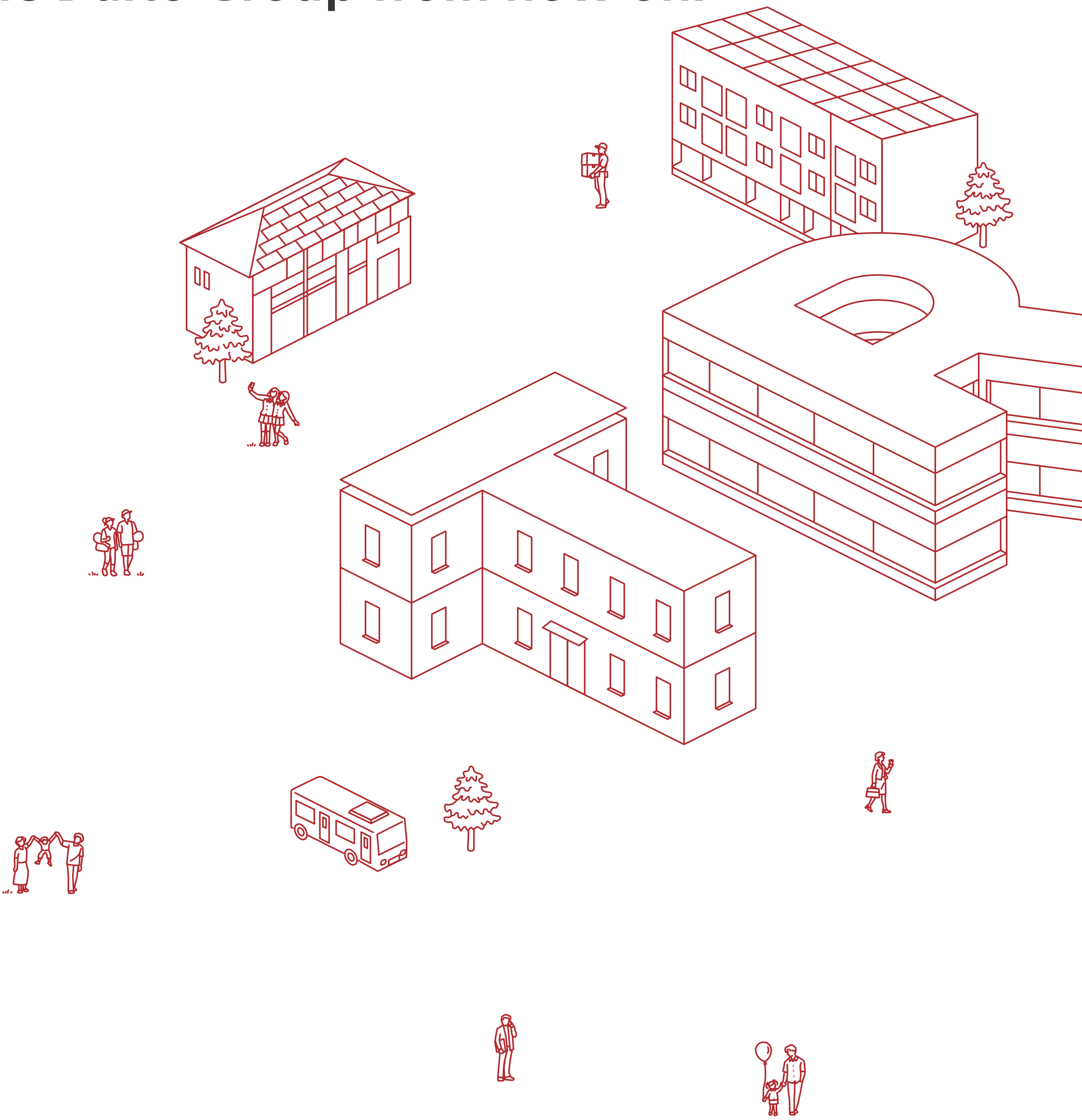
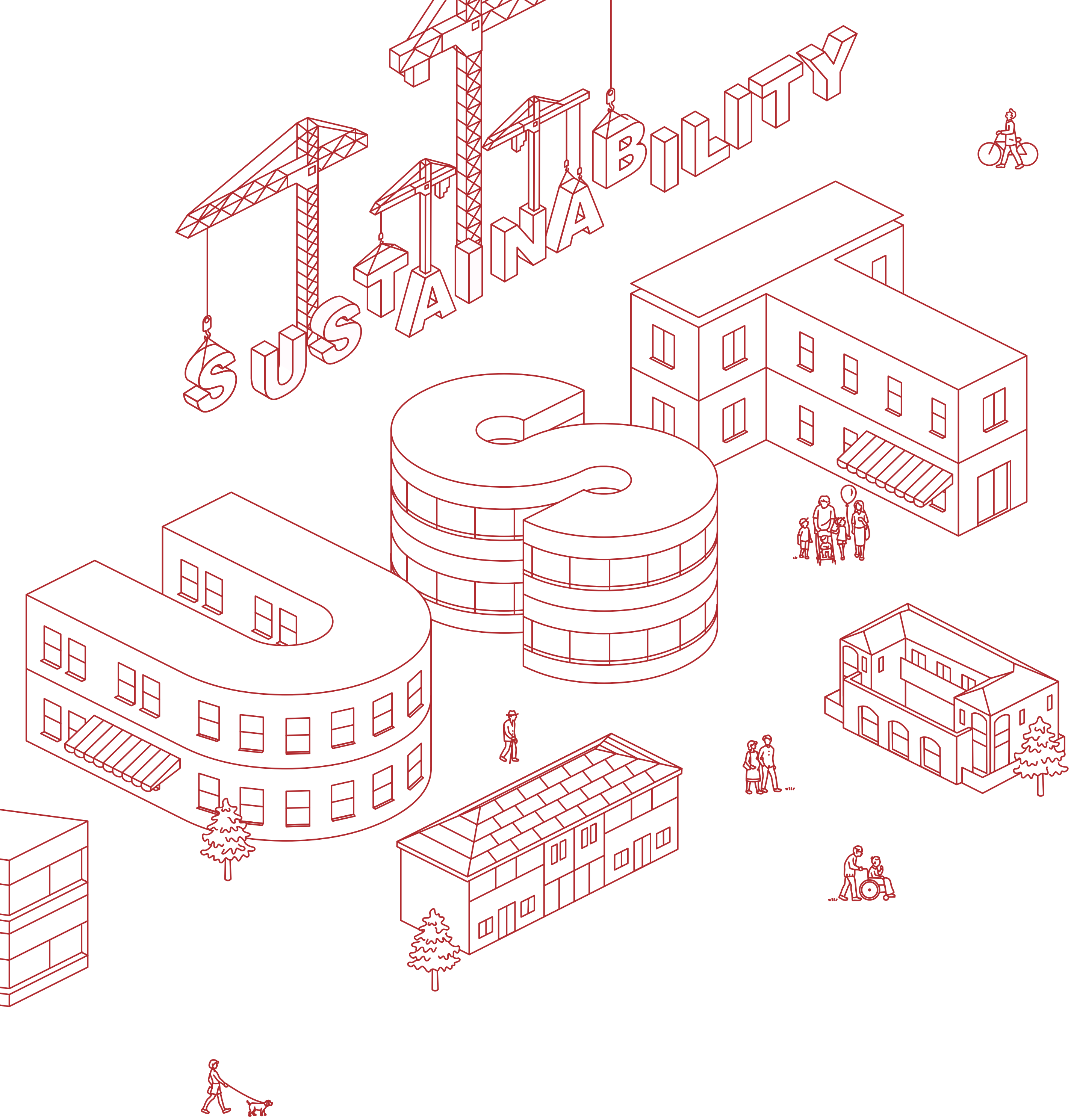
Life is Built on Trust.

Integrated Report 2022

DAITO TRUST
CONSTRUCTION CO., LTD.

Entrusted with society.
Entrusted with the future.
The Daito Group from now on.





We have declared that we will embed the perspective of sustainability as the core of our management and business activities.

We are also aiming to continue to be a company that is widely entrusted with the dreams and futures of our stakeholders.

Possessing the capabilities to put this into practice, the entire Daito Group is now moving forward to steadily bring this commitment to fruition.

Entrusted with the dreams and futures of our stakeholders, our employees and the Company will together embark on the journey to remain a company that can continue to grow.

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."

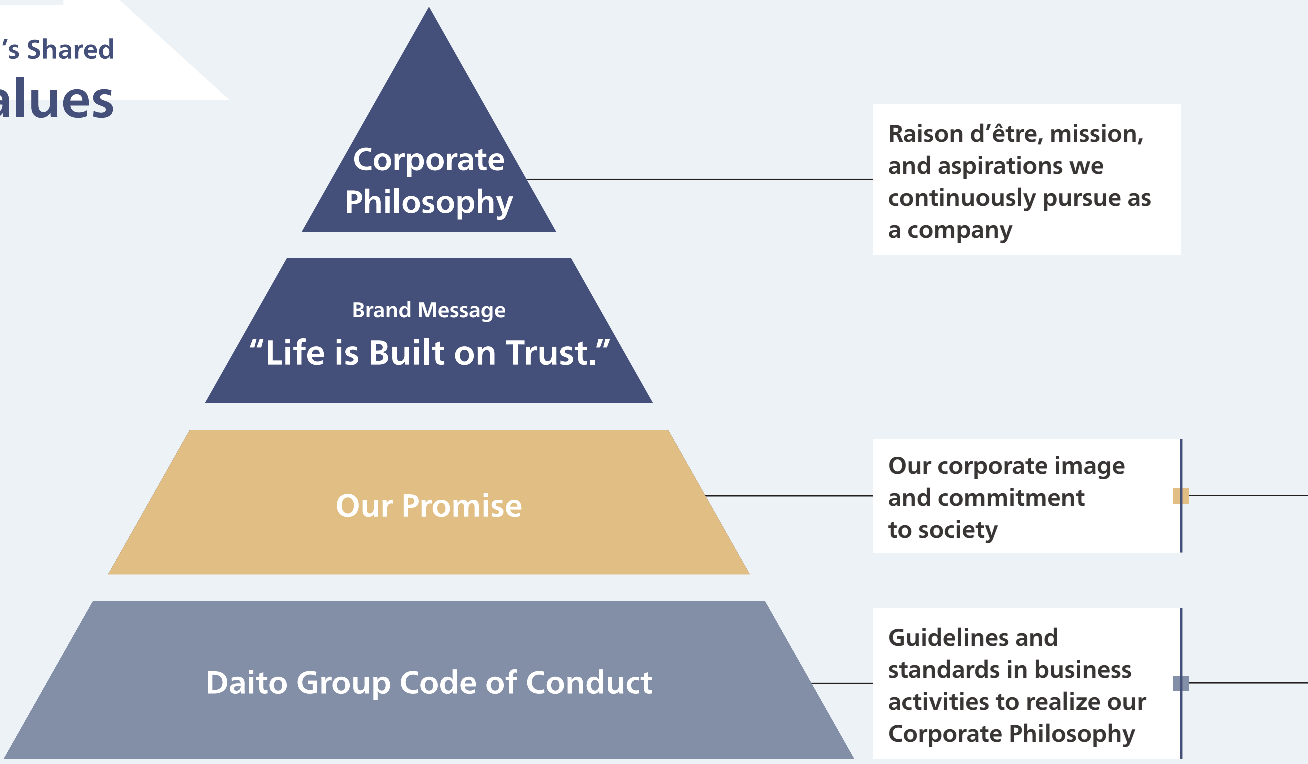
Brand Message

"Life is Built on Trust."

Daito Group Basic Policy on Sustainability

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

Daito Group's Shared Values



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 FY2021. Other figures are accurate as of March 31, 2022.

Report period
The fiscal year ended March 31, 2022 (FY2021)
Note: Including some initiatives through to October 2022

Issued
Japanese version: November 2022
English version: December 2022

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.

CEO Message

Practicing sustainability, diversity, and integrity as the foundation of management, working toward continuing to be a company that is entrusted with the dreams and futures of its many stakeholders and is capable of continuous growth

In an external environment that has been constantly changing, including the spread of COVID-19 infections, soaring material prices, and rising interest rates, I recognize that presenting a vision from a long-term perspective is essential for Daito Trust, which advocates sustainability management.
In this integrated report, I would like to discuss the Company's current position, the landing point forecasts of our New Five-Year Plan, and our direction for the future.

President and Representative Director (CEO)
KOBAYASHI Katsuma
小林克満

Upon Completing the Third Year of New Five-Year Plan

Environmental Changes and Results to Date

In FY2019, the Daito Group formulated its New Five-Year Plan, a medium-term management plan designed to capitalize on the social changes our business is facing while aiming to secure further business opportunities. FY2022 marks the fourth year, but a series of events has happened over the past three years that could not be foreseen at the time the New Five-Year Plan was formulated. These events include stricter lending conditions in FY2019, the spread of COVID-19 infections from FY2020, and the soaring prices of imported materials due to tight demand, the so-called "wood shock," in FY2021.

In particular, the Construction business continued to suffer from sluggish performance, but signs of a recovery were at long last being seen in FY2021, and a start toward a V-shaped recovery in performance made. We believe the efforts made in our proactive approach to new business styles during the COVID-19 pandemic, such as remote sales activities and sales channel expansion, are starting to show in the results. In the meantime, although the flow of people was suppressed due to the COVID-19 pandemic, the Real Estate business performed well, achieving record-high occupancy and operating rates due to the effects of fewer people moving out.

Strengths and Challenges Revealed by the COVID-19 Pandemic

During these last two years of the COVID-19 pandemic, I have once again come to recognize that our strengths can become our weaknesses. Daito Trust had long been praised by people outside the Company for its strength in sales and its resilience in being largely unaffected by changes in the business environment. I think this came as a result of having cultivated flow through the direct sales method of visiting customers in person, revealing latent demand, and that demand leading to contracts. Because of this, one of our strengths has been that we developed our own customers and markets, and as a result were not easily susceptible to economic trends. Due to the COVID-19 pandemic, however, we were obviously faced with the situation of being unable to make contact with people, so what we had thought to be one of our strengths had become a weakness. It is often said that the COVID-19 pandemic hastened work style reforms and digitalization by 10 to 20 years. Similarly, if we do not evolve our acclaimed sales style in recognition of this 10- to 20-year advance in the external environment, we may find that we are no longer accepted by society at large. Therefore, I regard the COVID-19 pandemic as a medium- to long-term, rather than temporary, issue for the Company. Toward building a new sales style that leverages the strengths cultivated by direct sales, we are facing the challenges of a variety of sales methods, such as remote, automated, and non-contact. Against this backdrop, since FY2021, we have been trying to diversify sales channels such as the Internet and working to rebuild our sales

structure. Also, we newly established a Digital Marketing Promotion Department to conduct inside sales. The department is examining and testing methods that combine inside sales that utilize IT and face-to-face sales while searching for a form that takes advantage of the strengths of our previous direct sales.

In contrast, I felt during the COVID-19 pandemic that the Group's business model was our strength. Our core businesses are the Construction business and the Real Estate business in the rental housing sector. Our business structure generates earnings from two sources. In the Construction business, we are in charge of everything from contract to completion, and earnings are derived from the amount of construction completed. In the Real Estate business, earnings are generated from whole-building leases and tenant recruitment as well as from the management and operation of the completed rental housing.

Especially in FY2021, the contribution of the recurring revenue business, which was greater than the recovery of the Construction business, by means of a business model that enables growth through cooperation between the Construction business and the Real Estate business. Since completed rental housing accumulates and increases, the current driving force behind the Group's growth is the Construction business' portfolio of contract agreements, which are said to be its engine. Recognizing that the early recovery of the Construction business is the important issue on which we should be focusing for the sake of the Group's growth, as part of that I think it is a very good sign that the number of construction contracts is recovering.

In the medium- to long-term, however, it is being said that the market for new rental housing in Japan is on a downward trend. Because of such market forecasts, it would be difficult to envision a scenario in which the existing core businesses alone could achieve sustainable growth. As adopted in the New Five-Year Plan, we will be expanding the sectors to not only operate our core business—the Construction and Real Estate businesses in the rental housing sector—but also a Comprehensive Leasing business in the years to come. At the same time, as we make progress toward becoming a total lifestyle support company, I believe that growth will become even more rock-solid and have again become strongly aware of this during the two years of the COVID-19 pandemic.

"Our stance remains that of expanding business domains into the Comprehensive Leasing business and ultimately aiming to become a total lifestyle support company.

The Second Half and Goals of the New Five-Year Plan

Continuing to Face Challenges in a Harsh Environment

Under the New Five-Year Plan, we initially set as targets net sales of ¥2,200 billion and operating income of ¥180 billion in FY2023.

These targets were very challenging, but I have been working toward achieving them. However, as I mentioned at the beginning, there have been significant headwinds brought about by external factors, and after three years it could not be said that it was all smooth sailing for either our existing or our new businesses. As we entered the fourth year, on the basis of the contract performance of FY2021 we thought that it would be extremely difficult to achieve the performance targets for FY2023 that we had initially envisioned. Judging that proceeding with the New Five-Year Plan while maintaining our originally adopted targets would be neither honest nor sincere, we reviewed the targets from the perspective of how far we would be able to take on challenges by FY2023. We revised our targets to set a new profit record and achieve net sales of ¥1,750 billion or more and operating income of ¥130 billion.

The idea behind the New Five-Year Plan is to expand our business domains to cover not only rental housing but also the non-residential sector, including the Comprehensive Leasing business. Ultimately, there is no change in our stance and desire of aiming to become a total lifestyle support company that utilizes the Group's stock and resources.

Amid a market for new rental housing that is not expected to expand in the future, we will expand our business domain, which has been so far exclusively in rental housing, develop new businesses, each one of which each can remain independent, while also heightening the Group's ability to move forward as one.

Previously, the main method to increase the number of properties under management in the rental housing field was by building new buildings. However, we are now starting a new renovation sales business and a business that utilizes existing real estate in which the Group buys land, builds rental buildings, and sells them to funds and real estate companies. At the same time, we are focusing on the area of real estate distribution development sales for the development of non-residential fields, such as commercial facilities and offices. This is a growth area for the Company, one that was expected to reach sales of around ¥14 billion in FY2021 and is expected to continue growing in the years to come. In addition, when there is a change of owner—for example, when there has been a request to sell the property—this previously directly led to a simple decrease in the management stock. To secure management buildings and future rebuilding, we have also launched a rental building sales business from the perspective of continuing to provide solid support as a service of our Group. We also have high expectations for "ruum," an online rental housing lifestyle platform mobile app launched by Daito Kentaku Partners Co., Ltd. in November 2021, as a mechanism that will become a new engine in the years ahead. Customers who live in buildings managed by Daito Kentaku Partners become members and are provided with, for example, a variety of information and services associated with rental occupancy, subscriptions and coupons. As this provides useful information for their everyday lives, over 900,000 people had already become members as of the end of September 2022. About 300,000 new households move into buildings managed by Daito Kentaku Partners each year. In addition, the number of members is expected to increase steadily because ruum is a system that can be used continuously even after moving out. In this way, we will develop new businesses in various fields, and I would like to further increase synergies with existing businesses by adding new engines that drive our Group.

"In carrying out sustainability management, we are advancing the formulation of Vision 2030 that addresses our corporate activities from a long-term perspective.

Beyond the New Five-Year Plan, toward Our Vision 2030

My Three Focus Themes

There are three themes that I consider important in corporate management and for individuals performing tasks: sustainability, diversity, and integrity.
In the rental housing business, it is necessary to consider a variety of sustainability perspectives, such as performance and specifications that address carbon neutrality, and the use of materials that are environmentally friendly and show that we have been mindful of human rights' issues. At the same time, it is as essential as ever for owners' rental housing businesses themselves to establish safe, secure, and stable management over the long term. I believe we can only be said to be a sustainable business when both of these aspects are achieved.
Diversity poses a variety of challenges, such as the advancement of female employees and the diversification of human resources. As the Daito Group, it is vital to create companies in which everyone can work in a pleasant environment and find their work satisfying, and I would like to pursue this goal. Rather than forcing people to work hard to produce results, I have a fervent desire for Daito Trust to become and remain a company that can produce continuous results based on the major premise that they feel enthusiastic about their work.
I believe that integrity, a word that incorporates "honesty" and "sincerity" in its meaning, is the most important concept in corporate management. I would like to instill the importance of doing the right thing—not under duress but voluntarily, even when no one else is watching—in not only words but also by being aware and through action.

Sustainability Management Gaining Pace

Socially, awareness of sustainability is growing, and I believe the time will come when companies that are unable to fulfill their responsibilities to sustainability will cease to exist. Because of this, I recognize that we must promote business activities and corporate management based on such a viewpoint.
Knowing this, I regard sustainability as pivotal to management and am promoting initiatives throughout the Group. In October 2021, we identified the Seven Material Issues that will form the core of the Daito Group's sustainability management. Since April 2022, while sorting out and reviewing specific implementation measures to achieve the material issues, we have been at

the stage where KPIs are being set and operations actually carried out.

I believe the important thing in managing materiality is whether the initiatives are in line with business activities. The Seven Material Issues have been established with an eye to future business domains, and I expect that new challenges will continue to emerge as time passes.

Review of Long-Term Management Vision

In promoting sustainability management, we are formulating Vision 2030, looking beyond the New Five-Year Plan, to view corporate activities from a more long-term perspective. In the Group's rental housing business, our mission is to provide long-term security, safety, and stable management, and its position as the Group's core business will remain unchanged going forward. As a total lifestyle support company, however, I would like to consider what kind of new value we can provide to owners, tenants, and local communities in 2030, and beyond that into 2040 and 2050. Under the New Five-Year Plan, I have been proceeding with the desire to open up new business domains and to create a climate that encourages facing up to challenges. However, to expand our business domains and achieve sustainable growth, I would also like to reconsider our purpose and create a vision that is unique to our Company.

What I Can Leave Behind for the Future

Daito Trust Construction: A Company that Can Grow Sustainably, Entrusted with the Dreams and Futures of Its Stakeholders

After I took office as president, Daito Trust adopted the New Five-Year Plan and aimed to become a total lifestyle support company that creates a wide range of initiatives, such as peripheral businesses and new businesses, from the single business model of its rental housing business. By FY2023, the final year of the New Five-Year Plan, I would like to feel that these reforms have been realized. I would also like to achieve a sense of direction beyond that, toward 2030. At the same time, as we set a new goal of achieving record-high performance in FY2023 in the revision to this plan, I would like to get closer to achieving that performance and bring to fruition a growth trajectory, including new businesses.

Up to now, the Daito Group has been working to provide new value to our owners and tenants through its support for rental housing management. Throughout these changes in the times and society, no matter what the difficulties, we have been committed to overcoming these challenges and to providing long-term safe, secure, and stable management for the leasing business. In the years to come, we will continue to put into practice "sustainability," "diversity," and "integrity" as the core of our management. We will also aim to continue to be a company that can grow sustainably, entrusted with dreams and the future by all of our stakeholders, while striving to resolve social issues.

Our Sustainable Value Creation Story

Our Value

Contents

Toward the realization of a total lifestyle support company and continuous improvements in corporate value through sustainability management

Since its founding, the Daito Group has turned many difficulties into opportunities, flexibly responded to changes in the times and society, and achieved continuous growth by firmly adhering to its Customer-First Principle. We are currently responding to changes in the external environment, such as stricter lending conditions, the COVID-19 pandemic, and soaring prices of imported materials due to wood shock. At the same time, we are evolving from a rental housing business to become a total lifestyle support company centered on our Comprehensive Leasing business, and are transitioning to business activities from a long-term perspective through sustainability management. In this chapter, the long-term direction of the Daito Group will be explained.

Path to Earning Trust and Growth

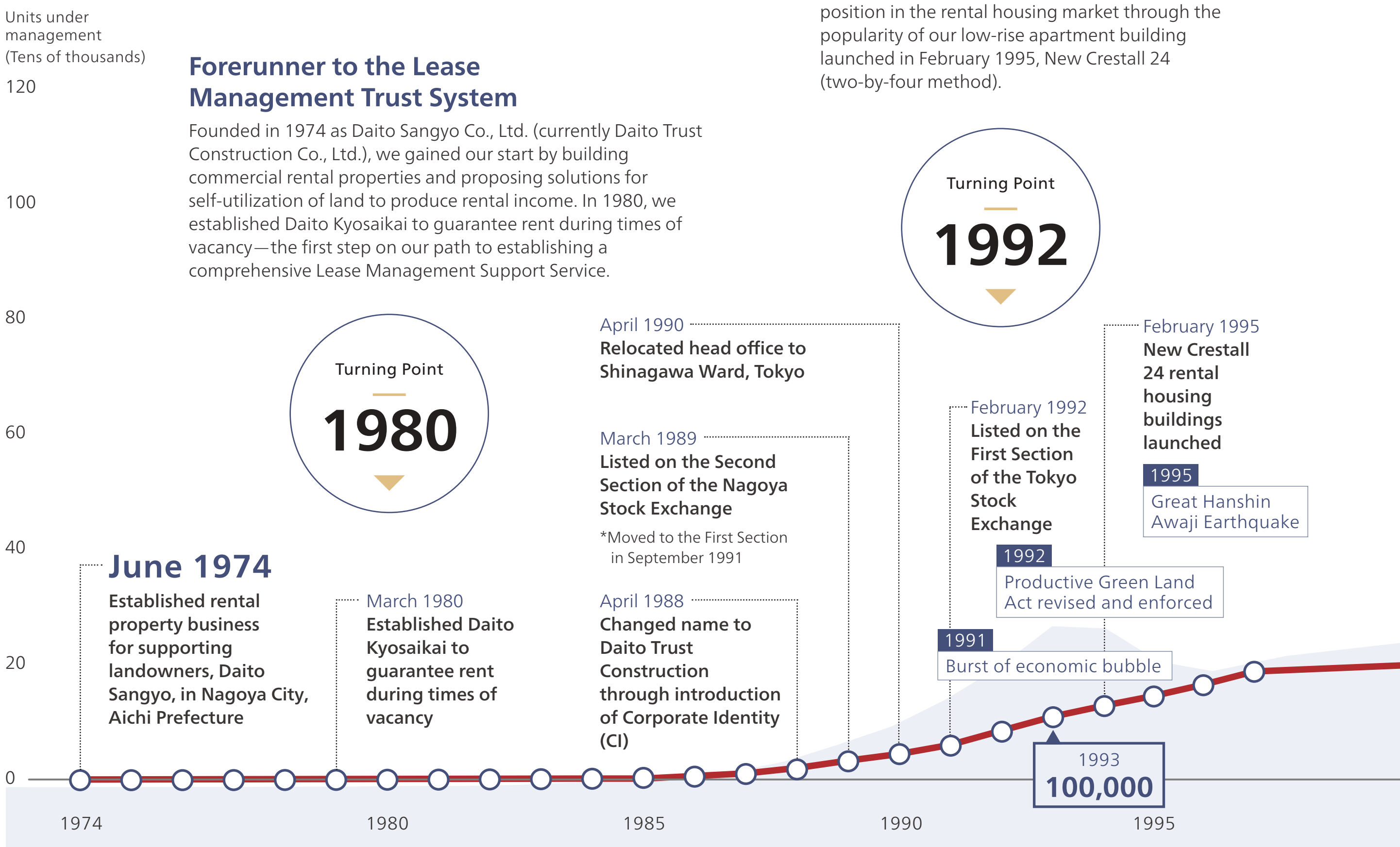
The Daito Group is not merely a construction company. We support our owner's varied concerns related to the use of valuable land and asset succession through reliable, secure, and stable management support of the rental housing business that suits the changing times. By deepening trust with owners and 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).

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.



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%

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. 31

Turning Point

2019

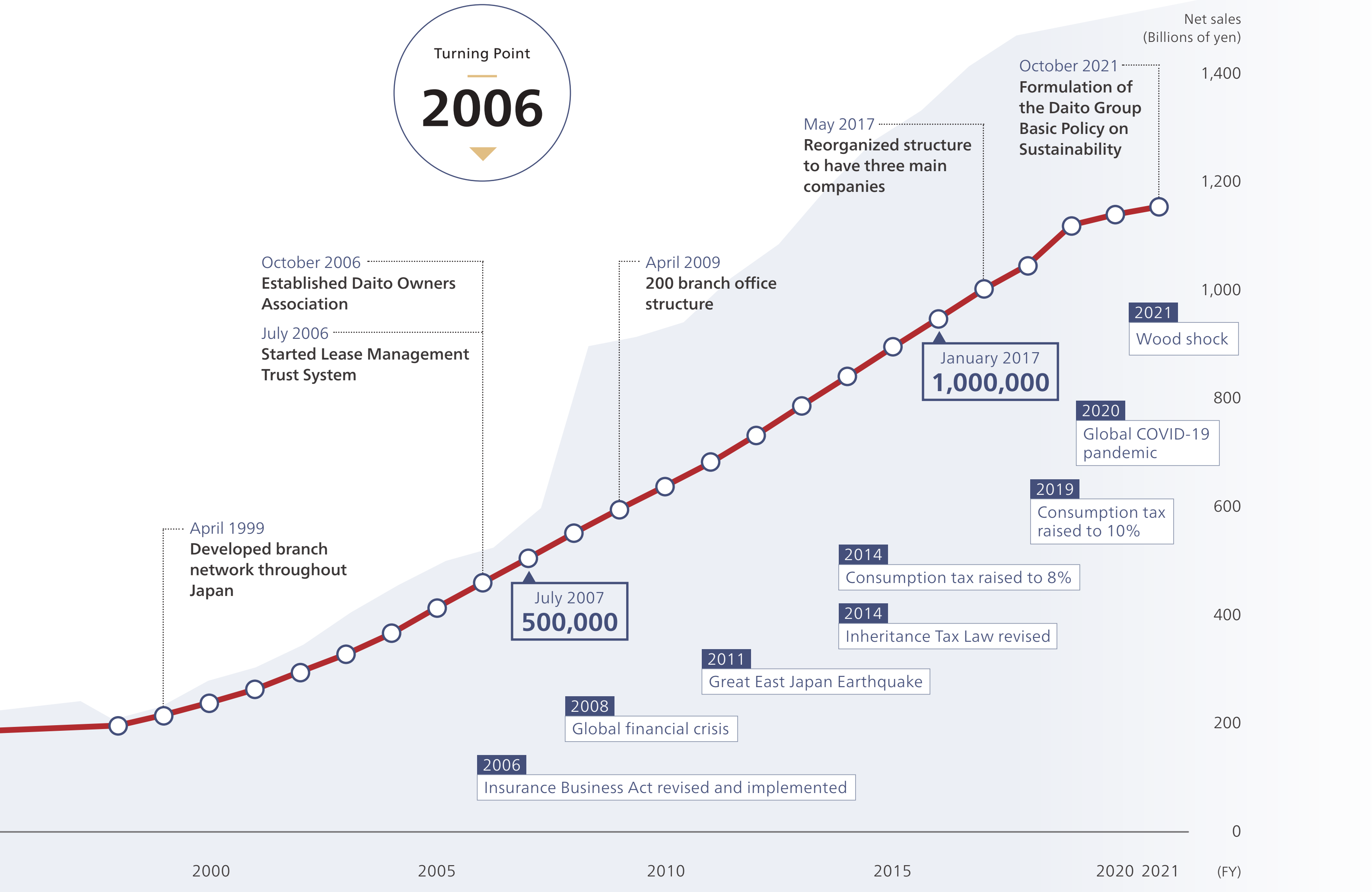
Start of the Lease Management Trust System

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. 17

Turning Point

2006



FY2006	FY2019	FY2021
¥564.3 billion	¥1,586.2 billion	¥1,583.0 billion
¥72.6 billion	¥127.9 billion	¥99.5 billion
¥41.8 billion	¥90.3 billion	¥69.5 billion
¥274.6 billion	¥286.5 billion	¥366.8 billion
16.2%	30.6%	20.1%
¥345	¥1,306	¥1,021
493,829 units	1,165,000 units	1,231,000 units
27.2%	50.0%	50.0%

Financial Highlights

	Unit	FY2010	FY2011	FY2012	FY2013	FY2014
Operating results						
Net sales	Billions of yen	1,001.1	1,087.1	1,152.4	1,259.6	1,353.1
Construction business	Billions of yen	430.2	468.6	489.5	545.3	589.1
Real Estate business	Billions of yen	545.2	589.9	630.4	677.6	723.8
Other businesses	Billions of yen	25.6	28.5	32.4	36.6	40.1
Gross profit	Billions of yen	195.3	214.1	218.4	233.0	238.9
Construction business	Billions of yen	167.0	175.1	172.1	175.2	172.5
Real Estate business	Billions of yen	19.2	29.2	35.3	45.3	52.2
Other businesses	Billions of yen	9.0	9.7	10.9	12.4	14.1
Operating income	Billions of yen	73.7	81.9	82.4	89.7	91.5
Operating income margin	%	7.4	7.5	7.2	7.1	6.8
Profit attributable to owners of the parent	Billions of yen	43.1	47.1	51.6	55.2	56.1
Financial position						
Owner's equity	Billions of yen	131.1	158.3	191.2	224.8	240.5
Equity ratio	%	24.6	27.8	31.0	32.9	34.3
ROE	%	19.5	32.5	29.6	26.6	24.1
Shareholder return						
EPS	Yen	384	594	648	693	710
Cash dividends per share	Yen	229	297	324	347	375
Payout ratio	%	59.6	50.0	50.0	50.0	52.8
Total return ratio (including treasury stock acquisition)	%	526.0	50.0	50.0	80.0	82.8
Indicators related to the Construction business						
Value of orders received	Billions of yen	503.4	611.7	655.1	625.8	660.4
Number of construction sales representatives	People	2,981	3,222	3,204	3,325	3,247
Net income of completed construction contracts*	Billions of yen	430.2	468.6	489.5	545.3	589.1
Gross profit margin for completed projects	%	38.8	37.4	35.2	32.1	29.3
Indicators related to the Real Estate business						
Number of tenant recruitments	Thousands	204	214	220	241	253
Rental housing units under management	Thousands	645	694	747	805	864
Rent-based occupancy rate (March)	%	96.0	96.8	96.7	96.9	96.7
Cash flows						
Net cash provided by operating activities	Billions of yen	60.7	77.8	87.8	83.8	59.4
Net cash (used in) provided by investing activities	Billions of yen	49.9	(11.3)	(10.3)	(59.4)	0.9
Net cash used in financing activities	Billions of yen	(94.9)	(29.4)	(36.2)	(39.1)	(60.8)
Cash and cash equivalents at end of period	Billions of yen	184.8	221.0	264.1	253.2	255.5

*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.

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	**FY2021**	Year-on-year change (FY2020/FY2021)	FY2022 (Plan)
1,411.6	1,497.1	1,557.0	1,591.1	1,586.2	1,488.9	**1,583.0**	106.3%	1,645.0
595.3	623.9	627.6	609.7	551.1	401.7	**432.8**	107.7%	445.0
774.8	824.6	871.3	924.1	973.6	1,014.2	**1,064.2**	104.9%	1,105.0
41.4	48.5	57.9	57.2	61.4	72.9	**85.9**	117.8%	95.0
254.4	285.5	297.0	296.0	282.4	238.8	**260.1**	108.9%	259.0
176.2	197.6	197.5	183.7	159.1	104.4	**106.9**	102.4%	94.0
62.6	72.7	79.0	88.9	98.7	109.0	**124.0**	113.8%	133.0
15.5	15.2	20.4	23.3	24.6	25.3	**29.0**	114.9%	32.0
101.0	120.1	126.3	127.0	127.9	86.7	**99.5**	114.8%	100.0
7.2	8.0	8.1	8.0	8.1	5.8	**6.3**	+0.5p	6.1
67.2	82.1	87.8	89.9	90.3	62.2	**69.5**	111.7%	70.0
250.1	276.0	299.8	303.8	286.5	310.2	**366.8**	118.3%	—
34.3	35.3	35.6	35.3	32.5	33.7	**36.5**	+2.8p	—
27.4	31.2	30.5	29.8	30.6	20.9	**20.1**	–0.8p	18.3
863	1,072	1,165	1,212	1,306	909	**1,021**	112.3%	1,023
432	536	583	606	653	455	**511**	112.3%	514
50.1	50.0	50.0	50.0	50.0	50.0	**50.0**	±0.0p	50.0
80.1	80.0	80.0	95.5	115.7	50.0	**50.0**	±0.0p	50.0
693.0	655.2	651.0	635.2	519.2	358.8	**420.7**	117.3%	520.0
3,420	3,383	3,313	3,291	3,140	2,813	**2,720**	96.7%	3,000
595.3	623.9	627.6	609.7	551.1	401.7	**432.8**	107.7%	445.0
29.6	31.7	31.5	30.1	28.9	26.0	**24.7**	–1.3p	21.1
267	281	296	323	334	337	**342**	101.5%	350
923	978	1,036	1,086	1,130	1,169	**1,197**	102.4%	1,228
96.8	96.9	97.2	97.4	97.2	97.8	**98.1**	+0.3p	98.1
78.8	124.0	62.5	71.9	102.1	98.4	**112.4**		
(93.5)	(33.4)	(22.9)	0.082	(18.3)	(24.7)	**(19.5)**		
(57.9)	(72.2)	(25.3)	(97.6)	(111.4)	(34.3)	**(34.0)**		
182.6	200.1	213.7	187.6	159.9	198.7	**258.8**		

CAGR (10-year period from FY2011 to FY2021)					
Net sales	3.83%	EPS	5.57%	Number of tenant recruitments	4.80%
Operating income	1.97%	Number of construction sales rep.	–1.68%	Rental housing units under management	5.60%

Our Current Value Creation Cycle

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.

Social Issues the Daito Group Should Address 01

Issues and background related to society

- Population and household numbers in decline
- Progression of an aging society and increase in number of active seniors
- Increase in single-person and dual-income households

Issues and background related to markets

- Increase number of rental housing residents
- Increase number of older rental houses
- Revision of the Inheritance Tax Law

Issues and background related to property owners

- 40% of inherited assets are real estate
- Increase in rental housing management consignment

Incorporation of issues

Contributes to resolving issues

Strengthens the mechanism

Value for our owners

Value for our tenants

Value for our business partners

Value for our communities

Secured Value (Accumulate Trust)

Daito Group's Delivered and Secured Value 04

Value Creation Mechanism

Business Model Making Social Change Our Ally

02

Lease Management Trust System

Whole-building Lease

- Lease business planning and proposals
- Design and construction
- Tenant recruitment
- Management and operation
- Responding to lease management risks
- Maximization of lease efficiency

Other Businesses

Corporate Activities that Support Our Business Model

Comprehensive Daito Group Lease Management Support Package

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

Output
delivered value

Competitive Advantage and Management Resources

03

The Building Blocks of Our Value Creation Cycle

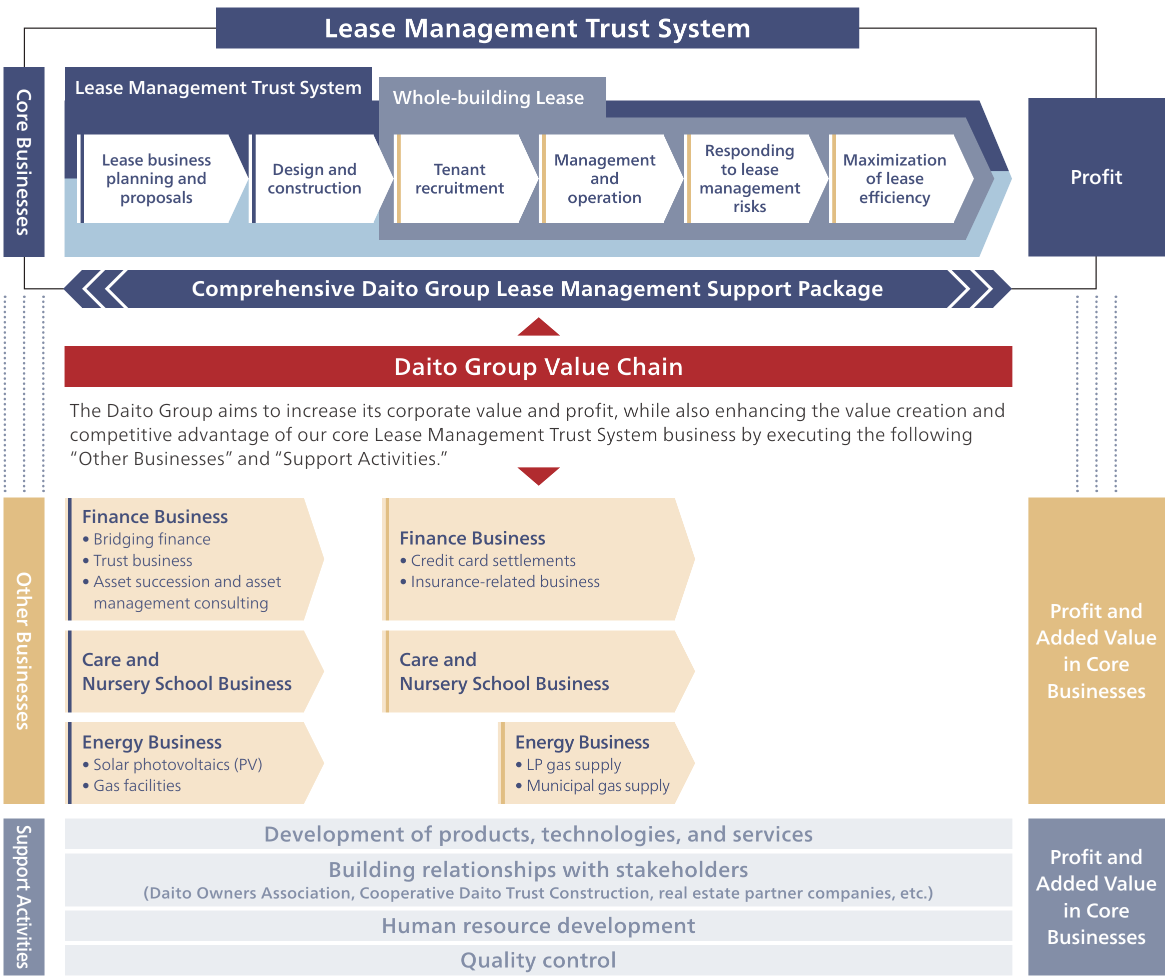
01 Social Issues the Daito Group Should Address

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.

Recognition of the External Environment and Group Responses
p.21–24



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—946 in 157 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-Heya 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 management consulting, and a guarantee service so tenants do not require a guarantor.

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 Foundation 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 recurring revenue business

Human capital: Highly specialized and diverse human resources

Production capital: Nationwide network, 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

Tenants

- Optimal dwellings suited to tenant lifestyles
- Support for comfortable living
- Safe and secure living environments

Business Partners

- Partnerships that enable both parties to coexist and thrive together
- Creation of local employment

Communities

- New standards for rental housing
- Vitalization of local economies and communities
- Environmentally friendly buildings

Owners

- Preservation and improved value of land and assets
- Highly durable and high-quality buildings
- Long-term peace of mind, safety, and stability in rental management
- Smooth asset succession

Secured Value (Accumulated Trust)

Realization of Corporate Philosophy	
Net sales:	¥1,583.0 billion
Operating income:	¥99.5 billion
Number of property owners:	89,000
Ratio of repeat contracts:	64.3%
Number of housing units supplied:	39,000
Number of rental housing brokerage (No.1 in industry for 12 consecutive years*1):	239,000
Rental housing units under management (No.1 in industry for 26 consecutive years*2):	1,202,000
Occupancy rate of rental housing units:	99.1%
Partner financial institutions:	412
Cooperating design/construction companies:	9,179
Real estate partner companies:	13,188

*1 Source: "2022 Rental Housing Unit Brokerage Ranking of 404 Companies" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results for October 2020 to the end of September 2021 announced on January 3, 2022)

*2 Source: "2022 Rental Housing Management Rankings of 1,083 Companies" announced by *Zenkoku Chintai Jutaku Shimbun* weekly newspaper. (Results for FY2021 announced on August 15, 2022)

Recognition of the External Environment and Group Responses

01 Social Background

Population/household trends

- 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

Labor force

- Decrease in working-age population
- Tightening regulations on labor standards
- Promotion of diversity
- Automation, optimization, mechanization
- Increase of foreign workers

Housing

- Increasing lifespan of housing
- Declining desire of people to own homes
- Rising prices of construction materials

Consumer awareness/lifestyles

- 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

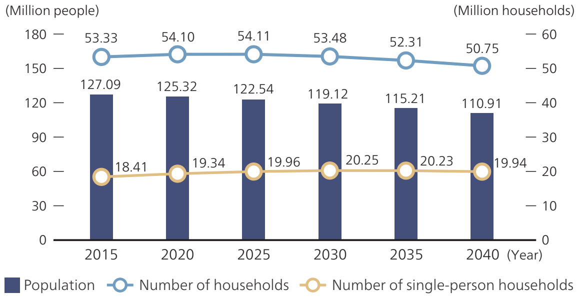
Laws and regulations

- 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)

Environment

- Climate change

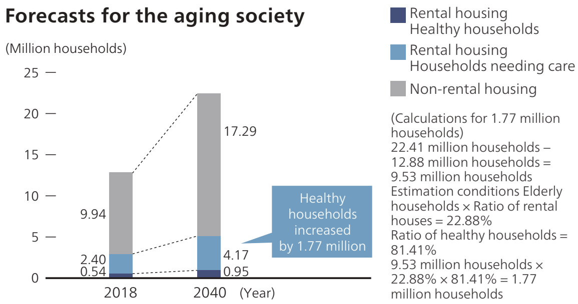
Forecasts for population and household trends



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.

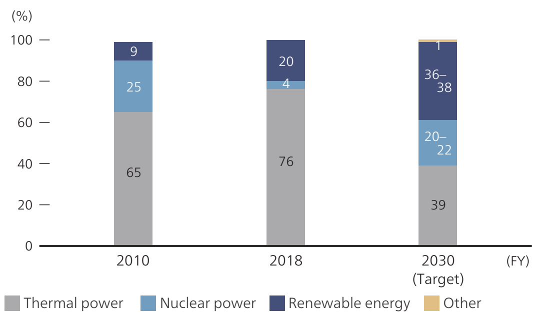
Forecasts for the aging society



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 22.41 million by 2040 compared to 2015, the Daito Group estimates that 81% of these elderly households will be households of active seniors.

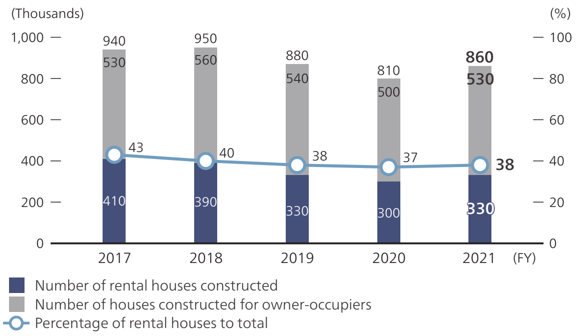
Renewable energy adoption



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) "Future Renewable Energy Policy" (April 2022)

The current rate of adoption of renewable energies in Japan is 20%, as of FY2020. The government has set a target of raising this to 36–38% by 2030.

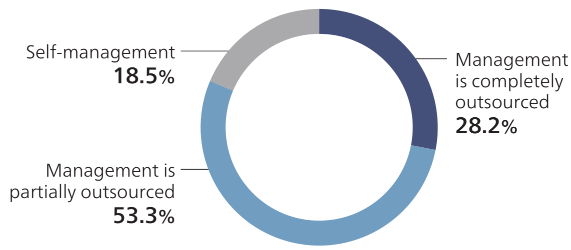
Number of housing starts



Source: "Survey on Building Construction," Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (March 2022)

The total number of new housing starts in the fiscal year ended March 31, 2022 was 865,000, of which 38.2% (or 331,000) were rental houses. The number of rental housing unit starts remained stable after the Lehman Crisis, however, in the fiscal year ended March 31, 2022, it increased 6.6% year on year.

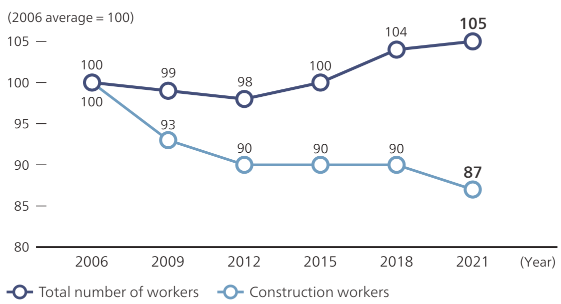
Management of rental housing units (excluding subleases)



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.

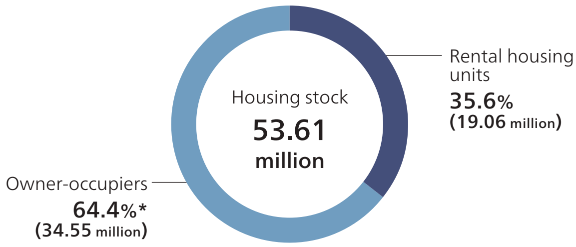
Number of construction workers



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.

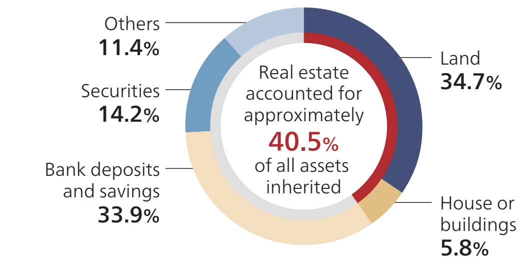
Percentage of rental housing units



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).

Inheritance tax: breakdown of assets inherited



Source: "National Tax Agency Report" (2020), National Tax Agency (Japan)

Real estate accounted for approximately 40.5% of all inherited assets, while the majority of inheritance and succession planning measures involve the utilization and succession of real estate.

Tightening regulations on subleasing

Against the backdrop of more and more owners choosing to outsource rental management to management and subleasing business operators, there has been an increase in recent years of problems arising from inadequate explanations provided during contract negotiations. This led to the Law on the Normalization of Rental Housing Management Services (New Subleasing Regulation Law) which came into force in December 2020. We believe the New Subleasing Regulation Law will have a major impact on the Group, which positions land use and rental management using the subleasing method as a core business.

Wood shock

"Wood shock" became an issue in Japan from around March 2021. The prices for lumber materials (for use in laminated timber) are particularly high, and because approximately 70% of lumber materials in Japan consists of imported timber, this affects business operators and consumers. The soaring prices of imported timber are having a major impact on the Group's business of supplying wooden housing.

03 Risks and Opportunities Based on the Social Situation and Market Environment

By analyzing the social background and market environment (p.21–22) that may impact the Group's income, the Daito Group undertakes countermeasures, and both recognizes and evaluates impacts on the Group based on opportunity and threats.
The identification and evaluation of risks and opportunities is conducted by the Risk Management Committee, an advisory body to the Board of Directors. The risk items that may impact the Group's business are exposed and consolidated at each business unit. The Risk Management Committee then identifies and evaluates the major risk items for the probability of risk occurrence over the short, medium, or long term and scores the items based on such factors as the impact on Group business. The Board of Directors conducts further analysis and evaluation, especially in the identification of risk items to focus on due to their important financial implications or strategic effects.

Impacts on the Daito Group

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
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
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
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 Modification and revision of business content 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
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
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

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
In FY2022 and beyond, we aim for more effective implementation of material issues and discussion of the establishment of KPIs to measure progress

Management Material Issues	Environment	Society	Talent/ organization	Corporate governance
Business Material Issues	Land/assets	Rental housing	Living/lifestyles	

Daito Group's Seven Material Issues p.25–28

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

Risks and Opportunities → [The Seven Material Issues ⇄ Management strategy] → Delivered value → Secured value

The Value Creation Process We Aim For p.29–30

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

Risks and Opportunities → [Strengthening the core business (rental housing) | Comprehensive Leasing business | Lifestyle Support Services business] → A total lifestyle support company

The New Five-Year Plan p.31–32
Progress and Evaluation of the New Five-Year Plan p.33–34

Daito Group's Seven Material Issues

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.

Material issues Process for Identifying

The Six Steps for Identifying Material Issues

STEP 1 Extract and categorize the current Group situation

The Group's business activities are classified into 10 categories including market environment, social background, level of importance, and strengths and weaknesses. The current internal and external situations are extracted and arranged into those categories.

STEP 2 Extract and categorize the Group's ideals

Extract and categorize "what the Group should do" and "what the Group aims for," using: (Step 1 results x social change/megatrends) and (business/resources x social change/megatrends).

STEP 3 Identify the gap between the current and the ideal situation

Extract and categorize the gap between the current situation in Step 1 and the ideals in Step 2.

STEP 4 Extract and categorize the components of the material issues

As a component of the material issues, extract and categorize "what should be done" to eliminate any gap between situation and ideals, and "what should be done" to enlarge the Group's strengths when there is no gap.

STEP 5 Evaluate the material issue components (1) Evaluate the cash flow impact

Assess the material issue components with an evaluation centered on a business strategy model that gives greater weight to components that have their implementation declared in the New Five-Year Plan or that tie directly to value creation.

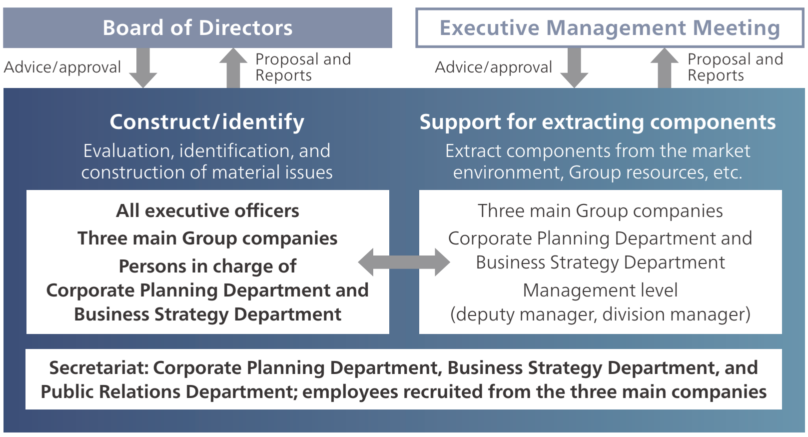
STEP 6 Evaluate the material issue components (2) Evaluate the impact on the environment and society

After taking into account outside initiatives, outside evaluations, and evaluations of various index items, extract the major ESG issues for the Group and evaluate the level of contribution toward these issues from material issue components.

Material issues Framework for Identifying

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

Material issues **Rolling Cycle**

Formation of the Sustainability Executive Planning Meeting

Based on the recognized need for a venue for cross-unit discussions and sharing regarding management and promotion of material issues, we formed the Sustainability Executive Planning Meeting in 2022. The Sustainability Executive Planning Meeting aims to increase the sustainability of the Company as well as society and considers how to respond to material issues through business activities.

POINT 01

Considering Cross-Unit Solutions under the Chairmanship of the President and Representative Director (CEO)

From the viewpoint of "What can be done at the business site?" the critically important Sustainability Executive Planning Meeting is chaired by the President and Representative Director (CEO), and its membership consists of the managers and deputy managers of relevant divisions for leading the business.

Management Material Issues

1. Environment
2. Society
3. Talent/organization
4. Corporate governance

Business Material Issues

5. Land/assets
6. Rental housing
7. Living/lifestyles

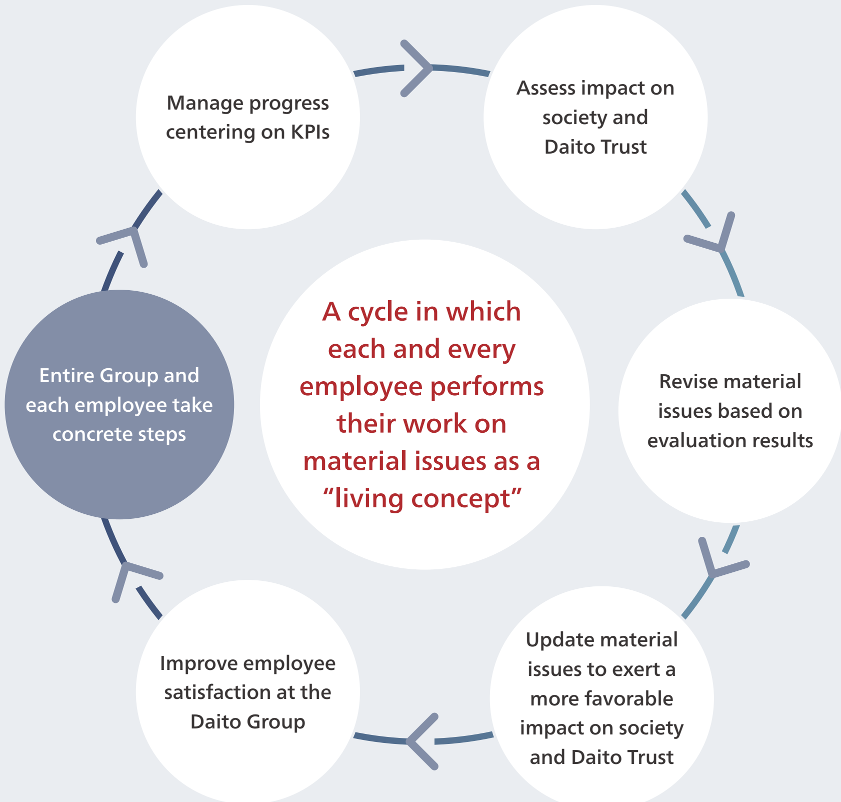
Responses to material issues through business activities

Chairman	President and Representative Director (CEO) (Senior executive responsible for promoting sustainability)
Members	(1) Daito Trust Construction Co., Ltd., Manager of Technology Development Department (2) Daito Trust Construction Co., Ltd., Deputy Manager of Human Resources Department (3) Daito Trust Construction Co., Ltd., Manager of Diversity Promotion Department (4) Daito Trust Construction Co., Ltd., Manager of Public Relations Department (5) Daito Trust Construction Co., Ltd., Manager of Construction Sales Management Department (6) Daito Trust Construction Co., Ltd., Manager of Safety Management Department (7) Daito Trust Construction Co., Ltd., Manager of Product Development Department (8) Daito Kentaku Partners Co., Ltd., Manager of Management and Construction Department (9) Daito Kentaku Leasing Co., Ltd., Manager of Corporate Management Department
Secretariat	Corporate Planning Department, Sustainability Promotion Section

POINT 02

Constant Review of Making Our Materiality a "Living Concept"

In order to set a material issue as a "living concept" and create an established practice toward it before it is fully formed into a current material issue, it is essential to give the issue a careful examination, while at the same time making improvements and pursuing initiatives that pave the way to sustainability within the Company and in society. In the future, individual employees will comprehend the material issues so that concrete steps can be implemented, and measures are promoted for the achievement of the issues.



POINT 03

A Road Map for Our Material Issues

The Group identified seven material issues in 2021, and from FY2022 it set KPIs for each issue and started to examine concrete initiatives. Looking ahead, we will proceed toward the achieving our material issues at the entire Group from both management and execution.

FY2020–

Identification of material issues

- Formed a project team led by executive officers
- Determined the Seven Material Issues and their component facts in October 2021

FY2021–

Directional analysis phase

- For execution, set up the Sustainability Executive Planning Meeting to provide detailed examinations
- Determine the members of the Sustainability Executive Planning Meeting

FY2022–

Execution phase

- Determine policies for KPI settings and measures
- Examine the future set-up of executive meetings related to sustainability for management

The Sustainability Executive Planning Meeting, Members' Views

KAWAOKA Makoto
Daito Kentaku Partners Co., Ltd.
Manager of the Management and Construction Department

Now is an era in which more children are using the word "sustainability." Accordingly, so that future management policies and buildings do not fall behind the times, going forward we will aspire to become a "Group that handles environmentally friendly buildings" based on both design and construction 10 years or even 20 years into the future.

WAGA Tadashi
Daito Trust Construction Co., Ltd.
Manager of the Public Relations Department

To me, it seems as if members have just started to look at their business from a sustainability point of view. To keep a healthy balance between sustainability and business, all we can do is make a steady effort so that employees will understand and feel for themselves this type of thinking even at the lowest levels of the business.

TOGEZAKA Shigehiko
Daito Trust Construction Co., Ltd.
Manager of the Product Development Department

For my part, I believe that if we can achieve the Seven Material Issues and their component factors, we can then change the whole idea of rental housing and alter the value of rental housing itself. I want us to become a company where future tenants can say, "Daito Trust is the company that altered the value of rental housing."

YUNOME Yukari
Daito Trust Construction Co., Ltd.
Manager of the Diversity Promotion Department

Looking toward the future, we will examine how to tie diversity to the Company's strengths and sustainable growth—a task I think is vital. In my role as an executive committee member, I will have this task spread in the direction indicated by the Company, so that each employee will make this task their own also increase their driving force.

Transforming Social Changes and Issues into Value for Society

INPUT

Social Changes and Issues

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

Recognition of the External Environment and Group Responses

p.21

INPUT

New Five-Year Plan: A management strategy that understands the risks and opportunities of social changes and issues

Strengthening of Our Core Business (Rental Housing Business)

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

From Exclusive Focus on Rental Housing to Comprehensive Leasing Business

Expanding our building leasing business to commercial properties, offices, hotels, and more

Accelerate

Basic Policy on Sustainability:

As a company that supports rich and varied lifestyles and grasps the opportunities presented by social change, the Group, together with its stakeholders, aims to realize expanded business activity and a sustainable society

Management Material Issues

1. Environment	2. Society	3. Talent/ organization	4. Corporate governance
Taking action on climate risk through business activities	Contributing to a society where no one is left behind	Instilling a corporate culture where everyone can grow and take on challenges	Building an industry-leading governance system

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.31–32
Progress and Evaluation of the New Five-Year Plan p.33–34

Target

Daito Group's Seven Material Issues p.25–28

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

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 1.20 million rental housing units managed by the Group, if the estimated 2.14 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.

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. We aim to achieve our material issues more effectively and are discussing the establishment of KPIs to measure progress. At the same time, we plan to introduce an evaluation system for supervisors for each materiality component.
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.

Market Conditions Surrounding the Core Business (Rental Housing Business)

Medium- to long-term downtrend in population/households	Decline in trend for rental housing starts	Increase in old buildings and demolitions

The Daito Group's Status and Goals

Current situation	Number of rental housing units supplied, brokered, and under management: No.1 in Japan	Share of construction: an industry-leading 12.5%
Our goals	Solidify market position	Share of construction: 20%

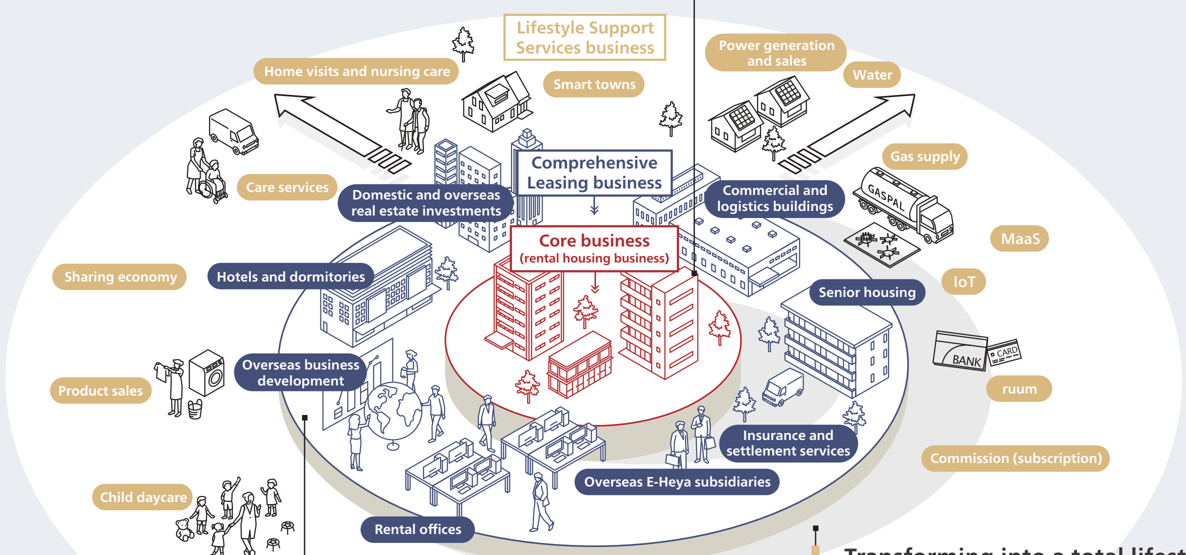
Strategic Goals: The Three Expansions

Expand market share by bolstering our core business	Expand business domains in the building leasing business	Expand lifestyle support services and its scope

A Company that Can Grow Sustainably, Entrusted with Dreams and the Future

We will transform the Daito Group from having 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, which is tied to the increase in demand, and bolster this core business that has been a mainstay of the Group's growth. Moreover, we will expand our businesses through the expertise gathered in our core rental housing business.

Strengthening of our core business (rental housing business)
Expanding our market share by bolstering our core business and capitalizing on social changes

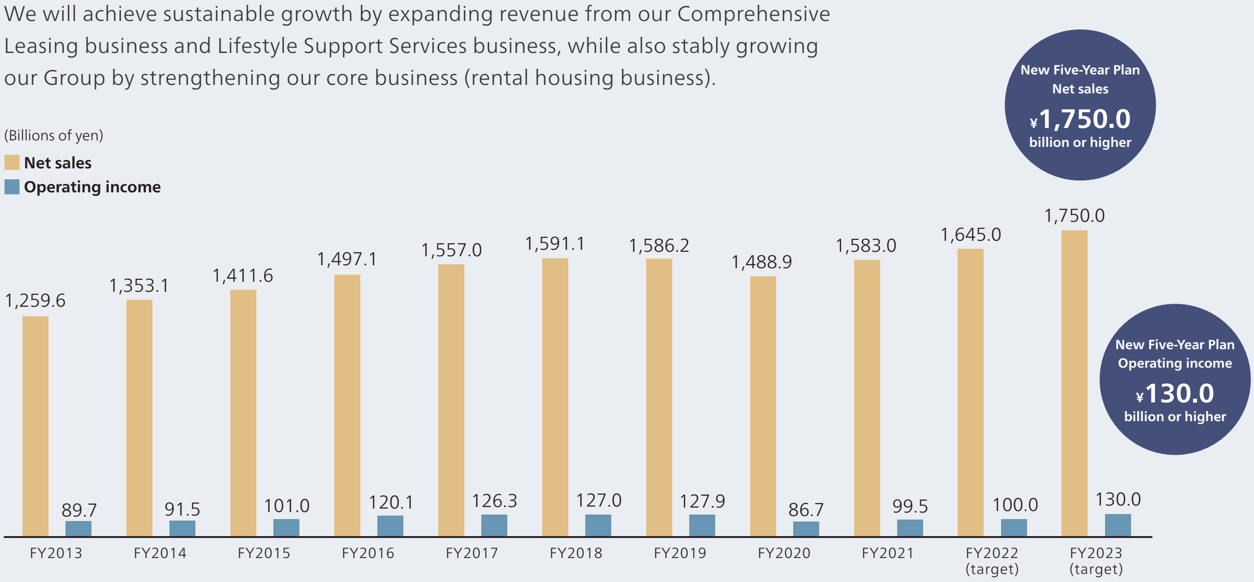


From exclusive focus on rental housing to comprehensive leasing business
Utilizing our know-how in the building leasing business accumulated through rental management support and the rental housing business in non-residential business fields

Transforming into a total lifestyle support company with a core Comprehensive Leasing business
Expanding revenue from existing services and strengthening our new lifestyle support services

Performance Targets for the New Five-Year Plan

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



Comments and Issues on FY2021

Record-high earnings despite revised targets in light of current conditions

New Five-Year Plan Targets (FY2023)

(Initial plan) **(Revised plan)**

Sales

¥2,200.0 billion >>> ¥1,750.0 billion or higher

Operating income

¥180.0 billion >>> ¥130.0 billion or higher

The New Five-Year Plan was announced in April 2019 as the Company's medium-term management plan, and FY2022 marks the fourth year of the plan. Looking back at the years before, we see three years in which the Company, given its lines of business and operating style, was resisted by headwinds. Specifically, in FY2019, we were hit by stricter loan reviews stemming from non-performing apartment loans; in FY2020, it was the COVID-19 pandemic; and in FY2021, the wood shock began—all of which have had a large impact on order value, completed construction value, and profit margins. In sales and profits in the past three years, we earned record-high profits in FY2019, the first year of the New Five-Year Plan. After that, due to changes in the social environment, as discussed above, our targets were out of reach, and, while regrettably, we had to revise our target values. In FY2023, the final year of the New Five-Year Plan, we are aiming for record-high results.

Important Measures in FY2022

Rebounding on a growth trajectory and carrying initiations toward business expansion

Construction Business:

(1) Expand sales staff, (2) Improve contract quality, (3) Expand channels

Real Estate Business:

(1) Maintain occupancy rates, (2) Maintain and improve rents, (3) Broker real estate sales

New Business Adjacent to Core Business:

(1) Real estate development, (2) Buy/renovate and resell, (3) Private tendering

For FY2022, with our eyes on achievement of the New Five-Year Plan, we start off in the Construction business with initiatives to expand sales staff toward a 3,000-person framework, to improve contract quality aiming for a cancellation rate under 20%, and to expand channels to leverage in-house and external networks. Next, in the Real Estate business, we are undertaking initiatives to maintain an occupancy rate of 97% or more, to maintain and improve rents using rent that is set according to occupancy demand, and to broker real estate sales. In new businesses, our initiatives are making steady progress toward becoming a total lifestyle support company. In the rental housing business, we participate in private tendering and run a sales brokerage. In the Comprehensive Leasing business, we have entered into a capital and business alliance with INVALANCE Ltd. In the Lifestyle Support Services business, we are constructing a business platform and forming a renovation and resale business. In this way, we are aiming to use new initiatives and the strengthening of core businesses to achieve our sales and profit targets after reviewing the New Five-Year Plan.

A Year of Initiatives Aimed at Full Recovery from the COVID-19

Strategic direction	Related indicators and FY2021 results

Strengthening Our Core Business (Construction Business and Real Estate Business)

Expand our market share by bolstering our core rental housing business and developing businesses and capitalizing on social changes.

Key measures initiated

- 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
- Expansion of the renovation business
- Strengthening and enhancement of real estate sales business continuity
- Expansion of the E-Heya Net business and the franchise business
- Increases in sales of the recurring revenue business and other profit-making businesses
- Expansion of the solar power business, propose standards for ZEH rental housing

Related indicators	Targets 2021	Targets 2023	Achievements 2021
● Gross profit margin on completed construction contracts	—	30% or higher	24.7%
● Occupancy to rent vacancy rate	—	4% or lower	1.8%
● Share of construction starts	—	20% or higher	12.5%
● Satisfaction rate at completion	—	85.0%	84.3%
● Satisfaction rate for tenants	—	78.0%	78.9%
Number of construction sales representatives	2,850	—	2,720

●: 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

- Development of overseas and domestic real estate
- Promotion of non-residential business
- Promotion of space sharing business (shared offices, third-place businesses, etc.) and bolster parking business

Related indicators	Targets 2021	Targets 2023	Achievements 2021
Malaysian hotel average occupancy rate (Le Méridien)	47.9%	—	17.7%
Malaysian hotel average occupancy rate (Hilton)	53.0%	—	23.2%
Number of service offices	—	6	5

Lifestyle Support Services Business

Expand the scope of existing services and develop and provide new lifestyle support services.

Key measures initiated

- Driving the nursing care and nursery school business
- Promoting the energy business
- Launch of online platform business (ruum)
- Acceleration of new business creation and corporate culture reform

Related indicators	Targets 2021	Targets 2023	Achievements 2021
Units with gas supply (LP gas/municipal gas)	428,000	—	437,000
Number of solar power generation facilities installed	—	25,000	17,107
Number of day service care facilities	82	—	82
Nursery schools	29	—	29
Accelerator program proof-of-concept trials (per year)	—	—	4
Number of in-house venture system trials (per year)	—	—	11

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

- Enhancement of brand strategy
- Building up sustainability and SDG/ESG promotion system
- Advancement of the IT and DX strategy
- Continual implementation of work-style reform in relation to the COVID-19 pandemic
- Launch of an engagement survey
- Introduction of a framework for diversity (women playing an active role, LGBTQ support, etc.)
- Strengthening of the compliance system
  (• Risk management, compliance, and internal controls)
  (• Advance corporate governance reform)

Related indicators	Targets 2021	Targets 2023	Achievements 2021
● Number of Daito Kentaku Partners	—	10,350	9,174
● Number of real estate partner companies	—	13,800	13,188
● Number of local support activities	—	200	211
● Number of employees participating in the Daito Group Mirai Fund	—	8,000	4,028
● Reduction rate of CO_2 emissions (vs. FY2017, Scope 1 and 2, Japan)	—	*	20.47%
● Percentage of female workers	16.3%	20.3%	14.8%
Percentage of female management personnel	4.8%	6.0%	4.8%
Employment rate of people with disabilities	3.00%	3.10%	3.0%

*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

Pandemic

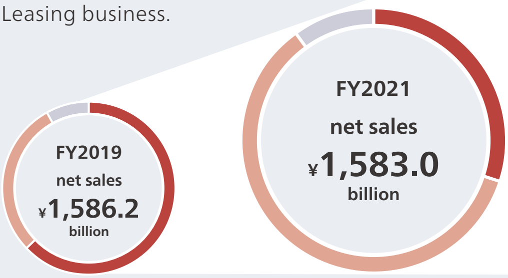
○ Positive △ Acceptable × Negative

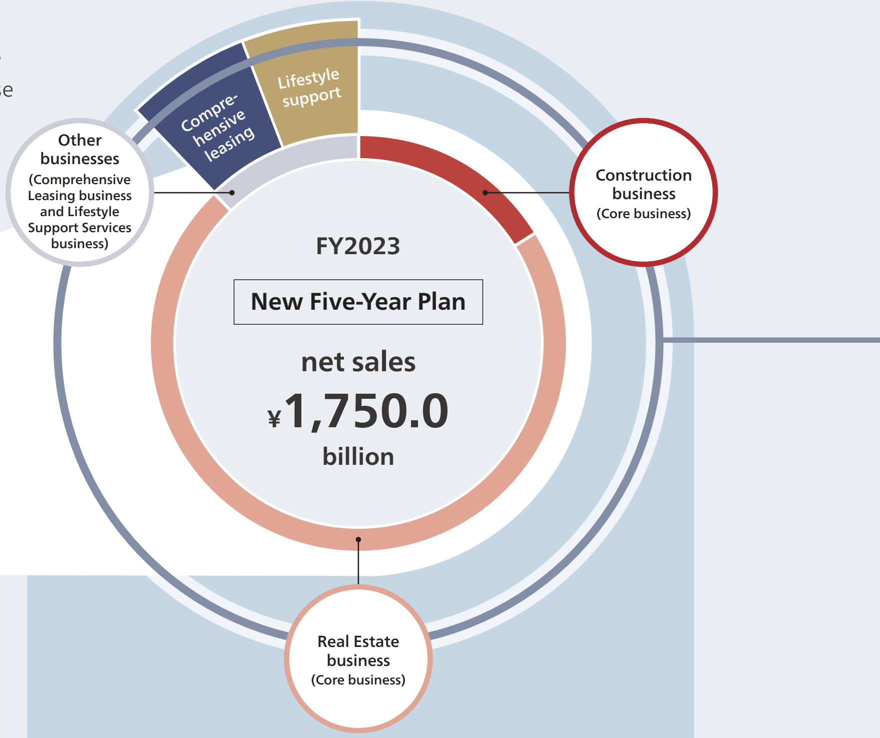
Evaluation and response to FY2021	Specific measures for FY2022
Strengthening Our Core Business (Construction Business) (○): While the COVID-19 pandemic, the wood shock, and the conflict in Ukraine, etc., are having an effect in the Construction business, the value of completed construction has managed to exceed the plan. Through continual enhancement of sales methods and channels, the number of construction referrals has increased. We are focusing on efforts on continued recovery. **Strengthening Our Core Business (Real Estate Business) (○):** An increase in rental income and other factors has led to net sales and operating income above plan. We have focused on enhancing brand power and expanding the franchise business with solid results. **Expanding the Business Domain (△):** The remodeling business missed its targets but did contribute to construction orders. The real estate sales business bolstered its initiatives in real estate brokerage and PFI and private tendering.	• Recovery and expansion of sales in construction operations and reinforce sales support • Establishment of an efficient and effective design and construction system • Strengthening and expansion of new marketing channels • Development of products specifically for the environment, disaster prevention, and lifestyles • Fortification the E-Heya Net brand, franchise membership program • Promotion of initiatives and expansion of net sales in the real estate sales business • Improvement in quality control • Improvements in transparency and objectivity of rent reviews
Space Sharing Business (○): Opened JustCo Japan shared offices at three locations. Coin parking locations added according to plan. **Overseas and Domestic Real Estate Business (△):** The hotel business was heavily affected by the COVID-19 pandemic, leading to lower revenues and operating rates. Overseas real estate had a recovery in the occupancy rate and earnings ratio. **Expanding the Business Domain (△):** New collaborations with businesses and companies having promising synergies make little progress. We will continue to focus efforts here.	• Focus on development of tenant business and establish specialties • Promotion of development of group home facilities for people with disabilities and other facilities within the group • Rejuvenation of project-based work for stores and commercial facilities • Building up of ability to respond in design and construction • Expansion of space-sharing business (shared offices, third-place businesses, coin parking, etc.) into full-fledged operations • Promotion of recovery in Malaysian hotel business • M&A • Review of development and operation of domestic and overseas real estate
Energy Business (△): Operating income declined more than planned due to a surge in the LPG purchase price. Expansion of renewable energy gets stronger and stronger. **Nursing Care and Insurance Business (△):** We focused our efforts on expanding nursing care and nursery school facilities. Due to lockdowns of certain nursery school facility locations—an effect of the COVID-19 pandemic—net sales and operating income failed to meet plan. **Expanding the Business Domain (○):** We aim for continuous operation of an accelerator program and an in-house venture system.	• Continual development of a new lifestyle support business • Promotion of nursing care and nursery school business, and energy business • Reinforcement of disaster prevention and response initiatives • Acceleration of new business creation and corporate culture reform (Continuous operation of an accelerator program and an in-house venture system)
Promoting Sustainability Management (○): We have formulated the basic sustainability principles and prepared the foundation for the promotion structure. We have also continually focused efforts on setting material issues for KPIs. **Promote Diversity (○):** We have launched an engagement survey. We have also introduced various systems for diversity (LGBTQ support, women playing an active role). We have continually focused our efforts on bolstering initiatives. **Strengthen Corporate Governance (○):** We established a Risk Management Committee. The Governance Committee underwent a review and revisions, and we established the Nominating and Remuneration Committee. Our efforts will be focused on the ongoing strengthening of governance.	• Reconstruction of the brand strategy • Bolstering of sustainable management • Continual promotion of ESG and SDGs • Investigation of KPIs for material issues • Innovation driven in organizational culture, lifestyles, and work styles (engagement activity, diversity, health management, human resources development, organizational development, diversification of at-home and remote work options) • Promotion of corporate governance reform and strengthening of management characteristics • Promotion of DX (develop talent, produce results) • Realization of Vision 2030

Transforming Our Business Portfolio

Turning into a Total Lifestyle Support Company

Under the New Five-Year Plan, we will bolster our core business (rental housing business) and expand our share of the rental housing market, which is tied to the increase in demand. Moreover, we will expand our businesses through the expertise gathered in our core rental housing business. By doing this, we will transform the Daito Group from a specialist in rental housing to a total lifestyle support company revolving around a core Comprehensive Leasing business.



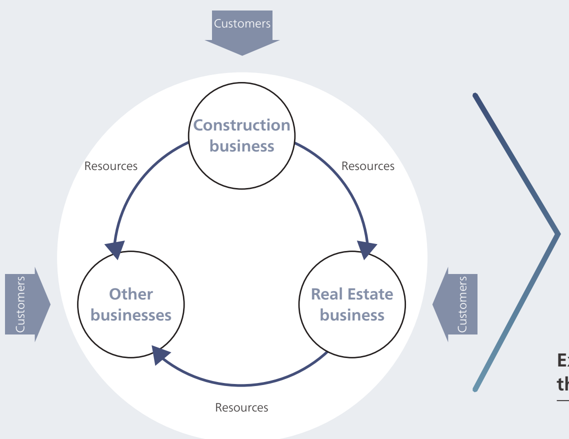


NEW VALUE

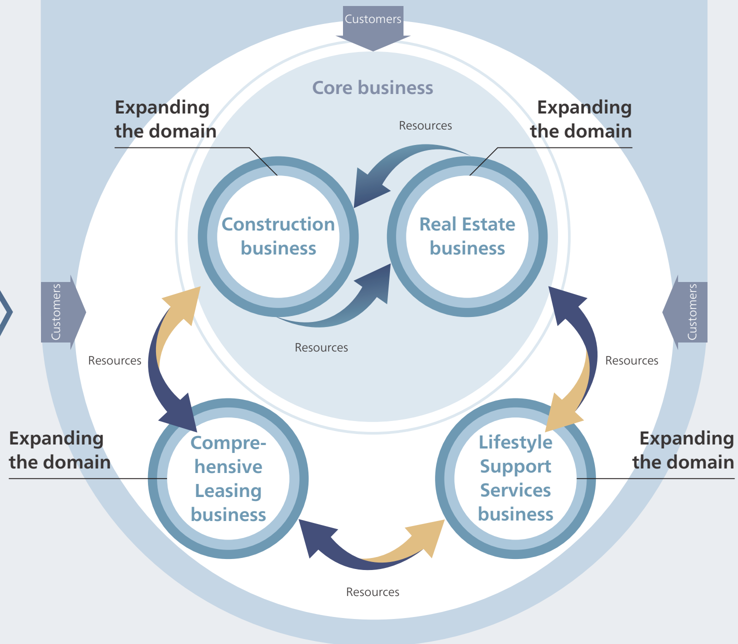
Creation of Businesses and Mutual Synergies by Group Companies

Each Group company discovers its own growth engine and creates an ecosystem providing mutually beneficial effects. In this way, we aim to capture a business model that facilitates sustainable growth as changes in the external environment intensify.

BEFORE: Single-engine business model



AFTER: A coordinated, multi-engine business model

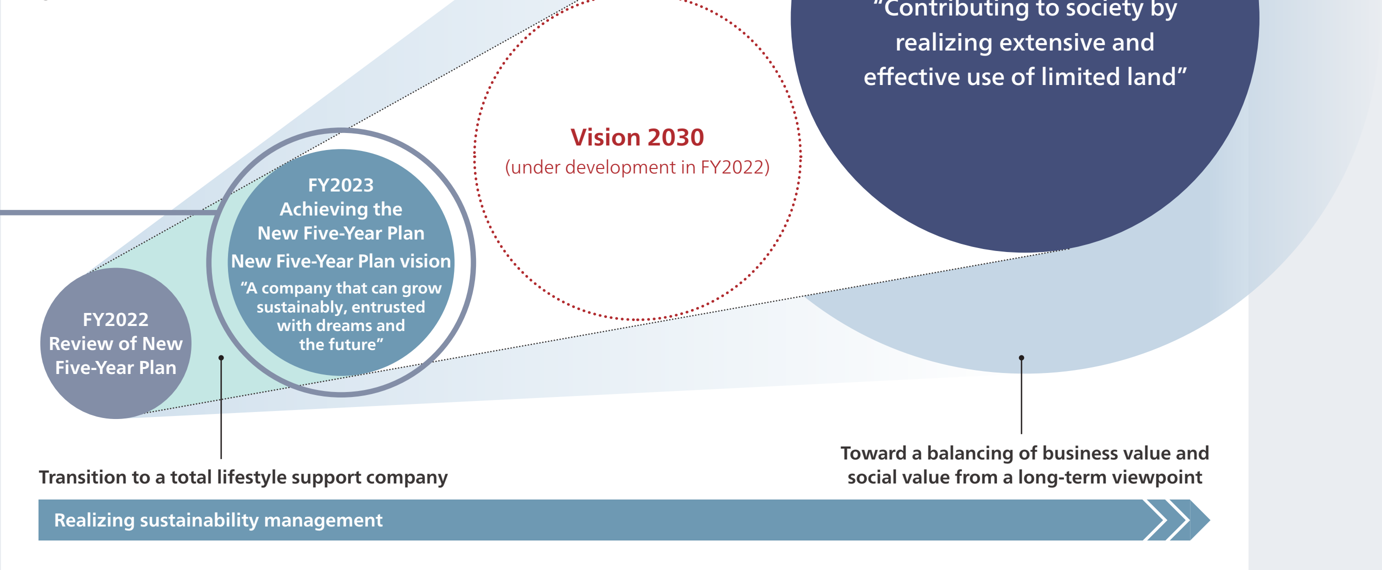


Strengthening Our Core Business, and Initiatives to Expand New Businesses

	Key measures in FY2021	Important challenges in FY2022
Strengthening our core business	**Construction business** • 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 • Expansion of the renovation business **Real Estate business** • Enhancement of sales business continuity • Expansion of the E-Heya Net business and the franchise business • Increases in sales of the recurring revenue business and other profit-making businesses • Expand the solar business	**Construction business** • Recovery and expansion of sales in construction operations • Strengthening and expansion of new marketing channels • Development of products specifically for the environment, disaster prevention, and lifestyles • Establishment of an efficient and effective design and construction system **Real Estate business** • Fortification of the E-Heya Net brand, franchise membership program • Promotion of initiatives and expansion of net sales in the real estate sales business • Improvement in quality control • Improvements in transparency and objectivity of rent reviews
Comprehensive Leasing business	• Expansion of shared offices and third-place businesses • Review of real estate development activities in Japan and overseas	• Promotion of construction development business • Promotion of operations business
Lifestyle Support Services business	• Launch of online platform business • Acceleration of new business creation and corporate culture reform	• Continual development of a new lifestyle support business • Promotion of nursing care and nursery school business, and energy business

Medium- to Long-Term Road Map

The Daito Group aims to embody its Corporate Philosophy by advancing sustainability management as a foundation for material issues and value creation processes using the New Five-Year Plan as a foothold to attain medium- to long-term growth.



Construction Business

Construction Business

We aim to expand the performance of the rental housing business by developing a wide range of products and strengthen the foundation of our sales structure.

TAKEUCHI Kei
Managing Director
In charge of Construction Business Headquarters

Business Overview

We propose optimal rental housing 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

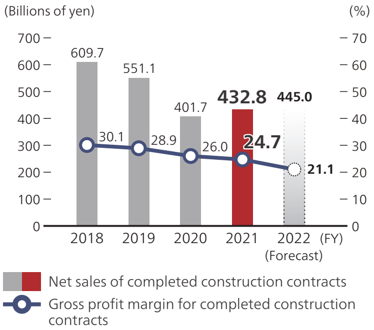
- An increased need for inheritance measures from an aging society
- Growth in rebuilding and renovation demand as a result of homes with longer lifespans
- More people moving to rural areas as lifestyles become more diverse
- Changes to tax laws (if taxes increase or tax target base expands)
- Greater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

Review of FY2021

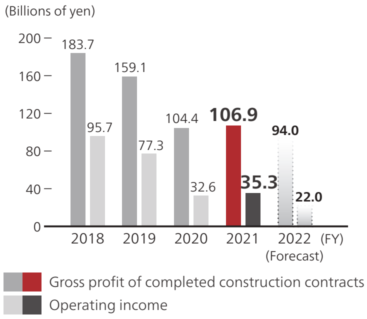
○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2021)	Related material issues		Assessment
Continued enhancement of sales methods and channels	5. Land/assets: 1	○	• Increased number of construction referrals by creating alliances with financial institutions
Accelerated development of work styles that produce results	3. Talent/ organization: 3	△	• Even though flextime, working from home, and other initiatives have become established, there has been no progress in achieving either a comfortable working environment or operating efficiency
Expansion of initiatives relating to PFIs, private tendering, developer projects	2. Society: 1 7. Living/lifestyles: 1	△	• Private tendering target achieved, failed to achieve project finance initiative (PFI) targets
Expansion of the renovation business	5. Land/assets: 3 6. Rental housing: 3	×	• Despite having failed to achieve its targets, the renovation business contributed to the development of construction orders

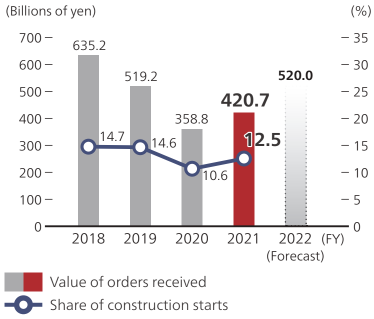
Net sales of completed construction contracts/Gross profit margin for completed construction contracts



Gross profit of completed construction contracts/Operating income



Value of orders received/Share of construction starts



In the Construction business, despite the impact of COVID-19, wood shock, and the situation in Ukraine, net sales of completed construction contracts increased by 7.7% year on year to ¥432.8 billion mainly due to steady progress in construction. The gross profit margin for completed projects decreased by 1.3 percentage points from the previous fiscal year to 24.7% due to the impact of soaring prices of imported timber and other factors. Operating income was ¥35.3 billion (up 8.2% year on year). Due to factors that included sales activities addressing the restrictions placed on them during the COVID-19 pandemic, the value of orders received was ¥420.7 billion (up 17.3% year on year), and orders in hand as of March 31, 2022, were 6.1% below the previous fiscal year's level at ¥710.947 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 FY2022

Important challenges in FY2022	Related material issues	Major policies
Recovery and expansion of sales in construction orders	3. Talent/organization: 3	• Strengthening of sales support measures • Contribution to sales by product expansion and upgrades
Strengthen and expansion of new marketing channels	5. Land/assets: 1	• Corporate marketing, digital marketing enhancements • Greater synergies with Group companies • Strengthening of remote sales
Development of products specifically for the environment, disaster prevention, and lifestyles	6. Rental housing: 2	• Development of eco-friendly housing/construction methods • Development of disaster-resistant housing products • Strengthen lineup of products that support a variety of lifestyles
Establishment of an efficient and effective design and construction system	3. Talent/organization: 2 5. Land/assets: 1	• Enhancement of systems to ensure safety management and construction quality • Enhancement of quality inspection systems by factory managers

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.
In sales in construction operations, having positioned contract quality improvements and the securing of personnel as material issues, we will work on reviewing the salary system, strengthening sales support measures, as well as on expanding and upgrading the team system. We will also work to enhance new marketing channels by, for example, expanding our corporate marketing systems and the advancement of digital marketing.
In engineering areas, we will put into practice the supply of buildings of high social value and asset value through the development of eco-friendly housing and construction methods such as ZEH rental properties, and the development of disaster-resistant housing products. We will increase our share of construction starts and thereby consolidate the competitive advantage of our Group. We will also promote the establishment of an efficient and effective design and construction system to ensure safety management and construction quality.

» Contribution to Achieving the New Five-Year Plan

Standardizing ZEH proposals

Against the backdrop of increasing demands for a decarbonized society, we completed Japan's first multi-unit rental housing that meets the ZEH criteria in November 2017, and the Company had supplied 784 units of ZEH rental housing in 107 buildings by the end of September 2021. Starting with wooden rental housing products, we began proposing ZEH-standardized leasing business at 138 branch offices*[1] that can sell ZEH rental housing from November 2021. In addition to contributing to the proliferation of eco-friendly housing in Japan and the improvement of the usage rate of renewable energy, we aim to achieve the greenhouse gas reduction targets*[2] adopted by the Company through these efforts.

*1 Branch offices within the jurisdiction of Tokyo Electric Power Company, Chubu Electric Power Company, and Kansai Electric Power Company that can provide low-voltage collective power reception systems
*2 By 2030, to have reduced CO_2 emissions (Scope 3) from use of the Group's multi-unit rental housing by 16% compared with FY2017 (SBT certification acquired)

NEWRiSE ZEH rental housing

Real Estate Business

In addition to leasing business enhancements, we are aiming for extensive service expansion.

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.

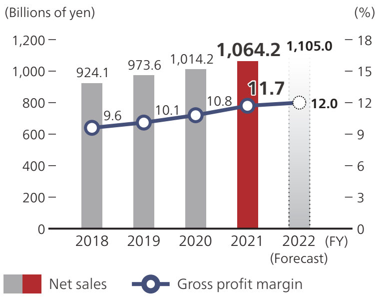
Risks	Opportunities
• Higher vacancy rates as a result of the falling population and number of households	• More rental housing tenants as the number of single-person households increases
• Lower demand for existing family-type dwelling units	• More revenue per household as dual-income households increase
• Higher solitary deaths with the advancement of the aging society	• Lower repair expenses and a limit to the decrease in rent over time due to the increasing lifespan of housing
• Restrictions on operation of real stores during the COVID-19 era	• An increase in the renter population in conjunction with decreasing ownership thinking
• Rising rent delinquency due to the economic downturn caused by COVID-19	• Greater demand for dedicated rental companies due to strengthening of sublease restrictions

Review of FY2021

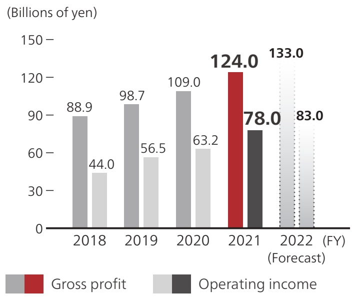
○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2021)	Related material issues		Assessment
Strengthening and enhancement of real estate sales business	5. Land/assets: 2	△	• Increased number of branches engaged in sales brokerage to 35 and launched business to purchase and renovate used detached housing • Failed to achieve sales targets
Expansion of the E-Heya Net business and the franchise business	2. Society: 2	○	• Significant increase in number of positive reactions due to website enhancements • Increased number of franchise membership branches
Increases in sales of the recurring revenue business and other profitmaking businesses	7. Living/ lifestyles: 2, 3	○	• Launch of ruum business platform • Commenced collection of renewal administration fees
Expand the solar power business	1. Environment: 1 6. Rental housing: 3	○	• Expanded installation of solar panels on existing buildings • Establishment of business in solar panel-equipped, joint-use rental/office properties

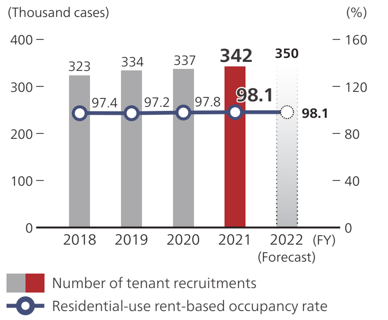
Net sales/ Gross profit margin



Gross profit/ Operating income



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



Against a backdrop of an increase in whole-building leases and record-high level occupancy rates, net sales increased by 4.9% over the previous year's level to ¥1,064.2 billion and operating income by 23.3% to ¥78.0 billion. Contributing factors included an increase in rental income from leasing company Daito Kentaku Partners Co., Ltd. and an expansion of revenues earned by House Leave Co., Ltd., which provides services that do not require a guarantor. Furthermore, the number of tenants arranged rose by 1.5% year on year to 342,000, resulting in the occupancy rate for residential properties ending at a record-high level of 98.1% (up 0.3p year on year).

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 FY2022

Important challenges in FY2022	Related material issues	Major policies
Important challenges in FY2022 Fortification of the E-Heya Net brand, franchise membership promotion	2. Society: 2	• Utilization of wide range of advertising media • Expansion of member stores by expanding franchise services
Promotion of initiatives and expansion of net sales in the real estate sales businesses	5. Land/assets: 2 6. Rental housing: 3	• Introduction of new contract plans, area expansion • Development of renovation and resale business for detached houses
Improvement in quality control	6. Rental housing: 1	• System upgrades by securing talent and improving business efficiency • Efficient management by strengthening relationships with owners
Improvements in transparency and objectivity of rent reviews	5. Land/assets: 1	• Installation of rent review AI and development of new credit screening AI • Review of supply plan and formulation of new plan

In the Real Estate business, we have come to recognize the stability of the recurring revenue business once again after the business in the wake of COVID-19. In FY2022, 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, while aiming to strengthen the E-Heya Net brand, we aim to expand the number of member branches in the brokerage franchise business that we introduced in January 2021. In the real estate sales business, we also aim to further increase sales by introducing brokerage contract plans with purchase guarantees and by area expansion.
In the management field, we will determine the number of units managed per person that still enable prompt and detailed customer service and increase the number of personnel as necessary. In aiming to improve the transparency and objectivity of rent reviews, we will also promote the installation of rent reviews by AI, while advancing the installation rollout of new rent screening AI through external cooperation.

» Contribution to Achieving the New Five-Year Plan

Launched full-scale operation of ReKodate, a detached house purchase, renovation, and resale business

In the Tokyo metropolitan area, the demand for secondhand homes is increasing partly because the prices for newly built homes remain high. In May 2022, Daito Kentaku Leasing Co., Ltd. launched its ReKodate detached house purchase, renovation, and resale business in Tokyo and the seven prefectures* of the Kanto region. Fully leveraging the rich customer base, network, and brokerage capabilities that our Group possesses independently in the leasing business domain, after remodeling and renovating the purchased detached houses, this business will sell them as low-priced, high-quality used detached houses to customers who prefer to own their own homes. Empty houses will also be eligible for purchase, and to contribute to the reduction of vacant properties, which has become a social issue, and to promote the recycling of housing, this business is aiming to revitalize housing and provide high-quality housing stock. In accordance with the expansion of the business domains of the Daito Group, this business is aiming for the purchase and sale of 30 buildings in FY2022.

*Chiba, Gunma, Ibaraki, Kanagawa, Saitama, Tochigi, and Yamanashi prefectures as well as the Tokyo metropolitan area

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 FY2021

○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2021)	Related material issues		Assessment
Expansion of shared office and third-place businesses	2. Society: 1 7. Living/lifestyles: 1, 2	○	• JustCo opened shared office space in the Shibuya Hikarie complex in Tokyo and three suburban locations • Coin-operated parking business increased as planned
Review of real estate development activities in Japan and overseas	7. Living/lifestyles: 1	×	• Lower profits from the hotel business due to large impact of COVID-19
		○	• Overseas real estate occupancy rates recovered despite the decrease in rent, returning to profitability overall

Business Plans for FY2022

Important challenges in FY2022	Related material issues	Major policies
Promotion of construction development business	5. Land/assets	• Focus on development of tenant business • Promotion of development of group facilities (group home facilities for persons with disabilities, etc.)
Promotion of operations business	7. Living/lifestyles	• JustCo workspace hub expansion • Full-scale operation of coin parking business • Promotion of recovery in Malaysian hotel business

» Contribution to Achieving the New Five-Year Plan

Expansion of number of sites of flexible workspace provider JustCo

A joint venture with JustCo Holdings Pte. Ltd., Asia's largest flexible workspace company, JustCo DK Japan opened its first Japanese facility in Shibuya, Tokyo, in January 2022. Aiming to increase the number of its large-scale sites in the central Tokyo area, the company is planning JustCo openings in the areas around Shinjuku and Tokyo station in November 2022 and February 2023, respectively. In the years to come, the company aims to build a network by gradually expanding the number of JustCo sites in central areas such as rail terminal stations.

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 about 2.14 million tenants of the approximately 1.20 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 FY2021

○ Positive △ Acceptable × Negative

Major policies (described in Integrated Report 2021)	Related material issues		Assessment
Launch of online platform business	7. Living/ lifestyles: 2, 3	○	Launch of ruum business platform
		×	Lopicma Co., Ltd., ruum cooperation, site renovation delays
Acceleration of new business creation and corporate culture reform	2. Society: 2 3. Talent/ organization: 1, 3	○	First investment in LUUP Co., Ltd., passed second accelerator program for four projects
		○	One “Mirai-novator” commercialization approved, Mirai-novator continuing

Business Plans for FY2022

Important challenges in FY2022	Related material issues	Major policies
Continual development of a new lifestyle support business	7. Living/lifestyles	• Development and sales of disaster prevention, environmental, and lifestyle product services that utilize ruum • Examination and promotion of new initiatives
Promotion of nursing care and nursery school business, and energy business	7. Living/lifestyles	• Driving the nursing care and nursery school business (Care Partners) • Driving the energy business (Gaspal)

» Contribution to Achieving the New Five-Year Plan

Started provision of ruum, a platform useful in daily life

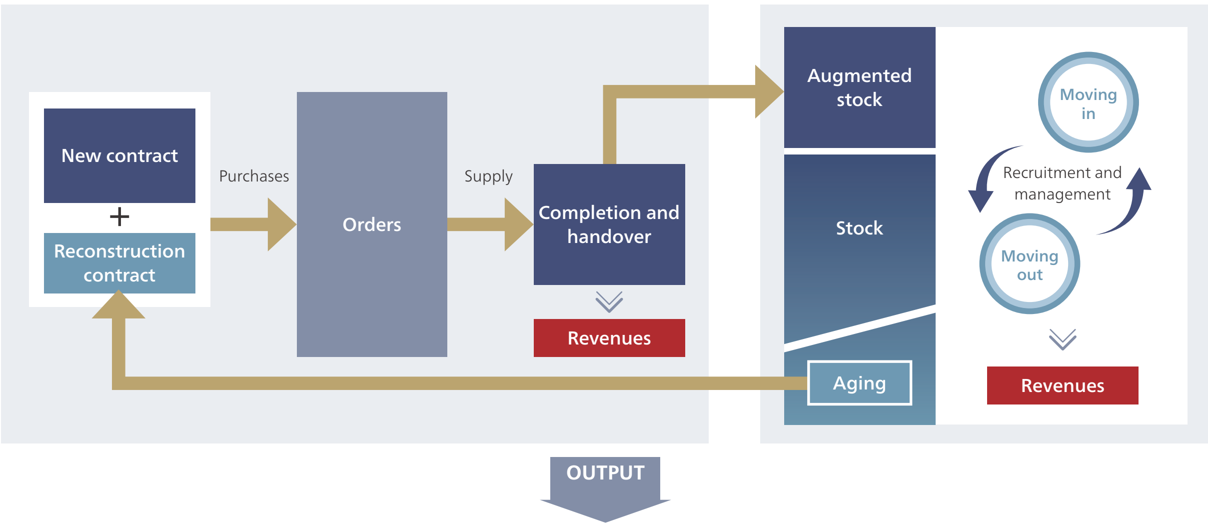
Daito Kentaku Partners Co., Ltd. has been providing ruum, the first online platform in the real estate management industry that is useful for daily life, since November 2021. A lifestyle-specialized platform, ruum can be accessed by everybody, not only residents of the rental buildings managed by the Group, and the Company is aiming to have 1.1 million registered users by FY2023.

Financial Performance

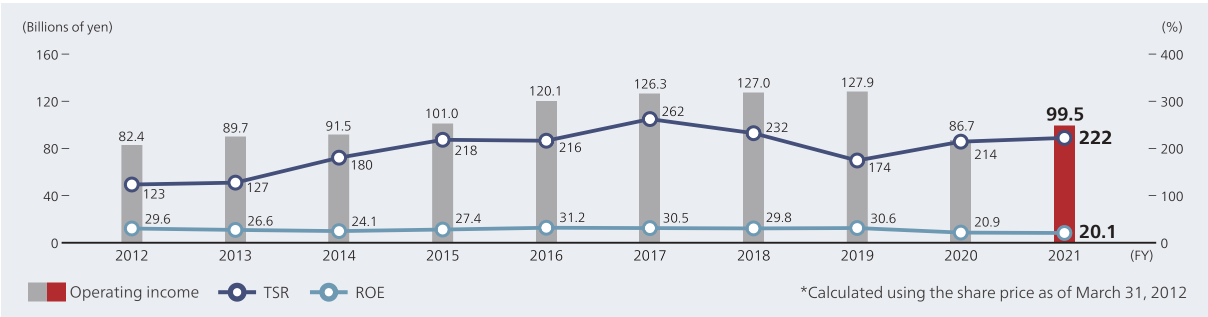
Performance Analysis »

Using a flow-type business model, the Construction business employs entrustment contracts with property owners in which it manages its work as a booked order up to completion and handover of the building. Net sales and profits are recognized at handover.
For business activity that extends beyond completion and handover, we have started a rental housing business. Meanwhile, in the Real Estate business, net sales and profits are generated each year through a business that lumps together the whole-business leasing with tenant recruitment services and management and operation. These businesses have a stock-type business model.
As buildings wear out over time, we imagine adding reconstruction contracts for buildings needing replacement. This type of business has good prospects for expanding the stable revenues generated by a flow-and-stock cycle.

Construction business (flow-type model) **Real Estate business (stock-type model)**



Total shareholder return (TSR)*/Operating income/ROE over the past 10 years



*Calculated using the share price as of March 31, 2012

Fund Procurement »

The Daito Group has developed the Daito Trust Green Bond Framework in order to promote environmental management for the realization of a carbon-free society. In FY2021, it used green bonds to raise ¥11.0 billion in funds. The funds procured have been allocated for the installation of new solar power generation facilities for selling surplus electricity.
Also, with the twin goals of ensuring the means for ongoing stable, yet agile, fund procurement and making our financial foundation more solid, we entered into a one-year commitment line for ¥50.0 billion and received an A issuer rating from Rating and Investment Information, Inc. (R&I) in August 2021.

Green bonds

FY2021 procurement record of

¥11.0 billion or higher

Rating (financial soundness)

R&I issuer rating of

A (stable)

Cash Allocation

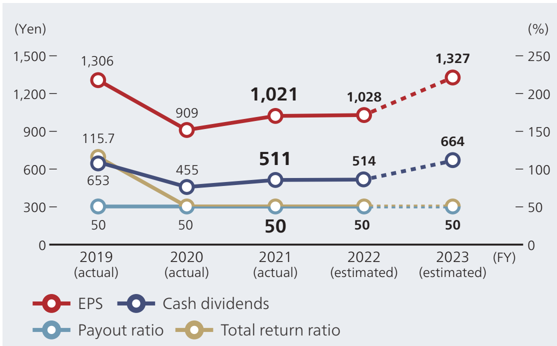
Cash Generated »

Net cash provided by operating activities	Free cash flow
FY2021 ¥112.483 billion	FY2021 ¥92.972 billion

Shareholder Returns »

Daito Trust Construction recognizes and practices the return of adequate profits to shareholders as its most important management issue. For dividends, the Company takes the basic policy stance of providing stable dividends through ongoing reinforcement of its business foundation. Accordingly, it aims to set the payout ratio at 50%, which includes a basic dividend of ¥100 and a profit return based on consolidated business performance. We have also decided to suspend the purchase and cancellation of treasury stock in accordance with our existing policy, which specifies continual acquisition of treasury stock with a target of 30% of net income. We made this decision after comprehensive consideration of the Group's financial position and long-term investment, given the business conditions surrounding the Daito Group and trends in the stock market. We will flexibly re-examine the acquisition and cancellation of treasury stock as conditions warrant.

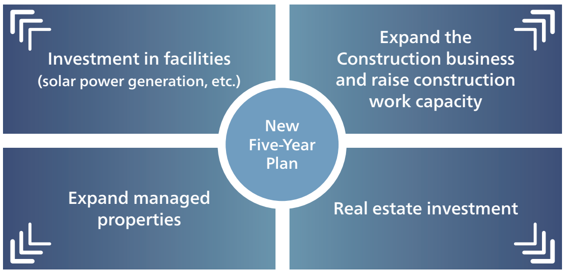
Trends in EPS/Cash dividends/Payout ratio/Total return ratio



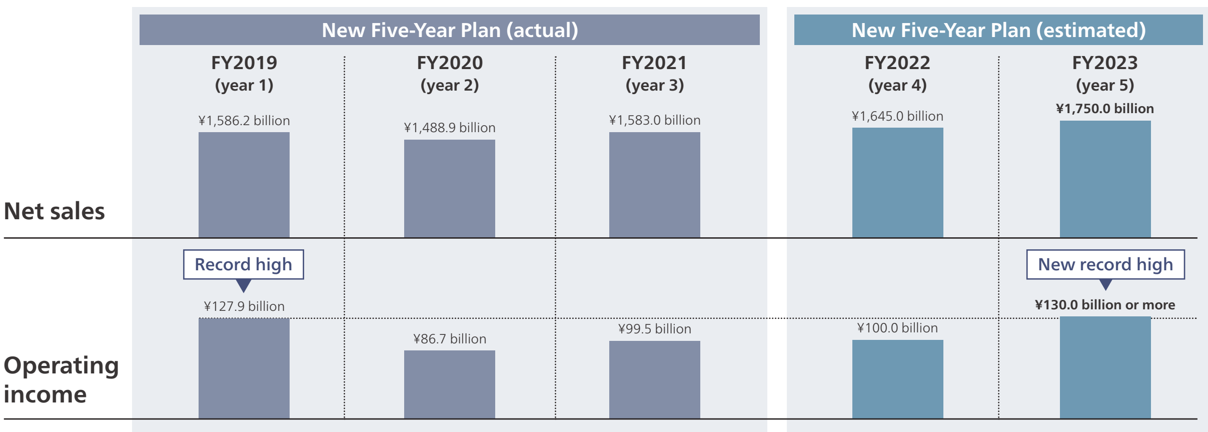
Future Investment Policy »

Under the New Five-Year Plan, our policy is to invest in expanding the business domains in addition to expanding existing operating businesses. Up to now, our capital spending has included making INVALANCE Ltd., which focuses on providing condominiums for asset management purposes, into a consolidated subsidiary and investing in solar power facilities. As future investment vehicles, we are considering M&A with mid-tier general contractors with the construction capacity for commercial facilities and management companies who seek to expand their managed properties. Another policy is to invest funds temporarily in acquiring real estate associated with renovation and resale.

Policy



Performance Targets



Financial and Non-Financial Activities of the Daito Group

Our Activities

Contents

Maximizing value creation through the New Five-Year Plan and sustainability

Our Group managed 1.20 million rental housing units and supported the lives of an estimated 2.14 million residents. For this, we have the potential to contribute to the resolution of social issues at the scale of a single governmental administrative unit, while also recognizing the significance of taking on this extraordinarily large social responsibility.

To do this, we will incorporate the Daito Group's Seven Material Issues into the New Five-Year Plan so that we can maximize the social and economic value of our efforts.

In this section, we describe our Group activities toward resolving and contributing to social issues.

New Five-Year Plan × Material Issues

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

CLT rental building

Inside the CLT rental building during construction

CASE 01

Succeeded in standardizing and industrializing Japan's first rental housing complex using CLT building materials.

Core businesses (Strengthen Construction business) × **1. Environment, 6. Rental housing**

In 2019, we developed Japan's first standardized and industrialized CLT rental housing complex that utilizes our independently developed cross-laminated timber (CLT) construction method.* In July 2022, we finished constructing our first such rental housing complex in Funabashi City, Chiba Prefecture. CLT is attracting attention as a timber building material that has both the strength of concrete and the lightness of wood. For CLT to be adopted more widely, there are, however, many issues to overcome, such as in terms of design, construction, and feasibility. Various companies and organizations are taking on these challenges. Using Japanese cedar, we constructed this building using our proprietary CLT construction method that aims to save on labor at construction sites and to ensure uniform construction quality—through features such as fire-resistant exterior that can be made into panels and drift-pin joints with insert-type steel plates. We will continue to promote the adoption of domestic CLT building materials and further expand the rental housing possibilities in terms of land utilization by working to disseminate standardized and industrialized CLT housing and by continuing to verify and measure various data such as the indoor thermal environment, sound insulation performance, and electricity consumption.

*Cross-laminated timber is an engineered mass timber product whereby sawn boards are arranged and laminated so the direction of the wood fibers cross over for added strength.

VOICE

Our first-ever rental housing complex built using the CLT panel construction method—a four-story building in the Forterb series—was completed in July 2022. Because of the strength of CLT, it is now even possible to construct medium to high-rise buildings using wood, which in the past would have been challenging. Moreover, since CLT uses large amounts of domestic timber, that enables the effective use of domestic forest resources that have reached their harvest season. We will continue our daily goal of developing technologies that can contribute to promoting the use of wood and solving environmental problems toward the realization of a decarbonized society.

From top left »

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Chief, Engineering Section
Engineering Administration Department
Daito Trust Construction Co., Ltd.

WATANABE Yusuke
Engineering Section
Engineering Administration Department
Daito Trust Construction Co., Ltd.

HARUTA Satoko
Engineering Section
Engineering Administration Department
Daito Trust Construction Co., Ltd.

NAMBU Yoshihisa
Division Manager,
Technical Supervision Department
Daito Trust Construction Co., Ltd.

CASE 02

We have established a department specializing in remodeling and renovation work; now in 14 locations around Japan.

Comprehensive Leasing business × **2. Social, 6. Rental housing**

Before

After

We have been strengthening our remodeling and renovation business that builds on our expertise in rental building construction and maintenance since FY2021. In addition to establishing this specialist department in April 2021, we opened 14 locations around Japan, and in September 2021, we opened our first showroom specializing in our remodeling and renovation expertise at our Funabashi Branch. As the demand for housing renovations increases, a key feature of our remodeling and renovation business is our ability to recruit tenants and provide plans for managing remodeled and renovated buildings by leveraging the comprehensive strengths of our Group—with expertise in construction, brokerage, and management of rental buildings. Going forward, in addition to rental building renovations that enhance business feasibility, we plan to expand our business by responding to various remodeling and renovation needs, such as large-scale renovations of public housing complexes.

CASE 03

Subscription-based business that provides a regular supply of emergency supplies.

Lifestyle Support Services business × **2. Social, 3. Talent/Organization**

We have launched a subscription-based business, Bokumaru Bosai, for preventing disasters—whereby emergency food supplies and disaster resiliency and preparedness equipment and knowledge are supplied and restocked on a regular basis—as a proof-of-concept business trial born of our Mirai-novator in-house venture system. Also, in collaboration with a project aiming to raise awareness of disaster preparedness and resiliency in our Group rental housing, the Daito Group's Disaster Prevention and Living Research Project (Bo-Ku Lab), we are aiming to contribute by not only enhancing resiliency and disaster preparedness, but also through buildings and urban development that are resilient to disasters. In this way, we are promoting various initiatives from a long-term perspective and view a wide range of social issues as opportunities for our business activities.

VOICE

We started the Bo-Ku Lab project because we thought there must be something we can do to address the anxieties and fears people have about disasters. We hope that, in the event of a disaster, if people have the necessary disaster resiliency and preparedness knowledge, together with delicious emergency food supplies, they will be able to take action to protect both their own and their loved ones' lives. As a total lifestyle support company, we want to support the lives of many people by developing services that support not only the hard, physical side of disaster resiliency, such as housing, but also lifestyles on the soft or human side.

From left »

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Daito Kentaku Partners Co., Ltd.

ASANO Mika
Business Strategy Department
Daito Trust Construction Co., Ltd.

TAKAGI Shoichi
Chief
Business Strategy Department
Daito Trust Construction Co., Ltd.

Initiatives to Achieve the Seven Material Issues

		Material Issues
Management Material Issue 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
Management Material Issue 2	**Social** **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
Management Material Issue 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
Management Material Issue 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 Issue 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
Business Material Issue 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
Business Material Issue 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

Main Initiatives to Achieve the Material Issues (Examples)

Renewal Energy Adoption
- Introduction of renewable energy to business offices
- Introduction of renewable energy to the head office building

Increasing Energy Efficiency
- Introduction of environmentally friendly vehicles (EVs and HVs)
- Promotion of eco-driving

Procuring and Using Wood
- Product development with a focus on wooden (2x4) buildings
- Development of CLT buildings
- Promote use of certified wood
- Use of domestic wood

Revitalization by Strengthening Relationships
- Strengthen partnerships with partner companies
- Expansion of franchisees
- Expansion of building maintenance and cleaning staff
- Expansion of ruum supporting stores
- Support for accepting foreign technical interns

For Everyone
- Introduction of services that do not require a guarantor
- Establishment of a foreign language support center available in 6 languages
- Specialist stores aimed at foreign residents (E-Heya International)
- Opening of overseas offices
- Introduction of post-retirement reemployment system

Diversity and Inclusion
- Creation of a more LGBTQ-inclusive workplace
- Promoting the active role of employees with disabilities
- Provision of career support for female employees (Women's Development Program)
- Implementation of diversity training

Workplace Environment
- Introduction of employee engagement surveys
- Implementation of sound management rankings

Work-Life Balance
- Expansion of support systems for balancing family and work
- Encouragement of male employees to take childcare leave
- Introduction of a return-to-work system that supports employees who have taken leave
- Promotion of flexible working through flextime systems, teleworking, etc.

Challenge Program
- Introduction of an internal venture system
- Implementation of SDGs Awards
- Expansion of support system for self-development and acquiring qualifications

Governance
- Establishment of Nominating and Remuneration Committee
- Widespread use of whistleblowing system
- Compliance training
- Establishment of a compliance point of contact and consultation desk
- Enhancement of internal controls (risk management and compliance)
- Implementation of appropriate information disclosure

Stakeholder Engagement
- Promotion of initiatives that improve customer satisfaction
- Conduct community contribution activities
- Introduction of a supplier evaluation system

Rental Housing Business
- Appropriate supply of rental housing based on supply plan
- Promotion of planned product expansion
- Development of products tailored to local regions

Improvement of Building Quality
- Development of highly durable and high-quality materials
- Development of environmentally friendly materials
- Rental housing compatible with the excellent long-term housing system

Development Renewal and Value Enhancement
- Promotion of the renovation business
- Promotion of renovation and resale business

Eco-Friendly Housing
- Standardization of ZEH rental properties
- Commercialization of LCCM* rental properties
- Commercialization of CLT buildings

Housing that Resolves Social Issues
- Development of rental housing resistant to natural disasters

Non-Residential Businesses
- Development of service office business
- Development of business attracting commercial facilities
- Active participation in private tendering

Improving Convenience of Living
- Expansion of the nursing care and nursery school businesses
- Provision of solar power
- Start of ruum business

*LCCM is a registered trademark of the Institute for Built Environment and Carbon Neutral for SDGs. We use it under a license agreement.

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	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
			Portion reduced by incorporating SBT	0.25	0.62	1.27	0.0	0.0	0.0
		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
			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
		Purchase costs for renewable energy	For green power certificate	(0.09)	(0.14)	(0.07)	0.0	0.0	0.0
			Reduced value of power certificates due to FIT	0.0	0.01	0.07	0.0	0.0	0.0
			Disposal and purchase costs for panels and PCs	0.0	(0.95)	(3.06)	0.0	0.0	0.0
			Charging income	0.0	0.0	4.30	0.0	0.0	0.0
	Market	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
			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 though 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 road map—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.**

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 48% 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.**

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).

Corporate Governance

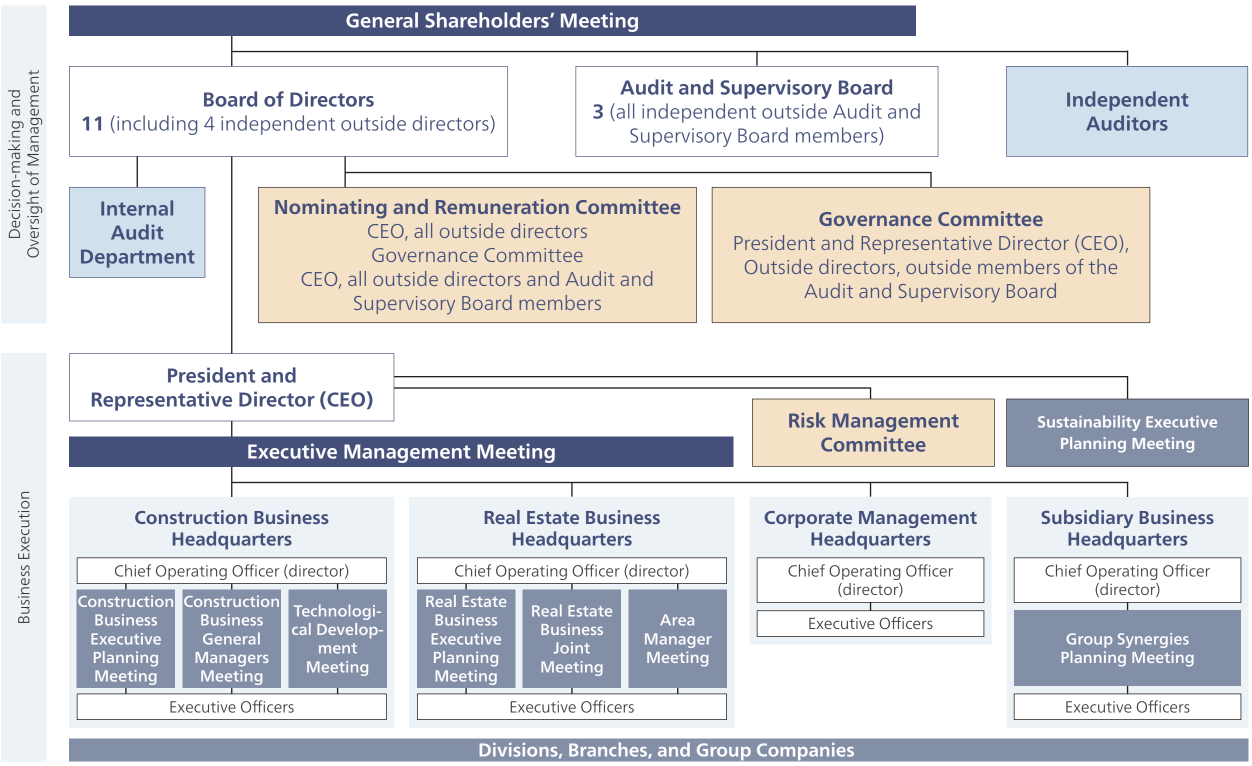
Corporate Governance Basic Policy

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.

Management Structure

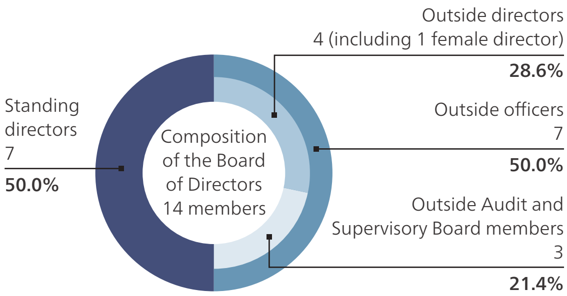
In order to realize agile decision-making, the Company has established an executive officer system with the goal of separating the function of the Board of Directors, as management's decision-making and supervisory body, from the function of executing work based on this decision-making. In addition, 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.



Board of Directors

The Board of Directors comprises standing directors with expertise in the individual business fields of the Company and the Daito Group, including in compliance and corporate law. It also comprises 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 in accordance with 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



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.

Governance Committee

The Governance Committee is a freestanding committee centered on outside officers, which focuses its discussions on corporate governance. It is composed of the President and Representative Director (CEO) and all outside directors and outside Audit and Supervisory Board members. The lead independent outside director serves as the chairperson. To carry out focused deliberations on strengthening governance, in December 2021 we separated out the nominating and compensation function from the predecessor Governance Committee and moved it to the newly formed Nominating and Remuneration Committee.

Nominating and Remuneration Committee

The Nominating and Remuneration Committee is an advisory body to the Board of Directors which discusses nominations to the Board of Directors and members' compensation. It is composed of the President and Representative Director (CEO) and all outside directors. The lead independent outside director serves as the chairperson. For the purpose of ensuring objectivity and transparency in decision procedure concerning nomination and compensation, the committee is proactively involved in the mutual evaluation process for executive directors and carries out discussions on the basic policies for nominations and compensation as well as successor planning.

Executive Management Meeting

Headed by the President and Representative Director (CEO) 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.

Viewpoint of an Outside Director

YAMAGUCHI Toshiaki

Outside Director
Chairman of the Company's Nominating and Remuneration Committee
Chairman of the Company's Governance Committee

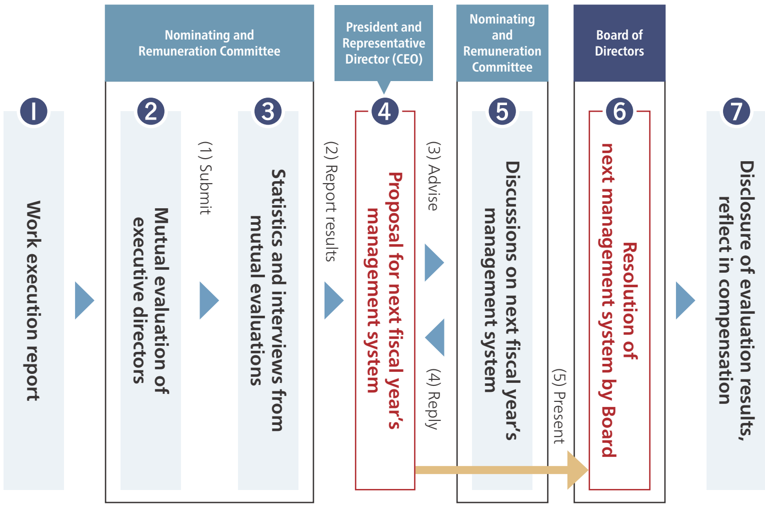
Points and Issues Evaluated by the Nominating and Remuneration Committee and the Governance Committee

Amid the major changes to the management environment surrounding Daito Trust, stakeholders are making an increasing number of appeals for resolving social issues related to the Company.
To respond to these requests, the Company, independent of the existing Governance Committee, aims for enhanced oversight in human resources, and to this end, has established the Nominating and Remuneration Committee. For the purpose of ensuring that the Board of Directors can exercise its supervisory function, while putting into practice prompt decision-making for management decisions, we have set up a mechanism that is centered on outside directors for exercising this function as it relates to the nomination of company officers and decisions on compensation.

Looking ahead, we consider it a major challenge to put into practice a mechanism as to how we collect the necessary information for the work of the Nominating and Remuneration Committee.
In the recent management environment, the Governance Committee has been grappling with the ideal form of governance appropriate to our Company.
The result is that the medium- to long-term business strategy, which sets its sights on Group synergies, is being put to use in a variety of processes.
A critical issue Daito Trust faces ahead is to not only construct a governance framework, but also to decide how to increase its effectiveness. As an outside director, I believe in the importance of leading Company management in a sound direction, while utilizing my experience as a legal expert and providing appropriate supervision of these committees' effectiveness. I intend to do everything I can toward the long-term development of Daito Trust and help foster a sustainable business continuity.

A Board of Directors Evaluation System Using the Nominating and Remuneration Committee

After receiving work execution reports prepared by the executive directors for the Board of Directors, the Nominating and Remuneration Committee organizes the implementation of mutual evaluations and interviews regarding the work execution and management supervisory functions of each executive director. The results of these mutual evaluations are reflected in the proposed compensation of directors and the development of a proposed management structure for the next fiscal year. By having the Nominating and Remuneration Committee deeply involved in the mutual evaluation of executive directors, the Company ensures fairness and transparency in the nomination of directors and their compensation.



Evaluating the Effectiveness of the Board of Directors as a Whole

The Daito Group aims to improve the Board of Directors' function while also lifting corporate value. Once each year, a self-assessment and self-analysis are performed regarding the Board's effectiveness. The self-evaluation and analysis in 2022 were conducted by the method laid out below.

Outline	
Period	Aug.–Sep. 2022
How	Survey using statistics, prepared by an external organization (anonymous survey)
Survey coverage	All directors and Audit and Supervisory Board members
Major items on survey	Board of Directors roles, composition, operation/Board discussions/the Board's supervisory function/support system for the Board of Directors and Audit and Supervisory Board members/dialogue with shareholders (investors)/operation of the Governance Committee/officer training/personal initiatives/others

FY2022 Summary of Evaluation Results

Based on the outcome of the survey analysis, the results were discussed at the Board of Directors and Governance Committee, and generally affirmative evaluations were obtained regarding the roles, operation, composition, etc. of the Board of Directors. In this way, we have verified that the effectiveness of the Board of Directors is being ensured.

On the other hand, views were also expressed and shared on issues that need to be addressed in order to raise the Board's effectiveness. Among these are discussions concerning medium- to long-term management strategy and strengthening of the Group's internal controls.

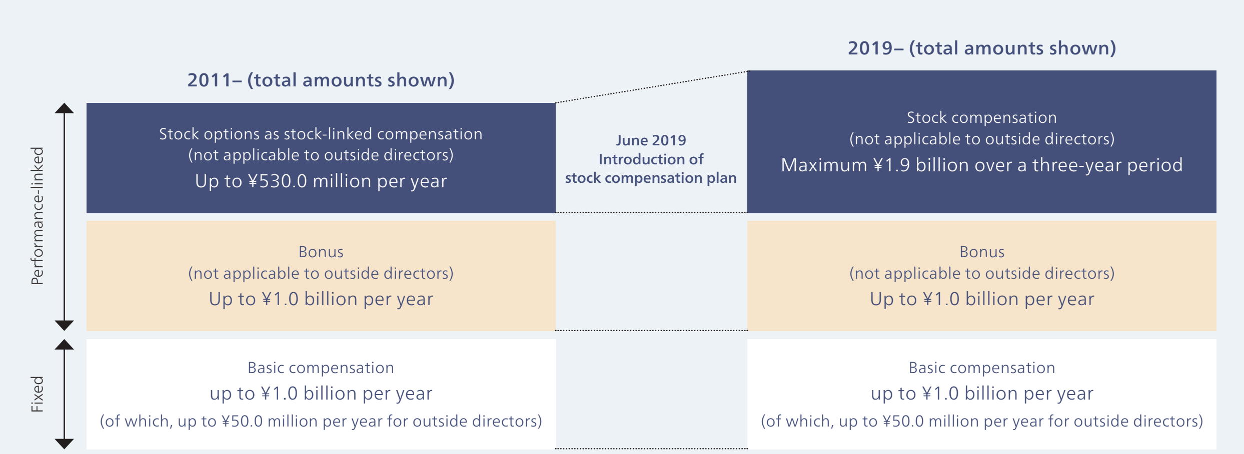
In light of these evaluations, the Company will respond promptly after the Board of Directors and Governance Committee have fully examined these issues, and it will continually promote initiatives that produce a better functioning Board of Directors.

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



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	Determined 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	202	Director	The Company	91	5	52	53	58
			Consolidated subsidiary	—	—	—	—	—
KAWAI Shuji	127	Director	The Company	59	4	29	34	33
			Consolidated subsidiary	—	—	—	—	—
TAKEUCHI Kei	124	Director	The Company	58	4	29	32	34
			Consolidated subsidiary	—	—	—	—	—
SATO Koji	118	Director	The Company	23	3	35	33	38
			Consolidated subsidiary	23	—	—	—	—

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: ¥5.0 million, Stock compensation: ¥52.0 million.
3. Breakdown of non-monetary compensation for KAWAI Shuji: Stock options: ¥4.0 million, Stock compensation: ¥29.0 million.
4. Breakdown of non-monetary compensation for TAKEUCHI Kei: Stock options: ¥4.0 million, Stock compensation: ¥29.0 million.
5. Breakdown of non-monetary compensation for SATO Koji: Stock options: ¥3.0 million, Stock compensation: ¥35.0 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.

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 ❶ and 2) from the past 10 years to the present for Categories ❷ to ❺.

❶ 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].

❷ 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).

❸ 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.

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

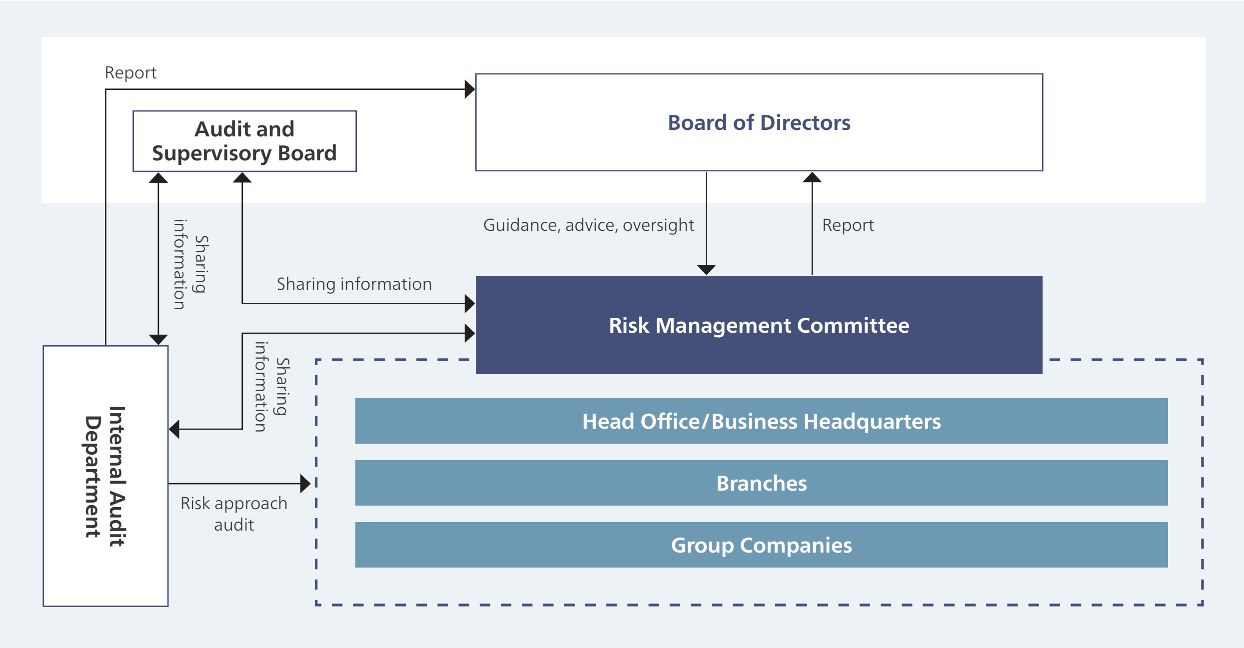
1) The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as the independent auditor.
2) The individual does not receive ¥10 million or more a year from the Daito Group (apart from director or Board member compensation)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

❺ Others

1) The individual is not a relative within two degrees of kinship of people falling under the Categories ❶ to ❹ 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.

Risk Management System



Risk Management Committee

To accurately determine all the business activity-related risks of the entire Group as well as reduce the occurrence frequency of risks and their impact on management, the Company has established a Risk Management Committee. This committee identifies, evaluates, and reviews risks important to Group management, formulates countermeasures, and checks the status of management on a regular basis. Particularly with regard to important management and business risks, the Company is promoting company-wide risk management. This is achieved by intensively monitoring risks in Board of Directors' meetings and by receiving regular status reports as well as timely reports from the Internal Audit Department.

Compliance Promotion Structure

Basic Policy

Our Compliance Promotion Department engages in checking compatibility with government law and in-house standards and, in collaboration with the Internal Audit Department, manages legal risks in our business activity. We conduct compliance thoroughly and consistently in all aspects of our business activity and have set these two compliance standards: 1) the Daito Group Code of Conduct, which lays out the conduct standards and guidelines that all Group employees should follow, and 2) "Daito Gohatto Nana-kajo," Daito Group 7 Prohibition Rules (maximum punishment dismissal) which, as one of a series of standards within the Daito Group, specifies matters that are especially prohibited.

Compliance Promotion Structure

The Group Compliance Promotion Meeting convenes regularly and discusses compliance-related matters such as employee enlightenment and concerns. It also monitors the state of legal compliance. We have also set up an internal reporting system at both the departments engaged in compliance and an outside law office, and we strive for early discovery and correction of wrongful behavior. Guided by the Compliance Promotion Department, we supply compliance-related training and information with regular frequency, applicable to executive officers and employees. In this way, we raise awareness of observing the law and promote the prevention of wrongful acts.

For more detailed information on corporate governance, please see the following website:
https://www.kentaku.co.jp/corporate/en/ir/governance/message.html

Management

Directors

	 KOBAYASHI Katsuma	 KAWAI Shuji	 TAKEUCHI Kei	 SATO Koji	 UCHIDA Kanitsu	 TATE Masafumi	 MORI Yoshihiro
Role	President and Representative Director (CEO) Member of the Company's Nominating and Remuneration Committee Member of the Company's Governance Committee	Managing Director In charge of Corporate Management Headquarters In charge of New Core Business Headquarters	Managing Director In charge of Construction Business Headquarters	Managing Director In charge of Real Estate Business Headquarters President and Representative Director of Daito Kentaku Partners Co., Ltd.	Director Manager of New Core Business Headquarters In charge of Nursing Care and Childcare Businesses and Overseas Business	Director General Manager of Design Management Department	Director President and Representative Director of Daito Kentaku Leasing Co., Ltd.
Expertise/ Experience	–	–	–	–	–	–	–
Attendance at Board of Directors' meetings	13/13	13/13	13/13	13/13	13/13	10/10	10/10
Corporate management	●	●	●	●	●	●	●
Business strategy/ Marketing	●		●	●			●
Technology/R&D/ Quality control	●		●		●	●	
Finance/ Accounting		●					
Sustainability	●	●		●	●	●	
Governance/ Compliance/ Risk management	●	●					
International/ Overseas business		●			●		

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.

KOISHIKAWA Masayuki
Executive Officer,
General Manager of Sales Management Department

MATSUFUJI Jun
Executive Officer,
In charge of Central Japan Construction Business Headquarters

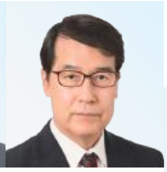
YAMADA Shoji
Executive Officer,
General Manager of West Kanto Area Construction Business Department

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

NAKAMURA Kouichi
Executive Officer,
Manager of East Japan Construction Business Headquarters

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

Audit and Supervisory Board members

							
	YAMAGUCHI Toshiaki Outside	**SASAKI Mami** Outside	**SHODA Takashi** Outside	**IRITANI Atsushi** Outside	**UNO Masayasu** Outside	**MATSUSHITA Masa** Outside	**KOBAYASHI Kenji** Outside
Role	Outside Director Chairman of the Company's Nominating and Remuneration Committee Chairman of the Company's Governance Committee	Outside Director Member of the Company's Nominating and Remuneration Committee Member of the Company's Governance Committee	Outside Director Member of the Company's Nominating and Remuneration Committee Member of the Company's Governance Committee	Outside Director Member of the Company's Nominating and Remuneration Committee Member of the Company's Governance Committee	Standing Audit and Supervisory Board Member (Outside) Member of the Company's Governance Committee	Audit and Supervisory Board Member (Outside) Member of the Company's Governance Committee	Audit and Supervisory Board Member (Outside) Member of the Company's Governance Committee
Expertise/ Experience	Lawyer	Formerly in foreign financial institution management	Former company manager	Lawyer/ Certified public accountant	Certified public accountant/ Former company manager	Lawyer/ Former company manager	Certified public accountant/ Company manager
Attendance at Board of Directors' meetings	13/13	13/13	13/13	10/10	13/13	10/10	10/10
Corporate management			●		●	●	●
Business strategy/ Marketing							
Technology/R&D/ Quality control			●				
Finance/ Accounting		●		●	●	●	●
Sustainability	●	●	●	●			
Governance/ Compliance/ Risk management	●	●	●	●	●	●	●
International/ Overseas business		●	●	●	●	●	●

Note: The above list is based on each person's experience and includes areas in which they can demonstrate greater expertise, and does not necessarily represent all of the knowledge possessed by each person.

IZUMI Kazuhiro
Executive Officer,
General Manager of Construction Management Department

TAKENAKA Kunihiro
Executive Officer,
Manager of Central Japan Construction Business Headquarters

OKAMOTO Eiji
Executive Officer,
In charge of West Japan Construction Business Headquarters

TANAKA Yoshimasa
Executive Officer,
General Manager of Chugoku Area Construction Business 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

List of officers
https://www.kentaku.co.jp/corporate/en/outline/executive.html

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Assets		
Current assets		
Cash and deposits	198,993	259,134
Money held in trust	13,500	12,500
Notes and accounts receivable from completed construction contracts and other	51,880	54,610
Short-term investment securities	1,502	3,101
Costs on uncompleted construction contracts	13,460	13,660
Real estate for sale and development projects in progress	—	15,358
Other inventories	10,457	15,366
Prepaid expenses	70,237	72,347
Operating loans	120,980	113,329
Other	26,697	29,863
Allowance for doubtful accounts	(594)	(785)
Total current assets	507,115	588,487
Non-current assets		
Property, plant and equipment		
Buildings and structures	59,343	60,392
Machinery and equipment	32,910	36,320
Tools, furniture and fixtures	2,397	2,057
Land	76,200	76,979
Lease assets	716	640
Other	577	1,237
Total property, plant and equipment	172,145	177,627
Intangible assets		
Goodwill	12,224	11,337
Other	26,836	25,168
Intangible assets	39,061	36,505
Investments and other assets		
Investment securities	48,737	47,155
Subordinated bonds and subordinated trust beneficiary rights	9,384	6,915
Deferred tax assets	93,322	95,104
Other	55,309	60,129
Allowance for doubtful accounts	(5,621)	(6,045)
Total investments and other assets	201,132	203,258
Total non-current assets	412,339	417,392
Total assets	919,454	1,005,879
Liabilities		
Current liabilities		
Accounts payable for construction contracts	27,580	36,479
Short-term loans payable	690	—
Current portion of bonds payable	140	80
Current portion of long-term loans payable	12,444	13,008
Lease obligations	193	169
Income taxes payable	22,493	22,903
Advances received on uncompleted construction contracts	40,814	39,466
Advances received	94,867	119,761
Provision for bonuses	20,372	25,218
Provision for warranties for completed construction	599	1,376
Deposits received	10,404	9,071
Other	68,467	44,402
Total current liabilities	299,066	311,938
Non-current liabilities		
Bonds payable	130	11,050
Long-term loans payable	83,344	70,582
Lease liabilities	361	388
Deferred tax liabilities	246	446
Provision for repairs on whole-building leases	169,779	187,469
Net defined benefit liability	14,847	15,471
Long-term guarantee deposits	32,212	31,306
Other	11,259	11,437
Total non-current liabilities	312,181	328,152
Total liabilities	611,247	640,091
Net assets		
Shareholders' equity		
Capital stock	29,060	29,060
Capital surplus	34,540	34,540
Retained earnings	266,899	319,133
Treasury stock	(15,352)	(12,852)
Total shareholders' equity	315,148	369,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,636	2,825
Deferred gains or losses on hedges	267	127
Revaluation reserve for land	(7,584)	(7,584)
Foreign currency translation adjustment	(5,806)	(1,737)
Remeasurements of defined benefit plans	(1,927)	(2,054)
Total accumulated other comprehensive income	(11,414)	(8,424)
Subscription rights to shares	388	322
Non-controlling interests	4,084	4,007
Total net assets	308,206	365,787
Total liabilities and net assets	919,454	1,005,879

Consolidated Statement of Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales		
Net sales of completed construction contracts	401,709	432,831
Sales on real estate business	1,014,262	1,064,230
Sales on other business revenue	72,943	85,941
Total net sales	1,488,915	1,583,003
Cost of sales		
Cost of sales of completed construction contracts	297,239	325,849
Cost of sales on real estate business	905,183	940,146
Cost of sales on other business	47,627	56,865
Total cost of sales	1,250,049	1,322,860
Gross profit		
Gross profit on completed construction contracts	104,470	106,982
Gross profit—real estate business	109,078	124,084
Gross profit—other business	25,315	29,076
Total gross profit	238,865	260,142
Selling, general and administrative expenses	152,126	160,548
Operating income	86,738	99,594
Non-operating income		
Interest income	353	313
Dividends income	221	422
Commission fee	2,432	2,709
Share of profit of entities accounted for using equity method	307	623
Subsidy income	857	—
Miscellaneous income	1,389	1,761
Total non-operating income	5,562	5,829
Non-operating expenses		
Interest expenses	290	433
Provision of allowance for doubtful accounts	103	—
Commission paid	392	666
Loss on transfer of receivables	349	—
Miscellaneous expenses	557	652
Total non-operating expenses	1,693	1,752
Ordinary income	90,607	103,671
Extraordinary income		
Gain on sales of non-current assets	19	49
Gain on sales of investment securities	744	1
Gain on sales of shares of subsidiaries and associates	—	10
Total extraordinary income	764	61
Extraordinary loss		
Loss on sales and retirement of non-current assets	434	327
Impairment loss	154	183
Loss on disaster	12	4
Total extraordinary loss	601	515
Income before income taxes and non-controlling interests	90,770	103,217
Income taxes—current	40,780	42,110
Income taxes—deferred	(12,377)	(8,450)
Total income taxes	28,403	33,660
Net income	62,367	69,557
Profit (loss) attributable to non-controlling interests	81	(22)
Profit attributable to owners of the parent	62,285	69,580

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net income	62,367	69,557
Other comprehensive income		
Valuation difference on available-for-sale securities	2,869	(811)
Deferred gains or losses on hedges	8	(140)
Foreign currency translation adjustment	(1,965)	4,069
Remeasurements of defined benefit plans	1,082	(131)
Total other comprehensive income	1,995	2,985
Comprehensive income	64,362	72,543
(Breakdown)		
Profit attributable to owners of the parent	64,283	72,570
Profit attributable to non-controlling interests	79	(27)

Consolidated Statement of Changes in Equity

(Millions of yen)

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
Cumulative effects of changes in accounting policy					—									—
Restated balance	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

Year Ended March 31, 2022	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, 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
Cumulative effects of changes in accounting policy			16,224		16,224									16,224
Restated balance	29,060	34,540	283,123	(15,352)	331,372	3,636	267	(7,584)	(5,806)	(1,927)	(11,414)	388	4,084	324,431
Change in the year														
Cash dividends			(33,537)		(33,537)									(33,537)
Profit attributable to owners of the parent			69,580		69,580									69,580
Purchase of treasury stock				(28)	(28)									(28)
Disposal of treasury stock				2,528	2,528									2,528
Change in treasury shares of the parent arising from transactions with non-controlling shareholders			(32)		(32)									(32)
Net changes of items other than shareholders' equity						(811)	(140)	—	4,069	(127)	2,990	(66)	(77)	2,846
Net change in the year	—	—	36,010	2,500	38,510	(811)	(140)	—	4,069	(127)	2,990	(66)	(77)	41,356
BALANCE MARCH 31, 2022	29,060	34,540	319,133	(12,852)	369,882	2,825	127	(7,584)	(1,737)	(2,054)	(8,424)	322	4,007	365,787

Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes and minority interests	90,770	**103,217**
Depreciation and amortization	15,801	**16,182**
Impairment loss	154	**183**
Amortization of goodwill	358	**887**
Increase (decrease) in allowance for doubtful accounts	607	**614**
Increase (decrease) in provision for bonuses	6,180	**4,846**
Increase (decrease) in provision for repairs on whole-building leases	17,916	**17,690**
Increase (decrease) in net defined benefit liability	1,178	**434**
Interest and dividend income	(575)	**(735)**
Interest expenses	290	**433**
Loss (gain) on sales of short-term and long-term investment securities	(744)	**(1)**
(Gain) or loss on sales of securities of affiliated companies	—	**(10)**
Share of (profit) loss of entities accounted for using equity method	(307)	**(623)**
Decrease (increase) in notes and accounts receivable—trade	24,569	**(2,725)**
Decrease (increase) in costs on uncompleted construction contracts	(1,361)	**(200)**
Decrease (increase) in other inventories	(1,718)	**(4,907)**
Decrease (increase) in prepaid expenses	22	**(977)**
Decrease (increase) in operating loans	6,612	**8,100**
Increase (decrease) in notes and accounts payable—trade	(28,441)	**8,894**
Increase (decrease) in accounts payable—other	3,024	**3,246**
Increase (decrease) in advances received on uncompleted construction contracts	555	**(1,347)**
Increase (decrease) in advances received	5,298	**3,225**
Increase (decrease) in long-term guarantee deposits	(1,432)	**(906)**
Other	10,081	**(1,194)**
Subtotal	148,840	**154,329**
Interest and dividend income received	1,464	**1,483**
Interest expenses paid	(289)	**(404)**
Income taxes paid	(51,553)	**(42,925)**
Net cash provided by operating activities	98,461	**112,483**
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	—	**199**
Payments into time deposits	(12)	**(275)**
Proceeds from decrease in money held in trust	500	**1,000**
Proceeds from sales and redemption of securities	4,030	**1,500**
Purchase of property, plant and equipment	(7,563)	**(11,392)**
Purchase of intangible assets	(5,885)	**(5,962)**
Purchase of investment securities	(1,602)	**(4,168)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	(13,895)	**—**
Proceeds from sales and redemption of investment securities	1,857	**3,291**
Proceeds from sales of affiliated companies' shares	—	**10**
Other	(2,169)	**(3,715)**
Net cash used in investing activities	(24,740)	**(19,511)**
Cash flows from financing activities		
Repayments of short-term loans payable	(100)	**(690)**
Proceeds from long-term loans payable	95,885	**1,329**
Repayments of long-term loans payable	(85,094)	**(13,526)**
Repayments of lease liabilities	(214)	**(195)**
Proceeds from issuing bonds	—	**11,000**
Redemption of bonds	(57)	**(140)**
Proceeds from disposal of treasury stock	4,501	**1,806**
Purchase of treasury stock	(11,378)	**(28)**
Cash dividends paid	(37,723)	**(33,537)**
Dividends paid to non-controlling interests	(134)	**(33)**
Other	—	**(72)**
Net cash provided by (used in) financing activities	(34,315)	**(34,089)**
Effect of exchange rate change on cash and cash equivalents	(547)	**1,182**
Net increase (decrease) in cash and cash equivalents	38,857	**60,064**
Cash and cash equivalents at beginning of period	159,902	**198,760**
Cash and cash equivalents at end of period	198,760	**258,825**

Corporate Information

Outline (As of March 31, 2022)

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: 17,650 (consolidated basis)

Main Group Companies (As of March 31, 2022)

Construction Business

Daito Trust Construction Co., Ltd.
Construction of rental properties, etc.

Daito Construction Co., Ltd.
Design and construction of rental properties, etc.

Daito Steel Co., Ltd.
Supply of construction materials, etc.

Real Estate Business

Daito Kentaku Partners Co., Ltd.
Whole-building leasing

Daito Kentaku Leasing Co., Ltd.
Rental property brokering and real estate leasing

Housecom Group
Rental property brokering, etc.

House Leave Co., Ltd.
Guarantor services

Liangbuwu Business Consulting (Shanghai) Co., Ltd.
Rental property brokering

Finance Business

Daito Finance Co., Ltd.
Financing of construction funds

Daito Mirai Trust Co., Ltd.
Handling of managed trust

House Payment Co., Ltd.
Credit card settlement agency

D.T.C. Reinsurance Limited
Fire insurance re-insurance company

HOUSEGUARD SSI
Fire insurance provider

Other Businesses

Daito Corporate Service Co., Ltd. <special subsidiary (promoting employment of persons with disabilities)>
Document printing and business support for the Group

JustCo DK (Japan) Co., Ltd.
Flexible workspace business

Daito Asia Development Pte. Ltd.
Provides financing and other services for management companies in overseas hotel business

Gaspal Group
LP gas supply and other business

Lopicma Co., Ltd.
Management of facility reservation portal sites

Daito Asia Development (Malaysia) Sdn. Bhd.
Hotel business

Daito Asia Development (Malaysia) II Sdn. Bhd.
Hotel business

Care Partner Co., Ltd.
Operation of day-care services, nursery schools, home visit nursing care, nursing care, etc.

INVALANCE Ltd.
Development and sales of investment-type apartment properties

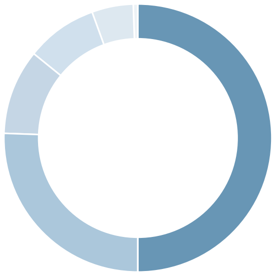
Information System Chart

	Consolidated Financial Statements		Non-Financial Information
Reports	Factbook	**Integrated 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	Sustainability Report
	Financial Summaries (Securities Reports, etc.)		The Company's Initiatives Related to the Corporate Governance Code
Website	**Corporate and IR Information** https://www.kentaku.co.jp/corporate/en/ir/		**Sustainability** https://www.kentaku.co.jp/corporate/csr/ (Japanese only)

Stock Data (As of March 31, 2022)

Fiscal year	April 1 to March 31
Number of shares authorized	329,541,100 shares
Number of shares outstanding	68,918,979 shares
Shareholders	19,936
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 *Nihon Keizai Shimbun* newspaper.
Stock exchange listing	Tokyo Stock Exchange (Prime Market) Nagoya Stock Exchange (Premier Market) Securities Code: 1878

Breakdown of Shareholders (As of March 31, 2022)

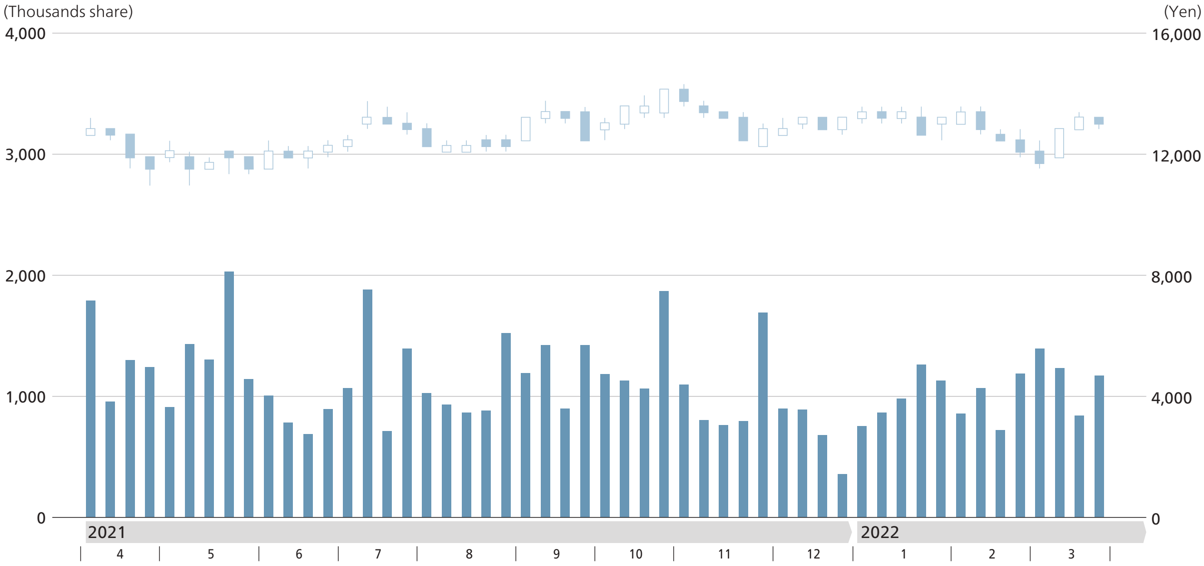


Overseas corporations	34,691,806	(50.34%)
Financial institutions	17,687,001	(25.66%)
Individuals and others	6,954,652	(10.09%)
Domestic corporations	6,082,122	(8.82%)
Financial instruments firms	3,451,625	(5.01%)
Treasury stock	51,773	(0.08%)

Largest Shareholders (As of March 31, 2022)

Shareholders	Number of shares (thousand)	Percentage held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,284	14.93
SSBTC Client Omnibus Account	4,565	6.63
Custody Bank of Japan, Ltd. (Trust account)	3,276	4.76
Hikari Tsushin, Inc.	2,080	3.02
Daito Kentaku Partners Stockholding Association	1,633	2.37
Sumitomo Realty & Development Co., Ltd.	1,606	2.33
STATE STREET BANK WEST CLIENT-TREATY 505234	1,155	1.68
Daito Trust Construction Employees Shareholding Association	1,103	1.60
DEUTSCHE BANK TRUST COMPANY AMERICAS ADR DEPT ACCOUNT	982	1.43
STATE STREET BANK AND TRUST COMPANY 505103	942	1.37

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 in the Prime Market of the Tokyo Stock Exchange and
in the Premier Market of the Nagoya Stock Exchange (Code: 1878)
ADR Code: DIFTY
Editing: Public Relations Department

Integrated report 2022 2022.12-01

Environment
Social
Governance
Guidance for Collaborative Value Creation