

Report Date: June 27, 2017

Company Name: Daiichi Jitsugyo Co., Ltd.

President & CEO: Ichiro Uno

Inquiries: Seiichiro Tanaka, General Manager, Corporate Communicating Dept.

(TEL: +81-3-6370-8691)

Stock Code: 8059

URL: <http://www.djk.co.jp/>

The status of our corporate governance is described below.

Basic Philosophy on Corporate Governance; Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Corporate Governance Policy

From the perspective of reinforcing our corporate capabilities to survive global competition, we place high priority on promoting accurate and speedy business decision-making, while at the same time, enhancing our management oversight function to ensure the transparency of our business.

[Reasons we do not enforce certain rules of the Corporate Governance Code] Updated

[Supplementary Rule 1-2-4 Exercise of rights at shareholders meeting]

We have yet to determine to allow the electronic exercise of voting rights and to issue convocation notices in English. However, we will consider these changes in view of the percentage of institutional investors and foreign investors, their exercise of voting rights, applicable costs, and so forth.

[Disclosure under the rules of the Corporate Governance Code] Updated

[Rule 1-4 So-called policy shareholdings]

(1) Policy on policy shareholdings

We will pursue policy shareholdings when we find it important to do so to expand our business, create business opportunities, and efficiently maintain and strengthen our collaboration framework.

In principle, the listed stocks owned by our group belong to the companies engaging in business with our group.

(2) Standards concerning the exercise of voting rights

Our basic policy is to vote for proposals by the relevant company. However, in the case of significant anticipated damage to shareholder value or great concerns about corporate governance, we will properly evaluate and decide on proposals if they appear to be contrary to our policy concerning policy shareholdings.

[Rule 1-7 Related party transactions]

At our company, the Rules of the Board of Directors and other internal rules require that officers may not engage in conflict-of-interest transactions without board approval, as specified by laws and regulations. Information concerning such transactions is disclosed every year.

Another rule requires company's transactions with major shareholders and so forth to be approved in accordance with the Rules of the Board of Directors if they are of high importance. In all such transactions, the conditions are the same as for transactions with third parties.

[Rule 3-1 Expanded disclosures]

(1) Company's goals, management strategies, and plans

We are working toward this goal in accordance with the founding spirit as follows.

As a trading company, Daiichi Jitsugyo Co., Ltd. strives to facilitate the logistics of an economic society in order to contribute to social prosperity. Corporate activities are based on a proactive approach and spirit of unified cooperation. The company aims for stable growth based on sound management, while striving to improve the lifestyles and welfare of its employees.

The founding spirit has been translated into three principles of the company creed and business practices policies. These philosophies underlie our mid-term managerial planning. They are available at our website.

(2) Basic philosophy and policy on corporate governance

Please see I-1 "Basic Corporate Governance Policy" of this report.

(3) Policy and procedure concerning directors' remuneration

Remuneration for company's directors and Audit & Supervisory Board members is commensurate with their duties and intended to increase our company's corporate performance and value in the medium-to-long term. Directors other than the outside directors receive fixed-amount compensation and performance-based compensation, including stock options, whereas the outside directors receive only fixed-amount compensation so as to ensure his independence.

(4) Policy and procedure concerning the appointment of directors and Audit & Supervisory Board members

For appointments of the executive team, directors, and Audit & Supervisory Board members, we choose candidates at a meeting of all officers including outside Audit & Supervisory Board members, respecting the opinions of outside officers and assessing candidates in terms of their character, judgment, experience, contributions, and so forth.

(5) Explanation of grounds for the appointment of individual directors and Audit & Supervisory Board members

The background of candidates for directors and Audit & Supervisory Board member and the grounds for selection of candidates for outside directors and outside Audit & Supervisory Board member are given in attachments to the notice of convocation of a shareholders meeting.

[Supplementary Rule 4-1-1 Scope of delegation to the management team]

We have rules in place for the Board of Directors that clearly define matters to be referred to the Board of Directors for resolution. We have also established an executive officer system under which the scope of authority specified in relevant authority rules is delegated to executive officers so that decisions are made swiftly and the Board of Directors can devote itself to truly important matters.

[Rule 4-9 Independence verification criteria and qualifications for independent outside directors]

Our independent outside directors meet the requirements for outside directors specified under the Companies Act and the qualifications for independent officers specified by the stock exchange where our stock is listed, and is not likely to have any conflict of interests with general shareholders.

[Supplementary Rule 4-11-1 Balance of the Board of Directors as a whole, its diversity and size]

The Articles of Incorporation state that the number of directors cannot exceed eight, thereby ensuring that director functions are fulfilled in the most effective and efficient way and facilitating director operations. We also strive to ensure that the structure of the Board of Directors as a whole is ideally balanced for our company in terms of the members' knowledge, experience, and competence, by appointing inside directors who are outstanding in all measures, including character, judgment, knowledge, experience, competence, contribution to the Company and so forth, and outside directors with deep expertise.

[Supplementary Rule 4-11-2 Assumption of plural offices by directors and Audit & Supervisory Board members]

The assumption of plural offices by directors and Audit & Supervisory Board members is disclosed in the securities report and the business report.

[Supplementary Rule 4-11-3 Analysis and evaluation of the overall effectiveness of the Board of Directors]

We have conducted a questionnaire with all directors and auditors on the effectiveness of the Board of Directors. As a result, the effectiveness of the Board of Directors was analyzed and evaluated as basically appropriate. However, we have come to a conclusion that the Board of Directors needs to be conducted in such a way that mid- to long-term management strategy, and each director's suggestions, be put on board meeting agendas and discussed to improve the overall effectiveness of the Board of Directors.

To achieve this, we will periodically evaluate the effectiveness of the Board of Directors, along with review of the way the Board of Directors discuss matters to be resolved, as well as the way progress is reported to the Board of Directors.

[Supplementary Rule 4-14-2 Training policy for directors and Audit & Supervisory Board members]

Newly appointed officers are required to attend officer seminars provided by an outside institution.

All officers and employees in executive positions receive regular training sessions from lawyers and other outside lecturers to acquire the necessary knowledge. They participate in important meetings such as internal management strategy meetings and corporate sales meetings to deepen their understanding of the Company's business, legal matters, financial conditions, organizational matters, and so forth.

[Rule 5-1 Policy on positive dialogs with shareholders]

At our company, Chairman, President and CEO, CFO, officers in charge of general affairs, accounting, management planning, sales divisions, and so forth communicate proactively with experts and general investors at financial briefings and on other occasions, promoting IR (investor relations) activities for positive two-way communication about management and business strategies and financial information with primary emphasis on fairness, accuracy, and continuity.

(1) Director supervising IR activities

This duty is assigned to the director in charge of management planning and accounting divisions.

(2) Framework for IR activities

We have established an IR committee consisting of an IR department, CFO, and representatives from general affairs, accounting and management planning divisions.

(3) Means of communication

We strive to promote investment opportunities and disclose information at financial briefings, information meetings for ordinary investors, in business and annual reports, and so forth, in the attendance of the President & CEO and other top management.

(4) Measures for providing internal feedback

Summaries of financial briefings, information meetings, and so forth are returned to all management teams and IR committee members.

(5) Management of insider information

All officers and employees in supervisory positions are informed of insider information management rules. All inquiries are directed to the IR department for insider information management purposes.

2. Capital Structure

Foreign shareholding ratio	20% or more but less than 30%
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[Major Shareholders] Updated

Name	Number of shares owned	Percentage
Mizuho Bank, Ltd.	2,557,360 shares	4.61
Sumitomo Mitsui Banking Corporation	2,554,000 shares	4.61
Japan Trustee Service Bank, Ltd. (Trust Account)	1,935,000 shares	3.49
The Bank of Tokyo-Mitsubishi UFJ Ltd.	1,863,600 shares	3.36
Resona Bank, Limited.	1,691,000 shares	3.05
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,554,000 shares	2.80
Sompo Japan Nipponkoa Insurance Inc.	1,521,000 shares	2.74
Mitsubishi Heavy Industries, Ltd.	1,454,644 shares	2.62
Japan Trustee Service Bank, Ltd. (Trust Account 9)	1,013,000 shares	1.83
Meiji Yasuda Life Insurance Company	891,000 shares	1.61

Presence of controlling shareholder (other than the parent company)	—
Presence of parent company	None

Supplementary explanation

3. Corporate Attributes

Stock exchange listing and market segment	First Section of the Tokyo Stock Exchange
Fiscal year end	March
Type of business	Wholesale
# of (group) employees at the end of the last business year	1,000 or more persons
(Consolidated) Sales in the last business year	100 or more billion yen but less than 1 trillion yen
# of consolidated subsidiaries at the end of the last business year	10 or more but less than 50

4. Guidelines on the Protection of Minority Shareholders in Transactions with Controlling Shareholder

5. Other Special Circumstances that may have Material Effects on Corporate Governance

// Status of Management Control Organizations and Other Corporate Governance Systems concerning Business Decision Making, Execution and Oversight

1. Structure of Organs - Matters concerning Organizational Operation etc.

Form of organization	Company with Audit & Supervisory Board
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[Matters related to directors]

# of directors specified in the Articles of Incorporation	Eight
Term of director's office specified in the Articles of Incorporation	Two years
Chairing of board meetings Updated	Chairman (Except in the case of plural office holding with President & CEO)
# of directors in office	Eight
Outside director appointed	Appointed
# of outside directors	Two
# of outside directors designated as independent officers	Two

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yoshikazu Sakamoto	Certified public tax accountant								△			
Yukie Tanaka	Other											

* Notes on the relationship with the Company

* A white circle shows the person falls or recently fell under the relevant category, and a white triangle shows the person fell under the relevant category in the past.

* A black circle shows the person's close family member falls or recently fell under the relevant category, and a black triangle shows the person's close family member fell under the relevant category in the past.

a Executive of listed company or subsidiary company

b Executive or non-executive director of the parent company of a listed company

c Executive of fellow subsidiary company of a listed company

d Person who mainly does business with a listed company, or its executive

e Main business counterparty of a listed company, or its executive

f Consultant, accounting or legal specialist who receives a substantial amount of money or other property from a listed company in addition to executive compensation

g Major shareholder of a listed company (or an executive of that major shareholder if it is a juridical person)

h Executive of business counterparty of a listed company (one that does not fall under any of the categories d, e, and f above) (applicable only to the person at issue)

i Executive of legal entity that accepts cross-installation of outside officers (applicable only to the person at issue)

j Executive of legal entity to which a listed company makes a donation (applicable only to the person at issue)

k Other

Relationship with the Company (2)

Name	Independent officer	Supplementary explanation about conformity	Grounds for selection
Yoshikazu Sakamoto	○	Certified public tax accountant Designated as an independent officer.	He has acquired extensive expert knowledge about finance, banking, tax affairs, and so forth through many years of service at the National Tax Agency. Being qualified as an outside director in terms of character and judgment, we believe he can exercise proper oversight over our management.
Yukie Tanaka	○	—	As the first female officer at the Company, we believe she can advise and exercise oversight properly from an objective point of view for the Company's best form in terms of working conditions and diverse business environment in transition, and she can carry out her duties as an outside Audit & Supervisory Board member.

Establishment of a voluntary committee equivalent to a nominating or compensation committee	Not established
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[Matters related to Audit and Supervisory Board members]

Establishment of an audit and supervisory board	Established
# of Audit & Supervisory Board members specified in the Articles of Incorporation	Five
# of Audit & Supervisory Board members in office	Three

Cooperation among Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Division

Audit & Supervisory Board members receive reports and explanations from the accounting auditor about audit plans and results, and exchange opinions and share information concerning the scope, method or results of audits in order to ensure the effectiveness of audits.

Audit & Supervisory Board members can give necessary instructions to the General Manager of the Internal Audit Division about audit operations, and the members of the Internal Audit Division who have received such instructions from Audit & Supervisory Board members do not receive orders or directions from directors with regard to such instructions.

The General Manager of the Internal Audit Division carries out an internal audit of the matters requested by Audit & Supervisory Board members after consultation with the Audit & Supervisory Board, and reports the audit results to the Audit & Supervisory Board.

Appointment of outside Audit & Supervisory Board members	Appointed
# of outside Audit & Supervisory Board members	Two
# of outside Audit & Supervisory Board members designated as independent officers	None

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Toshihiko Matsumiya	Certified public accountant								△			
Mitsuyoshi Koyama	Certified public tax accountant											

* Notes on the relationship with the Company

* A white circle shows the person falls or recently fell under the relevant category, and a white triangle shows the person fell under the relevant category in the past.

* A black circle shows the person's close family member falls or recently fell under the relevant category, and a black triangle shows the person's close family member fell under the relevant category in the past.

a Executive of listed company or subsidiary company

b Non-executive director or accounting councilor of a listed company or subsidiary company

c Executive or non-executive director of the parent company of a listed company

d Member of the audit and supervisory board of the parent company of a listed company

e Executive of fellow subsidiary company of a listed company

f Person who mainly does business with a listed company, or its executive

g Main business counterparty of a listed company, or its executive

h Consultant, accounting or legal specialist who receives a substantial amount of money or other property from a listed company in addition to executive compensation

i Major shareholder of a listed company (or an executive of that major shareholder if it is a juridical person)

j Executive of business counterparty of a listed company (one that does not fall under any of the categories f, g, and h above) (applicable only to the person at issue)

k Executive of legal entity that accepts cross-installation of outside officers (applicable only to the person at issue)

l Executive of legal entity to which a listed company makes a donation (applicable only to the person at issue)

m Other

Relationship with the Company (2)

Name	Independent officer	Supplementary explanation about conformity	Grounds for selection
Toshihiko Matsumiya		Certified public accountant	As a certified public accountant, he is knowledgeable about finance and accounting and has extensive judgment and a wide range of experience, and we believe he is qualified as an outside Audit & Supervisory Board member.
Mitsuyoshi Koyama		—	As a public tax account, we believe he can utilize his extensive knowledge about finance and accounting in our audit system, and is qualified to carry out his duties as an outside Audit & Supervisory Board member.

[Matters related to independent officers]

# of independent officers	Two
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Other matters concerning independent officers

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[Incentives]

Status of plans granting incentives to directors	A stock option plan has been introduced
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Supplementary explanation about applicable items

Stock options were granted in 2009.

We also abolished the retirement benefit plan for officers with the approval of the annual general meeting for the 88th period held in June 2011. Instead, we introduced stock options as compensation so that officers will share with shareholders not only the benefits of stock price rises, also the risk of stock price declines and will be motivated more to help raise the stock price and corporate value.

Persons eligible for stock options	Inside directors, employees and so forth
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Supplementary explanation about applicable items

Eligible for stock options in 2009 were inside directors and employees. A total of 1,819,000 shares were allocated as stock options to a total of 320 eligible persons.

We also introduced stock options as compensation for inside directors and executive officers so that they will share with shareholders not only the benefits of stock price rises, also the risk of stock price declines and will be motivated more to help raise the stock price and corporate value.

Stock options as compensation granted with a Board of Directors resolution on August 1, 2011

48,000 shares to 6 directors

39,000 shares to 12 executive officers

Stock options as compensation granted with a Board of Directors resolution on July 31, 2013

69,000 shares to 6 directors

56,000 shares to 13 executive officers

Stock options as compensation granted with a Board of Directors resolution on July 31, 2015

75,000 shares to 5 directors

42,000 shares to 10 executive officers

[Matters related to directors' remuneration]

Disclosure (of remuneration for individual directors)

Remuneration for each individual director is not disclosed

Supplementary explanation about applicable items

Total remuneration for all directors is disclosed in the securities report and the business report.

Policy for determining the amount of remuneration or its calculation method

Established

Disclosure of the policy for determining the amount of remuneration or its calculation method

Remuneration for company's directors and Audit & Supervisory Board members is commensurate with their duties, designed to increase our company's corporate performance and value in the medium-to-long term. Directors other than the outside directors receive fixed-amount compensation and performance-based compensation including stock options, whereas the outside directors receive only fixed-amount compensation so as to ensure his independence.

[Support for the outside directors (outside Audit & Supervisory Board members)]

To assist them in securing and confirming the legality of our business engagements, they receive reports from time to time on internal information, including explanations of our current conditions, in the form of minutes of important internal meetings, circular resolutions, and so forth. As a general rule, they also receive a written agenda for a scheduled meeting of the Board of Directors in advance.

2. Matters concerning Business Engagements, Audit and Oversight, Nomination, Determination of Remuneration, and Other Functions (Overview of the Current Corporate Governance Systems) Updated

Our company's governance is through an audit and supervisory board. At our company, business decisions are made at monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors held on an as needed basis.

Decisions concerning business engagements are submitted for approval in accordance with the approval standards specified in authorization rules, and approved by the President and CEO or the officer in charge accordingly. We also have an executive officer system which separates decision making and oversight functions from business engagements so as to ensure flexible and efficient business operations.

In connection with coordination among internal audits, audits by Audit & Supervisory Board members, and accounting audits, the President and CEO regularly meets the accounting auditor and Audit & Supervisory Board members to exchange opinions about ways to enhance the effectiveness of internal control. The Audit & Supervisory Board consists of three members (including two outside members). As a general rule, all the members attend meetings of the Board of Directors, and the standing member can participate in important internal meetings to fully audit business engagements by directors. We also have an Internal Audit Division, which performs audits to assess accounting operations and processes, general business activities, work and economic efficiency, and compliance with laws. Accounting audits are conducted by Deloitte Touche Tohmatsu LLC under an audit contract. The certified public accountants who executed the audit are Mr. Kazutoshi Hattori (engaged for one year) and Mr. Kazutaka Yoshihara (engaged for three consecutive years). There is no special interest between the auditing corporation and its managing members and our company.

For the nomination of candidates for director, the President and CEO asks executive directors to select candidates and provide grounds for nomination, and make decisions after evaluating all factors concerned.

Remuneration is determined in accordance with relevant internal rules.

3. Rationale for the Current Corporate Governance System

Our Board of Directors comprises eight directors (including two outside directors) and meets in principle once a month or as necessary. The board determines basic business policies and other important matters through vigorous exchange of opinions while also fulfilling its function as an oversight body for business execution. The board also places directors at consolidated subsidiaries in Japan and abroad to be in charge of those companies and to manage and oversee their business execution. Moreover, the Company has adopted the executive officer system to conduct flexible and efficient business operations by reinforcing the business decision-making and supervising functions, as well as separating the business execution function.

The Company uses an Audit & Supervisory Board system comprised of three Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition to attending every Board of Directors meeting, these Audit & Supervisory Board members attend other important internal meetings to monitor the business execution performance of directors from an objective perspective.

/// Status of Measures concerning Shareholders and Other Stakeholders

1. Initiatives to Invigorate a Shareholders Meeting and Ensure Smooth Exercise of Voting Rights

	Supplementary explanation
Early issuance of notice of a shareholders meeting	Convocation notice is sent out three weeks before the scheduled date.
Avoidance of the commonest date for meeting	Our shareholders meeting is not scheduled for a day when many other enterprises are expected to hold their shareholders meetings.
Other	We are promoting measures to visualize a shareholders meeting, including a video presentation of a business report and the installation of more visual equipment in the venue.

2. IR Activities

	Supplementary explanation	Explanation by the representative himself
Regular briefing session for analysts and institutional investors	A financial briefing is held after announcement of financial results for the whole year and for the second quarter.	Provided
Online release of IR materials	In furtherance of our IR activities, we post financial summaries, securities reports, annual reports, and materials for financial briefings, including timely disclosures, at our website.	
Appointment of a department (person) in charge of IR activities	IR and PR Department was established within the Corporate Planning & Management Department. An IR committee is organized by representatives from the IR and PR department and other administrative departments.	

3. Initiatives for Respecting Stakeholders' Position

	Supplementary explanation
Internal rules that respect the position of stakeholders	We established "Daiichi Jitsugyo Code of Conduct," providing corporate practice guidelines ensuring fair relationships with business counterparts, supervising bodies and other stakeholders, and compliance with laws.
Environmental protection and CSR initiatives	An environment policy was established as part of our environmental management system initiatives and is disclosed at our website. We are also ISO14001 certified.
Formulation of a policy concerning the provision of information to stakeholders	Important management matters are disclosed in a timely manner at the Tokyo Stock Exchange. Timely disclosures are also available at our website.
Other	As of the submission of the present report, we don't have a female officer; our policy is to install anyone qualified as an officer, regardless of gender.

IV Matters concerning the Internal Control System etc.

1. Basic Philosophy about the Internal Control System and Its Status

Basic philosophy concerning the internal control system

The "Basic Internal Control Policy" adopted by the Board of Directors on May 8, 2006 was revised as follows by the Board of Directors on June 23, 2015, taking subsequent developments into consideration.

1. Systems to ensure that directors comply with laws and regulations and Articles of Incorporation in the execution of their business duties
 - (1) In accordance with our business practices policy and code of conduct, the respective director shall ensure that business activities are premised on compliance with laws and regulations, the Article of Corporation, and corporate ethics by repeatedly reminding the officers and employees of the Company of this policy.
 - (2) To ensure that the business execution of the Company is carried out in an overall appropriate and sound manner, the directors shall endeavor to establish a practical internal control system and an overall legal compliance system from the perspective of further strengthening the Company's corporate governance. Furthermore, Audit & Supervisory Board members shall audit the effectiveness and functional capability of the internal control system, and if necessary report recommendations on improvement for the system to directors.
 - (3) To deal with antisocial forces, the Company shall thoroughly manage information on the elimination and the eradication of such influences in a unified manner. External pressure applied by such antisocial forces shall be reported to the risk management committee for assessment of its importance and investigation.
2. System to store and manage information on business execution by directors
Information on business execution by directors shall be recorded in written form or electronic media (Hereinafter referred to as "written, etc. records") based on the Company's filings rules. These records shall be stored and managed so that they can be easily searched in an appropriate and accurate manner. Directors and Audit & Supervisory Board members shall have free access to view these written, records.
3. Systems providing rules to manage possible losses and other matters of DAIICHI JITSUGYO CO., LTD (the "Company"), and its subsidiaries
As a foundation for the risk management system, the Company will determine risk management rules, assign managers to be in charge of the different types of risk, and establish a risk management system based on those rules. When a management crisis occurs as determined by said rules, the Company shall set up a task force with the representative director as its head as well as information liaison team and an outside advisory team including legal counsels. Based on these actions, the Company shall establish an organization to minimize damages and prevent them from growing through quick response.
4. Systems to ensure that directors carry out job execution effectively.
 - (1) In the Company's mid-term management and annual business plans that are built around its corporate principles, each operating section and the DJK Group companies shall work toward achieving the goals of the plan and check whether the business plan is proceeding on schedule on a monthly basis based on performance reports.
 - (2) In executing their duties, directors shall comply with all of the obligations of the Board of Directors regarding business decision as set out in the rules of the Board of Directors. Based on the principles of business decision-making, the Company will set up a system that distributes adequate information on items prior to their discussion to all directors and Audit & Supervisory Board members.
 - (3) As the foundation of the system to ensure that directors carry out the execution of their duties effectively, in principle, the Board of Directors will meet regularly once a month and as otherwise necessary. Important matters regarding the business policy and strategy of the Company will first be discussed by an Executive Committee comprising directors with a ranking of managing director or above, and passed on for approval by the Board of Directors before execution.
 - (4) The business execution of decision made by the Board of Directors shall be carried out by directors and executive officers in accordance with the division of duties decided at the start of each fiscal year, with assignments, responsibilities, and execution procedures determined in detail.
5. Systems for ensuring that directors, executive officers, and employees execute their business duties in accordance with laws and regulations and the Articles of Incorporation
 - (1) As a foundation for the compliance system, employees will be made thoroughly aware of the code of conduct.
 - (2) An Internal Audit Division will be established under the supervision of the representative director and will determine internal audit rules and establish, maintain, and improve an internal control system. As necessary, the Division shall carry out audits and training sessions in all business sections.
 - (3) When a major legal violation or other significant incident regarding compliance has been discovered, directors shall promptly report it to the representative director and to Audit & Supervisory Board members.
 - (4) As an in-house information system to report legal violations or other incidents regarding compliance, the General Manager of the Internal Audit Division will promptly establish an internal communication system where information can be directly reported and operate it in accordance with the internal communication rules.
 - (5) When Audit & Supervisory Board members recognize that there is a problem with the operation of the Company's legal compliance system or internal communication system, they may give their opinion and require that improvement measures be formulated.
6. System to ensure the fairness of operations of the corporate group comprising the parent company and its subsidiaries
 - (1) Based on the management rules for subsidiaries/ associated companies determined by the Company, the DJK Group's sales results, financial position and other important information shall be reported to the Company regularly and the DJK Group meetings shall be held as necessary.
 - (2) To ensure the appropriate and fair conduct of the Group companies, each Group company will create a code of conduct and formulate its own related rules based on it.
 - (3) The Company will appoint a director in charge of business administration to implement optimal management strategies whereby prior consultation with the Company and reporting systems, as well as monitoring structure, if necessary, is in place.
 - (4) If a director recognizes that a Group company has violated some aspect of the business management or business guidance systems or if a compliance problem is discovered, the director shall report it to the representative director.
 - (5) DJK Group companies shall be audited by the internal audit department of the Company, and the audit results shall be reported to the Company's representative director.
7. System for requesting staff to aid Audit & Supervisory Board members and ensuring the independence of those staff members from the influence of directors and the effectiveness of instructions given to such assisting staff
 - (1) Audit & Supervisory Board members may instruct the Internal Audit Division manager to provide assistance in matters necessary to the auditing process. The staff of the Internal Audit Division who have been instructed by Audit & Supervisory Board members to provide assistance regarding matters necessary to the auditing process may not receive other instructions regarding those matters from directors
 - (2) Based on meetings with the Audit & Supervisory Board, the Internal Audit Department General Manager will perform internal audits on items requested by Audit & Supervisory Board members and report the results to the Audit & Supervisory Board.
8. System for directors, executive officers, and employees of the Company and its subsidiaries to report to Audit & Supervisory Board members of the Company, system for making other reports to Audit & Supervisory Board members, and system to ensure executive audit of Audit & Supervisory Board members
 - (1) Directors, executive officers, and employees of the Company and the Group Company shall report the following important items regarding the Company's business or influence on business performance to the Audit & Supervisory Board members of the Company on a case-by-case basis.
 - Activities of the sections related to the establishment of the internal control system of the Company and the Group Company
 - The principal accounting policies and standards system of the Company and the Group Company and any changes in them.
 - Details of announcements on business performance or business forecasts, details of important disclosure items.
 - Details of operations and communications of internal communications system
 - Internal management approval (Ringi) documents, applications for different types of transactions, and keeping minutes of meetings as required by Audit & Supervisory Board members.
 - (2) As necessary, Audit & Supervisory Board members may request reports on preceding issues from directors, executive officers, and employees of the Company and the Group Company.
 - (3) The Audit & Supervisory Board and the representative director shall establish regular meetings to exchange opinions.
 - (4) The Company will ensure an appropriate system for reporting to Audit & Supervisory Board members on legal violations and other compliance issues by maintaining the proper application of the in-house communication rules.
 - (5) Audit & Supervisory Board members will check the objectivity of the work of the Company's independent certified public accounting firm, and will request

reports and explanations of the details of the independent certified public accounting firm's audit and collaborate with the audit firm through periodic exchanges of information and other activities.

(6) Persons who have reported to Audit & Supervisory Board members shall not be treated in a detrimental way because of such reporting. This matter shall be disseminated among DJK and DJK Group's officers and employees.

(7) When Audit & Supervisory Board members request the prepayment of expenses to be incurred in the execution of their duties, etc., such shall be treated promptly except in cases where such expenses are determined to be unnecessary for their execution of duties.

Status of the internal control system

The status of our internal control system is as follows.

(1) On the compliance front, a business practices policy, a code of conduct, whistleblowing rules, and other relevant notices were formulated and announced internally and highlighted in the President's policy messages and compliance training sessions including e-learning for all officers and employees. Internal audits are carried out by the Internal Audit Division regularly in accordance with internal audit rules. All these initiatives are designed to ensure that directors, executive officers, or employees will execute their duties in compliance with applicable laws and regulations and the Articles of Incorporation.

(2) For risk management purposes, we have established risk management rules that define management systems for preventing possible risks and ways of responding to them as they occur. These rules also require that a risk management committee be organized to manage risks in an effective and efficient manner, and the committee chairperson report a summary of risk management initiatives to the Board of Directors where appropriate and ensure risk management materials are known and understood by officers and employees.

(3) We have several information management rules, including document management rules, which specify document management and required retention periods; information system management rules, which address information system management and operation; and information security management rules, which provide for the establishment and proper administration of information security management schemes. Based on these rules, we developed a system for the retention and management of information concerning the execution of duties by directors, executive officers, or employees.

(4) Group companies are supervised and monitored in accordance with affiliated companies management rules under the leadership of the director in charge of affiliated companies. Group companies also established codes of conduct, rules on authority to approve transactions, accounting rules, and so forth to ensure proper business execution in the business group.

2. Basic Philosophy on the Exclusion of Antisocial Forces, and Current Status

Basic philosophy on the exclusion of antisocial forces

Our basic internal control policy and code of conduct state that we will deal with antisocial forces with a firm resolve to exclude any and all connections with them.

Status of our system for excluding antisocial forces

(1) Assignment of primary responsibility for responses and for protection against unjust demands

At our company, primary responsibility for dealing with unjust demands is assigned to the general affairs department of the head office, and the director of the risk management office is responsible for protection against unjust demands.

(2) Coordination with outside specialized institutions

Responsible for dealing with unjust demands, the general affairs department of the head office is a member of the Council against Special Forces, working in close coordination with the competent police station.

(3) Collection and management of information concerning antisocial forces

We participate vigorously in seminars and regular block meetings held by Tokyo Metropolitan Citizens' Center for Excluding Organized Crime Groups and the Council against Special Forces to collect and manage information concerning antisocial forces.

(4) Development of response manual

Our code of conduct specifies the way our officers and employees should respond to antisocial forces.

(5) Training

Compliance training courses provided for all officers and employees include explanation and guidance about the code of conduct. Other training sessions are held where necessary on the basis of information collected from specialized institutions and at seminars.

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary explanation about applicable items

2. Other Matters concerning the Corporate Governance System etc.

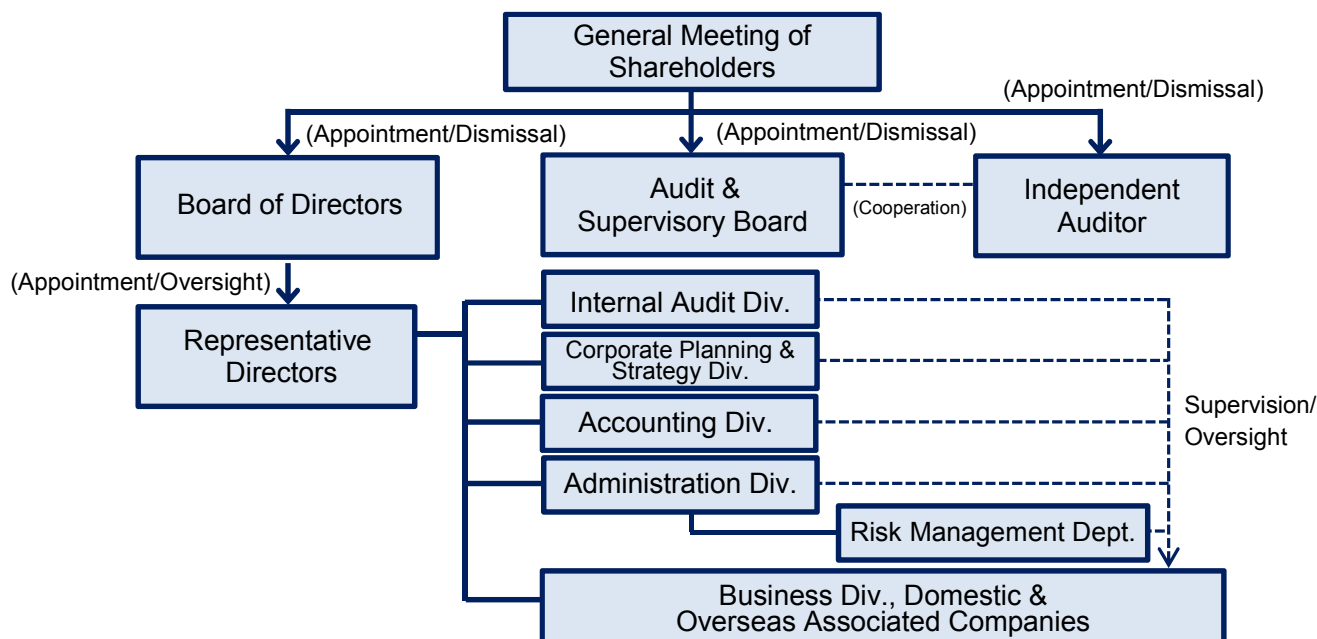
Our Board of Directors comprises eight directors (including two outside directors) and meets in principle once a month or as necessary. The board determines basic business policies and other important matters through vigorous exchange of opinions while also fulfilling its function as an oversight body for business execution. The board also places directors at consolidated subsidiaries in Japan and abroad to be in charge of those companies and to manage and oversee their business execution. Moreover, the Company has adopted the executive officer system to conduct flexible and efficient business operations by reinforcing the business decision-making and supervising functions, as well as separating the business execution function.

The Company uses an Audit & Supervisory Board system comprised of three Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition to attending every Board of Directors meeting, these Audit & Supervisory Board members attend other important internal meetings to monitor the business execution performance of directors from an objective perspective. The Audit & Supervisory Board meets monthly in principle to exchange information and check on audit plans and results. There is no commercial or other interest between outside Audit & Supervisory Board members and our company. In case of any vacancy on the Audit & Supervisory Board that may lead to noncompliance with the legal requirement, we appointed one substitute member at the regular shareholders meeting held on June 25, 2013.

The risk management office takes the initiative in organizing regular meetings with relevant departments to identify various risks, domestic and foreign, and to prevent their occurrence and minimize their effects, should they occur. It also ensures that officers and employees fulfill our corporate social responsibilities and contribute to society in accordance with applicable laws and regulations as well as “Daiichi Jitsugyo Code of Conduct,” which provides concrete action guidelines consistent with social norms. On April 1, 2008, we established a risk management committee in order to promote smooth business operation by setting up a system for preventing possible risks and responding to risks as they occur.

We are subject to accounting audits and, where appropriate, accounting advice from the accounting auditor working in the spirit of fairness and impartiality. The Company has also concluded advisory agreements with several law offices to act as its legal advisors, from which the Company receives advice as necessary.

Corporate Governance System



Timely Disclosure System

