

2023 SUSTAINABILITY REPORT



DAITO TRUST CONSTRUCTION CO., LTD.



Daito Trust Construction Co., Ltd.

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

Capital: 29,060 million yen
Stock: Listed in the Prime Market of the Tokyo Stock Exchange and
in the Premier Market of the Nagoya Stock Exchange (Code: 1878)

ADR Code: DIFTY

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

Corporate Philosophy

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

Daito Group’s Purpose

“Link the Trust to Make a Better Future.”

The Daito Group has been standing side by side with the property owners and tenants, proudly supporting them and their futures. They have counted on all of us to provide the best services possible.

Going forward, we will retain a mission to hand over our trust to the next generation, and continue operating at our highest standard in perpetuity. Great value to the customers and the local community, and we should be proud of our commitments to them. In order to achieve this mission, we have formulated “Purpose.”

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.



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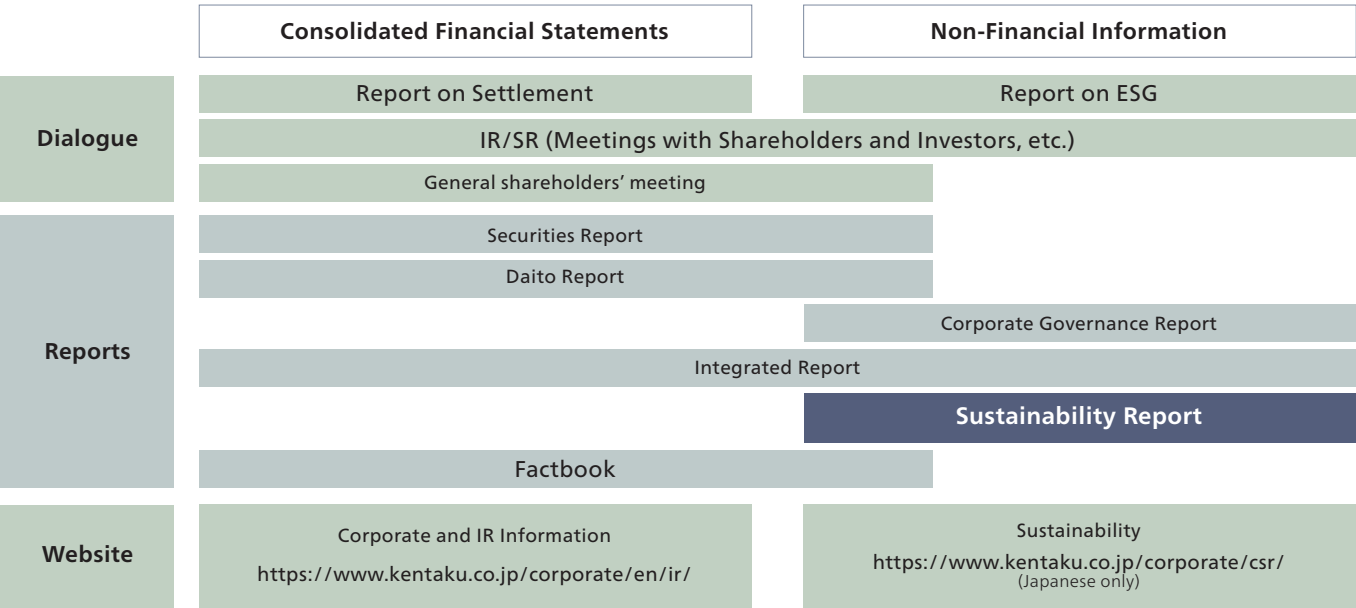
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About this Sustainability Report

- 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 FY2022. Other figures are accurate as of March 31, 2023.
- Report period**
The fiscal year ended March 31, 2023 (FY2022)
Note: Including some initiatives through to August 2023
- Issued**
September 2023
- Forward-looking statements**
Statements regarding the Group’s future, including business forecasts, in this report are based on assumptions used for planning, predictions, and on future projections at the time of this report’s release.
The Daito Trust Construction Co., Ltd. (the “Company”) does not in any way guarantee the achievement of the projections. Our actual performance could significantly vary from these future projections, due to a variety of reasons.
- Third-party assurance**
To ensure the reliability of the environmental data from FY2022 published in this report and marked with a ★symbol, this report has undergone third-party assurance. See “Third-party assurance” (page 62) for details.

Information System Chart



Sustainability: Creating Long-term Value that Links Beyond Generations

As sustainability becomes an increasingly important concern, stakeholders are counting more and more on businesses to engage in sound environmental, social, and governance (ESG) practices. We invited Horie Ryuichi, an expert in ESG initiatives for the real estate industry, to join with President Takeuchi in a talk about the values that our company cherishes and our vision for the future.

Special Talk

Ryuichi Horie × Kei Takeuchi

HORIE Ryuichi

CEO
CSR Design Green Investment Advisory, Co., Ltd.

TAKEUCHI Kei

Representative Director & CEO
Daito Trust Construction Co., Ltd.

Shared Ideals in Our New Purpose and Sustainability

Takeuchi, Kei The Daito Group recently defined its purpose as “Link the Trust to Make a Better Future.” All our officers made the formulation of our Purpose as their personal responsibility, discussing it with one another for a year. I believe that our Purpose encompasses two overarching ideals. The first is that the Daito Group has always closely supported its customers ever since its founding. We’ve continued to walk side by side with the property owners and tenants, providing them with peace of mind in their everyday lives. The second is that our growth has been driven by our employees—their attentiveness to customer needs, the trust they’ve earned, and the energy they possess.

Whenever I think of sustainability, I think about our customers. Many of them are second-generation landlords who were still little children when their parents came to us for our services. And, there are many who have inherited lands that have been kept in the family for generations and want to keep it without selling out. “Link the Trust to Make a Better Future.” isn’t just our vision but it also embodies the dreams of our customers.

Horie, Ryuichi What you’ve said really gets to the heart of what sustainability is about. The word “sustainability” as we understand it today made its first appearance in the 1987 Brundtland Report of the UN’s World Commission on Environment and Development. It could be translated as entrusting a healthy global environment to the next generation to link it to a better future. Land properties and the global environment are on completely different scales, but I think that the idea of sustaining the world to link generations and create a better future is something that resonates with your Purpose.

Rising the global tide toward ESG Investment valuing businesses based on their commitments to solving environmental and social problems

Horie When talking about CSR (corporate social responsibility), many people tend to think of corporate activities that benefit

society are outside the scope of the company’s normal operations. Today, however, ESG and sustainability are about working to solve environmental and social issues and linking those efforts to the company’s growth and the improvement of its corporate values. The act of investing in businesses that engage in such activities is known as ESG investment, and over the past 20 years or so we’ve seen a tremendous change in the investment philosophy.

When short-term investors explore potential investments, they mainly base their decisions on the company’s financial information for the past few months. With long-term investors, however, the further they look ahead, the more likely they are to weigh the company’s medium- and long-term ESG actions, the so-called nonfinancial information.

Takeuchi I believe that businesses must strive to govern themselves soundly and to tackle environmental and social challenges, and from there they must proactively pursue investment and business expansions with long-term perspectives in a way that drive their growth.

When it comes to companies that been around a very long time, say, more than a hundred years, the older they are the less likely they are to be solely focused on the bottom line. The reason why they’ve been able to keep going for so long is that they have maintained a strong aspiration to contribute to society in step with their long-term growth, and have put that aspiration into action.



HORIE Ryuichi CEO, CSR Design Green Investment Advisory, Co., Ltd.

Born in Tokyo in 1964. After graduating from the University of Tokyo’s Faculty of Law in 1987, he earned an MBA from the Haas School of Business at the University of California, Berkeley. He then spent 22 years in finance, working for the Industrial Bank of Japan, Merrill Lynch, and Deutsche Bank. In 2010, he co-founded CSR Design Green Investment Advisory as an enterprise focused mainly on providing investment advice on environmental real estate (green funding). He offers services in consultation on integrating ESG in real estate investment/management, and research on sustainable finance systems and trends in Japan and overseas.

Initiatives toward Decarbonizing Society: Past and Future

Horie GRESB (a global standard for ESG assessments in the real estate industry) where I participate in the standard policies creation has defined the eight material issues*1 Four of them are regarding to environment such as progress against net zero targets, resilience to climate and physical risk, embodied carbon,*2 and biodiversity. It is my understanding that the Daito Group has similarly identified the material issues concerning the environment.

Takeuchi Yes, the Daito Group has defined Seven Material Issues: environment, society, talent/organization, corporate governance, land/assets, rental housing, and living/lifestyles. Each issue has been discussed in depth in our Sustainability Executive Planning Meeting. We have established KPIs for them, and are now constructing a system for measuring and disclosing the progress of our actions for solving the issues. (See p. 9.)

Horie Your company group is participating in the RE100 initiative’s climate change actions. I also think it’s great that you are committed to the SBT’s net zero targets. The big question going forward is how to reach those goals.

Takeuchi Roughly 80% of the buildings supplied by the Daito Group are wood structures built using 2x4 framing and CLT (cross-laminated timber) construction technics. Because of the appropriate use of wood materials, it fixes CO2 storage. Recently, we have also been focusing on the concepts of ZEH*3 (Net Zero Energy House) and LCCM*4 (life cycle carbon minus).

Our RE100 efforts include expanding the use of solar power, such as installing solar panels on the roofs of building we manage. However, stable power supplies are available only during the day, so this is a challenge for us. So, we’ve launched a biomass power generation business as a step toward ensuring the sufficient supply of renewable energy. We’re generating electricity using woodchip sourced from domestic timber, and we’re exploring the future possibility of using woodchips scraps processed from wood recovered from demolished buildings. Combining this with the efforts to aggressively minimize material waste—such as precutting



TAKEUCHI Kei
Representative Director & CEO, Daito Trust Construction Co., Ltd.

structural materials for new construction projects—we are working toward to achieve our RE100 goals.

Horie I think that your efforts are really admirable in two ways. One is that the use of woodchips sourced from waste material rather than timber harvested is a good approach as it supports a circular economy. The other is that you’re creating renewable energy in the means of additionality. One way to reach the RE100 goals is to purchase non-fossil fuel certificates that meet the necessary criteria. With this approach, however, businesses just end up competing for renewable energy on the market and don’t add to the social supply. In contrast, the Daito Group actually creates new supplies of renewable energy through biomass power generation. This is what means to have additionality, and it has very high value.

Takeuchi As part of our initiatives for advancing decarbonization through our business activities, we completed Japan’s first-ever rental housing to be based on ZEH standards in 2017, and since then we have proactively advanced the building of such housing. And, designating fiscal 2022 as “year one of the ZEH era,” we began standardizing ZEH specifications and netted some 35,000 ZEH rental housing unit contracts.

*1 The other four material issues not mentioned are: diversity, equity & inclusion; health & well-being; human rights; and cybersecurity in the context of governance.

*2 Carbon emissions stemming from construction material manufacture, transport, installation, etc.

*3 An abbreviation of Net Zero Energy House which brings annual primary energy consumptions such as air conditioning, hot water, lighting, and ventilation to the break-even point as ZEH increases thermal insulation performance and energy efficiency through energy generation by solar power.

*4 A registered trademark of Institute for Built Environment and Carbon Neutral for SDGs. We use the term by following the licensing arrangement.

Looking ahead, we will further expand the supply of those units while tackling the challenge of how to set ZEH apart from other housing. Given the rise in public interest in climate change, I think that people looking for rental housing will increasingly want to know about the energy efficiency of the units they check out. Up to now, the building information provided to prospective tenants was basically just a description of the building's structure. Now, however, the industry is exploring how to attract tenants with new forms of building information, particularly information on energy-saving features such as insulation.

Horie When shopping for a car or an appliance, everybody wants to know about the fuel economy or energy efficiency, but my impression is that for some reason people don't give much thought to the energy-saving features of buildings. This is a mindset that I, too, would like to change, and in fact I've been discussing ideas for labelling that simply and quickly conveys the energy efficiency and renewable energy use of properties. I really hope this will spread across the industry.

As climate change makes major disasters more common, what sort of resilience should businesses offer?

Takeuchi Climate change is not only increasing the frequency of disasters everywhere, it's also making them more destructive. So, it's a big challenge for us as a company to figure out how we can best address these growing natural disasters. I see two routes of action we can take. One is to develop highly disaster-resilient products that enable people to go on with their everyday lives even after a disaster strikes. For example, we have already developed flood-resilient housing in which the first floor is built using reinforced concrete, making it relatively easy to recover following flooding, and the living spaces are concentrated on the second and third floors, which are less prone to flooding and thus can be built with 2x4 wood construction. The other route is building up our framework of emergency support for promptly responding to the needs of tenants and owners following a disaster. We used lessons learned from the Great East Japan Earthquake to redesign this framework, and that has enabled us to quickly provide recovery assistance to tenants, owners, and partners in subsequent disasters. Rental housing is part of the infrastructure for everyday living. The Daito Group seeks to contribute

to community disaster prevention, particularly through its rental housing management services. This commitment is embodied in "Daito Group Disaster Prevention Vision 2030." It means that we, the entire Daito Group, will anticipate and respond to community needs when the unexpected occurs, helping the whole community to recover as quickly as possible following a disaster. (See. p. 45.)

Specifically, we will sustain the infrastructure of everyday living through the continuity of Group businesses, including not only our rental housing but also our provision of gas and lifestyle support services. We will also use our rental housing, branch offices, and other places of business as bases of operation for mutual aid in community disaster prevention, supporting early recovery of the community through the supply of electricity, emergency provisions, and disaster-related information. And, we will work together with local communities, governments, and educational institutions to train disaster prevention leaders responsible for protecting communities.

Horie So, the point is to provide disaster resilience not just through the physical aspects of buildings, but also through the building's operation and management. People are counting on businesses in this industry to provide disaster resilience. For a disaster-prone country like Japan, resilience is a critical concern—in fact, it can be a matter of life or death. I believe that visualization of a company's commitment to disaster resilience provides potential investors with vital information for shaping their decisions during the initial process of due diligence.*5

Human rights initiatives and efforts for realizing diversity and equity

Horie Many investors, particularly in Europe, are keenly concerned about human rights issues. In Japan, there are many challenges to address in this context, such the employment of foreign workers at construction sites under conditions that are irregular or border on forced labor. There are also issues surrounding construction materials, such as the use of solar panels manufactured in China's Xinjiang region. Such concerns mean that businesses need to have their sustainability promotion committee work out a process for stepping up human rights due diligence and investigating and rectifying issues uncovered.

Takeuchi Over the years, we have shown consideration for human rights in our collaborations with stakeholders. And, in terms of sustainability management, I believe that is critical for us to fulfill our human rights responsibilities through our business activities.

The Daito Group employs foreign technical interns and specified skilled workers at the construction sites. We execute personal interviews regularly online or in person to those technical interns through the supervising organization, and to the specified skilled workers through the company's on-site representatives to talk about the work environment, job description, salary, and daily living for their mental health care purposes.

Horie There is this idea that the first step for a business is to address human rights issues, followed by the next step of promoting diversity, inclusion, and equity. In Japan, however, the concept of equity is poorly understood.

Female representation in management is still very limited in Japan. A company can try to fix this by expanding and enhancing programs for women only, such as training for grooming them to be managers, or for helping them return to work after maternity or childcare leave. But then some employees may start accusing that approach of being unequal. This is an example of the difference between equality and equity, a distinction that many people still don't really get.

For example, let's say that there's a wall and the only

way to see what's on the other side is to look over it. Tall people can just simply stand there and peer over the wall. However, children or short adults who want to see the scenery on the other side need to stand on a box. Providing boxes to just those people is not a matter of inequality—it's an equitable act. That's what the concept is about.

Takeuchi I think that the Daito Group needs to have a framework for putting equity into action. In particular, construction tends to be a male-dominated industry, and it's hard for individuals to break through the barriers on their own. So, first of all we will support women by providing them with a "box" to help them become managers. As for top management, we currently have only one woman on our Board of Directors, so we need to make improvements here as well.

I believe to foster human resources who can be involved in the management of the company in the future, the human resources development has to be started from its previous generation. We've just started exploring how to create a framework for this, and going forward we need to take a far-range perspective to figure out how to empower women, and what kind of talent—both women and men—we need to hire.

Many of the challenges raised at our workplaces are directly connected to the challenges that society faces. We will firmly take on these challenges as well as global challenges, and in so doing improve the sustainability of the Daito Group.



*5 A process in investment for investigating the target company, its value, associated risks, and other matters of concern.

Sustainability

Toward Sustainability Oriented Management

Our Group will engage in business activities toward sustainability oriented management so as to respond to our stakeholders' diverse needs. We have identified the major issues that most need to be addressed as the Daito Group's Seven Material Issues. By resolving these material issues through our business activities, we will strive to be a company that supports everyday life for years to come.

Seven Material Issues

Management Material Issues

Environment

1
Taking action on climate risk through business activities

Society

2
Contributing to a society where no one is left behind

Talent/organization

3
Instilling a corporate culture where everyone can grow and take on challenges

Corporate governance

4
Building an industry-leading governance system

Business Material Issues

Land/assets

5
Support for the most effective use of land and assets

Rental housing

6
Improving asset value while also resolving social issues

Living/life-styles

7
Improving convenience of living and neighborhoods

Material issue identification & action
▶ Integrated Report p. 32

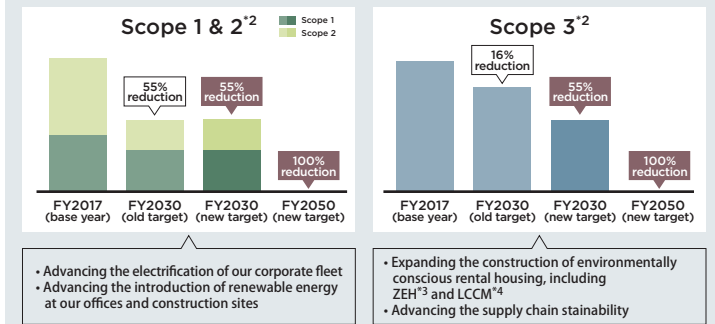
Material Issue Topics



Declaring our commitment to SBT net zero targets

The Daito Group has set greenhouse gas reduction targets aligned with the Science Based Targets (SBT)*1 initiative's Corporate Net-Zero Standard. In April 2023 we added our name to the roll of corporations committed to that standard with our submission of a commitment letter on our targets. In 2019, the greenhouse gas reduction targets included among our Group's medium- to long-term environmental goals were approved by the SBT initiative for the first time as scientifically grounded targets for meeting the Paris Agreement's goal of limiting global warming to well below 2°C above pre-industrial levels. In 2020, we received certification again, after resetting our targets based on the new 1.5°C standard. Now that we have set targets for the Net-Zero Standard, we are seeking to acquire certification in 2023 for our greenhouse gas reduction targets and roadmap.

We will achieve net zero greenhouse gas emissions from our business activities by 2050!



*1 An initiative that examines and evaluates whether corporate CO2 emissions reduction targets conform with the Paris Agreement, and provides international certification to those that pass.

*2 The amount of greenhouse gas emissions, as categorized by the emitter.

Scope 1: Direct emissions; emissions that a company produces from its activities, such as fuel combustion and self-generation.

Scope 2: Indirect emissions; emissions associated with a company's use of electricity, heat, or steam supplied by another company.

Scope 3: Other emissions; emissions of other companies or users related to a company's business activities.

*3 Net Zero Energy House; a house designed to maintain the net balance of its annual primary energy consumption (total energy consumption of equipment/appliances on calorific basis) at zero.

*4 Life Cycle Carbon Minus; a house designed so that the net carbon output across its entire life cycle, from construction to demolition, is ultimately less than zero. A registered trademark of Institute for Built Environment and Carbon Neutral for SDGs. We use the term by following the licensing arrangement.

Renovation of our head office into a ZEB

Our head office building, Shinagawa East One Tower (owned by Daito Group), received ZEB certification*5 in March 2023 under the Building-Housing Energy-efficiency Labeling System (BELS). This was the first time that an existing building in Japan with over 100,000 m2 floor space was renovated into a ZEB. The improvements enable a more than 40% reduction in standard primary energy consumption of the office spaces, and over 20% for the building as a whole.



*5 BELS is an initiative led by the Ministry of Land, Infrastructure, Transport and Tourism for evaluating and certifying the energy-saving performance of new and existing buildings. Buildings that are meet its highest standards for energy efficiency are certified as ZEB.

Entering the biomass power generation business to reach our RE100 targets

In June 2023, we acquired the Asago Biomass Power Station in Hyogo Prefecture through a business transfer. The plant is able to stably generate renewable electricity round the clock using biomass fuel derived from domestic thinned wood. As part of the forest use and replenishment cycle, it contributes to forest conservation and the revitalization of Japan's forestry industry. Operation of this plant is expected to boost our domestic renewable energy adoption rate to 50%, contributing to our efforts to meet our RE100 targets.



Material Issue Topics

Society



Contributing to a society where no one is left behind



Stepping up efforts for tenant diversity

We launched the Open Room Project in October 2022 to provide rental housing where all people can live with peace of mind, regardless of sexual orientation, nationality, age, or other distinctions. Under this project we are carrying out efforts to support housing for a diverse population.

Examples of our efforts

Category	Actions	Start
LGBTQ	Removal of gender-related items from tenant application forms	April 2023
Seniors & people with disability	Encouraging use of wellness checking service provided by a security company	September 2023
Single parents	Free provision of GPS trackers for monitoring child safety	July 2023
Foreigners	Addition of a FAQ section in six languages to our website	February 2023
	Creation of a leasing guarantee plan for foreigners without a guarantor in Japan	November 2023 (tentative)
Employee-led living support	Monetary donation to Japan Children's Home Foundation equivalent to 2 yen times the number of rental brokerage contracts concluded in FY2022	May 2023
	Food drive collecting unused food from employees' homes	December 2023 (tentative)

Note: The actions listed above are services for buildings managed by Daito Kentaku Partners Co., Ltd.

Announcement of winner of Daito Group SDGs Award 2022

We have run the SDGs Award program since 2021 to raise employee awareness of the SDGs and encourage our business offices across Japan to help tackle regional challenges as members of the local business community, with the aim of enhancing the sustainability of communities and the Daito Group. In 2022, the geographic information center's implementation measures at Daito Corporate Service Co., Ltd. was awarded SDGs of the year in 2022. Daito Corporate Service was focused on the high aging and unemployment rates in Kita-Kyusyu City, and provided computer/smartphone training seminars to let people improve useful hands-on skills. To support people who are eager to learn and work without limitation promotes the activation of elderly citizen's communications, the skill improvement for people wishing to work, and then its economic revitalization of Kita-Kyusyu City as well as expanding Daito Corporate Service's business areas. We continue executing this award winning project as its employee participation type sustainability promotion to aim at being a company that is essential to society.

Award-winning Initiatives

	Company & Office	Area	Award-winning Initiative
SDGs of the Year	Map Information Center Daito Corporate Service Co., Ltd.	Kitakyushu Fukuoka Pref.	Free computer class for seniors and job seekers
Good Practice	Hiroshima Sales Office Daito Kentaku Partners Co., Ltd.	Hiroshima Hiroshima Pref.	Productive use of fallen leaves and twigs collected from around buildings managed
	Business Strategy Dept., Head Office Daito Trust Construction Co., Ltd.	Yokohama Kanagawa Pref.	Development of new materials/utensils that upcycle old clothing



Free lesson on how to use smart phone

Talent/organization



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



Launch of job switching program for female construction managers

We launched a program that enables women in construction management positions* who are going through life events such as childbirth and child raising to switch to other positions for a specific period of time. They can choose from clerical positions in construction, and positions in design or estimate preparation, and remain in them from the time they return to work until their child reaches age eight. The program is intended to make it easier for users to balance work with family duties and thereby support women's long-term career development.



Diversity and Inclusion
► Integrated Report p. 43

Reskilling for developing internal DX talent


Our pursuit of DX for bolstering our core businesses and creating new businesses depends on having DX talent well-versed in our businesses and processes and in digital/information technologies. For this fiscal year, we are providing head office employees with reskilling opportunities in the form of DX workshops, e-learning, and other training programs. By providing such training on an ongoing basis, we seek to secure the in-house DX talent we need and to drive and energize DX across our entire organization.

Proactive use of employee engagement scores




We are taking action to reform workstyles, guided by feedback from the employee engagement surveys that started conducting in 2021. Our company-wide measures are based on analysis of the engagement scores so that we can better transform our culture and organization. We will continue making it a priority to develop workplace environments that enable our people to shine, and execute the improvement activities through both the company and the workplace.

Improvement of employee engagement
► Integrated Report p. 42

Corporate governance



Building an industry-leading governance system



Daito Trust Construction Multi-stakeholder Policy

https://www.kentaku.co.jp/corporate/ir/pdf/multistakeholder_kentaku.pdf (in Japanese) ►

Daito Kentaku Partners Multi-stakeholder Policy

https://www.kentaku.co.jp/corporate/ir/pdf/multistakeholder_partners.pdf (in Japanese) ►

Formulation of multi-stakeholder policies

Daito Trust Construction and Daito Kentaku Partners separately formulated multi-stakeholder policies and announced them in April 2023. These policies reflect the current business environment's emphasis on value co-creation with diverse stakeholders—shareholders, investors, employees, business partners, customers, communities, and more—and express our commitment to appropriately collaborating with them.

Policy Summary

Giving back to employees

Consideration for business partners

Initiatives for other stakeholders

Land/
assets

5

Support for the most effective use of land and assets



Launch of comprehensive asset service platform, Asset Transformation

We rolled out a comprehensive asset service platform called Asset Transformation in July 2023 to assist clients struggling with asset management challenges. The platform fuses new technologies—such as DX approaches to problem-solving and AI-driven real estate investment simulation—with support leveraging the expert insights of service concierges. We will use this platform to flexibly address client



needs, provide broader asset management support, create opportunities to meet new clients who were not accessible through our traditional land usage support, and expand our support of maximized used of land and assets.

Asset Transformation website <https://assetra.kentaku.co.jp/> (in Japanese)

Living/
life-styles

7

Improving convenience of living and neighborhoods



Expansion of the ruum platform

We began operating the ruum service platform in 2021 to support the everyday life of all people living in rental housing. The platform seeks to enhance the convenience and comfort of tenants by providing diverse services attentive to their needs, including functions related to rental housing management, helpful information such as tips for daily living and information on disaster prevention, and special deals on daily necessities.



Flexible workspace service

JustCo DK Japan provides large coworking spaces in Tokyo (Four locations as of March 2023). To provide greater amenity and satisfaction to users, this business offers services that improve their quality of life, including by adopting leading-edge technologies such as facial recognition systems.



Rental housing

6

Improving asset value while also resolving social issues



Development of ZEH* Rental Housing and Widespread Promotion through its Standardization

Since completing Japan's first-ever ZEH rental housing in November 2017, we have worked to advance the development and spread of ZEH and other environmentally conscious rental housing. We concluded new leases on 35,451 ZEH rental housing units in the year ended March 2022, raising the total to 40,459 units (3.3% of all units we manage). We will continue pursuing rental housing solutions and product development based on the ZEH standard, and thus contribute to the realization of a decarbonized society.



An example of ZEH rental housing we supply and manage
*ZEH: Net Zero Energy House; a house designed to maintain its net annual energy consumption at zero or lower by balancing the energy used with energy produced by solar power and other means.

Earning credits on CO₂ emission reductions achieved through self-consumption of renewable energy at ZEH rental housing

Since January 2023, we have started a project for acquiring credits for the CO₂ emission reductions we have achieved on ZEH rental housings through self-consumption of solar power. This will enable us to issue two types of renewable energy credits. One is the credit from the CO₂ emissions reduction made by the self-consumption of solar power at one single ZEH rental housing, and the other is the credit from the CO₂ emissions reduction made by the energy saving effects generated on buildings and equipment from April, 2022. We will seek to achieve net zero carbon emissions in our business activities by using the energy efficiency credits for offsetting, and the renewable energy credits for renewable energy balancing.

Producing two types of credits from one single ZEH rental housing

Renewable energy credits

Credits earned on CO₂ emission reductions achieved through self-consumption of solar power

Energy saving credits

Credits earned on CO₂ emission reductions realized through energy saving effects of buildings/equipment

Sign a purchase contract for surplus power of ZEH rental housing-generated electricity

In March 2023, we concluded a power purchase agreement with Kyocera Corporation who purchases surplus electricity generated by ZEH rental housing, and sales of ZEH rental housings applied to the system have started. This renewable energy based electricity is supplied to power our plants and offices. This alliance will strengthen our market competitiveness for spreading ZEH rental housing, and provides Kyocera with access to electric power derived from renewable energy. We will continue working to proliferate ZEH rental housing complexes combined with our low-voltage collective power reception system to help bring forth a decarbonized society.

Seven Material Issues

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

KPIs

- 1 Greenhouse gas emissions (Scope 1+2,3) reduction rate (SBT)
- 2 Rate of renewable energy use (RE100)
- 3 Energy efficiency (EP100)

2030 targets

- 1 Scope 1+2,3 : 55% reduction *Compared to 2017
- 2 60% (100% by 2040)
- 3 2x *Compared to 2017

FY2023 targets

- 1 Scope 1+2 : 25.4% reduction *Compared to 2017
- 2 Scope 3 : 25.4% reduction *Compared to 2017
- 3 30%
- 4 2x *Compared to 2017

FY2022 performance

- 1 Scope 1+2 : 20.1% reduction
- 2 Scope 3 : 32.8% reduction
- 3 26%
- 4 1.08x

Main Initiatives

- Renewal energy adoption**
 - Introduction of renewable energy to business offices
 - Introduction of renewable energy to the head office building
- Increasing energy efficiency**
 - Introduction of environmentally friendly vehicles (EVs and HVs)
 - Promotion of eco-driving
- Procuring and using wood**
 - Product development with a focus on wooden (2x4) buildings
 - Development of CLT buildings
 - Promote use of certified wood
 - Use of domestic wood

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

KPIs

- 1 Promotion of services and business enabling everyone to live with peace of mind (Qualitative)
- 2 Services enabling everyone to live with peace of mind/ Business promotion (Qualitative)

2030 targets

- 1 47 prefectures
- 2 Enhance tenant support for peace of mind

FY2023 targets

- 1 10 prefectures
- 2 Provide equal support for all tenants

FY2022 performance

- 1 3 prefectures
- 2 Consideration of non-discriminatory tenant recruitment

Main Initiatives

- Revitalization by strengthening relationships**
 - Strengthen partnerships with partner companies
 - Expansion of franchisees
 - Expansion of building maintenance and cleaning staff
 - Expansion of room supporting stores
 - Support for accepting foreign technical interns
- For everyone**
 - Introduction of services that do not require a guarantor
 - Establishment of a foreign language support center available in 6 languages
 - Specialist stores aimed at foreign residents (E-Heya International)
 - Opening of overseas offices
 - Introduction of post-retirement reemployment system

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

KPIs

- 1 Employee engagement score
- 2 Percentage of female management personnel

2030 targets

- 1 62.0(AA)
- 2 10.0%

FY2023 targets

- 1 60.0(AA)
- 2 8.0%

FY2022 performance

- 1 57.1 (BBB)
- 2 5.1%

Main Initiatives

- Diversity and inclusion**
 - Creation of a more LGBTQ-inclusive workplace
 - Promoting the active role of employees with disabilities
 - Provision of career support for female employees (Women's Development Program)
- Workplace environment**
 - Introduction of employee engagement surveys
 - Implementation of sound management rankings
- Work-life balance**
 - Expansion of support systems for balancing family and work
 - Encouragement of male employees to take childcare leave
 - Introduction of a return-to-work system that supports employees who have taken leave
 - Promotion of flexible working
- Challenge program**
 - Introduction of an internal venture system
 - Implementation of SDGs Awards
 - Expansion of support system for self-development and acquiring qualifications

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

KPIs

- 1 Number of serious compliance violations
- 2 Penetration rate of compliance efforts*

2030 targets

- 1 0 cases
- 2 100%

FY2023 targets

- 1 0 cases
- 2 90%

FY2022 performance

- 1 1 case (inappropriate accounting)
- 2 86.9%

Main Initiatives

- Governance**
 - Establishment of Nominating and Remuneration Committee
 - Widespread use of whistleblowing system
 - Compliance training
 - Establishment of a compliance point of contact and consultation desk
 - Enhancement of internal controls (risk management and compliance)
 - Implementation of appropriate information disclosure
- Stakeholder engagement**
 - Promotion of initiatives that improve customer satisfaction
 - Conduct community contribution activities
 - Introduction of a supplier evaluation system

*Note: According to results of compliance survey.

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

KPIs

- 1 Unit occupancy rate
- 2 Expand and enhance services for effective land and asset utilization (Qualitative)

2030 targets

- 1 National occupancy rate of 96% or more
- 2 Build a system enabling proposals to be made on optimal utilization of all land and assets

FY2023 targets

- 1 National occupancy rate of 96% or more
- 2 Embed real estate securitization business*

FY2022 performance

- 1 National occupancy rate of 98.1%
- 2 —

*Housing purchase/renovation/ resale business and in-house development.

Main Initiatives

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

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

KPIs

- 1 Rate of provision of rental housing that responds to social issues
- 2 Enhance services for improving asset value of old buildings (Qualitative)

2030 targets

- 1 ZEH*1 Rate of provision 100%
- 2 Develop business that leads to improvement of the asset value of old buildings and resolution of social issues

FY2023 targets

- 1 ZEH Rate of provision 60%
- 2 Develop business that enhances the asset value of old buildings

FY2022 performance

- 1 11.7%
- 2 —

Main Initiatives

- Improvement of building quality**
 - Development of highly durable and high-quality materials
 - Development of environmentally friendly materials
 - Rental housing compatible with the excellent long-term housing system
- Development renewal and value enhancement**
 - Promotion of the renovation business
 - Promotion of renovation and resale business
- Eco-friendly housing**
 - Standardization of ZEH rental properties
 - Commercialization of LCCM*2 rental properties
 - Commercialization of CLT buildings
- Housing that resolves social issues**
 - Development of rental housing resistant to natural disasters

Living/life-styles



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

KPIs

- 1 Number of users of platform services useful for their everyday lives
- 2 Engage proactively in non-residential business (Qualitative)

2030 targets

- 1 room business platform members 4 million
- 2 Diversify businesses and services that increase neighborhood convenience

FY2023 targets

- 1 room business platform members 1.15 million
- 2 Start providing businesses and services that can help to create comfortable neighborhoods

FY2022 performance

- 1 room business platform members 0.9 million
- 2 —

Main Initiatives

- Non-residential businesses**
 - Development of service office business
 - Development of business attracting commercial facilities
 - Active participation in private tendering
- Improving convenience of living**
 - Expansion of the nursing care and nursery school businesses
 - Provision of solar power
 - Start of room business

*1 Housing conforming with ZEH standards set by the government. An abbreviation of Net Zero Energy House which brings annual primary energy consumptions such as air conditioning, hot water, lighting, and ventilation to the break-even point as ZEH increases thermal insulation performance and energy efficiency through energy generation by solar power.

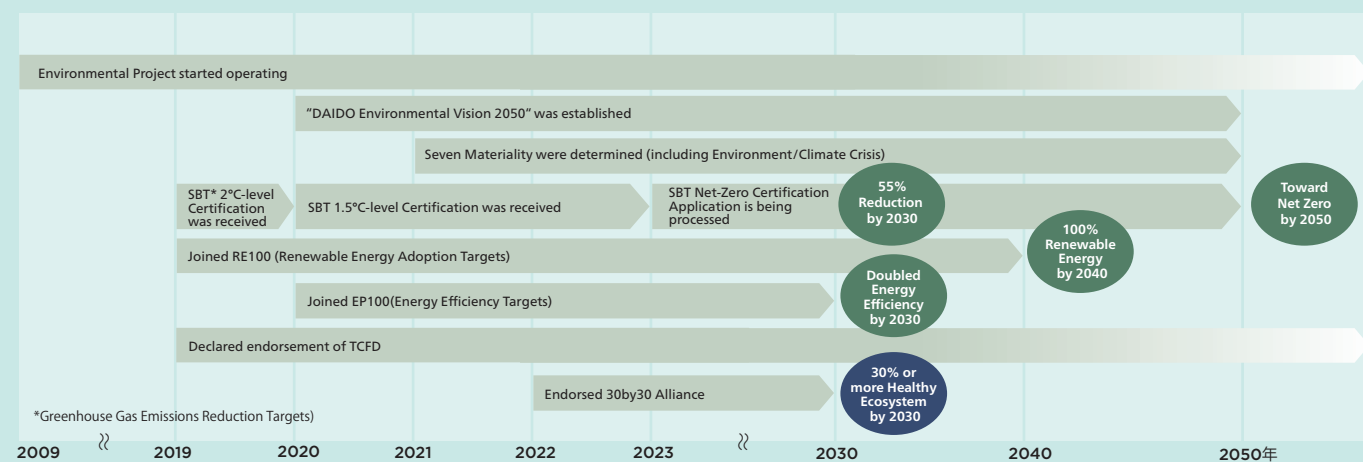
*2 A registered trademark of Institute for Built Environment and Carbon Neutral for SDGs. We use the term by following the licensing arrangement.

Environment

Environmental Initiatives

The Daito Group views environmental initiatives not only as a part of executing our social responsibility but also as opportunities leading to sustainable 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.



Environment Management

Environmental Basic Policy and Environmental Action Guidelines

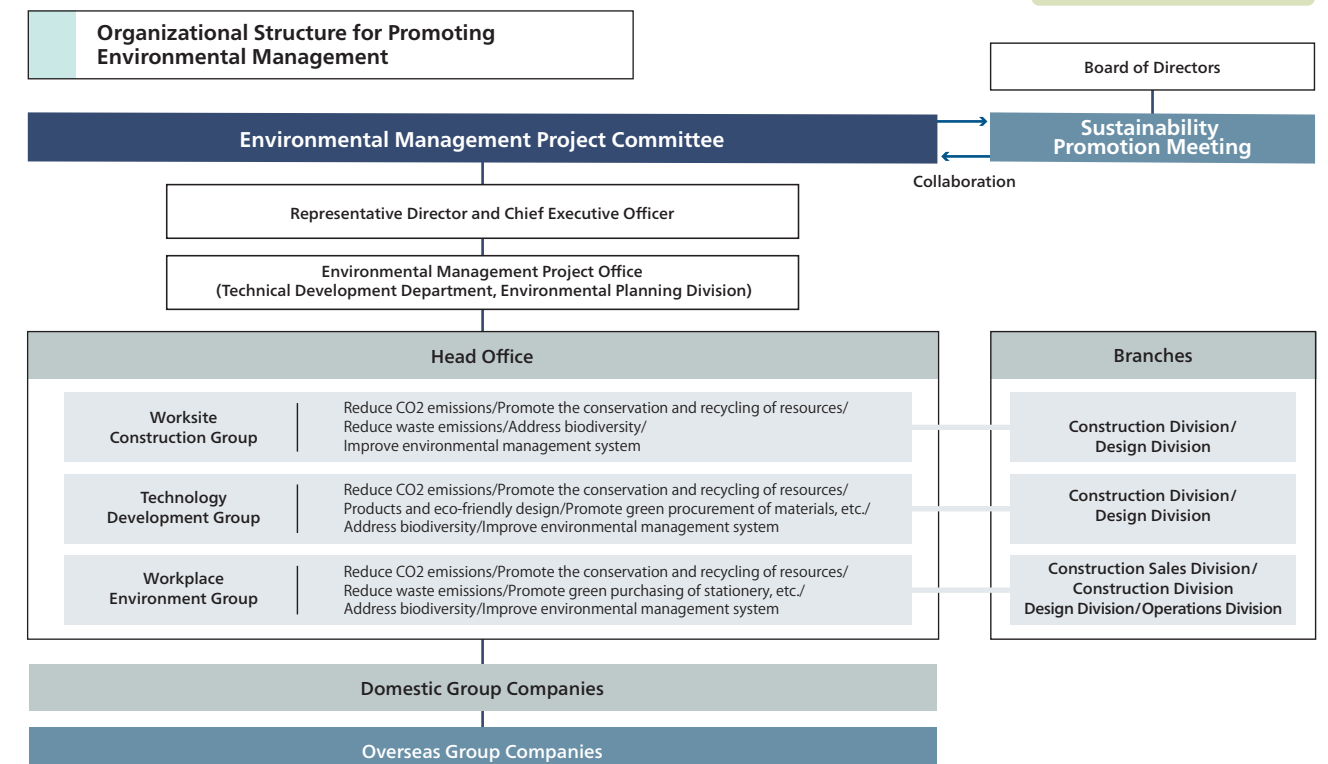
Environmental Basic Policy	We are committed to the 3Rs (reduce, reuse, recycle) and proactively work to conserve the global environment through all of our business activities. As a leading corporation in terms of land use, we will continue to offer excellent living environments with an emphasis on maintaining harmony with local communities and nature.
Environmental Action Guidelines	<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.

Governance

We have established a Sustainability Promotion Meeting headed by the Representative Director and CEO as a framework for advancing our commitment to sustainability. The Meeting discusses and implements specific measures for solving challenges encompassed by the Seven Material Issues. It regularly updates the Board of Directors on the progress of those measures and receives the board's advice and approval for its policies and measures.

The Sustainability Promotion Meeting discussions include environmental topics such as climate change, biodiversity, water risks, pollution, waste, and supply chain. It shares the content of those discussions with the Environmental Management Project Committee to work together in strengthening the framework for environmental management across our organization, including Group companies. As part of our regular general meetings, the Sustainability Promotion Meeting updates other functions of the current situation regarding environmental challenges and discusses with them ways to solve those challenges, aiming to advance environmental initiatives at the Group level.

The Seven Material Issues ▶ P.15



Environment Management

Strategy

Daito 2050 Environmental Vision

The Daito Group views initiatives for solving environmental challenges as opportunities to increase its corporate value, and formulated Daito 2050 Environmental Vision in 2020 as an environmental management strategy based on that understanding. This vision lays out strategies and actions for reaching our goals in six areas selected to align with the Group’s each business such as construction, lifestyle, waste, business, nature, and people. Also, the Seven Material Issues we identified in 2021 include “taking action on climate change through business activities” as one of the as priority challenges for the Daito Group to address. We will leverage our management resources, years of expertise, and strengths as a group to solve environmental challenges in ways that generate profits.

Daito 2050 Environmental Vision

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

Strategy

Construction

Consider the environment and reduce CO2 emissions during construction

Lifestyle

Completely eliminate CO2 emissions from our residential buildings

Waste

Recycle all types of waste

Business

Completely eliminate CO2 emissions in our business activities

Nature

Create a society that coexists with the natural environment

People

Develop environmentally conscious people and an environmentally friendly organization

Measures

Minimize construction and shorten construction times

Visualize greenhouse gas emissions

Decarbonize construction sites

Reduce greenhouse gas emissions

Promote sales of ZEH*

Develop and introduce energy-saving materials

Promote waste wood recycling (convert to renewable energy)

Develop construction methods that reduce on-site waste

Reduce plastic waste

Promote energy conservation

Promote renewable energy

Promote reduced greenhouse gas emissions from vehicles

Promote recycling of wood

Help protect forests and biodiversity in the region

Promote the use of domestically produced wood

Make the supply chain transparent

Promote sales of wooden rental housing complexes

Conduct environmental education for employees

* An abbreviation of Net Zero Energy House which brings annual primary energy consumptions such as air conditioning, hot water, lighting, and ventilation to the break-even point as ZEH increases thermal insulation performance and energy efficiency through energy generation by solar power.

Certified as an Eco-First Company

The Ministry of the Environment’s Eco-First Program certifies companies that pursue advanced and unique environmental initiatives with ripple effects as environmental action leaders in their industries. The Daito Group received this certification October 2020 in recognition of its six Eco-First commitments.



The Daito Group’s Eco-First Commitments

Construction

Lifestyle

Waste

Business

Nature

People

Environmental actions are being taken in these six areas.

Participation in Environmental Initiatives

As part of our participation in initiatives that encourage innovative voluntary environmental efforts by businesses, we set ambitious targets for decarbonization and thoroughly implement systematic actions for achieving them.

TCFD

DISCLOSURE BASED ON TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS

The Task Force on Climate-related Financial Disclosures (TCFD), established in 2015 by the Financial Stability Board (FSB), calls on corporations to disclose the climate change impacts on their businesses. The Daito Group declared its support for the TCFD recommendations in May 2019 and since then has worked to identify and disclose the risks and opportunities that climate change poses to its businesses.

SBT

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBT is an international initiative that validates companies’ greenhouse gas reduction targets as being consistent with reduction scenarios backed by climate science. In January 2019, we received SBT certification of our targets for meeting the Paris Agreement’s goal of limiting global warming to well below 2°C above pre-industrial levels. In March 2020 we were re-certified for our updated targets matching the SBT’s new 1.5°C goal.

Greenhouse Gas Emission Reduction Targets align with SBT Standards
▶ P. 26

RE100

CLIMATE GROUP

CDP

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. We joined this initiative in January 2019 and are working to reach its target by 2040 by adopting solar power generation and other renewable energy solutions.

Renewable Energy Adoption Targets
▶ P. 26

CLIMATE GROUP

EP100

ENTRY INTO ENERGY PRODUCTIVITY 100 (EP100)

Energy Productivity 100 (EP100) is an international environmental initiative that promotes energy efficiency through energy conservation initiatives. The Daito Group joined in September 2020 with the goal of doubling energy efficiency 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.

Energy Efficiency Targets
▶ P. 26

JAPAN CLIMATE INITIATIVE

JAPAN CLIMATE INITIATIVE (JCI)

The Japan Climate Initiative was launched in Japan to decarbonize society through voluntary actions taken by its network of companies, NGOs, and other actors committed to addressing climate change. 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 working to combat climate change while sharing information with other participating organizations.

GX

League

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 Daito Group has endorsed the GX League Basic Concept since its inauguration in 2022, which participating companies strive to lower their own greenhouse gas emissions, work toward carbon neutrality in their supply chain, and realize emissions reductions in the market through their products and services.

30by30

30by30 ALLIANCE FOR BIODIVERSITY

The 30by30 Alliance is a nationwide initiative in which the Ministry of the Environment, other administrative organs, businesses, local governments, diverse organizations, and other participants take action to effectively conserve at least 30% of Japan’s land and sea territories as healthy ecosystems by 2030, with the nature-positive aim of halting and recovering the loss of biodiversity. We have been actively contributing to this effort since joining it in April 2022.














Risk Management

The risks associated with environmental issues are evaluated by the Risk Management Committee, an advisory body for the Board of Directors. The committee identifies and assesses risks and opportunities that pose serious impacts to the Daito Group’s finances or strategies. Each business division prepares a list of all possible risks that impact the Group’s businesses and submits it to the committee for consolidation. The committee then scores each risk on its probability of occurrence in the short, medium, or long term, the degree of business impact, and other attributes in order to extract and evaluate the serious risks for the Group. The serious risks are reported to the Board of Directors for monitoring, particularly those deemed to be key management risks with serious financial or strategic implications.

Environment Management

Indicators and Targets

The Daito Group's Medium- to Long-term Environmental Targets
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Vision for a Sustainable Society	Related SDGs	Category	Action	Medium-/Long-term Environmental Targets	
Decarbonized Society	  	Greenhouse gas (GHG) emissions	Reduction of GHG emissions	GHG emissions of business activities (Scope 1+2)	Reduce total by 55% by FY2030, compared with FY2017 (4.2% reduction y-o-y)
				GHG emissions of value chain (Scope 3)	Reduce total by 55% by FY2030, compared with FY2017 (4.2% reduction y-o-y)
		Energy conservation	Reduction of office electricity consumption	Office electricity consumption (kWh)	Reduce total by 4.2% y-o-y, annually
			Reduction of construction site electricity consumption	Construction site electricity consumption (kWh)	Reduce total by 4.2% y-o-y, annually
			Reduction of gasoline/diesel consumption	Gasoline/diesel consumption (L)	Reduce total by 4.2% y-o-y, annually
			Improvement of energy efficiency (EP100)	Energy efficiency (sales/GJ)	Double by FY2030, compared with FY2017
		Renewable energy	Office adoption of renewable energy	Adoption rate of renewable energy at offices	Raise to 100% of total by 2040
			Construction site adoption of renewable energy	Adoption rate of renewable energy at construction sites	Raise to 100% of total by 2040
			Renewable energy utilization (RE100)	Adoption rate of renewable energy in business activities	Raise to 100% of total by 2040
		Development & sale of climate change-conscious housing	Promotion of use of energy-saving materials	Establishment of energy-saving material standards & options	Implement
			Increasing percentage of buildings with energy-saving materials	Buildings with BEI value of 0.9 or lower (based on 2016 level)	Raise to 100% of all contracted buildings by FY2030
			(Mitigative) ZEH*1/LCCM*2 rental housing	Percentage of building sales made up by ZEH/LCCM buildings	Raise to 100% by 2030
			(Mitigative) CLT rental housing	Development/sale of CLT rental housing	Proactively implement
			(Adaptive) Rental housing with disaster (incl. flood) prevention measures	Devel opment/sale of rental housing with disaster prevention measures, including against flooding	Proactively implement
Circular Economy	 	Industrial waste	Reduction of industrial waste generated	Industrial waste generated (t)	Reduce total by 1% y-o-y, annually
			Reduction of construction site industrial waste	Industrial waste generated at construction sites (t)	Reduce by 1% per unit y-o-y, annually
			Reduction of demolition site industrial waste	Industrial waste generated at demolition sites (t)	Reduce by 1% per unit y-o-y, annually
			Improvement of industrial waste recycling rate	Industrial waste recycling rate	Raise to 97% by FY2030, 100% by FY2050
			Maintenance of construction recycling rate*3 at high level	Construction waste recycling rate	Maintain at 98% or higher
		Resource usage	Reduction of copier paper use	Copier paper used (kg)	Reduce total by 2.1% y-o-y, annually (non-consolidated)
			Reduction of office water use	Water used at offices (m³)	Reduce
			Reduction of construction site water use	Water used at construction sites (m³)	Reduce
		Resource productivity	Improvement of resource productivity	Resource productivity (sales/total material input)	Raise to 500,000 yen/t or higher by FY2030 (non-consolidated)
		Green purchasing	Purchasing of green purchasing-eligible items	Purchasing of green purchasing-eligible items	Continue implementing
Society in Harmony with Nature	  	Wood procurement	Procurement of domestic wood	Purchasing of green purchasing-eligible items	Proactively implement
			Procurement of Sustainable wood	Sustainable procurement rate of wood	Raise to 100% by 2030
		Biodiversity	Expansion of biodiversity protection zones	Expansion of biodiversity protection zones	Proactively contribute
		Environmental education	Planning/implementation of environmental education and nature conservation programs	Environmental education and nature conservation programs	Continue planning/implementing
Supply Chain	    	Sustainable procurement	Supplier GHG emissions	For all suppliers	Request tracking of GHG emissions and setting of reduction targets
			Carbon emissions labeling of construction materials	For all suppliers	Request implementation of construction material lifecycle assessments
			Implementation of surveys on conflict minerals	Surveys on presence of conflict minerals in construction materials	Continue implementing
			Implementation of surveys on legality of procured materials	Surveys on legality of procured materials	Continue implementing
			Exclusion of construction materials containing toxic substances	Exclusion of construction materials containing toxic substances from material procurement	Continue implementing
			Implementation of drainage water quality surveys	Drainage water quality surveys	Continue implementing
Other		Environmental laws & regulations	Compliance with environmental laws & regulations	Status of compliance with environmental laws & regulations	Properly manage

*1 An abbreviation of Net Zero Energy House which brings annual primary energy consumptions such as air conditioning, hot water, lighting, and ventilation to the break-even point as ZEH increases thermal insulation performance and energy efficiency through energy generation by solar power.

*2 A registered trademark of Institute for Built Environment and Carbon Neutral for SDGs. We use the term by following the licensing arrangement.

*3 Construction recycling rate of construction by-products generated by construction projects such as asphalt concrete chunks, concrete chunks, wood waste generated by construction, construction sludge, and mixed construction waste).

Climate Change

Basic Approach

The Daito Group regards climate change and other environmental issues as key management issues. We analyze the impact of climate change on our business, as well as the risks and opportunities presented, in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, which we endorsed in May 2019. Analysis results are reflected in our management strategy and risk management and disclosed appropriately with a view to sustained social advance and sustained improvement in our corporate value.

Governance

We have formed the Sustainability Promotion Meeting, chaired by the Representative Director (CEO), to address climate change and other aspects of sustainability. The meeting discusses specific problem-solving initiatives and manages progress in line with KPIs. The content of discussions is regularly reported to the Board of Directors. We have also set up an Environmental Management Project Committee, building an environmental management structure that includes our Group companies. The Committee holds regular plenary sessions with discussions aimed at understanding and resolving current issues so as to drive group-wide environmental efforts.

Strategy

The Daito Group’s Seven Material Issues identify the most major sustainability-related issues that must be addressed. Since we recognize climate change countermeasures as our group’s critical management issue, we have set out “Environment: response to climate crisis” as a Materiality. Climate change presents various potential risks and opportunities for Group’s business activities, so analyzing and understanding the current situation that look into the social circumstances will be important as a company. To ensure the Group’s long-term survival and growth, we will discern those risks and opportunities, utilizing our management resources, expertise, and other corporate strengths to address both environmental problem-solving and profit creation.

Risks and Opportunities in Climate Change

In line with the TCFD recommendations, the Daito Group strives to ascertain the risks and opportunities that climate change poses to its businesses (construction and real estate). Our assessment of climate change-related risks and opportunities involves evaluation and analysis of the short-, medium-, and long-term impacts for each climate change scenario (1.5°C, less than 2°C, 4°C).

Scenario analysis and prerequisites

■ Implementation period:

January 2023 (1.5°C scenario added)

■ Time period:

2023–2050
(short-term: 2025; medium-term: 2030; long-term: 2050).

■ Scope:

Daito Group construction and real estate business

■ Calculation requisites:

Calculation of amount of expected impact on profits during the relevant period for each item of analysis, based on the various climate change scenarios (STEPS, NZE, RCP, etc.). Risk was calculated as the amount of impact in the event that one of the above scenarios occurs.

		Financial impact (Unit: million yen)					
		1.5°C/Less than 2°C scenarios			4°C scenario		
		Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
Policy/legal risks	Carbon tax introduction	Transition risks					
		Higher operating costs from introducing a carbon tax (Includes amount by which higher costs are constrained where greenhouse gases are reduced in line with the Science Based Targets (SBT) initiative)					
		754	577	0	416	653	1,071
Policy/legal risks	Carbon tax introduction	Reduced demand due to higher material costs and higher sales prices induced by a carbon tax (Includes amount by which sales fall where greenhouse gases are reduced in line with the Science Based Targets (SBT) initiative)					
		2,103	2,958	0	845	1,325	2,174
		<div>Response</div> <ul style="list-style-type: none">Pursue activities to reduce greenhouse gases across the whole supply chain in line with SBT reduction targetsSwitch to low GHG emission construction techniques by, for example, developing and promoting sales of CLTIntroduce renewable energy to offices and construction sites, etc., in line with Renewable Energy 100% (RE100)					
Technology risks	EV adoption	Higher charging station installation costs due to EV adoption					
		190	88	102	86	101	102
	Introduction of renewable energy	<div>Response</div> <ul style="list-style-type: none">Promote systematic electrification of our fleet					
		Increased costs due to purchase of Renewable Energy Certificates					
Technology risks	Introduction of renewable energy	16	132	0	0	0	0
		Increased damage to solar power generation facilities as a result of wind and rain					
	Introduction of renewable energy	0	949	1,012	-	-	-
		<div>Response</div> <ul style="list-style-type: none">Secure renewable energy with additionality through solar power generation business and biomass generation business					
Market risks	ZEH and LCCM expansion	Sales price increase due to increased ZEH*1 and LCCM*2 rental housing sales, thereby reducing demand and reducing sales					
		59	148	996	-	-	-
Market risks	ZEH and LCCM expansion	<div>Response</div> <ul style="list-style-type: none">Promote the efforts toward technical skills improvement and price control related to merchandising of ZEH and LCCM rental housing.					
		Loss of stakeholder trust and brand power due to a delayed response to climate change					
Evaluation risks	Responding to climate change	<div>Response</div> <ul style="list-style-type: none">Respond proactively to climate change so as to improve ESG-related evaluations					
		Financial impact (Unit: million yen)					
		1.5°C/Less than 2°C scenarios			4°C scenario		
		Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
Physical risks	Acute risks	Physical risks					
		Increased costs due to increased wind and water damage during construction					
		0	263	1,002	0	374	1,502
		Increased damage to solar power generation facilities due to wind and water damage					
Physical risks	Acute risks	0	36	102	0	51	153
		Higher insurance premiums due to wind and water damage					
		0	381	1,457	0	542	2,168
		<div>Response</div> <ul style="list-style-type: none">Given increased wind and water damage in recent years, plan factories and the installation of solar power facilities based on those risks					
Chronic risks	Rising temperatures	Reduced labor efficiency in factories and longer construction times due to rising temperatures, pushing up personnel costs					
		0	26	122	0	72	710
	Rising temperatures	Increase in cooling costs due to rising temperatures					
		0	1	1	0	1	2
Chronic risks	Rising temperatures	<div>Response</div> <ul style="list-style-type: none">Given the rising temperatures of recent years, pursue construction planning that prioritizes safety, such as restricting summer work hoursPromote measures such as working from home and casual business attire in summer					
		Higher costs and sales prices due to skyrocketing wood prices, with the resulting drop in demand reducing sales					
	Skyrocketing wood prices	33	56	182	81	137	448
		<div>Response</div> <ul style="list-style-type: none">Diversify wood procurement sources in Japan and abroad in response to rising procurement costs					

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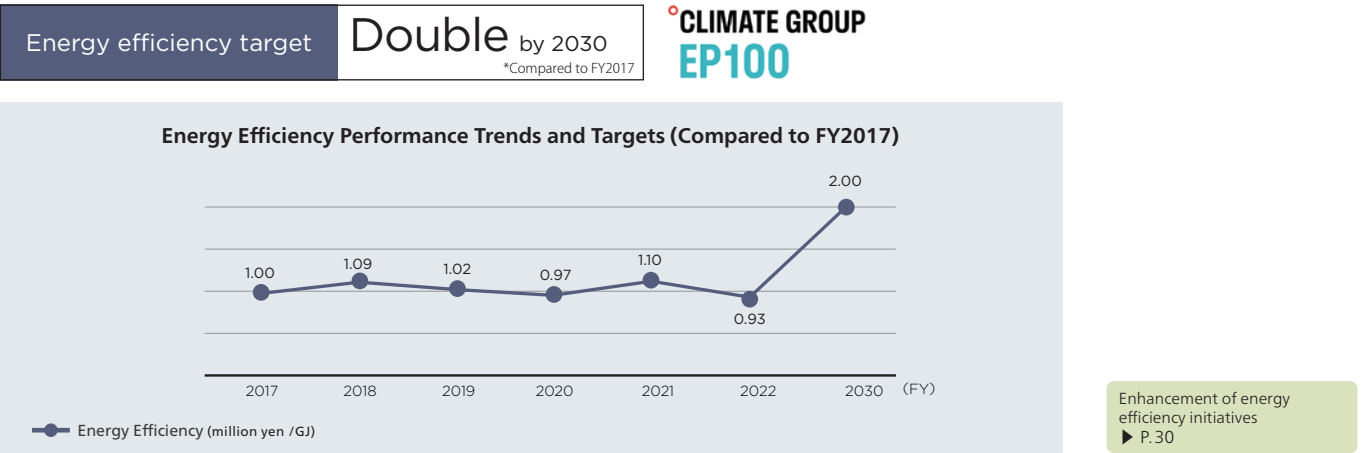
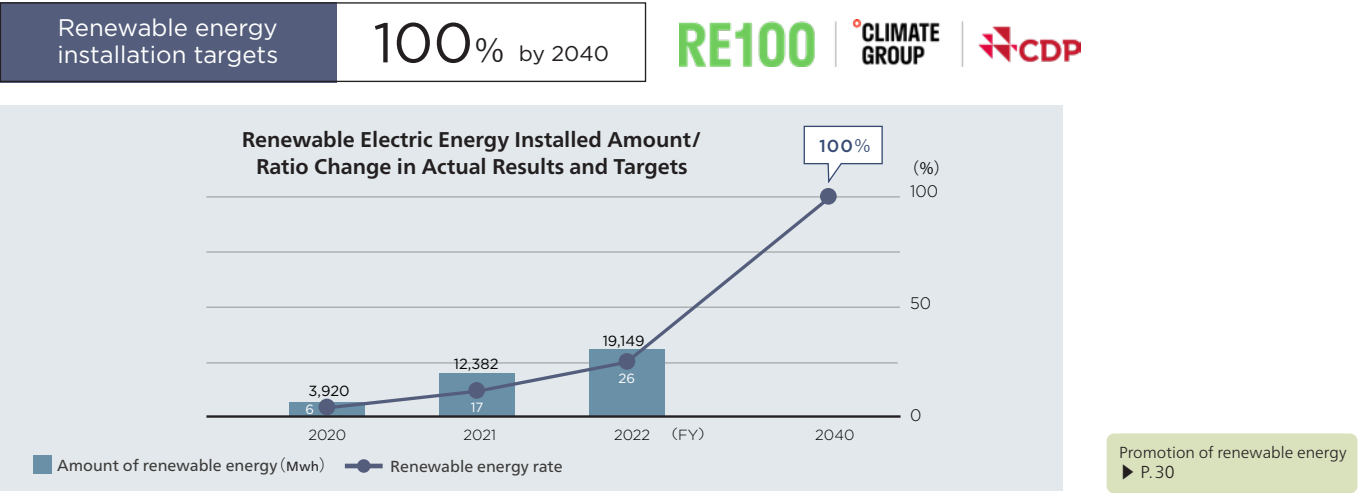
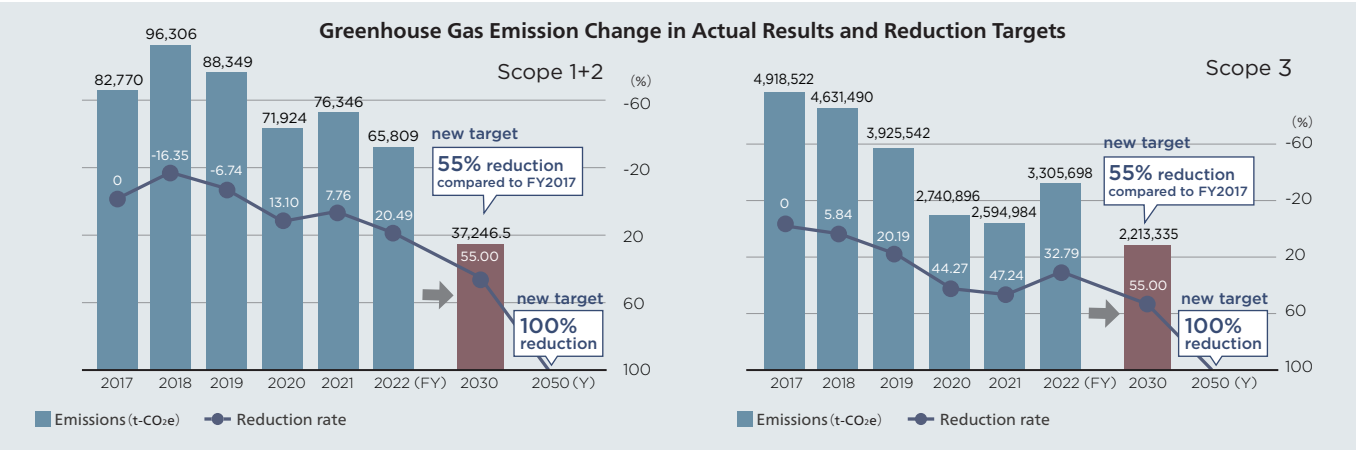
Opportunities		Financial impact (Unit: million yen)					
		1.5°C/Less than 2°C scenarios			4°C scenario		
		Short-term	Medium-term	Long-term	Short-term	Medium-term	Long-term
Resource efficiency	Wood use	Realize resource efficiency and stable building provision through use of wood as a renewable resource					
	Actions	<ul style="list-style-type: none">Promote even wider use of 2x4 and CLT construction methodsUse domestic timberCreate wood procurement guidelines and enhance the traceability of procured wood					
Energy resources	Introduce renewable energy	Reduce the cost of purchasing renewable energy (renewable energy certificates) by using power generated from our own renewable energy generation facilities	0.0	0.0	(22)	-	-
		Create profit through the sale of post-FIT surplus power	0.0	0.0	(1,252)	-	-
	Actions	<ul style="list-style-type: none">Secure renewable energy sources with additionality through solar and biomass power generation businessPursue the sale of post-FIT surplus power					
Products and services	ZEH/LCCM expansion	Increase sales by expanding the supply of highly energy-efficient ZEH and LCCM products	(100)	(267)	(1,745)	-	-
	Actions	<ul style="list-style-type: none">Standardize ZEH rental housingDevelop LCCM rental housing					
Market	ZEH/LCCM expansion	Enhance our corporate image as a leading eco-friendly company by proactively supplying ZEH and LCCM products Engage in ZEH standardization so as to seize opportunities to expand market share and realize business continuance when ZEH becomes compulsory in 2030					
	Actions	<ul style="list-style-type: none">Standardize ZEH rental housingStrengthen climate change initiatives through our business activities					
Resilience	Disaster countermeasures	Supply disaster-resilient housing so as to seize the opportunity to lead an accelerated regional recovery from buildings that mitigated damage Develop disaster management products so as to seize the opportunity to expand market share as a company supplying disaster-resilient housing					
	Actions	<ul style="list-style-type: none">Strengthen our disaster response by creating a Disaster VisionPromote sales of disaster-resilient oriented housing					
	Introduction of EVs	Promote the switch to EVs so as to boost our corporate image and credibility as a company that is responding to climate change					
	Actions	<ul style="list-style-type: none">Systematically pursue electrification of our fleet					

Risk Management

Climate change risk is evaluated by the Risk Management Committee. We have identified abnormal weather and natural disasters caused by climate change as material risks, and we are discussing and implementing specific measures on the grounds that business continuity will be threatened by large-scale natural disasters that cause harm to clients, employees, buildings we manage and buildings we construct, and our offices, with restoration requiring a massive amount of time and money.

Indicators and Targets

In the materiality KPIs and the medium- to long-term environmental targets, the goals related to climate change are set out and monitored.



Main Initiatives

ZEH Standardization for Rental Housing

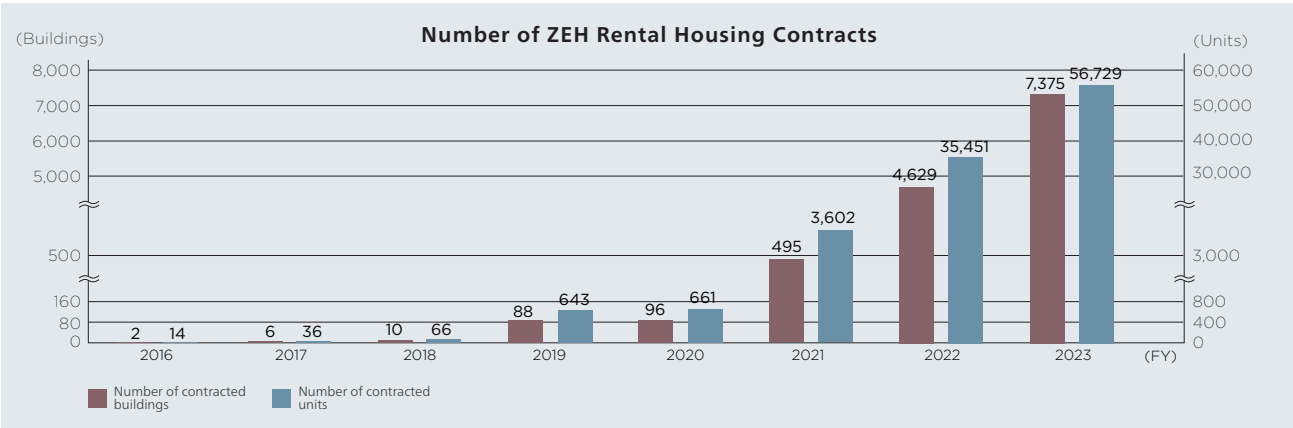
Promoting ZEH* Sales to Reduce Greenhouse Gas Emissions by Tenants

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. As more than 85% of the Daito Group’s Scope 3 emissions fall under category 11, use of sold products, reduction of tenants’ greenhouse gas emissions is directly linked with reduction of our Scope 3 emissions. Accordingly, we will proactively promote sales of ZEH housing, which achieves net zero consumption of primary energy, and in so doing advance toward our goal of lowering our greenhouse gas emissions by 55% by 2030, compared with FY2017.

As Japan’s No. 1 supplier of housing units, the Daito Group will further contribute to the decarbonization of society by developing rental housing business proposals and new product plans based on ZEH standards.

Striking a Balance between Environmental Consideration and Comfortable Living for Tenants

We are working with our suppliers to develop and introduce energy-saving materials that can help to reduce greenhouse gas emissions arising from tenant lifestyles. As we pursue environmentally conscious measures, it is vital that we also enable tenants to enjoy comfortable lifestyles. We thus seek to provide living spaces that fulfill both of these aims.



Gaining Credits on CO2 Emission Reductions from Self-consumption of Renewable Energy in ZEH Rental Housing

Since April 2022, we have been issuing renewable energy credits earned on the CO2 emission reductions achieved by the energy-efficient housing we supply. In January 2023, the J-Credit program, under which the Japanese government certifies credits that businesses and other organizations earn on their CO2 emission reductions, approved and registered a project we developed for gaining credits on CO2 emission reductions realized through self-consumption of solar power in ZEH rental housing. As a result, we are able to produce two types of credits from one ZEH rental housing building: the newly certified renewable energy credits, and the energy efficiency credits certified earlier. We will seek to achieve net zero carbon emissions in our

business activities by using the energy efficiency credits for carbon offsetting, and the renewable energy credits for renewable energy balancing.

Sign a purchase contract for surplus power of ZEH rental housing-generated electricity

In March 2023, we concluded a power purchase agreement with Kyocera Corporation who purchases surplus electricity generated by ZEH rental housing, and sales of the ZEH rental housings applied to the system have started. This renewable energy based electricity is supplied to power our plants and offices. This alliance will strengthen our market competitiveness on spreading ZEH rental housing, and provides Kyocera with access to electric power derived from renewable energy.

*An abbreviation of Net Zero Energy House which brings annual primary energy consumptions such as air conditioning, hot water, lighting, and ventilation to the break-even point as ZEH increases thermal insulation performance and energy efficiency through energy generation by solar power.

LCCM: Housing That Realizes a Negative Carbon Balance across Its Life Cycle

LCCM*¹ Rental Housing Complexes that Yield Negative CO2 Emissions Over the Life Cycle of the Building

We are advancing the development and proliferation of LCCM rental housing complexes, the pinnacle of the government’s promotion of energy-efficient homes. A LCCM rental housing complex is a form of carbon-free housing in which the overall amount of CO2 emitted across the property’s entire life cycle—production, transportation, construction, inhabitation, renovation, demolition, and disposal—is offset by renewable solar energy such that the net output is ultimately less than zero. We began conducting research in this area in 2014 with Kensuke Kobayashi, Associate Professor at the Prefectural University of Hiroshima, and completed Japan’s first-ever LCCM rental housing complex in June 2021.



Exterior image of NEW RISE LCCM

NEWRISE LCCM*² Dissemination Project Selected for MLIT’s CO2 Reduction Leading Projects 2022

NEWRISE LCCM, our new LCCM rental housing complex product that meets the criteria of the LCCM standards has started selling since October 2022, and the NEWRISE LCCM Dissemination Project was selected for the Ministry of Land, Infrastructure, Transport and Tourism’s Sustainable Building Leading Projects Program 2022 (CO2 Reduction Leading Projects 2022) in December 2022. The ministry’s program supports leading projects in home/building construction that employ groundbreaking technologies in energy conservation and CO2 emission reduction, with the aim of reducing the carbon emissions of homes, enhancing the market value of housing and other buildings, and improving the living and manufacturing environments.

* LCCM is a registered trademark of the Institute for Built Environment and Carbon Neutral for SDGs. Our company uses the term under license.
*2 This product is assessed based on the basic requirements compatibility determination tool for the LCCM low-rise apartment buildings provided by Japan Sustainable Building Consortium (JSBC).

New Products Featuring Highly Insulating CLT Construction

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.



Low-Carbon Rental Housing Complexes Made with CLT

Several years ago, we noted the widespread use of CLT in Europe and began researching ways to adopt CLT construction in Japan. In October 2019, we launched sales of Japan’s first-ever rental housing built using CLT construction. In January 2023 we completed our first LCCM-certified detached rental housing to use CLT panel construction for the first time in Tokyo. This project also became to be the first case study in Japan. 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.

Main Initiatives

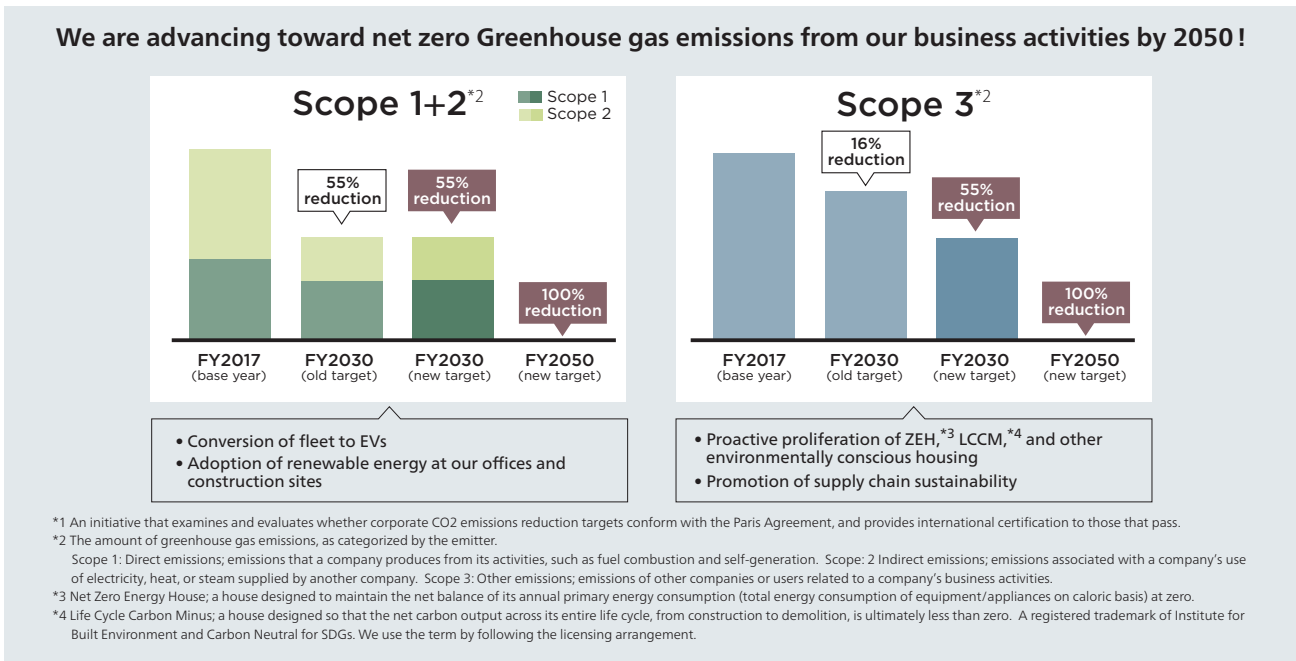
Greenhouse Gas Reduction Initiatives

Our Commitment to the SBT Corporate Net-Zero Standard

The Daito Group has formulated greenhouse gas emission reduction targets aligned with the Corporate Net-Zero Standard developed by the Science Based Targets (SBT)*1 initiative. In April 2023 we added our name to the roll of corporations committed to that standard with our submission of a commitment letter on our targets. We received our first SBT certification for our environmental targets in 2019. In 2020, we received certification again, after resetting our targets based on the new 1.5°C standard. Now that we have set targets for the Net-Zero Standard, we are seeking to acquire certification in 2023 for our greenhouse gas reduction targets and roadmap.

Scope 3 emissions account for 90% of the Daito Group’s greenhouse gas emissions, and 85% of them represent emissions associated with tenant energy consumption for 35 years following completion of construction. We will work to reduce these emissions by promoting the proliferation of environmentally conscious housing, such as ZEH rental housing and LCCM housing, so as to directly link the reductions with achievement of our targets.

We are also taking other decarbonization actions internally and externally to steadily advance toward the goal of net zero emissions by 2050, including collaboration with our suppliers, electrification of our corporate fleet, and adoption of renewable energy in our business activities.



Renovation of our head office into a ZEB

Our head office building, Shinagawa East One Tower (owned by Daito Group), received ZEB certification*5 in March 2023 under the Building-Housing Energy-efficiency Labeling System (BELS). This was the first time that an existing building in Japan with over 100,000 m2 floor space was renovated into a ZEB. The improvements enable a more than 40% reduction in standard primary energy consumption of the office spaces, and over 20% for the building as a whole.



Promotion of Renewable Energy Usage

Installing Solar Generators into over 25,000 Buildings

As of the end of September 2022, the Daito Group has installed solar power generation equipment into approximately 21,500 rental housing buildings that the Group manages. As sale of electricity under the FIT scheme has concluded, we are using this renewable energy for our own power needs, which will help us to reach our RE100 targets. We will develop a scheme for effective use of the surplus electricity in the community and elsewhere, and in doing so, contribute to the spread of renewable energy across Japan.

Entry into Biomass Power Business

We concluded a business transfer agreement for the Asago Biomass Power Plant in Hyogo Prefecture in July 2023. The plant is able to stably generate renewable electricity round the clock using biomass fuel derived from domestic thinned wood. As part of the forest use and replenishment cycle, it contributes to forest conservation and the revitalization of Japan’s forestry industry. Operation of this plant is expected to boost our renewable energy adoption rate to 50%, contributing greatly to our efforts to meet our RE100 targets.

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.

Renewable Electric Energy Adoption Rate <small>FY2022</small>	
Company name	Adoption Rate (%)
Daito Trust Construction Co., Ltd.*	31%
Daito Kentaku Partners Co., Ltd.	37%
Daito Kentaku Leasing Co., Ltd.	63%
Gaspal Corporation	37%
Care Partner Co., Ltd.	64%
Housecom Co., Ltd.	23%
Daito Construction Co., Ltd.	0%
Daito Steel Co., Ltd.	95%
Daito Corporate Service Co., Ltd.	0%
JustCo DK Japan Co., Ltd.	0%
INVALANCE Ltd.	0%
Lopicma Co., Ltd.	0%
Daito Trust Asset Solution Ltd.	0%
Overseas	0%
Consolidated	26%

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

Initiatives toward Energy Efficiency

Energy Conservation at Offices

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.

Eliminating Gasoline Vehicles by 2030

We have downsized our fleet of sales vehicles through optimized deployment aimed at reducing greenhouse gas emissions. In 2019, we began switching to electric vehicles (EVs) at our branches nationwide to advance emission reduction and to secure an alternative power source during emergencies. As of August 2022, we had completed the switch to 268 EVs. We also launched a demonstration test toward the full-scale rollout of EVs at mainly branches in Tokyo. We will continue to advance the adoption of environmentally low-impact vehicles such as EVs, HVs, and hydrogen vehicles with the aim of eliminating gasoline-powered vehicles by 2030.

Biodiversity and Sustainable Wood Procurement

Basic Approach

The Daito Group’s Basic Environmental Policy calls for protection of the global environment and harmony with local communities and nature, while the Daito 2050 Environmental Vision’s nature-related strategy sets forth the aim of realizing “a society that coexists with the natural environment.” Guided by these goals, we are working hard to protect biodiversity through our business activities, including our procurement of wood. We believe that wood can only come from healthy biodiversity. Accordingly, our Seven Material Issues, the key priorities for pursuing sustainability management, include “procuring and using wood in a sustainable manner” as one of the environment-related management challenges to be addressed.

Governance

As a corporate group whose business involves land usage, we see the protection and proper management of local biodiversity as our one of our key social responsibilities. And, we consider the sustainable procurement of the wood that comes from that biodiversity to be an important management challenge. Our Sustainability Promotion Meeting, headed by the Representative Director and CEO, discusses specific measures for resolving such material issues and tracks the progress based on KPIs, and regularly reports on those discussions to the Board of Directors. Meanwhile, our Environmental Management Project Committee is building up a Group-wide framework for environmental management. Since declaring our participation in the 30by30 initiative for protecting biodiversity, we have been stepping up our biodiversity actions.

Strategy

The Daito Group promotes environmental awareness across the supply chain, with our Sustainable Procurement Guidelines stipulating biodiversity awareness, protection of water resources, and other matters related to environmental awareness.

Sustainable Procurement Policy ▶ P.38

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 FSC-, PEFC- and SFI-certified forests. We are also working to strengthen traceability by establishing a Wood Procurement Policy.

Protecting local forests and biodiversity based on engagement with local governments, NGOs, and NPOs

Protection and proper management of local biodiversity is one of our key social responsibilities. Accordingly, we show consideration for biodiversity through our business activities and appropriate engagement with local governments, NGOs, and NPOs. We also collaborate with those organizations to promote public understanding of forests, forestry, and environmental protection through various activities, including forest conservation projects involving our employees and their families. We held a hands-on program for planting Japanese cedars in Gunma Prefecture in May 2023, and a wildlife observation and protection program in Osaka Prefecture in June as an opportunity to learn about biodiversity.

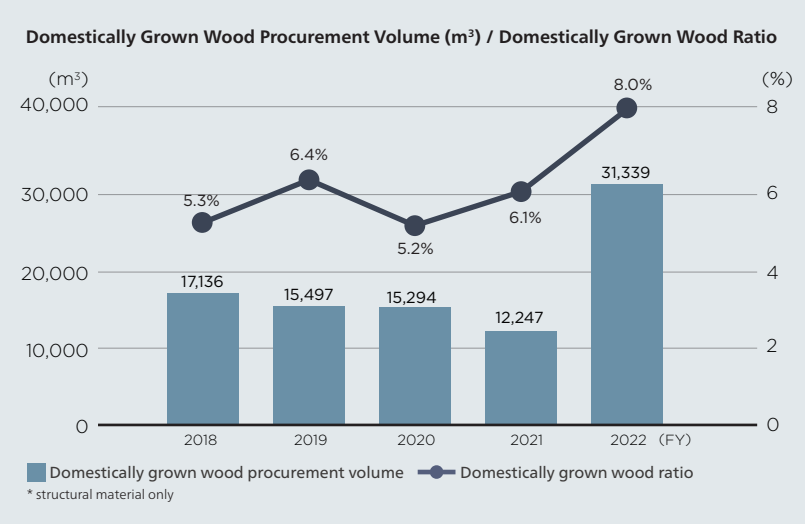


Hands-on tree planting tour

Hands-on tour for wildlife observation and protection

Use of Domestically Grown 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 31,339 m3 of CLT in FY2021. The “Japan Wood” mark, that indicates products made from domestically grown wood, was created independently by the Daito Group and has now been widely adopted throughout the industry as a symbol to promote the use of domestic wood.



Risk Management

As with other sustainability risks, biodiversity risks are evaluated by the Risk Management Committee. We endeavor to sustainably procure wood as a resource dependent on biodiversity, and have defined material procurement risks as priority management risks. Accordingly, we work to reduce the risk of damage to biodiversity and forests, including by using certified wood. In addition, we have started analyzing these risks in the context of some businesses such as exterior planting, in line with the TNFD framework. Going forward, we plan to conduct a more systematic analysis of the risks and opportunities.

Indicators and Targets

We have set out the biodiversity and wood procurement targets in our medium- and long-term targets and have managed its progress. We will be considering to set up indicators and targets along with the TNFD framework from now on.

Category	Action	Medium-/Long-term Environmental Targets
Wood procurement	Domestically grown wood procurement	Proactively procure wood grown in Japan
	Sustainable wood procurement	Raise the percentage of sustainable wood procured to 100% by 2030
Biodiversity	Biodiversity protection zone expansion	Proactively contribute to expansion of biodiversity protection zones
Environmental education	Environmental education and nature conservation activity planning/implementation	Continue planning/implementing environmental education and nature conservation activities
Sustainable procurement	Surveying of legality of procured materials	Continue surveying the legality of procured materials

Pollution Prevention and Waste Reduction

Basic Approach

The Daito Group’s Basic Environmental Policy calls on us to work to reduce, reuse, and recycle resources in all business activities and to achieve harmony with local communities and nature, and the Daito 2050 Environmental Vision’s strategy for waste is to recycle all types of waste. We thus strive to prevent pollution and reduce waste in our business activities. Also, one of our Seven Material Issues is “Environment: Taking action on climate risk through business activities,” which shows that we consider environmental action—including pollution prevention and waste reduction—to be a critical management challenge.

Governance

We recognize pollution prevention and waste reduction as key management challenges. Our Sustainability Promotion Meeting headed by the Representative Director and CEO, discusses specific measures for resolving material issues and regularly reports on those discussions to the Board of Directors. Also, our Environmental Management Project Committee is building up a Group-wide framework for environmental management.

Strategy

To achieve recycling of all waste, we are working to promote recycling of construction waste, develop construction methods that generate minimal waste wood, and lower our output of 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	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. <div><div>Processing at pre-cutting factory</div><div>Assembly at construction site</div><div>Waste reduction</div></div>	
Pre-cut indoor staircases	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. <div><div></div><div>Mock-up test of pre-cut staircase use</div></div>	
Sizing insulating materials to order	In the past, materials used for insulation in wall spaces and similar areas were usually cut to size on-site. We now have our insulation made to order by the manufacturer to a size that matches the specifications of the Daito Group’s 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.	
Pre-cutting external wall coverings (siding)	We have been 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.	
Using recycled chipboard as a substrate	We manufacture chipboard that recycles industrial waste from our construction sites, including waste lumber and wood building materials. The chipboard is used as a substrate for walls, floors, and roofs. <div><div></div><div>Mock-up test using chipboard</div></div>	

Risk Management

The Daito Group has continued working to strengthen its internal framework for preventing illegal dumping and chemical pollution. We strive to avoid risks such as illegal dumping by managing industrial waste with electronic manifests that conform with the Waste Management and Public Cleansing Act. We also endeavor to prevent risks associated with chemicals and other hazardous substances by complying with laws and regulations, and by taking appropriate action based on guidelines issued by national/local authorities, industrial groups, and other organizations.

Indicators and Targets

In the medium- to long-term environmental targets , the goals related to waste and pollution are set out and monitored.

Category	Action	Daito Trust Medium-to Long-term Environmental Targets
Industrial waste	Reduction of industrial waste generated	Reduce total industrial waste generated (t) by 1% y-o-y, annually
	Reduction of construction site industrial waste	Reduce industrial waste generated at construction sites (t) by 1% y-o-y, annually
	Reduction of demolition site industrial waste	Reduce industrial waste generated at demolition sites (t) by 1% y-o-y, annually
	Improvement of industrial waste recycling rate	Raise industrial recycling rate to 97% by FY2030, and to 100% by FY2050
	Maintenance of construction recycling rate at high level	Maintain construction recycling rate at 98% or higher
Sustainable procurement	Exclusion of construction materials containing hazardous chemicals	Continue excluding construction materials containing hazardous substances from material procurement
	Implementation of drainage water quality surveys	Continue implementing drainage water quality surveys

Water Usage

Basic Approach

In addition to working on the 3Rs of reducing, reusing, and recycling resources in our business activities, the Daito Group’s Basic Environmental Policy calls on us to achieve harmony with local communities and nature, so we are focusing our efforts on the reduction of water use in our business activities as well as the effective utilization of water resources in harmony with nature.

Governance

We position efforts for reducing our water use and making effective use of water resources as key challenges in our business activities. Discussion and consideration of those efforts are carried out by the Environmental Management Project Committee, our organization for advancing sustainability management and environmental management.

Sustainability Promotion Framework
▶ P.18

Strategy

Toward achieving the medium- to long-term environmental targets, we drive forward water saving efforts at each office and construction site. In addition, our commitment to offering environmentally conscious rental housing includes using water-saving designs for plumbing fixtures such as bathtubs, faucets, and showerheads.

Risk Management

As part of our risk management for water use, we have endeavored to remain compliant with laws and regulations concerning water consumption reduction and drainage, particularly at our construction sites. We strive to prevent risks by taking appropriate action based on guidelines issued by national/local authorities, industrial groups, and other organizations. There are no projects executed in any water stressed areas domestically and internationally.

Indicators and Targets

In the medium- to long-term environmental targets, the goals related to water usage are set out and monitored.

Category	Action	Daito Trust Medium-to Long-term Environmental Targets
Resource input amount	Office water usage reduction	Strive to reduce volume of water use at offices (m³)
	Construction site water usage reduction	Strive to reduce volume of water use at construction sites (m³)
Sustainable procurement	Waste water quality investigation	Strive to reduce volume of water use at offices (m³)

Supply Chain (Environmental)

Basic Approach

The Group recognizes the environmental efforts throughout supply chain as its important issue, and we drive forward the efforts. We are promoting energy efficiency, renewable energy adoption, and biodiversity consideration at the real estate facilities that the Group owns including the head office building, Shinagawa East One Tower and ROOFLAG Rental Housing Exhibition Hall.


Environmental Initiatives in Supply Cain

In October 2022, we formulated the Daito Group Sustainable Procurement Policy considering environment, and have been executing materials procurement based on the policy.

Sustainable Procurement Policy
▶ P. 38

Environmental Actions at Our Properties

*The rental housings managed across the nation are real estate facilities owned by the property owners. The Group supports the rental management by using the Lease Management Trust System.

Acquisition of green building certification	ZEB certification of head office renovations
Shinagawa East One Tower, owned by the company and the home of our head office, is certified as a “green building” under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for its strong environmental performance in energy conservation, water-saving, and other areas, receiving the highest rating, Rank S.	We have been carrying out experimental renovations at our head office, Shinagawa East One Tower owned by the company, since 2020. As a result, the building received ZEB certification under the Building-Housing Energy-efficiency Labeling System (BELS) in March 2023. <div></div>
Adoption of smart meters and building management systems	Installation of renewable energy in the head office building
At Shinagawa East One Tower that the company owns as the head office building, we have promoted energy saving efforts by setting up smart meters and installing building management systems that measure energy efficiency rate. As another step for improving energy efficiency at our head office, we have installed LED lighting and motion sensor light switches throughout Shinagawa East One Tower. We have also decided to carry out energy-saving renovations, including downsizing of air conditioning equipment and installation of high-performance ventilation systems.	Renewable energy has been installed on electricity used at that the company owned as the head office building, Shinagawa East One Tower since November, 2021. The renewable energy installed is generated by biomass power generation using domestic unused forest woods, lumber scraps, or construction wastes. Through this effort, it contributes to greenhouse gas emissions reduction on business activities of the Group itself as well as other tenant companies in the building.

Environmental output data of our real estate properties
▶ P. 61

Indicators and Targets

In the medium- to long-term environmental targets, greenhouse gas emissions reduction related targets including the entire supply chain are set out and monitored. Among the real estate facilities owned by the Group, the greenhouse gas emissions coming from the facilities where the Group is located or uses are included to Scope 1 and 2. The greenhouse gas emissions coming from the rental facilities that are rented out to others are included to Category 13: downstream leasing assets under Scope 3.

Category	Action	Daito Trust Medium- to Long-term Environmental Targets
Greenhouse gas emissions	Greenhouse gas emissions reduction	Reduce total greenhouse gas emissions of business activities (Scope 1+2) by 55% by 2030, compared with FY2017 (4.2% reduction y-o-y) We have set a target of reducing the value chain total greenhouse gas emissions (Scope 3) by 55% by FY2030 compared with FY2017 with the goal of annual reduction by 4.2% compared with the previous year.

Targets and results for reduction of water usage at our real estate properties
▶ P.61

Social

Social Initiatives

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.

For more information about Human Rights, Human Capital Management, and Diversity & Inclusion, please refer the integrated report below.

Human Rights Integrated Report P40
Human Capital Management Integrated Report P41
Diversity & Inclusion Integrated Report P43

Supply Chain Management

Basic Approach

We consider it our duty to continually improve the quality of our products and services and strive to fulfill our social responsibilities at an even higher level. In order to accomplish this, we need to pursue environmentally conscious sustainable procurement across our entire supply chain, and thus are taking action to strengthen the sustainability of our supply chain.

Supply Chain Management
► Integrated Report p.39

Daito Group Sustainable Procurement Policy

We formulated the Daito Group Sustainable Procurement Policy in October 2022. Our procurement of materials is based on the following policy points.

Major Category	Item
Legal compliance	Compliance with laws, regulations, and social norms
Establishment of corporate ethics	Sound transactions with business partners / building and strengthening of partnerships with related parties / keeping a healthy relationship with government / elimination of relationships with anti-social forces / protection of intellectual property rights / establishment of an internal reporting system / appropriate disclosure of corporate information
Respect for human rights	Compliance with international human rights standards / prohibition of discrimination and harassment / prohibition of forced labor and child labor / payment of fair wages / proper labor management / guarantee of freedom of association and the right to collective bargaining
Consideration for occupational health and safety	Promotion of the health and safety of employees / prevention of occupational accidents / ensuring the health and safety of people in local communities
Quality assurance	Ensuring an appropriate level of quality and safety / development of technologies for maintaining and improving quality / appropriate accident response
Establishment of a business continuity plan	Establishment of a business continuity plan (BCP)
Consideration for the environment	Reduction of greenhouse gas (GHG) emissions / understanding GHG emissions by product and service / consideration for biodiversity / water resource conservation / proper management and reduction of waste / promotion of resource recycling and resource saving / plastic pollution prevention / proper management of chemical substances to prevent pollution
Ensuring information security	Thorough prevention of the leakage of personal and confidential information / protection against threats to our computer network
Social contribution	Respect for the culture and customs of the regions in which we operate / promotion of social contribution activities / contribution to regional revitalization

Sustainable Procurement Policy <https://www.kentaku.co.jp/corporate/outline/procure/kihon.html> (Japanese only) ►

Declaration of Partnership Building

The Daito Group's three major companies,*¹ seeking to build sustainable relationships with business partners in the supply chain, endorse the purpose of the Future-Oriented Partnership Building Promotion Council promoted by the Cabinet Office and the Small and Medium Enterprise Agency. They have accordingly formulated and published their own Declaration of Partnership Building.*² Each company has defined priority actions aligned with its businesses, and registered and posted those measures on the initiative's web portal.



Declaration of Partnership Building <https://www.biz-partnership.jp/> (in Japanese) ►

Measures for supporting suppliers

We hold seminars on sustainability enhancement so that our suppliers can work with us in improving and strengthening the sustainability of our supply chain.

- **Hosting of seminars to assist supplier response to EcoVadis questionnaire (August 2023)**
Suppliers that responded in FY2022: Seminar on how to improve EcoVadis scores
Suppliers that did not respond in FY2022: Seminar explaining CO2 calculation method and target-setting
- **Promotion of sustainable procurement**
Launch of due diligence on wood materials in FY2023
⇒ Seminar on wood-related risks (scheduled for October 2023)

*¹ Daito Trust Construction Co., Ltd., Daito Kentaku Leasing Co., Ltd., and Daito Kentaku Partners Co., Ltd.
*² This is a declaration in the name of the company's president that publicly announces a commitment to implementing policies for building cooperative and mutually beneficial relationships in dealings with business partners, such as establishment of a collaborative framework across the supply chain and determination of price-setting methods. As of August 2023, more than 31,000 companies had issued these declarations.

Health and Productivity Management

Basic Approach

We consider the health of all Daito Group employees to be our highest priority, and we strive to create for them the job satisfaction and sense of purpose that lead to greater productivity and corporate value. Accordingly, we are advancing health and productivity management (H&PM) as a key management commitment so that each and every employee can work healthily and vibrantly, as called for by the Daito Group Health Declaration formulated in 2018.

Daito Group Health Declaration

The Daito Group sees the health and happiness of each of its employees as an asset, and will realize workplace environments enabling vibrant work.

Governance

H&PM Promotion System

We systematically promote H&PM under the leadership of Representative Director and Chief Executive Officer and with the support of collaborators such as supervising industrial physicians, public health nurses, our health insurance associations, and universities.

Health and Safety Committee System

Our Health and Safety Committee System is based on the Industrial Safety and Health Act and is intended to improve occupational health and safety at each workplace through accident prevention and other actions, and to increase work efficiency by promoting the development of a comfortable working environment. In addition to sharing information and engaging in deliberations, the central and local health and safety committees enable bottom-up action to be taken by gathering employee feedback. Moreover, we have assigned roughly 1,000 health managers to promote H&PM at all branches nationwide. This enables swift vertical and horizontal H&PM implementation at our decentralized business sites.

H&PM Promotion System



Strategy

In line with the Daito Group Health Declaration, we develop work environments where diverse talent can work vibrantly, and provide every employee with the tools they need to maintain and improve their health, including programs for increasing their health literacy. And, our commitment to employee health also extends to their families. In addition to offering health checkups for dependents, we run various health programs that employees and family members can join in together. Examples include flu vaccinations, access to health information through a special app that we operate with our health insurance associations, and local walking challenges in competition with other companies.

We have also created an H&PM strategy map based on the Ministry of Economy, Trade and Industry's Guidelines for Administrative Accounting of Investment in Health and Productivity Management so that we can take a strategic approach to H&PM. We use this map to run a PDCA cycle for H&PM.

Health Management strategy map <https://www.kentaku.co.jp/corporate/csr/torikumi/kenkou.html>

Risk Management

We comply with laws and regulations pertaining to H&PM, and we develop comfortable working environments by improving health and safety at each workplace through efforts led by our health and safety committees and other functions. We use an intranet portal, our newsletter, and other tools to keep employees up to date on HP&M-related matters such our health promotion measures, internal contacts for consultation, and various guidelines. Moreover, we call attention to health and safety risks through video trainings and other actions so that employees can better understand those risks and become more H&PM-minded.

Key Initiatives

The Daito Group seeks to increase its corporate value and contribute to health in local communities through its H&PM initiatives.

Thorough checkup implementation and early action against health issues	We take a company-wide approach to health promotion. In addition to having supervisors look after the health of their team members, we have public health nurses and occupational physicians meet with employees whose health checkup results show out-of-range indicators or require follow-up consultation, employees with high stress check scores, and employees working excessive hours in order to assess their physical/mental health and working conditions.
Proactive adoption of cancer screening	As part of our annual health checkups, we offer lung cancer screening for all employees and age-based screening for other cancers, with the aim of supporting early detection and treatment. Also, we provide health training targeted at women to help them manage their physical and mental health, and to create a more supportive work environment for them.
Provision of health guidance to at-risk employees	74.4% (sectoral average: 22.8%); we are working to keep this at a high level.
Cost assistance for major disease risk screening	As of this fiscal year, our health insurance associations have started providing assistance on the cost of screening services not included in our health checkups for employees and their dependents, regarding the top three life-threatening disease risks. This is intended to support disease prevention and early detection by encouraging greater use of external screening opportunities.
Measures supporting smoking cessation	We run a company-wide program to help smokers quit their habit. (Measures: Distributing nicotine gum, performing nicotine dependence checks, designating smoking cessation supporters, providing cessation diaries, sending out smoking education emails)
Measures encouraging exercise	We carry out collaborative health improvement projects with all our health insurance associations. These include exercise challenges such as a walking event that uses "QOLism," a health app designed to help users naturally acquire healthy habits by recording what they eat and how much they exercise.
Measures promoting healthy eating	Seeking to encourage employees to avoid skipping breakfast, we will start handing out Yakult drinks in October 2023 to help breakfast skippers get into the habit of eating or drinking something before work.
Program for balancing work and nursing care	We have established a program aimed at helping employees balance work with family nursing duties so that they can avoid quitting their jobs due to the pressures of those duties. In addition to enhancing our system for continuous employment, this program hosts informative activities such as life planning seminars and runs a network of support through consultation desks and other functions. Examples of measures: • Provision of Handbook: How to Balance Work and Nursing Care to supply information on nursing care and work balancing tips • Use of "communications sheets" to facilitate employees' discussions with their supervisor concerning work-care balancing • Use of "consultation sheets" to help employees convey their situation and care-giving needs to care managers of nursing care services • Company-wide video training on nursing care

Key Actions

- Measures against infectious disease risks
- Measures against risks occurring in natural disasters
- Drills testing our system for checking employee safety following disasters (4 drills in FY2022)
- Reduction of food waste by consuming and restocking our emergency food supplies for employees before expiration
- All-hands fire drill at head office (once or more a year)
- Video training on AED use
- Crisis management and awareness-raising regarding safe driving practices

Indicators and Targets

Target	FY2020	FY2021	FY2022	FY2023 (target)
Health checkup participation rate	100%	100%	100%	100%
Follow-up consultation rate	67.9%	65.0%	100%	100%
Stress check participation rate	90.3%	90.95	95.5%	91% or higher

Daito Group recognized for H&PM excellence



All Daito Group companies were selected for the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program by METI and Nippon Kenko Kaigi.

"White 500" certification, which recognizes the top 500 large enterprises, was awarded to Daito Kentaku Partners (3 years in a row) and Daito Corporate Service (2 years in a row).

Basic Approach

The Daito 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.

Governance

Central Safety and Health Committee

The Central Safety and Health Committee is chaired by a General Manager of the Corporate Business Headquarters who is the officer responsible for overseeing health and safety, with the support of vice-chairs who are department managers in charge of employee health and safety management such as Human Resource Dept. and General Affairs Dept., and of construction site health and safety management such as Safety and Quality Management Dept. Other members include representatives of safety managers, hygiene managers, occupational physicians, industrial health nurses, and selected employees from each department. The committee meets once a month to discuss matters concerning health and safety management at branches and construction sites. Each Branch Health and Safety Committee is chaired by the local branch managers who convey policies and measures deliberated by the Central Committee to the employees of their respective branches while leading discussions about health and safety. They generate meeting minutes every month and make them accessible for review by the Central Safety and Health Committee secretariat each time so sharing of information can be promoted.

H&PM promotion framework
▶ p.39

Strategy

The Daito Group has established its own health and safety rules based on the relevant laws and regulations. These rules are intended to ensure thorough health and safety management and prevent workplace accidents/diseases that can result from corporate negligence, with the aim of establishing a safe and healthy environment where everyone can work with peace of mind.

Health and Safety Management Plan (FY2023 actions)

- In addition to executing the regular annual activities, we are taking the following actions during FY2023 to further raise safety awareness of the cooperating members and the employees.
- Develop a construction site safety culture in which the results of daily inspections are properly recorded, and all issues found are addressed through a repeated process of raising the issue, providing guidance/training, and confirming that improvements have been made.
 - Facilitate the selection of demolition subcontractors suited to the level of difficulty of each project by establishing selection criteria based on project type/size, and by requiring candidates to prepare a work plan and protocols specifically designed for the project, subject to a risk assessment.
 - Improve safety awareness across each construction site by expanding the membership of safety working groups from only representatives of a specific task to representatives of all related tasks, and by going over work safety methods and rules in the context of complicated operations.
 - Thoroughly implement worker management/education by redesigning the system to enable worker-led activities (Kiken-Yochi hazard prediction, safety onboarding, elderly worker training) using the TAKUMI app.

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.

TAKUMI app for construction site management (construction site DX)

We are pursuing DX at construction sites to support safety activities and labor-saving. In April 2022, we launched our original construction site management app, “TAKUMI,” which enables on-site information sharing and confirmation/sharing of the daily hazard prediction assessments for each task. TAKUMI can serve as a tool for posting risk assessment activity information online and checking each site’s situation anytime, thus enabling safety activities to be effectively coordinated with subcontractors. We plan to develop new functions for the app, including safety onboarding.



Risk Management

Safety Management Guide

The methods of safety management at the buildings we construct can vary depending on the type of structure, the approach (full- or part-time), and the safety manager’s management skills. We established a Safety Management Guide intended to eliminate such variances by clearly defining the management standards for each type of structure and job performed. This guide is used to provide safety instruction before the start of work.

Management of Site Worker Health

Construction workers are at high risk of heart attacks and strokes. In order to prevent these risks and ensure proper management of worker health, we check the blood pressure of all workers before they enter the site, and restrict those with at-risk blood pressure levels from entering or performing certain tasks.

Site Accident Response

If an occupational accident occurs at a construction site, we hold special meetings of accident prevention councils*1 and conduct special safety patrols*2 to ensure that action is taken to prevent recurrence. Reports and other information on these accidents is shared with health and safety committees or with our entire organization. We also provide in-depth practical training that uses recent case examples of accidents or near misses, and profession-specific training at safety working group meetings for reducing the incidence of accidents.

*1 Special meetings of accident prevention councils: Conduct in-depth investigations of accident background and causes, and create measures for preventing recurrence of the root causes.
*2 Special safety patrols: Conducted for one month, starting on the day after a special meeting of the accident prevention council is held in response to an accident.

Accident Prevention Councils

Accident prevention councils are established at branches, construction sites, and occupational accident sites based on the Labor Standards Act and discussions between the Daito Group and partner companies, with the aim of facilitating smooth general management at construction sites and helping to prevent occupational accidents.

Safety Patrols

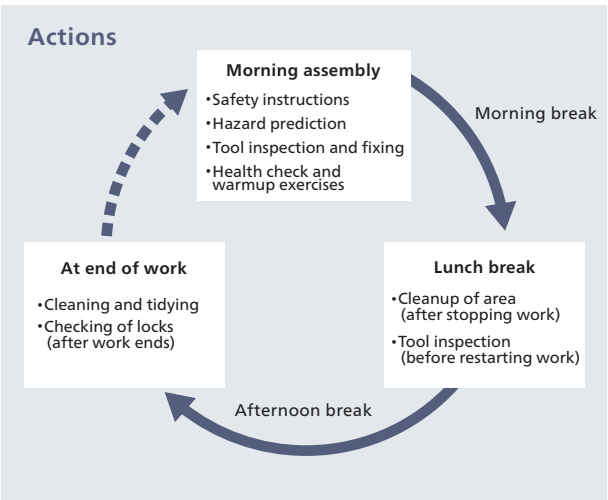
Safety patrols supporting safe site management are conducted periodically at construction sites with the collaboration of the local health and safety committee in order to prevent occupational accidents, increase the safety-mindedness of Cooperative members, and make specific safety improvements.

Safety Working Group Meetings

Besides the safety training sessions for all occupations that take place at the safety competition, specialized safety training sessions focused on professional suppliers are held. It provides practical trainings that review work procedures based on actual work flows by exchanging opinions between the prime contractor’s side and worker’s side.

Safety Cycle

In addition to the holding of morning assemblies, actions that encourage workers to personally make site tidying and safety inspections a part of their daily routine help to strengthen safety awareness and improve the work environment. The regular implementation of a safety cycle helps workers to reduce the risk of near misses, and enable the site managers to maintain a neat and tidy site and enhance safety awareness.



Training

A structure to hold our own special education courses for the cooperating members has been built by collaborating with educational institutions. Since FY2022, online remote courses have been available by collaborating with online educational institutions providing remote learning opportunities that take into account participant’s physical conditions.

Examples

- Special training on full-harness fall prevention devices (2 locations, 86 participants)
- Training for superintendents and health and safety officers (1 location, 47 participants)

In order to prevent the spread of COVID-19, special online trainings were held as a way to flexibly provide training while avoiding crowded indoor settings.

Key Indicators

The incidence of occupational accidents last fiscal year rose sharply from the level in the preceding year. This fiscal year we are stepping up our safety training for each and every construction site worker to ensure that safety procedures are followed properly.

Number of construction site accidents
(total of Daito Group, subcontractors, and independent contractors)

	FY2020	FY2021	FY2022
All site accidents	50	37	47
Accidents requiring at least 4 days off	26	19	22
Fatal accidents	1	0	2
Accidents not requiring time off	18	18	22
Accidents requiring at least 1 day off	32	19	25

Frequency (Daito Group and partner companies)

	FY2020	FY2021	FY2022
All workers / requiring at least 1 day off	2.15	1.25	1.56
All workers / requiring at least 4 days off	1.75	1.25	1.37
Daito Group only / requiring at least 1 day off	1.07	0.46	0.87
Daito Group only / requiring 4 days off	0.94	0.46	0.75
Frequency (all industries)	1.95	2.06	2.06
Frequency (general construction)	1.30	1.39	1.47

Occupational accident fatalities/injuries

Frequency=

Total hours worked

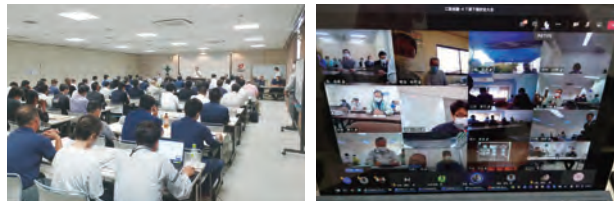
×1,000,000

Other Initiatives

We work on the work style reform at construction sites such as improving the working environment and worker’s motivation besides the efforts toward achieving “safety comes first” practices.

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 countermeasures at construction sites and discussions of issues and problems they encounter in 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.



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

A safety conference held remotely

Heatstroke Prevention

An essential step toward eliminating heatstroke at construction sites is to provide workers with training and guidance on prevention. Accordingly, the monthly health and safety council meetings provide worker health and safety education regarding heatstroke, including information on symptoms, prevention, and first aid. The councils also implement measures for mitigating heatstroke risk.

- Installation of ice machines and water coolers
- Displaying of heatstroke prevention posters
- Sale of heatstroke prevention products at discounted prices
- Preparation of first aid kits for responding to cases
- Installation of heatstroke index meters
- Requiring workers to sign up for emails providing information on prevention and other measures

Initiatives for work-style reform

We are implementing work-style reforms toward making 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.

Live Cameras

We have installed live cameras at around 730 construction sites selected by the head office management department to thoroughly implement safety management at construction sites, including by enabling site managers to check for abnormalities at their site in real time.

The Takumi Award

Since FY2021, the Cooperative has run the Takumi Award program, which solicits examples and proposals from construction site workers to improve productivity and gives awards for outstanding examples. The proposals submitted are shared widely to improve safety and quality at construction sites and to save on labor.

As Japan’s labor pool shrinks due to population aging and a low birthrate, it has become difficult to secure and foster talent for the construction industry. To address this challenge, we will strive to make construction sites more attractive to talent by leveraging the diverse ideas and insights gathered from the Cooperative’s roughly 20,000 members across Japan.

Basic Approach

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.

Governance

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.

Strategy

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.

Risk Management

DX for Quality Checking (remote final inspections)

As the result of the Ministry of Land, Infrastructure, Transport and Tourism’s issuance of the “Notice on digital technology-based remote attendance of final inspections pursuant to the Building Standards Act,” it has become possible for construction superintendents to remotely attend the final building inspections carried out by the designated inspection organization. In response, we changed our final inspection process in April 2023 so that the construction project manager joins the inspector on site, while the Supervision Center’s construction superintendent attends remotely. We leveraged DX to develop a remote support app that enables on-site managers to use a smartphone or tablet to transmit video footage to the remotely located superintendent for checking the condition of the building or framework. This considerably improves the efficiency of the inspection process while maintaining quality and precision. We have also created a management system for early identification of defects and deficiencies to support problem sharing and resolution.

Indicators and Targets

Questionnaire Satisfaction Rate

During handover of a completed building, we ask the client to fill out a questionnaire as part of our efforts to actively collect feedback that serves as not only a guide for improving our products and services, but also a vital management resource for risk management.

Item	FY2020	FY2021	FY2022
Impression of completed building Very satisfied / Satisfied	89.9%	91.2%	93.3%

Key Initiatives

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.

Takumi Meister Skill Championships

Faced with the worsening labor shortage in the construction industry, we established the Takumi Meister Skill Championships* to achieve two aims: provide children—the next generation—with an opportunity to deepen their understanding of and interest in manufacturing technology, and pass on construction skills so that younger talent can be cultivated. This initiative also seeks to further enhance the construction quality of the buildings we deliver to our customers by improving the motivation and technical skills of the carpenters who participate.

*The first was held in January 2022. We plan to continue holding this event once every four years.

Basic Approach

As a Group engaged in community-based business nationwide, we consider revitalizing local communities to be one of our social responsibilities. From that perspective, the Daito Group communicates with local residents through various activities so as to become a company that is needed by local communities.

Disaster Prevention Philosophy


“Be there for the community if a disaster happens”

Governance

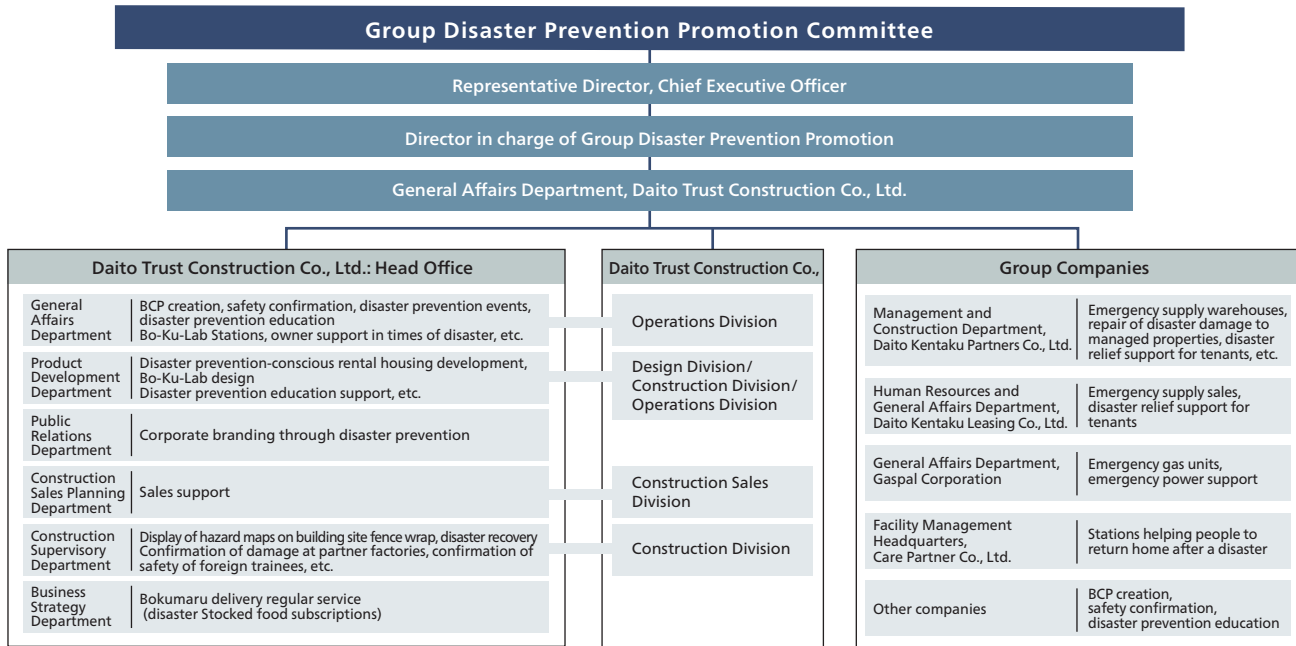
The Group Disaster Prevention Promotion Committee addresses regional social issues by leveraging the power of our nationwide network to improve disaster preparedness, exploring new lifestyles geared to “what if” regional situations, and helping to energize local communities and ensure the early recovery of the entire region.

“Bo-Ku Lab”

“Bo-Ku Lab” aims to raise rental housing disaster prevention awareness. In addition to Group employees, members of NPOs that are active at disaster prevention sites are invited to participate in activities that contribute to strengthening disaster preparedness in and beyond the Group, such as creating opportunities for regional communication through disaster prevention and developing products and services that utilize knowledge gained from disaster prevention support activities.



Group Disaster Prevention Promotion Structure



Strategy and Risk Management System

In October 2022, we created the Daito Group Disaster Prevention Vision 2030 as a guideline for disaster prevention activities supporting business continuity and the development of cooperative relationships with neighboring communities. Based on the philosophy of “Be there for the community if a disaster happens,” the aim is to support community disaster preparedness during normal times as well as during disasters, contributing as a Group to early community recovery from disaster. We will build a Group Disaster Support Network using local infrastructure at 157* of Group companies’ disaster prevention bases around the country, working with local authorities to develop a system supporting greater disaster resilience.

*Breakdown of disaster prevention bases (as of the end of March 2022)
Daito Trust Construction (Bo-Ku-Lab Stations): 39 bases, Gaspal (emergency gas units): 41 bases, Daito Kentaku Partners (emergency supply warehouses): 33 bases, Care Partner (Stations helping people to return home after a disaster): 40 bases

The Three Pillars of the Disaster Prevention Vision

Disaster Prevention Vision Pillar 1

Provide the usual “normal” at times of “what if”

Keeping moving in times of disaster

Train employees in what they should do when a disaster occurs through education in normal times. Ensure Group business continuity in times of disaster and provide the infrastructure and services for daily life.

Three businesses that keep going in times of disaster

Maintaining lifestyle infrastructure through business continuity



Rental housing provision

Disaster resilience, early recovery



Gas provision

Stable supply



Lifestyle support service provision

Nursing care, nursery schools, evacuation support

Disaster Prevention Vision Pillar 2

Create a region-wide circle of cooperation in “what if” times

Change regional cooperation from the starting point of rental housing

Enhance Group properties and bases. Broaden our support infrastructure and contribute to community disaster prevention activities and early disaster recovery.

Three forms of community support

Support for early community recovery



Power

Solar power generation, EVs, gas units



Supplies

Home emergency supplies, car emergency supplies



Disaster information

Security cameras, dashboard cameras, use of online platform room

Disaster Prevention Vision Pillar 3

Create a next generation that can be relied upon in “what if” situa

Growing the number of people interested in disaster prevention from 0 to 1

Work with communities, local authorities, and education institutions on wide-ranging support to develop the next generation of leaders by increasing the number of people who understand and are actively involved in disaster prevention.

Three activities to broaden disaster prevention education

Develop the next generation of disaster prevention leaders



Disaster prevention events

Disaster prevention x community, disaster prevention x play



Education support

Disaster prevention education, disaster prevention textbooks



Disaster experiences

VR disaster experiences, disaster experience attractions

Indicators and Targets

Item	FY2022	2030 target	Item	FY2022	2030 target	Item	FY2022	2030 target
Hold BCP training in all Group companies	—	Conduct Group-wide training	Install solar power generators that can supply free power	25,000	37,000	Bases holding community-wide disaster prevention events	20	65
Max. 6 hour response rate in employee safety confirmation training	98%	100%	Rate of introduction of EVs/HVs that can supply free power	8%	100%	Bases concluding disaster prevention cooperation agreements	47	70
Number of bases with disaster prevention officers	2	65	Equip vehicles equipped with emergency kits which can provide emergency supplies	0	6,500 (100%)	Local authorities partnering in disaster prevention education support for local students	0	5
Number of disaster prevention-conscious rental houses supplied	0	1,000	Create more Bo-Ku Lab Stations	39	65	Bases providing natural disaster VR experiences	3	65
Number of stations assisting returns home	40	70	Increase bases with gas units that can be used in times of emergency	39	76	Bases providing simulated experiences of large-scale disasters	—	Launch support

The Daito Group Disaster Vision 2030 comprises self-help-related disaster prevention activities for business continuity (BCPs) and Bo-Ku Lab-based disaster prevention activities related to community cooperation and public assistance supporting community disaster prevention with the aim of maintaining infrastructure for community daily life whether in normal times or during an emergency. Group companies have each been assigned disaster prevention roles for the four levels of normal times, disaster occurrence, evacuation, and recovery, enhancing the Group’s disaster prevention support networking capacity. Based on disaster prevention cooperation agreements with local authorities, we have condensed our disaster prevention bases to four and conceptualized towns focused on disaster preparedness—the “Disaster-Ready Town” concept—which we plan to expand to 10 of our bases by 2030.

Disaster Prevention base	Company	Base outline	Disaster Prevention base	Company	Base outline
Bo-Ku Lab Stations	Daito Trust Construction Co., Ltd.	Provide food, water, and other emergency supplies and power from our EV fleet free of charge so as to be there for the community if a disaster happens	Emergency units	Gaspal Corporation	Run soup kitchens and provide local residents with free power generated using LP gas at times of emergency
Emergency supply warehouses, emergency supply sales offices	Daito Kentaku Partners Co., Ltd.	Equipped with pressure washers, air conditioner outdoor units, and other supplies necessary for disaster recovery (cleaning and repairs)	Stations assisting returns home after disasters	Care Partner Co., Ltd.	Provide clean water, toilets, and road traffic information in times of disaster to assist people having difficulty returning to their homes

Disaster Prevention Efforts <https://www.kentaku.co.jp/corporate/csr/torikumi/bousai/>

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Local Communities

SDGs Awards (Program recruiting ideas for solving regional issues)

Our SDGs Award program is designed to contribute to regional and Group issues and SDG targets. Group employees investigate issues and goals in their respective regions and submit business and activity ideas to solve them. The aim is to boost social and Group sustainability through business activities by verifying what the Daito Group can do to benefit local communities.

We also launched regional communication activities in November 2022 to create new regional value through collaboration between locals and the Daito Group. Activities

geared to regional issues and characteristics are selected from a predetermined list of regional collaboration activities, with implementation spearheaded by the nationwide business offices of the three main Group companies.* The aim is to engage in regional revitalization as part of the local community, provide value to the community, and contribute to sustainable towns.

* Daito Trust Construction Co., Ltd., Daito Kentaku Partners Co., Ltd. and Daito Kentaku Leasing Co., Ltd

Daito Group SDGs Awards 2022
▶ p.11

Regional Communication Activities Examples of Collaboration Activities (as of August 2023)

- **Tasting event for Bokumaru Bosai service supplying emergency food supplies to Children's Cafeterias around the country**
Provides an opportunity to support the activities of Children's Cafeterias (cafeterias providing children with meals for free or at low prices) and for local children to think about disaster prevention. The aim is to raise the local profile of the Bokumaru Bosai service and gain a reputation for products that are easy to eat and easy to prepare.
- **Joint fence wrap decoration by the Daito Group and local children**
Provides an opportunity to share children's ideas with the community by having children draw pictures of towns of the future and the houses they want to live in on building site fence wrap.
- **Rental housing landlord experience for children**
Provides a chance for children to learn about housing and rental housing through the experience of becoming a landlord.



Tasting event for Bokumaru Bosai service at a Children's Cafeteria

* A subscription-based emergency food supply business born out of the Daito Group's Mirai-novator in-house venture system. Once every three months, the service delivers a combination of low-preserved, low-additive emergency foods rigorously selected as "particularly delicious" by a disaster prevention officer with 15 years' experience eating emergency foods.

Next-Generation Education

Rental Housing Competition

With the thoughts of thinking widely with more people about the attractiveness of rental housings, the Group has held the Daito Kentaku Rental Housing Competition that recruits ideas for rental housing by theme as well as its operating methodologies from the general public since 2012. For five years after the 11th competition held in 2023, the competitions have been held in several different towns across the nation to explore further reality with the theme of Rental Housing Going Out Around Towns.

Rental Housing Competition <https://kentakushinkenchiiku.net/>

Children's crafts course "Yume-ie"

Launched in 2021, this program is a disaster prevention education activity that has children design their own original "dream houses" by exercising the power of creativity and imagination in relation to the familiar object of a house. Through our corporate activities, we aim to raise disaster prevention awareness and also to provide new value for rental housing that contributes to local communities so as to realize home and lifestyle security even at time of emergency.

Team Daito (Sports Support)

In 2014, we marked the Daito Group's 40th anniversary by forming "Team Daito" to support athletes passionately engaged in their sport with the aim of becoming a company that continues to pour passion into its customers and local communities. Owners, tenants, Group employees, and their families show support for athletes seeking to reach the apex of the sporting world. We believe that the passion and effort that athletes pour into realizing their dreams provide us all with joy and inspiration as well as powering the way into the future. To mark its 10th anniversary in 2023, Team Daito will move up a level to add to its athlete support activities the themes of strengthening junior development support, supporting Japanese representative development, and producing international tournament-level athletes. By providing support not just for athletes but also as a competition sponsor, we will give a boost to tournaments and to sports as a whole.

Team Daito <https://team-daito.com/> (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. 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.

FY2022 Support Results

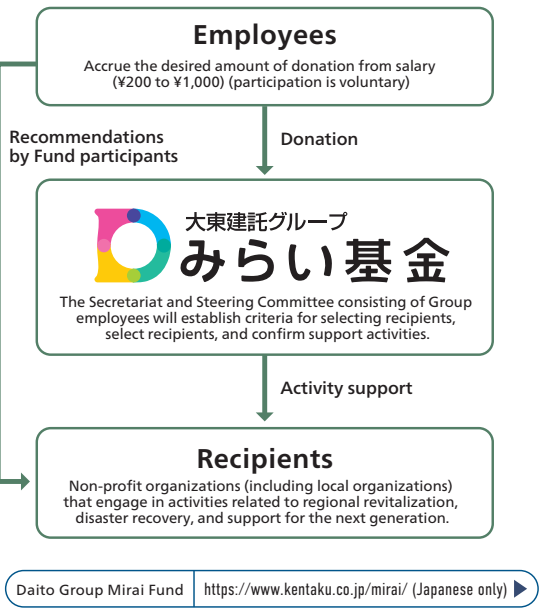
- Number of support groups: 14
- Support spending: ¥31,806,332

support groups
▶ P.64

Activity Results excerpted

Certified NPO Japan Rescue Association

Online dog therapy activities were implemented twice a month to cheer up children who have been hospitalized for long-term. These efforts helped the child patients reduce the psychological burden and pain against medical treatments.



Community Development Research

In March 2023, we launched joint research on community development with the West Japan Railway Company. These days, people are faced with a constantly shifting environment, from increasingly marked domestic trends such as population decline and the super-aging of society to the dramatically changing international situation. Creating highly livable communities therefore now requires a greater understanding of people's values in relation to homes and lifestyles and of housing market forecasts.

*We come up with ideas for specific solutions to business and social issues, collect and create sufficient data to realize those ideas, apply optimal statistical methods, and deploy specific IT systems.

This research project uses various types of statistical data along with data from Japan's biggest resident satisfaction survey E-hey.net Survey on Neighborhood Livability, conducted since 2019 by our AI-DX Lab,* a research institute on the future of rental housing, to analyze people's values in relation to homes and lifestyles and use the results to identify effective means of modern community development so as to help build highly livable communities.



Strengthening and Expansion of the Non-Residential Sector

We contribute to developing neighborhoods where people want to continue living by providing the necessary facilities so that not only tenants in our rental housing but everyone living in the neighborhood can find the neighborhood a pleasant place where it is easy to live. The New Five-Year Plan, our medium-term management plan launched in FY2019, calls for expanding our business domains to the non-residential sector and for strengthening private and public tendering and

developer projects. In FY2023, we raised our real estate development unit to Business Headquarter status. We will move from land purchases to sales to funds, engage in the purchase and resale of older apartment buildings, and expand our handling of non-residential buildings such as distribution and commercial facilities.

Reinforcement of the real estate development unit
▶ Integrated Report p. 52

Distribution facilities



KIC Atsugi Distribution Center

Private tenders

Nursery schools, post offices, hospitals, etc.



Palliative Care Ward, National Hospital Organization Tokyo National Hospital



General private room
*Example of private and public tendering

Governance

Governance Initiatives

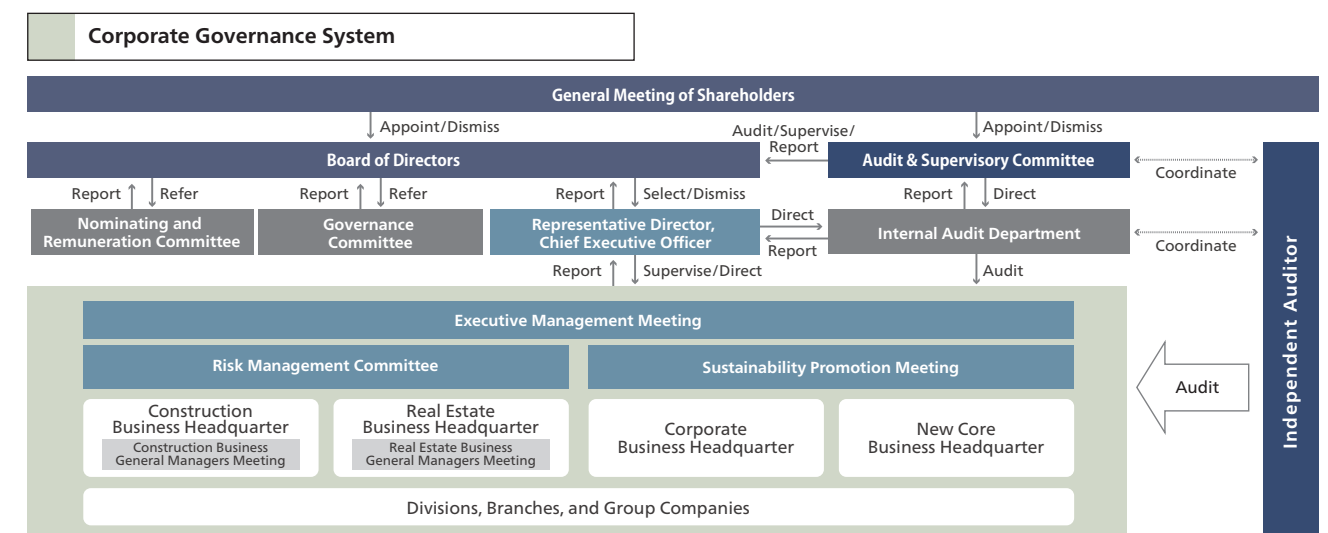
We have made “Building an industry-leading governance system” one of our Seven Material Issues, and are working to further strengthen our system of corporate governance. At the same time, we are seeking to maximize our corporate value by taking action to rigorously ensure risk management, compliance, and prevention of corruption and misconduct.

Corporate Governance

Corporate Governance Basic Policy

Our basic policies on and goals for 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 focus on upholding business ethics and legal compliance, developing and enhancing our governance system, and ensuring management objectivity and rapid decision-making. In June 2023, we made the transition to a “Company with an Audit & Supervisory Committee” with the aim of speeding up decision-making by enabling important decisions on business execution to be delegated to directors, shifting the focus of the Board of Directors to supervision of Group management, and strengthening Board of Directors supervisory functions by granting Board of Directors voting rights to Audit & Supervisory Committee members.

Corporate Governance
► Integrated Report P57



Internal Controls

We strive to achieve stronger monitoring and supervision of our executive directors' compliance with laws and our articles of incorporation by facilitating their mutual surveillance and by appointing outside directors to at least one-third of all Board positions.

In addition, we have established a Risk Management Committee in order to precisely identify the many different risks associated with the Daito Group's business activities, and to reduce their incidence and impact on business management. The committee meets regularly to pinpoint, assess, and review the serious risks for the Group's management, formulate countermeasures, and check the state of risk management. The Board of Directors leads an organization-wide response by engaging in priority monitoring of the particularly serious management and business risks, and receiving regular reports from the Risk Management Committee and occasional reports from the Internal Audit Department.

The Internal Audit Department audits Daito Trust and Group companies in accordance with the audit plan. It ensures the effectiveness of its audits by diagnosing the state of operations and issues of each function audited. This process

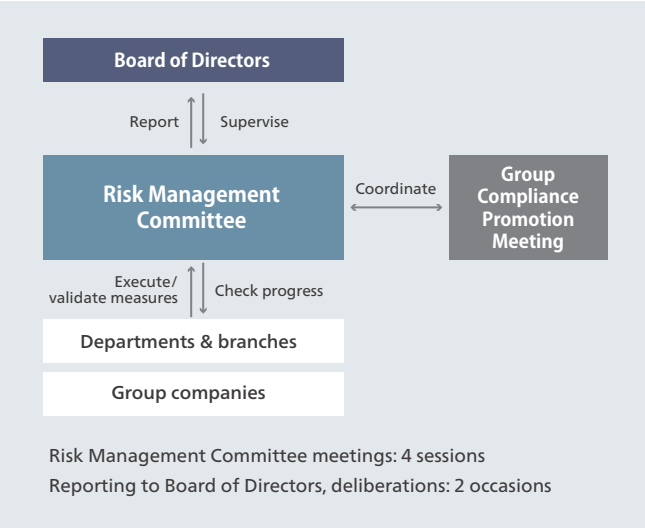
includes interviewing the function's members and providing guidance on how to improve the issues identified. Audit results are reported to the Board of Directors and the Audit & Supervisory Committee, which provide further guidance on corrective actions and improvements if necessary. Guided by the internal control plan and policy for financial reporting, the department responsible for J-SOX compliance monitors the state of Group-wide internal controls and the fitness of operations and financial reporting processes, and reports its findings to the Board of Directors and the Audit & Supervisory Committee on an as-needed basis.

The Compliance Department monitors the state of compliance and deliberates on matters such as compliance issues and measures for raising employee awareness. In addition, we have established whistleblowing contacts in the Compliance Department and an outside law office to support our efforts for early discovery and rectification of misconduct. The Compliance Department also leads actions for providing compliance training and information to executive officers and employees, with the aim of enhancing compliance awareness and preventing wrongful behavior.

Risk Management

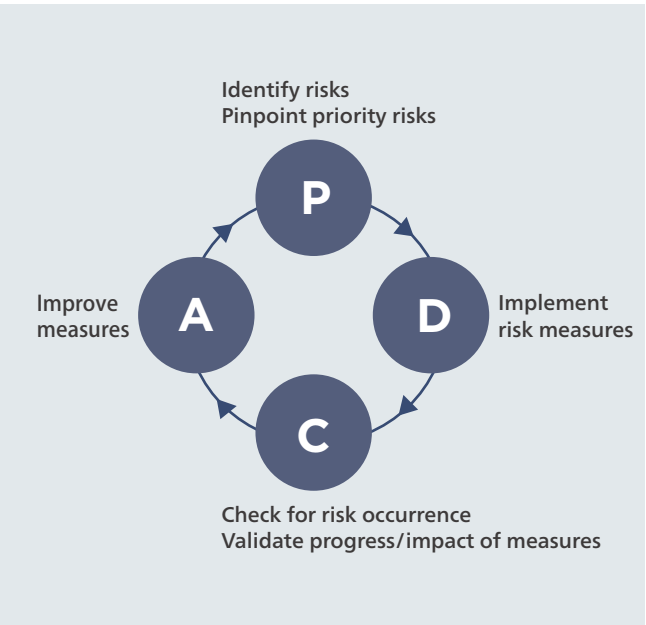
Risk Management Framework (Governance)

Our Risk Management Committee is chaired by the Representative Director and comprises eleven members, including three directors and two executive officers. The committee has established a framework for analyzing risks in the Daito Group’s business activities, assessing their likelihood and degree of impact, and defining and monitoring priority management items. It has also developed a framework for specifying the initial responses to be taken for mitigation when a risk emerges. In order to prevent risk management from devolving into a mere formality, the committee meets quarterly and runs a PDCA cycle to check the status of risks and review the priority management items. This commitment to proper management is intended to help control the potential emergence of risks.



Strategy

The Risk Management Committee created a list of around 100 risks through a process that involved comprehensively identifying 1,000 risk items and sorting them into categories such as violations of the Building Standards Act, violations of regulations pertaining to the Subleasing Act, occurrence of harassment, professional misconduct, labor shortage, suspension of business operations due to system failure, and damage to business partner trust. Risks meriting management-level attention were selected from the list and their likelihood and degree of impact were analyzed to come up with a group of priority risks requiring oversight by senior management. Measures addressing the priority risks were formulated along three axes: mechanisms, checking functions, and training. The committee monitors the implementation of those measures and the emergence of risks. The priority risks are periodically reviewed and put through a PDCA cycle to further advance risk reduction.



Indicators and Targets

Action	FY2020	FY2021	FY2022
Number of serious risk occurrences	0	0	1*

*Improper accounting treatment

Basic Approach

The Daito Group is signatory of the UN Global Compact and thus endorses and supports its ten principles covering four areas. We have established the Daito Group 7 Prohibition Rules and other frameworks for strictly prohibiting and preventing bribery, money laundering, embezzlement, and other corrupt practices that conflict with the law. Furthermore, in line with the Daito Group Code of Conduct, we prohibit acts that may not contravene laws but nevertheless are considered to contribute to corruption or be ethically unacceptable.

The Daito Group 7 Prohibition Rules

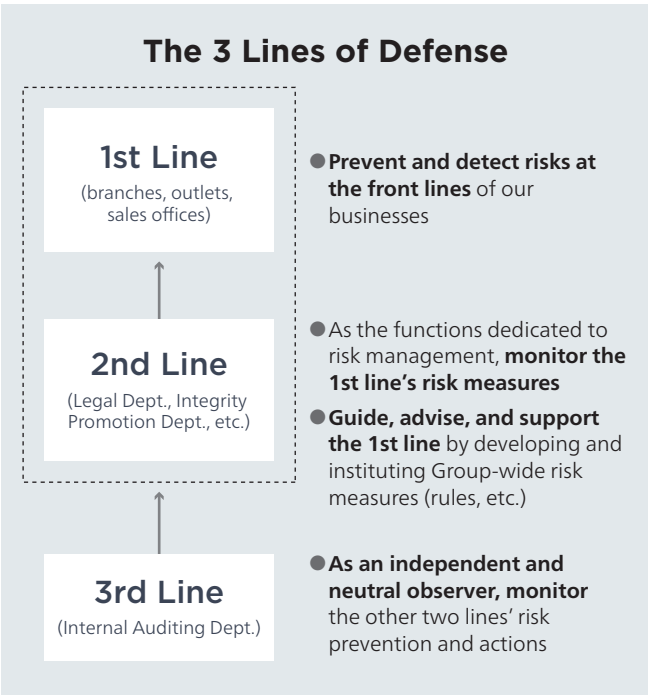
We have compiled a set of Nos covering some of the most important prohibitions specified by our various corporate rules. We strive to promote compliance by making sure that all employees understand that the most serious punishment for violations is dismissal.

- 1. No wining and dining with business partners
- 2. No playing for money, such as mahjong, golf, bowling, karaoke, and so on, with internal or external parties
- 3. No drunken driving and dangerous driving including malicious tailgating
- 4. No mid-year or year-end gifts
- 5. No personal rewards in connection with company systems
- 6. No monetary loans and investment solicitation between employees, customers, or clients
- 7. No forgery, falsification, false entry, improper furnishing, or unauthorized use in document

Governance

As part of our commitment to anticorruption and fair trade and competition, we have developed an internal auditing system, a whistleblowing system, and other internal monitoring systems aimed at deterring and uncovering corrupt behavior.

Moreover, we have created a concept of three lines of defense to further strengthen our internal controls. The first line is made up of our people in the field who implement risk prevention measures. The second line—the Legal Department, Risk Management Supervisory Department, and other functions responsible for risk management—monitors those measures. And, the third line, the Internal Auditing Department, monitors the performance of the first and second lines. The Internal Auditing Department reports on these efforts to the Risk Management Committee, which in turn reports to the Board of Directors. The Board of Directors also monitors this system and provides guidance where needed.



Strategy

Communicating to All Employees on Anticorruption

The Daito Group Code of Conduct includes principles for ensuring fair and free competition, building sound relationships with the authorities, and excluding antisocial forces from all dealings. Furthermore, the Daito Group 7 Prohibition Rules ban any acts that contribute to corrupt behavior. We educate employees on these policies and build their awareness by regularly sending them an email newsletter on compliance. In doing so, we seek to improve their knowledge and mindset concerning compliance and the prevention of corruption and misconduct.



Whistleblowing System and Whistleblower Protection

The Daito Group has formulated internal rules on whistleblowing and set up a report and consultation desk in the Compliance Promotion Department, a law firm, and an external agency that serves all Group employees. Our whistleblowing system enables reports to be made via the phone, email, and other channels, and thus supports our efforts to quickly discover and rectify cases of misconduct. After receiving a whistleblower report, the Compliance Promotion Department requests the relevant function to investigate the matter and formulate and implement remedial actions. The department also notifies the whistleblower of the response taken and checks whether the issue has been resolved.

Furthermore, the director appointed by the Board of Directors to have oversight over the Compliance Department monitors the whistleblowing system's operation and reports to the Board as needed. In accordance with our internal rules on whistleblowing, this system is designed to protect whistleblowers. It requires that investigations be conducted in a manner preserving the whistleblower's anonymity, that the content of the investigation and other sensitive information be kept confidential, and that the whistleblower be immune from dismissal and any other unfavorable treatment.

Indicators and Targets

Daito Trust Medium-/Long-term Targets	FY2021	FY2022	FY2023 Targets	
Number of whistleblower reports	250	281	—	● The Daito Group has not made any political contributions.
Degree of compliance awareness*1	86.2%	86.9%	88.0%	● No employees have been disciplined or dismissed for anticorruption reasons.
Number of serious compliance infractions	0	1*2	0	● The Daito Group has not been subjected to any corruption-related penalties, fines, or costs of settlement, etc.

*1 Actual result of non-consolidated in FY2021 *2 Improper accounting treatment

Data

Greenhouse gas emissions for each item are calculated based on the "Accounting and Reporting Greenhouse Gas Emissions Manual, Ver. 4.9" 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. 2.5," by the government of Japan's Ministry of the Environment (MOE) and Ministry of Economy, Trade and Industry (METI).

★: Subject to third-party assurance

• Due to numbers being rounded up 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).
• In FY2022, the scope of calculation has been retroactively changed. There are notes on the corrected data.
• 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.

[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.; Daito Kentaku Asset Solution Co., 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.); Liangbuwu Business Consulting (Shanghai) Co., Ltd.
With regard to greenhouse gas emissions, this report covers Scope 1, Scope 2, and Scope 3.

Report period: April 2022 to March 2023
Publication date: September 2023

Gasoline, diesel fuel, kerosene, city gas, liquid petroleum gas (LPG)
Uses actual values.

Steam, cold water
Uses estimated values calculated based on area measurements.

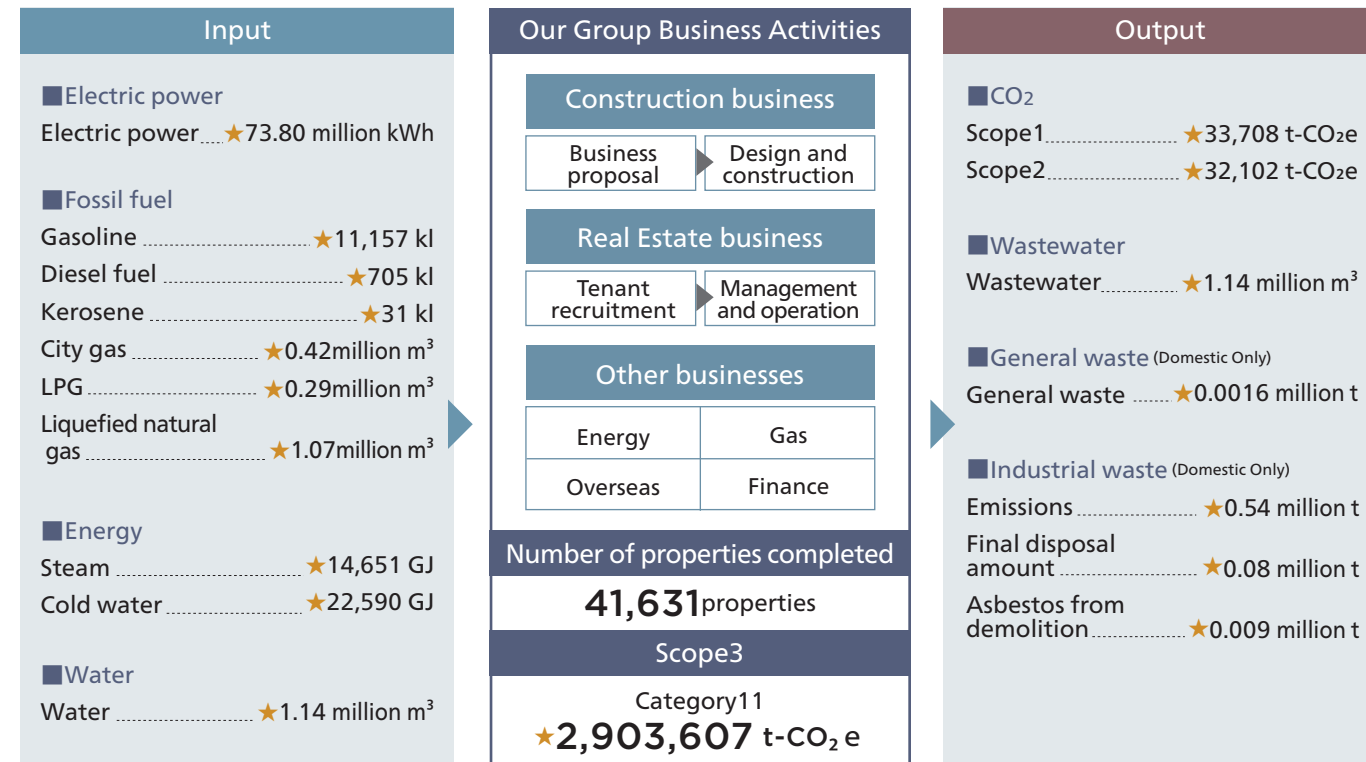
Electric power
For offices and construction sites: uses actual values.

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.

Environmental Data

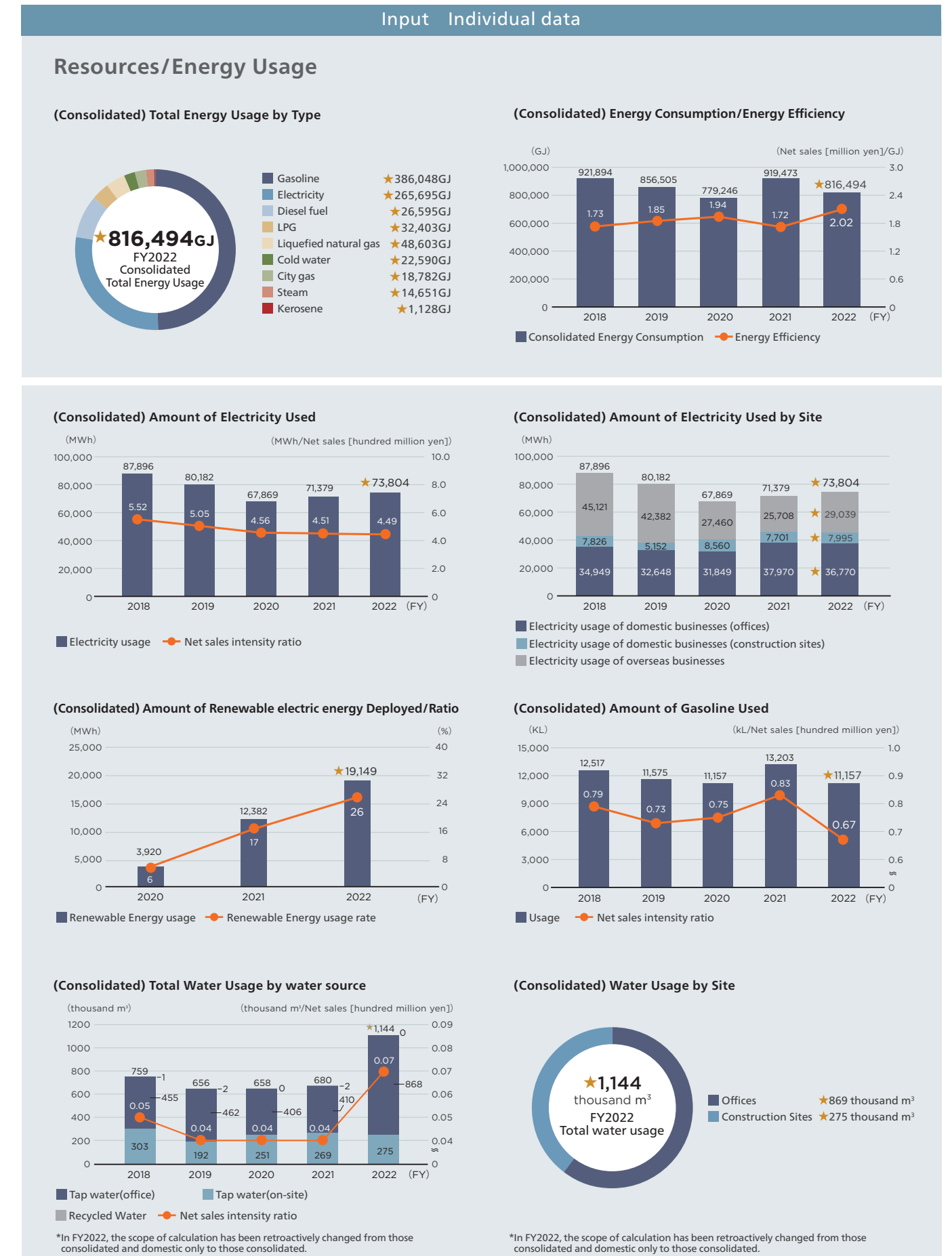
Environmental Impact of Business Activities (FY2022)



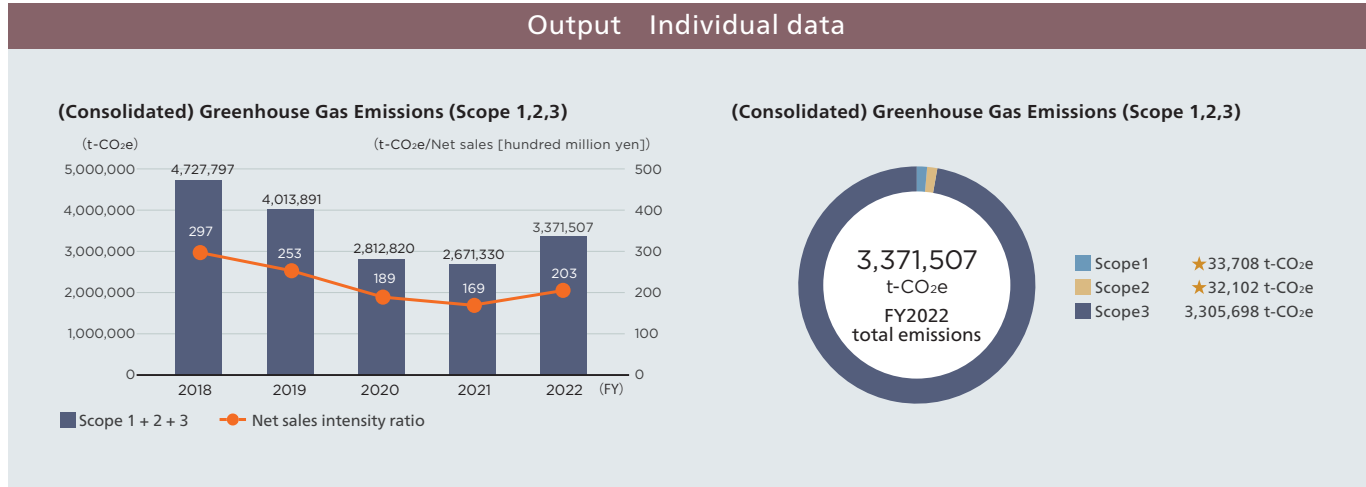
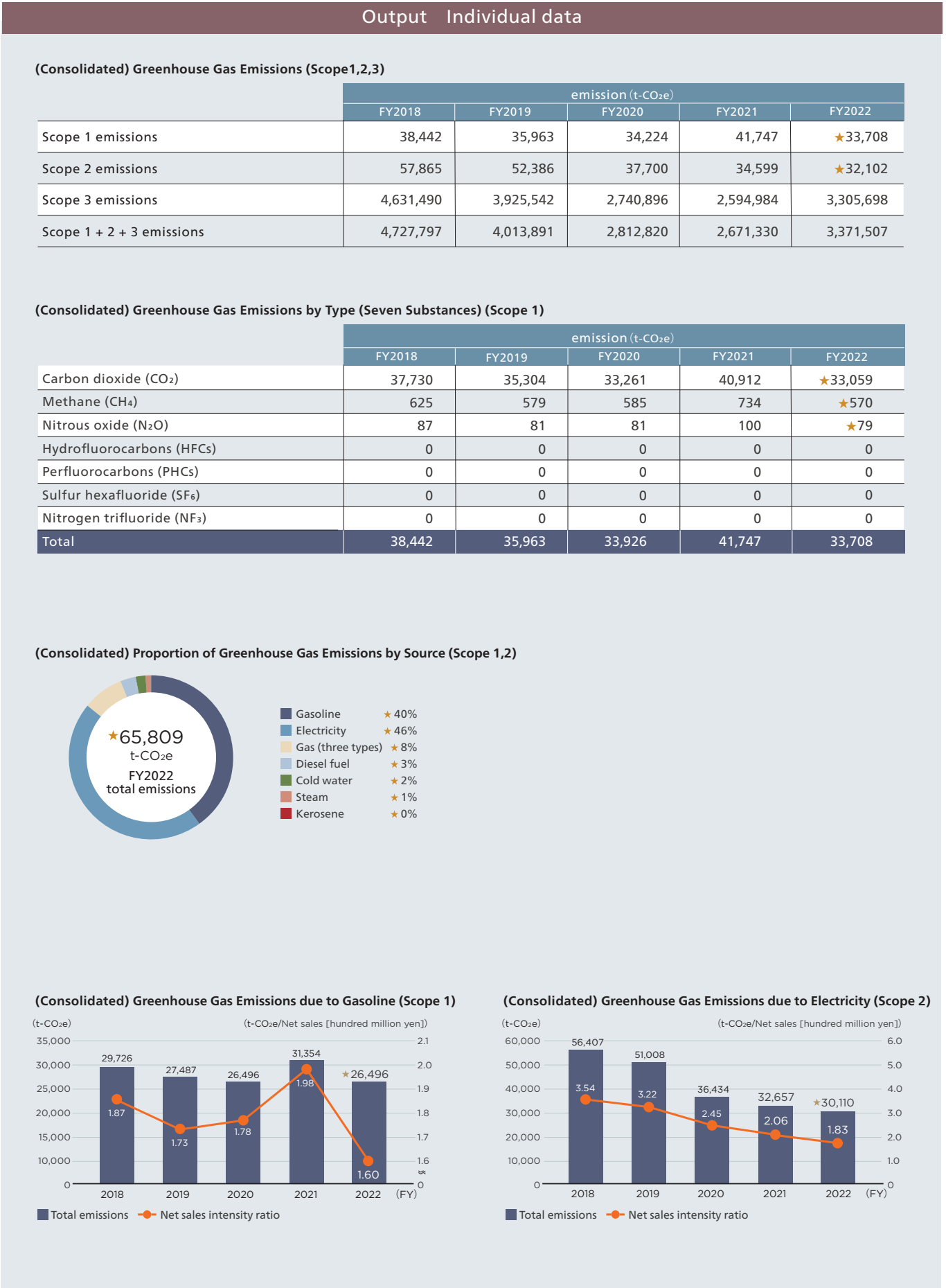
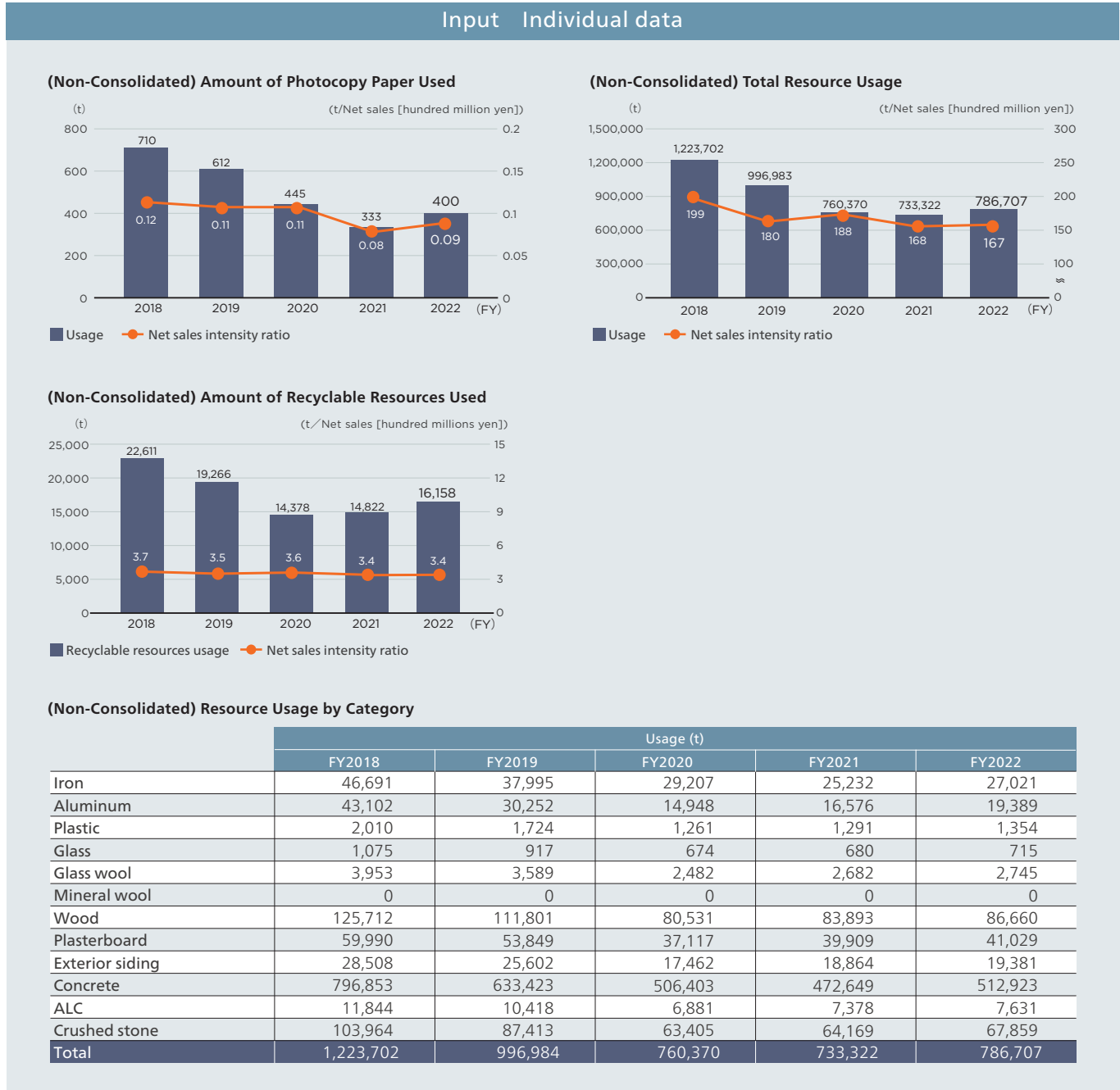
Consolidated Total Greenhouse Gas Emissions throughout the Supply Chain



Environmental Data



Environmental Data



Output Individual data

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

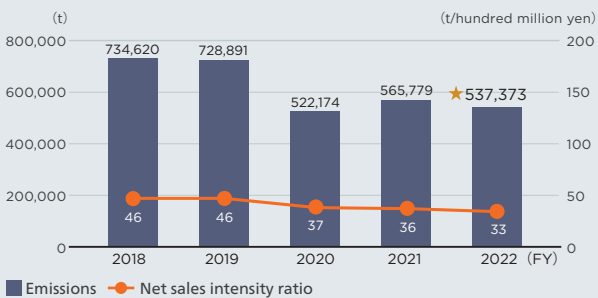
	Emissions (t-CO ₂ e)	As percentage of total
1. Purchased goods and services	★282,645	9%
2. Capital goods	8	0%
3. Fuel- and energy-related activities not included in Scope 1 or 2	4,208	0%
4. Upstream transportation and distribution	12,855	0%
5. Waste generated in operations	★20,884	1%
6. Business travel	★7,391	0%
7. Employee commuting	3,294	0%
8. Upstream leased assets	★70,141	2%
9. Downstream transportation and distribution	0	0%
10. Processing of sold products	0	0%
11. Use of sold products	★2,903,607	88%
12. End of life treatment of sold products	0	0%
13. Downstream leased assets (E1 building common areas, and exclusive area not held by the Daito Group)	654	0%
14. Franchises	9	0%
15. Investments	0	0%
Total	3,305,698	—

Calculation Methods of Greenhouse Gas Emissions by Category (Scope 3)

Calculated based on "Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain Ver. 2.5"

C1	Purchased raw materials weightx emission factor + price of purchased products and services other than raw materials x emission factor
C2	Price of capital goods x emission factor
C3	Amount of purchased fuel and electricity x emission factor
C4	Fuel usage x emission factor
C5	Waste emissions by type/processing method x emission factor
C6	Transportation costs by means of transportation x emission factor
C7	Employee commuting expenses x emission factor
C8	Number of managed propertiesxCommon area electricity consumption x emission factor
C9	Not subjected to calculation
C10	Not subjected to calculation
C11	Number of completed units (including ZEH)x CO ₂ reduction rate by building gradexannual energy type CO ₂ emissions (FY 2020, Ministry of the Environment) per household by construction method of housing complex emissions
C12	Not subjected to calculation
C13	Amount of electricity purchased for managed properties x emission factor
C14	Amount of fuel and electricity purchased by franchisees x emission factor
C15	Not subjected to calculation

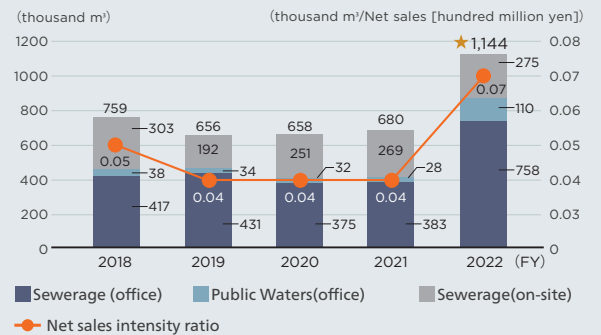
(Consolidated, Domestic Only*) Total Emissions for Industrial Waste and Net Sales Intensity Ratio



*In FY2022, the scope of calculation has been retroactively changed from those non-consolidated to those consolidated and domestic only.

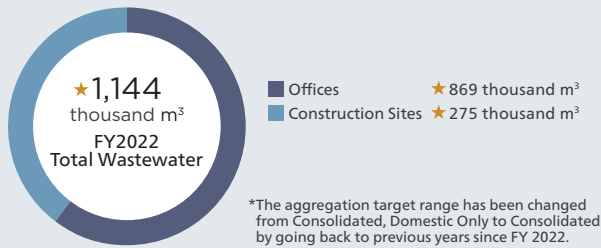
*1 No industrial waste overseas

(Consolidated) Total Wastewater



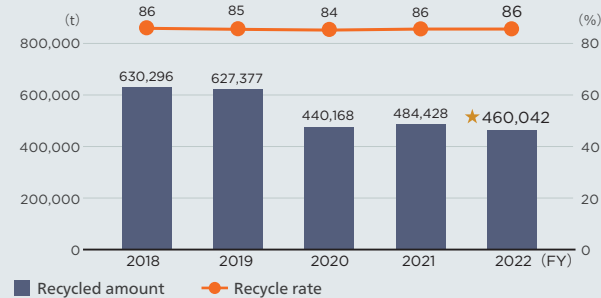
*The aggregation target range has been changed from Consolidated, Domestic Only to Consolidated by going back to previous years since FY 2022.

(Consolidated) Wastewater by Site



*The aggregation target range has been changed from Consolidated, Domestic Only to Consolidated by going back to previous years since FY 2022.

(Consolidated, Domestic Only*) Recycled amount of waste & Recycle rate



*In FY2022, the scope of calculation has been retroactively changed from those non-consolidated to those consolidated and domestic only.

*1 No industrial waste overseas

Output Individual data

(Consolidated, Domestic Only) Total Emissions, Recycled Amount, Final Disposal Amount, and Recycle Rate for General Waste by Category

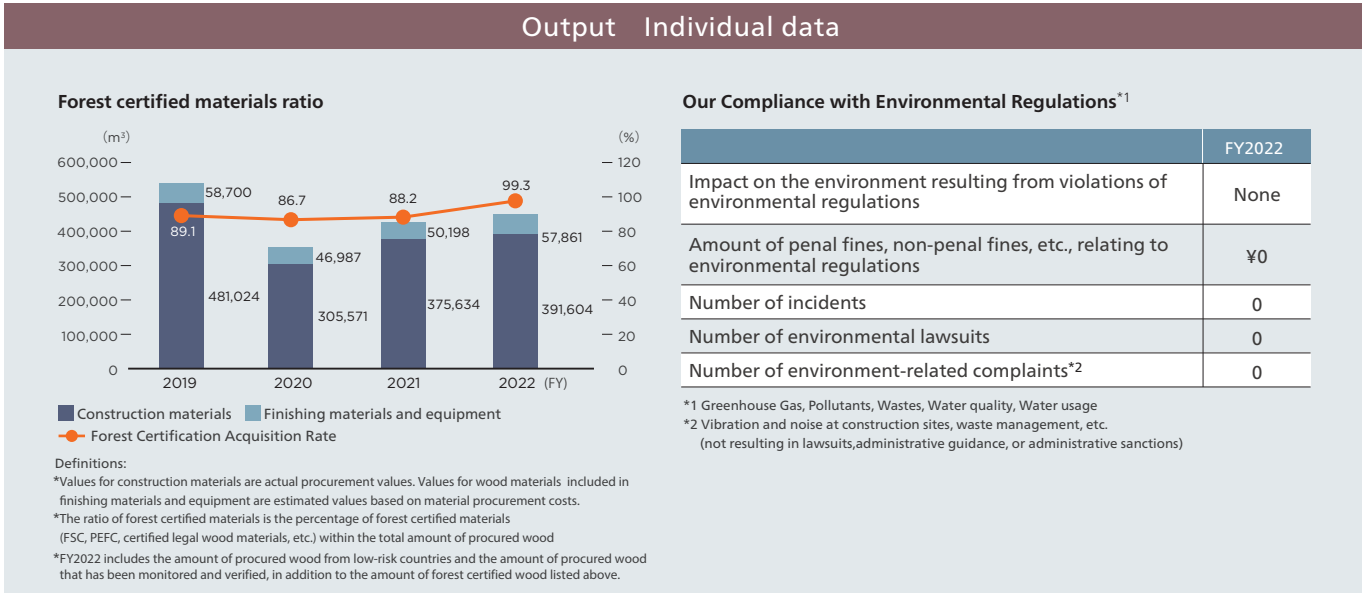
	FY2020				FY2021				FY2022			
	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate
Copy and printer paper /high-quality paper	1	1	0	100%	1	1	0	100%	2	2	0	91%
Newspapers	3	2	0	82%	4	4	0	98%	6	6	0	98%
Magazines	42	17	26	40%	31	23	8	75%	42	37	5	88%
Cardboard boxes	101	79	22	78%	87	70	17	80%	83	60	23	72%
Mixed paper	225	164	60	73%	253	179	74	71%	274	206	68	75%
Kitchen and miscellaneous waste	947	2	945	0%	961	2	958	0%	1,069	3	1,066	0%
Glass bottles/jars	14	14	0	100%	11	10	0	98%	10	10	0	99%
Cans	7	4	3	59%	7	3	4	47%	8	4	4	49%
Plastic bottles	9	4	6	37%	10	3	7	33%	11	4	8	34%
Polystyrene	1	0	1	13%	0	0	0	100%	0	0	0	90%
Plastic waste	27	20	6	77%	30	26	4	86%	38	31	7	81%
Lunch box packaging, etc.	1	0	1	0%	1	0	1	1%	0	0	0	0%
Waste oil	0	0	0	-	0	0	0	-	0	0	0	-
Bulky refuse	104	0	104	0%	60	8	52	13%	40	3	37	7%
Sludge	-	-	-	-	-	-	-	-	-	-	-	-
Dry battery	-	-	-	-	-	-	-	-	0	0	0	0%
Total	1,482	308	1,174	21%	1,457	331	1,126	23%	★1,585	★366	★1,219	23%

(Consolidated, Domestic Only*) Total Emissions, Recycled Amount, Final Disposal Amount, and Recycle Rate for Industrial Waste by Category

	FY2020				FY2021				FY2022			
	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate	Total emissions (t)	Recycled amount (t)	Final disposal amount (t)	Recycle rate	★Total emissions (t)	★Recycled amount (t)	★Final disposal amount (t)	Recycle rate
Construction sludge	19,980	19,979	1	100%	15,291	15,291	0	100%	14,819	14,819	0	100%
Waste alkalis	0	0	0	-	0	0	0	-	0	0	0	-
Plastic waste	58,201	39,226	18,975	67%	59,766	40,715	19,052	68%	62,955	42,898	20,057	68%
Paper waste	12,777	11,974	803	94%	12,370	11,524	847	93%	13,167	12,405	761	94%
Waste wood	99,792	96,909	2,883	97%	106,066	104,516	1,551	99%	95,966	94,573	1,393	99%
Waste textiles	975	809	165	83%	965	748	217	76%	862	656	206	76%
Waste drywall boards	16,564	14,673	1,892	89%	30,914	27,314	3,600	88%	17,448	15,119	2,329	87%
Waste metal	19,281	18,927	354	98%	22,871	22,635	235	99%	19,667	19,527	140	99%
Glass and ceramic waste (including concrete)	32,044	13,741	18,302	43%	36,228	13,632	22,596	38%	32,925	13,847	19,079	42%
Rubble (asphalt concrete, concrete, and others)	256,248	223,539	32,709	87%	274,134	247,881	26,254	90%	268,584	246,181	22,403	92%
Others(asbestos-containing material,mercury, and others)	6,313	391	5,922	6%	7,174	173	7,001	2%	10,980	17	10,963	0%
Total	522,174	440,168	82,006	84%	565,779	484,428	81,352	86%	537,373	460,042	77,331	86%

*No industrial waste overseas

Environmental Data



Employment

Item	Unit	FY2020	FY2021	FY2022	Scope
Number of employees*1	Persons	17,422	17,650	17,851	Consolidated
Number of temporary workers	Persons	4,127	4,135	4,159	Consolidated
Average age	Age	43.5	43.7	43.9	Non-consolidated
Average length of employment	Years	9.9	10.4	10.7	Non-consolidated
Turnover rate (for personal reasons)	%	11.0	11.9	12.3	Non-consolidated
Average annual salary	Thousand yen	7,832	8,280	8,490	Non-consolidated
Gender wage gap*2	%	-	-	68.6	Non-consolidated
Ratio of mid-career hires	%	73.1	77.6	89.4	Non-consolidated
Ratio of mid-career hires(male)	%	81.9	84.2	78.1	Non-consolidated
Ratio of mid-career hires (female)	%	18.1	15.8	21.9	Non-consolidated
Number of new graduate hires (total)*4	Persons	388	417	217	Three main companies*3
Number of new graduate hires (male)*4	Persons	250	262	138	Three main companies
Number of new graduate hires (female)*4	Persons	138	155	79	Three main companies

*1 Showing number of employment
*2 Percentage of female employees when average annual income of male employees set to 100%
*3 Three companies of Daito Trust Construction Co., Ltd., Daito Kentaku Partners Co., Ltd., and Daito Kentaku Leasing Co., Ltd
*4 Actual results as of April 1 of the fiscal year

Diversity&Inclusion,Health and Productivity Management

Item	Unit	FY2020	FY2021	FY2022	Scope
Total working hours	Hours	2,060.4	2,168.2	2,186.6	Non-consolidated
Overtime working hours(Monthly average)	Hours	14.6	16.7	16.8	Non-consolidated
Percentage of male employees taking childcare leave*5	%	114.5	106.6	119.1	Non-consolidated
Percentage of female workers	%	14.8	14.8	15.6	Non-consolidated
Percentage of female workers employed	%	19.6	18.3	22.4	Non-consolidated
Percentage of female management personnel*6	%	4.6	4.8	5.1	Non-consolidated
	%	(4.9)	(5.1)	(5.6)	Non-consolidated
Percentage of female directors*7	%	8.3	7.1	7.1	Non-consolidated
Employment rate of people with disabilities	%	2.95	3.04	3.07	Daito Group
Rate of health checkups participation	%	100	100	100	Non-consolidated
Rate of health checkup secondary examination participation*8	%	67.9	65.0	100	Non-consolidated
Stress Check Examination Rate	%	90.3	90.9	95.5	Non-consolidated
Percentage of smokers	%	40.9	38.9	37.8	Non-consolidated

*5 Number of male employees who took childcare leave during FY2022/Number of male employees who had baby during FY2022
*6 Numbers inside parentheses are actual results of April 1st, the next day of the year end, FY2020 as of 4/1/2021, FY2021 as of 4/1/2022, FY2022 as of 4/1/2023
*7 The executive officers are not included
*8 Due to COVID-19, health checkup secondary examination participation rate was declined during FY2020 and FY2021

Number of Qualification Holders*9

Item	Unit	FY2020	FY2021	FY2022	Scope
First-class architect	Persons	1,413	1,383	1,341	Three main companies*10
Second-class architect	Persons	1,348	1,334	1,322	Three main companies
First-class architectural construction management engineer	Persons	1,968	1,957	1,937	Three main companies
Second-class architectural construction management engineer	Persons	438	431	441	Three main companies
Real estate transaction specialist	Persons	2,499	2,566	2,759	Three main companies
Rental real estate business manager	Persons	1,381	1,475	1,646	Three main companies
Administrative operations chief	Persons	238	242	243	Three main companies
Surveyor	Persons	25	25	24	Three main companies
Land and House Investigator	Persons	7	7	7	Three main companies
Real estate appraiser	Persons	1	1	1	Three main companies
Certified Public Accountant	Persons	3	3	4	Three main companies
Certified tax accountant (all subjects)	Persons	3	4	5	Three main companies
Lawyer	Persons	6	6	6	Three main companies
Labor and social security consultant	Persons	20	20	20	Three main companies
Administrative Scrivener	Persons	31	32	33	Three main companies
Applied information engineer	Persons	24	26	28	Three main companies

*9 Number of acquirers incudes successful applicants of certificate examinations
*10 Three companies of Daito Trust Construction Co., Ltd., Daito Kentaku Partners Co., Ltd., and Daito Kentaku Leasing Co., Ltd

Employee Engagement Survey**11

Item	Unit	FY2020	FY2021	FY2022	Scope
Engagement score (T-score)	—	—	54.8	57.2	Three main companies*12
	—	—	53.8	56.6	Non-consolidated

*11 Survey has been executed since 2021 through Engagement Survey by Link and Motivation Co., Ltd. using assessment and deviation value along with our own calculation standards.
*12 Three companies of Daito Trust Construction Co., Ltd., Daito Kentaku Partners Co., Ltd., and Daito Kentaku Leasing Co., Ltd

Occupational Health and Safety

Item	Unit	FY2020	FY2021	FY2022	Scope
Number of labor accidents at construction sites (Absence for 4 days or more)	Cases	26	19	22	Non-consolidated
Number of labor accidents at construction sites (Absence for 1 day or more)	Cases	32	19	25	Non-consolidated
Number of labor accidents at construction sites (No absence)	Cases	18	18	22	Non-consolidated
Number of casualties from labor accidents at construction sites	Cases	1	0	2	Non-consolidated
Frequency of labor accidents at construction sites*13(Absence for 4 days or more)	%	1.75	1.25	1.37	Non-consolidated
Frequency of labor accidents at construction sites*13(Absence for 1 day or more)	%	2.15	1.25	1.56	Non-consolidated
Response rate of safety confirmation training	%	98.8	96.5	98.1	Daito Group

*13 Frequency rate shows number of casualties from labor accidents per million working hours and frequency of labor accident occurrence (calculated eight hours per person)

Feedback from Customers (Questionnaire)

Item	Unit	FY2020	FY2021	FY2022	Scope
Satisfaction rate at completion	%	84.0	84.3	85.1	—
Satisfaction rate for tenants	%	80.0	78.9	79.1	—

Relationship with Partner Companies

Item	Unit	FY2020	FY2021	FY2022	Scope
Number of real estate partner companies	Branch	13,139	13,188	13,260	—
Number of design and construction partner companies	Company	8,976	9,174	9,894	—

Relationship with Local Residents

Item	Unit	FY2020	FY2021	FY2022	Scope
Number of community engagement activities executed*14	Cases	147	211	276	Non-consolidated
Number of employees participating in the Daito Group Mirai Fund*15	Persons	4,927	4,028	3,792	Non-consolidated
Donation amount of the Daito Group Mirai Fund	Thousand yen	4,139	3,296	3,180	Daito Group
Number of support organization of the Daito Group Mirai Fund	Bace	16	16	14	Daito Group

*14 Activities that aim at regional vitalization and solving regional issues by participating in community volunteer activities and partnering with local government and regional organizations.
As of December 28, 2022, transferred to SDGs Award Regional Communication Department, our own program that recruits and implements ideas that contribute to solving regional issues in the area.
*15 Employee donation program that supports non-profit organizations engaging in regional revitalization and disaster recovery.

FY2022 Beneficiary Organizations of the Daito Group Mirai Fund



























Beneficiary Organizations	Benefited Activities
Certified NPO Japan Rescue Association	Training and dispatching disaster rescue dogs and therapy dogs
ARTS for HOPE	Supporting traumatized children through art activities
Public Interest Incorporated Association Aso Green Stock	Nature conservation and agricultural experience projects in the Aso region of Kumamoto
NPO Compass Society	Providing work opportunities and support for people with intellectual disabilities
NPO Niwatori Society	Supporting Children Grown Up in Multilingual Environment
NPO Japan Adventure Playground Association	Supporting in creation of adventure play-grounds nationwide
NPO Minato Rugby School	Healthy development for children and community promotion activities through Rugby
NPO STARS	Supporting persons with disabilities, after-school day care services
Yuriagekamome	Telling live lessons from the Great East Japan Earthquake and spreading needs of Disaster Prevention Education
NPO Heart Space	Creating caring spaces where both people with disabilities and healthy people can enjoy living together.
NPO Plus Arts	Helping disaster prevension activities to be rooted in the community
NPO Free The Children Japan	Conducting awareness programs for children to free from poverty and discrimination
Public Interest Incorporated Association Kyusyu Guide Dog Association	Breeding and training of guide dogs
NPO ACE	Supporting children and youth to build their life and society by their own will

Corporate Governance					
Item	Unit	FY2020	FY2021	FY2022	Scope
Ratio of outside directors	%	33.3	36.4	36.4	Non-consolidated
Average age of directors (inside)	Age	56.3	56.4	57.4	Non-consolidated
Average age of directors (outside)	Age	64.0	62.8	63.8	Non-consolidated
Number of Board of Directors meetings	Times	13	13	14	Non-consolidated
Attendance rate at Board of Directors meetings	%	91.7	91.8	99.5	Non-consolidated
Number of Governance Committee meetings	Times	10	12	12	Non-consolidated
Attendance rate at Governance Committee meetings	%	91.4	90.6	97.9	Non-consolidated
Number of Nominating and Remuneration Committee meetings	Times	—	2	11	Non-consolidated
Attendance rate at Nominating and Remuneration Committee meetings	%	—	100	98.2	Non-consolidated

Compliance					
Item	Unit	FY2020	FY2021	FY2022	Scope
Number of compliance training sessions	Times	4	7	6	Daito Group
Ratio of compliance penetration*1	%	88.3	86.2	86.9	Daito Group
Number of whistleblower reports (including requests for consultation)	Cases	294	327	368	Daito Group
Number of compliance promotion meetings*1	Times	9	3	6	Daito Group
Number of major compliance violations	Cases	0	0	1*2	Daito Group

*1 Actual results of non-consolidated before FY2021

*2 Improper accounting treatment

<div>FTSE Blossom Japan Sector Relative Index</div> <div>Re-selected as constituent in August 2022</div> <div> FTSE Blossom Japan Sector Relative Index</div>	<div>S&P/JPX Carbon Efficient Index</div> <div>Have been selected since 2018</div> <div></div>	<div>Eco-First</div> <div>Certified in October 2020</div> <div></div>	<div>SOMPO Sustainability Index</div> <div>Selected in June 2023</div> <div></div>
<div>SBT</div> <div>Certified in January 2019</div> <div> SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</div>	<div>RE100</div> <div>Joined in January 2019</div> <div> RE100  CLIMATE GROUP  CDP</div>	<div>TCFD</div> <div>Declared endorsement in April 2019</div> <div> TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</div>	<div>EP100</div> <div>Joined in August 2020</div> <div></div>
<div>Japan Climate Initiative (JCI)</div> <div>Endorsed in September 2018</div> <div></div>	<div>30by30 Alliance</div> <div>Endorsed in April 2022</div> <div></div>	<div>Green Transformation (GX) League</div> <div>Joined since its inauguration in 2022</div> <div></div>	<div>United Nations Global Compact</div> <div>Signed in June 2023</div> <div></div>
<div>CDP (International Environmental Non-profit Organization)</div> <div>Selected for Supplier Engagement Leader in March 2023 (2 years in a row)</div> <div></div>	<div>Received the Director General of the Forestry Agency Award on domestic wood usage promotion initiatives</div> <div>(by Japan Council for Advancement of Timber Utilization) Received in November 2022</div> <div></div>	<div>Received The 2nd PHASE FREE AWARD Audience Award</div> <div>(by General Incorporated Association PHASE FREE ASSOCIATION) Received in September 2022</div> <div></div>	<div>Received The 5th EcoPro Awards</div> <div>(by General Incorporated Association Sustainable Management Promotion Organization) “Bo-Ku Lab Rent nimo” received in September 2022</div> <div></div>
<div>Business for Marriage Equality</div> <div>A campaign to visualize companies that endorse Marriage Equality (legalized same-sex marriage) jointly operated by three non-profit organizations in Japan Endorsed in August 2023</div> <div></div>	<div>EqualityActJapan</div> <div>A global signature-collecting campaign collaboratively operated by “Japan Alliance for LGBT Legislation,” Global Human Rights NGO “Human Rights Watch,” and “Athlete Ally” Endorsed in August 2023</div> <div></div>	<div>D&I AWARD 2022 certified for Best Workplace</div> <div>(by JobRainbow Co.,Ltd) Certified in February 2023</div> <div></div>	<div>Received Silver Certification PRIDE Index 2022</div> <div>(by General Incorporated Association work with Pride) Received in November 2022(2years in a row)</div> <div></div>
<div>Hataraku Yell 2023 Received Excellent Welfare Corporation Category Award</div> <div>(by Employee Benefits Award & Certification System Executive Committee) Received in March 2023</div> <div></div> <div><small>*Daito Kentaku Partners Co., Ltd. (Welfare Promotion Corporation)</small></div>	<div>Best Motivation Company Award 2023</div> <div>(by Link and Motivation Inc.) Received in March 2023</div> <div></div>	<div>Health Management Excellent Corporation</div> <div>(by Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi) Certified in March 2023 <small>*Daito Kentaku Partners Co., Ltd. and Daito Corporate Service Co., Ltd. were certified for White 500</small></div> <div></div>	<div>Sports Yell Company (Japan Sports Agency)</div> <div>Certified in February 2023 (5 years in a row, Bronze)</div> <div></div> <div><small>*Daito Kentaku Partners Co., Ltd. has been certified for Bronze+ (5 years in a row), and Daito Kentaku Leasing Co., Ltd, Gaspal Corporation, and Daito Corporate Service Co., Ltd. have also been certified as Sports Yell</small></div>