

Corporate Governance

Basic approach

In order to continue to be supported as a “valuable company” by all of our stakeholders, which include customers, business partners, shareholders, employees, and local communities, as a holding company that supervises and manages the operating companies within the Group, we believe that our mission is to enhance corporate and shareholder value, and that the foundation for realizing this mission is to strengthen corporate governance. To this end, we will work to revitalize the Board of Directors, strengthen the auditing system, increase the efficiency of the management structure, and improve the compliance system.

Reasons for adoption of corporate governance system

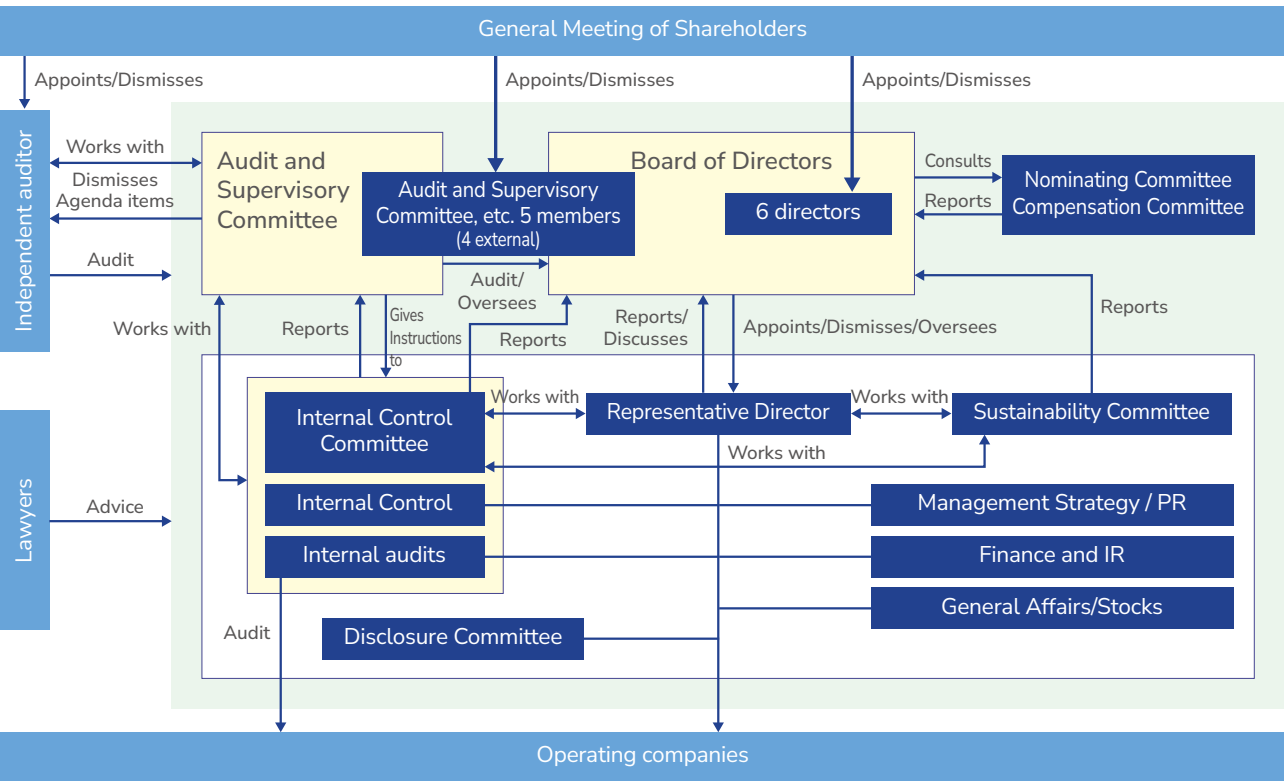
We have adopted an Audit and Supervisory Committee system based on our determination that an auditing and supervision system implemented by an Audit and Supervisory Committee is effective as a management supervision function. We believe that by establishing an Audit and Supervisory Committee with organizational auditing authority, we can strengthen the management monitoring function and continuously enhance corporate value.

Since DCM’s founding, the Nominating Committee and Compensation Committee, both of which are chaired by independent external directors, have served as advisory bodies to the Board of Directors. All committees, including the Audit and Supervisory Committee, are chaired by independent external directors, and a majority of the members are independent external directors, thereby enhancing the effectiveness of governance.

Approach regarding the Chairman of the Board of Directors

To clarify the responsibility for Group management and execution, strengthen the governance system, and build an execution system that can flexibly respond to changes in the business environment, we select a representative director as the Chief Executive Officer (CEO). We believe it is appropriate that the President and CEO serves as Chairman of the Board of Directors, as this role involves facilitating discussions on resolutions at Board meetings while promoting discussions from a broad range of perspectives and integrating the Group’s overall strategy and business direction.

Schematic diagram



Role of the Audit and Supervisory Committee

The Company’s Audit and Supervisory Committee consists of five members, four of whom are independent external directors. To ensure the effectiveness of its activities, the Company has appointed a standing Audit and Supervisory Committee member. The Audit and Supervisory Committee is chaired by an independent external director and conducts audits in accordance with established audit policies and plans through the use of internal control systems and close coordination with accounting auditors.

The standing Audit and Supervisory Committee member holds regular meetings with the Internal Audit Office in charge of auditing operations and financial reporting and receives reports and exchanges opinions on the status of audits and exchange opinions.

Role of the Nominating Committee and Compensation Committee

The Nominating Committee and Compensation Committee were established as advisory bodies to the Board of Directors. The Nominating Committee deliberates and reports to the Board of Directors policy decisions on the selection of directors and executive officers and proposals for the appointment and dismissal of directors, executive directors, and executive officers. The Compensation Committee reports to the Board of Directors and makes proposals to the Audit and Supervisory Committee regarding compensation policies and compensation for directors and executive officers.

From the perspective of ensuring independence, Nominating Committee and Compensation Committee members are appointed by Board of Director resolution, chaired by independent external directors, and comprise a majority of independent external directors as members.

Although these committees are voluntary, the chairmen of both the Nominating Committee and Compensation Committee report their decisions to the Board of Directors, which has a significant impact on Board of Director decision-making.

Efforts to improve the Board of Directors’ effectiveness

Opportunities for the four external directors to exchange opinions amongst themselves and exchanges between the President and the Audit and Supervisory Committee Members (comprising four external directors and one standing Audit and Supervisory Committee member) are provided on a regular basis and held separately from Board of Director meetings, with opinions from external directors used to improve the effectiveness of the Board of Directors.

Evaluating Board of Director effectiveness

We evaluate the effectiveness of the Board of Directors with the aim of enhancing corporate value, verifying that the Board of Directors is fulfilling its responsibilities and roles, and identifying and continually improving issues within the Board of Directors.

In fiscal 2024, the Board of Directors shared and discussed responses from all Board members (excluding the chairman), including the four external directors, regarding evaluation items focused on the composition of the Board of Directors, the creation of an environment that stimulates discussions and management decision making, monitoring based on medium- to long-term strategies, and the status of internal controls monitoring.

As a result of this evaluation process, we have confirmed that, at present, the Board of Directors is

adequately fulfilling its supervisory function, has an appropriate composition, and engages in discussions using the requisite materials and indicators.

In determining director appointment and compensation, to ensure even greater fairness and transparency in discussions, starting in fiscal 2024, we began evaluating Compensation Committee effectiveness based on metrics such as committee member composition, ensuring an environment that facilitates proactive discussions, meeting frequency, and time spent in deliberation. As a result, we have confirmed that sufficient deliberations are being conducted by an appropriately staffed committee.

Going forward, we will continue conducting periodic evaluations to further improve effectiveness.