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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

—

## 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 |

### 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 | | | | | | | | | | | ○ |
| Chieko Ouchi | From another company | | | | | | | | | | | ○ |
| Junko Owada | From another company | | | | | | | | | | | ○ |
| Masa Matsushita | Lawyer | | | | | | | | | | | ○ |
| Takashi Shoda | From another company | | | | | | | | | | | ○ |
| Kenji Kobayashi | CPA | | | | | | | | | | | ○ |

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

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. 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
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. 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)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. 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 | | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's management monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |
| Chieko Ouchi | | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's management monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |
| Junko Owada | | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's management monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |
| Masa Matsushita | ○ | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's supervisory and monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |
| Takashi Shoda | ○ | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's supervisory and monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |
| Kenji Kobayashi | ○ | ○ | — | [Reason for appointment]<br>The purpose of this appointment is to strengthen the Company's supervisory and monitoring function.<br>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.<br><br>[Reason for designation as independent director]<br>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. |

## 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 |

### 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 |

### 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 |

Other Matters Concerning Independent Directors

The Company's Outside Directors fulfill independence standards established by the Tokyo Stock Exchange and the Nagoya Stock Exchange, as well as "Standards for the Independence of Outside Officers of the Company," and all Outside Directors are designated as Outside Officers.
"Standards for the Independence of Outside Officers of the Company" are stated in "2. Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)" below.

## Incentives

| | |
|---|---|
| Implementation Status of Measures related to Incentives Granted to Directors | Introduction of Performance-linked Remuneration Scheme |

Supplementary Explanation for Applicable Items

The 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 | — |

## Director Remuneration

| | |
|---|---|
| Status of Disclosure of Individual Director's Remuneration | Disclosure for Selected Directors |

Supplementary Explanation for Applicable Items

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

| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|---|---|

## 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.<br>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.<br>Website for individual investors:<br>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.<br>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.

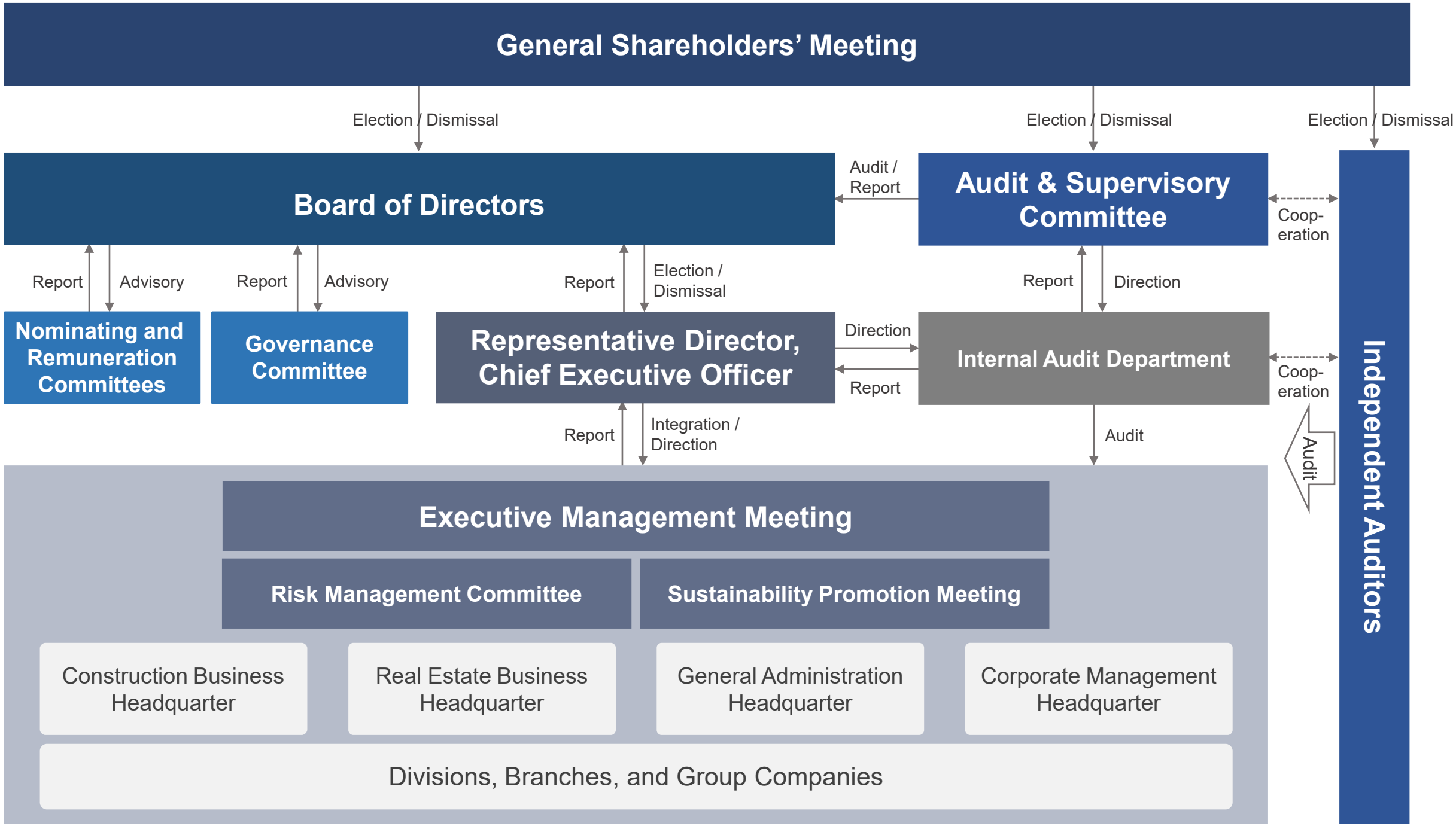
In addition, the following information is made available on the Company's website in the interests of broad and fair disclosure of information.

- 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


General Shareholders' Meeting
Election / Dismissal
Election / Dismissal
Election / Dismissal
Board of Directors
Audit / Report
Audit & Supervisory Committee
Coop-eration
Independent Auditors
Report
Advisory
Report
Advisory
Report
Election / Dismissal
Report
Direction
Nominating and Remuneration Committees
Governance Committee
Representative Director, Chief Executive Officer
Direction
Report
Internal Audit Department
Coop-eration
Report
Integration / Direction
Audit
Audit
Executive Management Meeting
Risk Management Committee
Sustainability Promotion Meeting
Construction Business Headquarter
Real Estate Business Headquarter
General Administration Headquarter
Corporate Management Headquarter
Divisions, Branches, and Group Companies

# [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.

July 29, 2024

# The Company's Initiatives Related to the Corporate Governance Code

DAITO TRUST CONSTRUCTION CO., LTD.

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

【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 clearly separates 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, at least one-third 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)

Updated

【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.**

Updated

【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

Updated

【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.**

Updated

【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 undertakes an annual questionnaire survey of all employees regarding the Company's management policies, corporate culture, and climate. The goal is to ascertain points of agreement and disagreement between management and employees. Questionnaire results, including the individual responses and aggregated results, are circulated among the management team to clarify understanding of underlying issues.**

【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)

Updated

【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.**

Updated

【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 promotes the separation of 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/nurture.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

【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.**

**At least one-third 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 all internal Directors, including the Representative Directors, and all 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 Sales Headquarters, the Real Estate Business Headquarters, the General Administration 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)

Updated

【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.**

Updated

【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 for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) consists of basic remuneration, performance-linked bonuses, and stock compensation. The corresponding ratio is 1:0.6:0.6 (assuming the performance target is 100% achieved). The ideal ratio is 1:2-3:2-3.**

**Remuneration for Outside Directors (excluding Directors who are Audit & Supervisory Committee Members) consists of basic remuneration and stock compensation. However, their remuneration is not linked to business performance, given their roles as supervising business executors.**

**(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.**

**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.**

【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 have experience with corporate management and high expertise in their respective fields as certified public accountants, lawyers, and other professionals. 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 six 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 more than one-third 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.**

【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 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.**

Updated

【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.**

**Outside Directors who are Audit & Supervisory Committee Members include a certified public accountant and a lawyer who provide abundant knowledge on finance, accounting, and legal affairs. All of these Directors have corporate management experience at other companies.**

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

Updated

【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.

【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】FY2023 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**
**(2) Operations of the Board of Directors**
**(3) Deliberations by the Board of Directors**
**(4) Oversight functions of the Board of Directors**
**(5) Roles of Outside Directors**
**(6) Support system for Directors**
**(7) Training**
**(8) Dialogue with shareholders (investors)**
**(9) Personal initiatives**
**(10) Nominating and Remuneration Committee**
**(11) Audit and Supervisory Committee**
**(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】FY2023 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) Discussions concerning medium- to long-term management strategy**

**Efforts to resolve this issue included securing adequate time for discussion while formulating the medium-term management plan, including offsite meetings as well as discussions at meetings of the Board of Directors.**

**(2) Strengthening internal Group controls**

**A new section dedicated to internal controls was established, and a project was launched to strengthen the Group's internal controls systems in cooperation with the Audit and Supervisory Committee.**

**【4】FY2024 priorities**

**Based on the FY2023 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) Deliberation on the Group business portfolio strategy**

**(2) Strengthening internal Group controls**

【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.**

Updated

【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 18.2% for the year ended March 2023 and 18.4% for the year ended March 2024, 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.**

Updated

【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.**

Released on June 1, 2015
Partially revised on June 26, 2015
Partially revised on June 29, 2016
Partially revised on June 29, 2017
Partially revised on July 18, 2018
Partially revised on December 20, 2018
Partially revised on September 3, 2019
Partially revised on July 3, 2020
Partially revised on July 15, 2021
Partially revised on December 27, 2021
Partially revised on July 29, 2022
Partially revised on October 26, 2022
Partially revised on July 13, 2023
Partially revised on July 29, 2024

**[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.