

[Translation--Japanese-language Original to Govern in All Cases]

## **POLICY ON CORPORATE GOVERNANCE**

### Chapter 1

#### Basic Approach to Corporate Governance

Article 1. (Basic Approach to Corporate Governance)

The DIC Group identifies the purpose of corporate governance as being 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 on the part of shareholders, customers and other stakeholders and enhancing corporate value, the DIC Group promotes ongoing measures to reinforce its management system and ensure effective monitoring thereof.

### Chapter 2

#### Securing the Rights and Equal Treatment of Shareholders

Article 2. (Securing the Rights and Equal Treatment of Shareholders)

1. The Company shall work to develop an environment in which shareholder rights are fully secured, including the exercise of voting rights at general shareholder meetings.
2. The Company shall provide information thought to facilitate the exercise of shareholder voting rights, properly and appropriately.
3. The Company shall treat shareholders equally with regards to the exercise of voting rights at general shareholder meetings and dividends from surplus, based upon the number of shares held by such shareholders.

Article 3. (Capital Policy)

1. The Company shall determine a basic strategy for capital policy in order to produce appropriate returns to shareholders, striving to increase corporate value.
2. In the event that a capital policy may have a significant effect on

shareholder profits, the Company shall examine the necessity and rationale in order not to unfairly harm the existing shareholders' interests, and provide sufficient explanation to the shareholders.

Article 4. (Cross-Shareholdings)

1. The Company may engage in the cross-shareholding of listed shares other than those of related companies, limited to cases where it is reasonably determined that such holdings would contribute to the sustainable growth of the DIC Group or an increase in corporate value over the mid- to long-term. When the Company holds shares of other companies by means of cross-shareholding, the Board of Directors shall annually assess whether or not to continue each individual cross-shareholding by examining matters such as the purpose of holding those shares, whether the benefits from holding those shares cover the Company's cost of capital, and the risks of not holding those shares. If the holding of those shares is decided to be of low significance, in principle, it shall be targeted for reduction.

2. When the Company exercises voting rights of cross-held shares, the Company shall judge in a comprehensive manner such as the corporate value of the cross-shareholders and whether or not the cross-shareholding contributes to the corporate value of the Company, and exercise voting rights appropriately.

Article 5. (Prevention of Transactions against Shareholder Interests)

1. The Board of Directors shall monitor transactions with related parties in the DIC Group after receiving a report that the conditions are fair and reasonable, through designated procedures such as the comparison of transactional terms with independent third parties at the time of the initiation of the transaction and at periodic intervals.

2. For a transaction with a Director involving a conflict of interest, the Company shall obtain the prior consent of the Board of Directors regarding matters such as the contents and monetary amount of such transaction, and shall report such contents to the Board of Directors after the initiation of such transaction.

### Chapter 3

#### Appropriate Cooperation with Stakeholders other than Shareholders

Article 6. (Appropriate Cooperation with Stakeholders other than Shareholders)

The Company has established “The DIC WAY” which sets forth the basic approach of the DIC Group, and is striving to cooperate appropriately with various stakeholders such as customers, business partners, local communities and employees; and is addressing sustainability activities positively and proactively through business activities for the purpose of the sustainable development of society and the global environment, under the Basic Policy on Sustainability.

Chapter 4

Ensuring Appropriate Information Disclosure and Transparency

Article 7. (Ensuring Appropriate Information Disclosure and Transparency)

The Company shall ensure transparency and fairness; and in order to gain the understanding and trust of stakeholders, shall timely and appropriately disclose information relating to matters such as the DIC Group’s management philosophy, management policies, business plans, financial condition and sustainability activities.

Chapter 5

Responsibilities of the Board

Article 8. (Role of the Board of Directors)

1. The Board of Directors shall oversee the performance of the duties of the Directors as well as carry out major operational decisions, in accordance with the law, the Articles of Incorporation and provisions of the Rules of the Board of Directors, as delegated by the shareholders.
2. The Board of Directors shall delegate matters other than matters for resolution by the Board of Directors to management, based upon the Rules for *Ringi* Approval determined by the Board of Directors, according to the degree of importance based upon matters such as the monetary amount criteria.
3. The Board of Directors shall annually analyze and evaluate the result of self-assessments by all of the Directors and Corporate Auditors, as to the effectiveness of the Board of Directors.

Article 9. (Composition of the Board of Directors)

1. The Board of Directors shall resolve major operational issues; and in order to ensure effective oversight of management, shall be comprised of Outside Directors who maintain independence and of persons having a thorough knowledge of the business of the DIC Group, with consideration given to a balance in necessary knowledge, experience and skills. It shall be of appropriate scale with the forethought that authority will be delegated to management. In addition, the Company shall strive to diversify the composition of the Board of Directors considering the global business activities of the DIC Group.

2. At least two of the Directors of the Company shall be Independent Outside Directors who fulfill the independence standards set forth in the Appendix.

Article 10. (Responsibilities of Directors)

1. As persons delegated by the shareholders, the Directors shall strictly comply with relevant laws, the Articles of Incorporation and other regulations, carry out their duties to the best of their abilities, work for the sustainable growth and increase of corporate value of the DIC Group. The Directors shall establish a quality corporate governance structure that meets societal trust and expectations, and must work to gain the firm trust from stakeholders starting with the shareholders.

2. Directors shall, in addition to gathering sufficient information in order to perform their duties, seek explanations for proposals at meetings of the Board of Directors, and must actively express their opinions and engage in deliberations.

Article 11. (Composition of the Board of Corporate Auditors)

1. Persons with appropriate experience and skills as well as necessary knowledge of finance, accounting and the law to perform the duties of the Corporate Auditors shall be appointed as Corporate Auditors. In particular, at least one person who has sufficient expertise on finance and accounting shall be appointed.

2. Half or more of the Corporate Auditors shall be Independent Outside Corporate Auditors who fulfill the independence standards set forth in the Appendix.

Article 12. (Responsibilities of the Corporate Auditors)

1. Corporate Auditors shall, as persons delegated by the shareholders, and from an independent standpoint, conduct audits in accordance with relevant laws, the Articles of Incorporation and other regulations, ensure the sound and sustainable growth of the DIC Group, work to establish a quality corporate governance structure that meets societal trust and expectations, and must work to gain the firm trust from stakeholders starting with the shareholders.
2. Corporate Auditors shall, in addition to gathering sufficient information in order to perform their duties, seek explanations for proposals at meetings of the Board of Directors, and must actively express their opinions and engage in deliberations.

Article 13. (Nomination Committee)

1. The Company shall establish a Nomination Committee as an organ to decide upon proposals for the appointment and dismissal of Directors, Corporate Auditors and Executive Officers, among others, and submit the same to the Board of Directors, in order to heighten objectivity in the decision-making process for matters such as the selection of candidates for officer.
2. The Nomination Committee shall be comprised of those Directors selected by the Board of Directors, an Outside Director shall serve as Chairman and a majority of the committee members shall be Outside Directors.

Article 14. (Remuneration Committee)

1. The Company shall establish a Remuneration Committee as an organ to determine the amounts of remuneration and other compensation of Directors and Executive Officers, among others, as entrusted by the Board of Directors, in order to heighten objectivity in the decision-making process for remuneration of such persons.
2. The Remuneration Committee shall be comprised of those Directors selected by the Board of Directors, and half or more of the committee members shall be Outside Directors.

Article 15. (Policy regarding Determination of Directors Remuneration)

1. Remuneration for Directors of the Company consists of basic

remuneration, bonuses and stock compensation. Directors who serve concurrently as Executive Officers are eligible for bonuses and stock compensation and other Directors and Outside Directors are eligible for basic remuneration only.

2. Basic remuneration for Directors is determined based on level of responsibility and with consideration given to prevailing market rates. The amount of bonuses is linked to increases/decreases in consolidated operating income, taking into account individual contribution, with consideration given to prevailing market rates. The number of the Company's shares provided as stock compensation is determined based on degree of achievement of targets for the year's consolidated operating income and consolidated net income attributable to owners of the parent set forth in the Company's medium-term management plan.

Article 16. (Policies for Training of Officers)

The Company shall provide explanations for newly-appointed Directors and Corporate Auditors, in response to those individuals concerned, regarding matters such as officer responsibility, various rules concerning officers, or the management policies and business plans of the DIC Group. In addition, the Company shall arrange for opportunities for Outside Officers to understand the content of the business through factory visits and the like, promptly after their appointment. Furthermore, the Company shall periodically organize training seminars for all Directors and Corporate Auditors.

## Chapter 6

### Dialogue with Shareholders

Article 17. (Policy for Constructive Dialogue with Shareholders)

The Company shall promote constructive dialogue with shareholders through the policies below, to contribute to sustainable growth and the increase of corporate value over the mid- to long-term of the DIC Group.

- (1) In addition to establishing and strengthening the IR structure centering on the officer in charge of the Corporate Strategy Division, which oversees all IR activities, the status of such actions shall be disclosed in reports concerning corporate governance.
- (2) Dialogue with shareholders shall be conducted in management

- meetings to the extent reasonable; while dialogue which gets into details shall be conducted primarily by the department in charge of IR.
- (3) The views, concerns and demands of the shareholders shall be shared with management and put into use in the operations of the Company.
  - (4) In order to have a dialogue with shareholders reasonably and smoothly, the department in charge of IR shall cooperate with related departments in a coordinated fashion and shall share financial information and non-financial information.
  - (5) In addition to holding a briefing when the second quarterly and full-year financial results and the Medium-Term Management Plan are announced, materials and voice data shall be made public on the Company's website.
  - (6) When engaging in dialogue with shareholders, insider information shall be controlled appropriately based upon internal company rules.

## Chapter 7 Other

### Article 18. (Revision and Repeal)

The revision and repeal of this Policy shall be approved by the Board of Directors.

### Supplementary Provisions

1. This Policy shall take effect from February 12, 2016.
2. The partial revision of this Policy shall take effect from March 29, 2016.
3. The partial revision of this Policy shall take effect from March 29, 2017.
4. The partial revision of this Policy shall take effect from March 29, 2018.
5. The partial revision of this Policy shall take effect from October 29, 2018.

END

(APPENDIX)

Independence Standards for Independent Outside Officers

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 one of its consolidated subsidiaries (collectively, the “DIC Group”) at present or have been in the preceding ten years.
2. Individuals to whom any of the following items have applied in the preceding three years:
  - (1) A business partner or any executive of said business partner of the DIC Group with whom transactions exceed 3% of the DIC Group’s consolidated net sales in a single fiscal year.
  - (2) A business partner or any executive of said business partner for whom transactions with the DIC Group exceed 3% of the business partner’s consolidated net sales in a single fiscal year.
  - (3) A shareholder or any executive of said shareholder who holds 5% or more of the voting rights of the Company.
  - (4) A principal lender or any executive of said principal lender of the DIC Group from which the loans in a single fiscal year exceed 3% of the DIC Group’s total assets.
  - (5) An individual who or any individual of an organization which has received a contribution of more than 10 million yen annually from the DIC Group.
  - (6) An accountant or member, partner or employee of an audit firm who serves as an independent auditor or accounting advisor for the DIC Group.
  - (7) Excluding those to whom item (6) applies, providers of professional services, such as a consultants, accountants or attorneys, who received remuneration from the DIC Group in excess of 10 million yen annually not including remuneration received as a director or corporate officer of DIC Group, or an individual of an organization that received remuneration in excess of 3% of organization’s

consolidated net sales in compensation for professional services, such as consulting, accounting or legal.

(8) An executive of another company, in the event that an executive of the Company takes office as an outside officer of that company.

3. Spouses and relatives within the second degree of kinship of individuals listed in Sections 1 and 2.

4. An individual whose term as an outside officer of the Company exceeds eight years.