

Corporate governance

CORPORATE GOVERNANCE

Digital Arts Inc.

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Digital Arts Inc.

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Securities Code: 2326

<https://www.daj.jp/>

The state of corporate governance of Digital Arts Inc. (“the Company”) is described below.

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

1. Fundamental Views

The Company’s corporate governance policy consists of “engaging in speedy decision-making and clarifying the roles and responsibilities incidental to this,” “maintaining objective checking systems both internally and externally” and “ensuring timely and fair disclosure” and we will endeavor to continue maintaining and strengthening this approach in the future.

The Board of Directors comprises a total of 5 persons, including 1 Representative Director, 1 Director (excluding Directors who are Audit & Supervisory Committee members) and 3 Directors who are Audit & Supervisory Committee members, meets once a month in principle, and makes decisions on important matters related to the foundation of the Company’s management. The Company holds meetings of the Executive Committee once a month. Serving as a body preceded by the Board of Directors, it consists of the Representative Director, Full-time Directors and General Managers of individual Departments. It determines individual management strategies based on the prior deliberations and decision-making of the Board of Directors and reviews the status of business execution.

In addition, it holds meetings of the Management Reporting and Liaison Committee once a week in principle. Composed of General Managers of separate Departments and Sections and higher-ranking members, it reports on the state of progress of operations in each division and builds consensus. These meeting bodies clarify their respective roles and responsibilities and seek to enrich discussions at the Board of Directors and give shape to its decisions. We have also established functional departments responsible for clarifying the segregation of duties and ensuring checks and balances to maintain corporate governance.

[Reasons for Non-compliance with Principles of Japan’s Corporate Governance Code]

The Company has implemented all of the principles of the Corporate Governance Code.

[Disclosure Based on Principles of Japan’s Corporate Governance Code]

[Principle 1.4: Cross-Shareholdings]

The Company currently does not hold shares of other listed companies as cross-shareholdings.

It is the Company’s fundamental policy to acquire and hold shares of a trade partner, etc. as cross-shareholdings if the cross-shareholding is deemed to contribute to the enhancement of the Group’s corporate value over the medium to long term, considering capital cost and other factors from the viewpoint of building a stable and long-term relationship with the trade partner, entering into a business alliance, or facilitating and strengthening cooperative business development, etc.

However, investment decisions shall be made by the Board of Directors and the reasonableness of continuous cross-shareholdings shall be evaluated periodically by the Board of Directors in light of the initial purpose of the cross-shareholding. When exercising voting rights associated with cross-shareholdings, the Company shall make a comprehensive judgment of the relevant proposals with respect to points such as whether or not the proposals would contribute to the development of appropriate corporate governance, the enhancement of the issuer’s corporate value over the medium to long term, and the impact of the proposals to the Company.

[Principle 1.7: Related Party Transactions]

When the Company conducts a transaction with its officers, major shareholders and others, it shall submit the matter to the Board of Directors in advance and obtain the board’s approval in order to ensure that the transaction will not adversely affect common interests of the Company and shareholders, except where the terms and conditions of the transaction are clearly the same as those for general transactions.

[Supplementary Principle 2.4.1: Ensuring Diversity in the Recruitment, etc. of Core Human Resources]

The Company considers that, in order to realize the corporate philosophy of “Contributing to a more convenient, comfortable and safer Internet life” and the sustained growth of the Company, it is essential to create growth opportunities through synergies generated from diverse human resources with various values and to continuously maximize employees’ achievement levels, by positively recruiting talented persons and fostering all the employees including existing employees. Accordingly, the Company is actively recruiting highly competent personnel who can share its corporate philosophy, regardless of their background (academic background, career history, etc.) and characteristics (nationality, gender, age, disability, etc.), and is promoting the appointment of optimal human resources in managerial positions by helping employees achieve continued growth based on improved employee development systems.

The ratio of female employees to all employees in the Company is 34.2% while the ratio of female managers (section managers and higher) to all managers is 7.6%. The Company has been developing systems and an environment that enables female employees to be active in the workplace, has been positively recruiting or promoting them to managerial positions. It will maintain these initiatives in the future.

The percentage of mid-career hires is 50.6% of all employees of the Company and 94.8% of all managers (section managers and higher). Although these percentages are high because the Company has been positively recruiting diverse human resources, it will appoint optimal human resources in managerial positions in the future, irrespective of whether they are new graduates or mid-career workers. The percentage of non-Japanese employees in the Company is 1.6% of all employees. Although this low percentage reflects the fact that the main market for the Company’s core business is in Japan, the Company will positively hire non-Japanese as the number of non-Japanese workers is increasing in Japan.

(The above percentages are as of June 1, 2026)

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

The Company does not participate in a particular corporate pension fund but has introduced the defined contribution pension plan for asset formation of employees. Moreover, the Company deliberates on the selection of a fund manager from multiple viewpoints and ensures appropriate fund management by means such as the periodic provision to employees of opportunities to learn about fund management, including at the time of joining the Company.

[Principle 3.1: Full Disclosure]

- (i) The Company posts its corporate philosophy, etc. on its website.
- (ii) The Company describes its fundamental policy of corporate governance in its corporate governance report.
- (iii) The fundamental policy for remuneration of Directors (excluding Directors who are Audit & Supervisory Committee members) of the Company is to have a remuneration structure that functions as an incentive for promoting the improvement of corporate value as a whole and to determine the remuneration of each Director (excluding Directors who are Audit & Supervisory Committee members) at an appropriate level, based on his/her job responsibility, etc. In consultation with the Board of Directors, the Nomination and Remuneration Advisory Committee discusses the policy on determination and builds a consensus in the committee. The Board of Directors then makes a decision. Remuneration of Directors who are Audit & Supervisory Committee members are resolved by the Audit & Supervisory Committee.
- (iv) The appointment of Directors (excluding Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members is resolved by the Board of Directors by comprehensively taking into account the balance of each candidate's career history, achievements, human qualities, knowledge, experience, abilities, etc., (1) based on opinions organized upon deliberations by the Nomination and Remuneration Advisory Committee in response to consultations from the Board of Directors in the case of Directors (excluding Directors who are Audit & Supervisory Committee members) and (2) based on the consent of the Audit & Supervisory Committee in case of Directors who are Audit & Supervisory Committee members.
- (v) Reasons for the selection and dismissal of each candidate are described in notices of convocation of general shareholder meetings.

[Supplementary Principle 3-1-3. Initiatives for sustainability, etc.]

Since our founding, we have advocated solutions to social issues, and based on our corporate philosophy of "Contributing to a more convenient, comfortable and safer Internet life" we have made various efforts as a domestically produced security software manufacturer to protect the global environment and realize a sustainable society. As a manufacturer of domestic security software, we have been making various efforts to preserve the global environment and realize a sustainable society. We are also engaged in various initiatives as a domestic security software manufacturer to protect the global environment and realize a sustainable society. Through our business activities, we are working to curb economic losses caused by information asset leakage from companies and public organizations as much as possible, while addressing global environmental issues such as climate change and environmental pollution, and making various social contributions to realize safe and secure Internet use and a fulfilling online learning environment for children.

We are also engaged in various social contribution activities to realize safe and secure Internet access for children and an enriched online learning environment. In April 2022, we established the "Sustainability Committee" to strengthen our efforts toward the realization of a sustainable society. The Committee is chaired by the President and Representative Director, and convenes the heads of major divisions to deliberate and decide on overall sustainability policies, targets, and plans, as well as to review and discuss the promotion of these plans. The Board of Directors receives reports from the Committee, monitors and supervises the efforts to address issues and set targets.

Please refer to the Company's website for information on the Company's sustainability initiatives and disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

<https://www.daj.jp/esg/>

[Supplementary Principle 4.1.1: Scope of Matters Delegated to Management]

The Board of Directors has the function of overseeing the management of the Company as a whole, including supervision of the execution of duties by business executors, ensures management fairness and transparency, and makes decisions for the Company primarily on the execution of important operations under the laws and regulations. Moreover, the execution of, and decision making on, matters other than important business operations shall be delegated to Executive Committee meeting and other subordinate meeting bodies as well as to officers in charge of relevant business operations and others. The Board of Directors oversees those meeting bodies and the status of the execution of duties by the officers and others.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

The Company selects Outside Directors who are independent officers in accordance with the requirements for Outside Directors prescribed by the Companies Act and the independence criteria set by Tokyo Securities Exchange.

[Supplementary Principle 4.10.1 Independence, authority, roles, etc. regarding constituents of the Nomination and Remuneration Advisory Committee]

The Company is a company with Audit & Supervisory Committee. Three of the Five members of the Board of Directors are Independent Outside Directors, accounting for half of the total members of the Board of Directors.

Two Outside Directors who are Audit & Supervisory Committee members are female, and Outside Directors appropriately express their opinions and offer necessary advice from various perspectives regarding gender, skills and other matters, leveraging their highly professional knowledge and abundant experience in deliberations on important matters at the Board of Directors' meetings.

The Company has also established a Nomination and Remuneration Advisory Committee as a voluntary advisory body for the Board of Directors for the purpose of ensuring the objectivity and transparency of the process of nominating candidates for Directors, determining remuneration of Directors and reinforcing the accountability of the Board of Directors.

The Board of Directors determines the nomination of candidates for Directors and remuneration of Directors based on the results of consultations with the Nomination and Remuneration Advisory Committee in which Outside Directors represent a majority.

[Supplementary Principles 4.11.1 View on diversity and size of the Board of Directors]

To ensure the effectiveness of the Board of Directors, the Company stipulates in its Articles of Incorporation that the number of Directors (excluding Directors who are Audit & Supervisory Committee members) shall be six persons or less and that the number of Directors who are Audit & Supervisory Committee members shall be four persons or less.

For the Board of Directors to contribute to sustained growth and the enhancement of corporate value of the Company over the medium to long term, the Company appoints Internal Directors who are familiar with its business and Outside Directors who have rich experience and specialist knowledge acquired outside the Company.

The Skill Matrix, which identifies the skills and other attributes of directors, is disclosed in the Notice of the Convocation of Annual Shareholders Meeting.

<https://www.daj.jp/ir/stock/meeting/>

[Supplementary Principle 4.11.2 Status of concurrent holding of managerial positions of other listed companies by Directors]

As Directors (excluding Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members are required to understand the Company's business, etc., attend meetings of the Board of Directors and secure necessary time to prepare for such attendance, they limit the concurrent holding of managerial positions at listed companies other than the Company to the extent reasonable based on their own fiduciary responsibilities. Moreover, the Company discloses the status of the concurrent holding of important positions by its Directors (excluding Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members in notices of convocation of general shareholder meetings every year.

[Supplementary Principle 4.11.3: Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

The Board of Directors analyzes and evaluates its effectiveness by conducting a questionnaire with all Directors on a non-anonymous basis once a year.

A questionnaire on the effectiveness of the Board of Directors for the 31st fiscal year was conducted with all the Directors, and the Board of Directors deliberated on the questionnaire results, shared perceptions and determined improvement policies.

In the questionnaire results for the fiscal year under review, many respondents evaluated the frequency and duration of meetings of the Board of Directors, the content of relevant materials, the time for review, the number of agenda items and the time for deliberation as appropriate or generally appropriate. Accordingly, the Company considers that frameworks for the operation, etc. of the Board of Directors are generally well organized and that the effectiveness of the Board is ensured. On the other hand, We believe that continued consideration of the training of director candidates, etc. is necessary.

[Supplementary Principle 4.14.2 Training Policy for Directors]

The Company selects persons who are able to fully accomplish their required roles and responsibilities (including legal responsibilities) as Directors (excluding Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members. In particular, it selects persons who are familiar with the business, financial affairs, organizations, etc. of the Company as internally selected Directors (excluding Directors who are Audit & Supervisory Committee members) and internally selected Directors who are Audit & Supervisory Committee members.

To ensure that Directors (excluding Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members acquire the necessary knowledge and information for fully accomplishing their roles and responsibilities, they devote themselves to studies such as voluntarily participating in external seminars, get-together sessions with external associations or other companies, etc. The Company bears all relevant expenses.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

The Company places importance on constructive dialogue with shareholders and others and works to hold dialogues mainly between its management team members and shareholders through a range of opportunities, aspiring to give shareholders insight into the Company's management policy and to positively obtain and make use of management analysis and opinions from shareholders, while also aiming for the sustained growth of the Group and the medium to long term enhancement of its corporate value.

[Actions to achieve cost of capital and stock price conscious management]

The Company believes that, after securing a solid management base through growth in business performance, continued stable reinvestment and shareholder returns over the medium to long term will enhance corporate value and be appropriately reflected in the share price.

With respect to capital efficiency, the Company has been able to secure a return on equity (ROE) of approximately 20% amid steady business performance. In terms of market valuation, the P/B ratio has remained stable at more than 2.5 times in recent years.

The Company will concentrate its management resources in the following priority areas to enhance profitability through medium-term business growth.

- (1) Growth of the security business
- (2) Expansion of public market share
- (3) Investment in human resources to implement new policies, etc.

The IR Office plays a central role in the Company's dialogue with shareholders and investors. Specific dialogue includes individual interviews, biannual financial results briefings for investors and analysts, and study sessions with securities firms to deepen understanding of the Company and its business activities. The Company strives to reflect messages from shareholders and investors obtained through dialogue in its future corporate activities. In addition, we take care on a daily basis to ensure that our dialogue is conducted in compliance with and respecting laws, regulations, and internal rules regarding insider trading regulations.

Through dialogue with shareholders and investors, we will continue to deepen our awareness of market needs and strive to achieve management that is more conscious of the cost of capital and stock prices.

2. Capital Structure

Percentage of Foreign Shareholders	20% or more but less than 30%
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[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Percentage (%)
TOSHIO DOGU	2,257,999	16.80
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,794,800	13.35
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,082,100	8.05
DAM CORPORATION	710,000	5.28
BNYMSANV RE BNYMSANVDUB RE LEGAL (AND) GENERAL UCITS ETF PLC	708,102	5.27
BNP PARIBAS LUXEMBOURG/2S/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	390,000	2.90
BNYM AS AGT/CLTS NON TREATY JASDEC	340,205	2.53
THE BANK OF NEW YORK MELLON 140040	248,400	1.85
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	225,100	1.67
HIKARI TSUSHIN K.K. INVESTMENT LIMITED PARTNERSHIP	189,700	1.41

Controlling Shareholder (except for Parent Company)	_____
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Parent Company	None
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Supplementary Explanation

3. Corporate Attributes

Listed Exchange and Market Division	Tokyo Stock Exchange, Prime Market
Accounting period	March
Sector Classification	Information and communications
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Net sales (consolidated) for the Previous Fiscal Year	10 billion yen to less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

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

Not applicable.

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

1. Organizational Composition and Operation

Organizational Form	Company with Audit & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	5
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors Designated from among Outside Directors	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masataka Uesugi	Attorney-at-law											
Chise Kuwayama	Certified Public Accountant											
Arisa Yano	Attorney-at-law											

* Categories for “Relationship with the Company”

* “○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.

* “●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.

a Executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries

b Non-executive director or executive of a parent company of the Company

c Executive of a fellow subsidiary of the Company

d A 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 compensation as a director/auditor

g Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k Other

Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Nomination Appointment
Masataka Uesugi	○	○	Not applicable	Mr. Uesugi can conduct audits and supervision of the Company's managerial decision-making based on his professional position as a licensed person (lawyer). Moreover, as the Company considers that he can fully perform supervising roles expected by shareholders and others from a standpoint independent from the Representative Director and other business executors because he is highly independent and because there is no direct interest between him and the Company's management team, it has appointed him as an independent officer, having no risk for conflict of interest with general shareholders.
Chise Kuwayama	○	○	Not applicable	Ms. Kuwayama can conduct audits and supervision of the Company's managerial decision-making based on her professional position as a licensed person (certified public accountant). Moreover, as the Company considers that she can fully perform supervising roles expected by shareholders and others from a standpoint independent from the Representative Director and other business executors because she is highly independent and because there is no direct interest between her and the Company's management team, it has appointed her as an independent officer, having no risk for conflict of interest with general shareholders.
Arisa Yano				Ms. Yano can conduct audits and supervision of the Company's managerial decision-making based on her professional position as a licensed person (lawyer). Moreover, as the Company considers that she can fully perform supervising roles expected by shareholders and others from a standpoint independent from the Representative Director and other business executors because she is highly independent and because there is no direct interest between her and the Company's management team, it has appointed her as an independent officer, having no risk for conflict of interest with general shareholders.

[Audit & Supervisory Committee]

Member Composition and Chairperson's Attribute

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Audit & Supervisory Committee	3	0	0	3	Internal Directors

Director or Employee Responsible for Assisting the Audit and Supervisory Committee in Fulfilling Its Duties

Appointed.

Matters concerning the independence of the said Directors and employees from Executive Directors

Administration Department plays the role of secretariat for the Audit & Supervisory Committee and appropriately assists the Committee in audit operations. In addition, when employees assigned to assist in audit operations receive an instruction regarding audit operations from the Audit & Supervisory Committee, said employees shall not, in connection with said instruction from the Committee, be obliged to receive any instruction from Directors.

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

With respect to audits by the accounting auditor for quarterly and yearly financial settlement and the status of cooperation between Directors who are Audit & Supervisory Committee members and the accounting auditor, Directors who are Audit & Supervisory Committee members receive detailed reports of the status of audit from the accounting auditor who conduct audits and employees who assist audits operations, and exchange opinions as necessary at appropriate times. Moreover, with respect to the status of cooperation between Directors who are Audit & Supervisory Committee members and Internal Audit Department, a cooperative system for constant information exchange has been established to ensure that Directors who are Audit & Supervisory Committee members periodically receive reports on the status of internal audits, audit results, etc. from persons in charge of internal audits.

[Voluntary Committees]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Internal Directors
Committee Corresponding to Compensation Committee	Nomination and Remuneration Advisory Committee	3	0	1	2	0	0	Internal Directors

Supplementary Explanation

For the purpose of strengthening the independence and objectivity of functions and accountability of the Board of Directors regarding the appointment, remuneration, etc. of Directors, the Company has established the Nomination and Remuneration Advisory Committee as a voluntary advisory body. The Committee consists of three or more Directors selected by resolution of the Board of Directors and is chaired by a Director elected from among the Board members.

The Committee deliberates mainly on the following matters in response to consultations from the Board of Directors and provides recommendations to the Board.

- Matters regarding the selection of candidates for Directors and the appointment of Representative Directors and Directors with special titles
- Matters regarding remuneration, etc. of Directors

[Independent Directors/Auditors]

Number of Independent Directors/Auditors	3
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Matters Related to Independent Directors/Auditors

All the three Outside Directors are designated as independent officers.

[Incentives]

Implementation of Measures to Provide Incentives to Directors	Introduction of a stock option program
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Supplementary Explanation

The remuneration of Directors (excluding those who are Audit & Supervisory Committee members) is designed to function as an incentive to continuously improve the corporate value as a whole, and the individual remuneration is determined to be at an appropriate level based on the responsibilities of each individual. The compensation structure consists of base compensation (monetary compensation) and non-monetary compensation, etc. The compensation structure is designed to set an appropriate ratio of compensation that is linked to short-, medium-, and long-term business performance based on the characteristics of the business and to enable sound corporate management and further sharing of value with shareholders.

Basic remuneration is a monthly fixed remuneration, which is determined and paid monthly, taking into consideration the Company's business performance and management, social conditions, the degree of contribution made by each individual in accordance with his/her responsibilities, years in office, and the level of remuneration at other companies, among other factors. Non-monetary compensation includes (1) the granting of stock acquisition rights for shares of the Company's common stock and (2) the allotment of shares (restricted stock) subject to a certain period of restriction on transfer and reasons for acquisition by the Company without compensation.

For an overview of the Company's stock options, etc., please refer to the Annual Securities Report.

Recipients of Stock Options	Internal Directors and employees
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Supplementary Explanation

The Company has introduced a stock option plan to motivate and motivate employees to improve the performance of the Group and to encourage them to make long-term contributions to the Company. The stock options are granted to the Company's internal directors (excluding those who are Audit & Supervisory Committee members) and employees.

[Remuneration for Directors]

Disclosure of Individual Directors' Remuneration

No individual disclosure

Supplementary Explanation

As remuneration of the officers in the fiscal year ended March 31, 2026, the Company paid 96 million yen to 2 Directors (excluding Directors who are Audit & Supervisory Committee members) and 10 million yen to 3 Directors who are Audit & Supervisory Committee members (including 10 million yen for 3 Outside Directors). The amounts of payment to Directors do not include employee's salary for the Directors who also hold the employee position.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

According to the Company's basic policy on remuneration for its Directors (excluding those who are Audit & Supervisory Committee members), a remuneration system must function as an incentive to continuously increase the corporate value as a whole and remuneration for each Director is to be determined at an appropriate level in consideration of their duties. Specifically, the base remuneration for the Company's Directors is fixed on a monthly basis. The Company pays remuneration in overall consideration of the Company's business results, status of management, social circumstances, degree of contribution according to their duties, number of years of service and the levels of remuneration at other companies. The Company's non-monetary remuneration for Directors include (1) the provision of share acquisition rights for the Company's common shares, and (2) the allotment of shares subject to transfer restrictions for a predetermined period and the Company's rules on events for acquisition without compensation (hereinafter referred to as "Shares with Restrictions on Transfer"). In consultation with the Board of Directors, the Nomination and Remuneration Advisory Committee discusses the policy on determination and builds a consensus in the committee. The Board of Directors then makes a decision. The remuneration amount of a Director who is an Audit & Supervisory Committee member is fixed remuneration that takes into consideration factors such as whether the post is full-time or part-time, duties and authority. It is not linked to corporate performance and is determined by resolution of the Audit & Supervisory Committee.

Details about the amount of remuneration for individual Directors (excluding Directors who are Audit & Supervisory Committee members) are determined by the President and Representative Director in accordance with a resolution adopted by the Board of Directors to delegate this authority to the President and Representative Director. To ensure the fairness and transparency of the examination process, the Nomination and Remuneration Advisory Committee discusses, at the request of the Board of Directors, the proposal on remuneration created by the President and Representative Director within the remuneration limit approved by the General Meeting of Shareholders. On the basis of the views coordinated by the committee, the President and Representative Director makes a decision.

The remuneration limit for Directors (excluding Directors who are Audit & Supervisory Committee Members) is set at 300 million yen per year, excluding the portion of the employee salary for Directors serving as employees, according to a resolution adopted by the 21st Annual Shareholders' Meeting on June 24, 2016. As of the close of this Annual Shareholders' Meeting, the Company had four Directors, excluding Directors who are Audit & Supervisory Committee Members.

Apart from the remuneration mentioned above, a resolution has been adopted according to which the total monetary remuneration claims to Directors (excluding Directors who are Audit & Supervisory Committee members) as remuneration concerned with the Shares with Restrictions on Transfer are capped at 50 million yen per year in overall consideration of the degree of contribution and other factors. With a commission of authority, the Board of Directors makes decisions on the actual allotment of Shares with Restrictions on Transfer in overall consideration of the degree of contribution to the Company and other factors of individual Directors concerned.

The Company's 21st Annual Shareholders' Meeting on June 24, 2016 adopted a resolution to set the limit of remuneration for Directors who are Audit & Supervisory Committee members at 100 million yen per year. As of the close of this Annual Shareholders' Meeting, the Company had three Directors who were Audit & Supervisory Committee members, including two Outside Directors.

[Support system for Outside Directors]

Communication of information is communicated to outside directors by the department in charge, mainly the Board of Directors Secretariat (Administration Department). Moreover, the Audit Committee Secretariat provide detailed reports on matters regarding viewing, etc. of important documents in daily business operations and interviews with Directors and employees to the 3 Outside Directors (Audit & Supervisory Committee members) at meetings of the Audit & Supervisory Committee held every month in principle.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)

<Matters concerning functions of business execution, audits and supervision>

To make a comprehensive judgment that ensures speedy management through prompt decision-making, business scale and the appropriateness, etc. of audit functions, the Company has become a company with an Audit & Supervisory Committee and conducts supervision and audits of business execution by the Board of Directors and the Audit & Supervisory Committee.

The Board of Directors comprises a total of 5 persons (as of the day of submission of this report), including 1 Representative Director, 1 Director (excluding Directors who are Audit & Supervisory Committee members) and 3 Directors who are Audit & Supervisory Committee members, meets once a month in principle and makes decisions on important matters. The Audit & Supervisory Committee comprises a total of 4 persons, including 1 Director who is a full-time Audit & Supervisory Committee member and 3 Outside Directors (Audit & Supervisory Committee members), meets once a month in principle and works to improve the effectiveness of audits mainly by promoting close cooperation with the accounting auditor and persons in charge of internal audits through exchange of information and opinions, etc.

In accordance with the audit policy, plan, etc. determined by the Audit & Supervisory Committee, the Director who is a full-time Audit & Supervisory Committee member implements audits to ensure, through interviewing with relevant sections, that business execution is appropriately conducted, while Outside Directors (Audit & Supervisory Committee members) fulfill their oversight functions as independent officers from a standpoint independent from the Representative Director and other business executors.

Moreover, the Company holds meetings of the Executive Committee once a month. Serving as a body preceded by the Board of Directors, it consists of the Representative Director, Full-time Directors and General Managers of individual Departments. It makes preliminary deliberations for the Board of Directors and determines managerial strategies based on decisions made by the Board. The Company also convenes the Management Reporting and Liaison Committee, which is comprised of the General Managers of each Department and Section and higher-ranking members, once a week to report on the state of progress of operations in each division and to build consensus.

The Group's accounting audits are conducted based on an audit agreement concerning audits prescribed in the Companies Act and the Financial Instruments and Exchange Act between the Company and BDO Sanyu & Co. which was appointed by the general meeting of shareholders of the Company. Certified public accountants of BDO Sanyu & Co., Mr.Kota Yamamoto and Mr. Hiroaki Nakanishi, are in charge of the implementation of audits. The number of continuous audit years for the above-mentioned persons is less than 7 years, respectively. The composition of assistant accountants to be engaged in audit operations is determined according to the selection criteria of the accounting firm. In concrete terms, the accounting audit team mainly consists of 4 certified public accountants and 4 other person.

The Company has not entered into an agreement for limitation of liability stipulated in Article 427, Paragraph 1 of the Companies Act with the accounting auditor.

The Company has established Internal Audit Department that mainly conducts periodic and temporary audits of the organization and systems, accounting affairs, etc. in accordance with the Internal Audit Regulations and provides instructions for improvement to the President and relevant officers in charge and recommendations to target departments. Moreover, follow-up audits are conducted to check the status of progress for areas of improvement identified in audits. Further, the Company works to improve its management by evaluating and reviewing management activities through exchange of information and opinions and other cooperative initiatives between the Audit & Supervisory Committee and the accounting auditor.

<Matters concerning functions of determining nomination, remuneration, etc.>

For the purpose of strengthening the independence and objectivity of functions and accountability of the Board of Directors regarding the appointment, remuneration, etc. of Directors, the Company has established the Nomination and Remuneration Advisory Committee as a voluntary advisory body. The Nomination and Remuneration Advisory Committee consists of no less than 3 Directors selected by resolution of the Board of Directors and is chaired by a Director elected from among the Board members.

The Committee deliberates mainly on the following matters in response to consultations from the Board of Directors and provides recommendations to the Board.

- Matters regarding the selection of candidates for Directors and the appointment of Representative Directors and Directors with special titles
- Matters regarding remuneration, etc. of Directors

3. Reasons for Adoption of Current Corporate Governance System

The Board of Directors and the Executive Committee are responsible for most of the important decision-making related to execution of the Company's business. The Board of Directors, which consists of six Directors, three of whom are Outside Directors, holds meetings in principle once a month and also meets on an ad hoc basis whenever necessary. To complement managerial judgment on other important matters, the Executive Committee meeting, which consists of the Representative Director, Full-time Directors and General Managers of individual departments, meets once a month to make decisions regarding business execution and to review the status of business execution.

Directors who are Audit & Supervisory Committee members receive reports on the status of execution of duties from Directors (excludes Directors who are Audit & Supervisory Committee members) and from employees, etc., asks them for explanations where necessary and views important resolution documentation in accordance with the audit policy and audit plan, etc. specified by the Audit & Supervisory Committee. They work closely with the Accounting Auditor, the Internal Audit Department and others to maintain and improve the efficiency of corporate management and ensure legality. We believe, therefore, that this structure allows us to ensure management objectivity.

We adopted our current structure based on the judgment that it further strengthens corporate governance by rationalizing decision-making and execution of duties by Directors and ensuring effective audits and supervision.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplemental explanation
Early Notification of General Shareholders Meeting	The Company makes sure to send notices of convocation of general shareholder meetings as early as possible.
Scheduling Annual General Shareholders Meeting Avoiding the Peak Day	The Company sets a date for the shareholder meeting by avoiding days on which many shareholder meetings are usually held.
Allowing Electronic Exercise of Voting Rights	The Company has made it possible to exercise voting rights online.
Participation in Electronic Voting Platforms and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights	The Company participates in the platform for the electronic exercise of voting rights for institutional investors.
Providing Convocation Notice in English	An English translation of convocation notices is posted on the Company's website.

2. IR Activities

	Supplemental explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has prepared its disclosure policy and posts it on its website under Investor Relations. https://www.daj.jp/ir/management/disclosure/	
Regular Investor Briefings for Analysts and Institutional Investors	The Company provides opportunities, about twice a year following the annual and half-yearly financial settlement, for results briefings by the representative director targeting analysts and investors.	Yes
Posting of IR Materials on Website	IR materials are available on the Company's website. https://www.daj.jp/ir/ The main topics include timely disclosure information under IR News and financial statements, business reports and securities reports under IR Library, respectively. Moreover, a message from the representative is posted periodically. https://www.daj.jp/ir/management/message/	
Establishment of Department and/or Manager in Charge of IR	Person in charge of IR : Fumihiko Tanizaki, General Manager, Investor Relations Office	

3. Measures to Ensure Due Respect for Stakeholders

	Supplemental explanation
Internal Rules Stipulated for Respecting the Position of Stakeholders	The Company considers it the fulfillment of its social responsibilities to voluntarily address social issues, by taking into account not only legal compliance and industrial health and safety but also all stakeholders. Its management team and employees work to act on this belief and fulfill their social responsibilities on a daily basis.
Implementation of Environmental Activities, CSR Activities etc.	The Company's social activity is explained on its website. https://www.daj.jp/esg/
Development of Policies on Information Provision to Stakeholders	The Company has a fundamental policy to disclose various types of information on its business activities to shareholders, investors and other stakeholders in an appropriate and timely manner. Based on this policy, it has developed a system for the timely disclosure of information and appropriately implements prompt, accurate and fair disclosure of corporate information.

IV. Matters Related to the Internal Control System

1. Fundamental Views on Internal Control System and the Progress of System Development

Basic policy on the internal control system

1. Systems to ensure that the Group's Directors and employees execute duties in compliance with laws and regulations and the Articles of Incorporation
 - (1) The Group considers compliance to be its highest priority and establishes rules relating to compliance to ensure that the Group's officers and employees execute their duties in compliance with laws and regulations and the Articles of Incorporation and healthy social norms, implements initiatives such as providing training and a whistleblowing system, and develops systems under which any problems that arise are reported to the Company's Board of Directors and Audit & Supervisory Committee.
 - (2) The Company is required to convene a meeting of the Board of Directors once a month, in principle, and on an ad hoc basis whenever necessary. At meetings of the Board of Directors, the Company makes decisions about the execution of the Group's important business and also supervises the execution of duties by Directors. The Company also seeks to ensure that Directors and employees comply with laws and regulations, the Articles of Incorporation, various regulations and stipulated business processes and it also works to strengthen risk management system and seeks to enhance internal control systems.
 - (3) The Company establishes the Internal Audit Department and builds a system of internal control through internal audits. The Internal Audit Department regularly conducts internal audits of the Group's business management and all its business activities, evaluates and verifies the state of compliance with laws and regulations, the Articles of Incorporation, various rules and stipulated business processes and reports to the Company's Board of Directors and to the Audit & Supervisory Committee in a timely manner.
 - (4) For the purpose of strengthening independence, objectivity and accountability of the Board of Directors' functions related to Directors' nomination, remuneration and others, the Company sets up a voluntary Nomination and Remuneration Advisory Committee consisting of independent Outside Directors and other committee members as an advisory body subordinate to the Board of Directors. In response to consultation from the Board of Directors, the Nomination and Remuneration Advisory Committee discusses matters related to determination of candidates for Directors, selection of the Representative Directors and Directors with portfolio and remuneration of Directors and others and submits a report on the results to the Board of Directors.
2. Systems for storage and management of information relating to the execution of duties by the Company's Directors
 - (1) In accordance with the Document Management Rules, the Company records, stores and manages information relating to the execution of duties by Directors in the form of paper or electronic means, including the minutes of meetings of the Board of Directors and other important meetings and documents approved by each Director in accordance with the Rules on Administrative Authority. Directors may view these documents, etc. at any time.
 - (2) To ensure the effectiveness of internal audits, the Company establishes rules setting out the management method and storage period of important documents (including electronic media) relating to the execution of duties by Directors and stores and manages them in accordance with these rules.
3. Rules and other systems relating to management of loss risks of the Group
 - (1) To establish systems relating to management of loss risks of the Group, the Company establishes rules relating to the Group's risk management and raises awareness of these rules among Directors and employees.
 - (2) The Company establishes the Internal Audit Department. It regularly examines the appropriateness of the audit items and audit methods used in the Group's business audits and revises audit items and audit methods if necessary.
4. Systems to ensure the effective and efficient execution of duties by the Group's Directors
 - (1) To ensure the effective and efficient execution of duties by Directors, the Group formulates a business plan every fiscal year and verifies progress through monthly performance assessments.
 - (2) Regarding the execution of routine duties by Directors, the Board of Directors delegates authority for the execution of duties to employees in accordance with the Rules on Administrative Authority and Rules on the Segregation of Duties and these employees assume responsibility for efficient execution of the delegated duties.
5. Systems for reporting to the Company matters related to the execution of duties by the Group's Directors
 - (1) The Company conducts internal audits of its individual divisions and subsidiaries performed by the Internal Audit Department in accordance with the Internal Audit Rules, establishes internal control systems within the Group, and reports on the nature and frequency of risks within individual divisions and subsidiaries and their impact on the Company and others to the Board of Directors and the Audit & Supervisory Committee of the Company in a timely manner.
 - (2) The Company makes it mandatory for each Group company to regularly report to the Company on its operating results, financial condition and certain other important matters related to management.
6. Matters related to Directors and employees to assist the duties of the Audit & Supervisory Committee

Upon a request from the Audit & Supervisory Committee for the assignment of employees required to assist the duties of the Audit & Supervisory Committee, the Company promptly assigns the appropriate personnel.
7. Matters related to the independence of Directors and employees required to assist the duties of the Audit & Supervisory Committee from Directors (excludes said Directors and Directors who are Audit & Supervisory Committee members) and matters for ensuring the effectiveness of instructions to Directors and employees required to assist the duties of the Audit & Supervisory Committee
 - (1) Employees required to assist the duties of the Audit & Supervisory Committee are only under the command of the Audit & Supervisory Committee with respect to the work they are instructed to do by the Audit & Supervisory Committee.
 - (2) The Company will listen to the opinions of the Audit & Supervisory Committee before determining matters such as personnel transfers and personnel evaluations of employees required to assist the duties of the Audit & Supervisory Committee.
8. Systems for reporting to the Audit & Supervisory Committee
 - (1) The Company's Directors report the status of execution of their duties at meetings of the Board of Directors attended by Audit & Supervisory Committee members and other important meetings as and when necessary.
 - (2) The Directors and employees of the Group report to the Company's Audit & Supervisory Committee any violations of laws and regulations and any fact that might be damaging to the Company immediately upon discovery thereof.
 - (3) The division in charge of the Group's whistleblowing system regularly reports to the Audit & Supervisory Committee the status of whistleblowing reports by Group officers and employees.
9. Systems to ensure that persons are not treated disadvantageously for making reports to the Audit & Supervisory Committee members

The Company does not permit Group officers or employees who have made reports to the Audit & Supervisory Committee to be treated disadvantageously and makes this known to all officers and employees of the Group.

10. Matters regarding policy on handling advance payment or repayment of expenses resulting from execution of duties by Audit & Supervisory Committee members (only expenses related to the execution of duties of the Audit & Supervisory Committee) or other expenses or debts arising from said execution of duties
- If the Company receives a request for advance payment, etc., of expenses under the provisions of Article 399-2, Paragraph 4 of the Companies Act in relation to the performance of duties by a Member of the Audit & Supervisory Committee, the Company, after discussions at the division in charge, immediately settles said expenses or debts, except where it is determined that said costs or debts were not necessary for the performance of duties by a member of the Audit & Supervisory Committee.
11. Other systems used to ensure that the Audit & Supervisory Committee can conduct audits effectively
- (1) he Representative Director regularly holds meetings with the Audit & Supervisory Committee to exchange views on matters such as issues to be addressed by the Company, the status of development of the environment for audits by Audit & Supervisory Committee members and important audit-related issues.
- (2) he Audit & Supervisory Committee, the Internal Audit Department and the Accounting Auditor seek to improve the quality of audits by strengthening their cooperation through the mutual exchange of information and opinions where necessary.
12. Systems for eliminating antisocial forces
- The Group maintains a firm stance to respond, as an organization, to any unjustified demands by antisocial forces and develops internal systems so that it does not have any business relationship or any other relationship whatsoever with antisocial forces.

2. Fundamental Approach to Eliminating Anti-Social Forces and State of Related Efforts

The Company recognizes that it has a corporate social responsibility to eliminate any and all connection with anti-social forces.

As a measure to eliminate anti-social forces, the Company has prepared a manual that describes its specific response to such forces. The Administration Department is mainly in charge of this response, including collecting information by maintaining cooperative relationships with the police, external specialized agencies, etc. and investigating new trade partners prior to entering into new transactions. Moreover, the Company has established a system to deal with undue claims from anti-social forces, in cooperation with external specialized agencies and corporate lawyers

V. Other

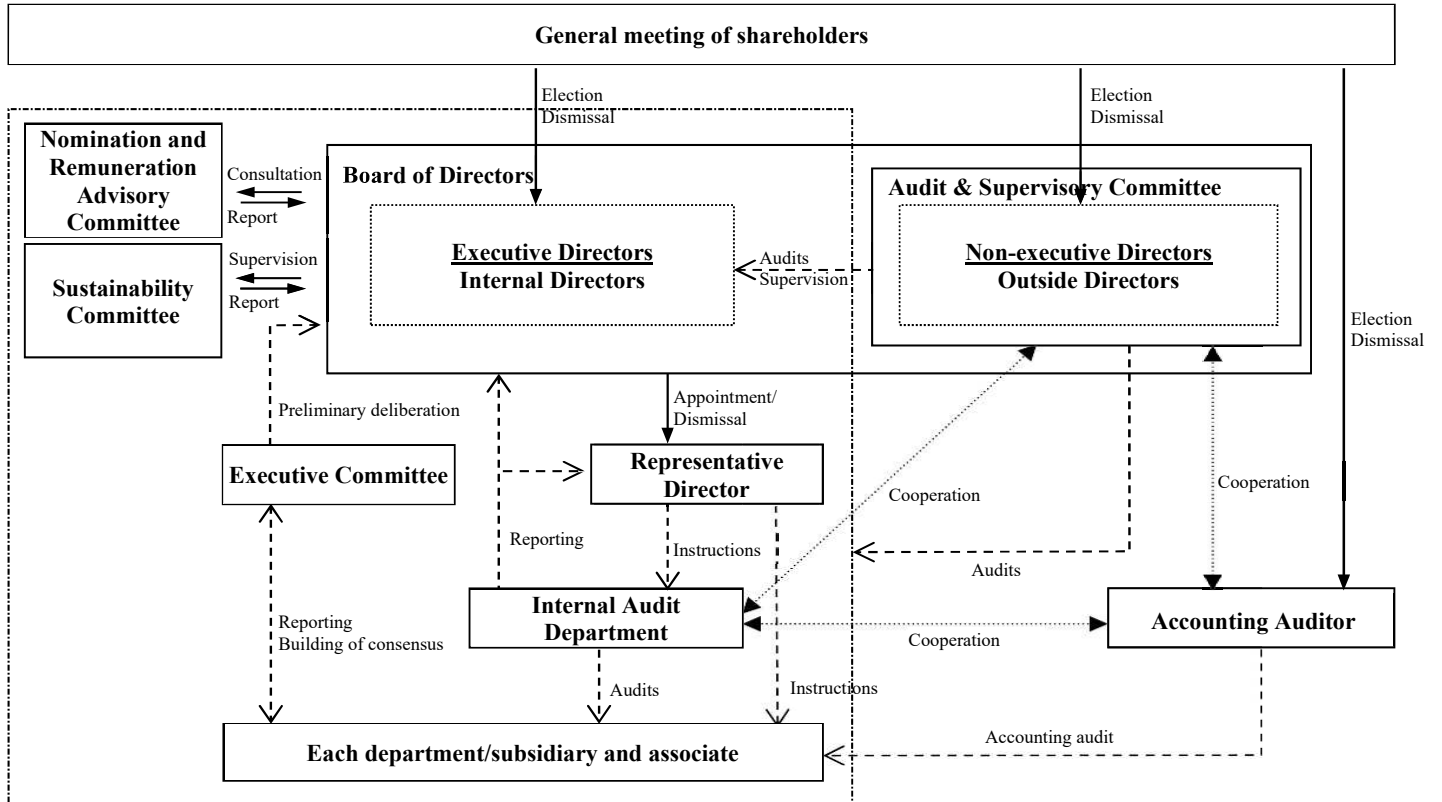
1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

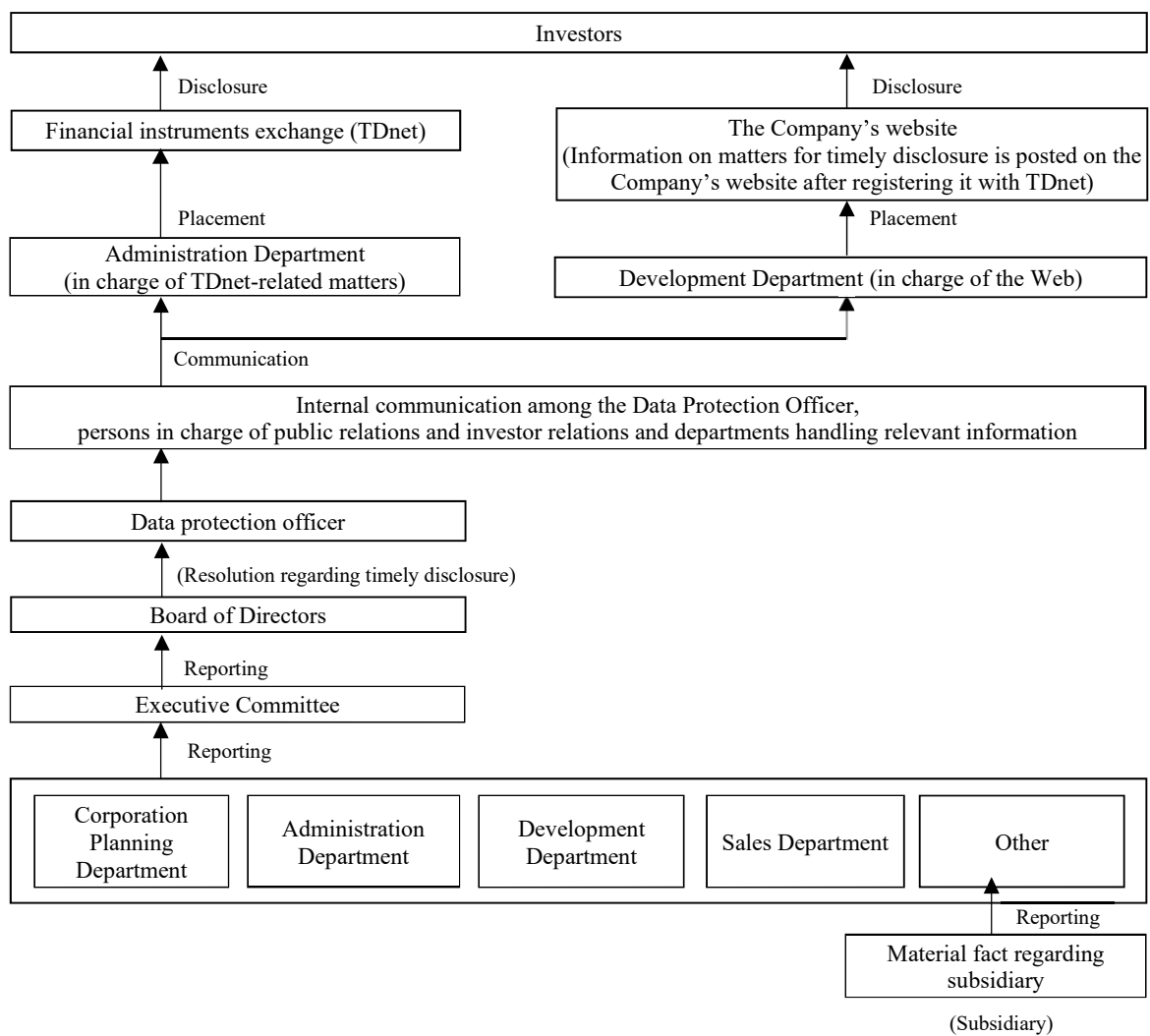
2. Other Matters Concerning the Corporate Governance System

[Corporate Governance System (schematic)]

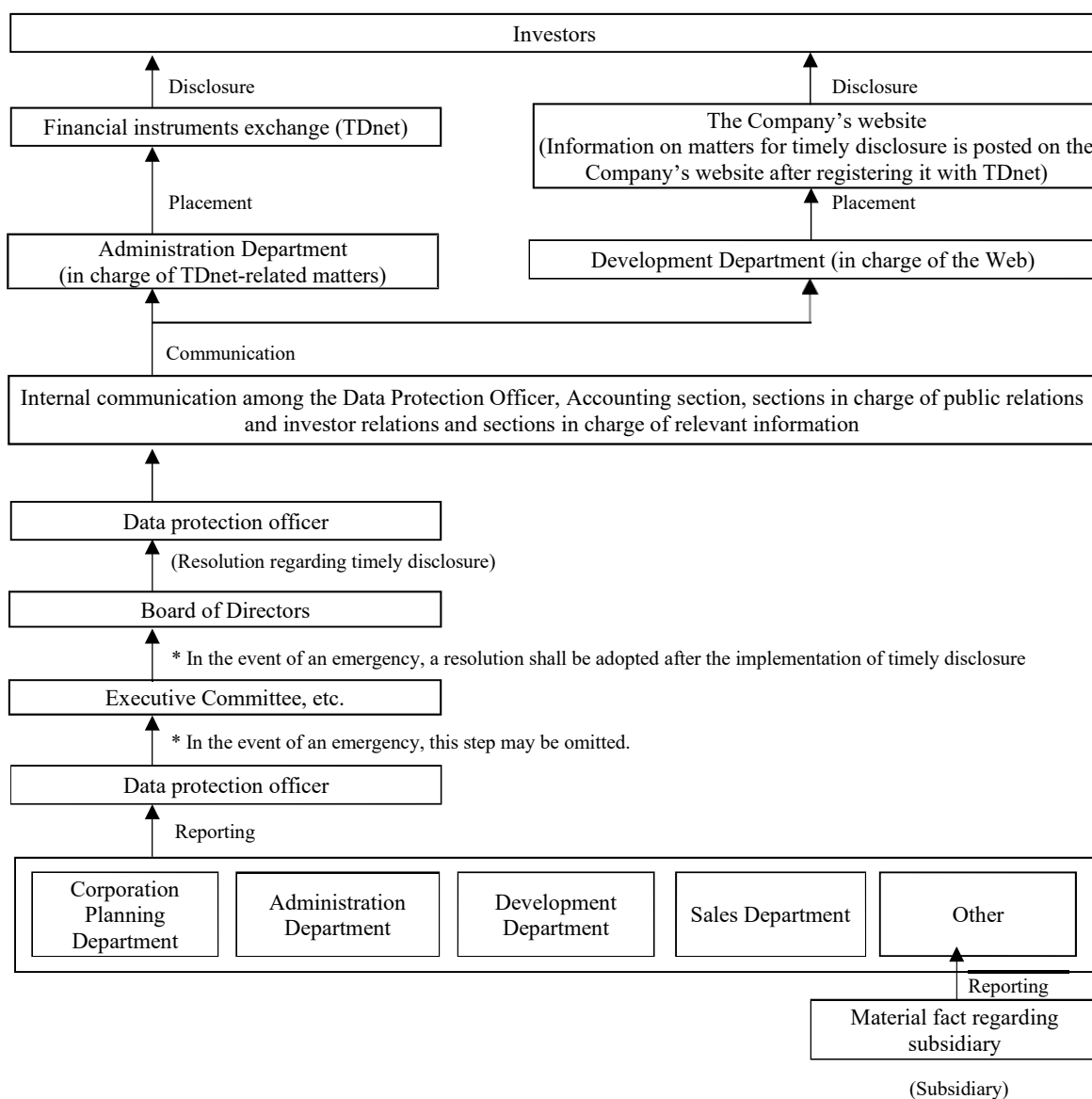


[Timely disclosure (flow chart)]

Decision-making Facts



[Occurrence of material fact]



[Financial results information]

