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Corporate Governance Report

Daito Trust Construction Co., Ltd.

Last Update: July.29, 2024

Daito Trust Construction Co., Ltd.

Kei Takeuchi, President and Representative Director, Chief Executive Officer

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

Securities code: 1878

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

The corporate governance of Daito Trust Construction Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

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

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

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

Disclosure Based on each Principle of the Corporate Governance Code

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

An English version of “The Company’s Initiatives Related to the Corporate Governance Code” is available on the English-language page of the website.

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

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

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

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

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

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

2. Capital Structure

Foreign Shareholding Ratio

30% or more

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	9,590,100	14.58
SSBTC CLIENT OMNIBUS ACCOUNT	3,919,602	5.96
Custody Bank of Japan, Ltd. (Trust account)	3,637,911	5.53
HIKARI TSUSHIN, INC.	3,527,800	5.36
Co-op Suppliers' Stock Holding	1,673,805	2.54
Sumitomo Realty & Development Co., Ltd.	1,606,700	2.44
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,510,800	2.30
BNYMSANV AS AGENT / CLIENTS LUX UCITS NON TREATY 1	1,461,800	2.22
STATE STREET BANK AND TRUST COMPANY 505001	1,284,255	1.95
Daito Trust Construction Employees' Shareholding Association	1,127,182	1.71

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

3. Corporate Attributes

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

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

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

The Company owns Housecom Co., Ltd. as a listed subsidiary.

The Company believes that the realization of the “New Five-year Plan,” its medium-term management plan, will lead to sustainable growth and medium- to long-term increase in the corporate value of the Daito Group, and that the active expansion by Housecom Co., Ltd. of its business domains, focusing on the real estate rental brokerage business, will contribute significantly to realizing the “New Five-year Plan.”

Housecom Co., Ltd., which specializes in real estate rental brokerage, mainly brokers properties that are not managed by the Daito Group and plays an important role in complementing the Daito Group's rental brokerage business. Furthermore, the Company believes that it could achieve further growth and improvement in corporate value of the Daito Group by sharing the expertise of Housecom Co., Ltd., engaged in advanced initiatives tailored to the needs of society such as the use of PropTech.

Based on the recognition that appropriately protecting the interests of the general shareholders of a listed subsidiary contributes to increasing the corporate value of that subsidiary, and taking into account the risk of structural conflicts of interest between the Company and the general shareholders of a listed subsidiary, the Company respects the independent decision-making of its listed subsidiaries. Moreover, a system is in place at Housecom Co., Ltd. to monitor the risk for conflicts of interest between the Company and the general shareholders of a listed subsidiary, by ensuring that two of the five Directors comprising the Board of Directors are Independent Outside Directors, and that two of the four Audit & Supervisory Board Members are Independent Outside Audit & Supervisory Board Members.

There are no resolution matters that require the advance approval of the Company in the decision-making process of Housecom Co., Ltd.

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit & Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	13
Election of Outside Directors	Elected
Number of Outside Directors	6
Number of Independent Directors	6

Outside Directors' Relationship with the Company (1)

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

*Categories for "Relationship with the Company".

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

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

Outside Directors' Relationship with the Company (2)

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Atsushi Iritani		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function. The Company appointed Mr. Iritani as director, judging that his advanced expertise as a lawyer familiar with crisis management operations such as financial legal affairs and compliance, and abundant experience as a certified public accountant will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Chieko Ouchi		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function. The Company appointed Ms. Ouchi as director, judging that her extensive knowledge of improving corporate value, including work environment transform and improving the value of human resources, as well as her abundant experience in proactively promoting women's participation in the workforce, will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] She meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Junko Owada		○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's management monitoring function. The Company appointed Ms. Owada as director, judging that her extensive knowledge of the development and utilization of "HR Tech," as well as her abundant experience working as an advisor and outside director for listed companies, will be reflected in the monitoring of the Company's management.</p> <p>[Reason for designation as independent director] She meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company</p>

				has therefore designated him as an independent director.
Masa Matsushita	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Mr. Matsushita as director, judging that his specialized knowledge regarding corporate legal affairs and finance as a lawyer, and extensive experience and insight as a corporate manager will be reflected in the Company's audits.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Takashi Shoda	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Mr. Shoda as director, judging that the experience, knowledge and insight he acquired during his many years as a corporate manager engaged in global business development and tackling sustainability issues, including social and environmental matters, will be reflected in the monitoring of the Company's audits.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>
Kenji Kobayashi	○	○	—	<p>[Reason for appointment] The purpose of this appointment is to strengthen the Company's supervisory and monitoring function. The Company appointed Mr. Kobayashi as director, judging that his specialized knowledge regarding finance and accounting as a certified public accountant, extensive experience and insight as a corporate manager will be reflected in the Company's audits.</p> <p>[Reason for designation as independent director] He meets the standards for independence set out by the Tokyo Stock Exchange and the Standards regarding the Independence of Directors and Audit and Supervisory Board Members set by the Company. The Company has therefore designated him as an independent director.</p>

Audit & Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Standing Members	Inside Directors	Outside Directors	Committee Chair
Audit & Supervisory Committee	4	2	1	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

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

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

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

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

Voluntary Established Committees

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

	Committee's Name	All Members	Standing Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating and Remuneration Committee	4	0	1	3	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nominating and Remuneration Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation

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

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

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

Matters Concerning Independent Directors

Number of Independent Directors	6
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Other Matters Concerning Independent Directors

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

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

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme
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Supplementary Explanation for Applicable Items

The 49th Ordinary General Meeting of Shareholders held on June 27, 2023, resolved to change a part of stock compensation plan. Refer "Director Remuneration" below for details.

Persons Eligible for Stock Options	—
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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Disclosure for Selected Directors
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Supplementary Explanation for Applicable Items

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

Directors: 11 persons (excluding Outside Directors); Total amount: 586 million yen (basic remuneration 385 million yen, Stock compensation 0 million yen, bonus 202 million yen)

Outside Directors: 8 persons; Total amount: 97 million yen (basic remuneration 97 million yen, Stock compensation 2 million yen)

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

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

Kei Takeuchi (Director) Total amount: 156 million yen (basic remuneration 102 million yen, stock compensation 0 million yen, bonus 54 million yen)

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

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

Representative Director	Fixed remuneration: 65%	Performance-linked remuneration: 35%
Directors	Fixed remuneration: 66%	Performance-linked remuneration: 34%

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the Board of Directors meeting held on May 2023, the Company prescribed a determination policy for remuneration, etc. of individual Directors (excluding Directors who are Audit & Supervisory Committee Members) and the outline is as below. Remuneration, etc. for Directors who are Audit & Supervisory Committee Members shall be determined pursuant to the deliberation by Directors who are Audit & Supervisory Committee Members within the scope of the amount approved at the General Meeting of Shareholders.

1. Basic policy for remuneration of officers

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

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

2. Remuneration level

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

3. Composition of Remuneration

Based on the basic policy above, the composition of remuneration focuses on incentives. Specifically, the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors; hereinafter referred to as "Business Executive Directors") is composed of basic remuneration, bonuses on performance and stock compensation and its proportion is 1 : 0.6 : 0.6 (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 Business 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 net income (profit attributable to owners of the parent) by a specific ratio to share common interests with shareholders.

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 Business 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 (for three years). 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, the granting of points for Business Executive Directors is subject to the achievement of ROE 20% and 50 % of payout ratio.

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 Business Executive Directors, possession of the Company's stock equivalent to (annual) basic remuneration or more (including potentially possessed stock) is recommended in principle within five years after assuming the position. Stock compensation of Outside Directors shall be non-performance-linked and fixed in consideration of their roles.

4. Determination process of remuneration

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

Determination policy for remuneration, etc. of individual Directors (including remuneration level, remuneration composition, and the setting of targets for performance-linked remuneration) is determined by the Board of Directors through sufficient deliberations by the Nominating and Remuneration Committee.

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

5. Forfeiture, etc. of stock compensation

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

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

Support System for Outside Directors

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

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

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

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

Other Related Matters

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

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

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

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

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

The Board of Directors, comprising 13 Directors (including six Outside Directors), decides monthly on matters stipulated in laws and regulations and the Articles of Incorporation and other important matters involving the Company and affiliated companies.

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

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

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

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

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

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

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

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

(3) Relationship of Outside Directors with Internal Control Department

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

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

(4) Status of Outside Directors

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

The Outside Directors who are not Audit & Supervisory Committee Members are comprised of a lawyer who is familiar with risk management and corporate governance and an expert experienced in international finance operations, one of whom is a female Outside Director.

The Outside Directors who are Audit & Supervisory Committee Members are comprised of certified public accountants and a lawyer. All of whom have management experience at other companies.

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

(5) Appointment Guidelines for Outside Officers

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

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

related to corporate management.

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

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

1. Daito Group affiliate

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

2. Holder of voting shares

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

3. Business partner affiliate

- A. The individual is not an executive or employee of a business partner whose transactions with the Daito Group account for 2% or more of consolidated net sales.
- B. The individual is not an executive or employee of a financial institution from which the Daito Group borrows capital amounting to 2% or more of Daito Trust's consolidated gross assets.
- C. The individual is not an executive or employee of the Daito Group's main securities company.

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

- A. The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as the independent auditor.
- B. The individual does not receive 10 million yen or more a year from the Daito Group (apart from Director or Audit & Supervisory Board Member compensation) for his/her services as a lawyer, certified public accountant, tax accountant or consultant.

5. Others

- A. The individual is not a relative within two degrees of kinship of persons falling under the Categories 1 to 4 above.
- B. The individual is not an executive or employee of a company that has one or more Directors holding a post in the Daito Group.
- C. The individual is not an executive or employee of a company that holds shares in the Daito Group.

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

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

(7) Information disclosure

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

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

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

3. Reasons for Adoption of Current Corporate Governance System

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

III. Implementation of Measures for Shareholders and Other Stakeholders

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

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

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Recognizing information disclosure as one of the most important management issues, the Company complies with all laws and regulations, and strives to promptly disclose information whether positive or negative. The Company works to disclose information broadly and fairly, and avoids selective disclosure of important undisclosed information to particular institutions or individuals.	
Regular Investor Briefings held for Analysts and Institutional Investors	In addition to holding quarterly financial results announcement briefings, we also hold ESG briefings and other briefings at least once a year.	Held
Regular Investor Briefings held for Overseas Investors	The Company makes investor visits and holds briefings at least once a year in the US, Europe, and Asia.	Held
Online Disclosure of IR Information	IR materials are posted on the Company website, including financial results summaries, news releases, Securities Reports, quarterly reports, financial results briefing materials, shareholder notifications, integrated reports, annual reports, CSR reports, convocation notices for the General Shareholders' Meeting, and notices of resolution of the meeting.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Planning Division is responsible for IR. Mr. Tsukasa Okamoto, Director, Chief Financial Officer is the officer responsible for IR.	
Other	The Company launched a page for individual investors on its website in March 2015, where it provides information on the Company's businesses, business performance, etc., to allow individual investors to better understand the Company. Website for individual investors: https://www.kentaku.co.jp/corporate/en/ir/	

3. Status of Measures to Ensure Due Respect for Stakeholders

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

IV. Matters Concerning the Internal Control System

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

The details of the decisions made regarding the systems for ensuring that the performance of the directors' duties complies with laws and regulations and the Articles of Incorporation, and the systems for ensuring the proper conduct of the company's business, are outlined below.

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

- (1) The Company stores and manages information (including digital records such as minutes / approval records and their annexes, accounting books / accounting slips and other information, etc.) related to execution of duties by Directors based on laws and regulations and internal regulations regarding storage and disposal of documents.
- (2) Directors can view these stored documents according to internal procedures.
- (3) The Company ensures the safety of information storage based on internal regulations regarding information security.

2) Regulations and other systems for managing risk of loss at the Company and its subsidiaries

- (1) The Company has established a basic policy on risk management to create a management system for the risk of loss of the Group, and operated the Risk Management Committee, which is an organization that monitors the risks surrounding the Group and the status of risk management, and discusses and coordinates important matters.
- (2) Based on the risk approach, the Company selects more important business areas and audit themes, and structures a group internal audit system according to the nature of the Company's business and changes in society.
- (3) The Company has established the Risk Management Committee to appropriately grasp every risk linked to the operations of the Daito Group as a whole and mitigate the frequency of risk occurrence and impact on management. The Company identifies, evaluates and reviews material risks for the Daito Group's management, formulates counter-measures, and regularly monitors the management status. In particular, the Board of Directors intensively monitors material risks for management and businesses and regularly receives status reports. It also obtains reports from the Internal Audit Division when appropriate. This is how the Company promotes a corporate-wide risk response.
- (4) The Company has established internal standards for quality control and health and safety management and developed a system to prevent defects and accidents, in which the responsible department supervises employees of the Company and Group companies as well as employees of business partners at work sites to ensure that they comply with these standards.
- (5) The Company has established internal standards for protection of personal information, and developed a system to prevent loss, theft, leakage or inappropriate removal of all personal information including customer information, in which the responsible department supervises employees of the Company and Group companies to ensure that they comply with these standards.
- (6) The Company has developed a system to minimize impact in the event of a major disaster. The Company has established policies, plans and manuals, etc., on disaster countermeasures and business continuity in order to minimize damage to stakeholders, including employees of the Daito Group, and the responsible departments conduct training and drills to ensure that employees of the Company and Group companies act according to these policies, etc.

3) System to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries conforms to laws and regulations and the Articles of Incorporation

- (1) The Company reinforces the monitoring and supervision of conformity of the execution of duties by Directors to laws and regulations and the Articles of Incorporation through mutual monitoring by Executive Directors and by appointing at least one-third Outside Directors of board members.
- (2) Based on laws and regulations, work rules, and internal regulations regarding business ethics, the Company places Directors or Executive Officers responsible for Company departments and Group companies to develop systems to manage compliance in the departments and Group companies under their supervision.
- (3) The Company has established a department responsible for internal audits, which conducts business audits in all Company departments including Group companies and bases to confirm that business is being implemented according to internal standards and to make appropriate corrections where problems exist.
- (4) The Company has established a contact point for whistleblowing for the entire Group in the department in charge of compliance, an outside law firm and an outsourcing company, and strives for early detection and correction of fraudulent acts, etc.
- (5) The Company arranges opportunities to provide compliance education and information to Executive Officers and employees and strives to raise awareness of respect for laws.
- (6) The Company shall have no business transactions whatsoever with anti-social forces or organizations that pose a threat to the order and safety of society, including the Group. We take a resolute stance as an organization in response to unreasonable demands, based on a response manual and in cooperation with lawyers, the police, and other external professional institutions.

4) System to ensure efficient execution of duties by Directors of the Company and its subsidiaries

- (1) The Company holds meetings of the Board of Directors once a month. In addition to deciding matters stipulated in laws and regulations and the Articles of Incorporation and other important matters of policy for the Company and Group companies, the Board also receives reports from each Executive Director in order to supervise their execution of duties.
- (2) The Company delegates, as necessary, decision-making authority for business execution from the Board of Directors to Executive Officers to enable flexible decision-making.
- (3) The Company has divided the business areas of the Company and Group companies into "Headquarters in charge of the Construction Business Sales," "Headquarters in charge of the Real Estate Business," "Headquarters in charge of the General Administration," and "Headquarters in charge of Corporate Management," and assigns Directors as the General Manager responsible for each headquarters.

- (4) The Company holds The Executive Management Meeting approximately twice a month of a body comprising Executive Officers nominated by the General Manager from each headquarters and the Board of Directors to discuss specific implementation of policies and strategies decided by the Board of Directors and issues related to multiple headquarters. Results of the meetings are reported to all Directors in an effort to share information, and are submitted to the Outside Directors for supervision.
- (5) Each headquarters holds Headquarter Meeting chaired by the General Manager or an Executive Officer within the business area, in order to execute duties under the exclusive authority of each headquarters. If there are important matters among the results of deliberations, they are reported to the Board of Directors or to the meeting body described in The Executive Management Meeting.

5) System to ensure the appropriateness of operations at the company group comprising the Company and its subsidiaries, and system for reporting matters related to execution of duties by directors, executive officers, and employees who execute business at subsidiaries to the Company

- (1) The Company has established a basic policy on the management of Daito Group companies and respects the autonomous management of each Group company, and seeks mutual cooperation among Group companies by assigning the Director or Executive Officer of the Company to each company's Board of Directors.
- (2) In case of execution of important duties at Group companies, the Company receives reports from the Group company in a timely manner and provide appropriate guidance and advice, etc., in order to ensure the appropriateness and facilitation of the Group company's operations according to the basic policy on the management of Daito Group companies.

6) Matters regarding employees who support the duties of Audit & Supervisory Committee when the Audit & Supervisory Committee request such employees

- 1) The Audit & Supervisory Committee Secretariat will be established as an organization to assist the duties of the Audit & Supervisory Committee, and assistants to the Audit & Supervisory Committee will be assigned.
- 2) The Audit & Supervisory Committee Secretariat will establish a cooperative system among various departments for investigations and information gathering necessary for audits, and will ensure the effectiveness of the Audit & Supervisory Committee's instructions.

7) Matters regarding the independence of employees who support the duties of Audit & Supervisory Committee from Directors (excluding Directors who are Audit & Supervisory Committee Members) and ensuring the effectiveness of instructions from the Audit & Supervisory Committee to such employees

- (1) The appointment and transfer of employees who assist the duties of the Audit & Supervisory Committee shall be made with the consent of the Audit & Supervisory Committee.
- (2) Employees who assist the Audit & Supervisory Committee in its duties perform their duties under the direction and orders of the Audit & Supervisory Committee. They prioritize work directed by the Audit and Supervisory Committee.

8) System for reporting to Audit & Supervisory Committee and system for ensuring that persons who have made such reports are not treated detrimentally due to such reporting

- (1) Directors (excluding Directors who are Audit & Supervisory Committee Members) responsible for Company departments and Group companies, as well as employees, who become aware of matters that must be reported under laws and regulations, work rules, or internal regulations, other matters having a material effect on the Company as a whole, the implementation status of internal audits, or consultations and reports to whistleblowing contact points, etc., shall promptly report such matters to the Audit & Supervisory Committee.
- (2) Audit & Supervisory Committee shall be able to attend meetings of the Board of Directors and other important meetings regarding management of the Company and Group companies and request explanations from Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees as necessary.
- (3) The Company shall establish a mechanism similar to the whistleblowing system to ensure that persons who have made reports to Audit & Supervisory Committee are not treated detrimentally due to such reporting.

9) Matters regarding policies on treatment of expenses and obligations arising in the execution of duties by Audit & Supervisory Committee Members

When Audit & Supervisory Committee Members or employees who support Audit & Supervisory Committee Members request advance payment or repayment of obligations with regard to expenses arising in the execution of duties by Audit & Supervisory Committee Members or employees who support Audit & Supervisory Committee Members, the Company shall handle the matter promptly, based on the relevant internal regulations, except in cases where the expenses are not recognized as necessary.

10) Other systems to ensure that audits by Audit & Supervisory Committee are conducted effectively

- (1) Audit & Supervisory Committee shall exchange opinions with Directors (excluding Directors who are Audit & Supervisory Committee Members) and the accounting auditor as necessary.
- (2) Audit & Supervisory Committee Members shall not be prevented from attending various meeting bodies related to business execution.
- (3) Meetings of the Audit & Supervisory Committee are held once a month, and the Standing Audit & Supervisory Committee Member reports to non-standing Audit & Supervisory Committee Members on the status of business execution in order to increase the effectiveness of audits by Audit & Supervisory Committee.
- (4) The Audit & Supervisory Committee comprises three Outside Directors who are Audit & Supervisory Committee Members and an internal Director who are Audit & Supervisory Committee Members as a system under which the independence of Audit & Supervisory Committee is enhanced, and appropriate and effective audits can be conducted.

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

1) Basic views on eliminating anti-social forces

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

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

(1) Establishment of department in charge of countermeasures and officer responsible for prevention of unreasonable demands

The General Affairs Department is the department in charge of countermeasures. In addition to the General Affairs Department at Head Office, an officer responsible for prevention of unreasonable demands is appointed at each branch nationwide.

(2) Cooperation with external professional institutions

In addition to cooperating with law enforcement authorities, legal counsel, and other external professional institutions, the Company participates in Tokubouren (special anti-violence countermeasures council,) and cooperates with local communities in efforts to eliminate anti-social forces.

(3) Collection and management of information related to anti-social forces

The Company receives information from law enforcement authorities regarding anti-social forces. In addition, the Company provides appropriate information to Company departments and branches that have received contact or attacks from anti-social forces.

(4) Establishment of response manual

The "Organized Crime Response Manual for Unreasonable Demands" has been prepared as a response manual, and all employees have been made fully aware of the manual.

(5) Implementation of training activities

The Company conducts training on examples of unreasonable demands and how to deal with them as appropriate for officers responsible for prevention of unreasonable demands at all branches. In addition, the General Affairs Department at Head Office and officers responsible for prevention of unreasonable demands from all branches nationwide regularly attend training held by external institutions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

2. Other Matters Concerning the Corporate Governance System

(Overview of System for Timely Disclosure)

1) Basic policy

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

2) Standards for timely disclosure

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

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

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

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

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

4) Method and procedures for timely disclosure

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

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

(2) Preparation and announcement of timely disclosure materials

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

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

- Important facts disclosed on the Tokyo Stock Exchange TDnet

- Regularly prepared materials

Securities Reports (quarterly reports)

Financial results summaries (quarterly results summaries)

Shareholder notifications

Integrated reports (annual reports)

Monthly reports

Financial results briefing materials (quarterly results briefing materials)

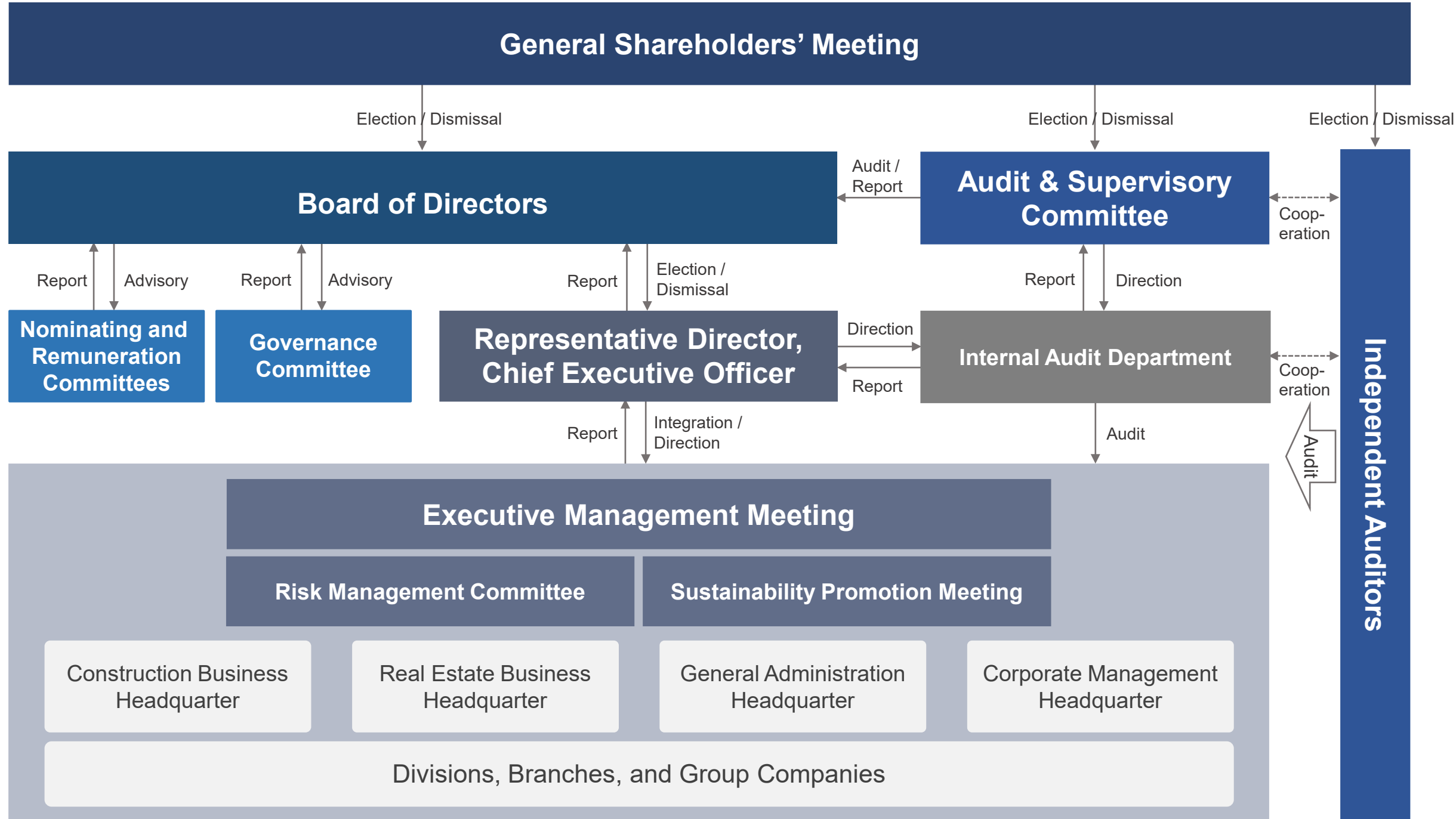
-News releases

Materials provided to media organizations or distributed at press clubs

5) Quiet periods

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

END



[Reference] Skills matrix of the Board of Directors (planned as of the conclusion of this meeting)

	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.