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Corporate Governance Report

CORPORATE GOVERNANCE

Daito Trust Construction Co., Ltd.

Last Update: June, 27, 2025

Daito Trust Construction Co., Ltd.

Kei Takeuchi, President and Representative Director, Chief Executive Officer

Contact: 16-1, Konan 2-chome, Minato-ku, Tokyo

Securities code: 1878

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

The corporate governance of [Company name] (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

The basic policy and purpose of the Company’s corporate governance are to maximize corporate value for shareholders and all other stakeholders and to improve the efficiency and transparency of management. To this end, the Company strives to thoroughly instill corporate ethics and law observance, develop and strengthen its internal control systems, and ensure objectivity and prompt decision-making in management as its main issues.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company fully implements each of the Corporate Governance Code’s principles.

Disclosure Based on each Principle of the Corporate Governance Code

The Company’s initiatives and policies towards these initiatives in accordance with the 83 principles (general principles, principles, and supplementary principles) of the Corporate Governance Code, including items for disclosure based on the Code, are posted in “The Company’s Initiatives Related to the Corporate Governance Code” on the Company’s website indicated below. An English version of “The Company’s Initiatives Related to the Corporate Governance Code” is available on the English-language page of the website.

- “The Company’s Initiatives Related to the Corporate Governance Code”:

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

- “The Company’s Initiatives Related to the Corporate Governance Code” (English):

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

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure

Disclosure of Initiatives (Update)

Availability of English Disclosure

Available

Date of Disclosure Update

July,01,2025

Explanation of Actions

For more information on this response, please refer to the “The Company’s Initiatives Related to the Corporate Governance Code”

- “The Company’s Initiatives Related to the Corporate Governance Code”:

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

- “The Company’s Initiatives Related to the Corporate Governance Code” (English):

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

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,674,100	16.03
STATE STREET BANK AND TRUST COMPANY 505001	3,825,114	5.75
HIKARI TSUSHIN, INC.	3,598,816	5.41
Custody Bank of Japan, Ltd. (Trust account)	3,349,110	5.03
JPMorgan Securities Japan Co., Ltd.	1,731,288	2.60
Co-op Suppliers' Stock Holding	1,634,905	2.46
Daito Trust Construction Employees' Shareholding Association	1,534,137	2.30
STATE STREET BANK WEST CLIENT – TREATY 505234	1,417,955	2.13
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,346,000	2.02
STATE STREET BANK AND TRUST COMPANY 505103	1,201,677	1.81

Name of Controlling Shareholder, if applicable (excluding Parent Companies)

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Name of Parent Company, if applicable

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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Real Estate
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have a Material Impact on Corporate Governance

The Company does not have any listed subsidiaries.
(Housecom Co., Ltd., a listed subsidiary, became a wholly owned subsidiary in February 2025.)

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	14
Election of Outside Directors	Elected
Number of Outside Directors	7
Number of Independent Directors	7

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Atsushi Iritani	Lawyer											○
Junko Owada	From another company											○
Koichi Abe	From another company											○
Kyoko Asakawa	From another company											○
Masa Matsushita	Lawyer											○
Kenji Kobayashi	CPA											○
Chieko Ouchi	From another company											○

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Atsushi Iritani		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function.</p> <p>The Company appointed Mr. Iritani as director, judging that his advanced expertise as a lawyer familiar with crisis management operations such as financial legal affairs and compliance, and abundant experience as a certified public accountant will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Junko Owada		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function.</p> <p>The Company appointed Ms. Owada as director, judging that her extensive knowledge of the development and utilization of "HR Tech," as well as her abundant experience working as an advisor and outside director for listed companies, will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] She meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Koichi Abe		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the company's management monitoring function.</p> <p>The Company appointed Mr. Abe as director, judging that the experience he acquired during his many years as a corporate manager, where he engaged in and contributed to the steady implementation of the company's management vision and medium- to long-term growth strategies, will be reflected in the monitoring of the Company's</p>

				<p>management.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Kyoko Asakawa		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Ms.Asakawa as director, judging that her extensive experience and insight in administrative policy, along with her active involvement in the development of Japan's agriculture, forestry, and fisheries industries and the promotion of sustainability, will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] She meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Masa Matsushita	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Mr. Matsushita as director, judging that his specialized knowledge regarding corporate legal affairs and finance as a lawyer, and extensive experience and insight as a corporate manager will be reflected in the Company's audits.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Kenji Kobayashi	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Mr. Kobayashi as director, judging that his specialized knowledge regarding finance and accounting as a certified public accountant, extensive experience and</p>

				<p>insight as a corporate manager will be reflected in the Company's audits.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Chieko Ouchi	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function. The Company appointed Ms. Ouchi as director, judging that her extensive knowledge of improving corporate value, including work environment transform and improving the value of human resources, as well as her abundant experience in proactively promoting women's participation in the workforce, will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] She meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	4	1	1	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

Appointments and transfers of staff who assist the Audit & Supervisory Committee with their duties shall be made with the consent of the Audit & Supervisory Committee. In addition, if the staff concurrently serves another department, priority will be given to assisting the duties of the Audit & Supervisory Committee Members.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

The Audit & Supervisory Committee receives periodic reports from Ernst & Young ShinNihon LLC, the accounting auditor of the Company, regarding the audit system, audit plans, audit implementation status, quarterly reviews, etc., and exchanges opinions.

The Audit & Supervisory Committee exchanges opinions with the internal audit department on audit plans, audit results, etc. as appropriate, and cooperates with the finance and accounting department and the internal control department.

Voluntary Established Committees

Voluntary Establishment of Committees equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committees, Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Remuneration Committee	5	0	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nominating and Remuneration Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has established the Nominating and Remuneration Committees (chaired by an Outside Director) comprising Representative Directors and all Outside Directors who are not Audit & Supervisory Committee Members.

The Nominating and Remuneration Committees aggregates evaluation results and conducts individual interviews in the evaluation system for Executive Directors, offers opinions in response to inquiries regarding proposals for the management structure for the next year, candidates for Directors, as well as proposals for the performance-linked remuneration for Executive Directors, and considers and offers advice on the corporate governance structure.

The results of mutual evaluation of Executive Directors aggregated and confirmed by the Nominating and Remuneration Committees are reflected in remuneration of Directors (excluding Outside Directors).

Matters Concerning Independent Directors

Number of Independent Directors	7
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Other Matters Concerning Independent Directors

The Company's Outside Directors fulfill independence standards established by the Tokyo Stock Exchange and the Nagoya Stock Exchange, as well as "Standards for the Independence of Outside Officers of the Company," and all Outside Directors are designated as Outside Officers.

"Standards for the Independence of Outside Officers of the Company" are stated in "2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)" below.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme

Supplementary Explanation for Applicable Items

The 51th Ordinary General Meeting of Shareholders held on June 26, 2025, resolved to change a part of stock compensation plan. Refer “Director Remuneration” below for details.

Persons Eligible for Stock Options

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Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Director's Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

Details of remuneration, etc., of the Company's Directors (most recent fiscal year)

Directors: 7 persons (excluding Outside Directors); Total amount: 824 million yen (basic remuneration 369 million yen, Stock compensation 166 million yen, bonus 288 million yen)

Outside Directors: 7 persons; Total amount: 111 million yen (basic remuneration 108 million yen, Stock compensation 2 million yen)

The Securities Report and Business Report with the above information are available on the Company's website.

Consolidated remuneration, etc., of each of the Company's officers (most recent fiscal year)

Kei Takeuchi (Director) Total amount: 214 million yen (basic remuneration 92 million yen, stock compensation 51 million yen, bonus 70 million yen)

Yoshihiro Mori (Director) Total amount: 120 million yen (basic remuneration 48 million yen, stock compensation 27 million yen, bonus 43 million yen)

Yutaka Amano (Director) Total amount: 109 million yen (basic remuneration 44 million yen, stock compensation 21 million yen, bonus 42 million yen)

Yoshimasa Tanaka (Director) Total amount: 107 million yen (basic remuneration 42 million yen, stock compensation 21 million yen, bonus 42 million yen)

(Note) Amounts are shown only for officers whose consolidated remuneration, etc., is 100 million yen or more.

The percentage of fixed remuneration (basic remuneration) such as consolidated remuneration, etc. and performance-linked remuneration (stock compensations/bonuses) of the Company's Directors (excluding Outside Directors) based on the payment amount in the most recent fiscal year are as follows:

Representative Director	Fixed remuneration: 43%	Performance-linked remuneration: 57%
Directors	Fixed remuneration: 45%	Performance-linked remuneration: 55%

Policy on Determining Remuneration Amounts and Calculation Methods

Established

1. Basic policy for remuneration of officers

Regarding remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company, we shall make a simple remuneration plan with the function of incentives contributing to mid- to long- term enhancement of corporate value to achieve the Company's management policy. At the same time, remuneration requires a level to maintain the speed of corporate reform of the Company and to gain and maintain excellent human resources to contribute to sustainable growth. Specifically, the basic policy is as follows:

- Incentive systems to strongly promote the achievement of the Company's management policy
- Strengthening the awareness of contribution to improvement in corporate performance and enhancement of corporate value
- Sharing of common interests with shareholders and investors
- Competitive compared with the remuneration level of similar scale enterprises in Japan and at a level to gain and maintain excellent human resources
- Remuneration determination process with high transparency and objectivity and fulfilling accountability to stakeholders

2. Remuneration level

Remuneration level shall be set to be competitive by researching and analyzing the level of benchmark enterprises and utilizing the database of external research institutions, while considering the Company's management conditions, etc.

3. Composition of Remuneration

Based on the basic policy above, the composition of remuneration focuses on incentives. Specifically, the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors; hereinafter referred to as "Executive Directors") is composed of basic remuneration, bonuses on performance and stock compensation and its proportion is 1 : 0.6 : 1 (in case of 100% of achievement rate for performance targets). In the future, the target proportion is 1 : 2-3 : 2-3.

Meanwhile, for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter the same applies), remuneration is composed of basic remuneration and stock compensation. However, remuneration is not linked to performance considering their roles are to supervise the business executors appropriately.

(Basic remuneration)

For Executive Directors, basic remuneration based on job titles is granted monthly. For Outside Directors, basic remuneration based on their duties is granted monthly.

(Bonuses on performance)

Bonuses on performance are granted during the specified period annually as short-term incentives in each fiscal term according to the achievement rate of targets with the range of 0% to 130%. However, the bonuses shall be granted within the ranges of multiplying the consolidated profit (profit attributable to owners of parent) by a specific ratio to share common interests with shareholders. The bonuses are not payable if consolidated profit for the fiscal year under review falls short of 50.0 billion yen.

The indicators to measure the achievement of targets will be selected considering the mid- term management plan and materiality. We will pay attention to make the incentives appropriate for achievement of the mid- term management plan and materiality by adopting non-financial indicators and individual evaluations besides financial indicators.

(Stock compensation)

Stock compensation shall be granted for the purposes of promoting incentive for enhancement of mid- to long term corporate performance and corporate value of the Daito Group and the awareness of sharing common interests with our shareholders.

Specifically, stock compensation of Executive Directors is comprised of a performance-linked portion and a non-performance-linked portion. For the performance-linked portion, points to be determined based on job titles are granted every year and the points fluctuate within the range of 0% - 150% according to the achievement level of targets and the stock is granted according to the points during the specific period after the expiry of the Covered Period corresponding to a medium-term management plan. For the non-performance-linked portion, points to be determined based on job titles are granted every year and the stock is granted according to cumulative points upon retirement of the position. In addition, points are granted to Executive Directors when certain conditions set by the Company based on the medium-term management plan are met.

The indicators to measure the achievement of targets will be selected considering the mid- term management plan and materiality. We will pay attention to make the incentives appropriate for achievement of the mid- term management plan and materiality by adopting non-financial indicators besides financial indicators.

In addition, for Executive Directors, possession of the Company's stock equivalent to (annual) basic remuneration or more (including potentially possessed stock) is recommended in principle within five years after assuming the position.

Stock compensation of Outside Directors shall be non-performance-linked and fixed in consideration of their roles.

4. Determination process of remuneration

The Company established the Nominating and Remuneration Committee as an advisory organ for the Board of Directors to secure the properness and transparency of remuneration, etc. of Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter the same applies).

Determination policy for remuneration, etc. of individual Directors (including remuneration level, remuneration composition,

and the setting of targets for performance-linked remuneration) is determined by the Board of Directors through sufficient deliberations by the Nominating and Remuneration Committee.

The amount of remuneration of individual Directors is determined by President and Representative Director entrusted by the Board of Directors based on the determination policy. Specifically, for the non-performance linked portion of basic remuneration and stock compensation, the Nominating and Remuneration Committee makes a draft of remuneration amounts and President and Representative Director determines the amount. For the performance-linked portion, the individual remuneration amounts are determined by applying calculation formula after the evaluation of each Executive Director relating to the performance-linked portion is deliberated by the Nominating and Remuneration Committee and President and Representative Director received recommendations from Nominating and Remuneration Committee.

5. Forfeiture, etc. of remuneration, etc.

In case of the resolution of the Board of Directors for retrospective amendment to account settlement due to material error or misconduct in accounting, or the judgement of the Board of Directors to admit the occurrence of material violation of the delegation contracts between the Company and the Director during the Director's office, the Nominating and Remuneration Committee is consulted by Board of Directors, and deliberates whether to confiscate all or part of the right to receive bonuses or stock compensation or not, whether to demand the return of all or part of the granted bonuses and stock compensation or not, and shall make recommendations to the Board of Directors based on the result. In addition, if a Director move to competing company without the Company's permission, the Nominating and Remuneration Committee will be consulted by the Board of Directors, and shall deliberate whether to demand the return of all or part of stock compensation or not, and shall make recommendations to the Board of Directors based on the result.

The Board of Directors shall resolve whether to confiscate all or part of the right to receive bonuses or stock compensation or not, whether to demand the return of all or part of the granted bonuses and stock compensation to the Director or not, considering the recommendation results from Nominating and Remuneration Committee.

Support System for Outside Directors

Directors submit requests to the related departments and responsible Directors for information and materials required for the performance of their duties. Departments and responsible Directors requested to provide information are required to provide information and materials based on these requests, as appropriate. In addition, the secretariat for the Board of Directors assists Directors in the gathering of such information.

In addition, a system has been developed to make it easier for Outside Directors to obtain internal information, with a briefing held on agenda items to be discussed at meetings of the Board of Directors. Monthly liaison conferences are held to inform Outside Officers of working-level matters. The smooth provision of information requested by individual Directors is confirmed at regular intervals as an evaluation item related to the effectiveness of the Board of Directors.

The secretariat for the Audit & Supervisory Committee has been established as a support organization for the Audit & Supervisory Committee. Audit & Supervisory Committee Member assistants have been appointed to the secretariat.

Status of Persons who have Retired as Representative Director and President, etc.

Other Related Matters

The Company has not had consultants or advisors since its founding.

The Company has developed and put in practice a structure so that Directors who retire or resign do not take any positions within the Daito Group including consultants or advisors.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Corporate management organization related to decision-making, execution and supervision in the company's management, and other corporate governance systems

In June 2023, the Company became a company with an audit & supervisory committee. This action is intended to clarify responsibilities for managerial decision-making, supervision and business execution, leading to stronger supervision and speedy decision-making.

The Board of Directors, comprising 14 Directors (including seven Outside Directors), decides monthly on matters stipulated in laws and regulations and the Articles of Incorporation and other important matters involving the Company and affiliated companies.

The Executive Management Meeting, comprising Directors and members nominated by the chairman from among the Executive Officers who exercise authority based on division of duties, meets twice a month to deliberate and make resolutions regarding discussions on countermeasures to address individual specific problems and issues on business execution.

In addition to the above-mentioned major meeting bodies, the Company has the Nominating and Remuneration Committees and the Governance Committee as voluntary committees. Both committees are chaired by the Lead Independent Outside Director who was selected through a mutual election by the four Independent Outside Directors.

The Nominating and Remuneration Committees are composed of Representative Director and four Outside Directors who are not Audit & Supervisory Committee Members, and efforts are made to curb autocratic decisions by management, including Representative Directors, and strengthen the governance function by having the Nominating and Remuneration Committees participate in consideration of the evaluation of Directors, the management system for the next year, and Directors' performance-linked remuneration.

The Governance Committee is composed of four Internal Directors including Representative Director and seven Outside Directors, and efforts are made to strengthen the supervision function with the Governance Committee focusing on evaluations of the effectiveness of the Board of Directors and deliberations on corporate governance.

(2) Internal control system, internal audits and audits by Audit & Supervisory Committee

In order to monitor the effectiveness and efficiency of internal control, the Internal Audit Division conduct business audits of the actual business implementation status at all Daito Group bases based on the annual plan, and the audit results are reported to top management and Audit & Supervisory Committee. At the departments subject to auditing, the Internal Audit Division not only points out areas for improvement and offers guidance, but also confirms the specific status of business execution and assesses problem areas through interviews with employees, to ensure that highly effective audits are carried out.

The Company has established the Risk Management Committee to appropriately grasp every risk linked to the operations of the Daito Group as a whole and mitigate the frequency of risk occurrence and impact on management. The Company identifies, evaluates and reviews material risks for the Daito Group's management, formulates counter-measures, and regularly monitors the management status. In particular, the Board of Directors intensively monitors material risks for management and businesses and regularly receives status reports. It also obtains reports from the Internal Audit Division when appropriate. This is how the Company promotes a corporate-wide risk response.

The Company has established a contact point for whistleblowing for the entire Group in the department in charge of compliance, an outside law firm and an outsourcing company, and strives for early detection and correction of fraudulent acts, etc.

(3) Relationship of Outside Directors with Internal Control Department

The Outside Directors receive reports and offer opinions on compliance and internal control at the Board of Directors. They also arrange opportunities to exchange information and share awareness with the Compliance Promotion Department in a timely manner.

One of the Outside Audit & Supervisory Committee Member is the Standing Member, who is on duty full time and fully attends meetings of the Board of Directors under a system that enables the Standing Audit & Supervisory Committee Member to carry out checks and controls on the status of business execution as needed in cooperation with the Internal Audit Division, and to monitor the performance of duties by Directors and the implementation status of items decided by the Board of Directors and the Executive Management Meeting.

(4) Status of Outside Directors

The Company has appointed four Outside Directors who are not Audit & Supervisory Committee Members and three Outside Directors who are Audit & Supervisory Committee Members.

The Outside Directors who are not Audit & Supervisory Committee Members are former executives of listed companies and a lawyer with experience as prosecutors who are knowledgeable about human capital management and digital transformation, two of whom are female Outside Director(50%).

The Outside Directors who are Audit & Supervisory Committee Members are comprised of certified public accountants and a lawyer with corporate management experience at other companies and extensive knowledge of finance, accounting, and legal affairs, one of whom is a female Outside Director (33%).

There are no personal or capital relationships between the Outside Directors and the Company.

(5) Appointment Guidelines for Outside Officers

The Daito Group's Outside Officers and candidates for those positions shall satisfy the following criteria set forth by the

Company.

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

(6) Standards for the Independence of Outside Officers of the Company

To ensure the independence of Outside Officers and candidates for those positions, those persons must not fall under any of the following categories. The periods for which these criteria apply are: i) from the unlimited past to the present for Category 1 and ii) from the past 10 years to the present for Categories 2 to 5.

1. Daito Group affiliate

The individual is not a Director (unless an Outside Director), an Audit & Supervisory Board Member (unless an Outside Audit & Supervisory Member), an accounting advisor, an executive officer, or an employee of Daito Trust, one of its subsidiaries (Note 1), or an affiliated company (Note 2).

2. Holder of voting shares

A. The individual is not a major shareholder (holding a 10% or greater share) of Daito Trust or an executive or employee of any of its major shareholders.

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

3. Business partner affiliate

A. The individual is not an executive or employee of a business partner whose transactions with the Daito Group account for 2% or more of consolidated net sales.

B. The individual is not an executive or employee of a financial institution from which the Daito Group borrows capital amounting to 2% or more of Daito Trust's consolidated gross assets.

C. The individual is not an executive or employee of the Daito Group's main securities company.

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

A. The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as the independent auditor.

B. The individual does not receive 10 million yen or more a year from the Daito Group (apart from Director or Audit & Supervisory Board Member compensation) for his/her services as a lawyer, certified public accountant, tax accountant or consultant.

5. Others

A. The individual is not a relative within two degrees of kinship of persons falling under the Categories 1 to 4 above.

B. The individual is not an executive or employee of a company that has one or more Directors holding a post in the Daito Group.

C. The individual is not an executive or employee of a company that holds shares in the Daito Group.

(Note 1) A "subsidiary" refers to a subsidiary company as provided for in Article 8, Paragraph 3 of the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.

(Note 2) An "affiliated company" refers to an affiliated company as provided for in Article 8, Paragraph 5 of the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.

(7) Information disclosure

With regard to information disclosure aimed at ensuring the transparency and objectivity of management, the Company strives to disclose information in a fair and timely manner using various channels, such as posting news releases, holding results briefings and posting monthly financial results, quarterly and full-year results materials and Securities Reports, etc., on the Company's IR website.

In addition, considering the high percentage of foreign holders of the Company's shares, the Company provides English translations of convocation notices for the General Shareholders' Meeting, financial results briefing materials, shareholder notifications, corporate governance reports, integrated reports, etc., as well as carrying out IR measures overseas.

The Company considers information disclosure as one of its most important managements responsibilities and will continue striving to be a company trusted by shareholders and investors.

3. Reasons for Adoption of Current Corporate Governance System

The Company's basic policy is to maximize corporate value for shareholders and all other stakeholders and to improve the transparency and efficiency of management. To this end, the Company became a company with an audit & supervisory committee In June 2023, to clarify responsibilities for managerial decision-making, supervision and business execution, leading to stronger supervision and speedy decision-making.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company sends the convocation notice at least three weeks before the holding of the General Meeting of Shareholders. Furthermore, before the sending date of the convocation notice, the Company discloses Japanese and English versions of the convocation notice on the Company's website, the website of the Tokyo Stock Exchange, and the Electronic Voting Platform.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The General Meeting of Shareholders is scheduled a day before or earlier of the date on which many shareholders' meetings are anticipated to be held every year.
Electronic Exercise of Voting Rights	Exercise of voting rights is enabled via the voting website of the shareholder registry administrator designated by the Company from a computer, or smartphone etc.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has participated in a platform for the digital exercise of voting rights for institutional investors, which is managed by ICJ, Inc., thereby improving the voting environment for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	English summaries of convocation notices are posted on the Company's website and the website of the Tokyo Stock Exchange.
Other	Convocation notices in English and Japanese, scheduling, and voting results are posted on the Company's website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Recognizing information disclosure as one of the most important management issues, the Company complies with all laws and regulations, and strives to promptly disclose information whether positive or negative. The Company works to disclose information broadly and fairly, and avoids selective disclosure of important undisclosed information to particular institutions or individuals.	
Regular Investor Briefings held for Analysts and Institutional Investors	In addition to holding quarterly financial results announcement briefings, we also hold ESG briefings and other briefings at least once a year.	Held
Regular Investor Briefings held for Overseas Investors	The Company makes investor visits and holds briefings three times or more a year in the US, Europe, and Asia.	Held
Online Disclosure of IR Information	IR materials are posted on the Company website, including financial results summaries, news releases, Securities Reports, quarterly reports, financial results briefing materials, integrated reports, FACTBOOK, SUSTAINABILITYBOOK, ESG Data, convocation notices for the General Shareholders' Meeting, and notices of resolution of the meeting.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Planning Division is responsible for IR.	
Other	Mr. Tsukasa Okamoto, Director, Chief Financial Officer is the officer responsible for IR.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The basic policy and purpose of the Company's corporate governance are to maximize corporate value for shareholders and all other stakeholders and to improve the efficiency and transparency of management.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Recognizing that addressing issues of sustainability is an important management issue, the Company has identified the Group's Seven Material Issues and promotes action on them through its business activities.
Formulation of Policies, etc. on Provision of Information to Stakeholders	Details on the Company's sustainability initiatives are disclosed on the Company's website and other forms of media.
Other	With regard to information disclosure aimed at ensuring the transparency and objectivity of management, the Company strives to disclose information in a fair and timely manner using various channels, such as posting news releases, holding results briefings and posting monthly financial results, quarterly and full-year results materials and Securities Reports, etc., on the Company's IR website. In addition, considering the high percentage of foreign holders of the Company's shares, the Company provides English translations of convocation notices for the General Shareholders' Meeting, financial results briefing materials, shareholder notifications, corporate governance reports, integrated reports, etc., as well as carrying out IR measures overseas. The Company considers information disclosure as one of its most important management responsibilities, and will continue striving to be a company trusted by shareholders and investors.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

System to ensure the appropriateness of operations

The mission of the Company group is to “be close with lives of our stakeholders, to be entrusted with their dreams, and to realize them.” We have set out our purpose for the future as the foundation for achieving this mission and further increasing our corporate value.

“Link the Trust to Make a Better Future,” the purpose of the Company group. Based on this purpose, we have established a Basic Policy for the Internal Control System to ensure that all Directors and employees practice the Code of Conduct, maximize human capital to develop business activities and realize a sustainable society, and ensure that operations throughout the Group are conducted appropriately.

(1) System to ensure that the execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation

(i) Code of Conduct and compliance

- a) The Company and its subsidiaries will ensure that all Directors and employees are fully aware of the Code of Conduct.
- b) The Company appoints the Representative Director as the person in charge of promoting compliance and has established a department in charge of compliance to ensure that the Group complies with laws and regulations and to build and operate an effective system for compliance.
- c) The Group Internal Control Promotion Meeting is attended by all Group companies and aims to raise compliance awareness and instill the Code of Conduct, as well as share any violations of laws and regulations that have occurred and prevent recurrence.
- d) The department in charge of compliance will provide regular opportunities for the Group's Directors and employees to receive information on the concept of integrity as well as compliance and will implement education and training to enhance their knowledge and awareness.

(ii) Whistleblowing

The Company has established a contact point for whistleblowing for the entire Group in the department in charge of compliance, an outside law firm and an outsourcing company, and strives for early detection and correction of fraudulent acts, etc. In addition, the Company will take the following measures from the perspective of protecting whistleblowers.

- a) Appropriate measures will be taken to prevent whistleblowers from being treated unfairly or from being investigated.
- b) All whistleblowing received will be dealt with promptly and appropriately.
- c) Appropriate feedback will be provided to whistleblower regarding the outcome of the response to their whistleblowing.
- d) Records and information regarding whistleblowing will be kept strictly managed.

(iii) Internal audits

The department in charge of internal audits will conduct operational audits of the Company and its subsidiaries to confirm that operations are being carried out in accordance with laws and regulations and internal standards, and will provide feedback in a prescribed format, and ensure that any problems are properly corrected. The results of the audits will be reported to the Board of Directors and the Audit & Supervisory Committee.

(iv) System to eliminate anti-social forces

The Company shall have no business transactions whatsoever with anti-social forces or organizations that pose a threat to the order and safety of society, including the Group. The Company take a resolute stance as an organization in response to unreasonable demands, based on a response manual and in cooperation with lawyers, the police, and other external professional institutions.

(2) Regulations and systems for risk management, etc.

(i) Regulations for risk management

The Company has established regulations regarding risk management and strive to prevent and address risks at an early stage by identifying and managing risks, thereby building a risk management system that minimizes factors that impede the development of the Group.

(ii) Systems for risk management

To ensure that risk management functions effectively and across the entire Group, the Company has established Risk Management Committee, chaired by the Representative Director, to identify, evaluate, and monitor risks that could cause significant damage to the Group. In addition, the Company holds Group Internal Control Promotion Meeting, attended by all Group companies, to report the status of each company's risk management efforts to Risk Management Committee and cooperate with each other.

(iii) Preparation for unforeseen circumstances

In the event of an unforeseen incident within the Group, the Representative Director, as the person with the highest responsibility for crisis response, will determine the response policy and organize a response team to respond promptly. In addition, in preparation for the occurrence of a major natural disaster, infectious disease, etc., the Company will establish policies, plans, manuals, etc. regarding disaster countermeasures and business continuity, and the department in charge of BCP will provide education and training to ensure that Group employees act in accordance with these policies, thereby establishing a system to minimize the impact.

(iv) Sustainability

Based on the Basic Policy on Sustainability, the Company has established Sustainability Promotion Meeting to discuss and

promote specific initiatives aimed at resolving the Seven Material Issues and to report regularly to the Board of Directors.

(v) Human capital management

In order to realize human capital management, which regards human resources as capital and connects that value to improving corporate value in the medium to long term, the company has set goals in four categories - recruitment and retention, career and development, evaluation and compensation, and culture building - and will promote these goals through the human resources department.

(3) System for the storage and management of information related to execution of duties by the Company's Directors

(i) Storage and management of information

Based on internal regulations, the Company determines how documents (including related materials and digital records) and other information should be created, stored, and managed.

(ii) Information Security

The Company has established an "Information Security Policy" and will ensure the safety of information security in accordance with company regulations.

(4) System to ensure efficient execution of duties by Directors

(i) Board of Directors

The Company holds the meeting of the Board of Directors once a month. In addition to deciding matters stipulated in laws and regulations and the Articles of Incorporation and other important matters of policy for the Company and its subsidiaries, the Board also receives reports from each Executive Director to supervise their execution of duties.

(ii) Executive Management Meeting

The Company holds the Executive Management Meeting approximately twice a month to discuss specific implementation of policies and strategies decided by the Board of Directors and issues related to multiple headquarters. Results of the meetings are reported to all Directors to share information and are submitted to the Outside Directors for supervision.

(iii) Executive Officer system

The Company has adopted an Executive Officer system to clarify the scope of responsibilities and authority in accordance with internal regulations, and to improve the agility of management by entrusting decision-making authority for business execution to Executive Directors and Executive Officers under a "hands-on approach" policy.

(iv) Business planning and budget management

In formulating the business plan, the allocation of management resources, organization structure, management system, budget, etc. shall be decided appropriately. The formulated business plan shall be communicated to all employees. In addition, the results of the forecast/actual difference analysis shall be reported to the Executive Management Meeting, and the profit and loss forecast shall be reported to the Board of Directors.

(v) Utilizing IT and Digital Transformation

The Company has established a department in charge of IT and digital transformation and put in place a system that pays attention to ensuring the effectiveness of internal controls and information security, to maximize the efficiency of IT investment across the Group.

(5) System to ensure the appropriateness of operations at subsidiaries of the Company

(i) Basic policy for managing subsidiaries of the Company and department in charge of Group internal control

While the basic policy is to "respect the management autonomy of each Group company," regarding the Group internal control, the department in charge of each Group company shall grasp the situation and provide appropriate guidance to cooperate and strengthen the Group internal control and shall report regularly to the Board of Directors.

(ii) System to ensure the compliance and risk management for subsidiaries of the Company

a) The Company strengthens its supervisory function by having Directors or Auditors dispatched to each Group company attend the Board of Directors meetings and other important meetings of each company to grasp the status of business execution.

b) In the event that any incident that may cause significant damage occurs at any Group company, The Company will require the Group company to immediately report it via the Group's web system and will identify the incident as soon as possible. The Company also provides necessary advice and guidance to endeavor to resolve the issue as soon as possible and take measures to prevent recurrence.

c) The Company operates a risk management table for each Group company, have them report on the occurrence of specific risks and the implementation of measures to prevent recurrence, and provide monitoring, advice and guidance to ensure effective risk management throughout the Group.

(iii) System for reporting at subsidiaries of the Company

Based on our internal regulations, the Company can request timely reports from each Group company on matters related to management, finance, accounting, and general affairs.

(6) System to ensure that audits by Audit & Supervisory Committee are conducted effectively

(i) Matters regarding supports for the Audit & Supervisory Committee

a) The Audit & Supervisory Committee Secretariat will be established as an organization to assist the duties of the Audit & Supervisory Committee, and assistants to the Audit & Supervisory Committee will be assigned.

b) Employees who assist the Audit & Supervisory Committee in its duties perform their duties under the direction and orders of the Audit & Supervisory Committee. They prioritize work directed by the Audit and Supervisory Committee.

- c) The appointment and transfer of employees who assist the duties of the Audit & Supervisory Committee shall be made with the consent of the Audit & Supervisory Committee.
- (ii) Matters regarding reporting to the Audit & Supervisory Committee
 - a) Directors and employees of the Company and each Group company shall report on business execution, etc., periodically or on an as-needed basis, in response to requests from the Audit & Supervisory Committee. If they discover any facts that may cause significant damage, they shall immediately report them to the Audit & Supervisory Committee.
 - b) The Company ensures that persons who have made reports to Audit & Supervisory Committee are not treated detrimentally due to such reporting.
- (iii) Other matters regarding the Audit & Supervisory Committee
 - a) Meetings of the Audit & Supervisory Committee are held once a month, and the Standing Audit & Supervisory Committee Member reports to non-standing Audit & Supervisory Committee Members on the status of business execution to increase the effectiveness of audits by Audit & Supervisory Committee.
 - b) Audit & Supervisory Committee members can attend important meetings such as the Executive Management Meeting as well as meetings of the Board of Directors.
 - c) The Audit & Supervisory Committee exchanges opinions as necessary with Directors, the Internal Audit Department and the Accounting Auditor to enhance audit operations.
 - d) When Audit & Supervisory Committee Members request advance payment etc., the Company shall handle the matter promptly.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

1) Basic views on eliminating anti-social forces

The Company strives to eliminate relationships with anti-social forces, and states in the Daito Group Code of Behavior, which is the code of conduct guiding actions of the Daito Group employees, that it will take a resolute stance against anti-social forces or organizations that pose a threat to the order and safety of society.

2) Progress of system development for the elimination of anti-social forces

- (1) Establishment of department in charge of countermeasures and officer responsible for prevention of unreasonable demands
The General Affairs Department is the department in charge of countermeasures. In addition to the General Affairs Department at Head Office, an officer responsible for prevention of unreasonable demands is appointed at each branch nationwide.
- (2) Cooperation with external professional institutions
In addition to cooperating with law enforcement authorities, legal counsel, and other external professional institutions, the Company participates in Tokubouren (special anti-violence countermeasures council,) and cooperates with local communities in efforts to eliminate anti-social forces.
- (3) Collection and management of information related to anti-social forces
The Company receives information from law enforcement authorities regarding anti-social forces. In addition, the Company provides appropriate information to Company departments and branches that have received contact or attacks from anti-social forces.
- (4) Establishment of response manual
The “Organized Crime Response Manual for Unreasonable Demands” has been prepared as a response manual, and all employees have been made fully aware of the manual.
- (5) Implementation of training activities
The Company conducts training on examples of unreasonable demands and how to deal with them as appropriate for officers responsible for prevention of unreasonable demands at all branches. In addition, the General Affairs Department at Head Office and officers responsible for prevention of unreasonable demands from all branches nationwide regularly attend training held by external institutions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

To meet the expectations of our shareholders, we acknowledge that our most important management priority is to continue achieving sustainable growth and increasing our corporate value. At present, we have no plans to introduce any takeover defense measures.

2. Other Matters Concerning the Corporate Governance System

(Overview of System for Timely Disclosure)

1) Basic policy

Recognizing information disclosure as one of the most important management issues, the Company complies with all laws and regulations, and strives to promptly disclose information whether positive or negative. The Company works to disclose information broadly and fairly, and avoids selective disclosure of important undisclosed information to particular institutions or individuals.

2) Standards for timely disclosure

The Company discloses information in accordance with “Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities” prescribed by the Financial Instruments and Exchange Act and the Tokyo Stock Exchange.

In addition, the Company proactively discloses matters even if they are not required by these laws and regulations or rules when deemed useful for increasing the transparency of management and enhancing understanding of the Company. However, we refrain from disclosing trade secrets and other matters that are deemed not suitable for disclosure from the point of view of competition with other companies.

3) Person responsible for information and department responsible for timely disclosure

The officer responsible for IR is in charge of handling information at the Company.

The Corporate Planning Division is in charge of timely disclosure at the Company.

4) Method and procedures for timely disclosure

(1) Reporting to department responsible for timely disclosure and consideration of timely disclosure

The person responsible for handling information and the Corporate Planning Division request reports from the Board of Directors, departments and subsidiaries regarding information that may be subject to disclosure. In consultation with the person responsible for handling information, the Company considers whether the reported information is subject to timely disclosure or not, based on the rules for timely disclosure, etc.

(2) Preparation and announcement of timely disclosure materials

If it is deemed that the information must be disclosed in a timely manner, the Corporate Planning Division prepares disclosure materials. The person responsible for handling information confirms the materials, and, if necessary, the person responsible for information management reports to the Board of Directors. After confirmation, the Corporate Planning Division makes timely disclosure of the information via the TDnet (Timely Disclosure network) of the Tokyo Stock Exchange.

In addition, the following information is made available on the Company’s website in the interests of broad and fair disclosure of information.

- Important facts disclosed on the Tokyo Stock Exchange TDnet

- Regularly prepared materials

 - Securities Reports (quarterly reports)

 - Financial results summaries (quarterly results summaries)

 - Integrated reports

 - FACTBOOK

 - SUSTAINABILITYBOOK

 - ESG Data

 - Monthly reports

 - Financial results briefing materials (quarterly results briefing materials)

- News releases

 - Materials provided to media organizations or distributed at press clubs

5) Quiet periods

The Company observes quiet periods from the closing date to the results announcement date (for quarterly results, one week before the announcement date) in order to eliminate the possibility of leaks of information that could influence the share price immediately before the announcement of results, and refrains from commenting on financial results during this period. However, we respond to questions related to information already announced whether or not during the quiet period.

END