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## **Chapter 1      General Provisions**

### **Basic concept concerning corporate governance**

- Based on our Corporate Policy and Management Philosophy, our mission is to continuously increase corporate value through our business activities and to fulfill our social responsibilities. We have made corporate governance an important cornerstone in achieving these missions, and we are striving to build a corporate governance system, ensure sound management, and improve transparency.

#### **<Corporate Policy>**

"True, Good, Beauty"

#### **<Management Philosophy>**

Through fashion, we will contribute to the development of society by creating beautiful and enriching lifestyles.

## **Chapter 2      Ensuring the Rights and Equality of Shareholders**

### **1. General Meeting of Shareholders**

- We recognize that the General Meeting of Shareholders is the highest decision-making body in the company and is a place to make decisions on important matters for the company, as well as a place for constructive dialogue with shareholders. We will endeavor to hold the General Meeting of Shareholders at the same time every year so that more shareholders can attend the General Meeting of Shareholders.
- The proposal for the General Meeting of Shareholders will be disclosed on the Tokyo Stock Exchange and TSE Listed Company Information Service together with the dispatch of the convocation notice for the General Meeting of Shareholders.
- For shareholders who are unable to attend the shareholders' meeting on the day of the meeting, in addition to the exercise of voting rights by mail, the Internet is adopted as the method of exercising voting rights.

### **2. Ensuring equity of shareholders**

- We will give consideration to ensuring that all shareholders effectively exercise their rights, and strive to create an environment that promotes the exercise of voting rights and dialogue.
- With regard to the rights of minority shareholders permitted under the Companies Act, we have established procedures for the exercise of rights and methods for shareholder confirmation in accordance with the Share Handling Regulations, and will give due consideration to ensuring the exercise of rights by minority shareholders.

### **3. Analysis of negative votes**

- Regarding matters to be resolved at the General Meeting of Shareholders, the department in charge compiles the results of the exercise of voting rights, and we take the results of the exercise of voting rights seriously and apply them to our future management.

#### **4. Capital policy**

- We maintain a basic policy of paying stable dividends as a measure for returning profits to shareholders. Our articles of incorporation stipulate that interim dividends may be paid upon resolution of the board of directors, but we currently pay a year-end dividend once a year. The decision-making body for dividends from retained earnings is the general meeting of shareholders for the year-end dividend and the board of directors for the interim dividend.
- In the event that we implement a capital policy that causes a change in control or large-scale dilution, the Board of Directors and Audit & Supervisory Board Members will fully verify the necessity and rationality of the policy in the process of considering it, disclose it on our website, and explain it at the general meeting of shareholders and financial results briefings.
- We use return on equity (ROE) as a key management indicator and aim to increase corporate value and improve capital efficiency.

#### **5. Strategic stockholdings**

- We sometimes hold shares in other companies based on the policy of creating business opportunities and maintaining business collaboration relationships. Every year, the Board of Directors reviews the economic rationality of individual shareholdings in light of our cost of capital and the risks associated with continuing to hold such shares, after confirming their purpose, recent dividend status, and share price. As a result of the verification, we will proceed with the gradual sale of shares whose holding significance has diminished after taking into account the circumstances of the relevant company.
- When exercising voting rights for cross-shareholdings, we make decisions on the exercise of voting rights by taking into account whether the content of the proposal will contribute to the improvement of the shareholder value of the issuing company and the impact on our corporate value.

#### **6. Related party transactions**

- We require the prior approval of the Board of Directors in the event that our directors engage in a conflict of interest transaction or competitive transaction as stipulated in the Companies Act, and in addition, in the event of a transaction, we report the transaction to the Board of Directors without delay.
- Once a year, we distribute a questionnaire to each director to check whether or not there are any transactions with directors of us, our affiliates, or subsidiaries, or their close relatives.
- Transactions between major shareholders and other related parties will be appropriately disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations, and the provisions of the Tokyo Stock Exchange.

### **Chapter 3      Appropriate Cooperation with Stakeholders other than Shareholders**

#### **1. Code of conduct**

- We will fulfill our social responsibilities by formulating a code of conduct based on our company creed and management philosophy in accordance with "Chapter 1 General Rules of Corporate Governance Policy" and putting these into practice.

## **2. Responding to issues related to sustainability**

- We recognize that sustainability issues are important management issues that not only reduce risk but also lead to earnings opportunities. To address these issues, we have formulated the Basic Sustainability Policy, and the Sustainability Committee plays a central role in promoting sustainability activities in cooperation with external partners, etc. as necessary. We are also actively working to build internal systems and raise employee awareness.

Specific activity reports are available on our website.

- Our website: Sustainability

<https://www.sanyo-shokai.co.jp/en/sustainability/>

## **3. Ensuring diversity**

- We believe that a variety of perspectives and values by securing the diversity of our human resources will be strengths for the sustainable growth of the company, and we are formulating and implementing policies and plans for this purpose.

Details are available on our website.

- Our Website: Promoting Diversity and Inclusion

<https://www.sanyo-shokai.co.jp/en/sustainability/social/work-environment/#diversity>

## **4. Compliance reporting system**

- In order to prevent actions that may compromise our social trust, we have established a "SANYO Alarm System (a notification system for compliance)" to receive information on compliance from our employees and business partners. We are working to improve compliance systems under the initiative of the Compliance Committee.
- In the operation of the SANYO Alarm System, in addition to the internal whistleblower contact point, we have added an external law firm to the whistleblower contact point to keep the contents of the whistleblower confidential. We also take all possible measures to protect whistleblowers by clearly stipulating in our Compliance Regulations and Alarm System Regulations that no disadvantageous treatment will be given to whistleblowers.

# **Chapter 4 Appropriate Information Disclosure and Transparency**

## **1. Enhancement of information disclosure**

- We recognize that it is essential to disclose appropriate information in order to gain the understanding of our shareholders and other stakeholders. In addition to disclosure in accordance with laws and regulations, we will appropriately disclose information that is deemed important to our shareholders and other

stakeholders (including non-financial information) through the Tokyo Stock Exchange and TSE Listed Company Information Service, our website, and other means.

- Based on our shareholder composition, we have prepared English versions of the agenda of the General Meeting of Shareholders, the materials for the financial results briefing, the medium-term management plan, and other materials. We also disclose this information on our website and other media to provide information to overseas investors and others. We will continue to disclose and provide information to further deepen our understanding.

## **2. External accounting auditor**

- In order to properly evaluate external accounting auditors, we have formulated and are appropriately operating the "Determination Policy on the Election and Dismissal of Candidates for External Accounting Auditors.
- We recognize that our external accounting auditors are responsible for our shareholders and investors, and we will ensure sufficient audit time to conduct proper audits, cooperation with our auditors and the internal audit department, and time for interviews with senior management.

## **Chapter 5 Responsibilities of the Board of Directors, etc.**

### **1. Roles of the Board of Directors and Directors**

- To ensure the soundness, transparency, and efficiency of management, we have built an effective corporate governance system based on the Company with Audit & Supervisory Board Members system. This system includes management oversight functions through the appointment of independent Outside directors and outside Audit & Supervisory Board Members. In addition, we have introduced an Managing Officer system to accelerate and streamline decision-making and business execution.
- The Board of Directors provides highly effective oversight of management and Directors from an independent and objective standpoint. The Board of Directors appropriately evaluates the company's performance and other matters and reflects them in the personnel of senior management.
- The Board of Directors engages in constructive discussions on management strategies and medium-term management plans, etc. through free and open exchanges of opinions involving outside officers. The Board of Directors monitors management conditions by having them report on the progress of the formulated medium-term management plans, and makes suggestions and opinions as necessary. We will explain the progress of the medium-term management plan through financial results briefings, General Meetings of Shareholders, and other means.

### **2. Composition and term of the Board of Directors**

- The Company's Articles of Incorporation stipulate that the number of Directors shall be nine or less, and the term of office of Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year ending within one year of their election. With regard to the composition of the Board of Directors, several outside directors are appointed to ensure independence.

### **3. Criteria and nominating procedures for candidates for Directors and Auditors, and remuneration and compensation System for Directors and Managing Officers**

- We have established the Nomination and Compensation Committee as a voluntary advisory committee to the Board of Directors, chaired by an independent Outside director. The committee deliberates on the nomination of Directors, Corporate Auditors, and Managing Officers with titles (hereinafter referred to as "Officers, etc."), as well as the compensation and compensation system for Directors and Managing Officers, and the Board of Directors makes decisions on these matters. Through the establishment of the Nomination and Compensation Committee, the Company will utilize the knowledge and advice of outside officers, ensure objectivity and transparency in procedures related to the nomination of Officers, etc., and the remuneration and compensation system for Directors and Managing Officers, and further enhance the corporate governance function.
- Candidates for Director and Audit & Supervisory Board Member shall, in principle, be appointed on the condition that they have been engaged in Managing Officers, General Managers, or equivalent positions for at least one year, have abundant business experience, are well versed in the company's business, have excellent management sense, leadership, action, and planning skills, and have the personality and knowledge appropriate for Director and Audit & Supervisory Board Member.
- Candidates for Outside directors and Outside Audit & Supervisory Board Members shall be nominated on the condition that they have excellent management sense and leadership, leadership, action, and planning skills, and possess the personality and knowledge appropriate for Directors and Audit & Supervisory Board Members, as well as abundant experience in management or specialized knowledge in various fields such as law and accounting, are expected to perform the functions and roles of objective and appropriate supervision or auditing, and are not likely to have conflicts of interest with general shareholders and are able to secure their independence. The standards for the independence of outside directors and outside Audit & Supervisory Board Members are set forth in the attached "standards for the independence of outside directors and outside Audit & Supervisory Board Members."
- The reasons for the election of individual candidates for Directors and Corporate Auditors are described in the "Notice of Convocation of Ordinary General Meeting of Shareholders".

### **4. Scope of delegation to management**

- The Board of Directors makes decisions on matters to be resolved as stipulated in the Rules of the Board of Directors and important management matters. Regarding the scope of delegation to the management team, the Board of Directors, Management Committee, Representative Directors, Directors in charge, General Managers, and other decision-making bodies and decision-makers are clearly empowered to make decisions, deliberate, and approve matters in accordance with the Board of Directors' Office Regulations, Managing Officer Regulations, and Duties Division Regulations.

### **5. Role of an outside director**

- Our outside directors are composed of persons with extensive experience in management and expertise in various fields. They supervise the execution of duties by directors, and supervise opinions on management policies and management plans, and transactions involving conflicts of interest with directors and major shareholders, etc. Outside directors and outside Audit & Supervisory Board Members

are appointed in accordance with the independence standards set forth in the attached "standards for the independence of outside officers."

#### **6. Composition of the Board of Auditors**

- Our Board of Auditors, which is composed of part-time outside Corporate Auditors and full-time internal Corporate Auditors, meets monthly in principle to make decisions on auditing policies and the division of duties. Full-time Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. In addition, they receive reports on the status of business from directors, etc., inspect important approval documents, etc., and audit the execution of business. The Audit & Supervisory Board, etc. shares information with outside Audit & Supervisory Board Members, and endeavors to strengthen cooperation with outside directors through the secretariat of the Board of Directors.

#### **7. Concurrent positions held by directors of other listed companies**

- In the event that our directors and Corporate Auditors concurrently serve as officers of a listed company, they will do so with the approval of the Board of Directors only to a reasonable extent that they can secure the time and effort necessary to properly fulfill their roles and responsibilities as our officers.
- The status of outside directors and outside Audit & Supervisory Board Members holding important concurrent positions with other companies is disclosed annually through the Notice of Convocation of the General Meeting of Shareholders, Annual Securities Report, and Corporate Governance Report.

#### **8. Internal control**

- Our Board of Directors has established a compliance-related management system and an internal control promotion system, and conducts management and oversight to ensure that its operation is effective and appropriate.

#### **9. Directors' remuneration**

- With regard to remuneration (base remuneration and bonuses) for directors, we set the maximum amount of total remuneration for directors and Corporate Auditors by resolution of the general meeting of shareholders. The amount of basic remuneration for each officer is determined based on the standard monthly remuneration determined for each position, and bonuses are determined based on performance and other factors through consultation between the Board of Directors and the Board of Corporate Auditors.

#### **10. To train and determine the successor to the president**

- We recognize that the plans of successors, such as the Chief Managing Officer, are important responsibilities. We will impose a mission corresponding to their respective responsibilities on directors and Managing Officers, and train them as successors by participating in management through attendance at important meetings, etc.

#### **11. Training policy for Directors and Corporate Auditors**

- Through the Secretariat of the Board of Directors, we will provide information necessary for the execution of duties in an appropriate and timely manner so that the management supervision and auditing functions of the Directors and Audit & Supervisory Board Members can be fully exercised. In addition, in order to enhance the deliberations at the Board of Directors meetings, outside directors and outside Audit & Supervisory Board Members are provided with opportunities to understand our business activities on an ongoing basis, including the prior distribution of materials for the Board of Directors, explanations, and related information, as well as orientation at the time of appointment and dialogue with senior management.
- We will continue to provide training on compliance, corporate governance, and internal control for internal directors and Managing Officers through outside instructors. In addition, newly appointed internal directors and Managing Officers will be required to participate in external seminars.

## **12. Board appraisal process**

- We employ an external third-party organization to evaluate the effectiveness of the Board of Directors in the form of a questionnaire for all directors and Audit & Supervisory Board Members who are members of the Board of Directors with the aim of enhancing the functions of the Board of Directors and enhancing corporate value. A summary of the main questionnaires included the composition and operational aspects of the Board of Directors, the support system for directors and Corporate Auditors, training, and dialogue with shareholders (investors). Individual initiatives were also included in the scope of evaluation. The results of the questionnaire are then analyzed, discussed, and evaluated by members of the Board of Directors.

Through these evaluations, our Board of Directors shares the outstanding points, such as the free and open-minded and sound discussions and the adequate oversight functions of outside directors. We also confirm that the Board of Directors functions effectively and is operating appropriately.

In the future, based on this effectiveness evaluation, our Board of Directors will conduct thorough deliberations on issues before responding promptly to them, and continue to make efforts to enhance the functions of the Board of Directors.

## **Chapter 6 Dialogue with Shareholders**

- In order to achieve sustainable growth and increase corporate value over the medium-to-long term, we recognize the importance of listening seriously to our opinions and reflecting them in our management through active dialogue with shareholders. To this end, we will actively provide a forum for dialogue with shareholders and investors, centered on the Director or Managing Officer in charge of IR and the department in charge.
- For shareholders and investors, we hold a briefing on our financial results once every six months and conduct one-on-one meetings as appropriate. In addition, based on our shareholder composition, we have prepared English versions of our financial results briefing materials, medium-term management plans, and other materials, and disclosed them on our website to provide information to overseas shareholders and investors.



- Our Basic Policy on Sustainability defines our relationship with stakeholders, including shareholders, as "We will do our utmost to resolve the issues facing the fashion industry in order to earn the satisfaction and trust of all stakeholders, including shareholders and investors, customers, business partners, employees, and local communities." We are responding appropriately in accordance with this policy.
  - Our website: corporate information  
<https://www.sanyo-shokai.co.jp/en/company/>

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## **(Attachment) Independence Criteria for Outside Directors and Audit & Supervisory Board Members**

We deem candidates for outside officers (outside directors and outside Audit & Supervisory Board Members) not to have independence as independent outside officers if they fall under any of the following.

### **1. Major business partner relationships**

A person whose main business partner<sup>1</sup> is us or its business executor or our main business partner<sup>2</sup> or its business executor.

### **2. External experts**

Consultants, accountants, or legal experts who receive a large<sup>3</sup> of money or other assets from us in addition to executive compensation (in the event that the person who receives such assets is an organization such as a corporation or partnership, a person who belongs to such organization).

### **3. Our auditing firm**

A person who belongs to an auditing firm that conducts audits based on the Companies Act or the Financial Instruments and Exchange Act, etc. pertaining to us.

### **4. Relationship with recipients**

A person who has received a large<sup>4</sup> of donations from us (if the person who has received the donations is a corporation, partnership, or other organization, the person who executes the business of the organization).

### **5. Major shareholder relationship**

A person who has substantially 10% or more of the voting rights of the company or an executive thereof.

### **6. Past relationships with applicable persons**

Persons who have recently fallen under 1 to 5 above.

### **7. Kinship**

A close relative of a person (excluding a non-material person) who has fallen under any of the above 1 to 6.

#### Note:

- 1 "Person with whom we are a major business partner" means a person who has received payments from us in excess of 2% of its annual sales in the most recent fi fiscal year.
- 2 "Our major business partner" means a person who, in the most recent fi fiscal year, has made payments to us in excess of 2% of our annual turnover, or whose outstanding loans to us have accounted for in excess of 2% of our total assets.
- 3 "Large amount" here refers to the amount of assets obtained in the most recent business year that exceeds 10 million yen per year in the case of an individual, or 2% of the consolidated sales or gross income of the organization in the case of a juridical person, association, etc.
- 4 The term "large amount" here refers to the amount of donations received in the most recent fi fiscal year that exceeds 10 million yen per year or 2% of total income, whichever is higher.