

5 CORPORATE GOVERNANCE

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Basic idea

We understand that in order for us, as a group, to prove ourselves to society and continue to grow, we must comply with ethical rules and laws and regulations and earn trust from all internal and external stakeholders. We believe that increasing the soundness and transparency of management, making proper management decisions and disclosing information properly based on this understanding are the fundamental principles of corporate governance.

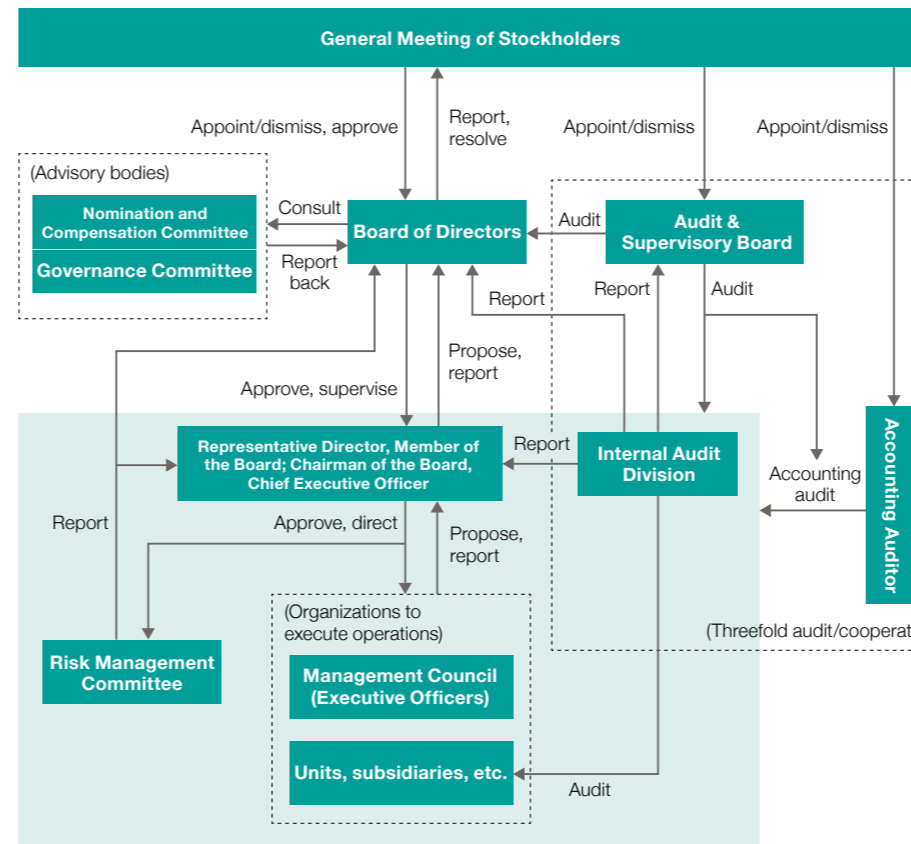
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Outline of corporate governance structure

The Company has adopted an audit & supervisory board structure and as of the date of submission of its securities report, the Board of Directors consists of six directors (including three outside directors) and three auditors (including three outside auditors). The Board of Directors meets regularly once a month in the presence of the auditors, and also holds extraordinary meetings as required. The members of the Board of Directors are listed [p.72](#) under List of Directors and Officers. Furthermore, the Management Council (in principle held once a month), which is composed of executive officers and Directors, deliberates on matters to be discussed at Board of Directors meetings, general executive policies for company operations, and important management matters. By holding Management Council meetings, the transparency of the process leading to final decisions is increased, enabling accurate and speedy decision-making and efficient company management. The majority of auditors are from outside the company, and regular meetings of the Audit & Supervisory Board are held once a month to discuss whether there are any problems in the company's business execution and compliance, and whether there are any matters that need to be pointed out to the Board of Directors.

In addition to the above-mentioned bodies, in order to further strengthen the functions of corporate governance, the Company has been nominating candidates for directors and auditors, determining director compensation and continuously improving corporate

governance since FY3/2020. The Nomination Committee, Compensation Committee, and Governance Committee have been established with the main aim of enhancing the objectivity, transparency, and fairness of the Board of Directors, and deliberate mainly on the appropriateness of candidates, the policy for determining director compensation, and the ideal form of corporate governance, and report to the Board of Directors. The Nomination Committee and Compensation Committee were integrated as the Nomination and Compensation Committee in FY3/2024.



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In addition, the Company has introduced an executive officer system in order to clarify the responsibilities of business execution, execute delegated authority, improve the efficiency of business execution and speed up the decision-making process. The nomination of and compensation for executive officers is discussed by the Nomination and Compensation Committee and its proposals are submitted to the Board of Directors.

Monitoring of the corporate governance structure

The Company has an audit system of three outside auditors, which we consider to be a well-functioning management monitoring system.

Basic idea on the internal control system and the state of its development

The Company has an audit system of three outside auditors, which we consider to be a well-functioning management monitoring system.

The Company's Board of Directors decided the basic policy for the development of an internal control system based on the Companies Act at a meeting in April 2006 (last revised in April 2023), and the Company is continuing to develop its internal control system based on this policy. In addition, the Internal Audit Division is also assessing the maintenance and operation of the internal control system for financial reporting.

The Company has established the Action Guidelines of DKK in order to gain the trust of all stakeholders by complying with laws and regulations and establishing corporate ethics. Based on these guidelines, appropriate audits are carried out by the auditors and the Internal Audit Division, and specific systems have been established by setting out various regulations, enabling comprehensive monitoring by the permanent Risk Management Committee and strengthening the functions of the internal reporting system to enable swift identification of improprieties. For outside audits, the company regularly undergoes accounting audits by an accounting auditor and ISO audits (for quality and environment) by the Japan Quality Assurance Organization.

Status of the risk management structure

For the company-wide risk management structure, a Risk Management Committee has been established, chaired by the executive officer in charge of risk management and

comprising deputy directors and appointed divisional managers. The committee identifies risks that could have a significant impact on management, deliberates, and decides on countermeasures and policies, and confirms the status of implementation of these measures. The proceedings are reported to the Board of Directors, which confirms and debates the various issues. In addition, the company has established Rules for Crisis Management and, in the event that a crisis occurs, an emergency review committee or an emergency task force is set up depending on the extent of the crisis, and a company-wide response is put in place.

The Quality Assurance Division and the Environment and Safety Management Division play central roles in product quality risks and environmental regulation risks, respectively, to ensure that they are constantly monitored and any issues discovered are resolved as soon as possible.

For compliance with laws and regulations, the Company has established compliance procedures and the General Affairs & Human Resources Division serves as the secretariat for monitoring and raising awareness of compliance, while internal audits also place the highest priority on compliance and a structure is in place to promptly report any issues to the Chief Executive Officer. In addition, to prevent the leakage of important information, confidentiality management rules and insider trading prevention rules have been established and an information management officer has been appointed to ensure a system of responsibility and the management of important information. Furthermore, an internal reporting system has been established to monitor these systems.

Ensuring appropriate operations in the whole Group, consisting of the Company and its subsidiaries and affiliates

- DKK strives to foster a sound corporate culture at all Group companies by having its subsidiaries and affiliates establish guidelines that are equivalent to the Company's Action Guidelines.
- Under its organizational regulations, the Company has designated a division to be in charge of each subsidiary and affiliate. In addition, the Company has established Rules for Management of Affiliated Companies to ensure appropriate management

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control of Group companies.

- In accordance with the Rules for Management of Affiliated Companies, the Company's directors provide guidance and advice in close cooperation between the Company and Group companies, while conducting monitoring in cooperation with the accounting auditor when necessary.
- Directors are required to report to the Audit & Supervisory Board any violations of laws and regulations or other important compliance-related matters that they discover at subsidiaries and affiliates. The Audit & Supervisory Board may express their opinions to the Board of Directors and request the formulation of remedial measures.
- In accordance with the Rules for Management of Affiliated Companies, directors of subsidiaries and affiliated companies dispatched by the Company are required to confirm the Company's intentions and follow the instructions of the Company prior to making important decisions. In addition, management information and matters that may have a significant impact on management shall be reported to the responsible division of the Company on a regular basis and as appropriate.

Evaluation of the effectiveness of the Board of Directors

In line with the Corporate Governance Code stipulated by the Tokyo Stock Exchange, the Company regularly evaluates the effectiveness of its Board of Directors. A summary of the evaluation conducted in FY3/2024 is shown below.

Summary of the evaluation process

The company evaluates the effectiveness of its Board of Directors annually as part of its efforts to improve effectiveness. A survey is sent to all directors and auditors to conduct a self-evaluation. The results of the survey are compiled by the Governance Committee and reported to the Board of Directors.

Main survey evaluation items

- (a) Composition of the Board of Directors
- (b) Operation of the Board of Directors
- (c) Deliberations of the Board of Directors
- (d) Succession planning
- (e) Specific issues
- (f) Information disclosure

Summary of results and measures for improvement

- (a) Based on the results of the survey, the following items were evaluated as being effectively realized.
 - The members of the Board of Directors provide a good overall balance of knowledge, experience, and ability to effectively fulfill their roles and responsibilities, and the diversity and number of members are appropriate.
 - There is an atmosphere in which outside directors, internal directors, and corporate auditors can speak freely during board discussions.
 - There is appropriate involvement and advice from the independent Nomination and Compensation Committee, including perspectives on gender and other diversity and skills, when considering the nomination and compensation of directors and corporate auditors.
- (b) The following items were identified as areas for improvement, and efforts are being made to improve them.
 - For the medium-term plan and annual management plans, the Board of Directors should discuss the policies and strategies, including opinions from diverse viewpoints, from the formulation stage of these plans. For the six pillars necessary for the Company's sustainable growth, the Board of Directors should discuss and supervise progress toward reaching these goals in greater depth. To that end, quantitative indicators and targets for each of the key measures should be made more specific, and there should be discussion of these actions.
 - The Board of Directors should promote discussion on policies related to earn-

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ings targets with an awareness of the cost of capital and to capital efficiency as well as the realization of these policies, and explain them to shareholders in an easy-to-understand manner. To that end, the Board of Directors should hold discussions on specific initiatives to improve ROIC and on the format of future dialogue with shareholders.

Executive compensation

The Company regards the executive compensation system as one of the key pillars of corporate governance. To ensure that the executive compensation system leads to a continuous increase in corporate value, the Nomination and Compensation Committee, chaired by an outside director, formulates a policy on executive compensation which is then decided on by the Board of Directors, with a view to limiting any bias towards short-term orientation and adopting an objective perspective.

An overview of the content of the policy is as follows.

- a The policy should be designed to reflect the Group’s medium- and long-term business strategy and at the same time strongly motivate medium- and long-term growth.
- b The compensation level and design should enable the Group to secure excellent human resources on a global basis, motivate the next generation of management personnel to grow, and improve the vitality of the organization.
- c The system should reflect company and individual performance directly or quantitatively in compensation in order to strengthen the link with business performance and increase incentives.

Compensation for internal (full-time) directors comprises fixed, variable, and share-based compensation, with variable compensation further comprising performance-linked compensation based on the achievement of net sales and ordinary profit

targets, and individual assessment compensation based on individual evaluation. The ratio of performance-linked compensation is set at a higher level in line with the seniority of each director, and is set in proportion to management responsibility. In addition, the Nomination and Compensation Committee continuously deliberates and monitors the appropriateness of the compensation level and composition of compensation for directors and corporate auditors, as well as the appropriateness of the compensation decision process. The Board of Directors deliberated on the amounts of individual compensation for the current fiscal year based on a report from the Nomination and Compensation Committee, and as a result, the Board of Directors has determined that the amounts are in line with the relevant policy.

Outside directors are paid only a fixed compensation, as it is necessary to ensure their independence in order for them to play their respective roles appropriately. Compensation for auditors is also fixed from the perspective of emphasizing their independence and objectivity with regard to management. The compensation of the auditors is determined through discussions by the Audit & Supervisory Board.

The amount of monetary compensation for Directors of the Company was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than ¥500 million per year. There were six directors as of the close of that meeting. Further, at the 63rd Annual General Meeting of Shareholders held on June 25, 2019, a resolution was passed for compensation by granting restricted stock of up to ¥100 million per year to Directors (excluding Outside Directors), separately from the aforementioned ¥500 million compensation limit. There were six directors (excluding Outside Directors) as of the close of that meeting.

The amount of monetary compensation for Audit & Supervisory Board Members was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than ¥100 million per year. There was one Audit & Supervisory Board member as of the close of that meeting. The number of Audit & Supervisory Board members was increased to three at an Extraordinary Meeting of Shareholders on November 7, 2003.

Variable compensation for internal (full-time) Directors is paid based on company performance and individual evaluation. Both company performance indicators are used

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on a consolidated basis. Net sales and ordinary profit, which are direct indicators of company performance, are used as indicators for performance-linked indicators. The amount of compensation is determined based on the degree of achievement of the net sales and ordinary profit forecasts disclosed at the beginning of the fiscal year, designated as the net sales Standard and ordinary profit Standard. The Sales Standard and ordinary profit Standard for FY3/2025 are ¥38,000 million and ¥2,200 million, respectively. The calculation method is based on the amount of compensation for 100% achievement of the standard as the “Compensation Standard Amount” with the amount of compensation for the net sales portion determined by a formula (Formula 1 below) in which a ±2.5% change in performance from the net sales Standard results in a ±10% increase or decrease in the Compensation Standard Amount. The amount of compensation for the ordinary profit portion is determined by a formula (Formula 2 below) in which a ±5% change in performance from the ordinary profit Standard results in ±10% increase or decrease in the Compensation Standard Amount. The maximum amount of compensation is fixed at 200% of the Compensation Standard Amount for the both the net sales portion and the ordinary profit portion.

Regarding individual evaluation-based compensation, the Chairman of the Board, Chief Executive Officer evaluates the degree to which each Director (excluding the Chief Executive Officer) achieved his or her goals for the fiscal year under review and the state of their efforts toward them. After the Nomination and Compensation Committee has confirmed the validity of those evaluations, the compensation amounts are decided at the Board of Directors. In the event that the consolidated net profit margin (see Formula 3 on p.71) falls significantly, restrictions on the payment of variable compensation may be established at a level appropriate to the net profit margin (please refer to the “Net profit margin and Variable Compensation Support System” on p.71). The final compensation amount is rounded up to the nearest thousand yen.

Variable compensation based on results of the fiscal year is paid as bonuses for the fiscal year under review. With regard to variable compensation based on the actual results of the current financial year, the compensation linked to the Company’s performance was calculated from the respective achievement of 88% and 109% against the net sales Standard (¥40,000 million) and ordinary profit Standard (¥2,700 million) of the earnings

forecasts. Furthermore, the Nomination and Compensation Committee confirmed the appropriateness of the individual assessments and the variable compensation amounts before the Board of Directors made a decision.

In an effort to further share value with shareholders, internal (full-time) Directors are granted share-based compensation (restricted share-based compensation). Shares corresponding to a fixed amount according to job responsibilities, to a total annual amount of no more than ¥100 million per year, are allocated.

Compensation Standard Amount

Executive officer type	Compensation standard amount for net sales	Compensation standard amount for ordinary profit
Chairman of the Board, Chief Executive Officer	¥15mn	¥15mn
Member of the Board, Managing Executive Officer	¥5mn	¥5mn
Executive Officer	¥3mn	¥3mn

Formula 1

Compensation amount =
 Compensation standard amount x (1+10/2.5x (net sales / net sales standard amount – 1))

Formular 2

Compensation amount =
 Compensation standard amount x (1+10/5x (net sales / ordinary profit standard amount – 1))

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Maximum Amount of Compensation

Executive officer type	Maximum amount of compensation for net sales	Maximum amount of compensation for ordinary profit
Chief Executive Officer	¥30mn	¥30mn
Managing Executive Officer	¥10mn	¥10mn
Executive Officer	¥6mn	¥6mn

Formula 3

Net profit margin = Profit attributable to owners of parent/ net sales x 100

Net Profit margin and Variable Compensation Support System

Net profit margin (%)	Variable Compensation Support System
In the case of 0%	No support payment
In the case of more than 0% but less than 4%	Support payment of 40% of determined amount
In the case of more than 4% but less than 8%	Support payment of 80% of determined amount

Total Compensation for Each Type of Executive Officer, Total Amount by Compensation Type, and Number of Executive Officers Eligible

Compensation for FY3/2024

Executive officer type	Total compensation	Total compensation by type			Number of executive officers eligible
		Fixed compensation	Performance-linked compensation	Non-financial compensation	
Directors (including Outside Directors)	¥147mn (¥32mn)	¥89mn (¥32mn)	¥37mn (-)	¥19mn (-)	7 (4)
Auditor & Supervisory Board Members (including Outside Auditor & Supervisory Board Members)	¥29mn (¥29mn)	¥29mn (¥29mn)	- (-)	- (-)	4 (4)

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Directors' skills matrix

The Company implements the basic policy of nominating candidates for Director mainly considering the balance of credentials and experience, diversity, etc. In addition to the procedure, this is set forth in "Rules for Officers." To achieve sustainable growth and enhance corporate value toward becoming a 100 Year Company and to prepare for changes in the business environment, we have identified the six pillars to work on (new business creation, earnings structure reform, innovative manufacturing, results-oriented organization, corporate culture advancement, and sustainability initiatives) under the new medium-term management plan, 'DK-One Next.' In order to achieve this, we believe that it is important for the Board of Directors to be comprised of members who have the knowledge, experience, and abilities listed in the skill matrix below, and we have selected candidates after considering the balance and diversity of these skills. If all the candidates described in this convocation notice are elected as proposed, the expertise and experience of each Director will be as follows.

Position	Chairman of the Board, Chief Executive Officer	Director, Member of the Board; Managing Executive Officer	Director, Strategy Unit, Managing Executive Officer, Member of the Board	Outside Director, Member of the Board Independent Director	Outside Director, Member of the Board	Outside Director, Member of the Board
Independent				●	●	●
Name	Hiroshi Kokubu	Kimio Ouchi	Masayuki Itahashi	Toshiyuki Umehara	Junichi Tanaka	Naomi Tobita
Business, Management	○	○	○	○	○	○
Sales, Marketing	○	○	○			○
Research, Development		○		○		
Production, Technology		○		○		
Global Business	○	○	○	○	○	
Finance, Accounting			○		○	
Law, Risk Management		○			○	
Organizations, Human Resources Development						○
Environment, Energy		○		○		
DX			○	○		

(Notes) 1. The system is after the resolution of the 68th Annual General Meeting of Shareholders and the Board of Directors meeting held on the same day.

2. The knowledge and experience listed above show only a representative sample of each Director's skills.

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Directors



Chairman of the Board, Chief Executive Officer
Member of the Nomination and Compensation Committee

Hiroshi Kokubu

Date of birth: February 26, 1972

- Apr. 1995 Joined the Sanwa Bank, Ltd. (currently the MUFG Bank, Ltd.)
- Oct. 2004 Joined DKK
- Jun. 2009 Branch Manager (Tokyo Sales Office), Sales and Marketing Division
- Mar. 2011 General Manager, Procurement Division
- Jun. 2013 Director, Member of the Board; General Manager, Procurement Division
- Jul. 2014 Vice President, Shandong Guangyin DKK New Materials Co., Ltd.
- Jul. 2014 Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd.
- Apr. 2016 Director, I.D.U. Co., Ltd.
- Apr. 2016 Director, Member of the Board; General Manager, Sales and Marketing Division and Responsible for Procurement Division, the Company
- Dec. 2017 President, DKK (Shanghai) Materials Trading Co., Ltd.
- Apr. 2019 Director, Member of the Board; General Manager, Operational Unit, the Company
- Apr. 2020 Managing Director, Member of the Board; General Manager, Operational Unit
- Jun. 2020 Director, Member of the Board; Managing Executive Officer, General Manager, Operational Unit
- Apr. 2022 Director, Member of the Board; Managing Executive Officer
- Jun. 2022 Representative Director, Member of the Board; President, Executive Officer (current position)

Hiroshi Kokubu was elected as Director in June 2013 and has been serving as Representative Director, Member of the Board; President, Executive Officer since June 2022. Previously, he was responsible for the sales and procurement divisions and was widely involved in the management of overseas subsidiaries, and has contributed to the development of the Group's global management. As Representative Director, Member of the Board; President, Executive Officer, he is harnessing the power of the Executive Officers and energetically promoting the 'six pillars' that are the core measures in the current medium-term management plan, 'DK-One Next.'

Directors



Member of the Board, Managing Executive Officer
Member of the Risk Management Committee member (Chairman)

Kimio Ouchi

Date of birth: July 1, 1967

- Apr. 1992 Joined DKK
- Sep. 2006 Branch Manager (Osaka Sales Office), Sales and Marketing Division
- Apr. 2008 Director, Member of the Board, I.D.U. Co., Ltd.
- Jun. 2008 Director, Member of the Board; General Manager, Sales and Marketing Division
- Apr. 2011 Representative Director, Member of the Board, I.D.U. Co., Ltd.
- Apr. 2013 Managing Director, Member of the Board; Responsible for Sales and Marketing Division, Technology Division, and Corporate Planning Division
- Sep. 2013 Director, Member of the Board, Suihua Shanghai Trading Co., Ltd.
(currently DKK (Shanghai) Materials Trading Co., Ltd.)
- Apr. 2016 Managing Director, Member of the Board; General Manager, Research and Development Office; General Manager, Intellectual Property Management Office; Responsible for Technology Division and Corporate Planning Division
- Jul. 2017 Representative Director, Member of the Board, DKK Logistics Corporation
- Apr. 2018 Managing Director, Member of the Board; Responsible for Research and Development Office, Intellectual Property Management Office, and Technology Division, the Company
- Apr. 2019 Managing Director, Member of the Board; Responsible for R&D Unit
- Jun. 2020 Director, Member of the Board; Managing Executive Officer
- Apr. 2024 Director, Member of the Board; Managing Executive Officer; General Manager, Administration Unit (current position)

Kimio Ouchi was elected as Director in June 2008, and became Managing Director in 2016, and Director, Member of the Board; Managing Executive Officer in 2020 with the introduction of the executive officer system. He has been supervising the technology and marketing divisions for many years, laid the foundations for the catalyst area, and made efforts in the establishment of a logistics subsidiary in response to global logistics issues. In the current medium-term management plan, 'DK-One Next,' he is playing a key role in improving human capital and organizational capabilities, and as Director he is promoting the strengthening of risk management for the entire Group.

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Directors



Member of the Board, Managing Executive Officer

Masayuki Itahashi

Date of birth: December 22, 1966

- Apr. 1993 Joined DKK
- Apr. 2013 General Manager, Planning Division
- Jun. 2017 Director, Member of the Board; General Manager, Planning Division and Responsible for Finance Division
- Jun. 2018 Director, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY (current position)
- Apr. 2019 Director, Member of the Board; General Manager, Corporate Planning Division
- Jun. 2019 Senior Executive Officer; General Manager, Corporate Planning Division
- Apr. 2024 Senior Executive Officer; General Manager, Strategy Unit (current position)

Concurrent positions in the Group
 Director, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY

Masayuki Itahashi has been at the core of the Group's management for many years, including by being involved in formulating medium-term and annual management plans as General Manager, Corporate Planning Division and as Senior Executive Officer, and by contributing to the development of VREC, DKK's Vietnamese subsidiary, as its Director.
 As General Manager, Strategy Unit, he is playing a key role in achieving the goals of the current medium-term management plan, 'DK-One Next.'

Directors



Outside Director, Member of the Board Independent Director

Member of the Nomination and Compensation Committee (Chairman),
 Member of the Governance Committee

Toshiyuki Umehara

Date of birth: September 3, 1957

- Apr. 1984 Joined Nitto Denko Corporation
- Jun. 2010 Vice President
- Jun. 2015 Board Member, Executive Vice President, General Manager of Automotive Products Sector
- Apr. 2018 Board Member, Senior Executive Vice President, CTO, CIO, General Manager of Corporate Technology Sector
- Jun. 2019 Representative Director, Senior Executive Vice President, CTO, General Manager of Corporate Technology Sector
- Jun. 2021 Outside Director, Fuji Oil Holdings Inc. (current position)
- Jun. 2022 Outside Director, Member of the Board, the Company (current position)
 Outside Director, ShinMaywa Industries, Ltd. (current position)
- Apr. 2023 Representative Director, JCCL, Inc. (current position)

Concurrent positions in the Group
 Outside Director, Fuji Oil Holdings Inc.
 Outside Director, ShinMaywa Industries, Ltd.
 Representative Director, JCCL, Inc.

In addition to working for many years as an engineer and as a business director at a listed company, contributing to the promotion of that company's business, Toshiyuki Umehara promoted the implementation of technology-oriented management, which is a strength of that company, as CTO and promoted the strengthening of the information area as CIO.
 He also provides suggestions and advice for the Group from a variety of perspectives, including the global development of new business, the enhancement of quality and safety awareness, and investment decisions and their verification, and plays a key role in the enhancement of the Company's corporate value.

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Directors



**Outside Director, Member of the Board
Independent Director**

Member of the Nomination and Compensation Committee,
Member of the Governance Committee
(Chairman)

Junichi Tanaka

Date of birth: January 2, 1957

- Apr. 1979 Joined Fukui Murata Manufacturing Co., Ltd.
- Jan. 2008 General Manager of Finance Department, Murata Manufacturing Co., Ltd.
- Jun. 2013 Standing Statutory Auditor
- Jun. 2016 Director, Audit and Supervisory Committee Member (Full-time, Chief of the Committee)
- Jun. 2022 Outside Director, Member of the Board, the Company (current position)

Junichi Tanaka was engaged in accounting, finance, and other areas for many years at a listed company and its European and Asian Group companies, and has abundant operational experience, mainly in the finance field, including serving as General Manager of the Finance Department of that listed company. Also, as a standing statutory auditor and as a director and audit and supervisory committee member, he worked on the strengthening of that company's audit structure. He also provides vigorous suggestions and advice for the Group on business development, taking into account country risk, financial analysis, and improving the effectiveness of the Board of Directors, and plays a key role in the enhancement of the Company's corporate value.

Directors



**Outside Director, Member of the Board
Independent Director**

Member of the Nomination and Compensation Committee,
Member of the Governance Committee

Naomi Tobita

Date of birth: July 3, 1962

- Apr. 1986 Joined BANDAI CO., LTD.
- Aug. 2009 Executive Officer, General Manager, Girls Toy Division, BANDAI CO., LTD.
- Apr. 2012 Director; General Manager, Play Toy Division; Chief Tamagotchi Officer (CTO), BANDAI CO., LTD.
- Apr. 2018 Managing Director, Bandai Namco Business Arc Inc.
Deputy Division General Manager, Administrative Headquarters, Bandai Namco Holdings Inc.
- Sep. 2022 Outside Director of Information Technology Development Co. (current position)
- Jun. 2023 Outside Director, Member of the Board, the Company (current position)

Concurrent positions in the Group
Outside Director of Information Technology Development Co.

Naomi Tobita served as a manager of development division and a business division at a listed company and as a director of the company and its affiliated companies. While involved in business operations and corporate management, she promoted the vitalization of the organization and the development of human resources. She provides vigorous suggestions and advice on the development of human resources, fostering corporate culture, and vitalizing organizations, and plays a key role in the enhancement of the Company's corporate value.

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Audit & Supervisory Board Members



**Standing Audit & Supervisory Board Member (outside)
Independent Director**
Member of the Governance Committee

Hiroshi Kawaguchi

Date of birth: December 17, 1955

Hiroshi Kawaguchi has a wealth of knowledge of not only financial affairs and accounting but also corporate management in general, having had many years of experience in financial and administration divisions at a listed company and having served as director and auditor.

- Jan. 1979 Joined Watabe Ishoten K.K. (currently WATABE Wedding Corporation)
- May. 1995 General Manager, Accounting Department, Administration Division, Watabe Wedding Corporation
- Dec. 2000 General Manager, Finance Department, Administration Division, Watabe Wedding Co.
- Jun. 2002 Full-time Corporate Auditor, Watabe Wedding Corporation
- Jun. 2005 Director & Director of Executive Office, Watabe Wedding Corporation
- Jun. 2011 Standing Auditor, SHINOBU FOODS PRODUCTS CO., LTD.
- Jun. 2019 Standing Audit & Supervisory Board Member, the Company (current position)

Audit & Supervisory Board Members



**Audit & Supervisory Board Member (outside)
Independent Director**
Member of the Governance Committee

Yoshinori Tsuda

Date of birth: August 18, 1972

Concurrent positions in the Group
Representative Director and Partner, ASUKA Consulting INC. (current position)
Representative, Yoshinori Tsuda CPA Office (current position)
Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION

Yoshinori Tsuda has advanced accounting, tax, and financial knowledge and experience, having served as a Certified Public Accountant, and is playing an active role as a representative director of a consulting firm in the field of accounting.

- Apr. 1995 Joined Chuo Audit Corporation
- Apr. 1998 Registered as Certified Public Accountant
- Aug. 2007 Representative Director and Partner, ASUKA Consulting INC. (current position)
- Aug. 2007 Established Yoshinori Tsuda CPA Office (current position)
- Jun. 2011 Audit & Supervisory Board Member, the Company (current position)
- Jun. 2013 Outside Audit & Supervisory Board Member, YAMAZEN CORPORATION
- Jun. 2016 Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION (current position)

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Board Members

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Audit & Supervisory Board Members



**Audit & Supervisory Board Member (outside)
Independent Director**
Member of the Governance Committee

Ayako Oura

Date of birth: July 4, 1979

Concurrent positions in the Group
Partner, Noguchi & Partners

Reason for appointment and expected role
Ayako Oura is an attorney-at-law, and we believe that she will be able to conduct audits by utilizing her sophisticated legal expertise concerning the legal compliance of the decision-making process of the Company's Board of Directors and the execution of duties by Directors and others. She also specializes in labor law and has experience as an in-house lawyer.

- Oct. 2004 Registered as attorney-at-law (Osaka Bar Association)
- Oct. 2004 Attorney-at-law, Amano Law Offices
- May. 2010 Graduated with an LLM degree from Boston University School of Law
- Sep. 2010 In-house counsel at a foreign company
- Apr. 2011 Admitted to the New York State Bar Association
- Aug. 2012 Partner, Noguchi & Partners (current position)
- Jun. 2023 Audit & Supervisory Board Member of the Company (current position)

Executive Officers

Position	Name	Responsibility
Chief Executive Officer	Hiroshi Kokubu*	
Managing Executive Officer	Kimio Ouchi*	Director, Administration Unit
Managing Executive Officer	Masayuki Itahashi*	Director, Strategy Unit
Managing Executive Officer	Isao Okazaki	Director, Operational Unit
Executive Officer	Hiroshi Okamoto	Director, R&D Unit
Executive Officer	Keita Kodama	Executive Officer, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY

*1 is concurrently serving as a director.

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Message from Outside Directors

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The ‘Three Values’ at the heart of DKK’s management philosophy are ‘Valuable Products,’ ‘Fulfilling Life,’ and ‘Rewarding Workplace,’ and in this section DKK’s Outside Directors Toshiyuki Umehara, Junichi Tanaka, and Naomi Tobita participated in a wide-ranging discussion to present an objective view on areas such as ‘Valuable Products’ that contribute to solving social issues, and DKK’s compliance and governance stances and its diversity initiatives in relation to being a ‘Rewarding Workplace.’



– First of all, could the three of you clearly state how you hope to contribute to DKK as outside directors, taking into account your past experience and other factors?

Toshiyuki Umehara: I have been fortunate to have gained a wide variety of experience at an intermediate materials manufacturer, including 15 years as an engineer, 15 years in the business division (manufacturing/management) and six years at the head office (technology/human resources). I try to make use of these experiences and actively speak up at board meetings if I have any concerns to ensure a high quality discussion. My main wish for the Board of Directors is that it systematically creates opportunities for a full discussion of the Group’s materiality issues. I hope I can make a small contribution to the Group’s ability to grow and become a high-quality company by setting the priority of issues and gradually talking through them.

Naomi Tobita: I was originally in the entertainment industry and was asked to take up this position because I could view DKK from the perspective of a completely different industry. In part because of my background, I try to speak up as much as I can at board meetings about anything that seems slight “off.” I have some experience in human resources development, and it is a field I am personally interested in, so I am particularly keen to exchange opinions on the Group’s human resources development and have the management review its approach.

From left: Naomi Tobita, Junichi Tanaka, Toshiyuki Umehara

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Message from Outside Directors

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Junichi Tanaka: Having worked in finance and accounting at listed companies for a long time, I would like the Group to increase its statistical sensitivity and analysis, and I have asked the Board of Directors to provide more data-based documentation. For important decisions, I try to ensure that the process leading to the decision and the assessment of the executives are appropriate. The Group has a family-like corporate culture and a sense of cohesiveness, but I want to fulfil my supervisory responsibilities as an outside director by ensuring this does not cloud our judgement.

– ‘Valuable Products,’ meaning products that contribute to solving social problems, is one of the ‘Three Values’ in DKK’s management philosophy. What do you think of the current situation for such ‘Valuable Products’ and what challenges do you see for the future?

Umehara: The Group boasts a global share of approximately 40% for zirconium products in the field of automotive catalysts. In this sense, we are contributing greatly to solving worldwide social issues such as air pollution and global warming, but at the same time, it is also important to ensure the commercialization of ‘Valuable Products’ in new business fields while also bolstering our management strength. For example, countries around the world have set targets for reducing CO₂ emissions with the aim of achieving decarbonization, but the curbing of these emissions is not going as well as expected. In Japan, around 60% of small and medium-sized enterprises

(SMEs) have not yet started decarbonization initiatives, and even in the US, disclosure up to Scope 3, which is CO₂ emissions in the supply chain, has not progressed. Against this backdrop, there is a growing focus on the capture and reuse of CO₂ emitted by companies, and there is ample scope for the Group’s technologies and products to contribute to this, including the associated reduction of electricity consumption.

Tanaka: Since the company was founded in 1956, we have been committed to the management philosophy of providing ‘Valuable Products,’ and it is wonderful to see that this DNA has been passed on to our executives and employees to this day. In the medium-term management plan ‘DK-One Next,’ a new mechanism was set out to focus on the three Strategic Areas of Semiconductor/Electronics, Energy, and Healthcare. I hope that the word ‘strategic’ will soon not be needed to describe these areas, because I believe that only when the three areas are integrated into the core segments and they begin to provide new value will they lead to further corporate growth.

Tobita: It was only when I became involved with the group, that I understood that zirconium, a rare metal, is literally rare and valuable. To my untrained eye, I feel that there are a lot more fields in which zirconium can be used. We are currently exploring new possibilities for zirconium through various new businesses, and I expect us to take on even more aggressive challenges as we move towards becoming a 100 Year Company.



Naomi Tobita

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Message from Outside Directors

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– Next, I would like to focus on another of the ‘Three Values,’ a ‘Rewarding Workplace.’ What is your overall impression of compliance and governance at DKK?

Tanaka: Through the reports of the Board of Directors, at least, I have never had the impression that ‘common sense at DKK is at odds with that in the wider world.’ I think this is proof that compliance is understood correctly within DKK. However, what is required of a company is not mere compliance with laws and regulations, but for it to act in an ethically and morally correct manner, and

the foundation for this is the corporate culture. The Group has an open, flat, and very family-like corporate culture. For example, birthday parties are held every month, and everyone from board members to ordinary employees participates, with no barriers between positions. I feel that a good corporate culture is fostered by the Company valuing its employees and employees being always conscious of providing a ‘Rewarding Workplace.’

Tobita: Looking at the employees in our Group, I get the impression that everyone works with their feet firmly planted on the ground. This may be due to the openness

of the Group. However, the way companies are organized changes with the times. The Group needs to constantly check whether its current flat communication structure is functioning properly for management.

Umehara: Since the foundations as a ‘Rewarding Workplace’ are solid, it will be important to enhance human resources training and secure human resources at all levels. I believe that by systematically establishing a setup in which people can acquire necessary skills and rotate between positions, the human resource base will become wider and eventually lead to a corporate structure that allows management to choose from a large number of candidates.

– I heard that you all toured the manufacturing site, what struck you about the workplace?

Umehara: My impression was that there appear to be key employees at the plant and that a safe and vibrant manufacturing system has been established around them. Executives in our Group frequently visit plants and my sense is that management is keen to really look at frontline work sites.

Tanaka: Perhaps it is part of the corporate culture, but I got the impression that visits by executives are not regarded as anything special. By being shown the plant as is, including issues and problems, without being treated as a customer, I really sensed the positive, flat relationship that is maintained between the head office and the plant on a daily basis.



Junichi Tanaka

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Message from Outside Directors

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– Finally, I would like to ask you a question in relation to the remaining one of the ‘Three Values,’ ‘Fulfilling Life.’ What is your impression of diversity at DKK, i.e. diversity in terms of human resources and working styles?

Tobita: I strongly feel that everyone at DKK, including management and the General Affairs and Human Resources Division, wants to incorporate diversity in a meaningful way. The first step towards diversity is ‘the participation of women in the workplace,’ and I have had the opportunity to speak with all 50 or so female employees in FY3/2024. Although the ratio of female employees is still low, everyone has a clear view of the work they are supposed to do, and my honest opinion is that we have assembled an excellent team of people. On the other hand, I sense that many of them are unclear about their future career plans. We may need to support them in communicating more closely with their superiors, for example, about how they want to grow within DKK. DKK is already working on reviewing its personnel system and salary structure to reflect career plans and intends to increase the ratio of female managers in FY3/2025.

Umehara: Diversity is now important not only in terms of nationality and gender, but also in terms of life values. Employees have an increasing desire to enrich their lives through the company in a way that fits with their own individual values, so it is important to create personnel and education systems that are compatible with this. For example, when they have a child, employees can choose

a working style and personnel evaluation that focuses on the family. Then when the child requires less of their time, they can switch gears more to the company and aim for their own personal growth. It is very important for the diversity of the Group to have a personnel system that allows employees to choose working styles in accordance with their own life plans.

Tanaka: As I mentioned earlier about birthday parties, DKK newsletter carries a photo of each of the people celebrating their birthday that month, along with their comments. Most of the comments are about family and hobbies, and it is possible to discern the values of each individual and to understand that there are many different types of people in DKK, which is to say it is a true window on diversity. I believe that knowing about such differences is what makes diversity take root in the company.

Tobita: When people think their existence is truly valued, they feel rewarded and work hard. The management philosophy and medium-term management plan ‘DK-One Next’ talk about a corporate culture in which everyone supports staff who are undertaking challenges. Failure is an unavoidable part of any challenge, but if we can successfully foster a corporate culture that recognizes failure, employees will feel empowered to take on more challenges, which will in turn lead to new businesses.

– Thank you very much for your time today.



Toshiyuki Umehara

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Risk Management

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Business Continuity Plan (BCP)

We supply products to customers not only in Japan but also around the world. Thus, if a large earthquake, fire, or another serious disaster prevents us from supplying products, that may affect society. In case of such disasters, we have developed BCPs as shown below in the head office and each site. In the event of an emergency, we establish emergency headquarters for smooth emergency response and recovery work.

Basic policies

If a large-scale disaster occurs, we work to minimize its impact on customers (interruption of the product supply). Based on the following three priority policies, we carry out risk management according to the situation.

1. Respect and place maximum priority on human life.

Human life refers to the lives of employees, their families, temporary employees, visitors, and local residents.

2. Keep business running (fulfill our responsibility to deliver products ordered).

We restore the head office functions necessary to continue business within one week after the occurrence of a disaster. We move and restore the production functions within three months after the occurrence of a disaster.

3. Work to secure the safety of the entire region.

We prevent fires, explosions, and the blowout or leakage of toxic gases or chemical solutions and prevent the disaster from spreading over the region. To do that, we work to cooperate with the local communities.

Information security

The DKK Group recognizes that high-level awareness of information security and protection of information assets are important management issues in order that the Group is to continue to grow with our stakeholders and to contribute to society. Thus, we herein establish our policy on information security and commit the Group to safe and appropriate management and use of information assets and to earning society's trust by ensuring information security.

Basic policies

- 1 We shall comply with applicable laws, governmental guidance, and other social norms related to information security.
- 2 We shall define our responsibility for information security and put in place a system for implementing measures to address information security.
- 3 We shall implement organizational, human, physical, and technological measures to counter information security risks.
- 4 We shall continuously conduct education and awareness raising in relation to information security.
- 5 We shall maintain our management systems and initiatives related to information security and endeavor to continuously improve these systems and initiatives.

All Group directors and personnel shall refer to this Information Security Policy and to guidelines established in associated internal rules as their guidance for day-to-day handling of information assets, and as members of the Group and of society, shall engage in commonsensical and responsible behavior.

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Compliance

Basic idea

We position compliance as one of our priority issues in performing corporate activities, set basic rules on compliance and a system for promoting compliance, and promote compliance on a routine basis. We have set the Action Guidelines that Officers and Employees are expected to follow. We encourage employees to behave in a sensible and responsible manner based on the guidelines in conducting daily business.

Promotion of compliance

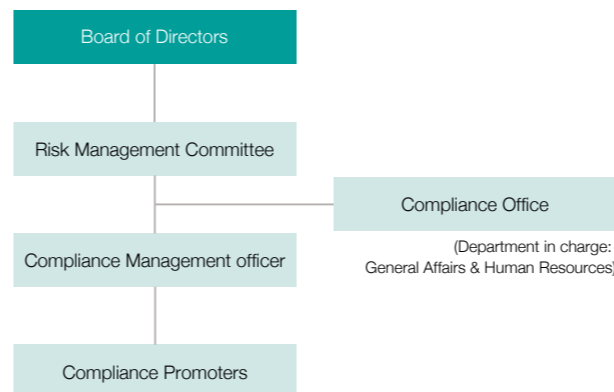
We have established a Risk Management Committee, under which compliance promoters in different divisions lead compliance activities and education programs. We have also established a Compliance Office, which develops various in-house training programs intended to allow employees to gain knowledge about laws or concepts necessary to ensure compliance.

Internal control system

The development of an internal control system was resolved by the Board of Directors in April 2006 (last revised in March 2022) based on the recognition that it is fundamental to strengthening and improving the corporate governance structure and increasing corporate value.

System to ensure directors and employees of the Group perform their duties in accordance with laws and the Articles of Incorporation

1. The Group will make the Action Guidelines of DKK specific rules for management to fulfill its social responsibilities, well known to its directors and employees to ensure their legal compliance.
2. The Group will establish internal and external whistle-blowing contact points for the purpose of discovering and correcting legal violations and instances of unfair practices within the Group. In addition, the Group will not treat whistleblowers unfavorably.



3. The Group will establish the Internal Audit Division controlled directly by the Chief Executive Officer to audit the appropriateness of the operations of the Group.
4. Our policy for elimination of anti-social forces is declared in the Action Guidelines of DKK and provided in the Rules for Banning Relations with Anti-Social Forces. Also, efforts will be put into collecting relevant information in cooperation with the relevant police authority.

System concerning the storage and management of information on the performance of duties by directors

Documents relevant to the performance of duties by directors such as minutes of board meetings and requests for managerial decisions will be stored and managed appropriately in accordance with laws and regulations as well as internal rules.

Rules and other systems for the management of the risk of loss by the Group

1. The Group will establish the Risk Management Committee, collect and analyze risk information, and take preventive measures against risks which may have grave consequences in order to continue its business and fulfill its social responsibilities.
2. In the event that a crisis occurs, responses will be made in accordance with the crisis management system as set forth in the Rules for Crisis Management.

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Compliance

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System to ensure the Group directors perform their duties effectively

1. The Board of Directors will make decisions on the performance of the important duties based on the Rules for the Board of Directors, and serve a supervising function while receiving reports from each director regarding the Company's and its subsidiaries' performance of operations based on the medium-term management plan.
2. The Group will establish the Management Council consisting of the Board of Directors and Unit Directors, etc. to discuss from multiple perspectives and make decisions on the performance of important duties within the authority of the Chief Executive Officer.

System to report to the Company on the performance of the duties of directors of the Group companies

The Company will receive timely reports on business performance, management challenges, and other important information of subsidiaries and affiliated companies based on the Rules for Management of Affiliated Companies.

System for employees who are assigned to assist duties of auditors and matters concerning securing of the independence of such employees from directors and the effectiveness of instructions to such employees

The Company, placing no employee to assist with the duties of auditors at present, will assign assistants if requested by auditors, securing their independence.

System for directors and employees of the Group to report to auditors, other systems for reporting to auditors, and system to ensure auditors conduct effective audits

1. Directors and employees will report the performance of their duties through the attendance of auditors at meetings of the Board of Directors and the Management Council. Auditors may request that directors and employees report to them as necessary, in addition to the above.
2. Directors and employees of the Group or any person reported to by them will report

to auditors immediately if they discover any grave legal violation or fact which may cause substantial damage to the Company or their companies.

3. The Company will not treat those who report to auditors unfavorably for reason of such reporting.
4. If auditors make a request for expenses relevant to the performance of their duties, it will be processed appropriately in accordance with Article 388 of the Companies Act.

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