

CORPORATE GOVERNANCE

DIC Corporation

Last updated: March 29, 2023

DIC Corporation

Representative Director, President and CEO: Kaoru Ino

Contact: Corporate Communications Department (Tel: +81-3-6733-3033)

Securities code: 4631

<https://www.dic-global.com/en/>

The current status of corporate governance at DIC Corporation is as described below.

I. Basic approach to corporate governance, capital structure, corporate attributes and other basic information

1. Basic approach to corporate governance

The DIC Group defines corporate governance as a mechanism to ensure effective decision-making pertaining to its management policy of achieving sustainable corporate growth and expansion through sound and efficient management, while at the same time guaranteeing the appropriate monitoring and assessment of and motivation for management's execution of business activities. With the aim of achieving a higher level of trust with our shareholders, customers and other stakeholders and enhancing corporate value, the DIC Group also promotes ongoing measures to reinforce its management system and ensure effective monitoring thereof.

Reasons for non-compliance with certain principles of Japan's Corporate Governance Code

Updated

The Company complies with all principles of Japan's Corporate Governance Code.

Disclosure based on the principles of Japan's Corporate Governance Code

Updated

Principle 1.4 Cross-Shareholdings

The Company may engage in the cross-shareholding of listed shares with the exception of those of related companies, but this is limited to cases where there is a reasonable determination that such cross-shareholdings would contribute to sustainable growth for the DIC Group or an increase in its corporate value over the medium to long term.

The Board of Directors annually ascertains whether or not to maintain each cross-shareholding by examining matters such as whether benefits associated with holding the shares is commensurate with the cost of capital and the risks of not holding those shares. If a holding's significance is judged to be low, it will, in principle, be targeted for reduction. Regarding voting rights related to cross-held shares, the Company comprehensively evaluates the corporate value of the company whose shares it holds and whether or not the cross-shareholding contributes to its own corporate value and exercises such rights appropriately.

Principle 1.7 Related Party Transactions

The Board of Directors monitors transactions with related parties of the DIC Group, following the receipt of a report that the conditions of such transactions are fair and reasonable, through designated procedures such as the comparison of these terms with those of transactions with independent third parties, at the point the transaction is initiated and at periodic intervals thereafter.

For transactions with Directors involving a conflict of interest, the Company obtains the prior consent of the Board of Directors regarding such matters as content and monetary amount thereof and reports the details of such transactions to the Board of Directors after initiation.

Supplementary Principle 2.4.1 Ensuring the Diversity in the Promotion of Core Human Resources

With regard to ensuring diversity, the Company states in its integrated report that it “works to foster a corporate culture that draws on its understanding and respect for diversity to produce creative ideas and to incorporate the concept of diversity into management, thereby creating workplaces that enhance job satisfaction for employees.” Respect for diversity is also stipulated in the Company’s Basic Sustainability Policy.

As measurable targets for ensuring diversity, the Company has set targets for percentage of management positions in Japan occupied by female employees and percentage of its overall labor force in Japan accounted for by foreign nationals, which it publishes in its integrated report, together with actual figures for both of these statistics, as well as for other yardsticks such as mid-career hires as a percentage of total new hires.

The Company’s policy for fostering human resources and creating work environments in a manner that ensures diversity is to “promote efforts to ensure diverse human resources are in the right places and the creation of work environments that enable employees to maximize their capabilities.” An Executive Officer has been put in charge of diversity to create an effective configuration. In its long-term management plan, the Company identifies “Foster human resources,” “Ensure mobility (hiring, retention and succession)” and “Improve engagement and organizational cohesiveness” as its three strategic priorities for reinforcing management of human capital. Given projections for the post-pandemic “new normal,” in 2020 the Company launched Work Style Revolution (WSR) 2020, a project targeting the development of new work styles with the aim of enhancing productivity and job satisfaction. The status of measures implemented under this project is disclosed in the integrated report.

Integrated report: <https://www.dic-global.com/en/csr/annual>

DIC Vision 2030 long-term management plan: <https://www.dic-global.com/en/ir/management/plan.html>

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company has established the DIC Corporate Pension Fund. The framework of this fund encompasses the Board of Representatives, a decision-making body, as well as the Executive Board and its supporting body, the Asset Management Committee.

In line with its basic policy of securing sufficient total returns over the long term to ensure its ability to pay pension benefits both at present and in the future, the fund strategically determines optimal asset composition from a medium- to long-term perspective, taking into account income and expense trends, and manages pension assets accordingly.

Regarding asset management, the Executive Board consults with the Board of Representatives and decides on investment products that have been examined for appropriateness and rationality consistent with the aforementioned basic policy. The Company assigns individuals with expertise in asset management to serve on the Executive Board, as well as ensures they receive systematic

related training. The Board of Representatives and the Asset Management Committee consist of individuals with expertise in the management of reserves, such as individuals in positions of responsibility in the area of finance and other individuals with experience in this area, as well as senior members of the employee labor union and others who represent the beneficiaries.

Principle 3.1 Full Disclosure

- (i) Company objectives (e.g., business principles), business strategies and business plans
The Company formulated “The DIC Way” to represent its fundamental management philosophy. An explanation of The DIC Way can be found on the Company’s global website. The DIC Way: <https://www.dic-global.com/en/about/dicway.html>

In February 2022, the Company announced a long-term management plan, DIC Vision 2030, which outlines its goals for fiscal year 2030, ending December 31, 2030, as well as its basic strategies for achieving those goals, and sets quantitative annual targets from fiscal year 2022 through fiscal year 2025.

DIC Vision 2030 long-term management plan: <https://www.dic-global.com/en/ir/management/plan.html>

- (ii) Basic views and guidelines on corporate governance based on the principles of Japan’s Corporate Governance Code
The Company’s basic approach to corporate governance is outlined in “I. 1. Basic approach to corporate governance.” The Company’s policy on corporate governance can be viewed on the Company’s global website.
Policy on Corporate Governance: <https://www.dic-global.com/en/ir/management/governance.html>

- (iii) Policy for and procedures taken by the Board of Directors in determining remuneration for senior management and Directors
The policy for and procedures taken by the Board of Directors in determining remuneration for senior management and Directors is outlined in “Disclosure of policy for determining and method used to calculate remuneration” in “II. 1. Organizational composition and operations.”

- (iv) Policy for and procedures taken by the Board of Directors in the appointment and dismissal of senior management and the nomination of candidates for the position of Director and Audit & Supervisory Board Member
The Company’s policy for the nomination of candidates for the position of Director and Audit & Supervisory Board Member is to nominate individuals who have both high ethical standards and the knowledge, experience and ability to perform their duties as delegated by shareholders in a manner that will contribute to sustainable growth and increased corporate value for the DIC Group as a whole. To enhance the objectivity of procedures for nominating such candidates, the Nomination Committee provides recommendations regarding the appointment of Directors and Audit & Supervisory Board Members to the Board of Directors, which makes the final decision. The majority of committee members are independent Outside Directors, while the position of committee chair is also filled by an independent Outside Director.

The Company’s policy for the dismissal of serving Directors and Audit & Supervisory Board Members is to dismiss individuals who are judged to no longer satisfy the criteria for appointment indicated above. In the event the dismissal of a serving Director or Audit & Supervisory Board Member is seen as warranted, the Nomination Committee clarifies the reason and submits a proposal for dismissal to the Board of Directors, which makes the final decision.

- (v) Explanation with respect to individual appointments, dismissals and nominations as described in (iv) immediately above

Decisions by the Board of Directors on the nomination of candidates for the position of Director and Audit & Supervisory Board Member and the dismissal of serving Directors and Audit & Supervisory Board Members are explained in the notice of convocation of the relevant general meeting of shareholders.

Supplementary Principle 3.1.3 Sustainability Initiatives

The Company promotes sustainability initiatives in line with key themes that reflect its belief that, as a manufacturer of fine chemicals, it has a responsibility to address environmental, social and governance (ESG)–related issues, and discloses the progress thereof in its integrated report.

Regarding human capital, the Company’s long-term management plan sets forth “Reinforce management of human capital” as a basic strategy, further explaining this as “Build a strategic human resources portfolio that maximizes the value of human capital.” Various related initiatives are described in the Human Resources Management section of the integrated report.

Recognizing the effective use of intellectual property as indispensable to the creation of new value, a key management challenge, the Company actively capitalizes on patent landscapes and other intellectual property information, and on the relative strength of its patent portfolio compared to those of its competitors, and has created a configuration whereby business groups and technical and intellectual property teams work as one to advance intellectual property strategies that are in conformance with business strategies. These efforts are also described in the New Value Creation section of the integrated report.

The Company has declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). Taking into account data on carbon pricing, etc., presented in the Sustainable Development Scenario set forth in the International Energy Agency’s World Energy Outlook, as well as data on decarbonization technologies, among others, and the RCP8.5 Representative Concentration Pathway greenhouse gas concentration scenario adopted by the Intergovernmental Panel on Climate Change, the Company collects and analyzes data on related risks, including from case studies focusing on climate change–related natural disasters suffered by other companies, such as damage to production sites located in coastal areas and infrastructure failures. The Company also conducts scenario analysis to assess climate change–related risks and opportunities and impact on business activities and profitability, and discloses information in line with the recommendations of the TCFD in the pertinent section of the integrated report.

Integrated report: <https://www.dic-global.com/en/csr/annual>

DIC Vision 2030 long-term management plan: <https://www.dic-global.com/en/ir/management/plan.html>

Supplementary Principle 4.1.1 Scope of Matters Delegated to Management

Matters requiring resolution by the Board of Directors are clarified in the Company’s regulations for meetings of the Board of Directors and include the convocation of the general meeting of shareholders, important matters pertaining to key organizational components and employees, and the approval of business plans. Other matters are delegated to management depending on importance determined using monetary criteria, among others, based on the regulations for *Ringi* (approval by written circular) determined by the Board of Directors. Of these, matters deemed significant are deliberated by management at meetings of the Executive Committee.

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors

The Company recognizes the need to appoint individuals to the position of independent Outside Director who will provide supervision with an independent point of view, thereby helping

reinforce its corporate governance. Taking into consideration independence standards set by securities exchanges, the Company does not recognize individuals with the connections listed below as being independent in the appointment of independent Outside Officers.

1. Individuals who are executives of the Company or of one of its consolidated subsidiaries (collectively, the “DIC Group”) at present or have been in the preceding 10 years
2. Individuals to whom any of the following items have applied in the preceding 3 years:
 - (1) A principal business partner of the DIC Group (a business partner with which transactions in a single fiscal year exceed 3% of the DIC Group’s consolidated net sales in that year) or an executive of a business partner to which this description applies.
 - (2) An individual for which the DIC Group is a principal business partner (a business partner with which transactions in a single fiscal year exceed 3% of the partner’s consolidated net sales in that year) or an executive of an entity to which this description applies.
 - (3) A shareholder who holds 5% or more of the voting rights in the Company or an executive of a said shareholder to which this description applies.
 - (4) A principal lender to the DIC Group (a lender from which loans in a single fiscal year exceed 3% of the DIC Group’s total assets in that year) or an executive of a said lender to which this description applies.
 - (5) An individual who has received contributions from the DIC Group in a single fiscal year that exceed 10 million yen or an individual who belongs to an entity to which this description applies
 - (6) An accountant who serves as an accounting auditor or accounting advisor for the DIC Group or an individual who is an employee, partner or associate of an audit firm to which this description applies
 - (7) Any individual to whom (6) does not apply but who has received remuneration from the DIC Group that exceeds 10 million yen in a year, excluding remuneration received as a Director or corporate officer of the DIC Group, as a provider of professional services, such as consulting, accounting or legal services, or an individual of an organization that received remuneration in excess of 3% of its consolidated net sales in a fiscal year as compensation for professional services.
 - (8) An executive of another company, in the event that an executive of the Company is appointed to an Outside Officer position at that company
3. Spouses and relatives within the second degree of kinship of individuals listed in 1 or 2 above
4. An individual whose term as an Outside Officer of the Company exceeds 8 years

Supplementary Principle 4.10.1 Policy on Independence of the Nomination Committee and Remuneration Committee

To ensure objectivity in the nomination of Directors, Audit & Supervisory Board Members and Executive Officers, among others, the Nomination Committee was established to provide recommendations to the Board of Directors regarding the appointment and dismissal of Directors, Audit & Supervisory Board Members and Executive Officers.

To ensure objectivity in the determination of remuneration for Directors and Executive Officers, the Remuneration Committee was established and has been entrusted with responsibility for determining remuneration, among others, for Directors and Executive Officers.

At present, three of the five members of each of these committees are independent Outside Directors, while the position of committee chair is also filled by an independent Outside Director, positioning them to deliberate from an independent perspective on a variety of matters, including

succession plans for senior management and Directors, as well as proposals for the selection of candidates for the position of Director and remuneration for Directors that take into account diversity and individual skills, among others.

Supplementary Principle 4.11.1 Policy on Overall Capabilities and Diversity of the Board of Directors

To enable the Board of Directors to resolve major operations-related issues as well as to facilitate the effective oversight of management, the Board of Directors comprises Outside Directors, who maintain independence, and other individuals having a thorough knowledge of the businesses of the DIC Group, with consideration given to ensuring a balance among necessary knowledge, experience and capabilities. The Board is of an appropriate scale based on the presumption that authority will be delegated to management. Additionally, in light of the DIC Group's global operations and the need to manage its businesses in a manner that takes diversity into account, the Company also strives to ensure diversity in the Board's composition, including by appointing female Directors.

For information on the Company's policy and procedures for selecting candidates for the position of Director, please see Principle 3.1 (iv). A skills matrix summarizing the knowledge, experience and capabilities of current Directors and Audit & Supervisory Board Members is included in the Notice of Convocation of the general meeting of shareholders.

Convocation notice: https://www.dic-global.com/pdf/ir/stocks/dic_meeting125_notice_en.pdf

Supplementary Principle 4.11.2 Status of Directors and Audit & Supervisory Board Members Serving Concurrently in Other Roles

The Board of Directors grants approval for Directors and Audit & Supervisory Board Members to serve concurrently as Officers of other companies if it ascertains that doing so will not hinder their ability to appropriately fulfill their respective roles and responsibilities as Officers of the Company. Information on positions held concurrently by directors or Audit & Supervisory Board Members in publicly listed companies is disclosed in the notice of convocation of the general meeting of shareholders and the annual securities report.

Supplementary Principle 4.11.3 Evaluating the Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors annually via a self-evaluation conducted by Directors and Audit & Supervisory Board Members. In fiscal year 2022, all Directors and Audit & Supervisory Board Members were surveyed regarding self-evaluations, Board administration and other issues, and interviewed on an individual basis, with responses analyzed and evaluated by the Board of Directors.

Owing to the aforementioned efforts, it was confirmed that free and lively discussions had been held, led by Outside Directors and Audit & Supervisory Board Members, and that appropriate deliberations had been conducted by the Board of Directors. In addition, regarding issues identified in the evaluation conducted in fiscal year 2021, it was judged that discussions pertaining to the progress of the Company's DIC Vision 2030 long-term management plan and of major investment projects had been enhanced through improvements such as the creation of multiple opportunities for explanation and deliberation and the development of global risk management and internal control systems. Accordingly, the effectiveness of the Board of Directors was confirmed.

In fiscal year 2023, the Company will seek to further bolster the Board of Directors' effectiveness by reviewing the progress of priority measures set forth in DIC Vision 2030, as well as by taking steps to strengthen the Board's supervision of the risk management system, as part of its ongoing effort to promote improvement.

Supplementary Principle 4.14.2 Policy on Training for Directors and Audit & Supervisory Board Members

The Company provides tailored explanations to newly appointed directors and Audit & Supervisory Board Members regarding matters such as the responsibilities of officers, rules concerning Officers, and the DIC Group's management policies and business plans. In addition, the Company ensures opportunities for Outside Directors and Audit & Supervisory Board Members to gain a firm grasp of the Group's operations by arranging tours of production and other facilities promptly after they take office. The Company also holds regular training sessions for all Directors and Audit & Supervisory Board Members.

Principle 5.1 Policy on Constructive Dialogue with Shareholders

The Company promotes constructive dialogue with shareholders with the aim of contributing to sustainable growth and increased corporate value for the entire DIC Group over the medium to long term, through the measures listed below.

1. The Company advances efforts to improve and strengthen its investor relations (IR) configuration led by the Director in charge of the Corporate Strategy Unit, which oversees all IR activities, and discloses the status of related initiatives in its corporate governance report.
2. To the extent reasonable, management engages in dialogue with shareholders directly. Detailed dialogue is spearheaded primarily by the department in charge of IR.
3. The views, concerns and demands of shareholders are shared with management and incorporated into the operations of the Company.
4. To ensure dialogue with shareholders proceeds in a manner that is reasonable and smooth, the department in charge of IR works with other related departments in a coordinated fashion and shares both financial information and non-financial information.
5. In addition to holding presentations for both interim and full-term financial results, as well as for the announcement of new management plans, the Company makes related presentation materials and audio recordings available on its global website.
6. When engaging in dialogue with shareholders, insider information is controlled appropriately based upon internal rules.

2. Capital structure

Percentage of foreign shareholders	20% or more but less than 30%
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Major shareholders

Updated

Name of shareholder	Number of shares owned	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,444,300	14.18
SHOEI INC.	12,694,386	13.39
Custody Bank of Japan, Ltd. (Trust Account)	5,223,600	5.51
The Dai-ichi Life Insurance Company, Limited	3,500,009	3.69
SMBC Nikko Securities Inc.	2,810,400	2.97
Custody Bank of Japan, Ltd. (Trust Account 4)	2,493,000	2.63
JP MORGAN CHASE BANK 385632	2,152,023	2.27
Aioi Nissay Dowa Insurance Co., Ltd.	2,020,859	2.13
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,917,700	2.02
NIPPON LIFE INSURANCE COMPANY	1,900,075	2.00

Controlling shareholder (excluding parent company)	—
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Parent company	None
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Supplementary explanation	Updated
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- “Number of shares owned” includes the following shares held in association with fiduciary activities:

The Master Trust Bank of Japan, Ltd. (Trust Account)	Securities investment trust: 5,226,600	Pension trust: 491,800
Custody Bank of Japan, Ltd. (Trust Account)	Securities investment trust: 1,923,400	Pension trust: 147,700
Custody Bank of Japan, Ltd. (Trust Account 4)	Pension trust: 536,200	
- In the report pertaining to large volume possession provided by Nomura International plc for public inspection on April 21, 2022, the following shares are attributed to Nomura International plc and joint shareholder Nomura Asset Management Co., Ltd., as of April 15, 2022. However, since the Company cannot confirm the actual number of shares held by these companies as of December 31, 2022, they are not included in major shareholders above.
Number of shares owned: 4,623,560 Percentage of total shares issued: 4.86%
- In the report pertaining to large volume possession provided by Mizuho Bank, Ltd., for public inspection on April 22, 2022, the following shares are attributed to Mizuho Bank, Ltd., and two joint shareholders as of April 15, 2022. However, since the Company cannot confirm the actual number of shares held by these companies as of December 31, 2022, they are not included in major shareholders above.
Number of shares owned: 3,982,769 Percentage of total shares issued: 4.19%
- In the report pertaining to large volume possession provided by Sumitomo Mitsui Trust Asset Management Co., Ltd., for public inspection on December 6, 2022, the following shares are attributed to Sumitomo Mitsui Trust Asset Management Co., Ltd., and joint shareholder Nikko Asset Management Co., Ltd., as of November 30, 2022. However, since the Company cannot confirm the actual number of shares held by these companies as of December 31, 2022, they are not included in major shareholders above.
Number of shares owned: 6,655,200 Percentage of total shares issued: 6.99%
- In the report pertaining to large volume possession (report of changes) provided by MUFG Bank, Ltd., for public inspection on January 6, 2023, the following shares are attributed to MUFG Bank, Ltd., and three joint shareholders as of December 26, 2022. However, since the Company cannot confirm the actual number of shares held by these companies as of December 31, 2022, they are not included in major shareholders above.
Number of shares owned: 4,908,151 Percentage of total shares issued: 5.16%

3. Corporate attributes

Listed stock market and market section	Updated	Tokyo Stock Exchange, Prime Market
Fiscal year-end		December
Business category		Chemicals
Number of employees (consolidated) (as of the end of the most recent fiscal year)		1,000 or more
Consolidated net sales (as of the most recent fiscal year)	Updated	More than 1 trillion yen
Number of consolidated subsidiaries (as of the end of the most recent fiscal year)		100 or more but less than 300

4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

5. Other exceptional circumstances with the potential to have a material impact on corporate governance

1. The DIC Way was formulated to represent the DIC Group's fundamental management philosophy and includes the Group's mission: "We create enhanced value and utilize innovation to introduce socially responsible and sustainable products." To fulfill this mission, the Company is striving to maximize Group synergies with the aim of increasing corporate value and achieving sustainable growth, thereby realizing the goals outlined in its vision statement—"We improve the human condition by safely delivering color and comfort for sustainable prosperity—*Color & Comfort*"—and evolving as a unique global company that is trusted by society.
2. Consolidated subsidiary SEIKO PMC CORPORATION is listed on the Tokyo Stock Exchange. This company primarily manufactures papermaking chemicals and resins for printing inks and recording materials, which it sells to other DIC Group companies. The Company has an extensive relationship with SEIKO PMC that encompasses supplying raw materials, subcontracting production and purchasing resins from the subsidiary, as well as collaborating in the development of technologies for new products. This relationship contributes to enhanced corporate value for the Group as a whole.
3. The Company respects the independence of SEIKO PMC's management and works to ensure the effectiveness of the latter's corporate governance configuration by receiving reports on important management-related matters, confirming the status of the subsidiary's internal control and dispatching one Director to the subsidiary.

II. Management organization and other corporate governance systems related to decision making, business execution and management oversight

1. Organizational composition and operations

Organizational format	Company with Audit & Supervisory Board Members
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Directors

Maximum number of Directors stipulated in the Articles of Incorporation	14
Term of office stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (except when the president serves concurrently in this position)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of independent Outside Directors	3

Outside Directors' relationship with the Company (1)

Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoshiaki Tamura	From another company								△			
Kuniko Shoji	From another company											
Masami Fujita	From another company								△			

* Categories of relationship with the Company

- = Director currently falls or has recently fallen into this category
- △ = Director has previously fallen into this category
- = A close relative of the Director currently falls or has recently fallen into this category
- ▲ = A close relative of the Director has previously fallen into this category
- a. Executive of the Company or a subsidiary thereof
- b. Executive or nonexecutive Director of the Company's parent company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration received as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (or executive of said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier of the Company which does not correspond to d, e or f above (the individual executive only)
- i. Executive of a company with which the Company mutually appoints Outside Directors/Audit & Supervisory Board Members (the individual executive only)
- j. Executive of a company or organization that receives a donation from the Company (the individual executive only)
- k. Other

Outside Directors' relationship with the Company (2)

Updated

Name	Designation as independent	Supplementary explanation of relationship	Rationale behind appointment
Yoshiaki Tamura	√	Prior to March 2017, Yoshiaki Tamura was Executive Vice President of Asahi Glass Co., Ltd. (currently, AGC Inc.). In fiscal year ended December 31, 2022, the Company purchased raw materials from AGC, although these transactions accounted for less than 1% of annual consolidated net sales of AGC or the Company for the period.	Yoshiaki Tamura has been engaged in corporate management for many years and thus has extensive experience and insight in this area, which he is viewed as able to leverage to help strengthen management of the DIC Group, as well as to oversee management from an independent perspective. Additionally, he has been designated as an independent Director without risk of conflict of interest with ordinary shareholders based on the Company's independence standards for independent Outside Directors.
Kuniko Shoji	√	—	Kuniko Shoji has been engaged in corporate management for many years and thus has

			extensive experience and insight in this area, which she is viewed as able to leverage to help strengthen management of the DIC Group, as well as to oversee management from an independent perspective. Additionally, she has been designated as an independent Director without risk of conflict of interest with ordinary shareholders based on the Company's independence standards for independent Outside Directors.
Masami Fujita	√	Prior to March 2016, Masami Fujita was a Representative Director and Vice President of Fujitsu Limited. He also served as Representative Director and President of Fujitsu Marketing Limited (currently, Fujitsu Japan Limited) from April 2016–December 2018. While the Company had systems use-related transactions with these two companies in fiscal year ended December 31, 2022, these transactions accounted for less than 1% of annual consolidated net sales of these companies or the Company for the period.	Masami Fujita has been engaged in corporate management for many years and thus has extensive experience and insight in this area, which he is viewed as able to leverage to help strengthen management of the DIC Group, as well as to oversee management from an independent perspective. Additionally, he has been designated as an independent Director without risk of conflict of interest with ordinary shareholders based on the Company's independence standards for independent Outside Directors.

Establishment of discretionary committees corresponding to a nominating committee or compensation committee	Yes
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Details of discretionary committees, committee Members and committee chair
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	Committee name	Members	Full-time members	In-house Directors	Outside Directors	External experts	Others	Committee chair
Committee corresponding to nominating committee	Nomination Committee	5	0	2	3	0	0	Outside Director
Committee corresponding to compensation committee	Remuneration Committee	5	0	2	3	0	0	Outside Director

Supplementary explanation	Updated
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1. To ensure objectivity in the nomination of Directors, Audit & Supervisory Board Members and Executive Officers, the Nomination Committee was established to provide recommendations to the Board of Directors regarding the appointment and dismissal of Directors, Audit &

Supervisory Board Members and Executive Officers. The committee meets as necessary and consists of five Directors, three of whom are independent Outside Directors, with an independent Outside Director serving as chair. In fiscal year 2022, the Nomination Committee met three times with all members present to determine candidates for the position of Director, Audit & Supervisory Board Member and Executive Officer.

2. To ensure objectivity in the determination of remuneration for Directors and Executive Officers, the Remuneration Committee was established and has been entrusted with responsibility for determining remuneration, among others, for Directors and Executive Officers. The committee meets as necessary and consists of five Directors, three of whom are independent Outside Directors, with an independent Outside Director serving as chair. In fiscal year 2022, the Remuneration Committee met three times with all members present to determine remuneration for Directors and Executive Officers.
3. At present, Nomination Committee and Remuneration Committee Members are Chairman of the Board of Directors Masayuki Saito; Representative Director, President and CEO Kaoru Ino; and Outside Directors Yoshiaki Tamura, Kuniko Shoji and Masami Fujita. The Nomination Committee is chaired by Outside Director Yoshiaki Tamura, while the Remuneration Committee is chaired by Outside Director Kuniko Shoji.

Audit & Supervisory Board Members

Establishment of an Audit & Supervisory Board	Yes
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, accounting auditors and the internal auditing department

The Audit & Supervisory Board Members, accounting auditors and internal auditing department conduct audits from their respective independent positions, but also liaise periodically to facilitate close cooperation, thereby ensuring the effectiveness of audits.

Appointment of outside Audit & Supervisory Board Members	Yes
Number of outside Audit & Supervisory Board Members	2
Number of outside Audit & Supervisory Board Members designated as independent	2

Audit & Supervisory Board Members' relationship with the Company (1)	Updated
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Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Keita Nagura	Attorney											
Keiko Kishigami	Certified public accountant											

* Categories of relationship with the Company

- = Audit & Supervisory Board Member currently falls or has recently fallen into this category
- △ = Audit & Supervisory Board Member has previously fallen into this category
- = A close relative of the Audit & Supervisory Board Member currently falls or has recently fallen into this category
- ▲ = A close relative of the Audit & Supervisory Board Member has previously fallen into this category

- a. Executive of the Company or a subsidiary thereof
- b. Nonexecutive Director or accounting advisor of the Company or a subsidiary thereof
- c. Executive or nonexecutive Director of the Company's parent company
- d. Audit & Supervisory Board Member of the Company's parent company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof.
- g. Major client or supplier of the Company or an executive thereof.
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration received as a Director/Audit & Supervisory Board Member
- i. Major shareholder of the Company (or executive of said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier of the Company which does not correspond to f, g or h above (the individual executive only)
- k. Executive of a company with which the Company mutually appoints Outside Directors/Audit & Supervisory Board Members (the individual executive only)
- l. Executive of a company or organization that receives a donation from the Company (the individual executive only)
- m. Other

Outside Audit & Supervisory Board Members' relationship with the Company (2)	Updated
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Name	Designation as independent	Supplementary explanation of relationship	Rationale behind appointment
Keita Nagura	√	—	Keita Nagura, an attorney in the area of corporate legal affairs, has accumulated a wealth of specialized knowledge and experience. As such, he is viewed as able to help reinforce the Company's auditing function from a professional, multifaceted and independent perspective. Additionally, he has been designated as an independent Audit & Supervisory Board Member without risk of conflict of interest with ordinary shareholders based on the Company's independence standards for independent Outside Directors.
Keiko Kishigami	√	—	Keiko Kishigami, who is qualified as a certified public accountant, has engaged in the audit of companies for many years and has extensive expertise in finance and accounting. As such, she is viewed as able to help reinforce the Company's auditing function from a professional, multifaceted and independent perspective. Additionally, she has been designated as an independent Audit &

			Supervisory Board Member without risk of conflict of interest with ordinary shareholders based on the Company's independence standards for independent Outside Directors
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Independent Directors/Audit & Supervisory Board Members

Number of independent Directors/Audit & Supervisory Board Members (total)	5
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Other matters relating to independent Directors/Audit & Supervisory Board Members

All Outside Directors and outside Audit & Supervisory Board Members have been designated as “independent.”

Incentives

Implementation of incentives for Directors	A system of performance-based remuneration has been adopted
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Supplementary explanation

1. Directors who serve concurrently as Executive Officers are eligible for bonuses and stock compensation, both of which are performance based, as shown in “Remuneration for Directors” below.
2. In accordance with the Company's policy on basic remuneration, the Remuneration Committee determines the composition of remuneration, that is, the weighting of basic and performance-based remuneration. In making this determination, the Company verifies the appropriateness of compensation levels, etc., by referring to “management compensation database” offered by an external research organization and benchmarks total remuneration and the composition thereof for each position.

The proportion of each component of remuneration, assuming total remuneration is 100, is as follows: (Performance-based remuneration is the standard payment in the event targets are 100% achieved.)

Representative Directors		Directors	
Basic remuneration (fixed):	55%	Basic remuneration (fixed):	60%
Bonus (performance based):	30%	Bonus (performance based):	25%
Stock compensation (performance based):	15%	Stock compensation (performance based):	15%

3. Bonuses are deliberated by the Remuneration Committee once every three years, with consideration given to prevailing market rates, and consist of a standard component, determined according to level of responsibility, and a performance-based component, linked to consolidated operating income. Bonus amounts are calculated by multiplying the standard component, which is commensurate with position, by the degree of achievement of the period's consolidated operating income target, taking into account evaluation of Companywide or departmental performance and individual contribution.

Stock compensation, which is awarded as non-monetary remuneration to Directors who serve concurrently as Executive Officers, is determined based on degree of achievement of management plan targets for consolidated operating income and net income attributable to owners of the parent, as well as year-on-year percentage change in both, and granted in the form of points on the date of the annual general meeting of shareholders. In this calculation, degree of achievement of target for consolidated operating income and year-on-year percentage change in consolidated operating income account for 60%, and degree of achievement of target for consolidated net income attributable to owners of the parent and year-on-year growth in consolidated net income attributable to owners of the parent account for 40%. The ratio for degree of achievement of target vs. parent and year-on-year growth is 60:40.

Individuals eligible for stock options	
Supplementary explanation	

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Remuneration for Directors

Disclosure of remuneration for individual Directors	Partial
Supplementary explanation	Updated

1. Total remuneration for Directors in fiscal year 2022
385 million yen
(Basic remuneration: 273 million yen; bonuses: 54 million yen; stock compensation: 58 million yen)
2. Portion of above paid to Directors whose total annual remuneration exceeds 100 million yen
113 million yen
Pertinent individual: Kaoru Ino (Representative Director, President and CEO)
(Basic remuneration: 66 million yen; bonuses: 24 million yen; stock compensation: 23 million yen)

Policy for determining and method used to calculate remuneration	Yes
Disclosure of policy for determining and method used to calculate remuneration	

1. The Company has established an executive compensation system based on a policy for remuneration designed to secure diverse, capable human resources to facilitate the steady implementation of management plans and business strategies to ensure sustainable development and the medium- to long-term improvement of corporate value, as well as to further advance global management.
2. Remuneration for Directors consists of basic remuneration (fixed); bonuses, which are linked to consolidated operating results and achievement of individual targets (performance based); and stock compensation, which is linked to the achievement of medium- to long-term performance targets and year-on-year percentage change in income (performance based). Directors who serve concurrently as Executive Officers are eligible for bonuses and stock compensation, while other Directors and Outside Directors are eligible for basic remuneration only.

3. Basic remuneration for Directors is determined based on level of responsibility, with consideration given to prevailing market rates. Bonuses are linked to increases/decreases in consolidated operating income, taking into account factors such as evaluation of Companywide or departmental performance and individual contribution, with consideration given to prevailing market rates. Stock compensation, which is awarded as non-monetary remuneration to Directors who serve concurrently as Executive Officers, is determined based on degree of achievement of targets for consolidated operating income and net income attributable to owners of the parent set forth in the medium or long-term management plan, as well as on year-on-year percentage change in both, and granted in the form of points each fiscal year. Upon retirement, these Directors receive shares of the Company or a cash equivalent to the market value of the Company's shares commensurate with the number of points accumulated.
4. The Remuneration Committee was established by the Board of Directors to enhance the objectivity of procedures for determining remuneration for Directors and Executive Officers. At present, the majority of the committee's members are independent Outside Directors, while the position of committee chair is also filled by an independent Outside Director. The committee deliberates and sets policies for determining and methods used to calculate remuneration for Directors and Executive Officers.

Support system for Outside Directors and outside Audit & Supervisory Board Members

The dedicated staff of the Audit & Supervisory Board Members' Office support outside Audit & Supervisory Board Members in performing their duties. Prior to meetings of the Board of Directors, relevant materials are distributed to all outside Directors and outside Audit & Supervisory Board Members. In addition, the Executive Officers in charge provide explanations of agenda to Outside Directors, while full-time Audit & Supervisory Board Members provide explanations as necessary to outside Audit & Supervisory Board Members.

Retirement of individuals from positions including representative director and president

Retiring advisors or executive advisors who formerly served as representative director and president, etc.	Updated
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Name	Position/ title	Duties	Employment arrangement (full-time/ part-time, compensated/ not compensated, etc.)	Date of retirement from position of president and CEO	Fixed term
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Number of advisors or executive advisors who have served as representative director and president, etc.	Updated	0
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Other matters	Updated
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- The appointment of advisors is resolved by the Board of Directors.
- Advisors play no role in management decision making.
- At present, there are no advisors or executive advisors who have served as representative director and president, etc.

2. Overview of current corporate governance organization (information on business execution, auditing, oversight, and nomination- and remuneration-related decisions) Updated

As a company with Audit & Supervisory Board Members, the Company has a Board of Directors and an Audit & Supervisory Board. The Company has also instituted an Executive Officer system and has established a Nomination Committee, Remuneration Committee, Executive Committee, Sustainability Committee, Quality Committee and Work Style Revolution (WSR) 2020 Committee.

1. Board of Directors

From the perspective of making business decisions in a timely manner and reinforcing corporate governance, the Board of Directors consists of nine Directors, three of whom are Outside Directors (one of whom is female). The Board of Directors typically meets once a month to make decisions on matters delegated to it under the Companies Act of Japan and on important business matters stated in the regulations for meetings of the Board of Directors, as well as to receive status reports on the execution of business operations and supervise the execution of business. In fiscal year 2022, the Board of Directors met 15 times. The attendance rate for all Directors was 100%.

2. Executive Committee

The Executive Committee was established as a body to deliberate issues related to the execution of the DIC Group's business. The committee meets twice monthly in principle and consists of Executive Officers and others designated by the Board of Directors. As part of the auditing process, one Audit & Supervisory Board Member also attends Executive Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

3. Sustainability Committee

The Sustainability Committee, which functions as an advisory body, meets several times annually to formulate sustainability policies and activity plans, as well as to evaluate and promote sustainability initiatives. The committee consists of Executive Officers and others designated by the Board of Directors. As part of the auditing process, one Audit & Supervisory Board Member also attends Sustainability Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

4. Quality Committee

In addition to reporting on the status and progress of quality management, the Quality Committee functions as a deliberative body for the DIC Group's quality policies, principal initiatives and important issues. In principle, the committee meets once quarterly and consists of Executive Officers and others designated by the Board of Directors. As part of the auditing process, one Audit & Supervisory Board Member also attends Quality Committee meetings. Details of deliberations at meetings and the results thereof are reported to the Board of Directors.

5. WSR 2020 Committee

The WSR 2020 Committee was established as a body to deliberate work style reform-related measures and investment plans, among others, with the aim of enhancing Group employee job satisfaction and productivity. In principle, the committee meets once quarterly and consists of Executive Officers and others designated by the Board of Directors. Details of deliberations at meetings regarding matters of particular importance and the results thereof are reported to the Board of Directors.

6. Audit & Supervisory Board

The Audit & Supervisory Board comprises four members, including two who are outside (one of whom is female). In principle, the Audit & Supervisory Board meets once monthly. Board activities include debating and determining auditing policies and auditing plans. Board Members also report on the results of audits conducted, as well as attend important meetings, including those of the Board of Directors, Executive Committee and Sustainability Committee, meet with Representative Directors on a periodic basis to exchange information and opinions, and collect business reports from Directors, Executive Officers and employees. In addition, the Company has established an Audit & Supervisory Board Members' Office, to which it assigns dedicated personnel to assist the Audit & Supervisory Board Members in their duties.

The Company's three outside Audit & Supervisory Board Members have extensive experience in and knowledge of finance and accounting, which they are able to leverage in the performance of their duties. Full-time Audit & Supervisory Board Member Hiroyuki Ninomiya oversaw corporate accounts at the Company for many years and was general manager of the Accounting Department and Head of the Finance and Accounting Unit. In addition to providing expertise in corporate law, outside Audit & Supervisory Board Member Keita Nagura provides tax accounting services pursuant to Article 51 of the Certified Public Tax Accountant Act. Outside Audit & Supervisory Board Member Keiko Kishigami is qualified as a certified public accountant and has engaged in the audit of companies for many years.

7. Internal auditing department

The internal auditing department—comprising local teams of employees covering Japan, the Asia-Pacific region, the PRC, and Europe, the Americas, the Middle East and Africa—is charged with internal auditing, which includes monitoring the effectiveness of internal controls, based on annual auditing plans, and selects audit targets based on risk assessments.

8. Accounting auditors

The Company has engaged Deloitte Touche Tohmatsu LLC as its independent auditors. The Company strives to ensure an environment that facilitates the accurate disclosure of information and fair auditing. The certified public accountants who conducted the accounting audit were Takaya Otake and Teppei Yamamoto. They were supported in the performance of these duties by approximately 30 assistants.

9. Outline of liability limitation contracts

The Company concludes liability limitation contracts with all Outside Directors and Outside Audit & Supervisory Board Members. Under such a contract, if Outside Directors or Outside Audit & Supervisory Board Members neglect their duties, causing damage to the Company, they are liable for damages up to the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act of Japan, providing that they have acted in good faith and were not grossly negligent.

3. Rationale behind current corporate governance system

Updated

The Company has instituted an Executive Officer system, a move aimed at separating decision making and implementation and thereby accelerating business execution and clarifying responsibilities. The Company has appointed three highly independent outside individuals to its Board of Directors to reinforce its monitoring of business execution. The Company also has a Nomination Committee and a Remuneration Committee, which include three Outside Directors, to ensure objectivity in the nomination of, and in determining remuneration for, Directors and

Executive Officers. Four Audit & Supervisory Board Members, which include one attorney and one certified public accountant as outside members, conduct audits in liaison with the accounting auditors and the internal auditing department. This structure ensures the effective functioning of the Company's corporate governance system.

III. Implementation of measures for shareholders and other stakeholders

1. Measures to invigorate the annual general meeting of shareholders and facilitate the exercise of voting rights Updated

	Additional information
Exercise of voting rights via electromagnetic means	To make it more convenient for shareholders to exercise their voting rights, the Company allows voting via the internet or other electromagnetic means.
Participation in electronic voting platform and other measures to improve the environment for the exercise of voting rights by institutional investors	The Company participates in the electronic voting platform operated by Investor Communications Japan Inc.
Provision of an abridged version of the notice of convocation in English	The Company prepares an English-language version of its notice of convocation, which is posted on the Company's global website and the website of its stock transfer agency.
Other	The notice of convocation and attachments are posted on the Company's global website three weeks before the annual general meeting of shareholders.

2. Investor relations (IR) initiatives Updated

	Additional information	Explanation by representative of the Company
Regular presentations for individual investors	The Company holds presentations (in-person/ online) for individual investors periodically, and makes presentation materials and videos available on its global website (https://www.dic-global.com/en/) for a set period of time.	No
Regular presentations for analysts and institutional investors	The Company holds quarterly financial results presentations (in-person/online). At the interim and full-term presentations (February and August), explanations are provided by the President and CEO and the CFO.	Yes
Regular presentations for overseas investors	The Company holds one-on-one meetings with institutional investors in Europe, the United States and Asia several times a year.	Yes
Posting of IR materials on the Company's global website	The Company posts a variety of IR materials (including financial results materials, timely disclosure documents, annual securities report, quarterly reports, the notice of convocation of the annual general meeting of shareholders, and the DIC Report integrated report) on its global website (https://www.dic-global.com/en/).	
Establishment of a specialized IR department	The Company established the Corporate Communications Department, the purview of which includes IR. This department actively promotes IR initiatives.	

3. Measures to ensure due respect for the position of stakeholders Updated

	Additional information
Formulation of internal rules for respecting the position of stakeholders	Rules for respecting the position of stakeholders are set forth in the DIC Group Code of Business Conduct.
Implementation of environmental conservation activities, CSR initiatives, etc.	In line with the basic policy of DIC Vision 2030, DIC is working to contribute through its business activities to a society that is increasingly green, digital and quality of life (QOL)-oriented with the aim of helping to realize sustainability for the global environment and for society. The Company has established a basic sustainability policy and promotes a

	variety of environmental conservation and CSR initiatives—using the designation “sustainability”—in areas such as environment, safety and health (ESH), climate change, sustainable procurement and human resources management. In the area of climate change, in June 2021 DIC announced a target for reducing its CO ₂ emissions (Scope 1 and 2) by 50% from the fiscal year 2013 level by fiscal year 2030 and achieving carbon neutrality by fiscal year 2050. The Company reports on its environmental protection and CSR initiatives in the annual DIC Report integrated report.
Other	In the area of human resources management, a key component of its sustainability program, the Company is promoting the creation of work environments that embrace diversity, with a focus on expanding career opportunities for female employees. The Company currently has one female Director and one female Audit & Supervisory Board Member. In addition, the Company is working to enhance the program it has created to support employees in balancing the demands of a career and childcare, as well as to promote female employees to management positions and broaden the range of positions open to women.

IV. System of internal controls and related matters

1. Basic concept regarding, and system of, internal controls

1. Basic concept regarding internal controls

In striving to conduct its operations in accordance with The DIC Way,* the DIC Group has prepared and operates a system of internal controls based on the Companies Act of Japan to ensure the appropriateness of its operations.

* The DIC Way was formulated to represent the DIC Group’s fundamental management philosophy and includes the Group’s mission: “We create enhanced value and utilize innovation to introduce socially responsible and sustainable products.”

2. System of internal controls

(1) Systems for ensuring that the performance of duties by Directors and employees of the DIC Group complies with laws, regulations and the Company’s Articles of Incorporation

- (i) The Company shall prepare regulations for the Board of Directors and regulations for *Ringi* (approval by written circular) and shall clarify decision-making authority within the DIC Group.
- (ii) The Company shall appoint Outside Directors and shall work to bolster monitoring functions with regard to management.
- (iii) The Company shall work to set forth the DIC Group Code of Business Conduct as the standard regarding compliance, which Directors and employees should comply with, and to disseminate it.
- (iv) The Company shall establish an internal auditing department and shall monitor the status of implementation and operation of the internal control systems of the DIC Group on a periodic basis. Important matters that are discovered through such monitoring and the status of improvements shall be reported to Representative Directors on a periodic basis, and those matters of particular importance are to be reported to the Board of Directors.
- (v) The Company shall, as part of its compliance activities, establish an internal notification system as a channel available for the employees of the DIC Group and set up multiple notification channels independent from channels used in the execution of business, thereby creating a structure that can quickly respond to domestic and international notifications. In addition, a system shall be put in place so that any person making a notification will not suffer any detriment.

- (vi) The Company shall sever any and all connections with antisocial elements and shall collaborate with legal counsel and the police, among others, in making resolute responses to unwarranted demands etc. made on the DIC Group by such antisocial elements.
- (2) Systems for ensuring the duties of Directors of the DIC Group are performed efficiently
 - (i) To ensure that the duties of Directors are performed properly and efficiently within the DIC Group, the Company shall establish regulations for company organization and authority.
 - (ii) To expedite the performance of duties and clarify responsibilities, the Company shall introduce an Executive Officer system. In addition to resolving important DIC Group business affairs in accordance with the Articles of Incorporation and regulations for the Board of Directors, the Board of Directors shall supervise the status of Executive Officers' performance of their duties.
 - (iii) The Company shall formulate management plans and annual budgets based on DIC Group management policies and management strategies and, through dissemination of the same, ensure common goals are shared within the DIC Group. The Company shall make progress reports to the Board of Directors.
 - (3) Systems for the preservation and management of information pertaining to the performance of duties by Directors
 - (i) Information pertaining to the performance of duties by Directors, such as the minutes of meetings of the Board of Directors and *Ringi* documents, shall be recorded, retained and managed appropriately in accordance with regulations for document management.
 - (ii) The Company shall establish regulations for systems of information management and shall prepare a system for preventing leakage of confidential information of the DIC Group.
 - (4) Regulations and other systems relating to management of the risk of loss to the DIC Group
 - (i) The Company shall formulate a risk management policy and shall identify, assess, prioritize and address any risks that may have a significant impact on the management of the DIC Group.
 - (ii) The Company shall establish a risk management system for the DIC Group and ensure its effectiveness by repeating the plan–do–check–act (PDCA) cycle.
 - (5) Other systems for ensuring proper operations of the DIC Group
 - (i) The Company shall determine an administrative department for each subsidiary from the standpoints of business execution and management and shall supervise the execution of business by dispatching a Director to each subsidiary.
 - (ii) The Company shall clarify important matters, including those pertaining to subsidiaries, that must be approved by or reported to the Company.
 - (6) Systems for ensuring that audits by Audit & Supervisory Board Members are conducted effectively
 - (i) In addition to attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board Members may inspect the contents of *Ringi* approvals at any time.
 - (ii) In addition to meeting with Representative Directors on a periodic basis to exchange information and opinions, Audit & Supervisory Board Members shall strive to foster close cooperation by holding liaison meetings on a periodic basis with the internal

auditing department, the Accounting Auditor and the Audit & Supervisory Board Members of subsidiaries.

- (iii) Directors and employees of the DIC Group shall report facts that could cause substantial damage to the Company and matters designated by the Audit & Supervisory Board as “matters to be reported to Audit & Supervisory Board Members or the Audit & Supervisory Board” to Audit & Supervisory Board Members or the Audit & Supervisory Board.
- (iv) The DIC Group shall not treat individuals who report to Audit & Supervisory Board Members unfavorably because they have made a report.
- (v) The Company shall establish an Audit & Supervisory Board Members’ Office and shall assign dedicated personnel to assist Audit & Supervisory Board Members in their duties. Such personnel shall obey only the directions and orders of the Audit & Supervisory Board Members. Evaluations shall be conducted by Audit & Supervisory Board Members and matters such as personnel changes and disciplinary actions shall require the prior consent of Audit & Supervisory Board Members.
- (vi) The Company shall pay the costs and fees that Audit & Supervisory Board Members need to perform their duties.

2. Basic policy toward eliminating demands by antisocial elements

This basic policy, which is outlined in the DIC Group Code of Business Conduct, is to stand firmly against antisocial elements and in no way to acquiesce to demands presented by such elements. The General Affairs & HR Department is responsible for coordinating efforts to respond to extortion or other demands presented by antisocial elements, while individuals have been put in charge of efforts at each site and within each Group company. These individuals work in close collaboration with legal counsel and the police to ensure the Company’s responses are resolute. The Company has also prepared and distributed a manual on appropriate responses to such demands with the aim of raising awareness among employees.

V. Other

1. Introduction of takeover defense measures

Takeover defense measures	No
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Supplementary explanation

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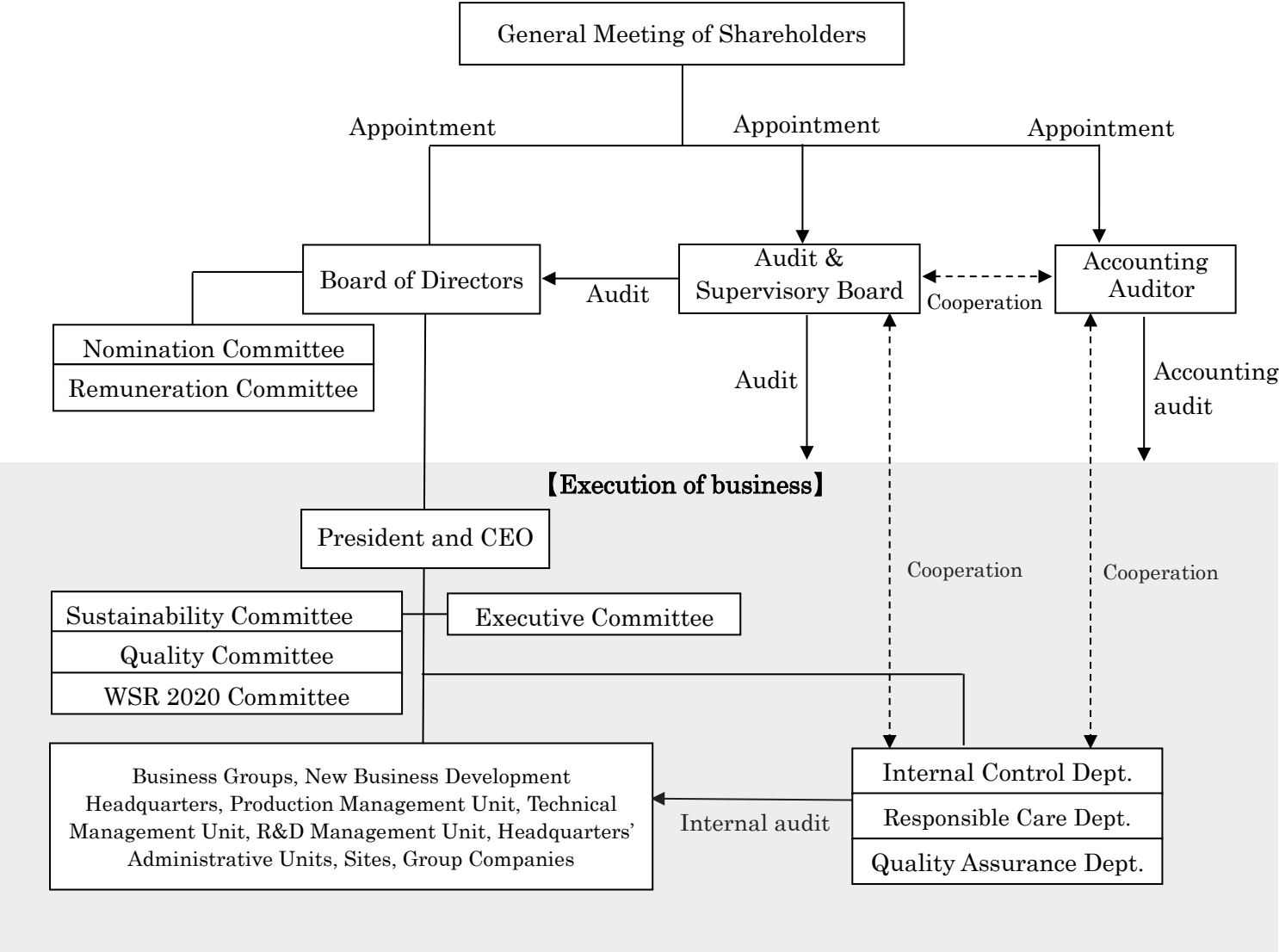
2. Other matters concerning the corporate governance system

Outline of framework for timely disclosure

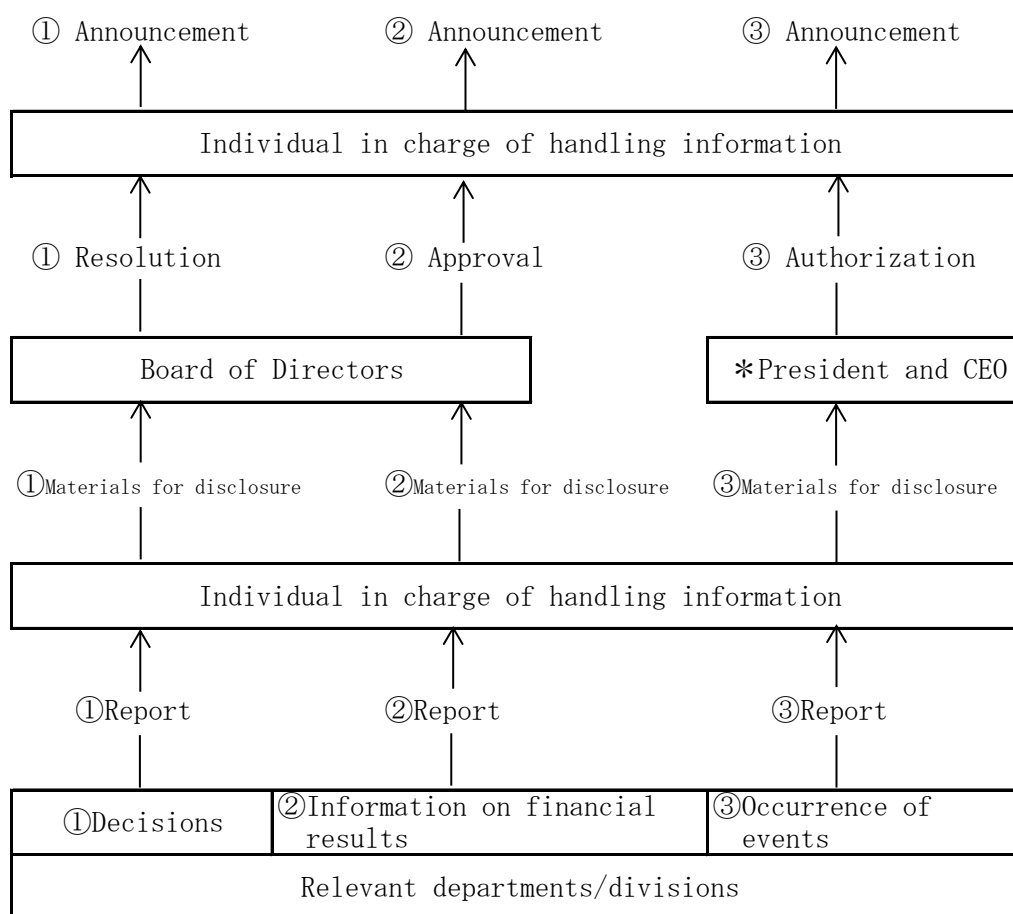
1. The Company has established regulations regarding disclosure to securities exchanges. To improve the internal framework for ensuring timely disclosure, the Company has designated the individual in charge of handling information as responsible for collecting and coordinating the centralized management of important information on decisions by the Company and the occurrence of events.
2. The Company’s standards for the timely disclosure of important information were prepared in accordance with the Tokyo Stock Exchange’s Securities Listing Regulations.

3. The Company has a system in place to ensure the prompt reporting of important information from the relevant departments/divisions to the individual in charge of handling information.
4. The Company's procedures for the disclosure of important information are as follows:
 - (1) Information on decisions by the Company is disclosed by the individual in charge of handling information after resolution by the Board of Directors.
 - (2) Information on important matters is disclosed by the individual in charge of handling information after obtaining authorization from the President and CEO. However, in the event the President and CEO cannot be contacted promptly and there is an urgent need for disclosure, information is disclosed by the individual in charge of handling information after reporting to and obtaining authorization from other Representative Directors.
 - (3) Information on financial results is disclosed by the individual in charge of handling information after obtaining authorization from the Board of Directors.
5. The individual in charge of handling information is the general manager of the Corporate Communications Department.

〈Corporate Governance Structure〉



<Framework for timely disclosure>



*In the event the president and CEO cannot be contacted promptly and there is an urgent need for disclosure, information is disclosed by the individual in charge of handling information after reporting to and obtaining authorization from other representative directors.