

Corporate Governance Report

CORPORATE GOVERNANCE

SANYO SHOKAI LTD.

Last Update: May 27, 2022

SANYO SHOKAI LTD.

Shinji Oe

Representative Director

President & Chief Operating Officer

Contact: Yoshihiro Taniuchi

General Manager, Investor Relations

Corporate Management Headquarters

03-3357-4111

Securities code: 8011

<http://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

The Company’s policies are based on achieving the return of profits to shareholders as well as social responsibilities through enhancing business results and corporate value. To achieve these, we are working to improve management efficiency, speed, and transparency.

The Basic CSR Policy within “SANYO SHOKAI Corporate Philosophy” (published on our website: <http://www.sanyo-shokai.co.jp/>) is as follows.

“Corporate social responsibility is a top priority for the Company. We pursue ongoing improvements in corporate value by making and selling apparel and offering services that are socially useful. We are committed to satisfying and building trust among all our stakeholders, including shareholders, customers, employees, suppliers, and local communities, by always ensuring that our operations are socially appropriate.”

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 is implementing 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

In addition to shareholdings for the purpose of pure investment, which is solely aimed at generating profit from fluctuations in the value of stocks and from dividends related to stocks, we may also hold shares of other companies as strategic shareholdings when doing so contributes to the creation of business opportunities for the Company and to the establishment, maintenance, and strengthening of business and collaborative relationships.

In regard to each strategic shareholding, every year, upon confirming its purpose, recent dividend status, stock price, etc., the Board of Directors verifies the economic rationality in light of the Company's capital cost and, in addition, verifies the risks of continuing to hold the shares. 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 26, 2021, we examined whether individual holdings were appropriate in light of the above criteria and, of the two stocks we held, a resolution was passed to hold one stock because it is currently pledged as collateral, and to sell the other stock since there is no recognized quantitative effect in holding it.

(3) Criteria for the exercise of voting rights

Upon consultation with each department in charge, the Representative Director & President makes decisions of approval or disapproval taking into consideration the perspective of whether or not the proposed content will contribute to the medium- to long-term improvement of corporate value and shareholder value pertaining to the issuing company, the impact on our 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 Board of 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

In order to respond to the rapidly changing market environment and transform our strength into becoming an organization that can constantly create new business with speed, we will actively and continuously recruit and promote diverse human resources such as women, foreigners, and mid-career hires with various work experience, while promoting efforts such as developing a working environment that allows them to make the most of their own characteristics and abilities and providing management development. We will continue to develop an environment where flexible and diverse work styles can be achieved such as the active participation of women, which we have been working on so far, the further promotion of diversity, and the use of flextime and telework. We have implemented human resources measures to promote diverse career paths and work styles, and to utilize the diversity of employees in our new business creation.

Regarding our views toward promotion, we believe that human resources are the most important capital for

enhancing corporate value over the medium to long term, and we will actively promote a diverse group of employees, regardless of gender or nationality or whether they are new graduates or mid-career hires. With an emphasis on ability and aptitude, we promote employees based on their personal characters that reflect their capabilities and achievements.

In addition, with respect to ensuring diversity in the promotion to core human resources, we will promote employees through evaluations that take individual abilities into consideration, regardless of their attributes.

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

(i) Promotion of women to managerial positions

We are developing an environment in which female employees can fully demonstrate their abilities and play an active role in the workplace, and we have set a target to increase the ratio of female employees in managerial positions to 20% or more for the period from April 1, 2021 to March 31, 2026.

As of March 1, 2022, the ratio of female managers is 7.6%. We will continue to promote efforts to increase the number of candidates in order to increase the number of female managers in the future.

(Note that the managerial positions correspond to managers and supervisors under the Labor Standards Act, and represent the total of general managers and division managers.)

For other information regarding the active participation of women, please refer to the diversity initiatives disclosed under “Sustainability” on our website.

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

(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 the promotion to managerial positions.

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

As of March 1, 2022, the ratios of mid-career employees in managerial positions in the Company are 28.1% for general managers and 15.1% for division managers, representing 19.0% in overall.

We will maintain our current target for the promotion of mid-career employees to managerial positions, while actively recruiting professional employees and fairly promoting a wide range of people in line with our policy on promotion, etc. in order to secure further diversity in the future (provisional target: 20% of mid-career employees in 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 work to develop highly specialized human resources who can respond sensitively to changes and needs of the society and professional employees who can support the growth and development of our business (development of human resources with expertise).

We will recruit human resources with diverse abilities (promoting diversity), develop an environment where they can fully demonstrate their abilities (promoting inclusion), and promote “diverse work styles” as part of our efforts to build a foundation where diverse employees can play an active role.

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

We enable each employee to choose a more flexible work style by expanding the use of flextime and telework, and will make an effort to achieve work-life balance by respecting diverse work styles while at the same time improving productivity.

Since September 2017, we have not set core hours for the entire company and have been using a flextime work system.

(iii) Promotion of “diversity and inclusion”

We believe that promoting diversity and inclusion allows us to leverage the strengths of a diverse group of employees and provide them the opportunities to fully demonstrate their abilities, which will create new values and enhance our corporate competitiveness, thereby leading to enhanced corporate value. Regardless of gender, nationality, or disability, we respect the diversity in values and work styles, and will strive to create a corporate culture where all employees can play an active role and develop professionally.

(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: 2 persons (2021), 3 persons (2020), 11 persons (2019), 10 persons (2018), 5 persons (2017)
- Specialist permanent employees: 4 persons (2021), 4 persons (2020), 5 persons (2019), 2 persons (2018), 7 persons (2017)

Fair and equitable recruitment with an emphasis on diversity:

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

- New hires in 2021: 31 mid-career employees; new hires in 2020: 17 new graduates/20 mid-career employees; new hires in 2019: 17 new graduates/45 mid-career employees; new hires in 2018: 16 new graduates/20 mid-career employees

[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 the Accounting & Finance Headquarters and the General Manager of the 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 Philosophy (<https://www.sanyo-shokai.co.jp/en/company/corporate/philosophy.html>)
- Medium-Term Business Plan (Fiscal 2023-2025)

(https://www.sanyo-shokai.co.jp/en/company/ir/pdf/79_renketu_s2_en.pdf)

- Fiscal 2022 Financial Results Explanatory Materials

(https://www.sanyo-shokai.co.jp/en/company/ir/pdf/79_renketu_s_en.pdf)

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

Please see the following on our website:

- Basic Policy on Corporate Governance

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

- Corporate Governance Policy (https://www.sanyo-shokai.co.jp/company/ir/pdf/cg_policy_20211117.pdf)

- Annual Securities Report (<https://www.sanyo-shokai.co.jp/company/ir/report.html>)

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

Details are stated below in “Existence of methods to determine compensation or compensation policies” (II-1(7)②).

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for Directors and Corporate Auditors

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 appointment or dismissal of senior management, the nomination of candidates for Directors and Corporate Auditors, 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 the objectiveness and transparency in the procedures related to the appointment or dismissal of senior management, the nomination of candidates for Directors and Corporate Auditors, as well as the compensations and compensation system for Directors and Managing Officers in order to enhance the function of corporate governance.

The nomination of candidates for Directors or Corporate Auditors 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 lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Corporate Auditor. The nomination of candidates for Outside Directors or Outside Corporate Auditors is based on the following conditions: In addition to having excellent management acumen as well as ability to lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Corporate Auditor, the candidates must be a person 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 an 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 Corporate Auditors 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 Corporate Auditors conducted by the Board of Directors based on (4) above

The Company’s reasons for the individual appointments of candidates for Directors and Corporate Auditors are described in the “Convocation 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 CSR Policy" and are promoting sustainability activities, 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/company/sustainability/>)

(2) Investments in human capital and intellectual properties

(i) Regarding investments in human capital

We recognize that the expertise of our employees is an important factor in our brand business.

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. In order to combine these, other than working to secure opportunities for employee skills development through in-house training, etc., we will also recruit a diverse workforce, actively utilize their abilities, and develop a system and environment in which employees can demonstrate their abilities.

(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 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/company/sustainability/governance/detail.html>)

[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 the 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 Director, Managing Director, and General Manager, 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 Corporate Auditors 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 Corporate Auditors, we require that the candidates must be a person with abundant experience in management or with expertise in various fields including law and accounting, who has the character and knowledge appropriate to the position of an Outside Director or an Outside Corporate Auditor, and whose independence can be ensured. The standards for the independence of Outside Directors and Outside Corporate Auditors are as follows.

<Standards for the Independence of Outside Officers>

The Company deems that a candidate for outside officers (Outside Directors or Outside Corporate Auditors) does not have the independence of an outside officer if he/she falls under any of the following:

1. Major client

A person of 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 director/auditor 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 holds substantially 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 of 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 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 person received in the most recent fiscal year; if the person is an individual, it means an amount exceeding 10 million yen per year, and if the person 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 on the nomination of Directors, Corporate Auditors, and Managing Officers (hereinafter referred to as “Officers, etc.”); in doing so, we utilize the knowledge and advice of outside officers, while ensuring the objectiveness and transparency in the procedures for decision-making concerning the nomination of Officers, etc. 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.

The nomination of candidates for Directors or Corporate Auditors 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 lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Corporate Auditor. The nomination of candidates for Outside Directors or Outside Corporate Auditors is based on the following conditions: In addition to having excellent management acumen as well as ability to lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Corporate Auditor, the candidates must be a person 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 an 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 Corporate Auditors 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 reasons for the individual appointments of candidates for Directors and Corporate Auditors are described in the “Convocation 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 six Directors, and other than the Representative Directors and business managers who are responsible for strengthening the business execution system and promoting the Company’s business, we have also appointed four Outside Directors to strengthen the independence, objectivity, and accountability of the functions of the Board of Directors, in addition to enhancing its supervisory functions. The Company’s Directors have abundant experience and specialized knowledge in

various fields such as corporate management, business restructuring, branding, product planning/manufacturing/technology, global experience/overseas business, governance/risk management, and finance. In addition, all four Outside Directors have experience in corporate management and possess a high level of knowledge of the retail business, as well as a diverse range of specialized skills in M&A/business restructuring, branding/marketing, product planning/manufacturing/technology, EC/DX promotion, global experience/overseas business, governance/risk management, legal/financial affairs, tax, accounting, finance, capital markets, and others.

We have ensured the balance among knowledge, experience, and skills in the Board of Directors as a whole, and at the same time, established board diversity including gender.

[Supplementary Principle 4.11.2]

In the event that a Director or a Corporate Auditor 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 Corporate Auditors 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 January 2022, we conducted a survey of all Directors and Corporate Auditors who are members of the Board of Directors. For the response method, we 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 2022. An overview of the results is as follows:

From the survey responses, we have received generally positive evaluations on several points including (i) the appropriateness in deciding and disseminating the timing and number of proposals for deliberation by the Board of Directors, the annual schedule of Board of Directors' meetings, as well as the outline of expected agenda items, and (ii) the allocation of sufficient time necessary for deliberation. Accordingly, we have confirmed that the effectiveness of the Board of Directors as a whole is being secured.

In the previous effectiveness evaluation, respondents shared their views on several issues that, for example, (i) specific verification of individual strategic shareholdings by the Board of Directors in light of the associated benefits, risks, and capital costs is not always adequate; (ii) the way by which Board of Directors nominates officers, even with reference to the skills matrix, is not adequately supervised; and (iii) communication between inside and outside officers is not always adequate. Since then, we made efforts toward improving on those inadequacies and confirmed that improvements have certainly been made.

On the other hand, respondents gave their opinions that there are issues regarding the large number of members on the Board of Directors as well as their voluntary involvement in formulating and operating the CEO's succession plan by obtaining appropriate information from the voluntary Nomination & Compensation

Committee, and we shared our views on issues related to the further improvement of the functions of the Board of Directors and the invigoration of board discussions.

In the future, the Company's Board of Directors will continue to make efforts to enhance the functions of the Board of Directors by thoroughly considering issues and responding promptly to them based on this effectiveness evaluation.

[Principle 4.14: Trainings for Directors and Corporate Auditors]

[Supplementary Principle 4.14.2]

In order for Directors and Corporate Auditors to fully fulfill their management supervising and auditing functions, the Board of Directors Secretariat plays a central role in providing appropriate and timely information necessary for the performance of their duties. 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 the opportunities to understand the Company's business operations through, among other things, orientation at the time of appointment and dialogues with our senior management.

External lecturers also give lectures on "corporate compliance" once a year and trainings on "corporate governance and internal control" once every six months for Inside Directors and Managing Officers. In addition, it is mandatory for newly appointed Inside Directors and Managing Officers to participate in external seminars organized by the Human Resources Department of the Personnel & Administration Headquarters.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

We recognize that it is important to take shareholders' opinions seriously and reflect them in our management through active dialogue with shareholders 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 establishing opportunities for dialogue with shareholders and investors. For shareholders and investors, we hold financial results explanatory meetings once every six months, and hold small meetings as appropriate.

In addition, in consideration of the Company's shareholder composition, we prepare the English versions of the Financial Results Explanatory Materials, Medium-term Business Plan, and other documents, and disclose them on "IR NEWS" of our Company's website (<https://www.sanyo-shokai.co.jp/en/company/ir/>), advancing the provision of information to overseas shareholders and investors.

2. Capital Structure

Foreign Shareholding Ratio

10% or more and less than 20%

Status of Major Shareholders UPDATED

Name or Company Name	Number of Shares Owned	Percentage (%)
Yagi Tsusho Limited	1,600,000	13.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,112,300	9.17
Fumiya Shino	904,100	7.45

SBI SECURITIES Co., Ltd.	832,752	6.86
Custody Bank of Japan, Ltd. (Mitsui & Co., Ltd. Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited.)	757,800	6.25
RMB JAPAN OPPORTUNITIES FUND, LP	701,300	5.78
Mitsui & Co., Ltd.	345,426	2.85
Meiji Yasuda Life Insurance Company	270,453	2.23
Custody Bank of Japan, Ltd. (Trust Account)	270,100	2.23
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ACCT BP2S DUBLIN CLIENTS-AIFM	253,900	2.09

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 February 28, 2022. In addition to the above, there are 488,866 treasury shares included in the description of major shareholders. The ownership interest (%) is calculated after deducting these treasury shares.

3. Corporate Attributes

Listed Stock Exchange and Market Segment UPDATED	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	¥10bn or more and less than ¥100bn
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

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

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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 and Supervisory Board*
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*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 <small>UPDATED</small>	6
Election of Outside Directors	Elected
Number of Outside Directors <small>UPDATED</small>	4
Number of Independent Directors <small>UPDATED</small>	4

Outside Directors' Relationship with the Company (1) UPDATED

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											
Asako Yano	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 and 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) UPDATED

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 it will affect the judgment of shareholders and investors in light	He has abundant experience and a wide range of knowledge as a manager. We judge that, with such experience, he will contribute to the improvement of the transparency and objectivity of the Company's management and is a suitable person in the position to supervise our business execution. In addition, we have designated him as an independent

		of the scale and nature of the relevant business transactions.	director because he has met the “Standards for the Independence of Outside Officers” established by the Company and there is no risk of him having any conflict of interest with general shareholders.
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 it will affect the judgment of shareholders and investors in light of the scale and nature of the relevant business transactions.	He has abundant experience and a wide range of knowledge as a manager working in the retail and department store industry for many years. Based on that insight, we judge that he is a suitable person who can contribute to improving the transparency and objectivity of our management and can provide us with useful opinions. In addition, we have designated him as an independent director because he has met the “Standards for the Independence of Outside Officers” established by the Company and there is no risk of him having any conflict of interest with general shareholders.
Ikuo Yasuda	○	-	He has been involved in M&A in general including finance for many years, and has abundant experience and a wide range of knowledge as a manager. We judge that, with such experience, he will contribute to the improvement of the transparency and objectivity of the Company’s management and is a suitable person in the position to supervise our business execution. In addition, we have designated him as an independent director because he has met the “Standards for the Independence of Outside Officers” established by the Company and there is no risk of him having any conflict of interest with general shareholders.
Asako Yano	○	-	In addition to having abundant experience and insights as a manager, she has a wide range of knowledge and achievements in marketing and branding. We judge that she is a suitable person who will lead to further revitalization of our management by providing us with useful opinions. In addition, we have designated her as an independent director because she has met the “Standards for the Independence of Outside Officers” established by the Company and there is no risk of her having any conflict of interest with

			general shareholders.
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson) UPDATED

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	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, Corporate Auditors, and Managing Officers (hereinafter referred to as "Officers, etc."), as well as the compensations or compensation system for Directors and Managing Officers; in doing so, we utilize the knowledge and advice of Outside Officers, while ensuring the objectiveness and transparency in the procedures for decision-making concerning the nomination of 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 and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

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

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Cooperative relationships between Corporate Auditors and Independent Accountants

The Company recognizes that the external Independent Accountant is responsible to shareholders and investors. Other than receiving explanations of the audit plan and audit report from the external Independent Accountant, the Corporate Auditors visit business sites and observe audit review meetings. In addition, the Corporate Auditors and external Independent Accountant 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 Corporate Auditors and Internal Audit Division

The Corporate Auditors of the Company shall cooperate with the internal audit division to collect information necessary for conducting audits, and also, led by the full-time Corporate Auditor, 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 cooperation by providing reports to Directors and Corporate Auditors. In cooperation with the Internal Audit Office, information is provided to Outside Corporate Auditors in a timely manner using the same materials as those reported to the President at the Internal Audit Office Ordinary Meeting held every two months.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Outside Audit and Supervisory Board Members’ Relationship with the Company (1) UPDATED

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Somuku Imura	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.)

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

Outside Directors’ Relationship with the Company (2) UPDATED

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Somuku Imura	○	-	The Company believes that he will be able to perform his duties as Outside Auditor appropriately, based on his professional standpoint and abundant experience as an attorney, as well as his impeccable personality and insight. The Company has designated him as an Independent Director because he satisfies the "Independence Standards for Outside Directors and Outside Auditors" established by the Company, and there is no risk of conflict of interest with general shareholders.
Atsushi Fukuda	○	He belonged to the audit corporation, which has served as an Accounting Auditor of the Company, and retired from such audit corporation. He has had no business contact with the Company during his tenure at the audit corporation, and in light of the nature of the transaction and the relationship with the Company, the Company believes that there is no risk that the judgment of shareholders and investors will be affected.	The Company believes that he will be able to appropriately execute his duties as Outside Auditor based on his professional standpoint and wealth of experience as CPA, as well as his excellent personality and insight. The Company has designated him as an Independent Director because he satisfies the "Independence Standards for Outside Directors and Outside Auditors" established by the Company, and there is no risk of conflict of interest with general shareholders.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	6
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Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members
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Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme
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Supplementary Explanation for Applicable Items
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As part of our efforts in strengthening corporate governance, we review the officer compensation system, provide incentives for our Directors (excluding Outside Directors) to pursue ongoing improvements in

corporate value, and in addition, for the purpose of promoting further value sharing with shareholders, we have introduced a share-based compensation plan with transfer restrictions at a certain ownership interest.

Persons Eligible for Stock Options

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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No disclosure for each Director.

Supplementary Explanation for Applicable Items UPDATED

The Company discloses the total amount of compensations, etc. for Directors in the “Annual Securities Report” and “Business Report (documents attached to the general shareholders meeting notice).”

- 13 persons paid in FY2021, total payment of ¥183m.
- The above includes one Corporate Auditor who retired at the conclusion of the 78th Annual General Meeting of Shareholders held on May 28, 2021.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof UPDATED

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.). In addition, as part of our efforts in strengthening corporate governance, we review the officer compensation system, provide incentives for our Directors (excluding Outside Directors) to pursue ongoing improvements in 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 share-based compensation plan with transfer restrictions within the scope of the above compensation limit. Based on this system, the total amount of monetary compensation receivables to be paid is capped at ¥100m per year, with no more than 50,000 shares per year.

The total amount of Director compensation consists of fixed monthly compensation paid as basic compensation according to their responsibilities and positions, bonuses paid as performance-based compensation based on the performances of previous fiscal year, and restricted share-based compensation. In addition, the compensation for Outside Directors consists of only a fixed monthly compensation without the payment of restricted share-based compensation in order for them to completely fulfill the function of supervising the management. Bonuses will be calculated according to the degree of achievement of budgets pertaining to the company-wide operating income, but there are no such payments in FY2021. The amount of Director compensation is determined upon consultation with the Board of Directors, taking into consideration factors such as social standards, managerial responsibilities, positions, etc. based on the content deliberated by the

voluntary Nomination & Compensation Committee whose chair is an Outside Director.

In addition, the non-monetary compensation includes restricted share-based compensation, and restricted shares are allocated by a method in which monetary compensation receivables paid to each Director are invested in kind based on their positions, etc.

The targets and achievement status of the indicators related to performance-based compensation in FY2021 are designed to determine the amount of bonuses to be paid after the Company achieves a surplus in operating income, in accordance with the two-year “Revitalization Plan” formulated in April 2020.

Support System for Outside Directors and/or Outside Audit and 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 Corporate Auditors, the assisting employees of the Corporate Auditors are assigned to these supporting roles.

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

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon, etc.*) after Retiring as 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 Positions (<i>Sodanyaku, Komon, etc.</i>) After Retiring as Representative Director and President, etc.	1
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Other Related Matters

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

We are a company with a Board of Corporate Auditors.

(1) Mechanism for monitoring business execution and management

As of May 27, 2022, the Company’s Board of Directors consists of six Directors. Of these six Directors, four Outside Directors have been appointed to further strengthen the management systems and enhance the supervisory function. In addition, three Corporate Auditors, including two Outside Corporate Auditors, 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; Asako Yano, Director

Note that Motoyoshi Shiina, Chihiro Nihashi, Ikuo Yasuda, and Asako Yano 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, we have introduced a Managing Officer system to separate the management's strategic decision-making function, business execution supervising function, and business execution function to carry out management that enables prompt decision-making and business execution.

As a general rule, the above-mentioned Board of Directors' meeting, Management Council, and Managing Officer's Council are held 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 management 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, Corporate Auditors, and Managing Officers, as well as the compensations and compensation system for Directors and Managing Officers; in doing so, we utilize the knowledge and advice of Outside Officers, while ensuring the objectiveness and transparency in the procedures for decision-making concerning the aforementioned nominations. The nomination of candidates for Directors or Corporate Auditors 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 lead, take action, and plan, and in addition, possess the character and knowledge appropriate to the position of a Director or a Corporate Auditor. The nomination of candidates for Outside Directors or Outside Corporate Auditors is based on the following conditions: In addition to having excellent management acumen as well as ability to lead, take action, and plan, and possessing the character and knowledge appropriate to the position of a Director or a Corporate Auditor, the candidates must be a person 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 an 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 Corporate Auditors

As stipulated in the Corporate Governance Policy, our basic policy on independence when appointing Outside Directors and Outside Corporate Auditors 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 an objective and appropriate supervision or auditing based on their specialized knowledge.

Outside Directors and Outside Corporate Auditors 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 the 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 Corporate Auditors' audits and independent accounting audits at the Board of Directors meeting. Furthermore, other than attending the Board of Directors meeting and receiving reports on the results of audits and reviews from the Independent Accountant mainly at the Corporate Auditors meeting upon the announcement of each quarter's financial results, Outside Corporate Auditors also regularly receives an explanation concerning the implementation status of audits from the internal audit division. 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 Corporate Auditors

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

- Chair: Rokuichi Ito, Full-time Corporate Auditor
- Members: Somuku Iimura, Corporate Auditor; Atsushi Fukuda, Corporate Auditor

Note that Somuku Iimura and Atsushi Fukuda are Outside Corporate Auditors.

We maintain a system in which Corporate Auditors 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 Corporate Auditors, Independent Accountant, and Internal Audit Office.

The Company has executed contracts that limit the liability for damages under Article 423, Paragraph 1 of the Companies Act with each Outside Director and Corporate Auditor, pursuant to the provisions of Article 427, Paragraph 1 of said Act. The maximum amount of liability for damages under the relevant contract shall be the amount stipulated by law. Such limitation of liability is recognized only when the relevant Outside Director or

Corporate Auditor has acted in good faith and without gross negligence in performing the duties that caused the liability.

(6) Overview of the contract for limitation of liability

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

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

The Company concludes a liability insurance contract with an insurance company for Officers, etc., with the Directors, Corporate Auditors, 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** UPDATED

In order to ensure the soundness, transparency, and efficiency of management, the Company has established an effective corporate governance system based on the structure of a company with a Board of Corporate Auditors by strengthening the management supervising function through the appointment of four independent Outside Directors and two Outside Corporate Auditors, and also, by speeding up and streamlining decision-making and business execution through the introduction of a Managing Officer system. The Company's Directors have abundant experience and specialized knowledge in various fields such as corporate management, business restructuring, branding, product planning/manufacturing/technology, global experience/overseas business, governance/risk management, and finance. In addition, all four Outside Directors have experience in corporate management and possess a high level of knowledge of the retail business, as well as a diverse range of specialized skills in M&A/business restructuring, branding/marketing, product planning/manufacturing/technology, EC/DX promotion, global experience/overseas business, governance/risk management, legal/financial affairs, tax, accounting, finance, capital markets, and others. We have ensured the balance among knowledge, experience, and skills in the Board of Directors as a whole, and at the same time, established board diversity including gender.

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 UPDATED

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	We hold a “Financial Results Explanatory Meeting” after the announcement of financial results (H2 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 needs timely disclosure.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The IR Department of the Corporate Management Headquarters plays a central role in handling IR-related matters, in cooperation with the Corporate Planning Department, Accounting & Finance Headquarters, and Corporate Communication Department.	

3. Status of Measures to Ensure Due Respect for Stakeholders UPDATED

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	In the Basic CSR Policy, it is stated that “we are committed to satisfying and building trust among all our stakeholders, including shareholders, customers,

	employees, suppliers, and local communities, by always ensuring that our operations are socially appropriate.”
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, and after establishing a Basic CSR Policy to address these issues, we are advancing the formulation of specific action plans through efforts led by the Sustainability Committee. Specifically, we carry out individual sustainability initiatives across three categories of “Environment,” “Social,” and “Investing in the Future.” For details, please visit the following page on our website: Sustainability (https://www.sanyo-shokai.co.jp/company/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 the Basic CSR policy within the “SANYO SHOKAI Corporate Philosophy,” 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 that are closely related to the business. Furthermore, with the aim of strengthening compliance management, the Company established an “Internal Reporting System (Sanyo Alarm System)” some time ago, and we are taking appropriate measures in response to laws and bylaws as well as developing the necessary internal system.

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 Corporate Auditors 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 Corporate Code of Conduct within the “SANYO SHOKAI Corporate Philosophy” stipulates that we shall have absolutely no interaction with antisocial forces that pose a threat to the order and safety of civil society. The above-mentioned “SANYO SHOKAI Corporate Philosophy” is published on our website (<http://www.sanyo-shokai.co.jp/>). We also post it on our online bulletin board, which can be viewed by all employees, in order to promote awareness throughout the Company.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation for Applicable Items

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2. Other Matters Concerning the Corporate Governance System UPDATED

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/company/ir/pdf/cg_policy_20211117.pdf)

<Person in charge of handling information> Managing Officer, Deputy General Manager of the Corporate Management Headquarters

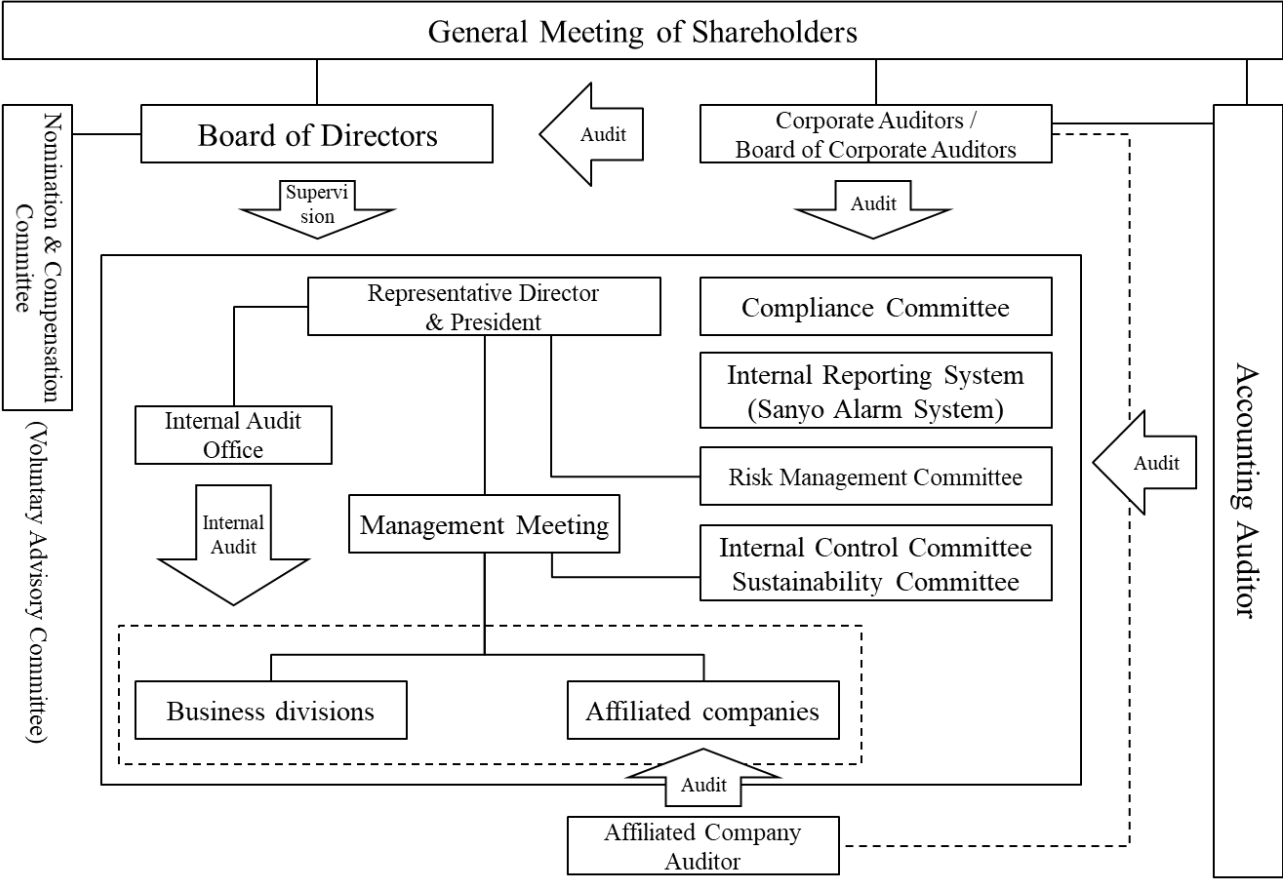
(1) The system for managing information and the collection and ascertainment thereof

The Company consists of five headquarters—Personnel & Administration Headquarters, Accounting & Finance Headquarters, Corporate Management Headquarters, Marketing & Digital Strategy Headquarters, and Business Headquarters, each of which collects, ascertains, and manages information under its jurisdiction.

(2) Regarding timely disclosure system

Important facts decided or occurred in each department are centrally collected without delay by the person in charge of handling information, and the IR Department of the Corporate Management Headquarters determines the necessity of timely disclosure of said information. If timely disclosure is required, we will create specific disclosure content in cooperation with related departments. Subsequently, after a decision has been made at the Board of Directors, the IR 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 Corporate Auditors

The knowledge, experience and skills of the Directors and Corporate Auditors.

	Name	Category		Area of experience								
				Corporate Management	Knowledge of the Company's Business	M&A and Operational Restructuring	Branding and Marketing	Product Planning, Production and Technology	E-commerce and Promotion of DX	E-commerce and Overseas Business	International Experience and Overseas Business	Management and Legal
Director	Shinji Oe			✓	✓	✓	✓	✓		✓	✓	✓
	Ikuro Kato			✓	✓		✓	✓	✓	✓		
	Motoyoshi Shiina	Outside	Independent	✓	✓			✓		✓	✓	
	Chihiro Nihashi	Outside	Independent	✓	✓		✓		✓		✓	
	Ikuo Yasuda	Outside	Independent	✓	✓	✓			✓	✓	✓	✓
	Asako Yano	Outside	Independent	✓	✓		✓		✓	✓		
Corporate Auditors	Rokuichi Ito			✓	✓						✓	✓
	Somuku Imura	Outside	Independent	✓							✓	✓
	Atsushi Fukuda	Outside	Independent	✓							✓	✓

* The contents above do not represent all of the knowledge, experience, and skills of the Directors and Corporate Auditors.