

Life is Built on Trust.



Sustainability Report 2022



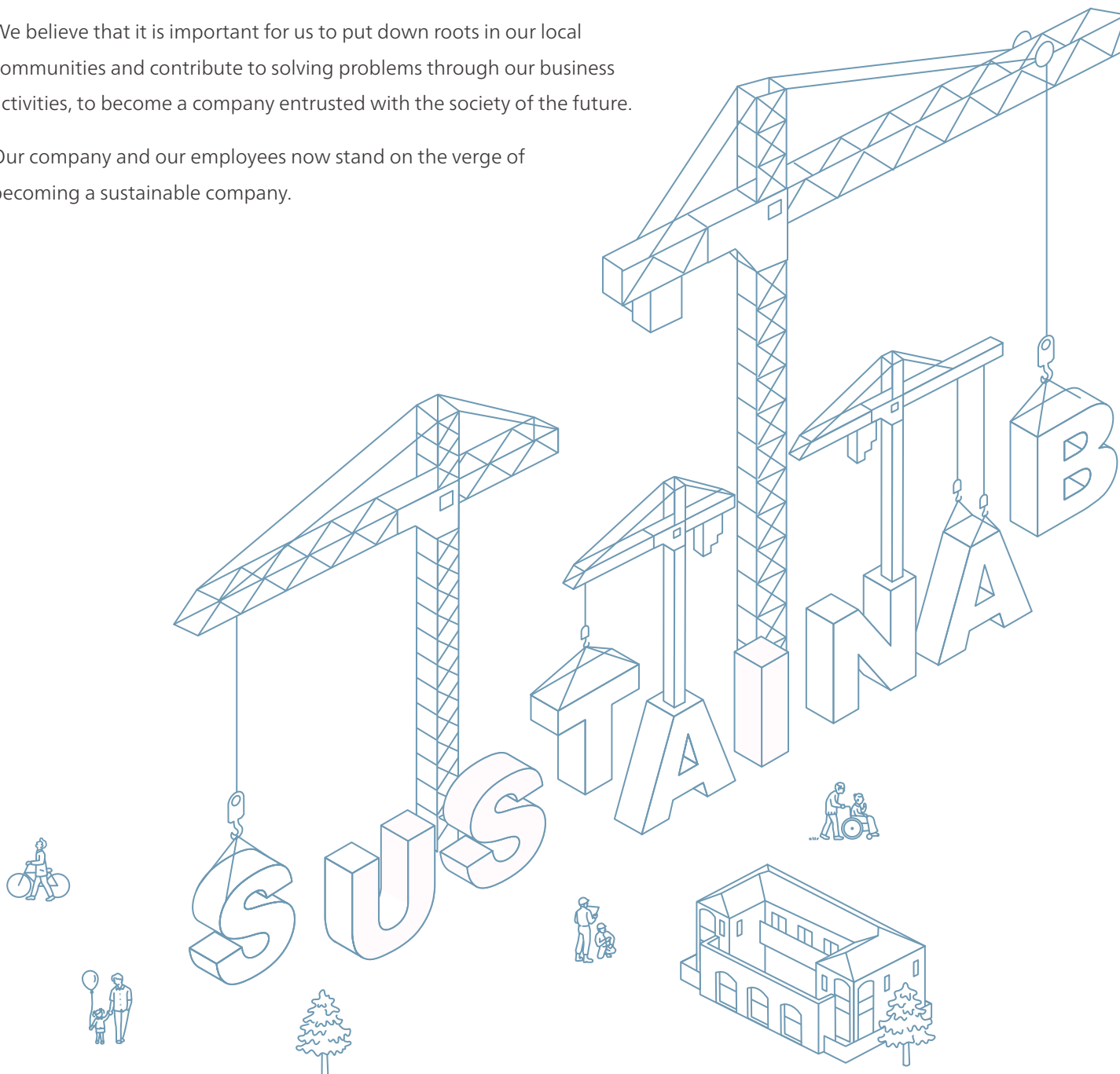
DAITO TRUST
CONSTRUCTION CO., LTD.

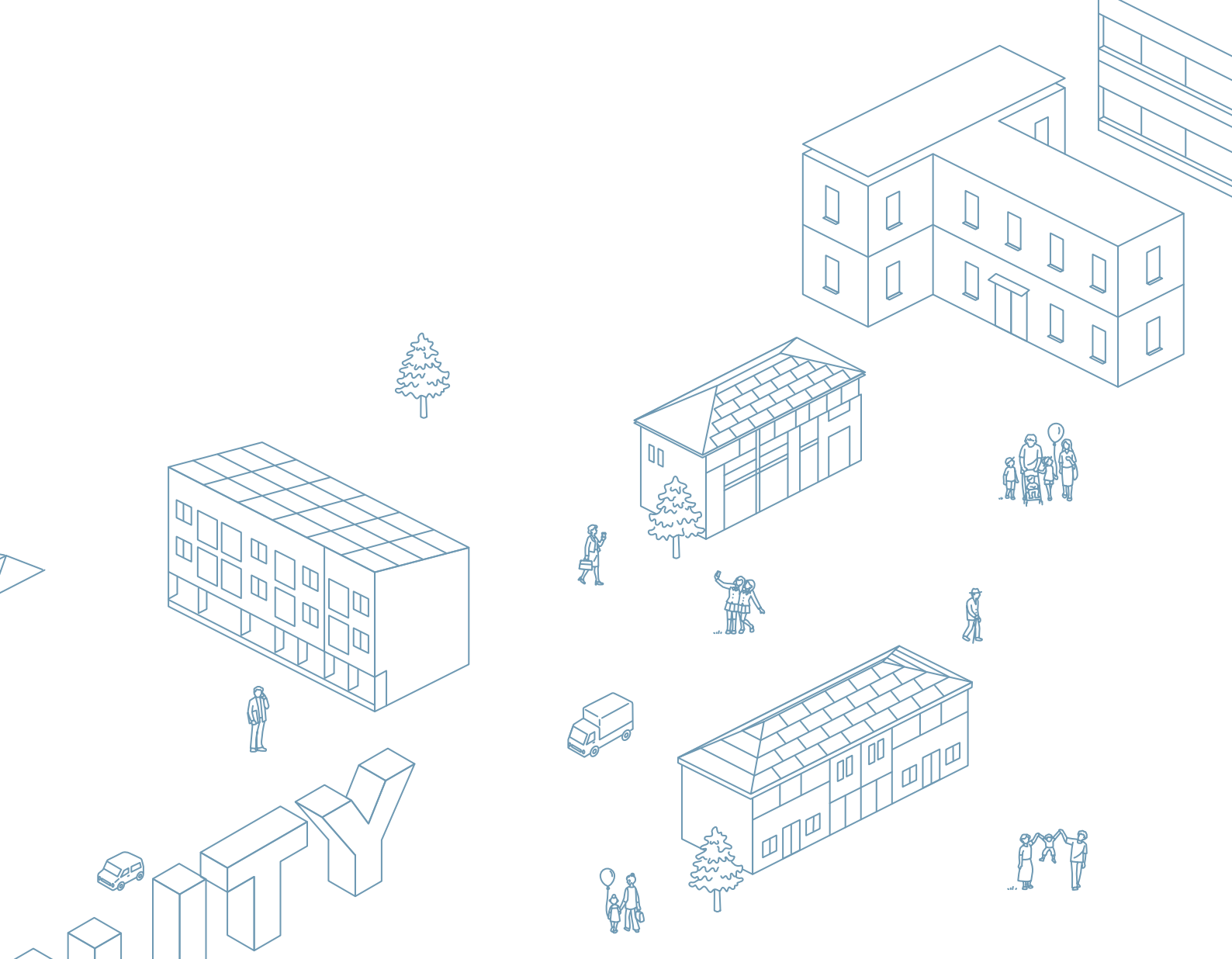
A Determination to be Entrusted with the Society of the Future

We have been entrusted with owners' valuable property and building assets, tenants' homes, long-term care, energy, and other elements that form the foundations for their living. Today, companies bear a growing role in addressing social issues such as climate change, declining birthrates, and aging populations.

We believe that it is important for us to put down roots in our local communities and contribute to solving problems through our business activities, to become a company entrusted with the society of the future.

Our company and our employees now stand on the verge of becoming a sustainable company.





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About this Sustainability Report

■ Editorial policy

This report is for our broad range of stakeholders, especially our shareholders and investors, to deepen their understanding of the Daito Group's initiatives aimed at sustainability. This report discloses and explains highly important information directly related to the improvement of our value creating activities, focusing on 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 (April 1, 2021 to March 31, 2022). 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 future 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.

■ Third-party assurance

To ensure the reliability of the quantitative environmental information from FY2021 published in this report and marked with a ★ symbol, this report has undergone third-party assurance. See "Third-party assurance" (page 64) for details.

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Making sustainability the core of our management, we seek to achieve long-term stable management along with sustainability in the leasing business.

President and Representative Director (CEO)
KOBAYASHI Katsuma

小林克満



We Will Contribute to Resolving Social Issues through Our Seven Material Issues

Daito Group's Sustainability Management

Recent years have seen growing interest in sustainability management, which seeks to balance environmental and social considerations with business sustainability. Recognizing that we will face increased questioning over whether our corporate management is truly aligned with this, we have issued our Sustainability Report to aid stakeholders in understanding the Daito Group's current status and thinking with respect to sustainability management.

Our Group views sustainability as the core of our management. In 2021, we identified seven material issues that we should tackle first. Based on characteristics of the rental housing business that our Group engages in, we consider the three perspectives of the environment, disaster prevention, and lifestyle as particularly vital.

Looking first at the environment, heavy rain-related disasters and abnormal weather have been occurring frequently in recent years. As a member of society, we recognize that our environmental initiatives are of great importance. Undertaking initiatives to control climate change is a social responsibility that companies bear. For example, we have joined international environmental

initiatives such as Renewable Energy 100 (RE100) and Energy Productivity 100 (EP100) and have also formulated the Daito 2050 Environmental Vision, an environmental management strategy that looks ahead to the year 2050. We are now advancing initiatives in line with these strategies.

Setting 2022 as the launch year of our Net Zero Energy House (ZEH), we are making ZEH specifications the standard in the rental housing we provide and are working to solve environmental issues through our rental housing business.

However, the provision of environmentally friendly rental housing cannot be called truly sustainable unless the rental business itself is safe, secure, and stable over the long term. We believe the most important considerations are balancing the two perspectives of sustainability and long-term stable management in the rental business, and engaging in corporate management that earns acceptance from both customers and society.

Looking at the area of disaster prevention, our Group has been entrusted with the management of over 1.2 million units of rental housing by 89,000 owners across Japan. Considering the scale of this, we see ourselves as playing a role in supporting social infrastructure. With

every earthquake, heavy rain, or other natural disaster occurring anywhere in the country, we feel great concern for the safety of owners, tenants, and our employees. Readiness against natural disasters is a matter that we should make a matter of personal responsibility. I feel that we as a company have a major role to play in this area. Finally, looking at lifestyle in a time of 100-year life expectancies, people's views of living and housing have

changed considerably and I believe this trend will continue in the future. We live in an age in which people choose the ideal homes for their lifestyle and stage of life. We need to think about diverse concepts of lifestyles matched to the times, along with concepts of rental housing that fit in with that. I want to promote sustainability management based on the role of rental housing as social infrastructure, and resolve social issues by tackling our Seven Material Issues.

We Will Work to Achieve Our Material Issues throughout the Group

The State of Our Sustainability Management

Our Group views sustainability as the core of our management. We position our Seven Material Issues as particularly key issues that we must resolve through our business activities. These material issues are determined mainly by executive officers, department heads, and other persons responsible for business promotion, and will exert a positive influence on our future driving power, I believe. Recognition of these issues within the Company is also gradually increasing. In October 2021, we launched the Daito Group SDGs Awards, a program by which employees across the country plan and carry out measures that contribute to resolving regional issues. I hope to gradually expand the scope of this

program's activities. Our Board of Directors regularly receives reports on sustainability activities and engages in checking, deliberation, and counsel regarding the content of our activities. It will actively tackle issues from a management perspective as well. Within the Sustainability Executive Planning Meeting that we established in April 2022, we are organizing and examining what specific things we can achieve through our business and what we should carry out to address the Seven Material Issues. At the same time, we are setting KPIs for each material issues and are putting these into practice. We will clarify the persons in charge of the KPIs and consider the incorporation of the KPIs into our evaluation system so that we can promote realistic sustainability management.

We Will Formulate a Long-Term Vision and Achieve Sustainability Management

Daito Group's Long-Term Vision

In the performance of our Group's sustainability management, we are formulating Vision 2030 so that we can grasp our corporate activities from an even longer-term perspective. I want to show how we can provide new value to our stakeholders in 2030 and even further ahead in 2040 and 2050, so that we can become a total lifestyle support company. To survive as a company over the long term, I believe it is important for the Daito Group to put into practice a vision that lets us sustain growth with vitality, and to create an environment in which employees can align their personal growth with the growth of the Company. I strongly believe that we will continue to grow into a Group in which everyone can take pride in work.

In the rental housing field, our Group has the largest business scale in Japan. We will take advantage of this scale to actively take on the challenge of resolving social issues through our business and to provide new value to owners, tenants, and communities. I hope people will take note of these efforts. In the coming era when social changes accelerate ever more, we will overcome any difficulties through wisdom and ingenuity, will continue to provide long-term safe, secure, and stable management of our rental housing business, and will promote sustainability management. By achieving our Seven Material Issues, we will aim to resolve social issues as a company that can grow sustainably, entrusted with the dreams and futures of our many stakeholders.

Sustainability Roundtable

THE MEMBERS ARE >>>

**KAWAOKA Makoto**

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

**TOGEZAKA Shigehiko**

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

In 2021, we identified Daito Group's Seven Material Issues with the aim of achieving sustainability management. We spoke about our current state and outlook in this area with five members of the Sustainability Executive Planning Meeting, launched in April 2022 to achieve the material issues.

Executing Sustainability Management

Launch of the Sustainability Executive Planning Meeting

KINAI Our Group established the Sustainability Executive Planning Meeting (hereinafter the "Meeting") in 2022 to achieve the Seven Material Issues we identified in 2021. The Meeting members, including those taking part in today's roundtable discussion, consist of deputy managers of relevant divisions who are expected to play leading roles in promoting sustainability management in the Group. The first Meeting was held in April 2022 and discussions have been ongoing every month since.

WAGA Beginning several years ago, the Public Relations

Department had stated its wish to incorporate sustainability concepts into corporate activities, and continued to hold discussions. When I took part in the first Meeting, I thought, "We've finally gotten to this point." Social demands for sustainability have strengthened in recent years, and I believe that the Company as a whole is now in a position to sense the growing interest among our stakeholders.

YUNOME I took part in the first Meeting. As people from diverse specialized fields were gathered, there were opinions from differing perspectives and angles even on the same topic, which to me felt like true diversity. The Diversity Promotion Department became an independent department in FY2022. For those of us in the department, the Meeting also served as an opportunity to again think about what we should be doing.

TOGEZAKA Taking part in the Meeting, I realized once again that sustainability is a perspective that we cannot leave out when designing and planning products. As a construction company, we primarily engage in businesses



YUNOME Yukari

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



WAGA Tadashi

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



KINAI Keiko

Daito Trust Construction Co., Ltd.
Corporate Planning Department,
Sustainability Promotion Section (Secretariat)

that directly connect to people's lives. I feel that, rather than forcing sustainability onto our customers, it is important we provide buildings that make people feel sustainability is natural. As an example, in addition to Net Zero Energy House (ZEH), we have ceaselessly focused on environmental considerations through the use of cross-laminated timber (CLT), a wooden building material gaining attention for combining the strength of concrete with the lightness of wood. By thinking of rental housing as social infrastructure, I felt the need to make greater contributions in terms of lifestyle and disaster prevention, in addition to environmental considerations.

KAWAOKA In the past, I was a member of a brand strategy project that focused on how to skillfully present the Company's activities to the outside world. But participating in the Meeting, I really felt that, as opposed to those activities back then that were merely aimed at looking good to the outside or boosting business performance, we had become a company that delights customers and thinks about what we can do to contribute to society.

Deepen Understanding of Sustainability

KINAI We had originally planned to decide on KPIs for the Seven Material Issues as quickly as possible and get started. Through discussions in the Meeting, however, we found that there were a lot of things we had to consider before determining the KPIs. I consider this a natural thing

as our Company's material issues are not merely an extension of our existing business, but rather are determined from a perspective of the future image we are aiming for. Working with everyone else here, I want to examine our KPIs and what we should address to achieve them, drawing on numerous perspectives and opinions.

WAGA Setting the KPIs is the hardest part. As we set targets to reach as a company, what is important is that we are able to depict a clear image of what we should aim for in every field. I also think it is important we act with responsibility in thinking about the process for achieving that desired image, set KPIs for checking progress, and engage in thorough discussions until we are satisfied. Contributing to resolving social issues in a way that can connect to profitability should be the sustainability a company aims for. It is my sense that it is important to steadily get people to understand and keenly feel that approach at the workplace level, so that such initiatives can be continued even when company's management is slow and can be connected to profits with sustainability and business balanced.

YUNOME The Diversity Promotion Department has been working to create an environment that lets employees feel comfortable and motivated. Some employees have commented that things have improved, and I think the work environment has become more comfortable. However, the promotion of diversity and sustainability is very difficult as there is no correct way of doing things. We need to work steadily over the long term to get all employees to understand our future vision for

Special Feature: Sustainability Roundtable

sustainability, and to give this vision roots in the workplace. I want to express a path to achieving our material issues in a way that communicates well to employees.

TOGEZAKA The members of the Meeting are heads of departments, which means they are the executing team that determines policy in everyday work. The policies decided by management have to be incorporated into the workplace accurately and in a way that is easily understood. In terms of the environment, as an example, if

I believe that if we can achieve all of our material issues, we will be able to change the value of rental housing.

——— **TOGEZAKA**

The Image We Envision through Sustainability

Increasingly Full-Scale Sustainability Promotion

TOGEZAKA Owners and tenants wonder whether, when unusual circumstances occur, the environment and disasters have been taken into consideration in their housing. To address this, I believe it is important to build mechanisms that let owners and tenants feel they are contributing to sustainability when they choose our company. It is my expectation that when the concept of sustainability becomes the core of our Group overall, a number of business vectors will take shape. In a specific area, the standardization of ZEH proposals begun by the Company raises costs, but I feel that we were able to achieve it because of our movement toward sustainability management. As of July, we have already achieved our target for the year of 10,000 contracted units. This driving force that achieves targets once a direction has been set is a strength of our Group. If we can guide this driving force

high environmental performance and energy-saving performance are considered aspects of good housing, simply improving air conditioning performance and thermal insulation can be achieved through extra costs. However, as rental housing management is premised on profitability, this does not necessarily match up with what is really needed. Reviewing the business structure to build up cost reductions and spending more on areas that improve environmental performance are potential ways to boost profitability. Doing so seems easy but is actually very difficult, which is the challenge we now face. Setting KPIs that are not viable in business is ultimately ineffective. I feel that balancing business with sustainability is extremely difficult.

KAWAOKA Rental housing involves the perspectives of both the owners who manage rental properties and the tenants who live there. As such, I think we need to examine sustainability initiatives that are agreeable to both sides. Looking at my private life, my child is learning about the SDGs at school, and now uses the word “sustainability” more naturally than I do. Considering that this generation will go on to become our customers, I think it is vital we become a company that has taken sustainability into account in every aspect.

in the right direction, I feel we will be fully able to make significant contributions to society through our business activities.

KAWAOKA I do not want to see sustainability management end as an exercise in stringing together words to set some theme. From a standpoint of undertaking building management, I want to consider some sort of concrete measures grounded in a perspective of sustainability with respect to the disasters occurring every year due to climate change.

YUNOME I think consideration of how we can connect diversity to our corporate strengths and to sustainable growth in the future is an important discussion for us to

I want to achieve a company that looks ahead to the next generation and that considers sustainability in every aspect.

——— **KAWAOKA**

have. I see my role as a Meeting member as making the Company's direction widely known in order to strengthen our driving force and to have every employee accept this as a matter of personal responsibility.

WAGA Naturally, sustainability-related initiatives like the standardization of ZEH proposals that Mr. Togeza mentioned cannot be appreciated unless they have been recognized both inside and outside the Company. Communicating that sort of information is the role of the Public Relations Department. I see my greatest challenge as getting more people to concretely recognize the areas in which everyone's activities are contributing to sustainability management. I believe that doing so will lead to enhancement of the Company's brand power, which in turn will have an impact on the Company's reputation and performance.

KINAI I think the Group's sustainability management will further ramp up, with the Meeting's members at the center. As has been noted in this discussion, I think the balance between sustainability management and business activities will become ever more important. I want to aim for achieving that balance. On the executive side, we have established this Meeting and are discussing concrete measures. In the next fiscal year, we also plan to set up an organization dedicated to sustainability with top management as members. In the near future, I want to promote sustainability in terms of both management and execution.

I intend to make steady efforts to have people on the frontlines eagerly sense and understand sustainable initiatives in order to balance sustainability with business.

——— **WAGA**

■ A Vision for the Daito Group in the Next Five to Ten Years

KAWAOKA Until recently, there was a strong perception in society that single-unit houses and condominiums are superior to rental housing. Now, however, how people live is becoming more flexible, and I believe society will continue to demand rental housing. Looking five to ten years ahead, I want this to be a company providing

I want to express a path to achieving our material issues in a way that communicates well to every employee.

——— **YUNOME**

sustainable rental housing that lets our Group connect with our customers.

YUNOME As well as our products and services, I want to become a company that is chosen by all of our stakeholders in the future. What will be most important in achieving that is talent. We have to first create an environment in which employees feel comfortable and can work enthusiastically with a sense of motivation. I also want to make the Group's reason for existence clear and to build a corporate culture in which employees feel a sense of personal responsibility. Toward that end, I feel it is important that we engage in thorough explanation and dialogues so that all manner of people can understand the intent behind our initiatives.

WAGA The world has gained an awareness of sustainability and the SDGs. What we should aim for now is establishing circumstances by which initiatives grounded in the concept of sustainability are carried out as a matter of course at all workplaces five to ten years from now. Amid increasing opportunities for top management to talk about sustainability, I think it is important for the Public Relations Department to create as many opportunities as possible for every individual to come across such varied information. Once management plans that incorporate the concept of sustainability have been created, ideally all individuals will naturally think about what they should do to achieve those plans and will act under their own initiative. I see that as the image the Company should strive for.

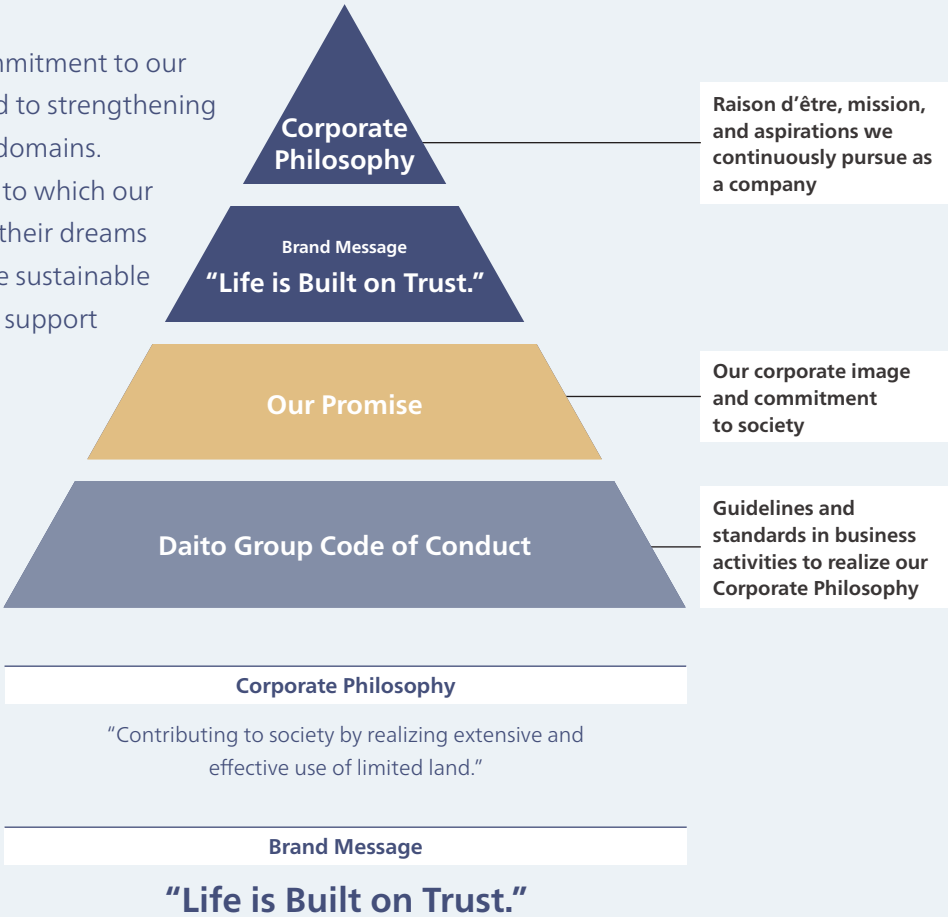
TOGEZAKA If we can achieve our Seven Material Issues, I believe we can change the value of rental housing. This is something I feel every time we have discussions in the Meeting. As Mr. Kawaoka noted, values regarding housing and lifestyle have undergone great changes. Incorporating that potential, I want our Company to be one that makes future tenants say, "The Daito Group has changed the value of rental housing."

KINAI I have been deeply impressed by this discussion today. I feel that if the Group achieves all Seven Material Issues, it will be able to make major contributions to society. I look forward to continuing working with you all to promote sustainability management.

Daito Group’s Goal

Daito Group’s Shared Values

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



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.

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 business partners We will build symbiotic partnerships by placing importance on local and human relationships.
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 communities We will contribute to revitalize local economies and local society by anticipating social changes.
To our shareholders We promise a stable shareholder return by realizing our business plan.	As employees We will build a vibrant workplace environment where every employee is able to gain a sense of satisfaction through their challenges.

Business Overview

The Daito Group is engaged in a wide range of businesses centered on the construction and management of apartments and condominiums, as well as peripheral businesses related to rental housing.

Core Businesses

Construction business



Rental condominiums



Rental apartments

Real Estate business



Tenant recruitment



Management and operation

Other Businesses



Supply of LP gas



Solar power generation



Care and nursery school business



Overseas operation

etc.

Corporate Profile (As of March 31, 2022)

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

Established: June 20, 1974

Capital: ¥29,060.99 million

Stock exchange listing: Tokyo Stock Exchange (Prime Market)

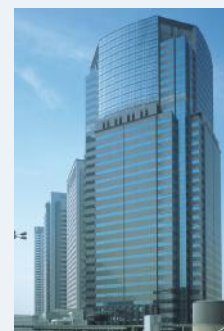
Nagoya Stock Exchange (Premier Market) (Ticker code: 1878)

Number of shares outstanding: 68,918,979 shares

Share unit: 100 shares

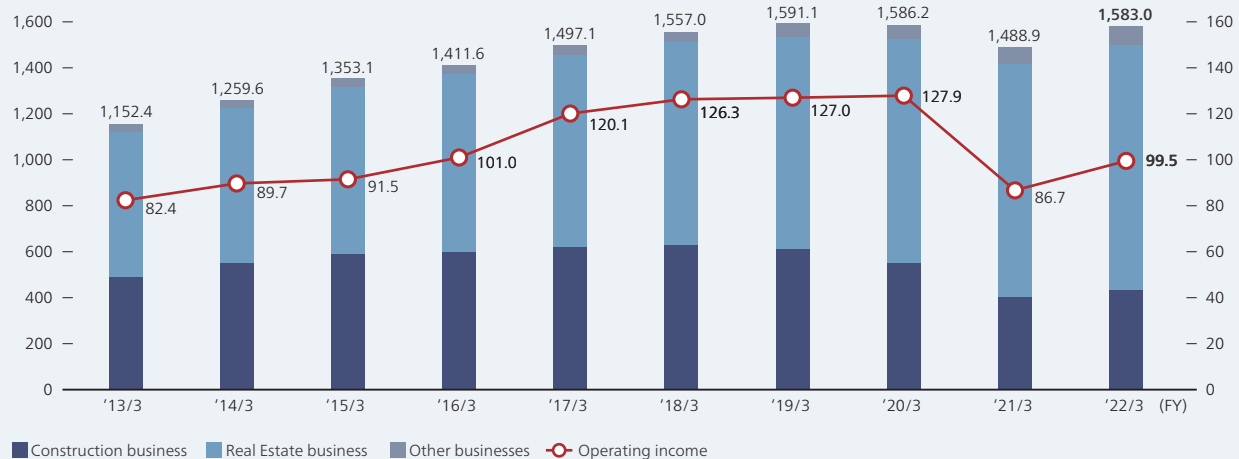
Number of employees: 17,650 (entire Group)

Head office in Shinagawa, Tokyo



Consolidated Business Results for the Past 10 Years

Net sales (billions of yen)



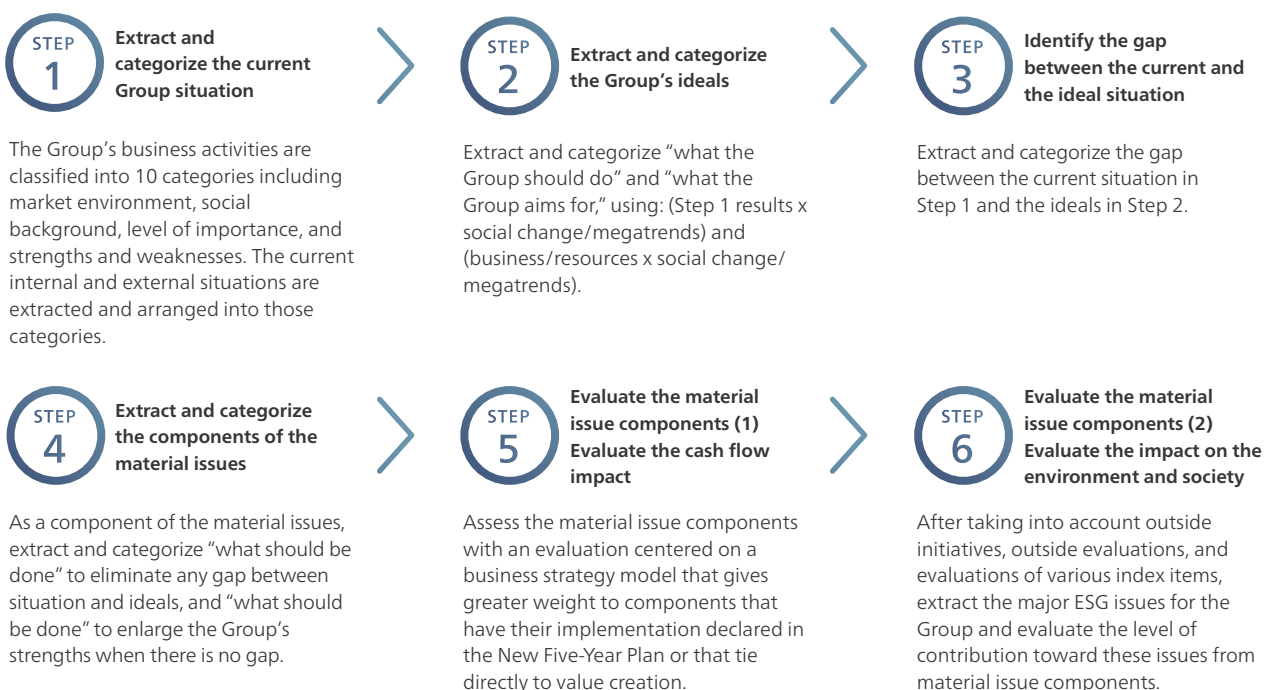
Source: Company's earnings data

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

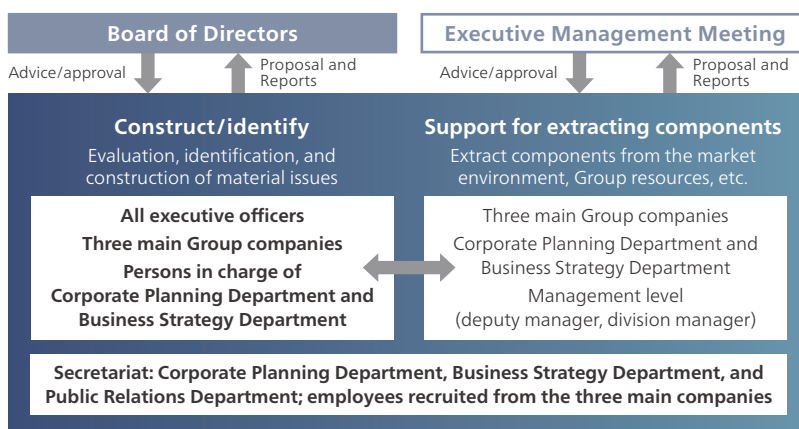
The Six Steps for Identifying Material Issues



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



Materiality (Material Issues)

Rolling cycle

Framework for Sustainability Management

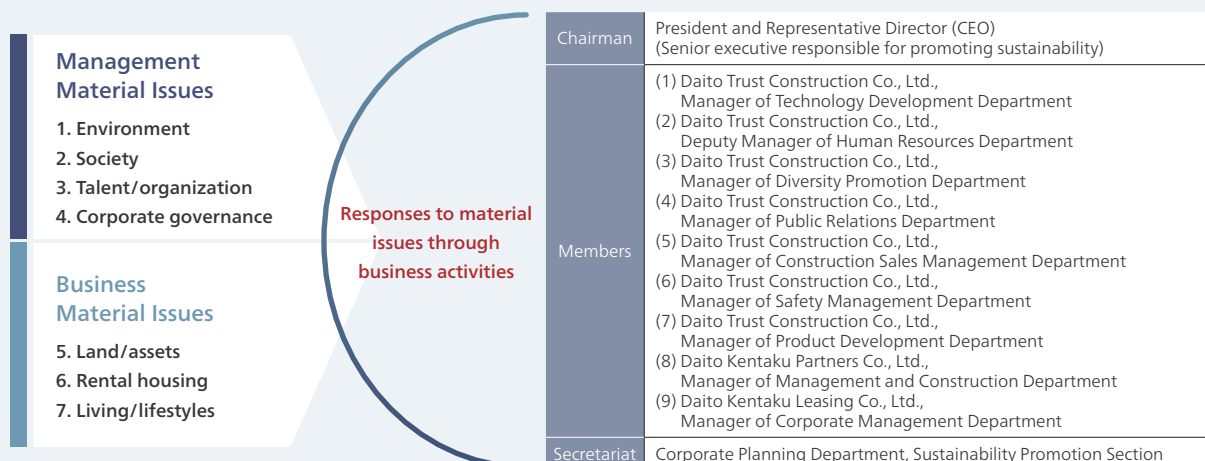
Our framework for engaging in sustainability management consists of three organizations: the Board of Directors, which determines and oversees sustainability management policy; the Sustainability Executive Planning Meeting, which advances our responses to material issues through our business; and the Sustainability Promotion Section, which acts as a bridge between management and execution. Through all employees of our Group taking the initiative in tackling measures to achieve our material issues, we aim to both be a company that can continue to grow and one to which stakeholders can entrust their dreams and futures.



POINT 01

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

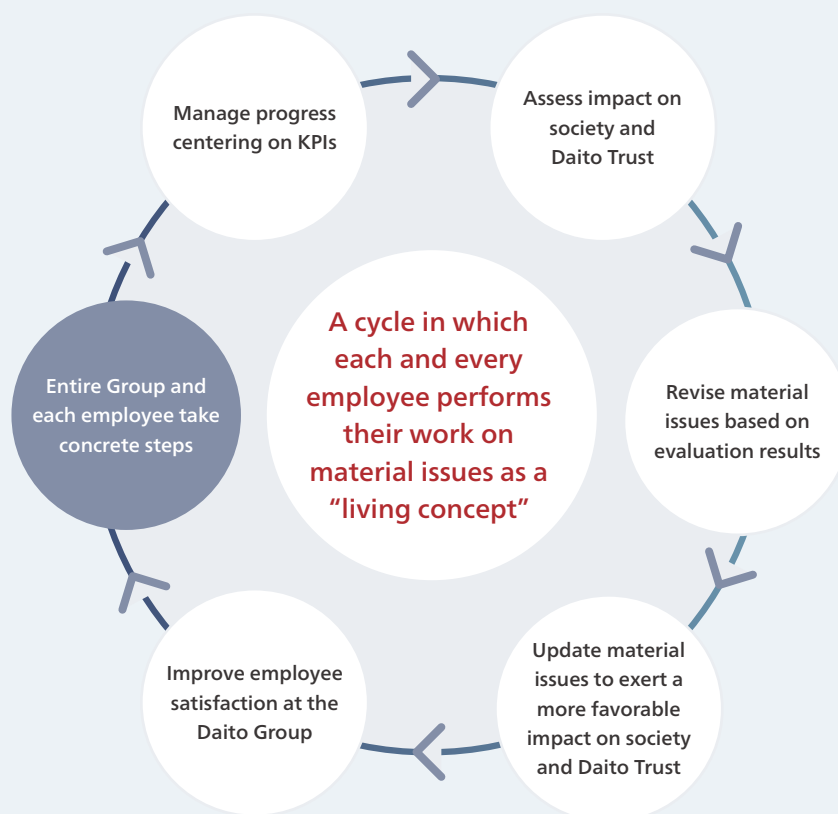
From the viewpoint of "What can be done at the business site?" the critically important Sustainability Executive Planning Meeting is chaired by the President and Representative Director (CEO), and its membership consists of the managers and deputy managers of relevant divisions for leading the business.



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

SECTION 02

Environment

Initiatives for the Environment

Daito views environmental initiatives not only as a part of executing our social responsibility but also as opportunities to achieve long-term corporate growth. We will contribute to the realization of a sustainable society through our business activities as an environmental leader, following our new environmental management strategy that looks ahead to 2050.

CO₂ emissions from energy consumed in business activities (Scope 1 + 2, compared to FY2017)

7.8% reduction Domestic and Overseas (Consolidated) **20.5%** reduction Domestic Only
(FY2021) (FY2021)

CO₂ emissions from our Group's value chain (Scope 3, compared to FY2017)

47.2% reduction
(FY2021)

Renewable energy utilization rate

18%
(FY2021)



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Highlight ▶▶▶▶▶ 2022

Toward the Expansion of Carbon-Free Housing

At our 138 branches that are equipped for the sale of Net Zero Energy House (ZEH) rental housing, we began to propose a lease business based on ZEH standards in November 2021, starting with wooden rental housing products. We will simultaneously proceed with the installation of new solar power generation equipment in existing rental housing managed by our Group.

Start of Proposal for Lease Business Based on ZEH Standards

In 2017, we completed rental housing that meets ZEH standards, a first for Japan. Since then, we have worked to commercialize and popularize ZEH rental housing, reaching 23,162 ZEH rental housing units under contract as of the end of September 2022. The ZEH rental housing that we provide uses our original low-voltage bulk power receiving system*, operated through the installation of solar power generation equipment owned by our Group company Daito Kentaku Partners Co., Ltd. This enables the installation of solar power generation equipment with no burden on owners.

In this way, we offer ZEH rental housing that minimizes burdens and risks on owners. Our Group, which has set "Improving asset value while also resolving social issues" as one of our material issues in rental housing, will continue working to achieve a decarbonized society and an increased share of renewable energy in society by actively proposing and supplying environmentally friendly housing through our core rental housing business and by expanding our renewable energy business. Doing so, we aim to improve the sustainability of our Group and of society.

*A mechanism by which power companies and our Group perform bulk handling of the reception of low-voltage electrical power, sale of surplus electrical power, and the self-consumption of solar power by housing units. Acquisition of a joint patent with Kyocera Corporation



NEWRISE ZEH rental housing

Background to Promoting Rental Housing Decarbonization

At the 26th session of the Conference of the Parties to the United Nations Climate Change Conference (COP26) in November 2021, an agreement was reached on the stepped reduction of coal-fired power generation.

In October 2021, the Ministry of Economy, Trade and Industry announced its Sixth Strategic Energy Plan, which seeks to ensure energy-saving performance equivalent to the ZEH and Net Zero Energy Building (ZEB) standards for newly constructed houses and buildings from FY2030. The plan clearly states that compliance with energy-saving standards is mandated by the Act on the Improvement of Energy Consumption Performance of Buildings, and that energy-saving standards will be raised. In this way, movements aimed at a decarbonized society are accelerating day by day.



Environmentally Friendly Management

Environmental Basic Policy and Environmental Action Guidelines

Environmental Basic Policy	<p>We are committed to the 3Rs (reduce, reuse, recycle) and proactively work to conserve the global environment through all of our business activities.</p> <p>As a leading corporation in terms of land use, we will continue to offer excellent living environments with an emphasis on maintaining harmony with local communities and nature.</p>
Environmental Action Guidelines	<ol style="list-style-type: none"> 1. Legislation: We conduct business activities in compliance with laws and regulations relating to the environment. 2. Education: We continue to run awareness-raising activities, and all of our employees continue to take the lead in promoting eco-friendly activities. 3. Reducing resources: We are committed to reducing our environmental impact by aiming to extend the service life of our buildings and using fewer resources. 4. Reusing resources: We are committed to reducing our environmental impact by actively promoting the reuse of materials. 5. Recycling resources: We are committed to reducing our environmental impact by promoting the recycling of resources. 6. Creation: We offer people-friendly living environments and provide services that contribute to reducing environmental impact.

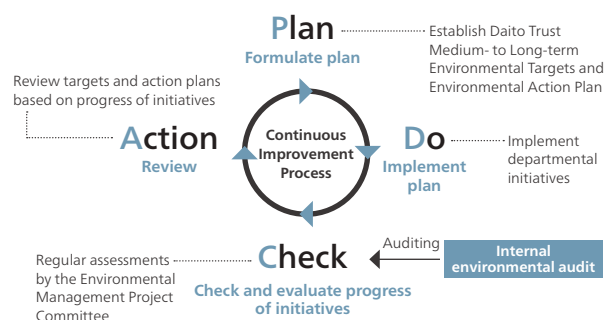
Environmental Management System

The Daito Group has built and conducts environmental management under a unique environmental management system (EMS) tailored to our business activities and based on ISO 14001 and EcoAction 21.

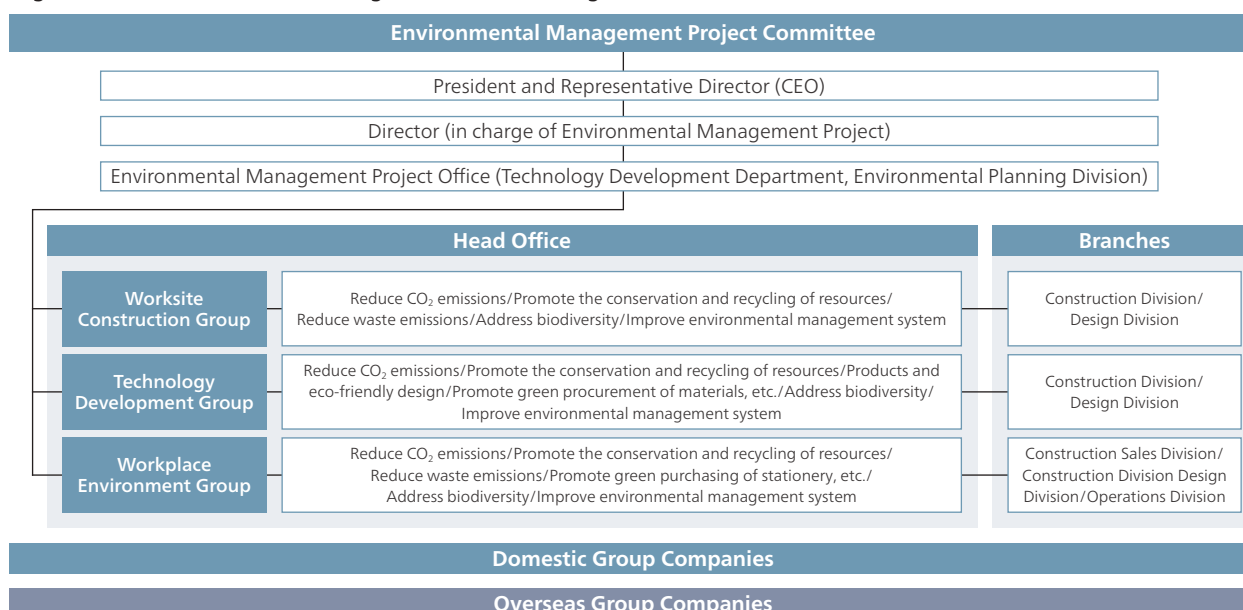
We have established an Environmental Management Project Committee chaired by the Director of our Environmental Management Project, and have built an environmental management structure that includes our Group companies. In order to drive Group-wide environmental efforts, the committee holds regular plenary sessions with discussions aimed at understanding and resolving current issues. The Environmental Management Project Committee has adopted the PDCA Cycle to help make our environmental efforts even more efficient. We strive for continuous

improvement by conducting an annual Group-wide internal environmental audit to review and improve our efforts.

Environmental Management System PDCA Cycle



Organizational Structure for Promoting Environmental Management



New Environmental Management Strategy

Viewing environmental initiatives not only as a part of our ongoing social responsibility, but also a chance to achieve long-term business growth, the Daito Group has formulated a new environmental management strategy in FY2020 that looks ahead to 2050.

At the heart of this strategy is the Daito 2050 Environmental Vision, which states our aim to contribute to the realization of a sustainable society through our business activities as an environmental leader. It clearly identifies measures to achieve our strategies and targets, and shines light on, as well as

reconsiders, how we do business in the following six areas: construction, lifestyle, waste, business, nature, and people. In order for our Group to survive and grow in the long term, it is vital that we integrate our environmental management and growth strategies. Our new environmental management strategy serves as a guideline for achieving the resolution of environmental issues as well as the creation of profit, while leveraging the management resources, expertise, and other strengths of the Group.

(1) Vision

Daito 2050 Environmental Vision

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

(2) Strategy

Construction	Lifestyle	Waste	Business	Nature	People
Consider the environment and reduce CO ₂ emissions during construction	Completely eliminate CO ₂ emissions from our residential buildings	Recycle all types of waste	Completely eliminate CO ₂ emissions in our business activities	Create a society that coexists with the natural environment	Develop environmentally conscious people and an environmentally friendly organization

(3) Measures

<ul style="list-style-type: none"> Minimize construction and shorten construction times Visualize greenhouse gas emissions Decarbonize construction sites <p>▶ p.23</p>	<ul style="list-style-type: none"> Reduce greenhouse gas emissions Promote sales of ZEH Develop and introduce energy-saving materials <p>▶ p.25</p>	<ul style="list-style-type: none"> Promote waste wood recycling (convert to renewable energy) Develop construction methods that reduce on-site waste Reduce plastic waste <p>▶ p.27</p>	<ul style="list-style-type: none"> Promote energy conservation Promote renewable energy Promote reduced greenhouse gas emissions from vehicles <p>▶ p.29</p>	<ul style="list-style-type: none"> Promote recycling of wood Help protect forests and biodiversity in the region Promote the use of domestically produced wood Make the supply chain transparent <p>▶ p.31</p>	<ul style="list-style-type: none"> Promote sales of wooden rental housing complexes Conduct environmental education for employees <p>▶ p.32</p>
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(4) Targets

▶ Greenhouse gas reductions backed by climate science (SBT)

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

We will continue our efforts to determine and reduce our greenhouse gas emissions with the aim of realizing a decarbonized society

▶ Use 100% renewable energy for business activities (RE100)

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

▶ Promote increased energy efficiency through energy conservation initiatives (EP100)

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

See [p.19](#) for details on targets.

Participation in Decarbonization Initiatives

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

1. Science Based Targets (SBT) Initiative Certification

SBT is an international initiative that encourages companies to set, and seek validation for, greenhouse gas reduction targets that are consistent with reduction scenarios backed by climate science.

The Daito Group has set Scope 1, 2, and 3 greenhouse gas reduction targets in our Medium- to Long-term Environmental Targets. In January 2019, our targets received approval from the SBT initiative, meaning they were considered scientifically grounded for limiting global warming to below 2°C, the goal of the Paris Agreement.

Furthermore, in March 2020, after updating our reduction targets to achieve the new 1.5°C SBT target—which goes beyond the previous target of well below 2°C—we received certification again.

We will actively utilize renewable energy while also continuing our initiatives to grasp and reduce our greenhouse gas emissions from our business activities including procurement of raw materials, production processes, logistics, and our supply chain.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBT-Certified Greenhouse Gas Reduction Targets

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

By 2030 (compared to FY2017)

55% reduction (SBT 1.5°C level)

→ SBT certification: Recertified in March 2020

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

By 2030 (compared to FY2017)

16% reduction (SBT 2°C level)

→ SBT certification: Certified in January 2019

2. Entry into Renewable Energy 100 (RE100)

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

In January 2019, the Daito Group joined RE100 with a view of ensuring 100% of the electricity consumed by our business activities will come from renewable sources by 2040. We engage in activities aimed at achieving 100% renewable energy under RE100's philosophy of promoting the proliferation of renewable energy throughout society.

RE100

RE100 Targets

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

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

3. Entry into Energy Productivity 100 (EP100)

Energy Productivity 100 (EP100) is an international environmental initiative that promotes energy efficiency through energy conservation initiatives.

The Group joined EP100 in September 2020 with the goal of doubling energy efficiency (net sales/energy consumption) by 2030, compared to FY2017. Our EP100 commitments are positioned as an extension of our SBT greenhouse gas reduction and RE100 renewable energy promotion initiatives. By combining these three sets of initiatives together, we will contribute to realizing a decarbonized society.

CLIMATE GROUP EP100

Target

Doubling our energy efficiency by 2030 (compared to FY2017)

4. Disclosure Based on Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB), which represents the central banks and financial regulation authorities of major nations. The TCFD makes recommendations to companies and other bodies regarding the disclosure of information on the impact of climate change on business.

In May 2019, the Daito Group declared its support for the TCFD recommendations. We strive to ascertain the risks and opportunities that climate change presents for our business and to disclose information in accordance with TCFD guidelines.



See "Risks and Opportunities Relating to Climate Change/Scenario Analysis" on [p.21-22](#) for details of disclosure.

5. Expanding Cooperation in Japan

Japan Climate Initiative (JCI)

Born in Japan and spearheaded by companies, NGOs, and other organizations taking proactive measures to combat climate change, the Japan Climate Initiative (JCI) has independently launched various activities aimed at realizing a decarbonized society.

The JCI declares that the transition to a decarbonized society agreed under the Paris Agreement will generate new opportunities for growth and development. In September 2018, the Daito Group endorsed this statement and announced our participation in the initiative. We are now working harder than ever to combat climate change while sharing information with other participating organizations.



30by30 Alliance for Biodiversity

The 30by30 Alliance aims for the effective conservation of at least 30% of land and sea territories as healthy ecosystems by 2030, to halt the loss of biodiversity and achieve "nature positive" restoration. The alliance was established by the Ministry of the Environment, volunteering companies, local

governments, and other bodies to advance initiatives for achieving 30by30 across Japan.

Our Group announced its entry into the 30by30 Alliance in April 2022. We intend to participate actively in alliance initiatives while further strengthening our own biodiversity initiatives.



Green Transformation (GX) League Basic Concept

GX is an initiative that aims to transform the socioeconomic system itself to achieve carbon neutrality by 2050 and Japan's goal of reducing greenhouse gas emissions in 2030. The GX League Basic Concept calls on participating companies to (1) make efforts to reduce their own greenhouse gas emissions, (2) make efforts toward carbon neutrality in their supply chains, and (3) make efforts in markets through products and services.

Our Group has endorsed the initiative from the launch of its preparatory committee onward, and is strengthening our efforts toward the full-scale launch of the GX League in April 2023.



Risks and Opportunities Relating to Climate Change/Scenario Analysis

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 through our solar power generation business.

Market

Profit impact of net zero energy housing (ZEH) market expansion	We analyzed the impact on revenue—under the future case of further transition to ZEH rental housing in line with the Japan's ZEH 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.
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Evaluation

A loss of trust from stakeholders and our brand loses power from a delay in responding to climate change	We analyzed the impact from a capital and financing point of view—due to the fact overseas investors own 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.
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Physical risks

Acute

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

Chronic

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

Scenarios Used

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

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

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

The Daito Group's Environmental Initiatives

Strategy: Construction

Since we started using wood in the construction of our rental housing in 1989, we have propelled the spread of rental housing constructed using the favorable qualities of wood. Constructing rental housing using wood produces less CO₂ than the more conventional method of steel construction, making it significantly superior when considering the environment.

Construction

Consider the environment and reduce CO₂ emissions during construction

Measures

- Minimize construction and shorten construction times
- Visualize greenhouse gas emissions
- Decarbonize construction sites

Reducing Greenhouse Gas Emissions During Construction

We will promote environmentally friendly construction practices and the reduction of greenhouse gas emissions. We are endeavoring to visualize greenhouse gas emissions across the entire life cycle of a building. We have quantified the environmental impacts involved with our Group's buildings and have determined how effectively that impact has been

reduced, using techniques for life-cycle assessment (LCA). We conduct multifaceted research into the environmental impact of the entire building life cycle, from the procurement of raw materials to demolition, and use this research in product development. We are also driving cutting-edge efforts to develop life cycle carbon minus (LCCM)* housing, and in June 2021 we completed the first LCCM rental housing complex in Japan.

What is LCA?

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

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



Example: _____
How much greenhouse gas is emitted when transporting the wood used in construction?

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



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

Promotion of CLT Construction Leading to Reduced Environmental Impact

In addition to using two-by-fours in our construction work, which is the prevailing wood-based method of construction adopted by the Daito Group, we have recently introduced cross-laminated timber (CLT) into our construction processes. CLT is a new type of wooden building material consisting of porous, highly insulating, thick wooden panels that are oriented perpendicular to adjacent layers and then glued together. With its extremely low thermal conductivity, CLT is the perfect

construction material for energy-saving housing. Its high thermal insulation is so good that it can be used for the skeleton frame of a building's exterior walls with no other special thermal insulation required. CLT also enables the efficient use of timber that is too narrow or knotty to be suitable for use in conventional building materials, thus contributing to the healthy cycling of timber forests. In comparison to reinforced concrete structures, wood can help contribute to countering global warming, as wood stores carbon internally (carbon fixation), preventing it from getting into the atmosphere in the form of greenhouse gases.

Even when demolished, buildings using CLT generate fewer greenhouse gas emissions compared with reinforced concrete structures. And because CLT from demolished buildings can be processed into woodchips to be recycled as fuel, we anticipate this will help to reduce environmental impact throughout the building's entire life cycle.

Low-Carbon Rental Housing Complexes Made with CLT

We are exploring the potential of CLT, establishing an original CLT construction method and are actively utilizing it in new buildings. In Europe, where CLT is already widely used, it is not unusual to come across wooden structures around ten stories high. Following extensive research into CLT-based construction to determine its viability in an earthquake-prone country like Japan, we were able to launch Japan's first rental property built using CLT in October 2019.

Through CLT-based construction, which enables the construction of wooden mid- to high-rise buildings, we hope to further encourage the use of wood, in particular, wood grown in Japan. We were awarded the FY2019 Environment Minister's Award for Global Warming Prevention Activity (Technological Development and Commercialization section) for our use of CLT—recognized as an advanced construction method that is a viable alternative to reinforced concrete construction with low greenhouse gas emissions—and in recognition of the widespread influence of its commercialization.

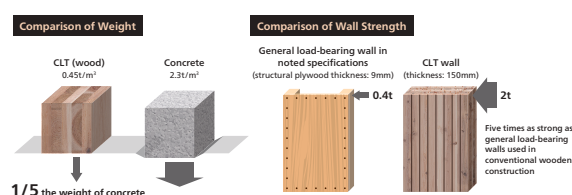
In February 2020, the Group's efforts to promote CLT through commercialization of CLT rental housing complexes won the

Environment Minister's Gold Award in the Corporate and Municipality section for the Decarbonization Challenge Cup 2020, hosted by the Decarbonization Challenge Cup Executive Committee.

Eco-Friendly and Strong New Building Material, CLT

Feature 1 Seismic Resistance

Despite weight about a fifth that of concrete, CLT walls have strength about five times that of load-bearing walls using general wooden framework construction methods.



Feature 2 Insulating Performance

Because wood does not conduct heat as well as steel or concrete, dense wood CLT excels in thermal performance, enabling comfortable sleeping on summer nights and a feeling of warmth underfoot in winter.



TOPIC

A First in Japan! Rental Housing Built Using CLT

Using our independently developed CLT construction method, we developed Japan's first standardized and industrialized CLT rental housing complex in 2019 and completed the first building in Funabashi, Chiba in July 2022. The commercialization of CLT involves many challenges such as, thermal resistance, workability, business feasibility, and construction time periods and businesses and organizations are working to find resolutions. We constructed the building using our independently developed CLT construction method, which considers on-site labor saving and construction quality uniformity, using fireproof outer walls that can be made into panels, built-in metal joint fittings with drift pin specifications, and other features. We will continue with verification of the building through measurement of data including the indoor thermal environment, sound insulation performance, and electricity use.

By working to make standardized and industrialized CLT rental housing popular, we will continue to promote the use of CLT building materials in Japan and further expand the potential for rental housing in land utilization.



Exterior of our first CLT rental housing complex

*"LCCM" is a registered trademark of the Institute for Built Environment and Carbon Neutral for SDGs. Our company uses the term under license.

The Daito Group's Environmental Initiatives

Strategy: Lifestyle

Against a backdrop of increasing demands to address a decarbonized society, we aim to further accelerate our supply of carbon-free housing to contribute to the proliferation of environmentally friendly housing in Japan and increased usage of renewable energy, as well as to achieve the greenhouse gas reduction targets we have set.

Lifestyle

Completely eliminate CO₂ emissions from our residential buildings

Measures

- Reduce greenhouse gas emissions
- Promote sales of ZEH*
- Develop and introduce energy-saving materials

*Net Zero Energy House. This is housing that achieves a balance of zero in its annual primary energy consumption (for air conditioning, hot water supply, lighting, and ventilation) through improvements to the housing's thermal insulation and energy-saving performance and by the creation of energy through solar power generation and other means.

We Will Promote Ways to Reduce the Household Greenhouse Gas Emissions of Our Residents (Promotion of ZEH Sales)

In November 2017, we completed the first rental housing complex in Japan that meets the ZEH standards for detached housing. Since then, we have been actively promoting the construction of zero-energy rental housing complexes. At least 85% of the Daito Group's Scope 3 emissions were due to greenhouse gas emissions arising from Category 11: Use of sold products.

This amount takes into account the household greenhouse gas emissions of Daito Group rental housing complex residents across 35 years. As such, reducing the amount of greenhouse gases emitted by our residents is directly linked to reducing our Scope 3 emissions. By actively promoting the sale of ZEH, in which the primary energy required for living is virtually nothing, we aim to reduce greenhouse gas emissions by 16% by 2030 compared with 2017.

We are also actively exploring and promoting the sale of ZEH, as it has a significant impact on efforts to reduce greenhouse gases. In 2018, we registered with ZEH Developer as a provider of ZEH complexes, in an effort to promote zero-energy rental properties. The Daito Group has been the largest housing

provider in Japan for the last 12 years. Gradually converting our properties into ZEH would have a huge knock-on effect across the entire country, contributing significantly to the realization of a decarbonized society.



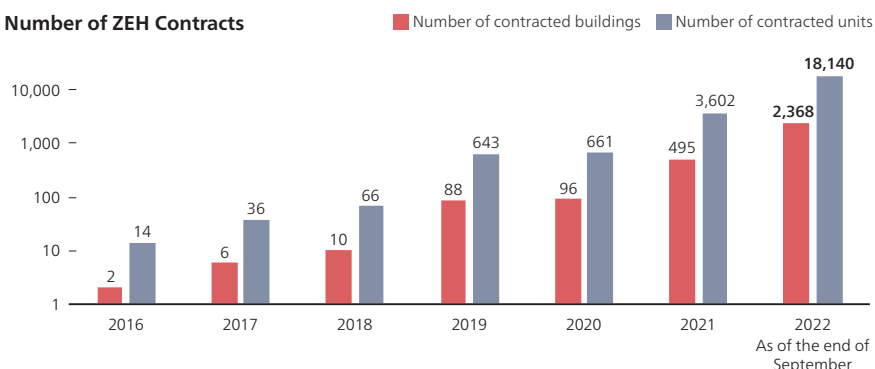
16% reduction in CO₂ emissions by 2030 (compared to FY2017) during occupancy in rental housing

Striking a Balance between Environmental Consideration and Comfortable Living for Residents

To reduce the amount of greenhouse gas emissions arising from the lifestyles of our residents, we are doing more than just promoting the sale of ZEH and are actively working alongside suppliers to develop and introduce unique energy-saving materials with a proven track record. As we consider our impact on the environment, it is also essential that we enable residents to enjoy comfortable lifestyles. We aim to provide living spaces that fulfill both of these aims.

As of the end of September 2022, our number of contracted ZEH units is **18,140**, surpassing the target of 10,000 units that we set at the beginning of the fiscal year.

Number of ZEH Contracts



LCCM* Rental Housing Complexes that Yield Negative CO₂ Emissions Over the Life Cycle of the Building

In addition to promoting the proliferation of ZEH rental housing, we are working to develop and popularize the LCCM rental housing complexes, the pinnacle of the government's goal. Since 2014, we have partnered with Kensuke Kobayashi, Associate Professor at the Prefectural University of Hiroshima, to research life-cycle assessment (LCA), a method for evaluating the environmental burden of buildings across their entire life cycle. In June 2021, we completed Japan's first ever LCCM rental housing complex.

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

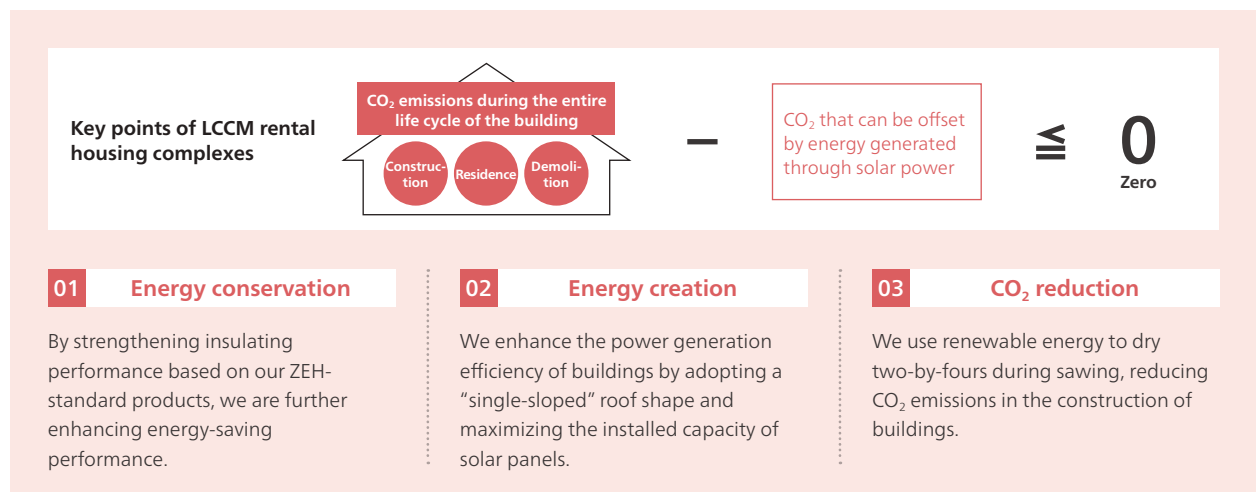
For ZEH-standard housing, it was necessary to reduce CO₂

emissions from housing use (i.e., daily inhabitation) to close to net zero. However, the LCCM standard requires that CO₂ emissions be reduced across the entire life cycle, from production to disposal.

Looking ahead, we aim to make LCCM rental housing complexes more widespread, enhance building values, create comfortable living spaces, and contribute to lower utility costs and environmental impacts.

Published in "The White Paper on Land, Infrastructure, Transport and Tourism in Japan, 2022"

The Ministry of Land, Infrastructure, Transport and Tourism publishes "The White Paper on Land, Infrastructure, Transport and Tourism in Japan" as its annual report. Focusing on the theme of climate change and people's lifestyles, the 2022 edition of the report features Daito's LCCM rental housing complexes.



TOPIC

Start of sales of LCCM-standard rental housing complexes NEWRISE LCCM

In October 2022, we launched sales of NEWRISE LCCM, a new rental housing complex product that meets LCCM standards, in eight sales areas* across Japan. This will be the first standardized rental housing complex product in Japan that meets LCCM standards.

By working to popularize LCCM rental housing complexes, Daito will continue contributing to the enhancement of buildings' asset value and social value and to the creation of a decarbonized society through our corporate activities.

*North Kanto/Kanetsu, West Kanto, East Kanto, Tokai, West Metropolitan Area, South Metropolitan Area, Chukyo, Chubu



NEWRISE LCCM

*"LCCM" is a registered trademark of the Institute for Built Environment and Carbon Neutral for SDGs. Our company uses the term under license.

The Daito Group's Environmental Initiatives

Strategy: Waste

To achieve recycling of all wastes, we will continue the promotion of recycling and the development and adoption of construction methods and technologies that generate less waste.

Waste	Measures
Recycle all types of waste	<ul style="list-style-type: none"> Promote waste wood recycling (convert to renewable energy) Develop construction methods that reduce on-site waste Reduce plastic waste



Develop and Implement Construction Methods and Technologies that Minimize Waste

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

Construction methods and technologies	Details of initiatives
Pre-cutting wood used in construction	<p>Using two-by-fours in our construction, a key component of the Daito Group's construction work, is managed by the head office from the design stage onward. This allows wood to be allocated with as little wastage as possible and enables affiliated panel-production sites throughout Japan to pre-size and pre-cut panels wherever possible.</p> <p>In addition, we are currently developing the Eco Pre Cut construction method, an original construction method that is similar to conventional wooden construction but involves pre-cutting batches of wood at the production site and joining them with metal fittings at the construction site.</p> <p>This method has resulted in more efficient use of wood and has reduced the amount of waste wood produced at our construction sites. We will continue to incrementally increase the proportion of wooden components that are pre-cut, including substructures, in order to reduce the amount of waste wood produced at our construction sites throughout Japan.</p>
Pre-cut indoor staircases	<p>Most of the apartment buildings produced by the Daito Group are row houses that require many internal staircases. In order to reduce labor times and industrial waste, we have introduced an original scheme that involves pre-cutting components in bulk at the site of production.</p> <p>This method has resulted in more efficient use of wood and has reduced the amount of waste wood produced at our construction sites. We plan to incrementally roll out this method of pre-cutting to stairwell components that are not currently pre-cut, reducing the amount of waste wood produced at our construction sites throughout Japan.</p>
Sizing insulating materials to order	<p>In the past, materials used for insulation in wall spaces and similar areas were usually cut to size on-site. We now have our insulation made to order by the manufacturer to a size that matches the specifications of the Daito Group's methods of using two-by-fours in construction. This eliminates the need for materials to be cut on-site, and reduces the amount of industrial waste generated.</p> <p>In the future, we will gradually have more materials sized to order and will work to reduce the amount of industrial waste produced at all sites throughout Japan.</p>
Pre-cutting external wall coverings (siding)	<p>We are working with a partner siding manufacturer to reduce wood loss rate by disclosing information about optimal wood allocation for siding throughout Japan. In August 2020, we began trialing a system of pre-cutting and delivering siding to construction sites using data measured on-site.</p> <p>This trial will help identify issues and potential improvements before the method is deployed nationwide, after which it will help to increase the efficiency of our wood use and reduce wood waste at construction sites.</p>
Using recycled chipboard as a substrate	<p>We have developed and tested original recycled chipboard, made from recycled industrial waste such as lumber and wooden building materials from our construction sites, to be used as a substrate for walls, floors, and roofs. In the future, we will put these to practical use, reducing the generation of wood-based industrial waste at our sites.</p>

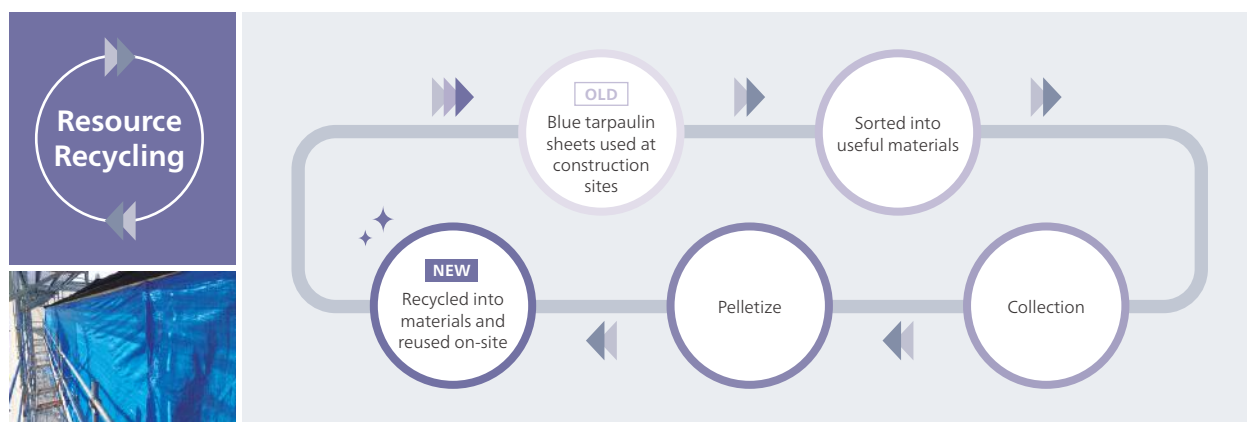


Mock-up test using chipboard

<p>Using laminated Japanese cedar as studs</p>	<p>As ordinary Japanese cedar trees are not the perfect size for two-by-four column material (studs), offcuts were typically produced and discarded in large quantities. To make the most of this waste wood, we employ finger-joint materials (long materials created by joining shorter materials and offcuts) which are bonded lengthwise. In the future, our two-by-six materials will also be JAS-certified, further reducing waste material from wood processing.</p>	 <p>We received JAS certification for our finger-jointed Japanese cedar</p>
<p>Rethinking packaging for large materials</p>	<p>We constantly review the size of packaging materials for large-scale items (e.g. kitchen equipment, dressers with sinks, shoe racks, and air conditioners) in cooperation with manufacturers, to optimize and minimize these materials. This allows us to reduce the amount of industrial waste from packaging materials at construction sites. We will continue working to minimize waste at construction sites by actively developing and implementing such unique initiatives.</p>	 <p>Cardboard package covering has been minimized</p>

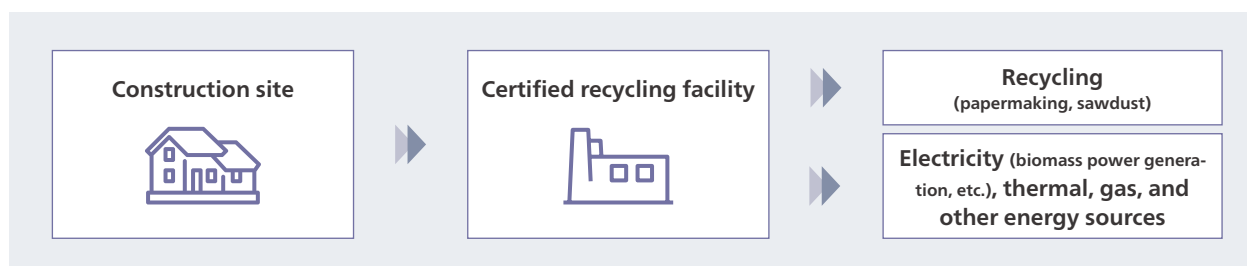
Recycling of Blue Tarpaulin Sheets

In 2021, we launched a limited-area initiative to collect and pelletize blue tarpaulin sheets used at construction sites, for recycling into new tarpaulin sheets to be used at sites.



Recycling of Waste Wood

We sell waste wood generated from construction as useful materials to certified recycling facilities for use in recycling (papermaking, sawdust, etc.) and in the generation of electrical (biomass power generation, etc.), thermal, and gas energy. From 2021, we have been expanding this initiative nationwide.



The Daito Group's Environmental Initiatives

Strategy: Business

Consumption of electricity and gasoline at business offices and construction sites accounts for the majority of the Daito Group's Scope 1 and 2 emissions. We will promote initiatives to reduce greenhouse gas emissions in our business activities through energy conservation, improving energy efficiency, and adopting renewable energy sources.

Business

Completely eliminate CO₂ emissions in our business activities

Measures

- Promote energy conservation
- Promote renewable energy
- Promote reduced greenhouse gas emissions from vehicles

Certified as an Eco-First Company

Launched in 2008, the Eco-First Program is a scheme by which the Ministry of the Environment recognizes companies that enact measures to address climate change, waste, recycling, biodiversity conservation, and other environmental issues through initiatives that are advanced, unique, and have ripple effects. The program certifies such companies as environmentally leading companies in their industries. As a company treading new ground in land usage, the Daito Group will actively use this system to develop advanced, unique and industry-leading business activities that are also environmentally friendly.



Selection for Inclusion on the CDP2021 "A-" List

The Daito Group engages in high-quality information disclosure by responding to questionnaires from the international environmental not-for-profit organization CDP*. The CDP Climate Change report evaluates companies based on their disclosure of information about concrete initiatives for reducing greenhouse gas emissions and their strategies in response to climate change. The Daito Group has been responding to CDP questionnaires since 2010. In the latest scoring, the Group was selected for inclusion on the CDP Climate Change 2021 A- list.

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



Initiatives to Reduce Greenhouse Gas Emissions in Our Business Activities

Energy conservation

To reduce the consumption of electricity in our office buildings, we made a complete switch to LED lighting. We are also encouraging our employees to cut down their hours of overtime as part of our working-practice reforms, which has contributed to reducing the amount of electricity used in our offices.

At our construction sites, we are promoting the use of excellent energy-efficient heavy machinery and vehicles, as well as encouraging economical driving practices and asking workers to stop idling engines.

At the temporary offices at our construction sites, we are actively encouraging energy-saving actions such as taking care to turn off lights whenever they are not needed, keeping air conditioning to a reasonable temperature, and switching off air compressors while workers are on breaks.

Reduced greenhouse gas emissions from vehicles

As a result of reviewing and streamlining the number of sales vehicles and other vehicles deployed to our branches to reduce greenhouse gas emissions, we now own fewer vehicles and are able to use them more efficiently.

In 2019, we started rolling out electric vehicles (EVs) to our branches nationwide, as part of our efforts to create disaster prevention sites (Bo-Ku-Lab Stations) and secure an alternative power source during emergencies.

As of August 2022, we have made the switch to a total of 268 EVs at our branches. In October 2022, we began demonstration testing for the full-scale adoption of EVs, mainly at branches in Tokyo, to fully tackle the decarbonization of our vehicles.

We will continue to promote the adoption of environmentally low-impact vehicles (EVs, hybrid vehicles, and hydrogen vehicles) with the aim of eliminating gasoline-powered vehicles by 2030.



Renewable energy adoption

As of the end of September 2022, the Daito Group has installed solar power generation equipment at approximately 21,500 rental housing buildings that we manage. We aim to install the systems in a total of 25,000 buildings by the end of FY2022, generating approximately 333 GWh of electricity a year. Once this energy is sold off under the Japanese Feed-In Tariff (FIT) system, we expect to be able to use this renewable energy to achieve our RE100 goals. With the establishment of schemes that make effective use of our surplus power in the local communities of Japan, we will contribute to the promotion of renewable energy use across Japan.

Shifting to Renewable Energy in Our Head Office

From November 2021, our Group's head office, the Shinagawa East One Tower building, has started shifting to renewable energy sources.

The electricity used is renewable biomass energy generated by burning domestically produced wood such as unused wood from forests, sawmill offcuts, and waste wood. It is supplied from Mitsuuroko Iwakuni Power Station, a wholly owned subsidiary of Mitsuuroko Green Energy Co. Ltd.

This is expected to reduce annual CO₂ emissions from the use of electricity by approximately 1,600 tons for the Group and approximately 5,400 tons for tenant companies of Shinagawa East One Tower. We will help to decarbonize the business activities of our Group and tenant companies by continuing and expanding this initiative.

High environmental performance of the Shinagawa East One Tower head office building

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

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

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

- Whether the majority of light fixtures in communal areas are LED
- Whether the district heating and cooling systems are used for heating
- Whether the water conservation devices have been installed, and if the water usage is rated at the highest level
- Whether the kitchen waste water is reclaimed and recirculated for use in toilets

- Implementation of proactive initiatives to reduce waste (involving all tenants)
- Installation of high earthquake resistance for high-rise buildings of 60m or higher
- Use of shear-yield vibration control device 2 (natural disaster risk countermeasure)
- Whether the building is within a minute's walk from public transport (high convenience)

Status of Renewable Energy Adoption

The Group's renewable energy adoption rate is 28% in Japan and 0% overseas. We will continue to promote related initiatives.

Company name	Renewable energy (%)
Daito Trust Construction Co., Ltd.*	22
Daito Kentaku Partners Co., Ltd.	41
Daito Kentaku Leasing Co., Ltd.	35
Gaspal Corporation	0
Care Partner Co., Ltd.	39
Housecom Co., Ltd.	11
Daito Construction Co., Ltd.	0
Daito Steel Co., Ltd.	53
Daito Corporate Service Co., Ltd.	0
JustCo DK Japan Co., Ltd.	0
INVALANCE Ltd.	0
Lopicma Co., Ltd.	0
Japan	28
Overseas	0
Consolidated	18

*Includes Daito Finance Co., Ltd., Daito Kentaku Health Insurance Association, and Daito Mirai Trust Co., Ltd.

Moving Toward 100% Renewable Energy

Renewable Energy 100 (RE100) is an international environmental initiative uniting businesses that have set themselves the target of sourcing 100% renewable energy to meet the energy requirements of their business activities. The Daito Group joined RE100 with a view to ensuring 100% of the electricity consumed by our business activities will come from renewable sources by 2040.

Along with further promoting the use of renewable energy to reduce greenhouse gas emissions generated in the course of our own business activities, we are also contributing to the proliferation and promotion of renewable energy throughout society, which is the philosophy of RE100.

The Daito Group's Environmental Initiatives

Strategy: Nature

We formulated our own unique Wood Procurement Guidelines with the aim of conserving biodiversity and using forest resources in a sustainable way. We will continue monitoring the wood supply chain and aim to eliminate the destruction of forests caused by wood procurement.

Nature

Create a society that coexists with the natural environment

Measures

- Promote recycling of wood
- Help protect forests and biodiversity in the region
- Promote the use of domestically produced wood
- Make the supply chain transparent

Eco-Friendly Procurement

The Daito Group promotes environmental consideration throughout the supply chain by stipulating matters related to environmental consideration, such as the understanding of biodiversity and conservation of water resources, in our Sustainable Procurement Policy.

Please see [p.35](#) for details of the Sustainable Procurement Policy.

Our basic approach to green purchasing

We keep in mind the impact our business activities have on the environment. To reduce our environmental footprint, we give preference to environmentally friendly goods and those supplied by companies striving to practice environmental management, when purchasing items such as office supplies or procuring construction supplies, machinery, energy, etc.

Wood Procurement Policy

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

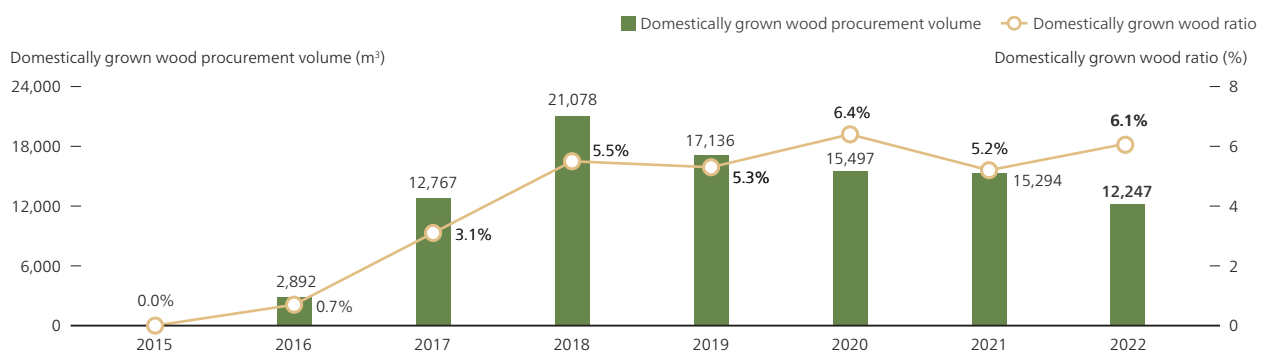
Use of Wood

We use domestically produced wood, such as cedar wood from Tohoku and Kyushu, in our building materials. We have made commitments to use CLT, which was launched in FY2019, in rental housing, and we used around 12,000 m³ of CLT in FY2021. The "Japan Wood" mark, that indicates products made from domestically grown wood, was created independently by the Group and has now been widely adopted throughout the industry as a symbol to promote the use of domestic wood.

Benefits of Using Domestically Grown Wood



Domestically Grown Wood Procurement Volume (m³) and Domestically Grown Wood Ratio



Strategy: People

Increasing the environmental awareness of each employee is critical to promoting environmental management as a company. As a company that uses wood, we are committed to improving our employees' environmental awareness by independently planning and implementing forest conservation activities and tree planting events.

People

Develop environmentally conscious people and an environmentally friendly organization

Measures

- Promote sales of wooden rental housing complexes
- Conduct environmental education for employees

Conduct Environmental Education for Employees

Forest conservation hands-on activities

We regularly organize environment-focused hands-on activities for our employees and their families. Forest conservation activities aim to promote understanding of forests and undeveloped woodlands near communities, as well as raise environmental awareness.

In October 2022, we held a program for learning about tree planting and conservation activities under the guidance of instructors at the Takao 100-Year Forest of Sagawa Express Co., Ltd.



Forest conservation hands-on activities being conducted

Converting CO₂ Emission Reductions from Energy-Saving Housing into Credits

Through the J-Credit Scheme, under which the government certifies CO₂ emissions reductions by companies and organizations as credits, we developed and applied for a project to earn credits for CO₂ emission reductions*¹ from energy-saving housing sold by our Company. In January 2020, our project was approved and registered by the J-Credit Scheme Certification Committee.

The J-Credit Scheme sets forth a methodology that stipulates the scope of application, the calculation methods for emissions reduction and absorption volumes, monitoring methods, and other matters for specific technologies that contribute to the reduction and absorption of emissions. This project, the first to use the methodology of constructing new energy-saving housing or renovating housing into energy-saving housing,

was developed and applied for by our Group in collaboration with Carbon Value Creating & Consulting Co., Ltd.

The project will target 3,316 units*² in 459 energy-saving housing buildings sold by the Company, including ZEH rental housing complexes. This will create energy-saving value (CO₂ emissions reduction volume) from the buildings in the form of credits. The generated credits will be used to offset CO₂ emissions from our business activities. Through this project, we will continue promoting the proliferation of energy-saving housing and will work to reduce CO₂ emissions.

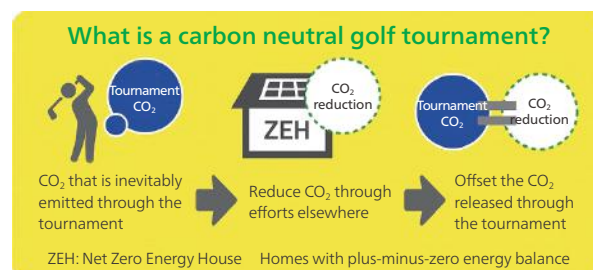
*¹ Reduced CO₂ emissions from energy in comparison to energy used in everyday living in ordinary rental housing complexes

*² As of the end of December 2021

First Carbon Offsets by E-Heya Net Ladies

In the "Daito Kentaku E-Heya Net Ladies" 20th round of the Ladies Professional Golfers' Association of Japan (JLPGA) Tour 2022 Season, held over the course of four days from July 21, 2022 at Takino Country Club in Sapporo, Hokkaido, we used J-Credits to offset CO₂ released from (1) power consumption during the tournament, (2) shuttle bus operation, (3) car travel for participating golfers, and (4) generator fuel.

We plan to continue similar efforts, with the aim of achieving both environmental consideration and the promotion of sports and regional development through the evolution of E-Heya Net Ladies into a decarbonized golf tournament.



SECTION 03

Social

Commitment to Society

Daito Trust aims to grow into a company that can contribute to society more broadly, founded on our management resources including good relationships with all stakeholders.

We aim to be a company that can grow sustainably, entrusted by our stakeholders with their dreams and the future, and contribute to solve social issues through our business.

Ratio of female
management personnel

4.8%
(FY2021)

Engagement score
(deviation value)

57.5 (BBB)
(May 2022)

Bo-Ku Lab Stations
(disaster prevention sites)

36
(August 2022)



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Highlight ▶▶▶▶▶ 2022

Sales of Flood-Resistant Rental Housing

In March 2022, we began selling Bo-Ku Lab “niimo,” our first disaster-prevention-conscious rental housing specifically designed to be flood-resistant.

This product was developed as part of the initiative of the Daito Group's Disaster Prevention & Living Research Project “Bo-Ku Lab,” based on the concept of “phase-free” rental housing designed such that disaster preparedness is incorporated into daily life without undue effort as a preparation for emergencies.

Bo-Ku Lab “niimo” Rental Housing

niimo is a rental housing product that is resistant to water damage, designed based on the concept of disaster prevention without undue effort. The building has an reinforced concrete (RC) structure with a fair-faced concrete*¹ finish—which makes timely restoration relatively easy even after the first floor has been flooded—and a covered parking lot and annex (independent space) are provided.

The second and third floors, where the possibility of flooding is extremely low, are constructed using two-by-fours in our construction, and the residential space is consolidated to improve the continuity of the rental business by designing the building so that residents can continue living in the residence without having to evacuate or leave immediately after a disaster or during recovery efforts.

“Phase-Free” Rental Housing Concept

“Phase-free” refers to the idea that it is important to incorporate disaster preparedness into daily life without undue effort. Since niimo was developed based on this phase-free rental housing concept, various innovations and provisions in the building help ensure a secure life during normal times as well as during disasters. In addition, by functioning as satellites of Bo-Ku Lab Stations*², it is possible to create cooperative relationships with neighboring communities in the event of a disaster and contribute to regional disaster prevention.

niimo Wins Two Awards

In September 2022, niimo received the Excellence Award at the Fifth EcoPro Awards for its climate change-oriented design, and the Audience Award at the Second Phase Free Award for its high functionality in daily life and during emergencies. Moving forward, we will continue to develop and popularize rental housing designed with environmental and social issues in mind, and contribute to solving social issues through our business activities.



EcoPro Awards

Organizer: Sustainable Management Promotion Organization (SuMPO)



PHASE FREE
AWARD 2022
AUDIENCE

Organizer: Phase Free Association

*¹ A method that eliminates the use of tiles or other materials for finishing which uses bare concrete with the formwork removed (a protective coating is applied to this product).

*² Daito Trust branches throughout Japan are operated as Bo-Ku Lab Stations (<https://www.kentaku.co.jp/bokulab/base/> [Japanese only]), disaster prevention bases stocked with relief supplies and power supply equipment.



Bo-Ku Lab niimo rental housing – exterior view



Relationships with Stakeholders

The Daito Group will build good relationships with all stakeholders and grow into a company that can contribute to society more broadly.

Establishment of a Sustainable Procurement Policy

In October 2022, the Daito Group formulated a new Sustainable Procurement Policy to build sustainable relationships with stakeholders. In addition to our conventional procurement policy, this policy specifically addresses respect for human rights, establishment of corporate ethics, and other issues, aiming to ensure sound transactions throughout the supply chain.

Sustainable Procurement Policy

	Major category	Item	Description
1	Legal compliance	• Compliance with laws, regulations, and social norms	We will comply with relevant laws, international ordinances, and social norms that are in effect in the countries and regions where we conduct business.
2	Establishment of corporate ethics	• Sound transactions with business partners	We will conduct fair and transparent transactions with our business partners, and will not engage in corrupt practices such as the offering or receipt of unfair benefits, or unfair transactions that take advantage of preferential positions.
		• Building and strengthening of partnerships with related parties	In order to achieve mutual development with our business partners, we will build partnerships that allow us to coexist and prosper together, and will actively work to correct trade and business practices that hinder this.
		• Keeping a healthy relationship with government	We will maintain sound and transparent relationships with politicians and civil servants.
		• Elimination of relationships with anti-social forces	We will completely eliminate any relationships with anti-social forces.
		• Protection of intellectual property rights	We will appropriately use and protect our own intellectual property rights, and not infringe on the intellectual property rights of third parties.
		• Establishment of an internal reporting system	We will establish an internal reporting system to eradicate misconduct while ensuring the confidentiality of whistleblowers.
3	Respect for human rights	• Appropriate disclosure of corporate information	We will disclose corporate information appropriately to stakeholders.
		• Compliance with international human rights standards	We will support and respect the protection of internationally proclaimed human rights and will not be complicit in (encourage) human rights abuses.
		• Prohibition of discrimination and harassment	We will respect the human rights of our employees, and prohibit discrimination and harassment on the grounds of race, nationality, gender, age, religion, sexual orientation, disability, physical characteristics, etc.
		• Prohibition of forced labor and child labor	We prohibit all forms of forced labor and child labor. In addition, appropriate labor management shall be conducted for foreign workers (including technical interns) and unfair labor practices shall be prohibited.
		• Payment of fair wages	We will comply with the laws and regulations of each country and region concerning wages and pay appropriate wages.
		• Proper labor management	We will comply with the laws and regulations of each country and region concerning working hours and conduct appropriate working hour management.
4	Consideration for occupational health and safety	• Guarantee of freedom of association and the right to collective bargaining	We will respect employees' freedom of association and their right to collective bargaining.
		• Promotion of the health and safety of employees	We will identify and take measures against hazardous sources, such as chemical substances that are harmful to the human body, to ensure safety on the job. In addition, we will take into consideration the mental health of our employees and create a work environment in which they can work in good physical and mental health.
		• Prevention of occupational accidents	We shall prevent occupational accidents through an appropriate management system, and shall take appropriate measures and corrective measures in the event of occupational accidents.
		• Ensuring the health and safety of people in local communities	We will ensure the health and safety of people in local communities and prevent accidents by third parties.
5	Quality assurance	• Ensuring an appropriate level of quality and safety	We will ensure the safety of the products and services that we provide through appropriate quality control.
		• Development of technologies for maintaining and improving quality	We will strive to maintain and improve quality through continuous technological development.
		• Appropriate accident response	We will establish a system which will allow us to respond appropriately during an accident, when defective products are discovered, etc.
6	Establishment of a business continuity plan	• Establishment of a business continuity plan (BCP)	We will establish a BCP to ensure a stable supply system in the event of an accident, defective products, or other unforeseen circumstances, such as disasters or international disputes.
7	Consideration for the environment	• Reduction of greenhouse gas (GHG) emissions	We will work to reduce GHG emissions in our business activities and promote decarbonization.
		• Understanding GHG emissions by product and service	We will identify the environmental impact of our products and services and strive to reduce it.
		• Consideration for biodiversity	We will work to protect biodiversity by understanding the impact of our business activities on the ecosystem.
		• Water resource conservation	We will reduce water usage and use it more efficiently.
		• Proper management and reduction of waste	We will work to realize proper management and reduction of waste.
		• Promotion of resource recycling and resource saving	We will strive to promote resource recycling and resource saving through the 3Rs (reduce, reuse, and recycle).
		• Plastic pollution prevention	We will strive to reduce the amount of plastic used and prevent pollution.
8	Ensuring information security	• Proper management of chemical substances to prevent pollution	We will strive to properly manage chemical substances to prevent soil, water, and air pollution.
		• Thorough prevention of the leakage of personal and confidential information	We will establish a system to appropriately manage personal information and confidential information, and thoroughly prevent improper use or leakage.
9	Social contribution	• Protection against threats to our computer network	We will take protective measures against IT environment threats (viruses, etc.).
		• Respect for the culture and customs of the regions in which we operate	We will respect the unique cultures and customs of regions as well as local residents and communities, and conduct business activities that support the local community.
		• Promotion of social contribution activities	We will promote active participation in social contribution activities.
		• Contribution to regional revitalization	We will contribute to the revitalization of the local economy and the creation of local employment through our business activities.

Commencing Supply Chain Sustainability Enhancement Measures

In August 2022, we commenced Supply Chain Sustainability Enhancement Measures* adopting and utilizing a sustainability assessment system provided by EcoVadis.

*This is the first time that supply chain management utilizing this assessment system has been implemented in Japan's construction industry

Purposes

- To build a sustainable supply chain
- To contribute to strengthening the sustainability response of the construction industry as a whole

Points for Assessment System Adoption

Key Point 1: Assessment based on global standards

Provides comprehensive evaluation of four areas essential for corporate supply chain sustainability: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement, based on global standards.

In addition, by verifying and evaluating data based on evidence (rationale and confirmation) submitted by companies, sustainability management can be conducted based on evaluation results that are highly objective, reliable, and comparable.

Supplier evaluation results can be shared with other EcoVadis buyers. As a result, an increase in the number of buyers that have introduced EcoVadis will reduce the burden on suppliers to respond, which will lead to enhanced sustainability for the industry as a whole.

Environment		Labor & Human Rights	
Ethics		Sustainable Procurement	

Key Point 2: Expanded support measures for suppliers

With the introduction of EcoVadis, we are providing support such as response costs to small- and medium-sized suppliers with fewer than 100 employees. In addition, we hold free seminars to provide an overview for CO₂ emission calculation and explanations of practical know-how. We will continue to expand our support measures while listening to the needs of our suppliers.

Participation in Declaration of Partnership Building

With the aim of building sustainable relationships with business partners in the supply chain, our three major Group companies* agree with the purpose of the Future-Oriented Partnership Building Promotion Council promoted by the cabinet office and the Small and Medium Enterprise Agency, and have each formulated as well as published their own Declaration of Partnership Building.

Through participation in Declaration of Partnership Building, the Group aims to build sustainable business relationships so that it can coexist and prosper with its business partners.

*Daito Trust Construction, Daito Kentaku Leasing, and Daito Kentaku Partners



Each Declaration of Partnership Building of the three major companies of the Daito Group and the major individual points of focus for each company

Daito Trust Construction Co., Ltd.

- In addition to carrying out fair trade with subcontractors, we strive to support our partner companies, etc. through disclosure and in raising awareness regarding fair trade and talent development.
- We support health and safety management for our partner companies and provide them with the environment and know-how to work together in a healthy and safe manner, and educate them on the importance of health management.

Daito Kentaku Leasing Co., Ltd.

- Based on the philosophy of creating a new life together and walking together as indicated in the corporate logo, we will promote cooperation among companies toward the realization of a sustainable society.

Daito Kentaku Partners Co., Ltd.

- In addition to promoting strategies utilizing digital technology, we will promote the digitalization and paperless processing of relevant documents to enhance convenience and achieve greater operational efficiency.
- We will implement initiatives related to health and productivity management (provision of know-how related to health and productivity management to business operators, joint implementation of health promotion measures including events, and implementation of study sessions, etc.).

Diversity and Inclusion

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

Under the theme of "LOVE COLORS," we will take on the challenge of a new approach to diversity that enables each and every one of us to realize their own way of life through work and turn each other's differences into a power for the future.



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

Diversity and Inclusion Within the Daito Group

LOVE COLORS

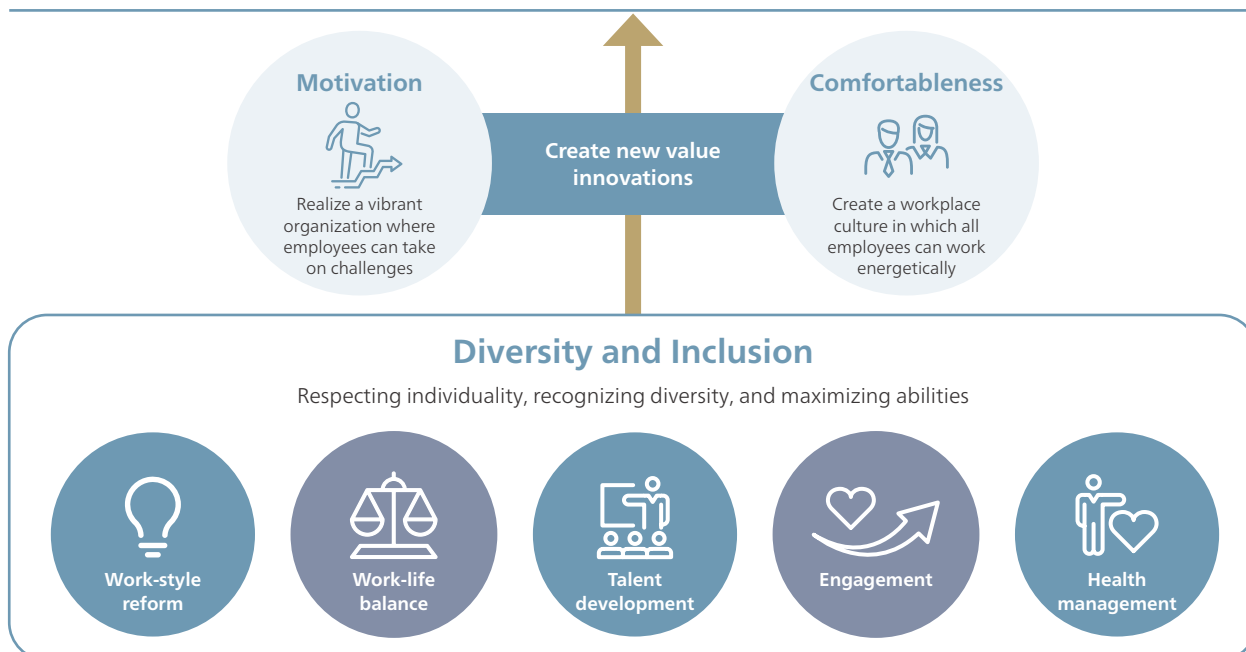
Employee individuality is the Company's strength

Just as there are many different ways of living,
we as employees should feel free to express our own individualities.
This will enable us to recognize various possibilities and
become a company in which each employee can entrust their dreams and future to.

Diversity and Inclusion Declaration

- 01 We aim to create a corporate culture that respects the individuality of each and every one of us, recognizes diversity, and allows us to maximize our abilities.
- 02 We will pursue creating an environment where employees feel motivated and comfortable to become a company we can be proud of, a company we can entrust our dreams and future to.
- 03 We aim to be a sustainable company that can continue to create new value by promoting diversity as a management strategy.

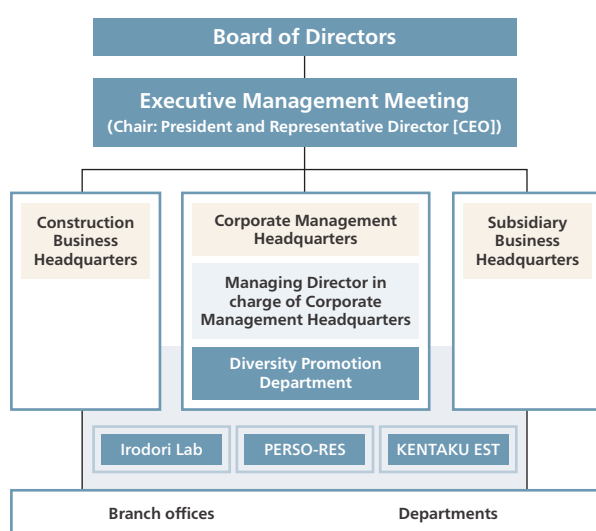
To be a company that can be entrusted with dreams and futures, and generate sustainable growth as a "total lifestyle support company" centered on the Comprehensive Leasing business



Activity Details 1 Diversity Management Initiatives

Promotion of System Enhancement

We believe that not only top-down management but also bottom-up management is essential to creating an organization where human resources with diverse backgrounds can respect each other and play active roles. To this end, we are focusing on creating a climate and system that facilitates the collection of employee feedback and are working to review systems and improve the workplace environment based on the feedback collected.

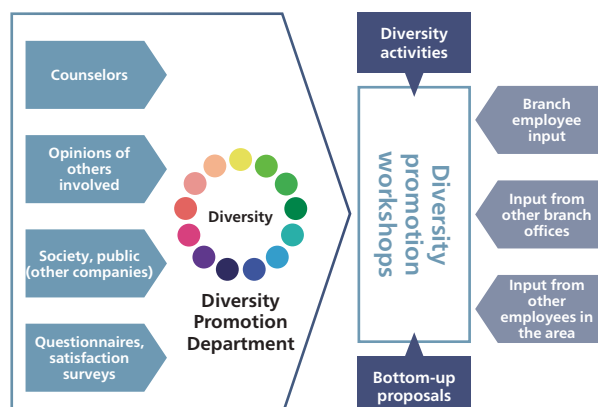


1. Introduction of the diversity promotion workshop, PERSO-RES*

With the aim of fostering a vibrant corporate culture, we have been recruiting employees from all over Japan who are serious about changing and improving the company since October 2021, and regularly hold workshops on the theme of diversity promotion.

By creating opportunities for communication between the head office and branch offices, we regularly gather employee feedback and conduct activities in line with real conditions.

*The name is derived from "respect for personality"



2. Introduction of the KENTAKU EST in-house support network

In July 2021, we established KENTAKU EST, an in-house support network of LGBTQ employees and their allies* to increase supporters of sexual minorities in the Group. As anyone is allowed to participate, we aim to strengthen our support system by regularly holding roundtable discussions, internal awareness-raising activities, and receiving consultations through our network.

*Refers to people who actively support LGBTQ

3. Continuation of Irodori Lab, a project to promote the active participation of women

Since April 2020, Irodori Lab, a project to promote the active participation of women, has set forth the visions of "a company where women can work for many years with enthusiasm" and "a company where each woman can realize their own work style and career." The project is operating under the slogan "Always by Your Side. A Company that Brings to Life the Phrase 'To Each Their Own.'"

In FY2021, we conducted a questionnaire on work styles, careers, and diversity promotion in order to grasp the actual conditions surrounding our employees. In FY2022, we will analyze the results of the questionnaire and work to improve issues such as the further expansion of the work-life balance support system and career paths.



Corporate Culture Creation

1. Diversity training

Since FY2016, we have regularly conducted diversity training for all employees to promote internal understanding of the purpose and importance of promoting diversity and to foster an organizational culture that promotes diversity management among all employees. In FY2021, we held seven training sessions for all employees.

2. Diversity e-mail newsletter distribution

Since FY2019, we have been sending out an e-mail newsletter once a month to all employees with the latest information on diversity within the Group and initiatives that are attracting attention in an effort to promote awareness.

Activity Details 2 Initiatives for Promoting the Advancement of Women

The Daito Group considers the active participation of women to be one of its management issues and is promoting initiatives throughout the Group. We have established a diversity promotion system so that each woman can work as they desire, and are working to raise increase women's motivation to work by providing career support for women who are susceptible to life events such as marriage and childbirth.

Introduction of the Female Employee Development Program

In October 2021, we introduced the female employee development program, which specializes in the development and promotion of women in managerial positions. The goal is to help female employees who find promotion a hurdle go through various training programs and understand the roles of executives and managers, so that they can consider such a position as a natural career option.

1. For the first time in the construction industry*1, a quota system*2 has been introduced

We are setting the number of female managers, including those who hold upper management positions that will hold those positions in three years. We aim to increase the percentage of female management personnel from 4.6% in FY2020 to 6.0% in FY2023 three years later through systematic training by setting the percentage of women at the time of selecting candidates for management position training, which is a prerequisite for promotion.

"Percentage of female management personnel" ▶ p.65

*1 According to Group data

*2 A system in which there is a quota for female employees and managers

2. Establishment of the Female Advancement Promotion Committee

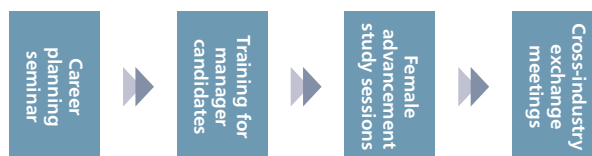
We established the Female Advancement Promotion Committee,

which is chaired by the Managing Director in charge of Corporate Management Headquarters. The committee focuses on each position of executive officers at branch offices and the head office, and is held across all job categories. The progress of the quota system as well as issues is shared at quarterly reporting meetings.

3. Introduction of the Education Program for Female Employees

We have established a step-by-step training system according to position so that each female employee can feel that they are steadily advancing in their career.

By doing so, we aim to foster a culture in which women can naturally develop a concept of promotion and advancement. In a questionnaire on career development conducted for employees, the highest number of respondents said that they would decline promotion because they did not have confidence. Going forward, we will promote education that turns that anxiety into confidence.



An example of a training course for promotion from chief to deputy division manager



For details on the promotion of the active participation of women, please visit the following website.

<https://www.kentaku.co.jp/diversity/womenomics/> (Japanese only)

Activity Details 3 Initiatives for the Participation of Diverse Human Resources

The Group has created a workplace environment in which each and every one of its diverse human resources can work comfortably and with motivation, including LGBTQ support and support for disabled employees. In addition, we are carrying out various initiatives to support the activities of our employees.

Internal System for the Support of Sexual Minorities

In July 2021, we introduced a "familyship" system that treats same-sex partners to be the same as married couples, and the use of a "business name" that allows an employee to use a name of their choice at work without having to use their real name. We have created working environment where anyone can work in comfort regardless of gender identity or sexual orientation.

Promotion of Employment of People with Disabilities

The Group is working to expand employment opportunities for people with disabilities. The employment rate for people with disabilities in FY2021 was 3.04%. Utilizing the know-how of Daito Corporate Service, a special subsidiary of the Group, we are engaged in a variety of initiatives to promote and retain employment by professional staff.

"Employment rate of people with disabilities" ▶ p.65



For details on initiatives for the advancement of diverse human resources, please visit the following website.
<https://www.kentaku.co.jp/diversity/inclusion/> (Japanese only)

Activity Details 4 Initiatives for Work-Style Reform

Aiming to create “a comfortable workplace” and “a rewarding workplace,” the Daito Group is actively promoting work-style reform under the leadership of management, focusing on employee engagement surveys, aimed at evaluation system review, the pursuit of organizational productivity (reduction of long working hours), and flexible work styles.

Sound Management Ranking, an Internal Evaluation System

In August 2018, Daito Trust began operating the Sound Management Ranking, an evaluation system that focuses not only on operating results and profits, but also on factors essential to sound management of branches and departments, such as productivity, talent development, creation of a pleasant workplace environment, processes, working environments, and other factors. Points are converted according to common standards and calculation formulas for each evaluation item, and the ranking of each branch and department is determined and disclosed after calculating evaluations for each related department, leading to employee-led improvements in the working environment.

Introduction of a Flextime System without Core Period for Construction Section Employees

In June 2021, we introduced the Free Flextime System, a flextime system without core period for construction workers who manage construction sites. Although a mandatory core period (11:30 to 15:30) was established in the past, construction workers are now able to work more flexibly without the limitation of a core period.

Holidays for Each Branch Office

Starting in April 2021, to create an environment that makes it easier for employees to take paid leave, we recommend setting a branch holiday once a month on a weekday other than on the weekend.

In addition, we have made it compulsory to take at least six days of paid leave a year, and we are promoting the use of paid leave by disclosing the status of taking paid leave by branch and department every month. In FY2021, the rate of employees taking paid leave reached a record high of 81.6%.

“Rate of taking paid leave” [▶ p.65](#)

Enabled Local Head Office Operations for Single Employees and Employees Living with Family in Addition to Employees Transferred Not Accompanied by Family

In October 2021, we expanded the number of employees who can conduct head office work in their hometown, which began in FY2020, to include single employees and employees living with family belonging to the head office in addition to those who have been relocated away from family.

In line with the popularization of working from home due to the COVID-19 pandemic, this type of work enables employees who belong to the head office and who wish to conduct head office work from their local area to work from home.



For details on work-style reform, please visit the following website.

<https://www.kentaku.co.jp/diversity/work-style-reform/> (Japanese only)

External Recognition

In FY2021, the Company was selected as a Nadeshiko Brand for the first time in widespread recognition of its proactive efforts to promote diversity, the advancement of women, and the empowerment of diverse human resources. In FY2022, we will continue to promote these initiatives and work toward the realization of a pleasant working environment and where everyone is enthusiastic about their work.

Promotion of the Advancement of Women

Certified as a Nadeshiko Brand in FY2021



Diversity Management

D&I Award 2021 — Certified as “Best Workplace” (highest level award)



Work-Style Reform

Hataraku Yell 2022 — Awarded “Outstanding Welfare Promotion Corporation” (highest level award)



Active Participation of Diverse Human Resources

Pride Index 2021 — Awarded the Silver Award



Human Resource Development and Organizational Development

Human resources, the Daito Group's largest form of capital, are the source of our competitive advantage. For the sustainable growth of the Group, we are promoting the development of human resources that support the growth of each and every employee and, based on employee engagement, the creation of an organization where it is satisfying to work.

The Daito Group's Vision for Human Resources

1. Able to embody the management philosophy, basic management policies, and Daito Trust Code of Conduct.
2. Able to proactively see the true purpose of their work and be innovative based on original ideas to achieve it.
3. Continue to learn, take on challenges, and grow in order to enhance expertise.

Talent Development Program

Forging ahead with the talent development required by the Daito Group, and in order to foster a corporate culture that furthers learning, in April 2016 we constructed a talent

development program covering officers and employees at all levels. We have inherited and built upon the philosophy of our existing training system and developed a system of training on portable skills (i.e. skills that can be applied across different workplaces and types of jobs).

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

Level	Time		Training	Program content
Administrative position	Upon employment	New graduate recruits	Introductory training upon employment	Provides understanding of the fundamental knowledge essential to members of society and the significance of working at the Company
			Follow-up training	Review the 1st and 3rd years after employment and set medium-term goals
		Mid-career recruits	Training for new employees in all occupations	Provides fundamental knowledge required for each occupation
	2-4 years after employment		2nd year of training	Provides fundamental business skills
			4th year of training	Acquire interpersonal skills and critical thinking skills
	Later point in time	Female employees	Women's career planning training and Women's Academy	Career development
Management position	Candidate for promotion		Training for division manager candidates	Provides understanding of role, management skills, and opinion exchange meetings with management
	Upon promotion		Training for newly promoted managers, development training for managers, and management position skill enhancement training	Provides understanding of role, management skills, and critical thinking skills
	Later point in time	Female employees	Women's leadership seminars	Career development
			Upper management position candidate training	Candidates learn innovative leadership behavior, critical thinking skills, and participate in opinion exchange meetings with management
	Candidate for promotion		New Business Creation Academy	Hands-on management training
Upper management position	Upon promotion		Training for newly promoted upper management, enhancement training	Provides understanding of role, management skills, and critical thinking skills, strategic skills (including organization, human resources, and management-related skills) as well as financial and accounting knowledge
	Candidate for officer		Management Training Academy	Hands-on management training and opinion exchange meetings with management
			Business school attendees	Acquire the perspective of a manager, decision-making skills and organization management skills, and interact with those in other industries
Officers		(New appointee)	Executive officer and director training	Improve quality of strategy formulation and decision-making skills, learn how to utilize legal and financial knowledge, and build strategic perspectives on management innovation
			Executive officer and director training	

Notes: 1. Training by occupation is not included
2. Information current as of March 2022

Internal Venture System "Mirai-novator"

In April 2020, the Daito Group started "Mirai-novator," an internal venture system aimed at creating new businesses, supporting in-house entrepreneurs, and creating a corporate culture in which Group employees can actively make plans and proposals. This system supports employees who make proposals in their commercialization efforts through stage-based incentives, workshops, and individual consultations. A total of 822 applications have been submitted during the past three screenings, of which ten ideas* have passed the final screening. For those ideas, verification tests are being conducted with commercialization in mind.

*Regular and ad-hoc applications as of the end of September 2022

Daito Earth is Undergoing Verification Tests for Commercialization



Verification tests are being conducted for Daito Earth, which passed the selection process for the first Mirai-novator screening. Daito Earth is a project design to improve soil quality and realize monetization through the reuse of construction soil. In Hamamatsu City, where verification tests are underway, we have achieved a single month of profit by improving operational efficiency. In the future, we aim to establish a business model that can be replicated and commercialized through the development of multiple locations.

Correspondence Course Program (Support for Self-Development and Qualification Acquisition)

The Group supports the self-development of employees with the aim of supporting their growth through proactive learning. This program expands the number of courses available for various qualifications, business skills, and languages each year.

We provide subsidies (up to 100%) for students who complete designated courses and meet certain requirements. In addition, we hold self-study sessions to acquire qualifications, such as first-class architectural qualifications.

“Number of qualification holders”  p.65

“Kentaku Master” Certificate System

Daito Trust has introduced the “Kentaku Master” internal qualifications testing system to acquire knowledge about the Company’s overall business and its construction business. The system goes beyond the Daito Group’s Lease Management Trust System and product expertise to include expertise about the markets, product knowledge, taxes, and specialized terminology.

Review of the Assessment System

Even if there are restrictions due to life events, the Daito Group has established a mechanism to evaluate employees appropriately according to their abilities as needed.

Main improvements

- Introduction of regional salary system
- Review of bonus evaluation for employees with limited work locations
- Change in the calculation period for promotion and demotion points after maternity leave and childcare leave
- Better treatment of non-regular employees
- Appraiser training



For details on human resource development and organizational development, please visit the following website.

<https://www.kentaku.co.jp/corporate/csr/torikumi/nuture.html> (Japanese only)

Respect for Core Labor Standards

We respect the core labor standards set by the Japanese Trade Union Confederation. The core labor standards set minimum standards for labor and consist of four areas: recognition of freedom of association and the right to collective bargaining, prohibition of forced labor, prohibition of child labor, and elimination of discrimination.



Japanese Trade Union Confederation (core labor standards and ILO) website.

<https://www.jtuc-rengo.or.jp/activity/kokusai/ilo/> (Japanese only)

Introduction of Employee Engagement Surveys

The Daito Group is promoting the creation of an organization where employees are enthusiastic about work in order to become “a company people entrust with their dreams and future and be proud of.” In FY2021, we switched from an employee satisfaction survey to an employee engagement survey to clarify the state of the organization in terms of strengths and weaknesses of the entire company and each department rather than the one-sided view of employee

satisfaction.

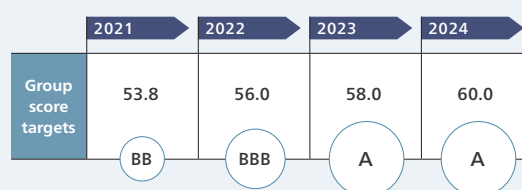
Improvement activities are being undertaken in a dual role, with the head office taking the lead in resolving company-wide organizational issues that are impediments to improving employee engagement, and managers taking the lead in addressing organizational issues specific to their respective departments.

Employee Engagement Survey Results

In a survey conducted in May 2022, the Company received an engagement rating of BBB, the fourth out of 11 ranks, which is a deviation value of employee engagement, and an engagement score of 57.5, well above the average of B (50.0) for other companies. Compared to the results of the survey conducted in November 2021, the score increased by 3.7 and by FY2024, a rating of A (60.0) is the goal of the project.

Moving forward, we aim to improve engagement by implementing initiatives such as improvement activities in each department and workplace unit, revitalizing internal communication, and conducting training and workshops for managers.

Road Map for Achieving Medium-Term Targets



Survey Results

Time of Implementation	Number of Respondents	Engagement Score	Engagement Rating
November 2021	7,669	BB	53.8
May 2022	7,751	BBB	57.5



Health Management

In accordance with our Corporate Philosophy, we systematically promote health management under the leadership of top management. By strategically addressing employee health promotion and safety management, we aim to improve productivity and revitalize the organization. We will actively engage in health management to make our employees feel proud to work for us and to be a company to which they can entrust their dreams and future.

Daito Group Health Management

Through Group health management, we aim to improve productivity and corporate value by creating work satisfaction and comfort while placing the health of employees first. Based on the Daito Group Health Declaration created in May 2018, the Group and its employees are promoting health management as one part of its business strategy.

In cooperation with our head office, branch offices, and Group companies, we will contribute to the health of local communities by developing various initiatives with multifaceted approach to become a company that our employees and stakeholders can entrust with their dreams and future.

Initiatives Overview

Health Investment	Obesity prevention	Prevention of lifestyle-related diseases	Anti-smoking measures
	Mental health support	Improvement of health literacy	Creation of a comfortable working environment

Effects of Health Investment (Partial List)	• 100% rate of undergoing health checkups
	• Increased rate of secondary examinations after health checkups
	• 100% interview rate for those who fall under the employment threshold
	• Increased rate of employees who maintain a proper weight
	• Decreased prevalence
	• Decreased smoking rate
	• Decreased missed breakfast rate
	• Increased exercise rate
	• Decreased rate of new employees on physical leave
	• Increased stress check rate
	• Decreased proportion of people with high stress
	• Decreased rate of new employees on mental leave
	• Decreased absenteeism

Absenteeism Reduction

Presenteeism Reduction

Engagement Improvement



Toward the realization of communities where everyone is healthy

Recognized as an Excellent Corporation that Strategically Implements Health Management

In recognition of our efforts based on health management, 10* of our Group companies have been selected under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

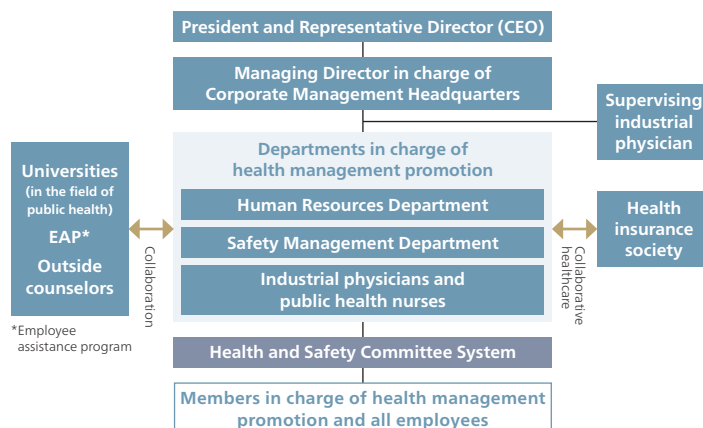
* Large enterprise category: Daito Trust Construction (White 500), Daito Kentaku Leasing, Daito Kentaku Partners (White 500), Housecom, Gaspal, Care Partner, and Daito Corporate Service (White 500)
SME category: Daito Steel, Daito Kensetsu, and Daito Kentaku Health Insurance Society



Health Management Promotion System

Under the leadership of the President and Representative Director (CEO) and the Managing Director in charge of Corporate Management Headquarters, Daito Trust is strategically developing health measures in collaboration with supervising industrial physicians, public health nurses, health insurance society, universities, etc.

In addition, we have established a system that enables swift vertical and horizontal implementation of health management at decentralized business sites by assigning approximately 1,000 health managers at all branches throughout Japan.



Health and Safety Committee System

We have established a three-tier Health and Safety Committee System with the aim of disseminating health and safety-related information throughout the Group.

The details of deliberations are communicated to all employees by the branch offices and head office departments, and the results are recorded in the minutes of the Health and Safety Committee meeting for each branch, which are available for review by the Health and Safety Committee secretariats.



Health Measures

1. Collaborative healthcare

In cooperation with our health insurance society, we use in-house newsletters and other tools to disseminate health information. In addition, the Group's Health Management Promotion Committee meets on a regular basis to share information and discuss health measures by the health management personnel of each company.

2. Thorough use of period health checkups and prevention of serious illnesses

We are committed to ensuring that 100% of our employees receive their annual periodic health checkups. Having established our own employment standards, we conduct early follow-up activities such as interviews with industrial physicians for employees with high health risks.

"Rate of undergoing health checkups" p.65

3. Mental health measures

Our Group conducts stress checks and mental health training in which all employees participate. We have also established a consultation structure which includes individual worker interviews conducted during visits with industrial physicians and public health nurses, consultations related to mental health and sanitation management, health guidance, and even online consultations for teleworkers.

4. Preserving and promoting health

We offer an insurance business with an employee-participation model that includes exercise habits, work performance improvement, disease prevention, as well as health maintenance and promotion.

In addition, we provide professional guidance tailored to the occupations of employees by managerial dietitians and health exercise instructors contracted with us, and are actively working to lower the rate of smoking and prevent secondhand smoking (revised Health Promotion Act).

Key initiatives

- Breakfast photo contests to increase interest in breakfast
- Professional dietary guidance by managerial dietitians
- Radio calisthenics – conducted by all employees every morning
- Distribution of online exercise videos by fitness instructors
- Participatory events such as the exercise record challenge
- Regular dissemination of information to raise awareness among employees to quit smoking
- Outpatient treatment subsidy program for employees to quit smoking
- Smoking cessation events in which all employees participate



For more information on health management, please visit the following website.

<https://www.kentaku.co.jp/corporate/csr/torikumi/kenkou.html> (Japanese only)

Worker Safety and Health

The Group's basic philosophy of safety and health management is of ensuring smooth operation of supervisory management at construction sites and of contributing to the prevention of disasters and accidents affecting employees. We believe this philosophy is a social responsibility that must be fulfilled as a Group.

In line with this basic philosophy, in accordance with the Industrial Safety Act, the Industrial Safety and Health Act, and company regulations, we thoroughly implement safety and health management and prevent occupational accidents and diseases that occur in the course of business execution. We have created a working environment in which people working on construction sites can engage in work with peace of mind.

Daito Group Safety Slogan

With regard to safety and health management, which is a major pillar of corporate management, we create a safety slogan every year for the purpose of raising safety awareness among all employees and members of the Cooperative Daito Trust Construction (hereinafter referred to as the "Cooperative"), establishing safety activities and promoting voluntary conservation activities.

In FY2022, we will eliminate human error by pointing out unsafe behaviors among workers and creating an environment where employees are always aware of safety.



Cooperative Daito Trust Construction

One of the pillars of our partnership foundation is an organization made up of local companies who cooperate with us in design and construction. We support members of the Cooperative in various ways to revitalize the construction industry by providing them with enhanced benefits, such as health checkups and subsidies for those who participate in skills training sessions, and by disseminating information for the construction industry through an app exclusively for members.

Cooperative Daito Trust Construction One Master Association

In order to create an environment in which all workers working at our construction sites can be covered by workers' compensation insurance even in the unlikely event that an injury occurs, we have established our own special workers' compensation insurance contact point for One Masters and their family members. Subscribers can receive medical examinations and support for influenza vaccinations.



One Master Association
information poster

Safety and Health Initiatives at Construction Sites

We also promote DX at construction sites and are working on safety activities and labor saving at those sites. In April 2022, we launched our original construction site management app, "TAKUMI." We will make risk assessment activities online and conduct safety activities together with business owners as a tool to check the conditions of construction sites at any time.

Main Features of TAKUMI:

1. Signing in to/out of work
2. Digitization of RKY
3. Take on-site photos
4. Create and confirm work schedules
5. Use of key data



1. Initiatives for work-style reform

Since April 2017, we have been working to implement gradual work-style reforms in preparation to make Saturdays a day off at construction sites.

In principle, the second and fourth Saturdays of each month are designated as "no-work days" for construction sites nationwide, and we are promoting the concept of four weeks of work with six days off. To prevent unauthorized on-site operations, we check the status of the construction site using live cameras and other means to ensure proper site operations.

In anticipation of the Act on Work-Style Reform in the construction industry which will be in effect starting in April 2024, we will further strengthen our efforts for all Saturdays to be off days at construction sites in the future while at the same time resolving issues, such as long working hours.

2. Measures for preventing heatstroke at construction sites

The Ministry of Land, Infrastructure, Transport, and Tourism (MLIT) publishes the number of heat stroke fatalities and injuries by industry sector. Since the construction industry,

which often involves outdoor work, has the highest number of fatalities and injuries, we promote measures to prevent heatstroke at construction sites every year. Since FY2022, we have installed ice machines and water coolers at construction sites as a measure against heatstroke to supplement hydration and prevent workers' body temperatures from rising excessively. In addition, we have installed live cameras at 730 construction sites selected by the head office management department to thoroughly implement safety management at construction sites, such as creating a system that allows construction site managers to check abnormalities at sites in real time.



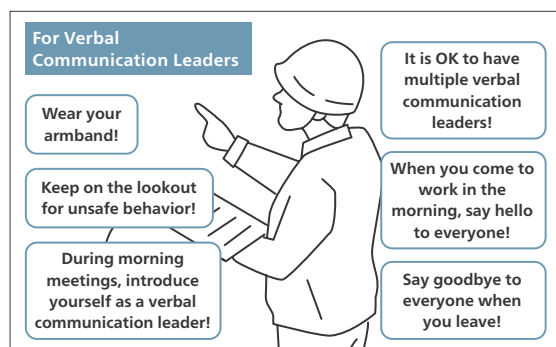
Example of an ice machine and water cooler placed at a construction site



For more information on measures for preventing heatstroke, please visit the following website.
https://www.kentaku.co.jp/corporate/pr/info/2022/letter_hyperthermia_20220706.html
 (Japanese only)

3. Campaign for encouraging verbal communication

With the aim of eradicating accidents caused by human error, we are conducting a campaign for encouraging verbal communication under the theme of "creating an environment where workers can greet and alert each other." Talking to each other leads to communication, creating an on-site environment in which it is easy for workers to pay attention to each other.



Safety Conference

We hold a safety conference twice a year to raise safety awareness among members of the Cooperative and to eliminate occupational accidents.

By providing opportunities for employees to think about safety on their own, such as lectures on safety risk



Members of the Cooperative participating in a safety conference (before the COVID-19 pandemic)



A safety conference held remotely

countermeasures at construction sites and discussions and sharing issues and problems they feel from their daily experiences, we encourage them to raise their safety awareness. The safety conference also functions as a place for information exchange and sharing among partner companies.

The Takumi Award – For Ideas that Lead to Improved Productivity

In FY2021, the Cooperative launched the Takumi Award, a program in which the Cooperative solicits examples and proposals from workers at construction sites to improve productivity and gives awards for outstanding examples. Proposed examples will be shared widely to improve safety and quality at construction sites and to save on labor.

This year, we will solicit ideas from April to September 2022 and plan to award the winning ideas in January 2023 after examination.



2022 Takumi Award poster

Entry criteria

- 1) Examples that can be expected to save labor, shorten processes, and build a comfortable construction site environment from the viewpoint of safety management, quality control, and customer satisfaction.
- 2) Examples and proposals where improvement effects can be confirmed at the Group's rental housing product construction sites.
- 3) Examples of creative and ingenious work by on-site workers.

For proposals that received the 2021 Takumi Award, we have begun implementing improvements based on those proposals in FY2022. We are promoting the creation of a comfortable working environment that reflects the voices of construction site workers.

Started Support for Vocational Training

With the recent major focus on the declining labor force, the construction industry is facing a serious shortage of workers.

Therefore, the Cooperative has started supporting vocational training for the employment, development, and retention of its members. We provide two months of classroom lecture plus practical training for inexperienced carpenters and support them in acquiring qualifications and safety knowledge as well as skills.



For more information on safety and health management, please visit the following website.
<https://www.kentaku.co.jp/corporate/csr/torikumi/safe.html> (Japanese only)

Quality Control

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

Quality Control System

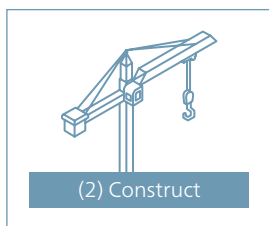
From procurement of construction materials through design and construction to inspections at the completion of construction, we supply high-quality rental buildings using an integrated system of management. After completion of construction, we conduct period inspections at six months, one year, two years, and ten years, and then add on measures to preserve quality and conduct early maintenance. The result is preserving the value of a building in the long term.



(1) Design

Using the expertise that we accumulated as a rental housing specialty company, based on our own Design Standards with over 380 items, we design buildings that best suit the client. Also, by adopting high durability

materials developed in-house and using optimal construction methods, we realize long-term preservation of building quality and value.



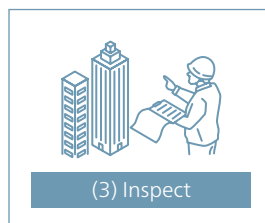
(2) Construct

With DK NETWORK, our proprietary construction management system, we manage and share construction conditions using images that we store in a database as we strive for greater efficiency in process

management and construction work. Our standards for safe construction, which serve as a clear statement of our internal construction standard, help us to provide high-quality buildings.

DK NETWORK

In order to ensure the construction of high-quality buildings, we have built a unique system that makes use of IT technology. The construction management system, DK NETWORK, uses smartphones and laptops to manage a database of construction status and images for proper construction management and record keeping.



(3) Inspect

Under the principle of "passing quality inspection before proceeding to the next process," the Construction Division conducts a self-administered inspection of approximately 500 items for each building. Then the

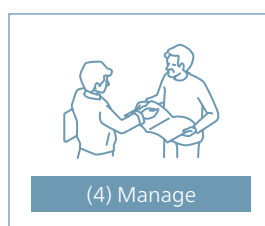
Supervision Center, an independent department, conducts its strict inspections, thoroughly and consistently.

Completion Report (Quality Report)

In addition to inspections conducted by government agencies, we conduct our own inspections for each process before a building is completed. The Independent Inspection Report, which reports on inspections conducted at each stage of the construction process, can be viewed as a completion report document on the building owner's My Page on the Internet. In addition, we give the owner a photo album that shows the process.



Photo album



(4) Manage

Periodic inspections by staff specialized in construction management are used to preserve building quality, make early discovery of locations needing repair, and perform needed maintenance.

The details and conditions are

then reported to the property owner every two months. We also put great efforts into preserving an attractive appearance through regularly conducted cleanings by Clean Keeper and Building Keeper maintains and manages common areas and facilities.



Clean Keeper



Building Keeper

Construction Quality Control System

Variations in quality can be caused by the individuality of employees and contractors, as well as by local characteristics, and can be an impediment to quality improvement. Therefore, we have established an "independent management system" by shifting from a nationwide uniform guidance and training system to a guidance and training system tailored to local characteristics. We strictly practice quality assurance processes, such as quality certification record keeping, construction inspections, and on-site guidance, pursuing quality control that gives our customers peace of mind.

The Company also provides ongoing opportunities to learn construction standards to improve our expertise. In addition to providing education and guidance to employees and partner companies, we also conduct intensive training on new construction standards, such as strengthening specialized knowledge to eradicate serious deficiencies, new construction methods, and new products, to acquire specialized knowledge.

Takumi Meister Certification System

Since FY2016, we have established the Takumi Meister Certification System to identify and certify excellent foremen from among members of the Cooperative. With Takumi Meister rankings, we aim to increase the motivation of the members of the Cooperative to lead in the improvement of construction quality and to revitalize the Cooperative. In FY2022, 3,036 foremen received Takumi Meister certifications.

National Takumi Meister Skill Championships

The Takumi Meister Skill Championships aim to provide the next generation of children with an opportunity to deepen their understanding of and interest in manufacturing technology against the backdrop of a worsening shortage of human resources in the construction industry as well as to pass on skills in the construction industry and nurture successors.

In addition, we aim to further improve the construction quality of buildings that are delivered to customers by improving the motivation and technical skills of carpenters who participate in the championships.

In FY2019, Cooperative Daito Trust Construction held the first regional competition of the National Takumi Meister Skill Championships at four venues (Sendai, Kobe, Fukuoka, and Tokyo). The national competition, which was scheduled to be held in June 2020, was postponed due to the COVID-19 pandemic. Eventually, after two postponements, it was held at PACIFICO Yokohama in January 2022.

Eleven carpenters who demonstrated excellent craftsmanship in the preliminary rounds of the regional competitions competed in the national competition, where they competed based on speed, quality, and safety of workmanship. The championships are scheduled to be held once every four years.



"Takumi Project" information poster

ROOFLAG Rental Housing Future Showroom

The ROOFLAG Rental Housing Future Showroom was opened in June 2020 with the desire to create a base for information disclosure focusing on rental housing.

This facility discloses the latest information on rental housing, as well as our concepts and initiatives for the future of rental housing management at an exhibition hall equipped with a showroom and a model building for our rental housing products, and through research and exhibitions that convey the latest technology.

A triangular roof using cross-laminated timber (CLT) beams of the largest cross-sectional size in Japan symbolizes the realization of our new challenges. As a leading company in the rental housing industry, we aim to be a company that can be entrusted with the long-term security, safety, and stable management of rental housing, and to be a company that can be



entrusted with a rich and comfortable life by the people living there and the people in local communities. As a Group, we are always thinking about and working on what we can do.

In addition, as part of our efforts to achieve our RE100 goals, all electricity used at the facility is renewable biomass energy generated by burning unused wood from forests, sawmill offcuts, and waste wood.



ROOFLAG Rental Housing Future Showroom
<https://www.kentaku.co.jp/rooflag/> (Japanese only)

Social and Community-Based Contribution Activities

The Group aims to be a corporate entity that is needed by local communities by communicating with local residents through activities.

Community-Based Contribution Activities

Since 2014, we have been working on community-based contribution activities in which our employees participate in cooperation with various local organizations and neighborhood associations. Through activities, in which employees themselves are actively involved in the formation of local communities, we work together with local communities to raise awareness of the Company, and revitalize local communities.

1. Volunteer activities and support for the next generation

Activities include volunteer staff at local events, cleanup activities, participation in job hunting seminars, and industry-academia collaboration activities with students studying architecture.

2. Regional revitalization activities

Exchange activities with experts working on regional issues and people involved in regional revitalization.

"Number of community contribution activities" [▶ p.65](#)



For more information on community-based contribution activities conducted from 2021 onwards, please visit the following website.
<https://www.kentaku.co.jp/corporate/csr/torikumi/community.html> (Japanese only)

SDGs Award

Since FY2021, we have held the SDGs Award program, an internal program for recruiting ideas for solving regional issues, in which Group employees investigate issues and goals in their respective regions and submit business and activity ideas to solve them.

Through these measures, employees across the country will learn about the issues facing the region in which they are located, and create opportunities to contribute to the resolution of regional issues as members of local companies. By continuing these measures in FY2022 and beyond, we aim to improve the sustainability of society and the Group through business activities by verifying what the Group can do for the benefit of local communities.

Note: Community-based contribution activities have been transferred from October 28, 2022 to the SDGs Award program.



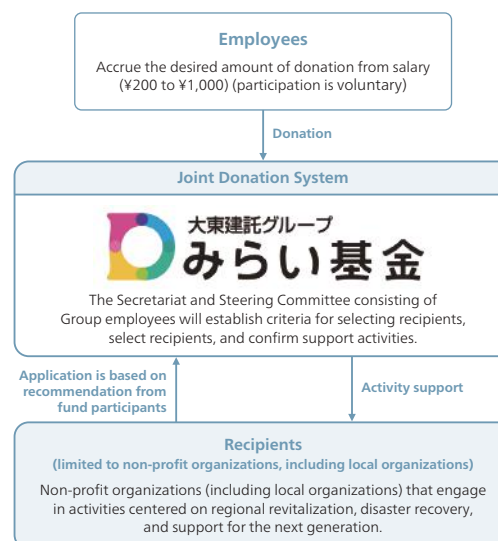
Please refer to the following website for results from the SDGs Award 2021.
https://www.kentaku.co.jp/corporate/pr/info/2022/letter_sdgsaward_220627.html (Japanese only)

Daito Group Mirai Fund

In FY2015, the Group launched the Daito Group Mirai Fund, a joint fund for employees and companies to support activities and organizations that contribute to regional revitalization and disaster recovery. In FY2022, 14 organizations were awarded ¥15,822,100. Using the Mirai Fund, we will continue to support aid groups as well as disaster recovery in order to contribute to creating towns that are full of life.

"Number of employees participating in the Daito Group Mirai Fund" [▶ p.65](#)

How the Mirai Fund Works



For more information on the Daito Group Mirai Fund, please visit the following website.
<https://www.kentaku.co.jp/mirai/> (Japanese only)

Team Daito

Since FY2014, the Group has been running "Team Daito," a project to support future athletes, with the aim of becoming a company that continues to passionate about its customers and local communities.

Support is provided to owners, tenants, cooperating companies, Group employees, and their families. As of August 31, 2022, the project has supported 56 groups of athletes in 41 sports.



For more information on Team Daito, please visit the following website.
<https://team-daito.com/> (Japanese only)

Disaster Prevention and Living Research Laboratory "Bo-Ku Lab"



The Daito Group is developing a project called the Disaster Prevention and Living Research Laboratory "Bo-Ku Lab," which aims to raise awareness of disaster prevention in rental housing. In addition to employees of the Group, members of NPOs that are active on the site of disaster prevention are invited to participate in activities that contribute to strengthening disaster prevention capabilities inside and outside the Group, such as creating opportunities for local communication through disaster prevention and developing products and services that utilize the knowledge gained from these disaster prevention support activities.

In recent years, due to the frequent occurrence of natural disasters in Japan, the awareness of disaster prevention among consumers has been increasing year by year.

Through the activities of the Bo-Ku Lab, the Group aims to become a company that not only strengthens the Group's disaster prevention capabilities, but also contributes to the creation of buildings and towns that are resilient to disasters.

Major initiatives of the Bo-Ku Lab

- Rolling out Bo-Ku Lab Stations for deploying support materials and power supply facilities throughout the country (36 bases as of the end of August 2022)
- Development and expansion of disaster-conscious rental housing products
- Donations of disaster supply stockpiles for employees in cooperation with FamilyMart Co., Ltd.'s Food Drive
- Holding of community-based disaster prevention events
- Conduct disaster prevention education activities through "Follow Your Dreams," a project that encourages children to develop their imaginations



For more information on Bo-Ku Lab, please visit the following website.

<https://www.kentaku.co.jp/bokulab/> (Japanese only)

Rental Housing Competition

Since FY2012, the Group has been holding the Daito Trust Construction Rental Housing Competition, which invites the general public to propose ideas and management methods for rental housing in accordance with the theme, with the aim of promoting the appeal of rental housing to as many people as possible. FY2022 marked the tenth time the competition was held.



For more information on the Daito Trust Construction Rental Housing Competition, please visit the following website.

<https://kentaku.shinkenichiku.net/> (Japanese only)

A Look into the Future: The Daito Trust Architecture Exhibition –Collaboration Projects–

The Daito Trust Architecture Exhibition is being held at the ROOFLAG Rental Housing Future Showroom from November 2021 to the end of December 2022 (tentative schedule).

Based on the theme "the future of architecture," this exhibition was held with the aim of providing an opportunity for students aspiring to design and the general public who are interested in architecture to think about the future of housing.

In addition to architectural models, drawings and design materials, such as collaborative buildings created with architects through product development and participation in external exhibitions, and works that won awards in rental housing competitions, are on display. It is a special exhibition where all the works that we have worked on over the years are featured together.



For more information on the Daito Trust Architecture Exhibition, please visit the following website.

https://www.kentaku.co.jp/contact/input_art.php (Japanese only)

Daito Group's Visions for Its DX Strategy

The Group has set forth three visions to promote its DX strategy using digital technology as a means to realize its vision of becoming a total lifestyle support company and has defined the areas to be strengthened and the direction in which it should move.

Three Visions for the Group's DX Strategy

- Digitally transform existing businesses (core Comprehensive Leasing business)
- Create unprecedented lifestyle support services through digital means
- Transform employees' ways of working by digital means



For more information on DX strategy, please visit the following website.

<https://www.kentaku.co.jp/corporate/csr/torikumi/dx.html> (Japanese only)

Daito Group Companies Acquire DX-Certified Business Operator Certification

As we have been promoting our DX strategy through the establishment of systems such as human resource development, four of our Group companies* have obtained DX-certified business operator certification under the DX certification system established by the Ministry of Economy, Trade and Industry.

We will further strengthen our rental brokerage business and go beyond management of rental buildings to support sound rental management for owners and speedily develop services aimed at improving convenience for tenants, thereby providing unprecedented new experiences and value to our stakeholders.

*Group companies that acquired certification are Daito Trust Construction Co., Ltd. (October 2021), Housecom (March 2022), Daito Kentaku Partners (May 2022), and Daito Kentaku Leasing (May 2022)

SECTION
04

Governance

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Corporate Governance Basic Policy

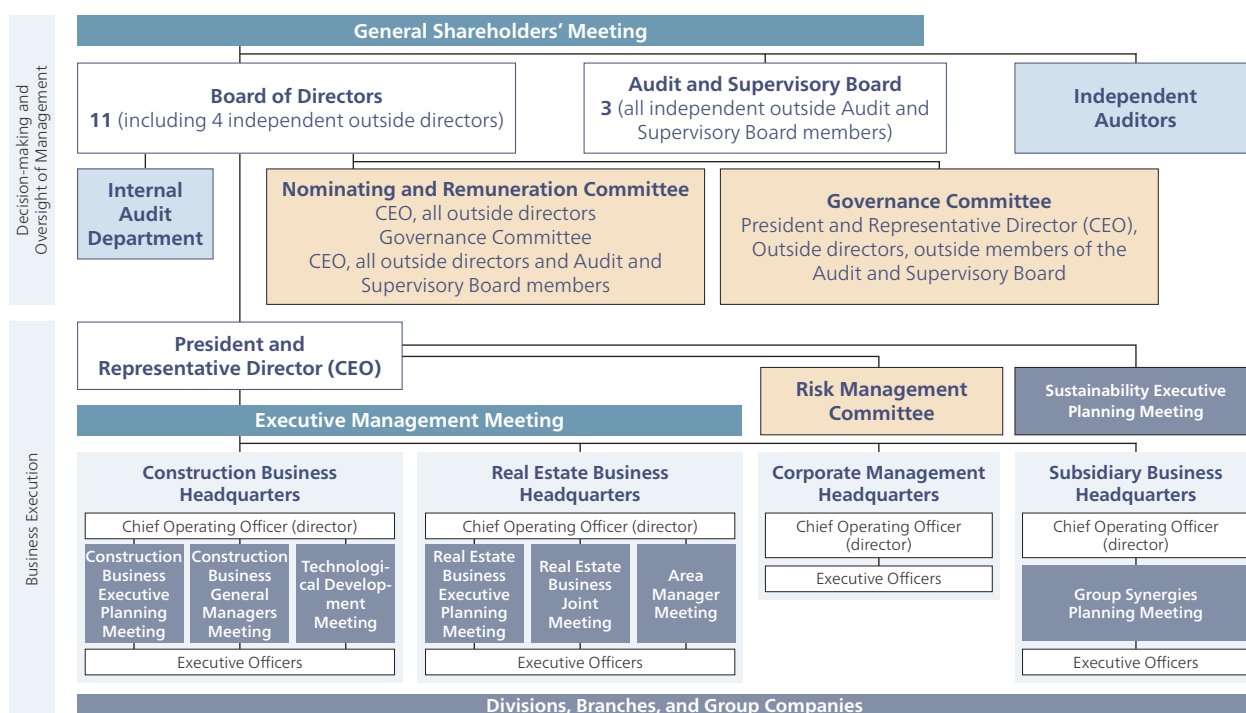
Our basic policies on corporate governance are maximizing the corporate value of the Daito Group for our shareholders and all other stakeholders, and making our management more efficient and transparent. To do so, we have separated management's decision-making and supervisory framework from the work

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.

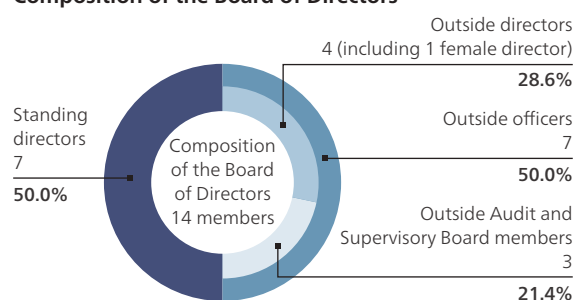




Board of Directors

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

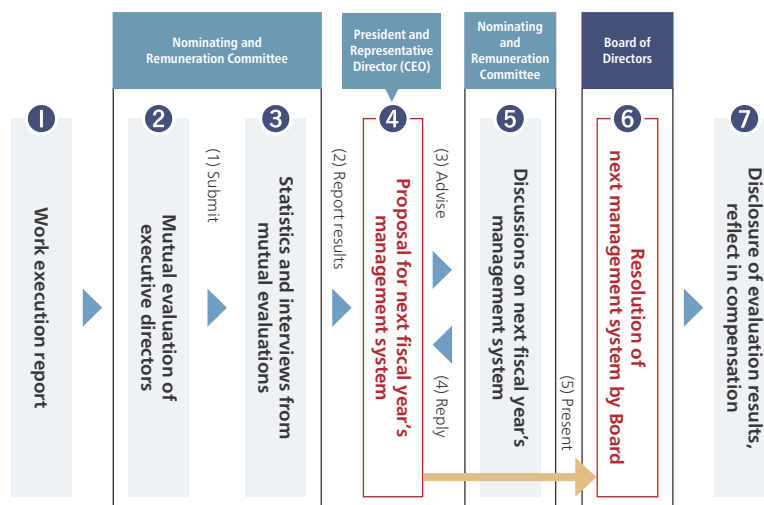
The Nominating and Remuneration Committee is an advisory body to the Board of Directors which discusses nominations to the Board of Directors and members' compensation. It is composed of the President and Representative Director (CEO) and all outside directors. The lead independent outside director serves 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.

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

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

Compensation System for Directors

Types of compensation		Details	Fixed/Change	Compensation limitations/Conditions
Basic compensation		Determined in consideration of corporate performance, employee salary increase rate, length of service, compensation of other companies in the industry, contribution, etc.	Fixed	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 ① and 2) from the past 10 years to the present for Categories ② to ⑤.

① Daito Group affiliate

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

② Holder of voting shares

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

③ Business partner affiliate

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

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

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

⑤ Others

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

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

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

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.

Initiatives for Promoting Compliance

Efforts to stop potential problems early are the most important aspect of compliance measures. Our Group has introduced an internal whistleblowing system aimed at helping to strengthen compliance management and maintain a healthy working environment by detecting legal infractions and misconduct in organizations at an early stage, as well as implementing corrections ourselves.

As well as whistleblowing points of contact inside the company, we have set up a point of contact within an outside independent body (a law firm), accessible by all stakeholders including officers and employees in our Group, cooperating companies, and business partners.

When a whistleblower report has been received, our Compliance Promotion Department instructs relevant departments to investigate or to draft and implement

countermeasures. A director with oversight of the Compliance Department, appointed by the Board of Directors, checks the operational status of the internal whistleblowing system and delivers reports to the Board of Directors as appropriate. We have also prepared a structure that protects whistleblowers, specifying that investigations cannot identify whistleblowers, that details of the investigation be kept confidential, and that the Company not dismiss or otherwise impose any unfavorable treatment on whistleblowers.

We also implement measures for following up with employees, including a compliance card with guidelines for situations in which judgment is difficult and interviews and questionnaire surveys regarding working environments and harassment, and connect these measures to the early detection of violations and misconduct.

Enforcement of Compliance Education

Under the lead of the Compliance Promotion Department, we conduct compliance training for all employees on subjects including harassment and information security to promote employees' understanding of compliance. We also regularly release compliance-related information through our *Compliance Communications*, our in-house email magazine, and other means to foster awareness of compliance and to prevent misconduct.

Basic Policy on Anti-Social Forces

We deeply recognize social importance of that anti-social forces or groups which threatens public order and safety must be eliminated from our society. In view of corporate social responsibility (CSR) and compliance, we implemented basic principles in order to eliminate anti-social forces as follows:

- (1) We shall reject all communications, including business transactions, with anti-social forces and groups such as organized crime groups.
- (2) We shall resolutely confront with anti-social forces and, in corporation with legal firms and police authorities and other specialists outside the Company, handle the matter legally together as a whole company including top management.
- (3) We shall not accept any illegal and unreasonable demands and not engage in any illegal deals or funding.



For more detailed information on our corporate governance, please visit the following website.

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

Daito Group Code of Conduct

The Daito Group Code of Conduct is a set of standards and guidelines for conduct our Group's employees are expected to follow. It applies to the conduct of all individuals making up the Daito Group, and calls for compliance to be observed. The Daito Group Code of Conduct consists of six items. In addition to social aspects such as human rights, stakeholder engagement, and safety and health, it covers a wide range of content, touching on global environmental conservation as well.

Daito Group Code of Conduct

The Daito Trust Construction Co., Ltd. and each of the Daito Group (hereinafter "Daito Trust Construction" or "Daito Trust") 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

- (1) As decent and responsible members of society, we shall comply with laws and regulations at all times while maintaining the highest ethical standards.
- (2) We shall respect the character and individuality of each person and not permit social discrimination on basis of race, national and regional origin, age, gender, gender identity and sexual orientation, disability, and other attributes or the infringement of human rights.
- (3) We shall resolutely oppose any anti-social influence or group that threatens public order and safety.

2. Management Transparency and Confidentiality

- (1) We shall strive to disclose information to customers and investors accurately and in a timely manner in order to facilitate a correct understanding of management and business activities.
- (2) To maintain fair and open business relationships, we shall refuse all gifts and entertainment offered by business partners and others.
- (3) We shall strictly manage information on customers and business clients obtained in the course of performing work duties and not use such information for another purpose without proper reason.

3. Customer-First Principle

- (1) We shall act in the interests of our customers and constantly strive to provide a high level of satisfaction and earn their trust.
- (2) We shall act courteously toward all customers and strive to provide correct information and engage in fair business dealings.

4. Social Responsibility

- (1) We shall maintain a sound financial position and debt-free business in order to perpetually provide products and services demanded by society.
- (2) We shall listen to the opinions of our various stakeholders while being mindful of our relationship with society at all times.
- (3) We shall each consider the contribution we can make to society and strive to make contributions, not matter how small, starting in our immediate environment.

5. Environmental Issues and Health and Safety

- (1) We shall actively strive to preserve the global environment by endeavoring to conserve energy and resources and through recycling efforts.
- (2) As a corporation that is innovative in its approach to land use, we shall endeavor to maintain comfortable living environments that emphasize harmony between the community and nature.
- (3) We shall strive to create a comfortable workplace environment that ensures the safety and health of all employees and other persons engaged in the Group's activities.

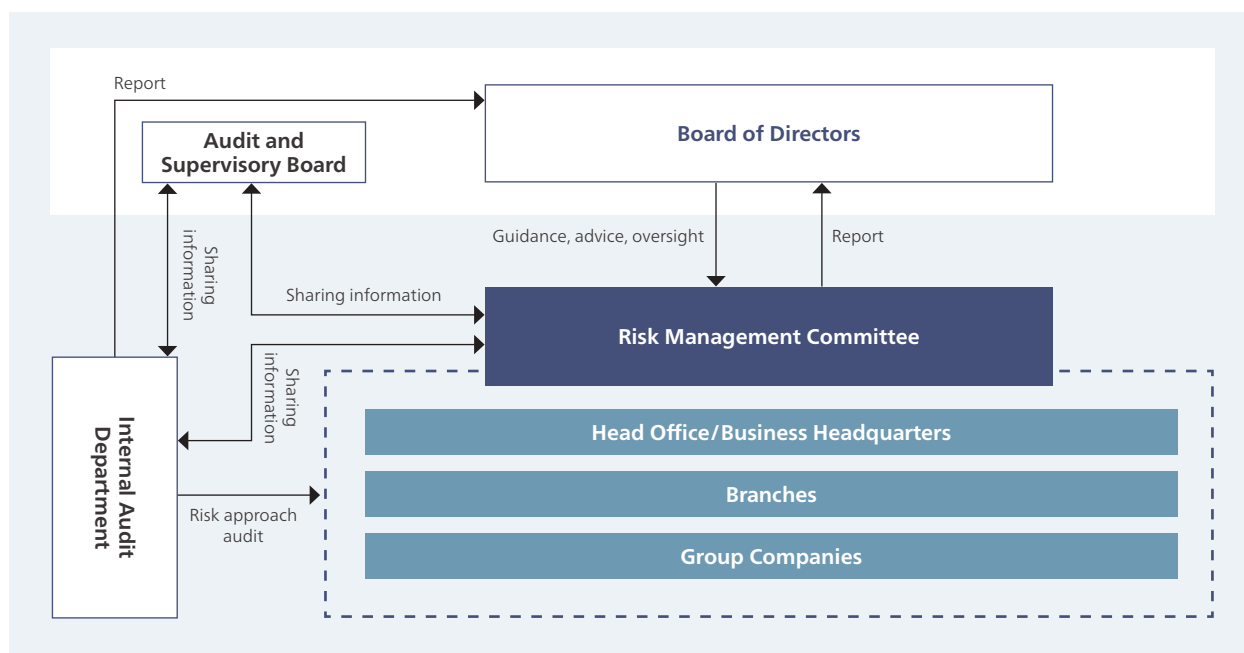
6. Overseas Activities

- (1) We shall comply with international laws and regulations and those of individual countries and respect local culture and customs.
- (2) We shall maintain cordial relations with local communities and contribute to the development and prosperity of culture and society.

Donations and Other Expenditures

The Company made no donations or other expenditures to political parties in FY2021.

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.

Business Risks (As of March 31, 2022)

The following are factors that could have a major impact on the decisions that investors make with regard to the Daito Group's performance in terms of its management results, financial situation, cash flow, and consolidated companies.

- Rise in unit cost and drop in profit ratio due to sharp rise in raw material costs
- Effect on performance due to tax law amendment
- Sudden cancellations due to sharp rises in interest rates
- Increased expenses due to new laws and law amendments
- Risk of personal information leaks
- Risk of natural disasters
- Risk of quality management
- Risk of decrease in construction skilled workers
- Risk of COVID-19 infections



For more detailed information on the recognition of business risks, please visit the following website.
<https://www.kentaku.co.jp/corporate/en/ir/governance/risk.html>

Protection of Personal Information

We recognize that careful protection of personal information is a social mission in the development of business activities and consider the received personal information to be the "customer's property itself"; furthermore, we have established and publicly announced this Personal Information Protection Policy as follows, and it will ensure appropriate handling of the personal information for the purpose of protecting the customer's rights and interests.

In relation to the customer's personal information, we will receive and retain it including name, address, telephone number, email address, through proposals, contracts, etc. for a building lease business and various ancillary services in which the Company and its Group companies engage, or through materials generally disclosed to the public such as real estate registers. In doing so, we comply with our Personal Information Protection Policy and handle the information with care.



For more detailed information on the Daito Trust Construction Co., Ltd. Personal Information Protection Policy, please visit the following website.
<https://www.kentaku.co.jp/corporate/en/outline/privacypolicy.html>

05 Data

Environment

Greenhouse gas emissions for each item are calculated based on the "Accounting and Reporting Greenhouse Gas Emissions Manual, Ver. 4.8" under the system for mandatory accounting, reporting and disclosure of greenhouse gas emissions, based on Japan's Global Warming Law and "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.4," by the government of Japan's Ministry of the Environment (MOE) and Ministry of Economy, Trade and Industry (METI).

★ Subject to third-party assurance

Boundaries

Construction business: Daito Trust Construction Co., Ltd.; Daito Construction Co., Ltd.; Daito Steel Co., Ltd.

Real Estate business: Daito Kentaku Partners Co., Ltd.; Daito Kentaku Leasing Co., Ltd.; Housecom Co., Ltd.

Other businesses: Gaspal Corporation; Care Partner Co., Ltd.; Daito Corporate Service Co., Ltd.; Daito Finance Co., Ltd.;

Daito Mirai Trust Co., Ltd.; Daito Kentaku Health Insurance Association; JustCo DK (Japan) Co., Ltd.;

Lopicma Co., Ltd.; INVALANCE Ltd.

Overseas: DAITO ASIA DEVELOPMENT PTE. LTD. (Singapore); DAITO ASIA DEVELOPMENT (MALAYSIA) SDN. BHD. (Malaysia);

DAITO ASIA DEVELOPMENT (MALAYSIA) II SDN. BHD. (Malaysia); D.T.C. REINSURANCE LTD. (Bermuda);

DAITO KENTAKU USA, LLC. (U.S.)

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

Report period: March 2021 to April 2022

Publication date: Japanese version: November 2022

English version: December 2022

• Due to numbers being rounded up or down, total amounts appearing in graphs and tables may not correspond exactly to the actual totals of the figures shown.

• Organizations covered in this report: This report pertains to the Daito Group (Daito Trust Construction Co., Ltd. and its consolidated subsidiaries).

• For emissions from overseas businesses, reported values for FY2017 to FY2020 have been retroactively revised to improve the accuracy of estimated values to that of actual values.

• In line with the tabulation of FY2021 results, figures for the domestic Group were changed to figures for the consolidated Group, including overseas businesses, in FY2020 data.

Gasoline, diesel fuel, kerosene, city gas, liquid petroleum gas (LPG)

Uses actual values.

Steam, cold water

Uses estimated values calculated based on area measurements.

Electric power

For offices and construction sites: uses actual values.

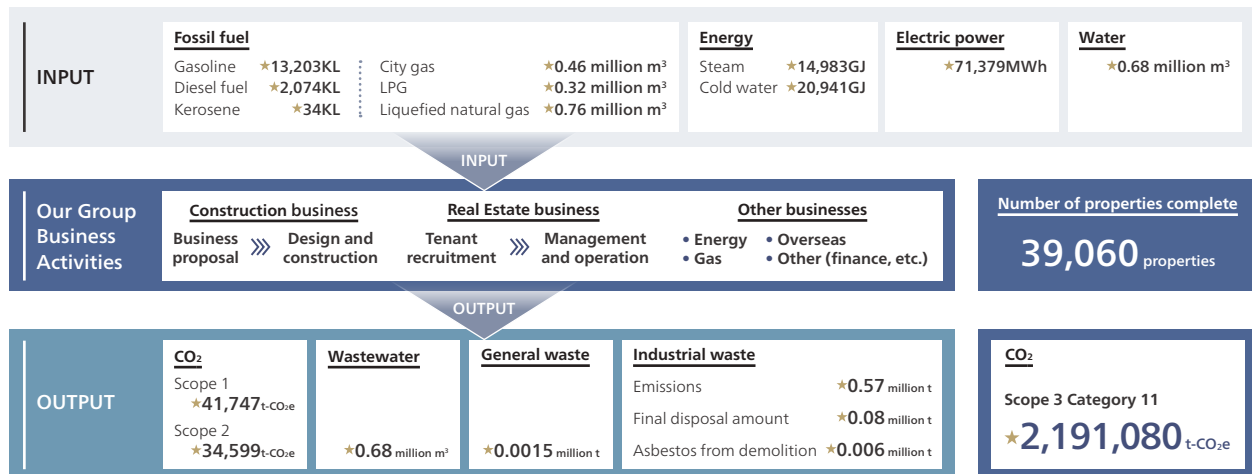
Water

For offices: uses actual values and estimated values based on number of people and floor area. For construction sites: uses actual values and estimated values based on costs.

Waste

Uses actual values and estimated values based on number of people.

(Consolidated) FY2021 Material Balance (Environmental Impact of Business Activities)

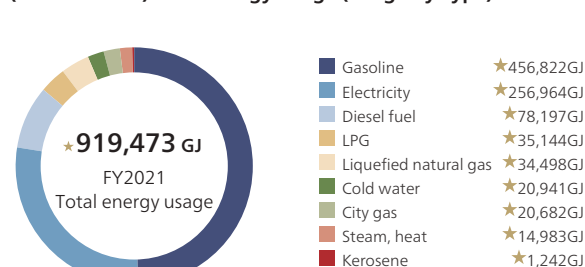


(Consolidated) Greenhouse Gas (CO₂) Emissions across the Entire Supply Chain

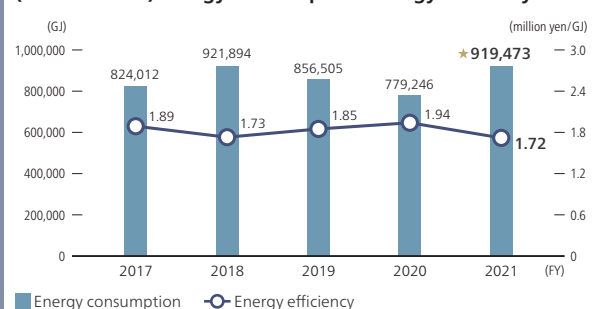


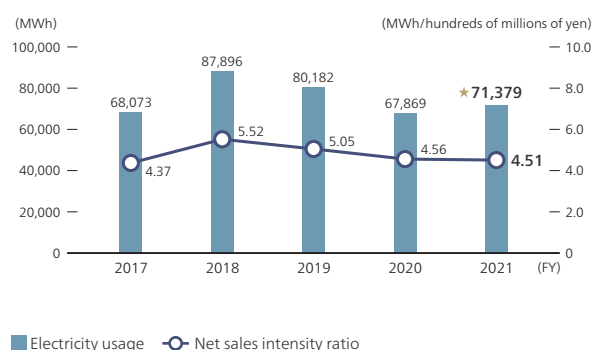
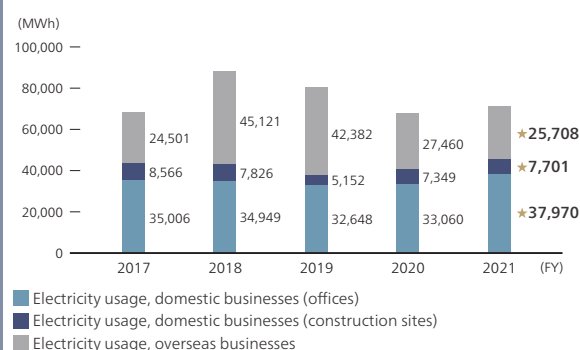
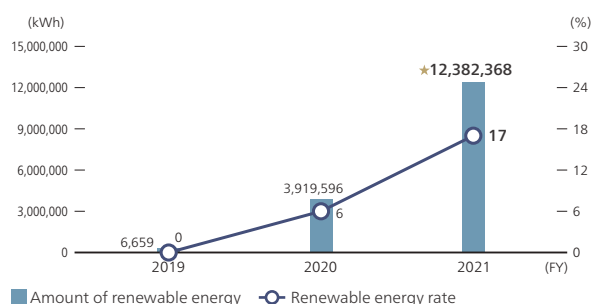
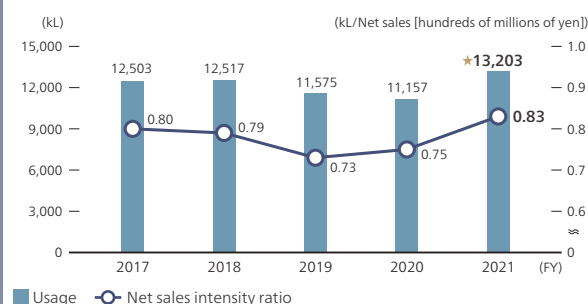
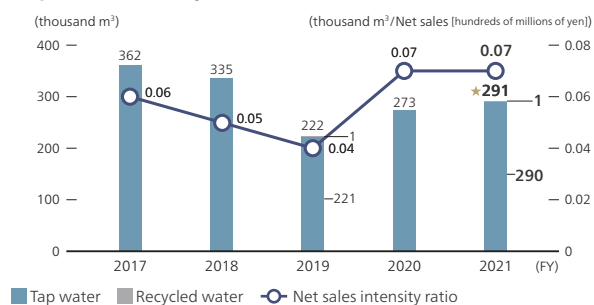
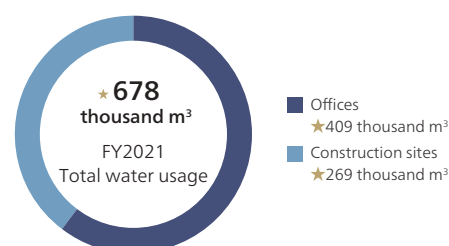
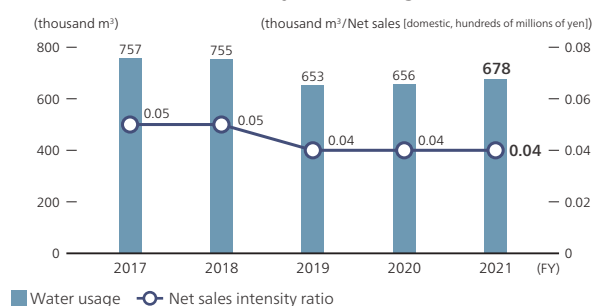
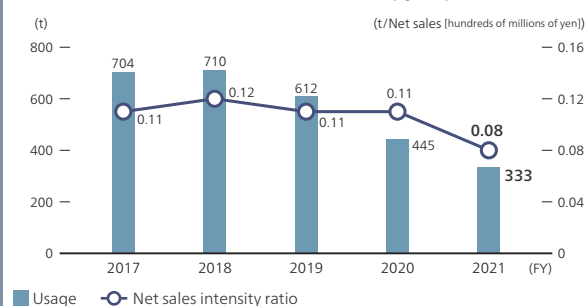
Resources/Energy Usage

(Consolidated) Total Energy Usage (Usage by Type)

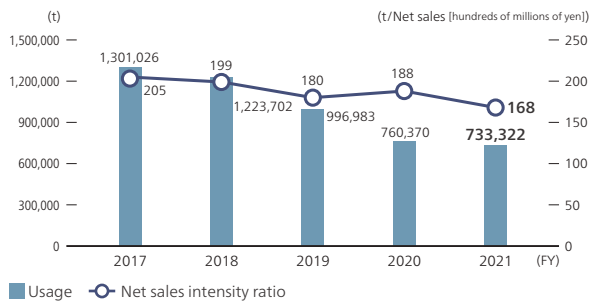


(Consolidated) Energy Consumption/Energy Efficiency

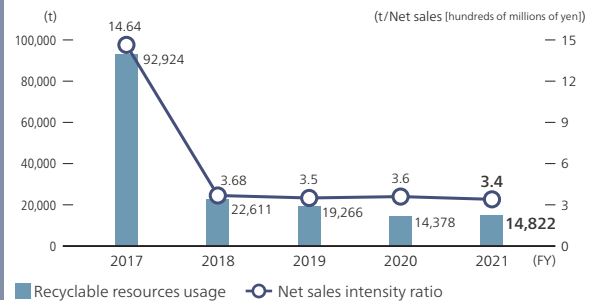


(Consolidated) Amount of Electricity Used**(Consolidated) Amount of Electricity Used by Site****(Consolidated) Amount of Renewable Energy Introduced/Ratio****(Consolidated) Amount of Gasoline Used****(Non-Consolidated) Total Water Usage (Tap Water and Recycled Water)****(Consolidated, Domestic Only) Water Usage by Site****(Consolidated, Domestic Only) Water Usage****(Non-Consolidated) Amount of Photocopy Paper Used**

(Non-Consolidated) Total Resource Usage



(Non-Consolidated) Amount of Recyclable Resources Used

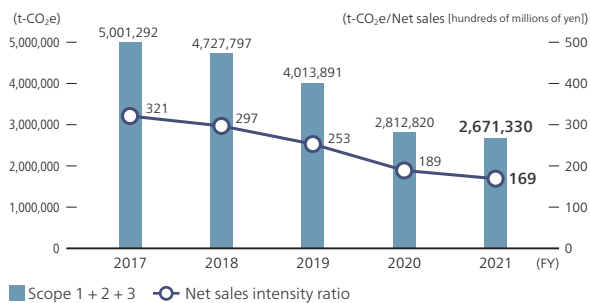


(Non-Consolidated) Resource Usage by Category

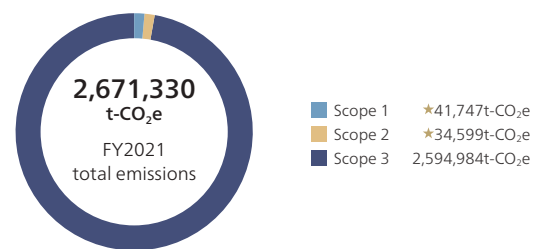
Usage (t)	FY2017	FY2018	FY2019	FY2020	FY2021
Iron	50,360	46,691	37,995	29,207	25,232
Aluminum	32,906	43,102	30,252	14,948	16,576
Plastic	2,154	2,010	1,724	1,261	1,291
Glass	1,150	1,075	917	674	680
Glass wool	4,224	3,953	3,589	2,482	2,682
Mineral wool	0	0	0	0	0
Wood	134,546	125,712	111,801	80,531	83,893
Plasterboard	63,521	59,990	53,849	37,117	39,909
Exterior siding	29,988	28,508	25,602	17,462	18,864
Concrete	860,721	796,853	633,423	506,403	472,649
ALC	12,071	11,844	10,418	6,881	7,378
Crushed stone	109,386	103,964	87,413	63,405	64,169
Total	1,301,026	1,223,702	996,984	760,370	733,322

Emissions Harmful to the Environment

(Consolidated) Greenhouse Gas Emissions (Scope 1 + 2 + 3)



(Consolidated) Greenhouse Gas Emissions (Scope 1 + 2 + 3)



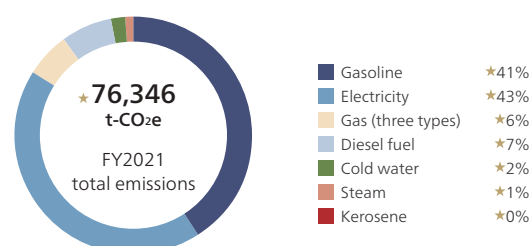
(Consolidated) Greenhouse Gas Emissions (Scope 1 + 2 + 3)

	FY2017	FY2018	FY2019	FY2020	FY2021
Scope 1 emissions (t-CO ₂ e)	36,788	38,442	35,963	33,926	★41,747
Scope 2 emissions (t-CO ₂ e)	45,982	57,865	52,386	37,700	★34,599
Scope 3 emissions (t-CO ₂ e)	4,918,522	4,631,490	3,925,542	2,740,896	2,594,984
Scope 1 + 2 + 3 emissions (t-CO₂e)	5,001,292	4,727,797	4,013,891	2,812,523	2,671,330

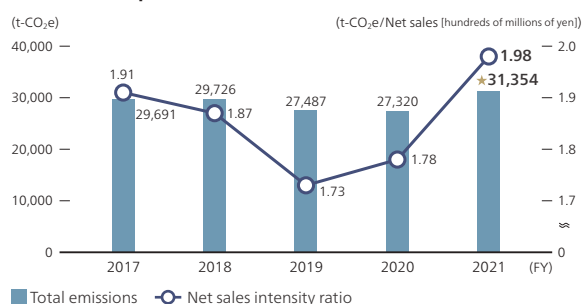
(Consolidated) Greenhouse Gas Emissions by Type (Seven Substances) (Scope 1)

Carbon dioxide (CO ₂)	★40,912t-CO ₂ e
Methane (CH ₄)	★734t-CO ₂ e
Nitrous oxide (N ₂ O)	★100t-CO ₂ e
Hydrofluorocarbons (HFCs)	0t-CO ₂ e
Perfluorocarbons (PFCs)	0t-CO ₂ e
Sulfur hexafluoride (SF ₆)	0t-CO ₂ e
Nitrogen trifluoride (NF ₃)	0t-CO ₂ e
Total	41,747t-CO₂e

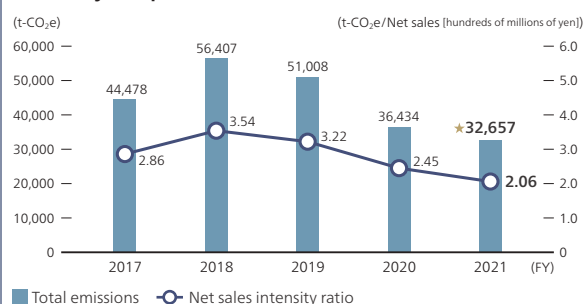
(Consolidated) Proportion of Greenhouse Gas Emissions by Source (Scope 1 and 2)



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



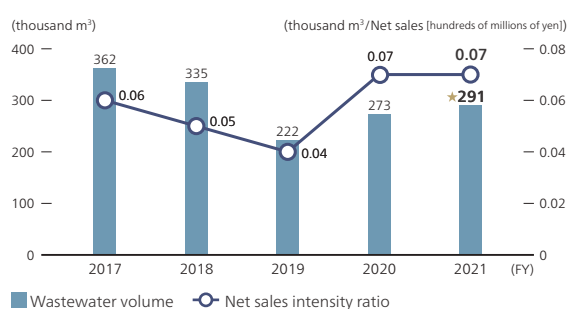
(Consolidated) Greenhouse Gas Emissions due to Electricity (Scope 2)



(Consolidated) Greenhouse Gas Emissions by Category (Scope 3)

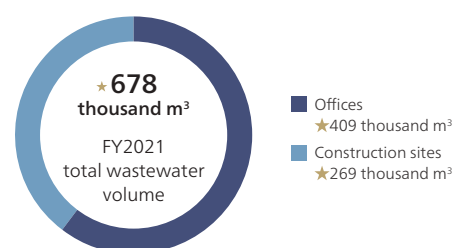
	Emissions (t-CO ₂ e)	As percentage of total
1. Purchased goods and services	★273,471	11%
2. Capital goods	26	0%
3. Fuel- and energy-related activities not included in Scope 1 or 2	4,515	0%
4. Upstream transportation and distribution	13,889	1%
5. Waste generated in operations	★22,382	1%
6. Business travel	★6,503	0%
7. Employee commuting	3,290	0%
8. Upstream leased assets	★78,226	3%
9. Downstream transportation and distribution	0	0%
10. Processing of sold products	0	0%
11. Use of sold products	★2,191,080	84%
12. End of life treatment of sold products	0	0%
13. Downstream leased assets (shared with E1 or all those not held by the Daito Group)	1,593	0%
14. Franchises	10	0%
15. Investments	0	0%
Total	2,594,984	—

(Non-Consolidated) Total Wastewater Volume

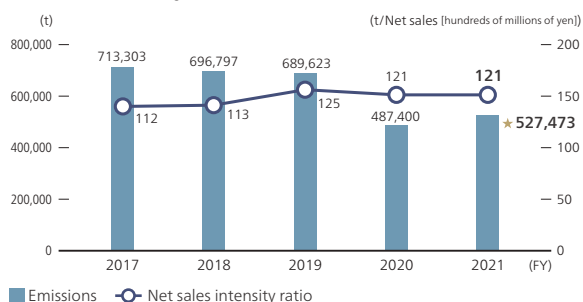


Note: As past wastewater volume for the consolidated Group is unclear, the listed volume is on a non-consolidated basis for Daito Trust Construction Co., Ltd. This is officially tabulated for the consolidated Group from FY2018 (consolidated Group figures for FY2021 [domestic only] are listed in "Wastewater Volume by Site").

(Consolidated, Domestic Only) Wastewater Volume by Site



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



(Consolidated, Domestic Only)

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

	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate
Copy and printer paper/high-quality paper	1	1	0	100%
Newspapers	4	4	0	98%
Magazines	31	23	8	75%
Cardboard boxes	87	70	17	80%
Mixed paper	253	179	74	71%
Kitchen and miscellaneous waste	961	2	958	0%
Glass bottles/jars	11	10	0	98%
Cans	7	3	4	47%
Plastic bottles	10	3	7	33%
Polystyrene	0	0	0	100%
Plastic waste	30	26	4	86%
Lunch box packaging, etc.	1	0	1	1%
Waste oil	0	0	0	—
Bulky refuse	60	8	52	13%
Sludge	—	—	—	—
Total	1,457	331	1,126	23%

(Consolidated, Domestic Only)

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

	★Total emissions (thousand t)	★Recycled amount (thousand t)	★Final disposal amount (thousand t)	Recycle rate
Construction sludge	15	15	0	100%
Waste alkalis	0	0	0	—
Plastic waste	60	41	19	68%
Paper waste	12	12	1	93%
Waste wood	106	105	2	99%
Waste textiles	1	1	0	78%
Waste drywall boards	31	27	4	88%
Waste metal	23	23	0	99%
Glass and ceramic waste (including concrete)	36	14	23	38%
Rubble (asphalt concrete, concrete, and others)	274	248	26	90%
Others (asbestos-containing material, mercury, and others)	7	0	7	2%
Total	566	484	81	86%

Forest Certification Acquisition Rate



Definitions:

1. Values for construction materials are actual procurement values. Values for wood materials included in finishing materials and equipment are estimated values based on material procurement costs.
2. The ratio of forest certified materials is the percentage of forest certified materials (FSC, PEFC, certified legal wood materials, etc.) within the total amount of procured wood.

Our Compliance with Environmental Regulations (FY2021)

- ▷ Impact on the environment resulting from violations of environmental regulations: None
- ▷ Amount of penal fines, non-penal fines, etc., relating to environmental regulations: ¥0; Number of incidents: 0
- ▷ Number of environmental lawsuits: 0
- ▷ Number of environment-related complaints*: 3

*Vibration and noise at construction sites, waste management, etc. (not resulting in lawsuits, administrative guidance, or administrative sanctions)

Third-Party Assurance

To ensure the reliability of the quantitative environmental information for FY2021 marked with a ★ symbol in this Sustainability Report 2022, the report has undergone third-party assurance provided by Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

November 2, 2022

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

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

We have undertaken a limited assurance engagement of the quantitative environmental information indicated with ★ for the year ended March 31, 2022 (the "Quantitative Environmental Information") included in the "Sustainability Report 2022" (the "Report") of Daito Trust Construction Co., Ltd. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the Quantitative Environmental Information in accordance with the calculation and reporting standard adopted by the Company (the Report P.59 and indicated with the Quantitative Environmental Information of the Report). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control

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

Our Responsibility

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

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

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

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

Limited Assurance Conclusion

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

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

Member of
Deloitte Touche Tohmatsu Limited

Social

Employment

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Number of employees*	Persons	17,161	17,646	17,757	17,422	17,650	Consolidated
Average age	Age	42.0	42.1	42.9	43.5	43.7	Non-consolidated
Average length of service	Years	8.1	8.5	9.0	9.9	10.4	Non-consolidated
Turnover rate (for personal reasons)	%	15.8	13.8	14.4	11.0	11.9	Non-consolidated
Average annual salary	Thousand yen	8,714	8,707	8,508	7,832	8,280	Non-consolidated
Ratio of mid-career hires	%	75.5	77.4	76.0	73.1	77.6	Non-consolidated
Number of new graduate hires (total)	Persons	513	566	484	388	417	Non-consolidated
Number of new graduate hires (female)	Persons	185	212	140	138	155	Non-consolidated

*Number of employees indicates number in workforce. Temporary workers are excluded.

Diversity

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Percentage of female workers	%	13.3	14.2	14.3	14.8	14.8	Non-consolidated
Percentage of female management personnel	%	3.1	3.8	4.1	4.6	4.8	Non-consolidated
Employment rate of people with disabilities	%	2.91	3.03	2.98	2.95	3.04	Daito Group
Percentage of male employees taking childcare leave	%	5.9	80.0	100.0	100.0	100.0	Non-consolidated

Feedback from Customers (Questionnaire)

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Satisfaction rate at completion	%	82.8	82.4	82.5	84.0	84.3	—
Satisfaction rate for tenants	%	73.8	74.0	75.9	80.0	78.9	—

Relationship with Partner Companies

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Number of real estate partner companies	Branch	13,100	13,217	13,214	13,139	13,188	—
Number of design and construction partner companies	Company	9,638	10,094	9,882	8,976	9,174	—

Relationship with Local Residents

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Number of community contribution activities	Case	89	165	179	147	211	Non-consolidated
Number of employees participating in the Daito Group Mirai Fund	Persons	5,685	5,477	5,243	4,927	4,028	Non-consolidated

Number of Qualification Holders*1

Item	Unit	FY2019	FY2020	FY2021	Scope
First-class architects	Persons	1,470	1,413	1,383	Three companies*2
Second-class architects	Persons	1,370	1,348	1,334	Three main companies*2
First-class building operation and management engineers	Persons	2,047	1,968	1,957	Three main companies*2
Second-class building operation and management engineers	Persons	426	438	431	Three main companies*2
Real estate brokers	Persons	2,417	2,499	2,566	Three main companies*2

*1 Excludes temporary employees.

*2 Three companies: Daito Trust Construction Co., Ltd.; Daito Kentaku Partners Co., Ltd.; Daito Kentaku Leasing Co., Ltd.

Employee Engagement Survey*

Item	Unit	FY2019	FY2020	FY2021	Scope
Engagement score (T-score)	—	—	—	53.8	Non-consolidated

*Conducted from November 2021

Employee Health and Safety

Item	Unit	FY2019	FY2020	FY2021	Scope
Rate of taking paid leave	%	77.4	76.4	81.6	Non-consolidated
Non-statutory working hours (monthly average)	Hours	19.1	14.6	16.7	Non-consolidated
Rate of undergoing health checkups	%	100.0	100.0	100.0	Non-consolidated
Rate of undergoing follow-up health checkups*	%	100.0	67.9*	65.0*	Non-consolidated

*The rate of undergoing follow-up health checkups declined in FY2020 and FY2021 due to increased COVID-19 infections.

Occupational Health and Safety

Item	Unit	FY2019	FY2020	FY2021	Scope
Frequency of occupational accidents at construction sites*1 *2	%	0.30	0.62	0.20	Non-consolidated
Number of occupational accidents at construction sites*1	Case	6	9	3	Non-consolidated
Number of occupational accidents leading to fatalities at construction sites	Case	2	1	0	Non-consolidated

*1 Applies to leaves of four or more days; excludes self-employed persons.

*2 Frequency expresses the frequency of occurrence of accidents as the number of deaths or injuries due to occupational accidents per million working hours. It is calculated as 8 hours per person.

Governance

Corporate Governance















Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Ratio of outside directors	%	27.3	25.0	27.3	33.3	36.4	Non-consolidated
Ratio of female directors	%	9.1	8.3	9.1	11.1	9.1	Non-consolidated
Average age of directors (inside)	Age	54.0	55.6	56.0	56.3	56.4	Non-consolidated
Average age of directors (outside)	Age	61.0	62.0	63.0	64.0	62.8	Non-consolidated
Number of Board of Directors meetings	Times	13	14	13	13	13	Non-consolidated
Attendance rate at Board of Directors' meetings	%	94.3	100.0	100.0	91.7	91.8	Non-consolidated
Number of Governance Committee meetings	Times	2	5	7	10	12	Non-consolidated
Attendance rate at Governance Committee meetings	%	100.0	100.0	100.0	91.4	90.6	Non-consolidated
Number of Nominating and Remuneration Committee meetings*	Times	—	—	—	—	2	Non-consolidated
Attendance rate at Nominating and Remuneration Committee meetings*	%	—	—	—	—	100.0	Non-consolidated

*The first Nominating and Remuneration Committee meeting was held in January 2022.

Compliance

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	Scope
Number of times compliance training was held	Times	7	8	12	4	7	Non-consolidated
Number of whistleblower reports (including requests for consultation)	Cases	234	245	244	240	264	Non-consolidated

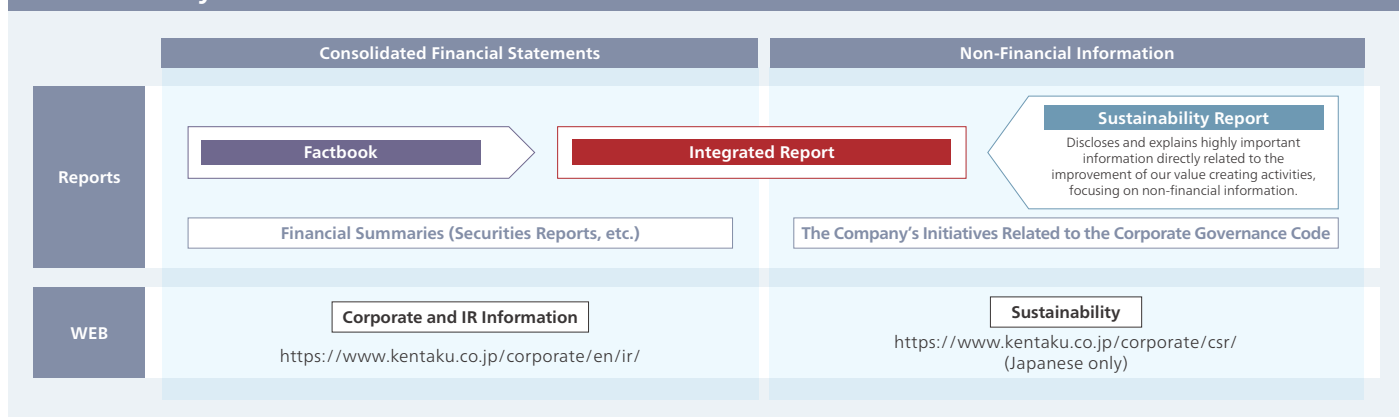
External Evaluations/External Standards

FTSE Blossom Japan Sector Relative Index Inclusion as constituent August 2022 	S&P/JPX Carbon Efficient Index Selection March 2022 	Eco-First Certification October 2020 	SOMPO Sustainability Index June 2022 
SBT Certification January 2019 	TCFD Declaration of endorsement April 2019 	RE100 Joined January 2019 	EP100 Joined August 2020 
IkuBoss Joined April 2016 	Health & Productivity Management Organization Recognition Program Certification March 2022 	Sports Yell Company Certification January 2022 	PRIDE Index Silver Recognition November 2021 
Nadeshiko Brand Selection March 2022 	Hataraku Yell Welfare Promotion Corporation (General) Recognition March 2022 		



DAITO TRUST CONSTRUCTION CO., LTD.

Information System Chart



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

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