

July 27, 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 regarding formulation of recurrence prevention measures**

We Daito Trust Construction Co., Ltd. (the “Company”), as announced on June 23, 2022, have received the results of the investigation from the Investigation Committee on the inappropriate accounting treatment at our consolidated subsidiary and have discussed measures to prevent recurrence of such an incident.

Today, we announce that the Company’s Board of Directors has resolved to take measures to prevent recurrence as described below.

### **1. Summary of recurrence prevention measures**

#### **(1) Restructuring of accounting department structure and control environment**

- (i) The Company separate the person in charge of budget management from the person in charge of accounting, and prohibit employees of the accounting department from holding concurrent positions in other departments. This will ensure that internal check and balance are in place for budget management and recording of actual results.
- (ii) The Company create an environment in which the validity of the basis for recording allowances can be confirmed and verified by reviewing and standardizing operational procedures, such as clarifying the criteria for estimating allowances and the assurances required for the approval process for payments.
- (iii) In order to raise awareness of compliance and foster a culture that prevents the occurrence of fraud, the Company will regularly provide training for accounting employees on proper financial reporting and establish guidelines for the behavior of accounting employees.

#### **(2) Restructuring of the system and control environment for officers and other management departments**

- (i) Regarding the whistleblowing system, the Company will regularly provide education and training to the whistleblower contact for the purpose of protecting whistleblowers. In addition, the Company shall inform its employees, by message from top management and training, that the system is safe and secure, including the fact that whistleblowers are thoroughly protected and that an external whistleblower hotline has been established, and encourage their appropriate use of the system.
- (ii) The Company will increase the frequency of audits of head office departments, including subsidiaries, in addition to the audits of branch offices which have been conducted in the past, by expanding the number of personnel in the internal audit department. Through this way, the Company will improve the effectiveness of internal audits by deterring fraud and detecting problems early.
- (iii) The Company will regularly provide training to its officers to further enhance their understanding of internal controls and accounting procedures, as well as their knowledge of the operations of the accounting department and prevention of accounting irregularities, thereby increasing the effectiveness of check and balance from the management perspective.

## **2. Implementation and monitoring of recurrence prevention measures**

From August 2022, the Company will set up a company-wide team to promote the above measures, report the progress to the Board of Directors as appropriate, and carry out appropriate monitoring.

We sincerely apologize to our shareholders, investors, and all other related parties for the concern and inconvenience we have caused. We take this matter seriously and will work to restore confidence by promptly implementing measures to prevent recurrence.

END