

May 24, 2022

Company name: Daito Trust Construction Co., Ltd
Representative: Katsuma Kobayashi
President and Representative Director (CEO)
Securities code: 1878
Listed in the 1st section of Tokyo and Nagoya security
exchange
Address: 2-16-1, Konan, Minato-ku, Tokyo

Notice of investigation regarding improper accounting treatment of our consolidated subsidiary

We have now discovered that our employees were improperly accounting at our consolidated subsidiaries. We are currently investigating the details, and we will inform you of the current situation and future measures as follows.

1. Summary of currently known improper accounting

In response to the accusation from the officer in charge on April 13, 2022, the Company has been conducting an internal investigation in response to the discovery of suspicion of inappropriate use of expenses by our employees.

The investigation is still ongoing, and the progress report from the investigation team now confirms the use of expenses without proper approval (about 500,000 yen) and the following improper accounting treatment related to the employee.

- Overstatement of accounts payable and expenses payable by our consolidated subsidiary (approximately 569 million yen as of the end of March 2022)
- Improper payment of advertising expenses, etc. of our consolidated subsidiary (approximately 162 million yen in the fiscal year ending March 2022)

2. About future correspondence

Regarding in-house investigations, with the participation of external experts (2 lawyers, 9 certified accountants), while ensuring a more objective and reliable investigation, the accounting is still ongoing and the employees involved. In addition to conducting a wide range of investigations on the overall processing, we are also conducting interviews with the managers of the relevant employees, extra-case investigations, and cause analysis.

Although the impact on the Company's consolidated financial statements is limited to the extent currently known, future investigations may change the scope of inappropriate accounting treatment and the amount of impact of this matter.

We will promptly inform you of the impact of this matter on the consolidated financial results of the Company, the survey results, and the impact on the accounting audit schedule for the fiscal year ended March 2022 as soon as it becomes clear.

We sincerely apologize for causing a great deal of inconvenience and concern to our shareholders, investors, and other related parties regarding this accounting treatment announced this time.

END