

Corporate Governance Report

CORPORATE GOVERNANCE

SANYO SHOKAI LTD.

Last Update: November 20, 2024

SANYO SHOKAI LTD.

Shinji Oe

Representative Director

Chief Executive Officer & President

Contact: Yoshihiro Taniuchi

General Manager, Investor Relations
& Public Relations Strategy

Corporate Management Headquarters
03-3357-4111

Securities code: 8011

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

The corporate governance of SANYO SHOKAI LTD. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The principles are stated in accordance with the Code after the June 2021 revision.

The Company implements all the principles of the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code **UPDATED**

[Principle 1.4: Strategic Shareholdings]

(1) Policy related to strategic shareholdings

The Company may hold shares of other companies as strategic shareholdings principally for the purpose of creating business opportunities and maintaining collaborative business relationships. In regard to each strategic shareholding, the Board of Directors annually verifies the economic rationality in light of the Company’s cost of capital and the risks of continuing to hold the shares upon confirming its holding purpose, recent dividend status, stock price, etc. As a result of the verification, for those shares which have diminished significance behind their holding, we will proceed with selling them in stages, taking into consideration the situation of the company concerned.

(2) Verification of the appropriateness of shareholdings

At the Board of Directors meeting held on February 29, 2024, we examined whether individual holdings were appropriate in light of the above criteria, and a resolution was passed to continue holding the one stock currently held.

(3) Criteria for the exercise of voting rights

The Company makes decisions on the exercise of voting rights for shares held for strategic purposes based on whether or not the proposed content will contribute to improving shareholder value pertaining to the issuing company, the impact on the Company’s corporate value, and other factors.

[Principle 1.7: Transactions Between Related Parties]

The Company requires the prior approval of the Board of Directors in the event that any of the Company’s Director conducts a conflict-of-interest transaction or a competitive transaction as stipulated in the Companies Act, and in addition, if any such transaction has been conducted, shall report such transaction to the Board of Directors without delay.

We distribute survey forms individually to the Directors once a year to confirm whether or not there are any transactions with the Directors of the Company, affiliated companies, or subsidiaries, or with the close relatives of said Directors.

Transactions between major shareholders or other related parties are appropriately disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws, in addition to the provisions of the Tokyo Stock Exchange.

[Principle 2.4: Ensuring Diversity in the Promotion to Core Human Resources]

[Supplementary Principle 2.4.1]

(1) Ensuring diversity

Recognizing that human resources are the most important capital for improving corporate value over the medium to long term, the Company continues to proactively recruit and promote a diverse range of human resources, including women, foreigners, and mid-career hires with various work experience. In addition to promoting the active participation of women, which we have been working on so far, we will continue to introduce a flextime system, telework, and other initiatives to realize flexible and diverse work styles, and to develop a work environment that allows each individual to make the most of their own characteristics and abilities. Furthermore, in order to promote these efforts, we will continue to proceed with providing management development.

To ensure diversity in the promotion to core human resources, we will promote employees according to their abilities, aptitudes, and achievements, regardless of gender or nationality or whether they are new graduates or mid-career hires.

(2) Voluntary and measurable targets for ensuring diversity and the status of these efforts

(i) Promotion of women to managerial positions

We will implement a variety of initiatives from the three perspectives of career development, management training, and employment continuity support for female employees.

We aim to achieve a ratio of women in managerial positions of 20% by fiscal 2026 by developing our own career vision without being constrained by existing concepts, providing training focused on developing skills to achieve this vision, and training candidates for managerial positions.

As of February 29, 2024, the ratio of female managers is 9.4%.

(Managerial positions refer to general managers or division managers that fall under the positions of supervision or management under the Labor Standards Act.)

For other information on the status of active participation of women, please refer to “Establishment of a personnel infrastructure to provide job satisfaction” under “Sustainability” on our website.

• Sustainability (Establishment of a personnel infrastructure to provide job satisfaction)

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

(ii) Promotion of foreigners to managerial positions

We do not set any restrictions on promotion of employees according to nationality, but in view of the characteristics of our business, we have not set any target for the promotion of foreigners to managerial positions as of now. In the future, in accordance with our business development, etc., we will consider establishing and strengthening our system for promotion to managerial positions.

(iii) Voluntary and measurable targets and the status thereof pertaining to promotion of mid-career hires to managerial positions

As of February 29, 2024, the ratios of mid-career hires in managerial positions in the Company are 29.0% for general managers and 18.7% for division managers, representing 21.7% overall.

For promoting mid-career hires to managerial positions, with a provisional target of 20%, we will continue to actively promote a wide range of people including professionals to managerial positions.

(3) Policies for human resource development and internal environment development to ensure diversity, as well as the status thereof

(i) Human resource development policy to ensure diversity

We define the human resources necessary for sustainable growth as “Apparel business professionals,” “Back office professionals,” and “IT/DX human resources.” We also work to recruit and develop human resources, who will respond sensitively to changes in the society and be responsible for the growth and development of our business, and to pass on this know-how.

(ii) Developing an environment to further the active participation of diverse human resources

By providing diverse career paths and work styles, we will create a rewarding work environment where employees can achieve personal growth and job satisfaction, and thereby feel motivated to contribute to their teams.

(iii) Promotion of diversity and inclusion

By encouraging each employee to respect and accept each other’s individualities and differences and to put these to good use, we create new values and ideas that lead to the sound and sustainable growth of the company. We will also strive to create such a corporate culture.

(iv) Status of efforts to ensure diversity

Support for employee career development:

Implementation status of the career path system (promotion of mainly people who have experience working in stores)

- Career-track permanent employees: 1 person (2023), 1 person (2022), 2 persons (2021), 3 persons (2020), 11 persons (2019), 10 persons (2018)
- Specialist permanent employees: 23 persons (2023), 4 persons (2022), 4 persons (2021), 4 persons (2020), 5 persons (2019), 2 persons (2018)

Fair and equitable recruitment with an emphasis on diversity:

Recruitment status of mid-career hires (excluding sales staff)

- New hires in 2023: 7 new graduates and 24 mid-career hires; new hires in 2022: 44 mid-career hires; new hires in 2021: 31 mid-career hires; new hires in 2020: 17 new graduates and 20 mid-career hires; new hires in 2019: 17 new graduates and 45 mid-career hires

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

The Pension Fund Asset Management Committee, which consists of members of the Accounting Department, Finance Department, and Human Resources Department including the General Manager of Accounting & Finance Headquarters and the General Manager of Personnel & Administration Headquarters, considers and decides the Company's pension fund management policy. The pension fund management policy aims to secure the required overall profit over the long term while considering risks in order to ensure that pension benefits to beneficiaries will be provided in the future.

When considering the policy, the Pension Fund Asset Management Committee hears opinions from multiple external fund management institutions, and formulates the strategic asset allocation from a medium- to long-term perspective.

[Principle 3.1: Enhancement of Information Disclosures]

(1) Company objectives (e.g., business principles), business strategies, and business plan

Please see the following on our website:

- Corporate Policy and Management Philosophy

(<https://www.sanyo-shokai.co.jp/en/company/philosophy/>)

- Medium-Term Business Plan (Fiscal 2023–2025)

(https://ssl4.eir-parts.net/doc/8011/ir_material_for_fiscal_ym7/150149/00.pdf)

- Fiscal 2024 Financial Results Explanatory Materials

(<https://ssl4.eir-parts.net/doc/8011/tdnet/2420435/00.pdf>)

(2) Basic policy on corporate governance based on each of the principles of the Code

Please see the following on our website:

- Basic Approach to Corporate Governance

(<https://www.sanyo-shokai.co.jp/en/sustainability/governance/corporate-governance/>)

- Corporate Governance Policy

(https://www.sanyo-shokai.co.jp/assets/pdf/cg_policy_EN_20240327.pdf)

- Annual Securities Report

(https://ssl4.eir-parts.net/doc/8011/ir_material_for_fiscal_ym5/158278/00.pdf)

(3) Board policies and procedures in determining the compensation of the senior management and Directors

Details are stated below in “Policy on Determining Remuneration Amounts and the Calculation Methods Thereof”.

(4) Board policies and procedures in the appointment/dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

The Company has established the Nomination & Compensation Committee, chaired by an independent Outside Director, as a voluntary advisory committee to the Board of Directors in the deliberation and decision-making at the board meetings concerning the nomination of Directors, Audit & Supervisory Board Members, and Senior Executive or Executive Managing Officers (hereinafter collectively referred to as “Corporate Officers, etc.”), as well as the compensations and compensation system for Directors and Managing Officers. By establishing the Nomination & Compensation Committee, we utilize the knowledge and advice of Outside Officers, while ensuring objectiveness and transparency in the procedures related to the nomination of Corporate Officers, etc., as well as compensations and the compensation system for Directors and Managing Officers, in order to further enhance the function of corporate governance.

The nomination of candidates for Directors or Audit & Supervisory Board Members is, as a general rule, based on the following conditions: The candidates must have engaged in duties as a Managing Officer, General Manager, or the equivalent thereof for at least one year, be well-versed in the Company's business operations with extensive work experience, have excellent management acumen as well as ability to guide, lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member.

The nomination of candidates for Outside Directors or Outside Audit & Supervisory Board Members is based on the following conditions: In addition to having excellent management acumen as well as ability to guide, lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member, the candidates must be persons with abundant experience in management or with expertise in various fields including law and accounting, who can be expected to fulfill the functions and roles of performing objective and appropriate supervision or auditing, and whose independence can be ensured without any risk of conflict of interest with general shareholders.

The standards for the independence of Outside Directors and Outside Audit & Supervisory Board Members are as stipulated in the “Standards for the Independence of Outside Officers.”

(5) Explanations with respect to the individual appointments/dismissals of senior management and nominations of candidates for Directors and Audit & Supervisory Board Members conducted by the Board of Directors based on (4) above

The Company's reasons for the individual appointments of candidates for Directors and Audit & Supervisory Board Members are described in the “Notice of the Annual General Meeting of Shareholders.”

[Supplementary Principle 3.1.3]

(1) Company's initiatives on sustainability

As set forth in the Corporate Governance Policy, we recognize that sustainability issues are important management issues that not only reduce risks but also bring about earning opportunities. In order to respond to these issues, we have established the Basic Policy on Sustainability, and the Sustainability Committee is taking the lead in promoting sustainability activities in cooperation with external partners as necessary, as well as actively working to build an internal system and raising awareness among employees.

Please see the following page on our website for specific activity reports:

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

(2) Investments in human capital and intellectual properties

(i) Regarding investments in human capital

We believe that developing the skills of our employees is the most important requisite for becoming an excellent company that can contribute to the realization of a sustainable society with the ability to create high values and solid profitability. We position the growth of our human resources as the source of our corporate value creation. The Company has set forth “skills to create high quality, high grade, and high value-added products,” “excellent brand portfolios with the ability to accomplish brand business targets,” “employees with creative skills and high ethical values,” and “executives with excellent management skills under efficient management systems” as the Values necessary to achieve our Mission and Vision. To provide these values, we work to develop the skills of our employees through training, etc., in accordance with our human resource development policy. In addition, by providing diverse career paths and work styles, we strive to create a rewarding environment in which employees can achieve personal growth and job satisfaction, and thereby engage in their own work.

(ii) Regarding investments in intellectual properties

The Company’s Vision is “to become an excellent company that can contribute to the realization of a sustainable society with the ability to create high values and solid profitability,” and we recognize that intellectual properties accumulated through value creation are our most important assets, and that they are the most important targeted investment in conducting our brand business. We will continue to actively invest in intellectual properties, including the acquisition of trademark rights.

As specific examples of our investment results so far, we acquired the trademark rights of EVEX by KRIZIA in 16 Asian countries including Japan in December 2011, and in March 2021, we acquired the trademark rights pertaining to Paul Stuart in Japan.

(3) Impact of climate change-related risks and earning opportunities on company’s own business activities and profits

We express our support for the TCFD and disclose 11 items over four areas based on the TCFD framework. For details, please visit the following page on our website:

(<https://www.sanyo-shokai.co.jp/en/sustainability/environment/tcfd/>)

[Principle 4.1: Roles and Responsibilities of the Board of Directors (1)]

[Supplementary Principle 4.1.1]

The Board of Directors makes decisions on matters to be resolved and important management matters stipulated in the Regulations of the Board of Directors. As for the scope of delegation to management, the authorities related to decision-making, deliberation, and approval for decision-making bodies and decision-makers, such as the Board of Directors, Management Council, Representative Directors, Managing Directors, and General Managers, are clearly defined in the Regulations on the Duties of Directors, the Regulations of Managing Officers, and the Regulations on the Division of Duties.

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

The independence standards that we use when appointing Outside Directors and Outside Audit & Supervisory Board Members are based on the Standards for the Independence of Outside Officers established by domestic financial exchanges such as the Tokyo Stock Exchange. As for the nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members, we require that the candidates must be persons with abundant experience in management or with expertise in various fields including law and accounting, who have the character and knowledge appropriate to the position of an Outside Director or an Outside Audit & Supervisory Board Member, and whose independence can be ensured. The standards for the independence of Outside Directors and Outside Audit & Supervisory Board Members are as follows.

<Standards for the Independence of Outside Officers>

The Company deems that a candidate for Outside Officers (Outside Directors or Outside Audit & Supervisory Board Members) does not have the independence of an outside officer if he/she falls under any of the following.

1. Major client

A person for whom the Company is a major client *1) or the business executor of such person, or otherwise a person who is a major client of the Company *2) or the business executor of such person

2. External expert

Consultant, accounting expert, or legal expert who receives a large amount *3) of cash or other assets in addition to officer compensation from the Company (in cases where the recipient of the assets is a corporation, association, or other organization, a person who belongs to the relevant organization)

3. Audit firm of the Company

A person who belongs to an audit firm that conducts audits pertaining to the Company based on the Companies Act or the Financial Instruments and Exchange Act

4. Recipient of contributions

A person who receives a large amount *4) of contributions from the Company (in cases where the recipient is a corporation, association, or other organization, a person who executes the business of the relevant organization)

5. Major shareholder

A person who substantially holds 10% or more of voting rights in the Company or the business executor of such person

6. Past relationships

A person who had recently fallen under any of the category from 1 to 5 above

7. Close relatives

Close relatives of a person who falls under any of the category from 1 to 6 above (excluding non-important person)

(Notes)

*1) “A person for whom the Company is a major client” refers to those who have received from the Company payments accounting for more than 2% of its annual sales in the most recent fiscal year.

*2) “A major client of the Company” refers to those who have paid the Company more than 2% of the Company’s annual sales in the most recent fiscal year, or a person whose loan balance pertaining to the Company accounts for more than 2% of the total assets of the Company.

*3) The term “large amount” as mentioned here refers to the amount of assets a party received in the most recent fiscal year; if the party is an individual, it means an amount exceeding 10 million yen per year, and if the party is a corporation, association, or other organization, it means an amount exceeding 2% of the consolidated sales or total income of the relevant organization.

*4) The term “large amount” as mentioned here means an amount of contributions received in the most recent fiscal year that exceeds 10 million yen per year or 2% of the total income, whichever is greater.

[Principle 4.10: Use of Voluntarily Established Mechanism]

[Supplementary Principle 4.10.1]

The Company has established the Nomination & Compensation Committee, chaired by an independent Outside Director, as a voluntary advisory committee to the Board of Directors in the deliberation and decision-making at the board meetings concerning the nomination of Directors, Audit & Supervisory Board Members, and Senior Executive or Executive Managing Officers (hereinafter collectively referred to as “Corporate Officers, etc.”), as well as the compensations and compensation system for Directors and Managing Officers. By establishing the Nomination & Compensation Committee, we utilize the knowledge and advice of Outside Officers, while ensuring objectiveness and transparency in the procedures related to the nomination of Corporate Officers, etc., as well as the compensations and compensation system for Directors and Managing Officers in order to further enhance the function of corporate governance.

The nomination of candidates for Directors or Audit & Supervisory Board Members is, as a general rule, based on the following conditions: The candidates must have engaged in duties as a Managing Officer, General Manager, or the equivalent thereof for at least one year, be well-versed in the Company’s business operations with extensive work experience, have excellent management acumen as well as ability to guide, lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member.

The nomination of candidates for Outside Directors or Outside Audit & Supervisory Board Members is based on the following conditions: In addition to having excellent management acumen as well as ability to guide, lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member, the candidates must be persons with abundant experience in management or with expertise in various fields including law and accounting, who can be expected to fulfill the functions and roles of performing objective and appropriate supervision or auditing, and whose independence can be ensured without any risk of conflict of interest with general shareholders.

The standards for the independence of Outside Directors and Outside Audit & Supervisory Board Members are as set forth in the <Standards for the Independence of Outside Officers> described under the aforementioned [Principle 4.9: Independence Standards and Qualification for Independent Outside Directors]. The Company’s reasons for the individual appointments of candidates for Directors and Audit & Supervisory Board Members are described in the “Notice of the Annual General Meeting of Shareholders.”

[Principle 4.11: Preconditions for Ensuring the Effectiveness of the Board of Directors]

[Supplementary Principle 4.11.1]

The Company’s Board of Directors is composed of seven Directors. In addition to the two Inside Directors responsible for executing and administering our business, we have appointed five Outside Directors to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors, as well as to enhance its supervisory function. In order to ensure the soundness, transparency, and efficiency of management, we have strengthened the management supervising function and established an effective corporate governance system through the appointment of five independent Outside Directors and two independent Outside Audit & Supervisory Board Members, based on the structure of a company with a Board of Audit & Supervisory Board Members. We are also working to speed up and streamline decision-making and business execution through the introduction of a Managing Officer system.

Our Directors have abundant experience and specialized knowledge in various fields including corporate management, general retail, branding, product planning/production/technology, marketing/CRM, EC/OMO, international experience/overseas business, financial markets/M&A, legal/compliance, and finance/tax/accounting. In addition, all of our Outside Directors have experience in corporate management and similarly have abundant experience and expertise in various fields, including general retail, branding, product planning/production/technology, marketing/CRM, EC/OMO, international experience/overseas business, financial markets/M&A, and finance/tax/accounting.

Therefore, the composition of the Company’s Board of Directors is not only well-balanced in terms of the knowledge, experience, and skills possessed by each Director, but also diverse.

[Supplementary Principle 4.11.2]

In the event that a Director or a Audit & Supervisory Board Member of the Company concurrently serves as an officer of a listed company, the approval of the Board of Directors on such positions will only be granted to a reasonable extent whereby the time and effort necessary to properly fulfill their roles and responsibilities as an officer of our Company can be secured. The status of important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members at other companies is disclosed annually through the general shareholders meeting notice, annual securities report, corporate governance report, etc.

[Supplementary Principle 4.11.3]

The Company conducts self-evaluation and analysis of the effectiveness of the Board of Directors with the aim of improving the functions of the Board of Directors and thereby enhancing corporate value.

Self-evaluation and analysis were conducted by the following method with the advice of an external organization. In February 2024, we conducted a survey of all Directors and Audit & Supervisory Board Members who are members of the Board of Directors. For the response method, we have ensured anonymity by having them send the responses directly to an external organization. Based on the external organization's report of the aggregated results, we analyzed, discussed, and evaluated the results at the ordinary Board of Directors' meeting in March 2024. An overview of the results is as follows.

From the survey responses, we received positive evaluations on several points such as: (1) Board of Directors' meetings have been held at an appropriate frequency and sufficient time has been allocated for deliberations, (2) discussions and exchanges of opinions taking place are not formal, but open and constructive, and (3) the situation in which dialogues with shareholders are conducted by the executive team in a timely and appropriate manner has been clearly shared. Accordingly, we confirmed that the effectiveness of the Board of Directors as a whole is assured.

In the previous effectiveness evaluation, issues were pointed out regarding the need for adequate discussion and clear consensus building on value creation from the customer's perspective using data and digital technology, as well as on the vision to achieve this. Since then, we made efforts toward improving on those issues and confirmed that improvements have certainly been made.

On the other hand, the Board of Directors shared the following two issues: (1) there should be appropriate discussions on the approach to ensuring diversity in core human resources, including the appointment of women, foreigners, and mid-career hires to management positions, as well as the goals toward such diversity, and on policies for human resource development and internal environmental improvement; (2) there should be training opportunities for officers (e.g., for acquiring the necessary knowledge of their roles and responsibilities).

In the future, based on this effectiveness evaluation, the Company's Board of Directors will thoroughly consider the above-mentioned issues and respond promptly to them, and will thereby continue efforts to enhance the functions of the Board of Directors.

[Principle 4.14: Trainings for Directors and Audit & Supervisory Board Members]

[Supplementary Principle 4.14.2]

In order for Directors and Audit & Supervisory Board Members to fully fulfill their management supervising and auditing functions, we provide appropriate and timely information necessary for the performance of their duties through the Board of Directors Secretariat. As for Outside Officers, in order to enhance their deliberation at the board meetings, we distribute and explain the meeting materials and provide related information to them beforehand, while continuously providing them opportunities to understand the Company's business operations through, among other things, orientation at the time of appointment and dialogues with our senior management.

We continuously provide Inside Directors and Managing Officers with trainings on compliance, corporate governance, and internal control conducted by external instructors. In addition, newly appointed Inside Directors and Managing Officers are required to attend external seminars.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

We recognize the importance of gathering opinions through active dialogue with shareholders and reflecting them in our management in order to achieve sustainable growth and enhance corporate value over the medium to long term. To this end, through efforts led by the officer in charge of IR and the department in charge of IR, we are actively engaging in dialogue with shareholders and investors. For shareholders and investors, we convene financial results explanatory meetings once every six months, and hold one-on-one meetings as appropriate.

In addition, we advance our provision of information to overseas shareholders and investors by preparing English versions of Financial Results Explanatory Materials, Medium-Term Business Plan, and other documents, and disclosing them on the English "IR NEWS" section of our Company's website (<https://www.sanyo-shokai.co.jp/en/ir/>).

【Action to Implement Management that is Conscious of Cost of Capital and Stock Price】 **【Update: October 4, 2024】**

Action to Implement management that is Conscious of Cost of Capital and Stock Price is disclosed on our website.

(https://ssl4.eir-parts.net/doc/8011/ir_material_for_fiscal_ym9/164613/00.pdf)

【Status of Dialogue with Shareholders】

Status of dialogue with shareholders is disclosed on our website. (<https://www.sanyo-shokai.co.jp/en/ir/shareholder/dialogue/>)

2. Capital Structure

Foreign Shareholding Ratio **UPDATED** 10% or more but less than 20%

Status of Major Shareholders **UPDATED**

Individual or Company Name	Number of Shares Held (Shares)	Percentage (%)
Yagi Tsusho Limited	1,600,000	13.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,120,000	9.59
Custody Bank of Japan, Ltd. (Mitsui & Co., Ltd. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	757,800	6.49
Mitsui & Co., Ltd.	345,426	2.96
Meiji Yasuda Life Insurance Company	270,453	2.32
MORGAN STANLEY & CO. LLC	197,855	1.69
BBH BOSTON FOR NOMURA JAPAN SMALLER CAPITALIZATION FUND 620065	189,700	1.62
Tomohiro Yoshida	187,000	1.60
STATE STREET BANK AND TRUST COMPANY 505001	185,419	1.59
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	183,780	1.57

Name of Controlling Shareholder, IF applicable (excluding Parent Company) –
Name of Parent Company, if applicable None

Supplementary Explanation **UPDATED**

This is the status as of August 31, 2024. In addition to the above, there are 942,955 treasury shares that should be included in the description of major shareholders. The ownership interest (%) is calculated after deducting these treasury shares from the total number of shares issued.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Prime Market
Fiscal Year-End	February
Business Sector	Textiles & Apparels
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion or more and less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

–

5. Other Special Circumstances which May have Material Impact on Corporate Governance

–

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

1. Organizational Composition and Operation

Corporate Governance System Company with Audit & Supervisory Board Members*
*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	9
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	7
Election of Outside Directors	Elected
Number of Outside Directors	5

Number of Independent Directors

5

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Motoyoshi Shiina	From another company					△						
Chihiro Nihashi	From another company					△						
Ikuo Yasuda	From another company											
Osamu Nakamoto	From another company				△	△		△				
Kayo Murakami	From another company											

* Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Motoyoshi Shiina	○	He came from a trading company that is also a major client and a major shareholder of the Company, but he left that company in 2008. We do not think there is a risk that his appointment will affect the judgment of shareholders and investors in light of the scale and nature of the relevant business transactions.	In addition to knowledge of the apparel and retail industry, branding, and international business, he also has abundant experience in management as a whole and corporate governance as the representative director & president of a listed company. Based on such experience, he serves as Chairman of the Board of Directors of the Company since 2020, and accordingly, we judge that he will contribute to the improvement of transparency and objectivity of the Company's management and is a suitable person in the position to supervise our business execution. After his appointment, we expect that he will properly perform his duties as an Outside Director of the Company, including making decisions on important management matters and supervising our business execution.
Chihiro Nihashi	○	He came from a department store company that is a major client of the Company, but we do not think there is a risk that his appointment will affect the judgment of shareholders and investors in light of the scale and nature of the relevant business transactions.	Having been involved in the management of department stores for many years, he is well versed in the apparel and retail industry. His wealth of managerial experience in department stores and his extensive knowledge of branding and marketing are beneficial to the realization of our Medium-Term Business Plan. After his appointment, we expect that he will properly perform his duties, including making decisions on important management matters and supervising our business execution.

Ikuo Yasuda	○	—	He has extensive business experience in Japanese and overseas financial institutions. Based on his knowledge of finance, he specializes in various fields especially M&A, business succession, and business restructuring. His expertise in financial markets and M&A is beneficial to the realization of our Medium-Term Business Plan for business growth. After his appointment, we expect that he will properly perform his duties, including making decisions on important management matters and supervising our business execution.
Osamu Nakamoto	○	He came from a trading company, which is the largest shareholder of our Company. Although we have major business relationships with said company, he left said company in June 2015 and its affiliated subsidiary in May 2018. Therefore, we do not think there is a risk that his appointment will affect the judgement of shareholders and investors.	He has held important positions related to brand business at a trading company that mainly imports apparel. He is also serving as representative director and vice chairman of said company's overseas affiliate in UK. He is well versed in the apparel and retail industry, and his abundant experience and broad knowledge of product planning, branding, overseas business, and many other fields are beneficial to the realization of our Medium-Term Business Plan. After his appointment, we expect that he will properly perform his duties, including making decisions on important management matters and supervising our business execution.
Kayo Murakami	○	—	She specializes in digital marketing and digital transformation, and is well versed in those areas. Her insights on marketing and EC are beneficial to the realization of our Medium-Term Business Plan. After her appointment, we expect that she will properly perform her duties, including making decisions on important management matters and supervising our business execution.

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee Established

Status of Voluntarily Established Committee(s), Member Composition, and Attribute of the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Committee Chair (Chairperson)
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination & Compensation Committee	3	0	1	2	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination & Compensation Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

The Company has established the Nomination & Compensation Committee, chaired by an independent Outside Director, as an advisory committee to the Board of Directors in the deliberation on the nomination of Directors, Audit & Supervisory Board Members, and Senior Executive or Executive Managing Officers (hereinafter referred to as "Corporate Officers, etc."), as well as on the compensations or compensation system for Directors and Managing Officers; by doing so, we utilize the knowledge and advice of Outside Officers, while ensuring objectiveness and transparency in the procedures for decision-making concerning the nomination of Corporate Officers, etc., as well as procedures related to the compensations and compensation system for Directors and Managing Officers. By establishing the Nomination & Compensation Committee, we aim to improve the supervisory function of the Board of Directors and further enhance the function of corporate governance.

Audit & Supervisory Board Member*

*Referred to the reference translation of the Corporate Governance Code as "*kansayaku*"

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	3

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

Cooperative relationships between Audit & Supervisory Board Members and Independent Accounting Auditor

The Company recognizes that the Independent Accounting Auditor is responsible to shareholders and investors. Other than receiving explanations of the audit plan and audit report from the Independent Accounting Auditor, the Audit & Supervisory Board Members visit business sites and observe audit review meetings. In addition, the Audit & Supervisory Board Members and Independent Accounting Auditor hold regular quarterly meetings to exchange various information related to general audits, internal control, business risks, etc., and endeavor to maintain audit schedules and audit systems for an appropriate auditing.

Cooperative relationships between Audit & Supervisory Board Members and Internal Audit Departments

The Audit & Supervisory Board Members of the Company shall cooperate with the Internal Audit Departments to collect information necessary for conducting audits, and also, led by the full-time Audit & Supervisory Board Member, they shall request information from the executive departments.

The Company's Internal Audit Office regularly reports the implementation status of audits to the President, and at the same time, endeavors to strengthen cooperative relationships by providing reports to Directors and Audit & Supervisory Board Members. In cooperation with the Internal Audit Office, information is provided to Outside Audit & Supervisory Board Members in a timely manner using the same materials as those reported to the President at the Internal Audit Office periodic meeting held every three months.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Outside Audit & Supervisory Board Members Designated as Independent Officer	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Somuku Iimura	Lawyer													
Atsushi Fukuda	CPA								△					

* Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit & Supervisory Board Member of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit & Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Somuku Iimura	○	—	We believe that he will be able to appropriately perform his duties as an Outside Audit & Supervisory Board Member based on his professional standpoint and abundant experience as a lawyer, as well as his impeccable character and insight. In addition, we have designated him as an independent auditor because he satisfies the “Standards for the Independence of Outside Officers” established by our Company and there is no risk of him having any conflict of interest with general shareholders.
Atsushi Fukuda	○	He belonged to an audit corporation that serves as an accounting auditor of our Company, but he has already retired from said corporation. Since he has had no business contact with our Company during his tenure at said corporation, and in light of the nature of the relevant transactions and its relationship with our Company, we do not think there is a risk that his appointment will affect the judgement of shareholders and investors.	We believe that he will be able to appropriately perform his duties as an Outside Audit & Supervisory Board Member based on his professional standpoint and abundant experience as a certified public accountant (CPA), as well as his impeccable character and insight. In addition, we have designated him as an independent auditor because he satisfies the “Standards for the Independence of Outside Officers” established by our Company and there is no risk of him having any conflict of interest with general shareholders.

Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members

7

Other Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

—

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Performance-based compensation system

Supplementary Explanation for Applicable Items

The total amount of a Director's compensation is composed of a fixed monthly compensation paid as basic compensation according to his/her responsibilities and position, a bonus paid as compensation based on performance, etc., and a Restricted Stock award. The composition is set as follows: a fixed monthly compensation of 70%, a bonus that varies between 0% and 22.5% (15% when 100% is achieved), and a Restricted Stock award of 15%. Furthermore, from the perspective of independence, compensation for Outside Directors consists only of fixed monthly compensation, without the payment of performance-based compensation or Restricted Stock awards. Performance-based compensation for Directors (excluding Outside Directors) will be paid as bonuses after being calculated according to the degree of achievement of consolidated operating income and net income attributable to shareholders of the parent company, which are indicators of corporate profitability, on the assumption that the Company's operating income is in surplus. Upon deliberation at the voluntary Nomination & Compensation Committee, which is chaired by an Outside Director, the amount of compensation for Directors is then determined by the Board of Directors after taking into consideration factors such as comparisons with compensation levels at other companies, managerial responsibilities, and positions. In addition, Restricted Stock awards, which are non-monetary compensation, are paid in the form of restricted shares allocated by a method in which monetary compensation receivables paid to each Director are invested in kind based on their positions, etc.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No disclosure of individual directors' compensation

Supplementary Explanation for Applicable Items

The Company discloses the total amount of compensations, etc. for Directors in Annual Securities Report and Business Report (document attached to the Notice of Annual General Meeting of Shareholders).

- Number of persons to whom remuneration was paid and total amount of remuneration in FY2023: 11 persons and ¥161 million
- Directors (excluding Outside Directors): ¥96 million
- Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): ¥17 million
- Outside Officers: ¥48 million
- The above includes one Director who retired at the conclusion of the 80th Annual General Meeting of Shareholders held on May 30, 2023.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

At the 64th Annual General Meeting of Shareholders held on March 29, 2007, a resolution was passed to set the total amount of annual compensation for Directors of the Company as an amount no higher than 450 million yen (However, the employee salaries for Directors who concurrently serve as employees are not included.) and the total amount of annual compensation for Audit & Supervisory Board Members of the Company as an amount no higher than 80 million yen. In addition, as part of our efforts in strengthening corporate governance, we review our officer compensation system, provide incentives for our Directors (excluding Outside Directors) to pursue ongoing improvements in our corporate value, and also, for the purpose of promoting further value sharing with shareholders, a resolution was passed at the 76th Annual General Meeting of Shareholders held on March 28, 2019 to introduce a restricted stock award plan (hereinafter referred to as "the Plan") within the scope of the above compensation limit. Based on the Plan, the total amount of monetary compensation receivables to be paid is capped at 100 million yen per year, with no more than 50,000 shares per year.

The total amount of a Director's compensation is composed of a fixed monthly compensation paid as basic compensation according to his/her responsibilities and position, a bonus paid as compensation based on performance, etc., and a Restricted Stock award. The composition is set as follows: a fixed monthly compensation of 70%, a bonus that varies between 0% and 22.5% (15% when 100% is achieved), and a Restricted Stock award of 15%. Furthermore, from the perspective of independence, compensation for Outside Directors consists only of fixed monthly compensation, without the payment of performance-based compensation or Restricted Stock awards. Performance-based compensation for Directors (excluding Outside Directors) will be paid as bonuses after being calculated according to the degree of achievement of consolidated operating income and net income attributable to shareholders of the parent company, which are indicators of corporate profitability, on the assumption that the Company's operating income is in surplus. Upon deliberation at the voluntary Nomination & Compensation Committee, which is chaired by an Outside Director, the amount of compensation for Directors is then determined by the Board of Directors after taking into consideration factors such as comparisons with compensation levels at other companies, managerial responsibilities, and positions. In addition, Restricted Stock awards, which are non-monetary compensation, are paid in the form of restricted shares allocated by a method in which monetary compensation receivables paid to each Director are invested in kind based on their positions, etc.

The total amount of compensation, etc. for Audit & Supervisory Board Members is determined through discussions at the Audit & Supervisory Board Members' meetings, taking into consideration the respective responsibilities of full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members. From the standpoint of ensuring independence, Audit & Supervisory Board Members receive only a fixed monthly compensation.

Support System for Outside Directors and/or Outside Audit & Supervisory Board Members

For Outside Directors, we assign the Administration Department, which is the Board of Directors Secretariat, and the Corporate Planning Department to assist them with their duties and to support them in other work related to administration, communication, etc., while for Outside Audit & Supervisory Board Members, the assisting employees of the Audit & Supervisory Board Members are assigned to these supporting roles.

Statuses of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Position (*Sodanyaku, Komon*, etc.) who are former Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Masamichi Nakase	Advisor	Give advice upon request from the Company, utilizing the experience and knowledge from having been involved in the management of the Company	Part-time with remuneration	March 28, 2013	1 year

Number of Persons Holding Advisory Position (*Sodanyaku, Komon*, etc.) who are former Representative Director and President, etc.

1

Other Related Matters

Regarding the appointment of Advisors, a resolution is passed at the Board of Directors upon deliberation by the Nomination & Compensation Committee.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

We are a company with Audit & Supervisory Board Members.

(1) Mechanism for monitoring business execution and management

As of May 29, 2024, the Company's Board of Directors consists of seven Directors. Of these seven Directors, five Outside Directors have been appointed to further strengthen management systems and enhance the supervisory function. In addition, three Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, are present. The Board of Directors is positioned as a body that makes decisions on basic management policies, matters stipulated by laws, and other important matters related to management, while supervising the status of business execution to ensure thorough compliance.

- Chair: Motoyoshi Shiina, Director
- Members: Shinji Oe, Representative Director & President; Ikuro Kato, Director; Chihiro Nihashi, Director; Ikuo Yasuda, Director; Osamu Nakamoto, Director; Kayo Murakami, Director. Note that Motoyoshi Shiina, Chihiro Nihashi, Ikuo Yasuda, Osamu Nakamoto and Kayo Murakami are Outside Directors.

We have established a Management Council consisting of Directors (excluding Outside Directors) and persons appointed by the Board of Directors for multifaceted consideration and decision-making regarding important matters that have a significant impact on the Company. In addition, through the introduction of a Managing Officer system, we carry out management that enables prompt decision-making and business execution by separating the management's strategic decision-making function and business execution supervising function from the business execution function.

As a general rule, the above-mentioned Board of Directors, Management Council, and Managing Officer's Council hold meetings every month, respectively.

(2) Director's term of office

From the 75th fiscal year, the term of office for Directors has been shortened from two years to one year in order to respond promptly to changes in the business environment and to clarify the managerial responsibilities of Directors during a fiscal year.

(3) Overview of various committees

For the purpose of strengthening corporate governance, we have established the Nomination & Compensation Committee, consisting of three members—one independent Outside Director as the chair, one Director, and one other independent Outside Director. It serves as a voluntary advisory committee to the Board of Directors in the deliberation on the nomination of the respective candidates for Directors, Audit & Supervisory Board Members, and Managing Officers, as well as on the compensations and compensation system for Directors and Managing Officers; by doing so, we utilize the knowledge and advice of Outside Officers, while ensuring objectiveness and transparency in the procedures for decision-making concerning the aforementioned nominations. The nomination of candidates for Directors or Audit & Supervisory Board Members is, as a general rule, based on the following conditions: The candidates must have engaged in duties as a Managing Officer, General Manager, or the equivalent thereof for at least one year, be well-versed in the Company's business operations with extensive work experience, have excellent management acumen as well as ability to guide, lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member. The nomination of candidates for Outside Directors or Outside Audit & Supervisory Board Members is based on the following conditions: In addition to having excellent management acumen as well as ability to guide, lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Audit & Supervisory Board Member, the candidates must be persons with abundant experience in management or with expertise in various fields including law and accounting, who can be expected to fulfill the functions and roles of performing objective and appropriate supervision or auditing, and whose independence can be ensured without any risk of conflict of interest with general shareholders.

- Chair: Motoyoshi Shiina, Director
- Members: Shinji Oe, Representative Director & President; Ikuo Yasuda, Director

(4) Outside Directors and Outside Audit & Supervisory Board Members

As stipulated in the Corporate Governance Policy, our basic policy on independence when appointing Outside Directors and Outside Audit & Supervisory Board Members requires that there is no risk of conflict of interest with general shareholders, and we expect them to fulfill the functions and roles of performing objective and appropriate supervision or auditing based on their specialized knowledge.

Outside Directors and Outside Audit & Supervisory Board Members are appointed from those who have a wide range of knowledge and insights with abundant experience and achievements in various fields, as well as those whose independence can be ensured, in order to further strengthen management systems and enhance the management supervising function.

Outside Directors receive reports on internal audits, compliance, progress of internal controls, as well as the results of Audit & Supervisory Board Members' audits and independent accounting audits at the Board of Directors' meetings. Furthermore, other than attending the Board of Directors' meetings and receiving reports on the results of audits and reviews from the Independent

Accountant mainly at the Audit & Supervisory Board Members' meetings upon the announcement of each quarter's financial results, Outside Audit & Supervisory Board Members also regularly receives explanations concerning the implementation status of audits from the Internal Audit Departments. Through such exchange of information, we are working to strengthen cooperative relationships among the relevant parties.

In an effort to strengthen cooperative relationship with the internal control division, the Internal Audit Office reports to the Board of Directors on the progress of internal controls during the fiscal year, and the Board of Directors conducts a question-and-answer session in addition to giving advices on internal controls, as appropriate.

(5) Status of audit by Audit & Supervisory Board Members

The Board of Audit & Supervisory Board Members consists of three Audit & Supervisory Board Members, of whom two are Outside Audit & Supervisory Board Members. In addition, one of the Outside Audit & Supervisory Board Members is a certified public accountant who has considerable knowledge of finance and accounting. In principle, the Board of Audit & Supervisory Board Members holds a meeting every month to determine audit policies, division of duties, etc., and to monitor important matters.

- Chair: Rokuichi Ito, Full-time Audit & Supervisory Board Member
- Members: Somuku Imura, Audit & Supervisory Board Member; Atsushi Fukuda, Audit & Supervisory Board Member

Note that Somuku Imura and Atsushi Fukuda are Outside Audit & Supervisory Board Members.

We maintain a system in which Audit & Supervisory Board Members attend Board of Directors' meetings and other important meetings, receive reports from Directors, etc. concerning business conditions, review important approval documents, and conduct audits of business execution. We are working to strengthen cooperative relationships by conducting regular exchange of information among the Audit & Supervisory Board Members, Independent Accountant, and Internal Audit Office.

The Company has executed agreements that limit the liability for damages under Article 423, Paragraph 1 of the Companies Act with each Outside Director and Audit & Supervisory Board Member, pursuant to the provisions of Article 427, Paragraph 1 of said Act. The maximum amount of liability for damages under the relevant agreement shall be the amount stipulated by law. Such limitation of liability is recognized only when the relevant Outside Director or Audit & Supervisory Board Member has acted in good faith and without gross negligence in performing the duties that caused the liability.

(6) Overview of the agreement limiting liability

The Company has executed agreements that limit the liability for damages under Article 423, Paragraph 1 of the Companies Act with each Outside Director and Audit & Supervisory Board Member, pursuant to the provisions of Article 427, Paragraph 1 of said Act. The maximum amount of liability for damages under the relevant agreement shall be the amount stipulated by law. Such limitation of liability is recognized only when the relevant Outside Director or Audit & Supervisory Board Member has acted in good faith and without gross negligence in performing the duties that caused the liability.

(7) Matters concerning liability insurance contract for Corporate Officers, etc.

The Company concludes a liability insurance contract with an insurance company for Corporate Officers, etc., with the Directors, Audit & Supervisory Board Members, Managing Officers, and managerial employees of the Company and its subsidiaries being named as the insured.

A summary of the contract is as follows.

- Compensation covers legal costs and damages incurred by the insured due to company litigation, third-party litigation, shareholder litigation, and other lawsuits.
- As a measure to ensure that the insured's proper performance of duties is not impaired, damages incurred due to criminal acts conducted by the insured are not covered by compensation.
- Insurance premiums for the relevant contract are fully paid by the Company.

3. Reasons for Adoption of Current Corporate Governance System

In order to ensure the soundness, transparency, and efficiency of management, we have strengthened the management supervising function and established an effective corporate governance system through the appointment of five independent Outside Directors and two independent Outside Audit & Supervisory Board Members, based on the structure of a company with a Board of Audit & Supervisory Board Members. We are also working to speed up and streamline decision-making and business execution through the introduction of a Managing Officer system.

Our Directors have abundant experience and specialized knowledge in various fields including corporate management, general retail, branding, product planning/production/technology, marketing/CRM, EC/OMO, international experience/overseas business, financial markets/M&A, legal/compliance, and finance/tax/accounting. In addition, all of our Outside Directors have experience in corporate management, and similarly have abundant experience and expertise in various fields, including general retail, branding, product planning/production/technology, marketing/CRM, EC/OMO, international experience/overseas business, financial markets/M&A, and finance/tax/accounting.

Therefore, the composition of the Company's Board of Directors is not only well-balanced in terms of the knowledge, experience, and skills possessed by each Director, but also diverse.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	From the passing of board resolution regarding the convocation of the General Shareholders Meeting to the sending of the convocation notice, the relevant information will be announced electronically via the “Company Announcements Service” of the Tokyo Stock Exchange and on the Company’s website.
Electronic Exercise of Voting Rights	It is also possible to exercise voting rights via the Internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We participate in the Electronic Voting Platform for institutional investors operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	English translations of proposals for the General Shareholders Meeting are prepared and posted on the Company’s website.
Other	Visualization of the operation of general meetings and explanation of the business plan with SR in mind

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	We recognize that it is an extremely important responsibility to appropriately communicate to stakeholders such as shareholders and investors information that will impact their investment decisions. Therefore, we disclose information in a timely and appropriate manner based on the principles of transparency, promptness, and continuity. We strictly comply with information disclosure obligations based on laws and regulations regarding both financial information, such as financial status and operating results, and non-financial information relating to management strategies, management issues, risks associated with business activities, and corporate governance. In addition to disclosure based on laws and regulations, we actively disclose information by appropriate methods regarding matters that are deemed necessary. Disclosure Policy (https://www.sanyo-shokai.co.jp/en/ir/management/disclosure/)	
Regular Investor Briefings held for Analysts and Institutional Investors	We hold a “Financial Results Explanatory Meeting” after the announcement of financial results (cumulative second quarter financial results and full fiscal year financial results).	Held
Online Disclosure of IR Information	We post annual securities reports, quarterly securities reports, financial reports (including quarterly financial reports), financial results explanatory materials, financial highlights, medium-term business plan, and materials other than financial information that need timely disclosure.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Investor Relations & Public Relations Department of the Corporate Management Headquarters plays a central role in handling IR-related matters, in cooperation with the Corporate Planning Department and Accounting & Finance Headquarters.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Our Basic Policy on Sustainability states the following: We make our utmost effort to resolve issues faced by the fashion industry in order to gain the satisfaction and trust of all stakeholders, including shareholders, investors, customers, business partners, employees, and local communities. Under this policy, we promote sustainability management through identifying materiality and by implementing individual policies regarding the environment, human rights, human capital, etc. in accordance with the materiality.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	We recognize that sustainability issues are important management issues that not only reduce risks but also bring about earning opportunities. In order to respond to these issues, we have established the Basic Policy on Sustainability and the Sustainability Committee is taking the lead in promoting sustainability activities in cooperation with external partners as necessary, as well as actively working to build an internal system and raising awareness among employees. For details, please visit the following page on our website: Sustainability (https://www.sanyo-shokai.co.jp/en/sustainability/)

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

In order to ensure proper and appropriate business execution based on our Corporate Policy and Management Philosophy and the Basic Policy on Sustainability, as well as employment rules and various regulations or rules, the Company, led by the Internal Control Committee, endeavors to implement business reforms and improvements and to promote the development and effective operation of the internal control system after re-analyzing and re-evaluating in detail the risks pertaining to current business operations, business flow, and IT systems closely related to the business. Furthermore, with the aim of strengthening compliance management, the Company established the Sanyo Alarm System (a compliance reporting system) some time ago, and we are taking appropriate measures in response to laws and bylaws as well as developing the necessary internal systems.

In addition, we have appointed the Compliance Committee Chair as the person responsible for playing a central role in risk management, and established the Compliance Committee under said Chair. Other than having full-time Audit & Supervisory Board Members on said Committee, we have developed a system to share information with Outside Officers, external lawyers, etc. respectively so that appropriate advice can be obtained.

Furthermore, for the purpose of strengthening and enhancing the internal control system, we have established the Internal Control Committee under the direct control of the Management Council, and are working to promote the development and effective operation of the system. In case there is a risk of loss, the Crisis Management Committee will respond according to the type of crisis, in accordance with the Crisis Management Regulations. In addition, the Internal Audit Office under the direct control of the President develops the internal control system, while regularly conducting internal audits on the status of compliance with laws, the Articles of Incorporation, internal regulations, etc. and on the appropriateness of procedures pertaining to the execution of duties, as well as monitoring the operational status.

Based on these, we believe that it is possible for the management to ensure the “reliability of financial reporting,” which is an indispensable condition for the Company as a publicly listed company, and we will continue to fulfill our responsibilities to our shareholders and other stakeholders, as well as to the society. As for the status of development of the risk management system, we have concluded advisory contracts with multiple legal advisors and tax accountants to deal with legal and tax issues.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company’s Corporate Code of Conduct and compliance regulations stipulate that we shall have absolutely no interaction with antisocial forces that pose a threat to the order and safety of civil society. We promote awareness of this policy throughout the Company by posting them on our online bulletin board, accessible to all employees, and by holding seminars inviting outside experts as necessary.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
------------------------------------	-------------

Supplementary Explanation for Applicable Items
--

—

2. Other Matters Concerning the Corporate Governance System

Overview of timely disclosure system

We have formulated the “Corporate Governance Policy — Chapter 4: Ensuring Appropriate Information Disclosure and Transparency,” which summarizes our basic policy on information disclosure, and published it on our website.
(https://www.sanyo-shokai.co.jp/assets/pdf/cg_policy_EN_20240327.pdf)

Person in charge of handling information: Senior Executive Managing Officer, General Manager of Corporate Management HQ and Marketing & Digital Strategy HQ

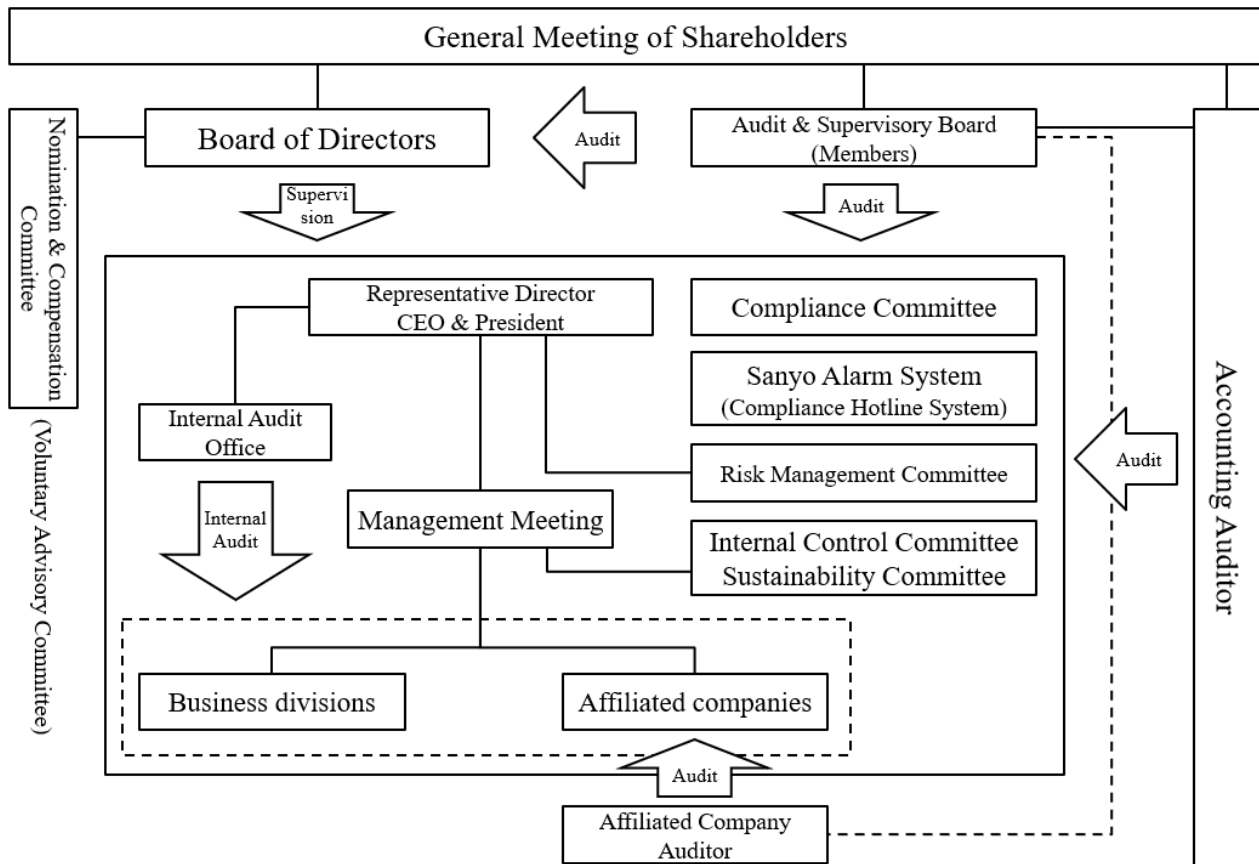
(1) The system for managing information and the collection and ascertainment of information

The Company consists of four headquarters—Personnel & Administration Headquarters, Accounting & Finance Headquarters, Corporate Management Headquarters, and Operation Headquarters, each of which collects, ascertains, and manages information under its jurisdiction.

(2) Regarding timely disclosure system

Important facts decided or that have occurred in each department are centrally collected without delay by the person in charge of handling information, and the Investor Relation & Public Relations Strategy Department of the Corporate Management Headquarters determines the necessity of timely disclosure of said information. If timely disclosure is required, specific disclosure content will be prepared in cooperation with related departments. Subsequently, after a decision has been made at the Board of Directors, the Investor Relation & Public Relations Strategy Department will act as the contact person and disclose the information in a timely manner under the direction of the person in charge of handling information.

Corporate Governance Structure and Internal Control Structure



Skill Matrix of the Directors and Audit & Supervisory Board Members

<Skills Required for the Board of Directors>

The criteria for the appointment of a Director and an Audit & Supervisory Board Member of the Company stipulate that they must possess the appropriate character and knowledge for a Director and an Audit & Supervisory Board Member, sufficient experience and expertise to contribute to the continuous enhancement of corporate value, insight and ability to supervise management, and the ability to analyze and make judgments in an objective manner.

In addition, the current medium-term management plan (fiscal year ended February 28, 2023 to fiscal year ending February 28, 2025) will promote four growth strategies: brand strategy, channel strategy, marketing strategy, and e-commerce strategy, in order to shift from defense to offense, while continuing the structural reform measures implemented in the Revitalization Plan.

In order to accomplish this plan and at the same time maintain a high level of transparency in management, we believe that the composition of the Board of Directors should have the following skills

<Definition of the selected skill>

Corporate Management Experience	Management experience or knowledge and experience in corporate governance
Knowledge of the Industry and Retail in General	Knowledge of the apparel industry and business experience in retail such as department stores, company-operated stores, and outlets required to drive our channel strategy
Branding	Knowledge in the area of branding, including expressing brand philosophy and brand value enhancement necessary to promote our brand strategy, as well as business experience required to expand our licensing business
Product Planning/Production and Technology	Knowledge in product planning and production to create high-quality, high-grade, high-value-added products (which is one of our strengths), as well as in the technology and quality control fields that support this planning and production
Marketing/CRM	Extensive knowledge in marketing and CRM (Customer Relationship Management) expertise required to drive our marketing strategy
EC/OMO	Extensive knowledge of the EC sector, cross-border EC, and inbound support necessary to establish a mutually complementary system between EC and brick-and-mortar stores (OMO: online and offline integration) in order to promote our EC strategy
International Experience/Overseas Business	International experience and knowledge of overseas business (including the licensing business) necessary to consider future overseas business development
Financial Markets/M&A	Expertise in financial markets necessary to manage a prime market listed company and knowledge of M&A as a tool of a future growth strategy
Legal/Compliance	Expertise in the legal field or experience in a leadership role in the field
Finance/Tax/Accounting	Expertise in the financial, tax, or accounting field or experience in a leadership role in the field

The knowledge, experience and skills that the Directors and Audit & Supervisory Board Members possess are as follows.

	Directors							Audit & Supervisory Board Members		
	Shinji Oe	Kato Ikuro	Motoyoshi Shiina	Chihiro Nihashi	Ikuo Yasuda	Osamu Nakamoto	Kayo Murakami	Rokuichi Ito	Somuku Imura	Atsushi Fukuda
Outside/Independent			Outside Independent	Outside Independent	Outside Independent	Outside Independent	Outside Independent		Outside Independent	Outside Independent
Committees, etc.	Member of the Nomination & Compensation Committee		Chairman of the Board of Directors Chairman of the Nomination & Compensation Committee		Member of the Nomination & Compensation Committee			Chairman of Audit & Supervisory Board		
Corporate Management Experience	✓	✓	✓	✓	✓	✓	✓			
Knowledge of the Industry and Retail in General	✓	✓	✓	✓		✓		✓		
Branding	✓	✓	✓	✓		✓				
Product Planning/ Production and Technology	✓	✓				✓				
Marketing/CRM	✓	✓		✓			✓			
EC/OMO		✓					✓			
International Experience/ Overseas Business	✓		✓		✓	✓				
Financial Markets/M&A	✓				✓					
Legal/Compliance	✓	✓						✓	✓	✓
Finance/Tax/Accounting	✓				✓			✓	✓	✓

* This skills matrix does not represent all of the knowledge, experience, and skills of the Directors and Audit & Supervisory Board Members.