,352)	315,148	3,636	267	(7,584)	(5,806)	(1,927)	(11,414)	388	4,084	308,206

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes and minority interests	133,014	90,770
Depreciation and amortization	15,002	15,801
Impairment loss	34	154
Increase (decrease) in allowance for doubtful accounts	811	607
Increase (decrease) in provision for bonuses	(7,231)	6,180
Increase (decrease) in provision for repairs on whole-building leases	17,130	17,916
Increase (decrease) in net defined benefit liability	1,826	1,178
Interest and dividend income	(705)	(575)
Interest expenses	210	290
Loss (gain) on sales of short-term and long-term investment securities	(952)	(744)
Loss (gain) on valuation of investment securities	118	—
Share of (profit) loss of entities accounted for using equity method	(829)	(307)
Decrease (increase) in notes and accounts receivable—trade	(9,132)	24,569
Decrease (increase) in costs on uncompleted construction contracts	2,045	(1,361)
Decrease (increase) in other inventories	3,083	(1,718)
Decrease (increase) in prepaid expenses	(1,030)	22
Decrease (increase) in operating loans	(34,332)	6,612
Increase (decrease) in notes and accounts payable—trade	9,074	(28,441)
Increase (decrease) in accounts payable—other	1,141	3,024
Increase (decrease) in advances received on uncompleted construction contracts	(7,882)	555
Increase (decrease) in advances received	23,704	5,298
Increase (decrease) in long-term guarantee deposits	(464)	(1,432)
Other	6,273	10,439
Subtotal	150,909	148,840
Interest and dividend income received	1,220	1,464
Interest expenses paid	(211)	(289)
Income taxes paid	(49,788)	(51,553)
Net cash provided by operating activities	102,129	98,461
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	2,000	—
Payments into time deposits	(1,002)	(12)
Proceeds from decrease in money held in trust	2,000	500
Proceeds from sales and redemption of securities	12,510	4,030
Purchase of property, plant and equipment	(19,130)	(7,563)
Purchase of intangible assets	(8,230)	(5,885)
Purchase of investment securities	(5,969)	(1,602)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(13,895)
Proceeds from sales and redemption of investment securities	1,620	1,857
Other	(2,100)	(2,169)
Net cash used in investing activities	(18,301)	(24,740)
Cash flows from financing activities		
Repayments of short-term loans payable	—	(100)
Proceeds from long-term loans payable	10,700	95,885
Repayments of long-term loans payable	(20,066)	(85,094)
Repayments of lease liabilities	(241)	(214)
Cash dividends paid	(43,620)	(37,723)
Purchase of treasury stock	(59,941)	(11,378)
Disposal of treasury stock	1,906	4,501
Dividends paid to non-controlling interests	(133)	(134)
Other	(13)	(57)
Net cash provided by (used in) financing activities	(111,410)	(34,315)
Effect of exchange rate change on cash and cash equivalents	(130)	(547)
Net increase (decrease) in cash and cash equivalents	(27,711)	38,857
Cash and cash equivalents at beginning of period	187,614	159,902
Cash and cash equivalents at end of period	159,902	198,760

Corporate Information

Outline (As of March 31, 2021)

Company Name: **Daito Trust Construction Co., Ltd.**

Head Office: 2-16-1, Konan, Minato-ku, Tokyo 108-8211, Japan

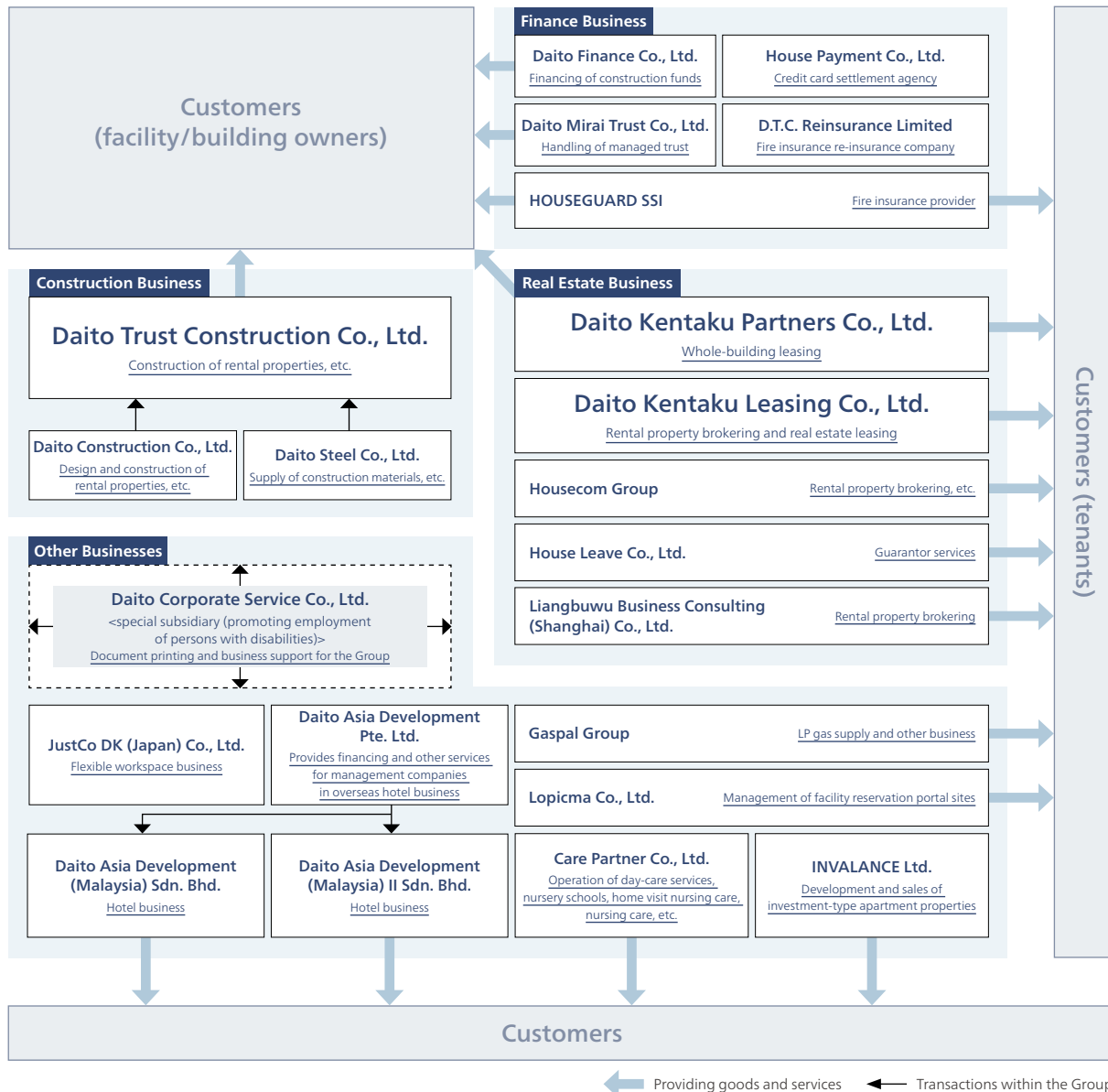
Established: June 20, 1974

Capital: ¥29,060 million

Number of

Employees: 17,422 (consolidated basis)

Main Group Companies



Introduction to the 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

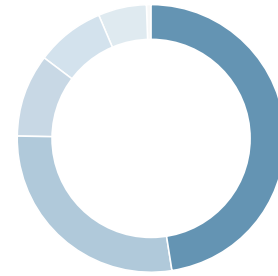
The latest IR information, including monthly reports and financial summaries.

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

Stock Data (As of March 31, 2021)

Fiscal year	April 1 to March 31
Number of shares authorized	329,541,100 shares
Number of shares outstanding	68,918,979 shares
Shareholders	19,628
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//ir/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, 2021)

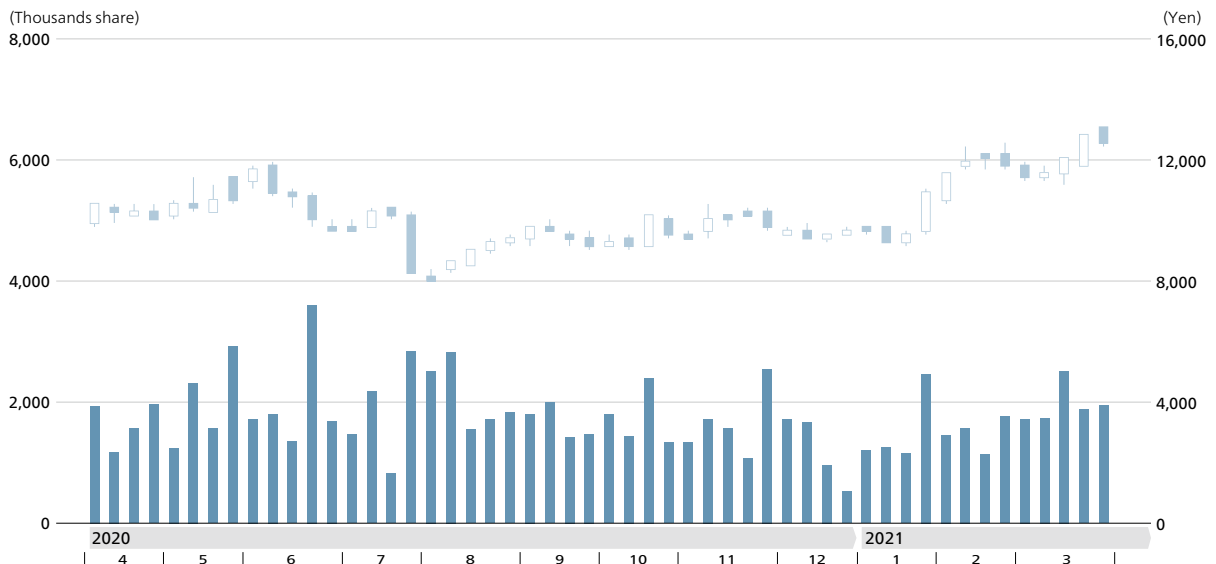


Overseas corporations	32,858,097 (47.68%)
Financial institutions	19,171,297 (27.82%)
Individuals and others	6,922,404 (10.04%)
Domestic corporations	5,739,927 (8.33%)
Financial instruments firms	4,171,850 (6.05%)
Treasury stock	55,404 (0.08%)

Largest Shareholders (As of March 31, 2021)

Shareholders	Number of shares (thousand)	Percentage held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,755	8.36
SSBTC Client Omnibus Account	4,560	6.62
Custody Bank of Japan, Ltd. (Trust account)	3,851	5.59
Hikari Tsushin, Inc.	1,626	2.36
Sumitomo Realty & Development Co., Ltd.	1,606	2.33
Daito Kentaku Partners Stockholding Association	1,588	2.31
STATE STREET BANK WEST CLIENT-TREATY 505234	1,109	1.61
Daito Trust Construction Employees Shareholding Association	1,056	1.53
Custody Bank of Japan, Ltd. (Trust account 5)	1,050	1.52
Custody Bank of Japan, Ltd. (Trust account 7)	1,023	1.49

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