

The Company's Initiatives Related to the Corporate Governance Code



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 defines the roles of management supervision and business execution to establish a prompt and efficient system for implementing management and business decisions. Through the participation of Outside Directors, it also seeks to achieve highly transparent management.

The status of the Company's initiatives and policies towards these initiatives in accordance with the principles of the Corporate Governance Code is as follows.

* References to "Audit and supervisory board" and "Audit and supervisory board member" should be read, where appropriate, as "Audit & supervisory committee" and "Directors who are audit & supervisory committee members," respectively.

Section 1: Securing the Rights and Equal Treatment of Shareholders

Updated

【General Principle 1 Securing the Rights and Equal Treatment of Shareholders】 Comply

Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively.

In addition, companies should secure effective equal treatment of shareholders.

Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

The Company promptly discloses both positive and negative information to ensure that all shareholders are essentially equal and to contribute to securing the rights of shareholders and enabling shareholders to exercise their rights appropriately.

In addition, to secure the rights of shareholders and improve the common interests of shareholders, the Company clarifies the roles between the management decision-making and supervision structure and the business execution structure. The Company has developed a structure to ensure appropriate corporate governance and strengthen decision-making and supervisory functions. Under this system, half of board members must be Outside Directors.

【Principle 1.1 Securing the Rights of Shareholders】 Comply

Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the General Meeting of Shareholders.

The Company works to create an environment that enables proactive information disclosure and facilitates the exercise of voting rights to ensure that all shareholders are essentially equal.

【Supplementary Principle 1.1.1 Analysis of the Reasons Behind Votes Opposing Proposals at the General Meeting of Shareholders】 Comply

When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.

The Company conducts analysis of the causes for agreement with and opposition to proposals following the General Meeting of Shareholders in order to get a concrete understanding of the opinions of shareholders at the meeting and to incorporate these opinions in management and dialogue with shareholders. The results of votes on proposals are disclosed on the Company's website.

(Results of voting at the General Meeting of Shareholders: <https://www.kentaku.co.jp/corporate/en/ir/kabunushi.html>)

【Supplementary Principle 1.1.2 Delegation of Powers of the General Meeting of Shareholders to the Board of Directors】 Comply

When proposing to shareholders that certain powers of the General Meeting of Shareholders be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspective of ensuring agile decision-making and expertise in business judgment.

At the Company, responsibility for the matters specified in the items of paragraph 1, Article 459 of the Companies Act, including resolutions concerning the acquisition of treasury stock, have been shifted from the General Meeting of Shareholders to the Board of Directors.

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 Company has also developed a structure to ensure adequate corporate governance by appointing six Independent Outside Directors and by strengthening functions for supervising the status of business execution by Directors.

【Supplementary Principle 1.1.3 Securing the Rights of Minority Shareholders】 Comply

Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tends to be prone to issues and concerns.

The Company protects the rights of shareholders and promotes the exercise of their rights while working to ensure that all shareholders are essentially equal.

In addition, through methods that include stipulating how to exercise rights in the Share Handling Regulations, the Company also works to facilitate the exercise of rights that are also recognized for minority shareholders by the Companies Act such as requesting the inspection of the shareholder registry and meeting minutes of the Board of Directors, filing shareholder proposals at the General Meeting of Shareholders, prohibiting illegal acts by the Directors, and submitting shareholders' lawsuits.

【Principle 1.2 Exercise of Shareholder Rights at General Shareholder Meetings】 Comply

Companies should recognize that general shareholders' meetings are an opportunity for constructive dialogue with shareholders and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.

The General Meeting of Shareholders is the Company's highest decision-making body and is recognized as a forum for constructive dialogue with shareholders, in which the opinions of shareholders must be appropriately incorporated.

The Company sets the timing of the meeting, venue, etc., to ensure that as many shareholders as possible can attend the General Meeting of Shareholders. In addition, the Company has developed an environment that facilitates the exercise of voting rights by shareholders who are not able to attend on the day of the General Meeting of Shareholders by making it possible to send a vote form by post and to exercise voting rights over the Internet.

【Supplementary Principle 1.2.1 Provision of Accurate Information for the Exercise of Rights at general shareholders' meetings】 Comply

Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at the General Meeting of Shareholders.

When important proposals for the General Meeting of Shareholders that affect the rights and interests of shareholders are made, the Company recognizes that this information should be disclosed promptly and appropriately.

For this reason, for proposals for the General Meeting of Shareholders that the Company believes sufficient time for consideration by shareholders is necessary, information is promptly disclosed through means such as the Company's website and the website of the Tokyo Stock Exchange.

Furthermore, in the convocation notice for the General Meeting of Shareholders, the Company endeavors to provide simple explanations that use charts, etc., in the Business Report, and as much detail as possible in the reasons for proposals for the meeting, in order to facilitate appropriate decisions by shareholders.

【Supplementary Principle 1.2.2 Early Sending of Convocation Notices and Posting Online Prior to Sending】 Comply

While ensuring the accuracy of content, companies should strive to send convocation notices for general shareholders' meeting early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the General Meeting of Shareholders and sending the convocation notice, information included in the convocation notice should be disclosed by electronic means such as through TDnet or on the company's website.

The Company endeavors to send the convocation notice as early as possible to ensure that shareholders have sufficient time for considering the proposals.

The Company sends the convocation notice at least one week before (at least three weeks before the holding of the General Meeting of Shareholders) the date prescribed by law. 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.

(Convocation notices for the General Meeting of Shareholders: <https://www.kentaku.co.jp/corporate/en/ir/kabunushi.html>)

【Supplementary Principle 1.2.3 Appropriate Determination of Dates Associated with the general shareholders' meeting】 Comply

The determination of the date of the General Meeting of Shareholders and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.

The Company recognizes that consideration should be given to scheduling to ensure that as many shareholders as possible can attend the General Meeting of Shareholders so that it can serve as an opportunity for dialogue with shareholders.

Therefore, the Company avoids dates on which many shareholders' meetings are anticipated to be held every year when setting the date for the General Meeting of Shareholders.

【Supplementary Principle 1.2.4 Use of Electronic Voting Platform and English Translation of Convocation Notices】 Comply

Bearing in mind the percentage of institutional and foreign investors, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convocation notices of general shareholders' meeting.

In particular, companies listed on the Prime Market should at least make the Electronic Voting Platform available to institutional investors.

In consideration of our shareholder composition, we recognize that it is necessary to develop an environment that facilitates the exercise of voting rights by institutional investors and foreign investors and to provide information in English for foreign investors.

In addition to participating in the Electronic Voting Platform for institutional investors, we disclose English translations of convocation notices on the Company's website, the website of the Tokyo Stock Exchange, and the Electronic Voting Platform. We have also developed an environment that allows the exercise of voting rights over the Internet via computer, smartphone, etc. through the website for exercising voting rights operated by the transfer agent of the Company.

In addition, the Company sends English translations of convocation notices to overseas investment trust banks, etc. listed on the shareholder registry.

(Convocation notices for the General Meeting of Shareholders: <https://www.kentaku.co.jp/corporate/en/ir/kabunushi.html>)

【Supplementary Principle 1.2.5 Preparation for Attendance of Substantial Shareholders at the general shareholders' meeting】 **Comply**

In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the General Meeting of Shareholders in attending the General Meeting of Shareholders or exercising voting rights, companies should work with the trust bank (*shintaku ginko*) and/or custodial institutions to consider such possibility.

As voting rights for the General Meeting of Shareholders are held by the parties stated or recorded on the shareholder registry, as a general rule, the Company does not permit substantial shareholders such as institutional investors that hold shares under the name of investment trust banks, etc. to attend the General Meeting of Shareholders, exercise voting rights, or ask questions.

However, if a request is made to attend the General Meeting of Shareholders through a shareholder on the shareholder registry, admission to the General Meeting of Shareholders and observing will be permitted.

In the future, the Company will consider and develop guidelines relating to the attendance of substantial shareholders at the General Meeting of Shareholders while observing the desires of substantial shareholders and trends at investment trust banks, etc.

【Principle 1.3 Basic Strategy for Capital Policy】 **Comply**

Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.

The Company has considered the optimal balance between financial soundness, the efficiency of shareholders' equity, and returns to shareholders based on important management indicators, including operating profit margins of at least 7% and returns on equity (ROE) of 20%.

In addition, as the policy for returns to shareholders, the Company has disclosed that it targets a consolidated return ratio of 50% of the Daito Group's consolidated net income (profit attributable to owners of the parent), and that the acquisition of treasury stock of the Company will be considered as needed after comprehensively taking into account the business environment surrounding the Group, stock market trends, financial status, and growth investment, among other factors.

【Principle 1.4 Cross-Shareholdings】 **Comply**

When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed.

Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.

The Company's basic policy towards shares held for purposes other than investment is to hold such shares within a scope that fulfills all conditions that include 1. the legitimacy of the purpose of holding such as business partnership, the maintenance and strengthening of transactions, and the stability of shares, and 2. such holdings accounting for no more than 5% of total assets on the consolidated balance sheet.

For decisions on the additional purchase or disposal of such shares, reviews will be conducted as appropriate by the responsible Director from the perspective of whether such shares are necessary for the Company's growth, whether there are other effective ways of using funds, etc., subject to discussion by the Board of Directors once a year.

Currently, the Company does not hold cross-shareholdings.

【Supplementary Principle 1.4.1 Prohibition of Hindering the Sales of Cross-held Shares】 **Comply**

When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.

The Company shall respect a cross-shareholder's intention to sell its shares of the Company, when such intention is disclosed. Such selling of shares of the Company shall be conducted in an appropriate way, in consideration of its impact on the stock market and the interest of shareholders, and in consultation with all cross-shareholders concerned.

【Supplementary Principle 1.4.2 Prohibition of Transactions with Cross-Shareholders That May Harm the Interests of the Companies or Their Shareholders】 **Comply**

Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

The Company shall choose its business partners without particular restriction, but based on the overall considerations including quality, delivery time, price, and other terms of transactions, along with consideration of environmental protection, under the basic principle that the Company shall do business with partners it considers to be the best.

Accordingly, decisions on transactions with new cross-shareholders as well as existing cross-shareholders are made, based on the aforementioned principle, following the review pursuant to the same conditions as applied to business partners in general.

【Principle 1.5 Anti-Takeover Measures】 **Comply**

Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and audit and supervisory board members should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

The Company views the sustainable growth of the Daito Group as a whole and the improvement of corporate value through the promotion of the medium-term management plan, the achievement of important management indicators, etc., as one of its most important policies in order to meet the mandate of shareholders. Therefore, at this point in time there are no plans to introduce anti-takeover measures.

【Supplementary Principle 1.5.1 Accountability of Board of Directors in the Case of a Tender Offer】 **Comply**

In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.

In the event of a tender offer for the Company's shares, the Company promptly discloses the stance of the Company's Board of Directors because such offers could have an impact on the corporate ownership structure and affect the interests of shareholders.

In addition, the Company will respect the rights of shareholders and not interfere with shareholders responding to a tender offer.

【Principle 1.6 Capital Policy that May Harm Shareholder Interests】 **Comply**

With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and audit and supervisory board members should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.

When implementing capital policy that affects the interest of shareholders such as capital increases and MBOs, the Company reviews the matter with due consideration to the opinions of Independent Outside Officers, and promptly discloses information on the review process, purpose of implementation, etc. In addition, the Company works to provide sufficient explanations to shareholders through means such as explanations on its website, financial results briefings, etc., as necessary.

【Principle 1.7 Related Party Transactions】

Comply

When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.

The Company requires screening and deliberation at the Board of Directors for competition and conflict of interest transactions with Directors and corporations effectively controlled by Directors. Transaction conditions and the policies, etc. for deciding on transaction conditions are disclosed in securities reports, etc.

A structure has been developed to ensure that there are no disadvantages for the Company when a corporation effectively controlled by one of the Company's officers or Directors, or major shareholders conducts transactions with the Company as a customer.

(Securities report: <https://www.kentaku.co.jp/corporate/ir/kessan/2024.html>)

Section 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

【General Principle 2 Appropriate Cooperation with Stakeholders Other Than Shareholders】 Comply

Companies should fully recognize that their sustainable growth and the creation of medium- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders.

The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

The Company views cooperation with all stakeholders including shareholders to be essential for sustainable growth and medium- to long-term improvements in corporate value.

To put this idea into practice, the Company works to foster a corporate culture led by management that respects the rights and opinions of stakeholders and corporate ethics through efforts that include the holding of a Management Plan Briefing Meeting every year as an opportunity for the President and other members of management to directly address all employees in their own words.

【Principle 2.1 Business Principles as the Foundation of Corporate Value Creation Over the Medium to Long Term】 Comply

Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the medium to long term. To this end, companies should draft and maintain business principles that will become the basis for such activities.

The Company has established a Group Purpose, articulated in the words “Link the Trust to Make a Better Future,” under which it promotes corporate management in such a way as to balance the development of its business with fulfillment of its social responsibility.

(Group Purpose: <https://www.kentaku.co.jp/corporate/outline/purpose.html>)

【Principle 2.2 Code of Conduct】 Comply

Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front lines of domestic and global operations.

The Company has established a Basic Management Policy for matters ranging from management decisions to day-to-day business operations and the Daito Group Code of Conduct as guidelines and standards for day-to-day business activities. The Company undertakes periodic training to ensure understanding among all employees.

【Supplementary Principle 2.2.1 Confirmation of Implementation and Compliance with the Code of Conduct】 Comply

The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company’s corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.

The company conducts an engagement survey twice a year for all employees. The survey results are presented at management meetings, where they are used to address organizational issues and improve workplace activities.

【Principle 2.3 Sustainability Issues, Including Social and Environmental Matters】

Comply

Companies should take appropriate measures to address sustainability issues, including social and environmental matters.

The Company has established promotional meetings to address issues of sustainability, including environmental, social, and governance issues, under the supervision of the Board of Directors. The goal is to balance efforts to strengthen corporate value over the medium to long term with efforts to achieve a sustainable society. The entire Group is working on promoting these initiatives and working to address related matters.

The sustainability promotion structure and the Company's Seven Material Issues are disclosed on the Company's website and other forms of media.

(The Company's sustainability initiatives: <https://www.kentaku.co.jp/corporate/csr/>)

(Integrated report: <https://www.kentaku.co.jp/corporate/en/ir/report.html>)

【Supplementary Principle 2.3.1 Measures to Address Sustainability Issues】

Comply

With the recognition that dealing with sustainability issues, such as consideration of climate change and other global environmental issues, respect for human rights, consideration of employee health and the working environment, fair and appropriate treatment of employees, fair and appropriate transactions with business partners, and crisis management including natural disasters, is an important management issue that reduces risk and leads to earnings opportunities, the board should carefully consider addressing these matters positively and proactively from the perspective of increasing corporate value over the medium to long term.

Recognizing that addressing issues of sustainability, including environmental, social, and governance issues, is an important management issue that reduces risk and leads to earnings opportunities, the Company has identified the Group's Seven Material Issues and promotes action on them through its business activities.

To swiftly address materiality issues, matters of sustainability are discussed and resolved at semi-annual meetings of the Board of Directors. A Sustainability Promotion Committee has been established to implement and manage matters resolved by the Board of Directors. In these and other ways, the Company has developed an organizational structure to promote sustainability management groupwide.

【Principle 2.4 Ensuring Diversity, Including Active Participation of Women】

Comply

Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.

As part of efforts to adopt diversity as a management strategy, the Company is working to build an organization in which diversity is regarded as a strength—an organization in which human resources of diverse backgrounds play active roles and interact in the spirit of mutual respect. The diversity promotion department takes the lead in promoting these initiatives.

The Company also proactively employs people with disabilities: one of its Group companies is a special subsidiary for that purpose called Daito Corporate Service Co., Ltd.

(Diversity management: <https://www.kentaku.co.jp/diversity/diversity-management>)

(The Company's work-life balance and other initiatives: <https://www.kentaku.co.jp/corporate/csr/torikumi/diversity.html>)

【Supplementary Principle 2.4.1 Disclosure Regarding the Company's Policy on Ensuring Diversity in the Promotion to Core Human Resources, Human Resource Development, etc.】

Comply

Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status.

In addition, in light of the importance of human resource strategies for increasing corporate value over the medium to long term, companies should present their policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.

The Company has announced a Diversity and Inclusion Declaration, aiming to establish a corporate climate and culture in which the diversity of all kinds of people—not just women, foreign nationals, and midcareer hires—is accepted, and individuals can demonstrate their capabilities to the full. In its medium-term management plan, the Company has set diversity-related goals in line with its policies. It is working to hire more diverse human resources and promote their active participation through such means as recruitment, development of its internal environment, and promotion to middle managerial positions.

Promoting women to middle managerial positions

The Company regards advancing the active participation of women as a key business issue and is pursuing companywide measures in this regard led by senior management. The Company provides work hours systems that facilitate diverse ways of working. Additionally, it offers career support for women to boost skills and motivation. The Company has introduced a quota system and pursues in-house female employee development efforts with the goal of promoting a targeted number of women to management positions. The Company discloses the ratios of women among new recruits and middle managers, and associated targets, on its website, etc.

Promoting foreign nationals to middle managerial positions

Given that the Company's net sales from overseas business account for only around 1.0% of consolidated net sales, the Company is not actively investing in non-Japanese human resources and believes that its current situation with regard to their employment is appropriate. Accordingly, it has not set targets for recruiting foreign nationals or promoting them to middle managerial positions.

Promoting midcareer hires to middle managerial positions

The Company has proactively hired midcareer employees ever since its founding, guided by its belief that innovation is produced through a collision of different ways of thinking and diverse backgrounds, including different work experiences. For midcareer hires, it offers development programs and a range of career support plans according to different job-types, and promotes such employees to middle managerial positions. The Company discloses the ratios of midcareer hires among new recruits and middle managers on its website, etc., but it has not set associated targets as it believes that the current situation regarding their employment is appropriate.

(Diversity & inclusion: <https://www.kentaku.co.jp/diversity/>)

【Principle 2.5 Whistleblowing】 Comply

Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.

The Company has developed internal whistleblowing regulations; established whistleblowing contact points within the compliance promotion department and at an external law firm; and established outsourced contact points accessible to all group employees.

The Company provides systems for submitting reports by telephone, email, and other means to identify and correct wrongful conduct as quickly as possible.

Furthermore, in the event of a whistleblowing incident, the Compliance Promotion Department gives instructions to the related departments to conduct surveys and to plan and implement countermeasures and also reports on the response and confirms remediation with the whistleblower.

In addition, a Director appointed by the Board of Directors as being responsible for the Compliance Promotion Department will confirm the implementation status of the whistleblowing system and report to the Board of Directors on the implementation status when appropriate.

【Supplementary Principle 2.5.1 Establishment of a Whistleblowing Contact Point that is Independent of the Management】 **Comply**

As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside audit and supervisory board members). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.

In addition to the internal whistleblowing contact points, external whistleblowing contact points are operated by a law firm and an outsourcing contractor. Furthermore, a system has been developed to protect whistleblowers through internal rules on whistleblowing which stipulate that investigations be conducted so as not to identify the whistleblower, confidentiality be maintained regarding investigations, as well as whistleblowers not be dismissed or otherwise treated detrimentally.

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】 **Comply**

Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.

The Company has established the Pension Asset Investment Committee comprising Chief Financial Officer, Managers of the Corporate Planning Department, and the Human Resource Department, thereby appropriately investing and managing its corporate pension fund. The Company shall be committed to developing talents with relevant expertise and systematically deploying such talents, with a view to fulfilling the monitoring function over the fiduciary institutions for its corporate pension plan.

Section 3: Ensuring Appropriate Information Disclosure and Transparency

【General Principle 3 Ensuring Appropriate Information Disclosure and Transparency】 Comply

Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance.

The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

The Company views information disclosure as an important management task, and is aware that appropriate information disclosure is essential for obtaining the understanding of shareholders and other stakeholders. In order to put these views in practice, the Company uses various methods such as the Company’s website and the integrated report to actively disclose information that includes not only disclosures based on laws and regulations and stock exchange rules, but also other information (including non-financial information) deemed important for shareholders and other stakeholders.

(The Company’s website: <https://www.kentaku.co.jp/corporate/en/>)

Updated

【Principle 3.1 Full Disclosure】 Comply

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

- i) Company objectives (e.g., business principles), business strategies and business plans;
- ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;
- iii) Board policies and procedures in determining the remuneration of the senior management and directors;
- iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and audit and supervisory board member candidates; and
- v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

(i) The Company promotes corporate management in line with the Group Purpose, “Link the Trust to Make a Better Future.”

To realize this Purpose, the Company has established a three-year medium-term management plan for the period through the fiscal year ending March 2027, which it discloses through the Company’s website, financial results briefing materials, the integrated report, and other documents and channels.

(Group Purpose: <https://www.kentaku.co.jp/corporate/outline/purpose.html>)

(ii) The Company’s basic policy towards corporate governance is to maximize corporate value for shareholders and all other stakeholders, and improve management efficiency and transparency.

To this end, the Company clarifies the roles between the management decision-making and supervision structure and business execution in an effort to establish a prompt and efficient management and execution system and achieve highly transparent management through the participation of Outside Directors.

The Company’s basic policy towards corporate governance is disclosed in the Company’s website, corporate governance report, integrated report, etc.

(Basic policy towards corporate governance: <https://www.kentaku.co.jp/corporate/ir/governance/top.html>)

(iii) The Company has established a Nominating and Remuneration Committee as an advisory group to the Board of Directors to ensure the validity and transparency of remuneration for Executive Directors and related matters. A policy for determining remuneration for each Director and related matters (including actual remuneration, remuneration structure, and targets for performance-linked remuneration and related matters) is determined by the Board of Directors based on thorough deliberation by the Nominating and Remuneration Committee. The remuneration granted to each Director is determined by the Representative Director pursuant to such policy, who is entrusted with the decision by the

Board of Directors. Specifically, the basic remuneration and the non-performance-linked portion of stock compensation are proposed by the Nominating and Remuneration Committee for each Director and are determined by the Representative Director. With regard to performance-linked portions, the Nominating and Remuneration Committee deliberates on evaluations of each Executive Director as they concern performance-linked remuneration, while the Representative Director receives and reviews reports from the Nominating and Remuneration Committee and determines the remuneration for each Director on a case-by-case basis and use of an established formula. Policies for determining remuneration and related matters to Directors are disclosed in the convocation notice for the General Meeting of Shareholders and in corporate governance reports.

(Convocation notices for the General Meeting of Shareholders: <https://www.kentaku.co.jp/corporate/en/ir/kabunushi.html>)

(Securities report: <https://www.kentaku.co.jp/corporate/ir/kessan/2024.html>)

- (iv) **The appointment/dismissal of Directors and the management structure for the next year is determined by the Board of Directors after deliberation by the Nominating and Remuneration Committees, with candidate proposals and proposals for the management structure for the next year that reflect the results of a mutual evaluation of Directors led by the Nominating and Remuneration Committees.**

A candidate for the position of director who is an audit & supervisory committee member is named by the Board of Directors after considering whether he/she has the necessary competence, experience, knowledge, and other attributes to serve as an audit & supervisory committee member and after obtaining the consent of the Audit & Supervisory Committee.

In connection with the appointment of Outside Directors, the Company has established Appointment Guidelines for Outside Officers and Standards for the Independence of Outside Directors. These matters are disclosed in the convocation notice for the General Meeting of Shareholders and in integrated reports.

- (v) **The Company provides specific explanations regarding the appointment and removal of Directors. The reasons for candidate nominations are disclosed in the convocation notice for the General Meeting of Shareholders.**

【Supplementary Principle 3.1.1 Information Disclosure with High Value-Added Statements】 Comply

These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boiler-plate or lacking in detail.

The Company views information disclosure as an important management task, and is aware that appropriate information disclosure is essential for obtaining the understanding of shareholders and other stakeholders.

Based on this view, the Company works to make simple and specific statements in information disclosure so that accurate information can be communicated to shareholders and other stakeholders, in addition to implementing high value-added information disclosure, such as proactively disclosing non-financial information.

【Supplementary Principle 3.1.2 Disclosure and Provision of Information in English】 Comply

Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.

In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.

In consideration of the shareholder composition, the Company has established an English website, and promotes the provision of information in English for foreign investors.

In addition, the Company discloses English translations of convocation notices for the General Meeting of Shareholders, financial results briefing materials, shareholder notifications, earnings summaries, and integrated reports through the Company's website, etc. and endeavors to enhance the provision of information in English for foreign investors.

Also, the Company submits its English Corporate Governance Report to the Tokyo Stock Exchange.

(English website: <https://www.kentaku.co.jp/corporate/en/>)

【Supplementary Principle 3.1.3 Full Disclosure Regarding Sustainability】 Comply

Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.

In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.

Information disclosure regarding sustainability

The Company regards sustainability initiatives as a major management responsibility. As its key initiatives, the Company has identified seven types of materiality (important issues) for the Daito Group and discloses initiatives related to these issues.
(Seven types of materiality: <https://www.kentaku.co.jp/corporate/csr/materiality.html>)

Information disclosure regarding investments in human capital and intellectual properties

The Company regards its human resources as a source of its competitive advantage and works proactively to invigorate its organization and human resources so that the Company can realize its corporate philosophy and help employees achieve self-realization. The Company's policy and specific initiatives regarding human resource development are disclosed on its website and in its securities reports.

(Investment in human resources: <https://www.kentaku.co.jp/corporate/csr/torikumi/nuture.html>)

Information disclosure based on the TCFD recommendations

As an advocate of the recommendations by the TCFD (Task Force on Climate-Related Financial Disclosures), the Company is seeking to identify the risks and opportunities presented by climatic change. The Company provides highly transparent disclosure of information in integrated reports, sustainability reports, and other documents.

(Results of analysis based on TCFD recommendations: <https://www.kentaku.co.jp/corporate/csr/environment/risk-and-opportunities/>)

【Principle 3.2 External Auditors】 Comply

External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.

The Company recognizes that the external auditor has a responsibility to shareholders and investors as a person that fulfills the role of auditing information disclosed from an expert and independent perspective, and provides credibility to financial information by guaranteeing the credibility of information disclosed.

Based on this view, the Company requires that the external auditor have the expertise and independence required to guarantee the credibility of the information disclosed, in addition to coordinating with various related departments, such as the audit & supervisory committee and the accounting department, to ensure that the external auditor can carry out effective audits, thereby ensuring a proper audit timetable and an effective audit system.

In addition, standing Audit & Supervisory Committee Members exchange viewpoints with the external auditor as necessary on specific issues pertaining to the Company's businesses and audits.

【Supplementary Principle 3.2.1 Evaluation of External Auditors by the Audit and Supervisory Board】 Comply

The audit and supervisory board should, at minimum, ensure the following:

- i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors;
and
- ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.

(i) The implementation status of duties is assessed and evaluated through the implementation status of audits by the external auditor, audit reports, etc.

In addition, the Company formulated standards for selecting auditor candidates and appropriately evaluating auditors, and selects external auditor candidates and conducts evaluations based on these standards.

- (ii) The independence and expertise of the external auditor is confirmed through opinion exchanges with the external auditor, the implementation status of audits by the external auditor, etc.**

Note that no issues have been recognized with the independence and expertise of the current external auditor Ernst & Young ShinNihon LLC.

【Supplementary Principle 3.2.2 Measures by the Board of Directors and the Audit and Supervisory Board to Ensure the Quality of Audits】 **Comply**

The board and the audit and supervisory board should, at minimum, ensure the following:

- i) Give adequate time to ensure high quality audits;
- ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO;
- iii) Ensure adequate coordination between external auditors and each of the audit and supervisory board members (including attendance at the audit and supervisory board meetings), the Internal Audit Division and outside directors; and
- iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.

- (i) The audit schedule is developed after preparatory consultations with the external auditor to secure sufficient time for audits.**
- (ii) Time is set aside for interviews with upper management such as Executive Directors including the Representative Director if requested by the external auditor.**
- (iii) Coordination between the external auditor and the Audit & Supervisory Committee Members and Outside Directors is achieved through accounting audits, quarterly review reporting, and other activities. The Audit & Supervisory Committee coordinates with the internal audit department to exchange information, to confirm the status of business execution as necessary, and to provide information and other feedback required by the external auditor.**
- (iv) A system has been established for surveys and corrective action led by the officers responsible for each aspect of operations and reports concerning these efforts, based on instructions from the Representative Director. Furthermore, investigations are undertaken by the Audit & Supervisory Committee and external specialists etc. based on the content and nature of the matters at issue. A system has been established to report the results of these investigations to the Board of Directors and to take the measures necessary to identify causes and to prevent recurrence.**

Section 4: Responsibilities of the Board

Updated

【General Principle 4 Responsibilities of the Board】 Comply

Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the medium to long term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:

- (1) Setting the broad direction of corporate strategy;
- (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight of directors and the management (including *shikkoyaku* and so-called *shikkoyakuin*) from an independent and objective standpoint.

Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization – i.e., Company with Audit and Supervisory Board (where a part of these roles and responsibilities are performed by audit and supervisory board members and the audit and supervisory board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.

The Company defines the roles of management supervision and business execution as part of efforts to establish an efficient management and business execution system. It works to achieve highly transparent management by appointing Outside Directors.

Half of board members must be Outside Directors. This is designed to ensure highly effective supervision over the Directors. Three of the four Audit & Supervisory Committee Members also serve as Outside Directors so that the board can monitor, supervise, and audit the legality and validity of execution of duties by the management team. The objectivity and transparency of the Board of Directors is maintained by ensuring that important decisions related to corporate governance are duly considered by the Governance Committee, which is composed of four internal Directors, including the Representative Directors, and all seven Outside Directors.

In addition, an environment has been developed to ensure that Directors can properly fulfill their roles and responsibilities by having Outside Directors fulfill a central role as members of the Nominating and Remuneration Committees in the evaluation of Directors.

【Principle 4.1 Roles and Responsibilities of the Board (1)】 Comply

The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.

The Board of Directors conducts discussions with the participation of Outside Directors based on the free exchange of opinions regarding the Company's basic policies such as management strategies and management plans. Furthermore, how to respond to social issues that should be addressed in the implementation of the Company's business is also studied.

The Board of Directors meets once every quarter to receive reports by the responsible Executive Directors on the status of business execution and the progress of management issues in order to monitor the status of management. Each of the Directors provides suggestions and opinions as necessary in response to the reports from Executive Directors.

Updated

【Supplementary Principle 4.1.1 Clarification of the Scope of Delegation to Management and Disclosure of a Brief Summary Thereof】 Comply

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

The Company strives to clarify management decision-making and business execution by establishing the Board of Directors as the management decision-making and supervision organization; the Executive Management Meeting as the business execution structure based on board decisions; and Executive Officers within each business area. An overview of these

structures is disclosed on the Company's website and in its corporate governance report, etc.

The Board of Directors decides on matters stipulated in laws and regulations and other important matters involving the Company and Group companies and oversees the execution of duties of Executive Directors.

Operating officers responsible for each of the business areas handled by the Construction Business Headquarters, the Real Estate Business Headquarters, the Business Development Headquarters, the Human Resource Management Headquarters, and the Corporate Management Headquarters determine measures and execute business activities based on business plans determined by the Board of Directors and those attending the Executive Management Meeting.

(The Company's corporate governance structure: <https://www.kentaku.co.jp/corporate/en/ir/governance/top.html>)

【Supplementary Principle 4.1.2 Commitment to the Medium-term Management Plan】 Comply

Recognizing that a medium-term management plan (*chuuki keiei keikaku*) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its medium-term management plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.

The Daito Group has established a three-year medium-term management plan that lasts until the year ending March 31, 2027.

The medium-term management plan is reviewed in consideration of factors including business results and future social and economic developments. If there are any changes, the background and details of the changes are explained to shareholders at results briefings, the General Meeting of Shareholders, etc.

【Supplementary Principle 4.1.3 Oversight of Succession Planning for the CEO】 Comply

Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.

A Company system designates 65 as the age limit for internal Directors. The system ensures that Directors who retire or resign on reaching the age limit do not assume other positions within the Daito Group, whether as consultants or advisors. To eliminate hereditary systems, relatives of Executive Officers in the second degree or closer are barred from working for the Daito Group.

A highly transparent and impartial successor designation system overseen by the Nominating and Remuneration Committee has been developed for selecting candidates to serve as Representative Director and new Directors. The Committee makes designations based on various factors, including mutual Director evaluations and interviews with each candidate Director.

Through the proper operation of these systems and appropriate oversight of the status of operation by the Board of Directors, the Company endeavors to encourage the circulation of management and develop managers for subsequent periods.

【Principle 4.2 Roles and Responsibilities of the Board (2)】 Comply

The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented.

Also, the remuneration of the management should include incentives such that it reflects medium- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

The Company views proposals made by Executive Officers, etc., that are responsible for business implementation as essential for the revitalization and sustainable growth of the Company. Proposals for the Board of Directors and each Director are accepted at any time, and opportunities for proposal are provided through means such as training for Executive Officers that is held every year. Implementation of proposals approved by the Board of Directors, by those at the Executive

Management Meeting, or those at other meetings is led by the operating officer responsible for each business area. This individual is responsible for this implementation.

The basic policy for determining remuneration for the management team is to take a performance-linked approach. This is intended to create sound incentives for Directors to align their interests with those of shareholders and to seek to achieve sustainable enhancements in corporate value. In accordance with this basic policy, Director remuneration consists of basic remuneration, which is fixed, and bonuses and stock compensation, which are performance-linked.

Decisions concerning compensation for individual Directors is entrusted by the Board of Directors to the Representative Director based on proposals made chiefly by the Nominating and Remuneration Committee, which in turn reflect achievements of results including nonfinancial indicators and mutual evaluations of Directors.

Updated

【Supplementary Principle 4.2.1 Setting of Appropriate Proportion of Remuneration Linked to Results and Stock-Based Remuneration】 **Comply**

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to medium- to long-term results and the balance of cash and stock should be set appropriately.

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.

Determination of each type of remuneration is entrusted by the Board of Directors to the Representative Director. Decisions are based on a proposal by the Nominating and Remuneration Committee.

If the Board of Directors believes a Director has made material errors or engaged in misconduct or is in material breach of its delegation agreement, the Nominating and Remuneration Committee may, based on consultations sought by the Board of Directors, forfeit the whole or part of the entitlement to a performance-linked bonus or stock compensation or request that the whole or part of the already paid bonus or stock compensation be returned.

【Supplementary Principle 4.2.2 Basic Policy for Sustainability Initiatives】 Comply

The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the medium to long term.

In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.

The Company has formulated the basic policy for sustainability at the Board of Directors to promote sustainability management.

In addition, since the Company regards the construction and real estate businesses as core businesses, it will continue to pursue investments that maintain and bolster the competitive advantages provided by these business models and strive to expand business areas. Going forward, the Board of Directors will deepen discussions about the appropriate allocation of management resources in light of the business portfolio strategy, and supervise the implementation of such strategy to contribute to the sustainable growth of the Company and the improvement of corporate value.

(Sustainability Basic Policy: <https://www.kentaku.co.jp/corporate/csr/>)

【Principle 4.3 Roles and Responsibilities of the Board (3)】 Comply

The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management.

In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems.

Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.

Impartial and highly transparent evaluations of Directors are undertaken based on various factors, including mutual evaluations of Executive Directors and interviews with each Director led by the Nominating and Remuneration Committee.

In addition, to ensure the disclosure of both negative and positive information, the contents of important releases are confirmed by a Director responsible for IR who reports to the Board of Directors as necessary. A reporting structure composed of the Company and Group companies has been established to ensure the accuracy and timeliness of information.

Furthermore, in the event of conflicts of interest in transactions with related parties, deliberations are conducted by the Board of Directors, the opinions of Outside Directors are sought, and reports on the status, etc. of the relevant transaction are requested as necessary.

【Supplementary Principle 4.3.1 Fair and Highly Transparent Appointment and Dismissal of Senior Management】 Comply

The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures and reflect the results of company performance.

As described below, the Company evaluates Directors and appoints candidates for Directors via impartial and highly transparent procedures based on mutual evaluations of Executive Directors undertaken in the third quarter of each year led by the Nominating and Remuneration Committee.

1) Mutual evaluation of Directors

Representative Directors and Executive Directors below them conduct presentations on the business results for the period, the outlook for the end of the period, and the vision for the next fiscal year and onward in their respective business areas. A mutual evaluation is conducted based on the following evaluation items, and the evaluation materials are collected and confirmed by the Chair of the Nominating and Remuneration Committees. In addition, Outside Directors conduct interviews with each Director.

[Evaluation items]

Demonstration of offensive and defensive governance, commitment to targets, organizational capabilities, successor development, engagement, information provision to stakeholders, reforms, challenges, etc.

2) Verification of the evaluation results by Representative Directors

The Chair of the Nominating and Remuneration Committee submits the evaluation results to the Representative Directors. Based on these results, the Representative Directors examine various matters, including evaluations of each Director for the current fiscal year, the suitability of his/her reappointment, proposed successors, and other matters.

3) Reporting the results of studies to the Nominating and Remuneration Committees

The Representative Directors will explain their proposal for the Director's system for the next year based on the results of these studies to the members of the Nominating and Remuneration Committees, who shall deliberate on the proposal and report back.

4) Submission of the proposal for the Director's system for the next year to the Board of Directors for a resolution

After the Nominating and Remuneration Committees has reported back, the Representative Directors will submit their proposal for the Director's system for the next year to the Board of Directors and hold a resolution.

In conjunction with this, the aggregated results of evaluations and interviews will be disclosed and each Director will be notified of individual mutual evaluation results at a later date.

【Supplementary Principle 4.3.2 Appointment of CEO by an Objective, Timely and Transparent Procedure】 Comply

Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

At the Company, mutual evaluations of and interviews with Executive Directors proceed under the leadership of the Nominating and Remuneration Committee.

Based on these results and the Company's designated human resources requirements, the Nominating and Remuneration Committee is consulted regarding the following proposed representative directors. The Board of Directors shall deliberate over the report from the Nominating and Remuneration Committees and decide the appropriate candidate for the top management who can take the helm of the Company for the period to come. Involvement of the Nominating and Remuneration Committees in the evaluation of Directors as well as the selection of the candidate for the Representative Director shall ensure that fair and transparent procedure is followed.

【Supplementary Principle 4.3.3 Establishment of an Objective, Timely and Transparent Procedure for the Dismissal of CEO】

Comply

The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.

At the Company, mutual evaluations of and interviews with Executive Directors are undertaken under the leadership of the Nominating and Remuneration Committee.

Mutual evaluation of Executive Directors shall not exclude the President, whereby the Nominating and Remuneration Committees shall be consulted on whether the President should be continuously appointed, based on the results of the mutual evaluation. The Board of Directors shall deliberate over the report from the Nominating and Remuneration Committees and

decide on continuous appointment of the Representative Director. Involvement of the Nominating and Remuneration Committees in the evaluation of the President and the decision on whether he/she should be continuously appointed, shall ensure that dismissal of the Representative Director, if necessary, is carried out pursuant to the fair and transparent procedure.

【Supplementary Principle 4.3.4 Establishment of a Risk Management System】 **Comply**

The establishment of effective internal control and proactive enterprise risk management systems has the potential to ensure appropriate compliance and support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the Internal Audit Division.

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 department when appropriate. This is how the Company promotes a corporate-wide risk response.

Updated

【Principle 4.4 Roles and Responsibilities of Audit and Supervisory Board Members and the Audit and Supervisory Board】 **Comply**

Audit and supervisory board members and the audit and supervisory board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of audit and supervisory board members and external auditors, and the determination of auditor remuneration.

Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of audit and supervisory board members and the audit and supervisory board, in order to fully perform their duties, it would not be appropriate for audit and supervisory board members and the audit and supervisory board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.

The Company's Audit & Supervisory Committee undertakes independent audits. This independence is assured by the status of three members as Independent Outside Directors, with one selected from inside.

All 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. Such expertise and experience are applied to ensure objective audits from an independent standpoint and to provide input before the Board of Directors. Furthermore, all Outside Directors who are Audit & Supervisory Committee Members participate in evaluations of the effectiveness of the Board of Directors and deliberations on corporate governance as members of the Governance Committee.

【Supplementary Principle 4.4.1 Securing a Highly Effective Audit and Supervisory Board and Cooperating with Outside Directors】 **Comply**

Given that not less than half of the audit and supervisory board must be composed of outside audit and supervisory board members and that at least one full-time audit and supervisory board member must be appointed in accordance with the Companies Act, the audit and supervisory board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, audit and supervisory board members or the audit and supervisory board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.

Two Standing Audit & Supervisory Committee Members (one internal Director and one Outside Director) are selected from the Audit & Supervisory Committee Members to establish a system that allows the exchange of opinions with Executive Directors at any time, alongside ongoing monitoring of the status of business execution and the operational status of internal control systems. In addition to meetings of the Board of Directors, Standing Audit & Supervisory Committee

Members attend and offer their opinions at important meetings concerning business execution, such as the Executive Management Meeting, as part of efforts to establish a highly effective Audit & Supervisory Committee.

Audit & Supervisory Committee Members and Outside Directors who are not Audit & Supervisory Committee Members have opportunities to exchange opinions at the Governance Committee and before other bodies. They exchange opinions on matters such as the Board of Directors in general and evaluations of the Board of Directors and evaluations of Directors.

【Principle 4.5 Fiduciary Responsibilities of Directors】 **Comply**

With due attention to their fiduciary responsibilities to shareholders, the directors and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.

The Company views information disclosure as one of the most important management issues in order to fulfill fiduciary responsibilities towards shareholders and improve the common interests of the Company and shareholders. The Company provides the information required by all stakeholders whether positive or negative through the distribution of information to stakeholders and dialogue. A stock compensation system has been introduced for Directors and Executive Officers to encourage alignment of interests with shareholders and investors.

Updated

【Principle 4.6 Business Execution and Oversight of the Management】 **Comply**

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.

To strengthen the management supervision structure, the Company appoints Outside Directors.

At present, the Company has secured a highly effective management supervisory structure based on the appointment of seven Independent Outside Directors, including Audit & Supervisory Committee Members, who state their opinions from an independent and objective perspective at meetings of the Board of Directors and other bodies.

【Principle 4.7 Roles and Responsibilities of Independent Directors】 **Comply**

Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities:

- i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the medium to long term;
- ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management;
- iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and
- iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.

The Company recognizes that for sustainable corporate growth and medium- to long-term improvement in corporate value, it is important to utilize Independent Outside Directors and appropriately control risk.

The Company's Independent Outside Directors state opinions on matters including business policies and management plans, and provide oversight on the business execution by Directors as well as on conflicts of interests between Directors and major shareholders and other parties based on their specialized knowledge, abundant experience, and external viewpoints.

Furthermore, as members of the Nominating and Remuneration Committees, Independent Outside Directors are involved in evaluations of Directors and determination of the management system for the next year, and as members of the Governance Committee, they participate in evaluations of the effectiveness of the Board of Directors and deliberations on corporate governance. Since they are independent of the Board of Directors, their activities contribute to ensuring the objectivity and transparency in management.

【Principle 4.8 Effective Use of Independent Directors】 Comply

Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the medium to long term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities.

Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.

The Company has set forth Appointment Guidelines for Outside Officers and Standards for the Independence of Outside Officers, and appoints Outside Officers with sufficient qualities and independence.

The Company appoints Independent Outside Directors so that they account for half of the Directors to contribute to the achievement of sustainable growth and the medium- to long-term improvement in corporate value.

(Appointment Guidelines for Outside Officers and Standards for the Independence of Outside Officers:

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

【Supplementary Principle 4.8.1 Information Exchange and Shared Awareness Among Independent Directors】 Comply

In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.

Each Independent Outside Director contributes to active discussions of the Board of Directors by, for example, providing unreserved opinions regarding deliberations and matters reported in the Board of Directors, based on their own specialized knowledge, abundant experience, and external viewpoints.

In addition, each Independent Outside Director exchanges opinions in an appropriate manner, including outside of the Board of Directors, and also requests explanations and improvements from Representative Directors and provides advice, etc., as necessary, as part of efforts to contribute to the sustainable growth of the Company and to improve corporate value.

Furthermore, as members of the Nominating and Remuneration Committees and the Governance Committee, Independent Outside Directors work to improve the oversight function by exchanging information and improving the shared awareness from a viewpoint independent of the Board of Directors.

【Supplementary Principle 4.8.2 Selection of the Lead Independent Director】 Comply

Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with audit and supervisory board members or the audit and supervisory board by, for example, appointing the lead independent director from among themselves.

The Lead Independent Outside Director is selected through mutual voting by Independent Outside Directors. A system allows the Lead Independent Outside Director to cooperate and coordinate with the management team and the Audit & Supervisory Committee.

【Supplementary Principle 4.8.3 Ensuring Independence from the Controlling Shareholder】 Comply

Companies that have a controlling shareholder should either have their boards appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.

The Company has no controlling shareholder.

【Principle 4.9 Independence Standards and Qualification for Independent Directors】 Comply

Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.

The Company has established the **Appointment Guidelines for Outside Officers and the Standards for the Independence of Outside Officers**, thus clarifying the qualities and independence standards required of Independent Outside Directors appointed by the Company.

In the selection of candidates for Independent Outside Directors, candidates are selected that fulfill the Company's independence standards in addition to the standards stipulated by the Companies Act and the Tokyo Stock Exchange.

Updated

【Principle 4.10 Use of Optional Approach】 Comply

In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.

The Company has established a **Nominating and Remuneration Committee (chaired by the Lead Independent Outside Director)** to study matters such as mutual evaluations of Directors and the composition of the board for the subsequent year.

The Nominating and Remuneration Committees are composed of Representative Directors and all four Outside Directors who are not Audit & Supervisory Committee Members. Efforts are taken to curb autocratic decisions by the management team, including Representative Directors, and to strengthen governance functions by having the Nominating and Remuneration Committee participate in evaluations of Directors, examinations of the management structure for the next year, and performance-linked remuneration for Directors.

In addition, the Company has established a **Governance Committee (chaired by the Lead Independent Outside Director)** composed of internal Directors, including Representative Directors, and all Outside Directors. Efforts are made to strengthen supervisory functions with the Governance Committee, with a focus on deliberations concerning corporate governance.

【Supplementary Principle 4.10.1 Outside Directors' Involvement and Advice with Regard to Nomination and Remuneration】

Comply

If the organizational structure of a company is either Company with Audit and Supervisory Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions.

In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.

The Company has established the **Nominating and Remuneration Committees** as an advisory body to the Board of Directors in order to ensure objective and transparent procedures in the nominations, appointments, dismissals, and succession planning of senior management including Directors, as well as in the determination of the remuneration of Directors. Since this Committee consists of the Representative Directors and all Independent Outside Directors who are not Audit & Supervisory Committee Members chaired by the Lead Independent Outside Director, the Company believes it is sufficiently independent.

The Nominating and Remuneration Committees deliberate and report back when consulted by the Board of Directors about such matters as a planned management structure (Directors and Executive Officers) for the next year including perspectives of diversity such as gender and skills, succession plans for Directors including the Representative Directors, the implementation of the mutual evaluation of Directors that is to be factored in when preparing the original plan for the remuneration of Executive Directors, and a plan for the revision of the remuneration structure.

【Principle 4.11 Preconditions for Board and Audit and Supervisory Board Effectiveness】

Comply

The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as audit and supervisory board members. In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as audit and supervisory board member.

The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.

The Company's Board of Directors consists of internal Directors who are familiar with each of business area and Outside Directors who provide expertise in various fields, including corporate management, finance, accounting, and legal affairs.

Among the Outside Directors who are not Audit & Supervisory Committee Members are a former officer of a listed company with extensive expertise in areas such as human capital management and digital transformation and a lawyer with experience as a public prosecutor. Two Outside Directors are women(50%).

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%).

The effectiveness of the Board of Directors is assessed through self-evaluations and analysis once a year to enhance functionality.

【Supplementary Principle 4.11.1 Views Regarding the Balance, Diversity and Size of the Board】

Comply

The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size.

Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.

The Company has prepared the following skills matrix to list and identify the knowledge and experience of its Directors.

When appointing internal Directors, the Company seeks to enhance business competitiveness by appointing Directors with sufficient knowledge and experience in the Company's business areas in a well-balanced manner. In addition, the Company strives to strengthen supervision by the Board of Directors as a whole by appointing the Outside Directors with broad knowledge and experience as managers at other companies and who meet the Company's Standards for Independence.

Directors shall be appointed after the Board of Directors consults the Nominating and Remuneration Committees, an independent advisory body to the Board of Directors, and the said Committees report back about a plan for candidates for Directors prepared by the Board of Directors.

	Name	Expertise/Career	Corporate management	Business strategy / Marketing	Technology / Research and development / Quality control	Finance / Accounting	Sustainability	Governance / Compliance / Risk management	International / Overseas business	Human Capital Management	IT / DX
Directors	Kei Takeuchi	—	●	●	●			●			
	Yoshihiro Mori	—	●	●			●				●
	Masafumi Tate	—	●		●		●				●
	Tsukasa Okamoto	Certified public accountant	●			●		●			
	Yutaka Amano	—	●	●	●				●		
	Yoshimasa Tanaka	—	●				●			●	●
	Outside Director Atsushi Iritani	Attorney / Certified public accountant Former prosecutor				●	●	●	●		
	Outside Director Chieko Ouchi	Former officer of listing company		●			●	●		●	
	Outside Director Junko Owada	Officer of listing company						●	●	●	●
Directors (Audit & Supervisory Committee Members)	Shuji Kawai	—	●			●		●	●		
	Outside Director Takashi Shoda	Attorney Former manager of listing company	●			●		●	●		
	Outside Director Masa Matsushita	Former manager of listing company	●		●			●	●		
	Outside Director Kenji Kobayashi	Certified public accountant Corporate manager	●			●		●	●		

Note: The table above does not present all the knowledge possessed by each of the persons, but the areas which enable them to demonstrate more expertise based on their experience, etc.

Skills expected	Reason for selection
Corporate management	To appropriately and promptly identify opportunities and risks, and carry out appropriate decision-making and oversight aimed at sustainably increasing corporate value in a rapidly changing environment
Business strategy / Marketing	To understand from market changes the ideal form of a secure lifestyle, materialize services including new businesses, and provide them to customers
Technology / Research and development / Quality control	To improve technology aimed at realizing a safe and secure lifestyle, and accurately realize and offer it to customers
Finance / Accounting	To generate cash flows through sustainable profit growth and effective use of assets, and strengthen a stable financial base based on business characteristics and risks
Sustainability	To solve social issues through ESG initiatives aimed at the realization of a sustainable society
Legal affairs / Compliance / Internal control	To establish internal control, accurately control risks, and ensure sound management activities through compliance with laws and regulations
International / Overseas business	To lead and manage business across borders in order to expand globally
Human capital management	To enhance the capabilities of employees, who are the source of corporate value improvement, and foster an organizational culture that allows them to fully utilize their capabilities
IT / DX	To employ the latest technology to improve productivity and efficiency and support the transformation of core businesses and the creation of new businesses

【Supplementary Principle 4.11.2 Status of Positions Held Concurrently by Directors and Audit and Supervisory Board Members】 Comply

Outside directors, outside audit and supervisory board members, and other directors and audit and supervisory board members should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and audit and supervisory board members also serve as directors, audit and supervisory board members or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.

To ensure the satisfactory execution of the duties of the Directors, the Company regularly confirms the status of concurrent service at other companies by Outside Directors. The status of concurrent service at other companies by Outside

Directors is disclosed every year through the convocation notice for the General Meeting of Shareholders, the securities report, corporate governance reports, and other documents.

While some Outside Directors concurrently serve as Outside Directors or Outside Auditors of listed companies outside the Daito Group, the Company believes this does not impair their ability to supervise Company management. None of the internal Directors serves as an officer for a listed company outside the Daito Group; this allows them to focus on their duties as Directors.

Updated

【Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole】 Comply

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

[1] FY2024 Board of Directors Assessment Method

The Company aims to improve the Board of Directors' functions while also lifting corporate value. Once each year, a self-assessment and self-analysis are performed regarding the Board's effectiveness.

The major items assessed are shown below.

- | | | |
|---|--|--|
| (1) Composition of the Board of Directors | (5) Roles of Outside Directors | (9) Personal initiatives |
| (2) Operations of the Board of Directors | (6) Support system for Directors | (10) Nominating and Remuneration Committee |
| (3) Deliberations by the Board of Directors | (7) Training | (11) Audit and Supervisory Committee |
| (4) Oversight functions of the Board of Directors | (8) Dialogue with shareholders (investors) | (12) Overall assessment |

We carried out a questionnaire-based survey of all directors who are members of the Board of Directors regarding the discussions, operations, and supervisory functions of the Board of Directors; the support system for directors; and the activities and functions of the Nominating and Remuneration Committee. The responses were provided anonymously directly to an external company. Following aggregation and analysis of the results by the external company, the Board of Directors and the Governance Committee identified topics and matters requiring improvement to strengthen the functions and efficacy of the Board.

[2] FY2024 Board of Directors Assessment Results

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

[3] Status of efforts to address various issues

As reviewed below, we confirmed progress on items identified as issues in last year's assessment.

(1) Deliberation on the Group business portfolio strategy

Utilizing off-site meetings, we discussed the strategy and investment policies for each business, taking into account financial indicators such as ROIC.

(2) Strengthening internal Group controls

We reviewed the basic policy for the internal control system aimed at strengthening group management, and conducted discussions on effective and efficient internal controls for each group company.

[4] FY2025 priorities

Based on the FY2024 assessment, we will strive to secure and improve the functions and efficacy of the Company Board of Directors by acting swiftly to address the following priorities following full deliberations by the Board of Directors and the Governance Committee:

(1) Optimization of the Group business portfolio in Line with the the Medium- to long-term Management Strategy

(2) Strengthening Group Governance Considering the Characteristics of Each Subsidiary

【Principle 4.12 Active Board Deliberations】 Comply

The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.

Outside Directors utilize their own specialized knowledge, abundant experience, and external viewpoints to state opinions and provide advice for improvements as necessary at the Board of Directors. Executive Directors also offer opinions, suggestions, and other input in response to matters for deliberation and reporting submitted to the Board of Directors.

【Supplementary Principle 4.12.1 Measures for Active Deliberations at Board Meetings】 Comply

The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:

- i) Materials for board meetings are distributed sufficiently in advance of the meeting date;
- ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding);
- iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance;
- iv) The number of agenda items and the frequency of board meetings are set appropriately; and
- v) Sufficient time for deliberations.

Meetings of the Board of Directors are held once a month, and prior to the beginning of every fiscal year the annual schedule for holding the meetings of the Board of Directors is notified to Directors to ensure that it is easy for them to attend the Board of Directors meetings.

All Outside Directors are permitted to review the materials for the Executive Management Meeting stored on the Company's intranet at any time. They are also permitted to send questions concerning any agenda item they find doubtful to the Secretariat and to demand a response while attending the Executive Management Meeting. These represent key opportunities to make the necessary advance preparations.

In addition, the Company ensures there are opportunities for preparation in advance to enable attendees to deliberate with sufficient understanding of the details of agenda items such as by holding briefings for Outside Officers concerning the items to be discussed at the meeting of the Board of Directors that the Chairperson has judged to be of particular importance or by distributing material at least three business days prior to the meeting of the Board of Directors.

Furthermore, a system has been developed to eliminate perfunctory deliberations and to spend adequate time having substantial deliberations, with the secretariat for the Board of Directors setting the agenda items and allocating time for deliberation in advance.

【Principle 4.13 Information Gathering and Support Structure】 Comply

In order to fulfill their roles and responsibilities, directors and audit and supervisory board members should proactively collect information, and as necessary, request the company to provide them with additional information.

Also, companies should establish a support structure for directors and audit and supervisory board members, including providing sufficient staff.

The board and the audit and supervisory board should verify whether information requested by directors and audit and supervisory board members is provided smoothly.

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.

【Supplementary Principle 4.13.1 Collection of Necessary Information from the Company】

Comply

Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, audit and supervisory board members, including outside audit and supervisory board members, should collect information appropriately, including the use of their statutory investigation power.

Directors request the provision of information and materials from the secretariat for the Board of Directors and related departments if they deem the information they hold is insufficient for appropriate decisions. As a structure enabling Outside Directors to support appropriate risk-taking, the Company ensures adequate opportunities for department representatives to attend the Board of Directors to explain issues and to respond to questions so that Outside Directors can acquire the information needed for decision-making related to business execution. In addition, the Company ensures adequate opportunities for advance preparation to enable attendees to deliberate on agenda items, with sufficient understanding of specifics, by notifying the agenda no later than one week before the meeting and by holding briefings for Outside Officers on items to be discussed at said meetings the Chairperson deems to be of particular importance.

The Audit & Supervisory Committee works with Directors and the internal audit department to gather the information required for audits. If the information gathered is insufficient, the Standing Audit & Supervisory Committee Members will take the lead in making requests for explanations and the provision of the required information and materials to Directors and the related departments. The departments receiving such requests are required to provide information and materials as appropriate.

【Supplementary Principle 4.13.2 Obtaining Advice from External Specialists】 Comply

Directors and audit and supervisory board members should consider consulting with external specialists at company expense, where they deem it necessary.

External experts including consultants and lawyers are actively used for consideration of issues for which the opinion or perspective of a third-party has been deemed necessary, such as medium- to long-term market environment projections, verification of the effectiveness of the corporate governance system, and the assessment of market needs.

The costs required will be covered by the Company based on internal regulations when claims, etc. are filed by a Director.

【Supplementary Principle 4.13.3 Ensuring Cooperation Between Internal Audit Division, Directors, and Audit and Supervisory Board Members】 Comply

Companies should ensure coordination between the Internal Audit Division, directors and audit and supervisory board members by establishing a system in which the Internal Audit Division appropriately reports directly to the board and the audit and supervisory board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside audit and supervisory board members. One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside audit and supervisory board members are appropriately processed.

The Company has established a structure to allow the internal audit department to report issues concerning business execution identified through audits by the internal audit department to the Board of Directors and to the Audit & Supervisory Committee.

In addition, there is a structure for the secretariat for the Board of Directors to serve as the contact point, and receive instructions from Outside Directors to communicate and coordinate within the Company, and each department at the head office can always receive requests from Outside Directors.

【Principle 4.14 Director and Audit and Supervisory Board Member Training】 Comply

New and incumbent directors and audit and supervisory board members should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and audit and supervisory board member along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.

The Company works to improve the knowledge and capabilities of its Directors and Executive Officers by providing periodic training.

In addition, for the purpose of providing opportunities for personal development by learning new ideas, coming into contact with real-time information, and other experiences, the Company recommends participation in external seminars, external organizations, and personal networks (exchanges between different industries). The costs are borne by the Company pursuant to internal regulations when claimed by participants.

【Supplementary Principle 4.14.1 Acquisition of Necessary Knowledge, etc. as Directors and Audit and Supervisory Board Members】 Comply

Directors and audit and supervisory board members, including outside directors and outside audit and supervisory board members, should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.

When newly appointed Directors assume office, they are provided with training on various aspects, including the Company's business, finance and organization, and corporate governance. A training session is provided by external instructors every year for Directors and Executive Officers on themes that include corporate governance, business ethics, crisis management, and organizational management. Annual training sessions are provided for Directors and Executive Officers on themes that include vision recommendations for the next fiscal year and onward.

Furthermore, the Company provides opportunities for Outside Directors and Outside Audit & Supervisory Committee Members to gain an understanding of the Company's business model, etc., with a structure that allows them to participate in business plan briefings held once a year for all employees and events held by the Company inviting customers and attend internal meetings relating to business execution, such as the Executive Management Meeting, as an observer.

【Supplementary Principle 4.14.2 Training Policy for Directors and Audit and Supervisory Board Members】 Comply
Companies should disclose their training policy for directors and audit and supervisory board members.

In addition to providing periodic training opportunities for Directors and Executive Officers, the Company has a basic policy of providing Outside Directors with opportunities to acquire knowledge concerning the Company's businesses and related matters participation in important Company events and attendance at internal meetings related to business execution.

Furthermore, in addition to training based on this basic policy, Directors and Executive Officers are encouraged to acquire the knowledge necessary and improve their skills through participation in external seminars and training.

Section 5: Dialogue with Shareholders

【General Principle 5 Dialogue with Shareholders】 Comply

In order to contribute to sustainable growth and the increase of corporate value over the medium to long term, companies should engage in constructive dialogue with shareholders even outside the General Meeting of Shareholders.

During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

The Company recognizes the importance of holding active dialogues with shareholders at all times, incorporating the opinions and demands of shareholders in management, and for the Company to grow together with shareholders in order to achieve sustainable growth and medium- to long-term improvements in corporate value.

For this reason, the Company has developed an IR structure centered around the Director responsible for IR. The Company also proactively responds to information gathering requests from shareholders and investors through means such as establishing forums for dialogues with shareholders and investors so that they can gain an understanding of the Company's management strategies and management plans.

Furthermore, dialogues are also held by members of upper management with overseas investors at least once a year in the US, Europe, and Asia in consideration of the Company's shareholder composition.

The Company has appointed a director responsible for IR who supervises the departments involved in IR activities, including the Corporate Planning Department, Group Finance and Accounting Department, and General Affairs Department to facilitate day-to-day coordination between departments.

The Company actively accepts and responds to IR information gathering requests through the Corporate Planning Department, including phone calls from investors and small meetings.

For analysts and institutional investors, it also holds quarterly results briefings featuring explanations provided by the Representative Directors or the Director responsible for IR. In addition, for investors in the US, Europe, and Asia, an overseas IR event is held at least once a year, featuring explanations provided by the Representative Directors or the Director responsible for IR.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】 Comply

Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the medium to long term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.

The Company has appointed a Director responsible for IR and designated the Corporate Planning Department as the department responsible for IR.

For shareholders and investors, a results briefing is held once every quarter, along with on-site tours and small meetings as necessary. In addition, in consideration of the Company's shareholder composition, the Company's basic policy is to make investor visits and hold briefings at least once a year in the US, Europe, and Asia, and to disclose a report on corporate governance.

【Supplementary Principle 5.1.1 Reasonable Extent of Persons Engaging in Dialogue with Shareholders】 Comply

Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, or audit and supervisory board members, should have a basic position to engage in dialogue (management meetings) with shareholders.

Dialogues (meetings) with shareholders are conducted mainly by the Corporate Planning Department. Furthermore, management including the President, as well as Outside Directors, may participate in such meeting to the extent reasonable, depending on the desires of shareholders, and according to what degree of specialist knowledge or other expertise is required.

【Supplementary Principle 5.1.2 Policies for Promoting Constructive Dialogue with Shareholders】**Comply**

At minimum, policies for promoting constructive dialogue with shareholders should include the following:

- i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below;
- ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue;
- iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities);
- iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and
- v) Measures to control insider information when engaging in dialogue.

The Company has appointed a Director responsible for IR who supervises the departments involved in IR activities, including the Corporate Planning Department, and Accounting Department to facilitate day-to-day coordination between departments.

The Company actively accepts and responds to IR information gathering requests through the Corporate Planning Department, including phone calls from investors and small meetings.

For analysts and institutional investors, it also holds quarterly results briefings featuring explanations provided by the Representative Directors or the Director responsible for IR. In addition, for investors in the US, Europe, and Asia, an overseas IR event is held at least once a year, featuring explanations provided by the Representative Directors or the Director responsible for IR. For individual investors, the Company has launched a page for individual investors on its website, where it provides information on the Company's businesses, business performance, etc. Furthermore, in addition to IR activities, SR visits are also conducted to promote dialogues with decision-makers at institutional investors.

The results of overseas IR visits are reported to the Board of Directors in order to share information with Directors.

Furthermore, care is taken regarding the management of insider information by focusing on the themes of the Company's sustainable growth and the medium- to long-term improvement in corporate value when holding dialogues with investors, regardless of whether they are results briefings or small meetings.

【Supplementary Principle 5.1.3 Identifying Shareholder Ownership Structure】**Comply**

Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.

The shareholder composition on the shareholder registry is assessed at the end of every March and September, and a survey is conducted on the substantial shareholders of the Company's shares to gain an understanding of substantial shareholders. The information revealed through these surveys is used for overseas IR activities, etc.

Updated**【Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans】****Comply**

When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.

The Company's ROE stood at 18.4% for the year ended March 2024 and 21.5% for the year ended March 2025, well above the Company's estimated cost of equity. The Company has long identified a minimum ROE of 20% as a key management target. To achieve this target, we continue to include this minimum figure as a condition of payment under the share-based remuneration program. Additionally, starting in the fiscal year ended March 2024, we revised remuneration systems by linking them to sustainability indicators to further increase corporate value.

We plan to allocate management resources not just to our core business, but to growing peripheral businesses related to the core business with the aim of optimizing our business portfolio, which we will revise as needed. We will also continue in our efforts to strengthen corporate value taking into account the results of dialogue with shareholders, and will disclose information on progress with related matters and measures as appropriate.

【Supplementary Principle 5.2.1 Basic Policy For the Business Portfolio】

Comply

In formulating and announcing business strategies, etc., companies should clearly present the basic policy for the business portfolio decided by the board and the status of any review of such portfolio.

The Company positions the rental housing business as its core business, and will continue to enhance it as part of a business portfolio strategy that includes expansion into peripheral businesses and lifestyle-related services, with the aim of revitalizing communities and regional development.

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Partially revised on July 29, 2024

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[Reference] Appointment Guidelines for Outside Officers of the Company

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.

[Reference] Standards for the Independence of Outside Officers of the Company

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

1. Daito Group affiliate
The individual is not a Director (unless an Outside Director), an Audit and Supervisory Board Member (unless an Outside Audit and 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
 - 1) 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.
 - 2) The individual is not an executive or employee of a company for which the Daito Group is a major shareholder (holding a 10% or greater share).
3. Business partner affiliate
 - 1) The individual is not an executive or employee of a business partner whose transactions with the Daito Group account for 2% or more of consolidated net sales.
 - 2) The individual is not an executive or employee of a financial institution from which the Daito Group borrows capital amounting to 2% or more of Daito Trust's consolidated gross assets.
 - 3) The individual is not an executive or employee of the Daito Group's main securities company.
4. Provider of specialized services (lawyer, certified public accountant, consultant, etc.)
 - 1) The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as the independent auditor.
 - 2) The individual does not receive ¥10 million or more a year from the Daito Group (apart from Director compensation) for his/her services as a lawyer, certified public accountant, tax accountant or consultant.
5. Others
 - 1) The individual is not a relative within two degrees of kinship of persons falling under the Categories 1 to 4 above.
 - 2) The individual is not an executive or employee of a company that has one or more Directors holding a post in the Daito Group.
 - 3) The individual is not an executive or employee of a company that holds shares in the Daito Group.

(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.