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Corporate Governance Report

CORPORATE GOVERNANCE

ASKUL Corporation

Last Update: January 12, 2023

ASKUL Corporation

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The corporate governance of ASKUL Corporation (the “Company”) is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Approach

In line with the ASKUL WAY, comprising Our Purpose of “Continuously bringing delight to our workplace, life, the planet and tomorrow,” Our Values, and Our DNA, the Company listens carefully to customers, shareholders, investors, partners, employees, and all other stakeholders throughout society with the aim of contributing to the resolution of various social issues through the ongoing creation of new, socially significant value.

To this end, the Company will strive to enhance corporate governance through transparent, fair, prompt, and resolute decision-making based on compliance management to achieve sustainable growth and enhance corporate value over the medium to long term.

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

[Supplemental Principle 2-4-1: Ensuring Diversity in Hiring of Core Human Resources, etc.]

(1) Ensuring diversity

Based on “Diversity and Co-Creation” as one of Our Values in the ASKUL WAY, the Company aims to be a company that respects diversity across the spectrum and co-creates with each talent, as well as one that is always a step ahead in achieving innovation at the fastest possible pace.

In addition, as one of the material issues (important issues) identified based on the ASKUL WAY, the Company has set targets of “promoting diversity where individuals can demonstrate their abilities” and “innovation through personnel who proactively take on new challenges” under the theme of “developing human resources to strengthen sustainable corporate activities.” The Company is working to realize an environment in which diverse human resources can demonstrate their abilities and play an active role, develop human resources who are willing to take on greater challenges, and improve the environment through digital transformation (DX).

Regarding the Company’s diversity strategy, the Working Women Support Project launched in 2012 led to the ASKUL Declaration of Diversity in 2015. The three pillars of diversity management aim at utilizing diverse human resources, promoting diverse workstyles, and cultivating a corporate culture that embraces diversity, and the Company is making efforts to implement various measures to achieve sustainable growth and enhance the corporate value of the ASKUL Group.

As the first step of utilizing diverse human resources, the Company has set “promotion of the advancement of women” as a measure and is developing systems and measures for promoting women’s participation and advancement in the workplace, as well as the appointment of women to managerial positions.

- Please refer to the following for the target and status of achievement regarding the promotion of women to managerial positions.
 - Target: Achieve 30% female manager ratio by 2025 at <https://askul.disclosure.site/ja/themes/99#work03> (Japanese only)
 - Status of achievement: ESG Data at https://sustainability-cms-askul-s3.s3-ap-northeast-1.amazonaws.com/csr/data/pdf/esg_data.pdf
- Target and status of achievement regarding the promotion of non-Japanese employees to managerial positions
Regarding the promotion of non-Japanese employees to managerial positions, since the Company hires and treats employees based on their experience and ability, regardless of their nationality, the Company’s goal is to maintain and achieve a ratio of managerial positions in proportion to the percentage of non-Japanese employees in the Company’s total number of employees. As of the end of the fiscal year ended May 20, 2022, the ratio of foreign nationals to all employees was 1.53% (13 employees),

and although the same ratio was targeted for the ratio for non-Japanese employees to all managers, the actual result was 0% (0 employees).

- Target and status of achievement regarding the promotion of mid-career hires to managerial positions
Since the Company's establishment until 2012, the Company had been expanding its business only by hiring mid-career personnel, and therefore, managerial positions were filled only by mid-career hires of the same generation. The Company promoted an employee who joined the Company as a new graduate after 2013 to a managerial position, thereby appointing one new graduate to the position of Executive Officer.
As a result, as of the end of the fiscal year ended May 20, 2022, the ratio of Executive Officers was six males to three females, with an age composition of one in his/her 30s: four in their 40s: three in their 50s: one in his/her 60s. The Company is also promoting generational diversity by adding new graduates to mid-career hires with job titles.
Due to the above circumstances and background, the percentage of mid-career hires in managerial positions at the Company as of the end of the fiscal year ended May 20, 2022 was 99.1%, and the Company recognizes that it is not in a situation to implement measures or set targets again regarding the promotion of mid-career hires to managerial positions. Therefore, as of the date of the update of this Report, the Company has not set any "voluntary and measurable goals" for the promotion of "mid-career hires" to managerial positions, nor does it plan to set such goals in the foreseeable future.

Please refer to "ESG Data" on the Company's website for information on the actual number of non-Japanese employees, mid-career hires, etc., at the Company.

- ESG Data at https://sustainability-cms-askul-s3.s3-ap-northeast-1.amazonaws.com/csr/data/pdf/esg_data.pdf

Please refer to the following for details on the Medium-Term Management Plan of the Company.

- Medium-Term Management Plan from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025 at https://www.askul.co.jp/kaisya/english/ir/library/pdf/From_FY22toFY25_Medium-Term_Management_Plan.pdf

(2) Policies for human resource development and internal environmental improvements to ensure diversity and the status of their implementation

As part of its efforts to promote diverse workstyles to create a foundation for diverse human resources to plan an active role, the Company has introduced a teleworking system for all employees, expanded the application of the flextime system (no core hours), and created an environment in which each employee can choose a more flexible workstyle, and has also changed the office layout to encourage diverse workstyles, thereby realizing flexible workstyles in terms of both time and space.

The Company has also begun initiatives to cultivate a corporate culture that embraces diversity, based on the newly established Our Purpose and Our Values.

Please refer to the Company's website for details.

<https://askul.disclosure.site/ja/themes/99> (Japanese only)

Policies for human resource development and internal environmental improvements to ensure diversity are under internal discussion and are scheduled to be formulated by the end of the fiscal year ending May 20, 2023.

As soon as each policy is formulated, the Company will report it along with the status of its implementation.

[Principle 5-2: Establishing and Disclosing Business Strategies and Business Plans] and [Supplementary Principle 5-2-1: Basic Policy Regarding the Business Portfolio and the Status of the Review of Such Portfolio]

As described in "Management strategies and management plans of the Company" in "[Principle 3-1 (1): Company Objectives (Corporate Philosophy, etc.), Business Strategies, and Business Plans]" below, on July 2, 2021, the Company created and announced the Medium-Term Management Plan for the period from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025.

On the other hand, Principle 5-2 of Japan's Corporate Governance Code stipulates that companies should provide explanations with respect to specific measures that will be taken in order to achieve their plans and targets, such as business portfolio review and allocation of management resources, and Supplementary Principle 5-2-1 of the same Code stipulates that in formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the Board of Directors and the status of the review of such portfolio.

In creating the Medium-Term Management Plan, through discussion and supervision of the business portfolio review and allocation of management resources by the Board of Directors, the Company has focused on the two main themes of getting its B-to-B business back on a growth trajectory and turning its B-to-C business LOHACO profitable, while also incorporating the development of new services as an issue to be challenged for the future growth of the Company. However, the contents that correspond to "the basic policy regarding the business portfolio, the status of the review of such portfolio, and specific measures taken for allocation of management resources, etc.," as stipulated in the Code, are not described or disclosed.

In the fiscal year ended May 20, 2022, the Company had a series of discussions at the Management Meetings based on the expected changes in the business environment. In the fiscal year ending May 20, 2023, in consideration of plans to turn its B-to-C business LOHACO profitable and launch new services other than product sales, the Company plans to discuss, confirm, and examine the status of the formulation and review of the basic policy regarding the business portfolio and specific measures taken for allocation of management resources, etc., mainly by the Board of Directors, and disclose the details by the end of the fiscal year ending May 20, 2023.

Please refer to the following for details on the Medium-Term Management Plan of the Company.

- Medium-Term Management Plan from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025 at https://www.askul.co.jp/kaisya/english/ir/library/pdf/From_FY22toFY25_Medium-Term_Management_Plan.pdf

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1-4: Stocks Held for Strategic Purposes]

(1) Policies for acquisition and holding of stocks held for strategic purposes and details of verification

The Company formulated and manages the Policy on Ensuring Shareholder Rights and Equality, and as of the date of the update of this Report, holds no listed company shares for the purpose of shareholder stability, referred to as stocks held for strategic purposes.

The Company may maintain shareholdings deemed important for the Group's strategic purposes, such as utilizing advanced technologies from outside the Company or strengthening relationships through business alliances.

The Board of Directors or other governing body determines whether to continue holding or dispose of all shareholdings after examining the appropriateness of said holdings.

(2) Criteria for exercise of voting rights

With regard to the exercise of voting rights for listed company shares held by the Company, the Company exercises its voting rights for each proposal based on the recognition that it is important for such listed companies to enhance their corporate value over the medium to long term and to maximize the common interests of all shareholders, including minority shareholders and the Company.

In the unlikely event that a difference of opinion arises between the two companies with respect to a proposal regarding the shares of a listed subsidiary held by the Company, the Company will promptly cooperate with independent officers of such listed subsidiary and make the final exercise of voting rights from the perspective of protecting minority shareholders. In addition, based on the belief that communication between the two companies is extremely significant in order to prevent differences in policies and views and conflicts of opinion, the Company has a policy of nominating officers and employees of ASKUL as candidates for Directors, holding regular dialogues between top management, communicating with other senior management, and closely communicating with each other down to the administrative level in the Corporate Planning Division, aiming at maximizing synergies.

The Policy on Ensuring Shareholder Rights and Equality of the Company is as follows.

○ Policy on Ensuring Shareholder Rights and Equality

1. The Company will take appropriate action in accordance with laws and regulations to ensure that the rights of shareholders are substantially secured. In addition, the Company will provide information to shareholders through (1) timely and appropriate disclosure of company information, including management-related matters and the status of business activities, in accordance with the Code of Ethics and Conduct (ASKUL Code of Conduct); (2) disclosure in English of corporate information that is required to be disclosed under the Securities Listing Regulations established by the Tokyo Stock Exchange, Inc. and that is useful to shareholders; (3) holding retail investor and institutional investor briefings; and (4) IR for overseas, etc., and will create an environment in which shareholders can exercise their rights appropriately by enabling electronic exercise of voting rights through electronic voting platform and the website for exercising voting rights operated by the shareholder registry administrator. The divisions in charge serve as contact points for minority shareholders exercising their minority shareholder rights as well as non-minority shareholders exercising their sole shareholder rights, and respond appropriately.
2. The Company recognizes that shareholders are equal in proportion to their shareholdings and ensures the substantial equality of shareholders by having a reasonable number of independent officers registered with the Tokyo Stock Exchange, Inc. appropriately reflect the opinions of various stakeholders in the Board of Directors based on their professional knowledge and extensive experience, and in a position independent of management and major shareholders.
3. In principle, the Company holds no listed company shares for the purpose of shareholder stability, referred to as stocks held for strategic purposes, except when the Company deems it necessary for sustainable growth and medium to long term enhancement of corporate value as part of its management strategy.
In the event that the Company decides to hold strategic shareholdings, the Board of Directors will regularly review and determine each year whether to commence or continue holding major strategic shareholdings, based on the medium to long term economic rationality and future prospects of such shareholdings in light of their return, risk, and other factors.
With respect to the exercise of voting rights pertaining to strategic shareholdings, the Company shall make a comprehensive judgment as to whether or not the purpose and content of proposals will contribute to the sustainable growth of the Company and its investees and to the enhancement of their corporate value over the medium to long term, and shall exercise its voting rights in an appropriate manner.
4. When introducing anti-takeover measures, the Company shall not, as a matter of course, aim to protect management or the Board of Directors, and the Board of Directors will carefully deliberate on the necessity and rationality of the introduction and operation of such measures, and furthermore, the Company shall make decisions based on the opinions of a "third-party committee" consisting of Outside Directors, mainly independent officers, third parties with no vested interests in the matter, and other relevant parties. If necessary, the Board of Directors will also consider implementing such measures after consulting with and obtaining approval at a General Meeting of Shareholders.
5. In accordance with Accounting Standard for Related Party Disclosures and other relevant standards, the Company will confirm the existence of related party transactions and the materiality of such transactions, and will disclose any transactions that are subject to disclosure. Any conflict-of-interest transactions by Directors shall be conducted in accordance with laws and regulations and subject to the approval of the Board of Directors.

[Principle 1-7: Related Party Transactions]

The Company has formulated and managed the Policy on Ensuring Shareholder Rights and Equality, which stipulates the following.

5. In accordance with Accounting Standard for Related Party Disclosures and other relevant standards, the Company will confirm the existence of related party transactions and the materiality of such transactions, and will disclose any transactions that are subject to disclosure. Any conflict-of-interest transactions by Directors shall be conducted in accordance with laws and regulations and subject to the approval of the Board of Directors.

In May 2022, the Company newly established the Related-Party Transaction Management Regulations and built a system to carefully determine and manage the rationality of transactions and the appropriateness of transaction proposals more than ever to ensure that the transactions with related parties do not harm the Company or common interests of its shareholders, nor give rise to such concerns. Details are described in “4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder” in this Report.

The Special Committee was also established in August 2021 and is operated for the purpose of protecting the interests of minority shareholders and ensuring fairness and impartiality of shareholders in important transactions, as well as transactions where the interests of controlling shareholders and major shareholders with an equivalent level of control (dominant shareholders) conflict with those of minority shareholders. Details are described in “2. Special Committee” of “2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System).”

[Supplemental Principle 2-4-1: Ensuring Diversity in Hiring of Core Human Resources, etc.]

(1) Ensuring diversity

Based on “Diversity and Co-Creation” as one of Our Values in the ASKUL WAY, the Company aims to be a company that respects diversity across the spectrum and co-creates with each talent, as well as one that is always a step ahead in achieving innovation at the fastest possible pace.

In addition, as one of the material issues (important issues) identified based on the ASKUL WAY, the Company has set targets of “promoting diversity where individuals can demonstrate their abilities” and “innovation through personnel who proactively take on new challenges” under the theme of “developing human resources to strengthen sustainable corporate activities.” The Company is working to realize an environment in which diverse human resources can demonstrate their abilities and play an active role, develop human resources who are willing to take on greater challenges, and improve the environment through digital transformation (DX).

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As the first step of utilizing diverse human resources, the Company has set “promotion of the advancement of women” as a measure and is developing systems and measures for promoting women’s participation and advancement in the workplace, as well as the appointment of women to managerial positions.

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 - Status of achievement: ESG Data at https://sustainability-cms-askul-s3.s3-ap-northeast-1.amazonaws.com/csr/data/pdf/esg_data.pdf
- Target and status of achievement regarding the promotion of non-Japanese employees to managerial positions
Regarding the promotion of non-Japanese employees to managerial positions, since the Company hires and treats employees based on their experience and ability, regardless of their nationality, the Company’s goal is to maintain and achieve a ratio of managerial positions in proportion to the percentage of non-Japanese employees in the Company’s total number of employees. As of the end of the fiscal year ended May 20, 2022, the ratio of foreign nationals to all employees was 1.53% (13 employees), and although the same ratio was targeted for the ratio for non-Japanese employees to all managers, the actual result was 0% (0 employees).
- Target and status of achievement regarding the promotion of mid-career hires to managerial positions
Since the Company’s establishment until 2012, the Company had been expanding its business only by hiring mid-career personnel, and therefore, managerial positions were filled only by mid-career hires of the same generation. The Company promoted an employee who joined the Company as a new graduate after 2013 to a managerial position, thereby appointing one new graduate to the position of Executive Officer.
As a result, as of the end of the fiscal year ended May 20, 2022, the ratio of Executive Officers was six males to three females, with an age composition of one in his/her 30s: four in their 40s: three in their 50s: one in his/her 60s. The Company is also promoting generational diversity by adding new graduates to mid-career hires with job titles.
Due to the above circumstances and background, the percentage of mid-career hires in managerial positions at the Company as of the end of the fiscal year ended May 20, 2022 was 99.1%, and the Company recognizes that it is not in a situation to implement measures or set targets again regarding the promotion of mid-career hires to managerial positions. Therefore, as of the date of the update of this Report, the Company has not set any “voluntary and measurable goals” for the promotion of “mid-career hires” to managerial positions, nor does it plan to set such goals in the foreseeable future.

Please refer to “ESG Data” on the Company’s website for information on the actual number of non-Japanese employees, mid-career hires, etc., at the Company.

· ESG Data at https://sustainability-cms-askul-s3.s3-ap-northeast-1.amazonaws.com/csr/data/pdf/esg_data.pdf

Please refer to the following for details on the Medium-Term Management Plan of the Company.

· [Medium-Term Management Plan from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025] at https://www.askul.co.jp/kaisya/english/ir/library/pdf/From_FY22toFY25_Medium-Term_Management_Plan.pdf

(2) Policies for human resource development and internal environmental improvements to ensure diversity and the status of their implementation

As part of its efforts to promote diverse workstyles to create a foundation for diverse human resources to plan an active role, the Company has introduced a teleworking system for all employees, expanded the application of the flextime system (no core hours), and created an environment in which each employee can choose a more flexible workstyle, and has also changed the office layout to encourage diverse workstyles, thereby realizing flexible workstyles in terms of both time and space.

The Company has also begun initiatives to cultivate a corporate culture that embraces diversity, based on the newly established Our Purpose and Our Values.

Please refer to the Company’s website for details.

<https://askul.disclosure.site/ja/themes/99> (Japanese only)

Policies for human resource development and internal environmental improvements to ensure diversity are under internal discussion and are scheduled to be formulated by the end of the fiscal year ending May 20, 2023.

As soon as each policy is formulated, the Company will report it along with the status of its implementation.

[Principle 2-6: Roles of Corporate Pension Funds as Asset Owners]

As of the date of the update of this Report, the Company does not have any corporate pension funds.

[Principle 3-1: Enhancement of Information Disclosure]

The Company has formulated and managed the ASKUL Disclosure Policy, which is described below.

○ ASKUL Disclosure Policy

The Company proactively and impartially discloses information in accordance with applicable laws and regulations for shareholders and investors, including management-related matters and the status of business activities (the “Company Information”).

Company Information is disclosed in a timely and appropriate manner, with efforts made to ensure accuracy at all times and, when necessary, consider the necessity of maintaining confidentiality. In order to ensure the reliability of financial and tax accounting records and reports, the Company shall conduct accurate and proper accounting procedures in accordance with corporate accounting standards that are generally accepted as fair and appropriate, relevant laws and regulations, and internal rules, and shall not prepare inaccurate or false records. With regard to records and reports concerning the duties and operations of Directors, Audit & Supervisory Board members, employees, contract employees, and part-time employees, the Company shall also accurately and faithfully prepare such records and reports in accordance with relevant laws and regulations and internal rules, and shall not prepare inaccurate or false records, and shall make efforts to present such records and reports in an understandable manner. In addition to information that must be disclosed due to legal requirements, the Company makes proactive efforts to disclose non-financial information such as the ASKUL WAY, policies, risks, governance, and matters related to the Company’s relationship with society, including environmental and social contribution activities (so-called ESG factors).

Moreover, taking into consideration the ratio of overseas investors, etc., the Company will disclose corporate information that is required to be disclosed under the Securities Listing Regulations established by the Tokyo Stock Exchange, Inc. and that is useful to shareholders on TDnet and its own English website as soon as possible after translating such information into English.

The Company views the disclosure of information as one of its most critical management responsibilities and strives to ensure information is easily understandable and highly useful for shareholders, investors, and other stakeholders.

[Principle 3-1 (1): Company Objectives (Corporate Philosophy, etc.), Business Strategies, and Business Plans]

■ Company Objective (Corporate Philosophy, etc.)

The Company has established the ASKUL WAY which serves as a cornerstone for transforming itself and adapting to the changing times, and has posted and disclosed it on both the Company’s intranet and website.

Under the ASKUL WAY, the Company’s DNA underpins Our Purpose and Our Values.

This DNA, the spirit that runs through the foundation of the Company, has been “Advancing forward for our customers,” which the Company has always valued.

The Company has Our Purpose, which conveys the reason why we exist as its responsibilities to society coming from this spirit, and Our Values, which represent the values that the Company must possess in order to realize Our Purpose.

The actions that employees carry out keeping in mind the meaning of the connection between these words will provide a new driving force to ASKUL.

The ASKUL WAY is comprised of Our Purpose, Our Values, and DNA, the contents of which are as follows.

- Our Purpose
“Continuously bringing delight to our workplace, life, the planet and tomorrow.”
- Our Values
 - Innovation and Speed
Always a step ahead in achieving optimal innovation for our customers and our planet
 - Diversity and Co-Creation
Respecting diversity across the spectrum and co-creating with each talent
 - Reliability and Dignity
Accomplish with reliability, approach with dignity and humility
- DNA
“Advancing forward for our customers”

For details on the ASKUL WAY, please refer to the Company’s website.
<https://www.askul.co.jp/kaisya/company/dna.html> (Japanese only)

■ Business Strategies and Business Plans of the Company

The Company created and announced the Medium-Term Management Plan on July 2, 2021, for the period from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025.

The three basic policies of the Medium-Term Management Plan are “realization of sustainable management,” “maximization of customer value,” and “change to a highly profitable model,” and through the practice of ethical e-commerce, which considers environmental conservation and solutions to social issues, the Company will realize solutions to environmental issue in an integrated manner with its business operations. Guided by these policies, the Company will leverage its advantages including the Group’s customer base, big data, highly automated logistics base that enables same-day or next-day deliveries across Japan, and original product development capabilities accumulated over many years, and will strive to transform itself from an office supplies mail-order company into an infrastructure company that supports all workplaces and lifestyles with the Group’s collective effort. In the fiscal year ending May 20, 2025, the final year of the Medium-Term Management Plan, the Company aims to achieve consolidated net sales of ¥550.0 billion, an operating profit ratio of 5.0%, and return on equity (ROE) of 20.0%. The Company also plans to invest over ¥30.0 billion during the four-year period from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025 (including ¥7.7 billion for the ASKUL Tokyo DC (facilities), ¥8.5 billion for the new ASKUL website (systems), and ¥4.0 billion for DX investment, etc.).

In creating the Medium-Term Management Plan, through discussion and supervision of the business portfolio review and allocation of management resources by the Board of Directors, the Company has focused on the two main themes of getting its B-to-B business back on a growth trajectory and turning its B-to-C business LOHACO profitable, while also incorporating the development of new services as an issue to be challenged for the future growth of the Company.

The Company’s capital policy is to utilize the framework of the business and capital tie-up agreement with Z Holdings Corporation in order to sustainably enhance corporate value, while also considering the use of direct and indirect financing, as necessary. On the other hand, in making investment decisions, the Company will use the weighted average cost of capital (WACC) as a hurdle rate, the internal rate of return (IRR), and the discount payback period (DPP) as decision criteria, and at the same time, will strive to maintain and improve its profitability and financial structure while expanding its business by making comprehensive judgments from the perspective of achieving the target consolidated return on equity (ROE) of 20.0% set in the Medium-Term Management Plan as a rate of return that exceeds the cost of shareholders’ equity.

Regarding the distribution of profits to shareholders, the Company’s policy is to pay dividends by comprehensively considering the balance of “securing internal reserves as funds for capital investment aiming at enhancing corporate value over medium to long term” and “dividend policies as return to shareholders to respond to the shareholders’ requirements.” The Company will make efforts to further increase dividends by achieving significant profit growth through the Medium-Term Management Plan.

For details on the Medium-Term Management Plan, please refer to the following.

[Medium-Term Management Plan from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025] at https://www.askul.co.jp/kaisya/english/ir/library/pdf/From_FY22toFY25_Medium-Term_Management_Plan.pdf

For operating results data including net sales, income, and key operating metrics, please also refer to the following.

Financial Information in Investor Relations at <https://www.askul.co.jp/kaisya/english/ir/graph/performance.html>

The Company’s basic capital policy (corresponding to Principle 1-3: Basic Strategy for Capital Policy) is as follows.

○ Basic Capital Policy

The Company’s basic policy is to finance investments and other activities necessary for further growth within the scope of operating cash flows generated by its business activities, and to consider the use of direct and indirect financing as necessary, while maintaining a sound financial structure.

Regarding the distribution of profits to shareholders, the Company’s policy is to pay dividends by comprehensively considering the balance of “securing internal reserves as funds for capital investment aiming at enhancing corporate value over medium to long term” and “dividend policies as return to shareholders to respond to the shareholders’ requirements.”

When implementing capital policies that may result in a change in control or large-scale dilution, the Board of Directors and Audit & Supervisory Board members shall carefully deliberate the necessity and rationality of such capital policies at Board of Directors’ meetings to ensure that existing shareholders are not unfairly harmed, and shall also consider the opinions of Outside Directors, mainly independent officers, and third parties with no vested interest, before making decisions at Board of Directors’ meetings. If necessary, the Board of Directors will also consider implementing such capital policies after consulting with and

obtaining approval at a General Meeting of Shareholders.

[Principle 3-1 (2): Basic Approach and Guidelines on Corporate Governance]

In line with the ASKUL WAY, comprising Our Purpose of “Continuously bringing delight to our workplace, life, the planet and tomorrow,” Our Values, and Our DNA, the Company listens carefully to customers, shareholders, investors, partners, employees, and all other stakeholders throughout society with the aim of contributing to the resolution of various social issues through the ongoing creation of new, socially significant value.

To this end, the Company will strive to enhance corporate governance through further thorough compliance management and transparent, fair, prompt, and resolute decision-making to achieve sustainable growth and enhance corporate value over the medium to long term.

[Principle 3-1 (3): Board of Directors’ Policies and Procedures for Determining the Compensation of Directors and Senior Management]

Policies and procedures for the Company’s Board of Directors in determining the compensation for Directors and senior management are as follows.

○ Compensation of Directors and Senior Management

The Company’s policies and procedures for determining the compensation of Directors and senior management are as follows.

<Matters Concerning the Policies for Determining the Details of Compensation for Individual Directors and Senior Management>

The amount of annual monetary compensation for the Company’s Directors and senior management is determined by taking into consideration market levels, corporate performance, and individual performance.

The amount of annual monetary compensation for Directors, excluding Outside Directors, consists of basic compensation (monthly compensation) as a fixed portion and performance-linked compensation, with basic compensation determined on an individual basis, reflecting market levels and expected roles. Regarding performance-linked compensation, consolidated EBITDA is used as an indicator for performance evaluation, and the total amount of annual monetary compensation is determined by multiplying the annual target achievement rate by the individual evaluation and subtracting the basic compensation as the fixed portion from that amount, which is paid as performance-linked compensation within the limit of the total compensation for executives. The amount of performance-linked compensation for each fiscal year is calculated by setting the lower and upper limits for the total amount of annual monetary compensation within a range of +/-15% (achievement rate between 85% and 115%) of the annual target achievement rate of consolidated EBITDA for the fiscal year preceding each fiscal year, and subtracting the basic compensation (fixed portion) from the amount obtained by multiplying the total annual monetary compensation determined in proportion to this achievement rate by the individual’s evaluation for the previous year for each fiscal year. The actual consolidated EBITDA for the 58th fiscal year (from May 21, 2020 to May 20, 2021), which was the basis for calculating the performance-linked compensation for the 59th fiscal year (from May 21, 2021 to May 20, 2022), was ¥20.4 billion (target achievement rate of 136%), which was paid at 100% of the upper limit. The reason for adopting consolidated EBITDA as an indicator for performance evaluation is that the Company aims to secure profits while actively executing the necessary investments to ensure the Group’s sustainable growth and enhance its corporate value.

In addition, the Company has introduced a “restricted stock compensation (performance provisos)” plan to promote the further sharing of value with shareholders as an incentive to sustainably enhance its corporate value. Upon conferring restricted stock compensation (performance provisos), the Company’s basic policy is to make the achievement of certain performance conditions a requirement for lifting the transfer restrictions, so that Directors can achieve loftier goals and contribute to the significant growth of the Group. The amount and the number of shares of restricted stock compensation (performance provisos) conferred shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee based on an amount equivalent to 15% of the basic compensation (annual amount), taking into consideration factors such as positions, expected roles, and share price trends.

With respect to compensation for Outside Directors and Audit & Supervisory Board members, only basic compensation is provided in light of individual roles and independence.

Restricted stock compensation (performance provisos) conferred on Directors for the fiscal year ended May 20, 2022 and the fiscal year ending May 20, 2023 are as follows. The reason for adopting consolidated net sales and consolidated operating profit as the performance figures for the performance conditions is that the Company aims to enhance its corporate value over the medium to long term as well as achieve the Medium-Term Management Plan.

(Details of the restricted stock compensation (performance provisos))

· Conferred in the fiscal year ended May 20, 2022

(1) Restricted transfer period

From August 31, 2021 to August 30, 2024

(2) Performance conditions (achievement of the conditions listed in (a) and (b) below at the same time in the performance figures shown in the Annual Securities Report or the full-year financial statements submitted by the Company for the fiscal year ended May 20, 2022, the first year of the Medium-Term Management Plan announced in July 2021)

(a) Consolidated net sales exceeds ¥430.0 billion.

(b) Consolidated operating profit exceeds ¥14.0 billion.

The results for the 59th fiscal year (from May 21, 2021 to May 20, 2022) regarding the above performance conditions were (a) consolidated net sales of ¥428.5 billion and (b) consolidated operating profit of ¥14.3 billion, which failed to achieve the performance conditions.

- Conferred in the fiscal year ending May 20, 2023
- (1) Restricted transfer period
From August 31, 2022 to August 30, 2025
- (2) Performance conditions (achievement of the conditions listed in (a) and (b) below at the same time or either one of them in the performance figures shown in the Annual Securities Report or the full-year financial statements submitted by the Company for the fiscal year ending May 20, 2023, the second year of the Medium-Term Management Plan announced in July 2021)
 - (a) Consolidated net sales exceeds ¥455.5 billion.
 - (b) Consolidated operating profit exceeds ¥14.5 billion.

The policies on compensation of Directors and senior management, basic compensation, and performance conditions for lifting the transfer restrictions in newly issued restricted stock compensation will be verified annually and revised as necessary.

<Matters Concerning Resolutions of the General Meeting of Shareholders Regarding Compensation, etc., of Directors and Audit & Supervisory Board Members>

The maximum amount of compensation of Directors was resolved at the 53rd Annual General Meeting of Shareholders held on August 3, 2016 to be ¥800 million or less per year (provided, however, that the amount does not include salaries for employees. The number of Directors at the time of such resolution was 10). It was also resolved at the 55th Annual General Meeting of Shareholders held on August 2, 2018, that the total amount of monetary compensation claims to be paid to Directors as compensation, etc., related to restricted stock is ¥160 million or less per year (including ¥40 million or less per year for Outside Directors; the number of Directors at the time of such resolution was 10, including five Outside Directors) within such compensation limit (¥800 million per year).

The maximum amount of compensation for Audit & Supervisory Board members was resolved at the 38th Annual General Meeting of Shareholders held on August 10, 2001 to be ¥80 million or less per year (the number of Audit & Supervisory Board members at the time of such resolution was four).

<Matters Concerning the Method of Determining the Details of Compensation for Individual Directors and Senior Management>

The Company has established the Nomination and Compensation Committee as a voluntary, permanent advisory body to the Board of Directors for the purpose of contributing to the building of an appropriate management structure and ensuring management transparency.

The policies on compensation of Directors and senior management are deliberated by the Nomination and Compensation Committee and determined by the Board of Directors.

The amount of individual compensation for Directors and senior management is determined by resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee, respecting the opinions of the Nomination and Compensation Committee.

The Nomination and Compensation Committee is an advisory body to the Board of Directors and consists of all independent Outside Directors and the President and CEO, and provides reports to the Board of Directors on matters related to the election and dismissal of Directors, Audit & Supervisory Board members, and other key officers and employees, the main areas of responsibilities of Directors (including the selection of Representative Directors), basic policies on compensation, and individual compensation. The Nomination and Compensation Committee met 23 times during the 59th fiscal year (from May 21, 2021 to May 20, 2022) to deliberate on policies on compensation of Directors and senior management, and other matters.

In determining the details of compensation for individual directors, etc., the Nomination and Compensation Committee deliberates and reports to the Board of Directors, and the Board of Directors fully respects the report of the Nomination and Compensation Committee in making its decisions, and therefore, the Company believes that the details of such compensation are in line with the policies for determination.

In addition, please refer to the following regarding “Board of Directors’ Policies and Procedures for Determining the Compensation of Directors and Senior Management”

- Integrated Report: ASKUL Report 2022 (page 67)
- https://www.askul.co.jp/kaisya/english/ir/library/integrated_report/pdf/ASKUL_Report_2022E.pdf#page=68

[Principle 3-1 (4): Board of Directors’ Policies and Procedures for the Appointment and Dismissal of the Senior Management and the Nomination of Directors and Audit & Supervisory Board Members Candidates]

■ Composition of the Board of Directors and Audit & Supervisory Board

In consideration of diversity, the Board of Directors comprises a distinct group of Directors with different backgrounds in terms of knowledge, expertise, experience, and business capabilities.

The number of Directors on the Board is stipulated in the Articles of Incorporation, and shall be maintained appropriately so that the Board of Directors functions as effectively and efficiently as possible, with a focus on the following two perspectives:

- Adequate diversity in management decision-making and supervision
- Substantial and sufficient discussions at Board of Directors’ meetings

In this way, the Company ensures that the Board of Directors functions effectively in terms of important management decision-making and supervisory functions, with the aim of ensuring overall diversity and a balance between knowledge, experience, and capabilities while maintaining an appropriate size.

Further, the Company appoints multiple independent Outside Directors to incorporate the extensive experience, deep insight, broad knowledge, and solid expertise of Directors from outside the Company into its management. This is done in an attempt to maintain and strengthen management supervision efficacy from an independent and objective standpoint and improve management transparency.

The Company's Audit & Supervisory Board comprises at least one full-time Audit & Supervisory Board member and one or more outside Audit & Supervisory Board members.

The number of Audit & Supervisory Board members is stipulated in the Articles of Incorporation and shall be maintained appropriately so that audits of the execution of duties by Directors can be implemented in the most effective and efficient manner. In appointing Audit & Supervisory Board members, the Company selects candidates possessing the appropriate experience and capabilities, as well as the requisite financial, accounting, and legal knowledge, with at least one member possessing sufficient knowledge of finance and accounting.

■ Policies and Procedures for the Nomination and Appointment and Dismissal

Policies and procedures associated with the nomination of Director Candidates and Audit & Supervisory Board Member Candidates, as well as the appointment and dismissal of senior management, are as follows.

○ Policies and Procedures for the Nomination of Director Candidates and the Appointment and Dismissal of Senior Management Candidates for the Company's Directors and senior management must possess the following qualities:

- Sound member of society with good business sense
- Broad, flexible viewpoints, possessing ambition, leadership, and other management qualities and capabilities
- Ability to formulate visions, ability to implement change, be customer-oriented, and high ethical standards as set forth in the ASKUL WAY

In selecting candidates, the Company takes diversity of the Board of Directors into consideration based on the recognition that multifaceted supervision will contribute to the promotion and expansion of business and facilitate appropriate supervision in accordance with given management conditions, therefore nominating the most suitable candidates for Director. Each year, all Directors of the Company are subject to appointment by resolution of the Annual General Meeting of Shareholders.

Director candidates (including substitute Directors) and senior management are selected by the Board of Directors after fair, transparent, and rigorous reviews and responses by the Nomination and Compensation Committee, which is composed entirely of independent Outside Directors and the President and CEO.

Regarding the appointment of the Company's Directors concurrently serving as directors or corporate auditors at other listed companies, duties shall be limited to a reasonable extent, enabling such Director to dedicate sufficient time to fulfilling their responsibilities as a Director of the Company.

Regarding CEO dismissals, after clarifying the reason for dismissal, in the event of a major disqualification based on appointment criteria, substantial declines in corporate value, damage to the Company's social value or reputation caused by the CEO, or when radical change becomes necessary, the Nomination and Compensation Committee decides on dismissal proposals, which are then confirmed by a Board of Directors' resolution.

Further, in the event a senior management team member deviates from the above requirements, the Nomination and Compensation Committee, which is composed entirely of independent Outside Directors and the President and CEO, conducts fair, transparent, and rigorous reviews and reports the situation to the Board of Directors, which will then resolve to dismiss said member. The Board of Directors also makes determinations in light of voluntary resignations, organizational changes, and the revision of roles and responsibilities.

In addition to the above, the dismissal of a Director requires resolution at the Annual General Meeting of Shareholders.

○ Policies and Procedures for the Nomination of Audit & Supervisory Board Member Candidates

Candidates for the Company's Audit & Supervisory Board membership must possess the following qualities:

- Excellent character, insight, capabilities, a wealth of experience, and high ethical standards
- Persons who understand and share the ASKUL WAY and corporate culture
- Appropriate experience, capabilities, and knowledge of requisite financial, accounting, and legal matters

In selecting candidates, the Company takes Audit & Supervisory Board diversity into consideration based on the recognition that multifaceted supervision will contribute to the promotion and expansion of business and facilitate appropriate supervision in accordance with given management conditions, nominating the most suitable candidates for Audit & Supervisory Board membership.

Further, one or more Audit & Supervisory Board members must have sufficient knowledge of finance and accounting matters.

Audit & Supervisory Board member candidates (including substitute members) are selected by the Nomination and Compensation Committee, which is composed entirely of independent Outside Directors and the President and CEO, upon preliminary consultation with the Audit & Supervisory Board, which conducts fair, transparent, and rigorous reviews and then reports to the Board of Directors, which makes decisions based on approval from the Audit & Supervisory Board.

Regarding the appointment of the Company's Audit & Supervisory Board members concurrently serving as directors or corporate auditors at other listed companies, duties shall be limited to a reasonable extent, enabling said member to dedicate sufficient time to fulfilling their responsibilities as an Audit & Supervisory Board member of the Company.

[Principle 3-1 (5): Explanations of Individual Appointments and Dismissals of Senior Management and Nominations of Director Candidates and Audit & Supervisory Board Member Candidates]

The Company states and discloses the reasons for nominating a person as a candidate for Director or Audit & Supervisory Board member for all candidates for Director or Audit & Supervisory Board member in each of the proposals for election in the Notice of Annual General Meeting of Shareholders.

- The Company's Notice of the 59th Annual General Meeting of Shareholders (pages 10 to 24)
<https://pdf.irpocket.com/C2678/JS39/EIPo/sdq4.pdf>

Furthermore, with respect to candidates for new appointments as Director or Audit & Supervisory Board member, the Company make efforts to provide sufficient information for shareholders to exercise their voting rights by posting on the Company's website statements of aspiration by the candidates themselves and also having them make a statement of aspiration prior to the resolution on their election as the General Meeting of Shareholders.

(Reference) Statements of aspiration by the candidates for Director and Audit & Supervisory Board member at the 59th Annual General Meeting of Shareholders at <https://pdf.irpocket.com/C2678/JS39/b9Rn/EvjL.pdf>

The dismissal of individual senior management members is not disclosed, as no dismissals have occurred.

[Supplementary Principle 3-1-3: Sustainability Initiatives, etc.]

(1) Sustainability initiatives

For more information on the Company's sustainability initiatives, please refer to the following.

- Basic Sustainability Policy at https://askul.disclosure.site/ja/themes/165#csr_sustainability01 (Japanese only)
- Material issues (important issues) at <https://askul.disclosure.site/ja/themes/167> (Japanese only)

Please also refer to the section "3. Status of Measures to Ensure Due Respect for Stakeholders" in "III. Implementation of Measures for Shareholders and Other Stakeholders" in this Report.

(2) Investment in human capital and intellectual property, etc.

The Company created and announced the Medium-Term Management Plan on July 2, 2021, for the period from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025.

[Medium-Term Management Plan from the fiscal year ended May 20, 2022 to the fiscal year ending May 20, 2025] at https://www.askul.co.jp/kaisya/english/ir/library/pdf/From_FY22toFY25_Medium-Term_Management_Plan.pdf

With regard to investment in human capital, based on one of the Company's material issues (important issues), "develop human resources to strengthen sustainable corporate activities," the Company will develop human resources through participation in external activities with the theme of solving social issues, as well as through internal recruiting and sharing sustainability-related topics with all employees. In addition, the Company has incorporated investment in human resources and allocation of management resources into the Medium-Term Management Plan, aiming for a 30% ratio of female managers (target for the fiscal year ending May 20, 2025) and a significant increase in the hiring of digital transformation (DX) personnel.

With regard to investment in intellectual property, the Company will promote the "service reform via digital transformation," one of its material issues (important issues), and will make efforts to realize transformation from an office supplies mail-order company into an infrastructure company that supports all workplaces and lifestyles as stated in the Medium-Term Management Plan as what has to be achieved by 2025. To this end, the Company is working to increase incentives for employee inventions and other initiatives to encourage employees' originality and ingenuity, as well as to invest in intellectual property and research and development expenses, including a planned investment of ¥4.0 billion in DX over the four-year period of the Medium-Term Management Plan.

For other human capital initiatives, please refer to the following.

- Together with our colleagues at <https://askul.disclosure.site/ja/themes/98> (Japanese only)

(3) Impact of climate change-related risks and earning opportunities on the Company's business activities and profits

For response to TCFD recommendations and the impact of climate change-related risks and earning opportunities on the Company's business activities and profits, please refer to the following.

- Information disclosure based on TCFD recommendations at <https://askul.disclosure.site/ja/themes/174> (Japanese only)
- Related news releases at <https://pdf.irpocket.com/C0032/bFn0/DhZL/fgos.pdf> (Japanese only)

[Supplementary Principle 4-1-1: Scope of Delegation to the Management]

The Board of Directors of the Company, which is responsible for the supervision of business execution, important management matters, and determination of policies such as corporate strategies, shall make decisions on basic management policies such as business plans and other important management matters, as well as significant business execution decisions that are required to be made by the Board of Directors in accordance with laws, regulations, and the Articles of Incorporation, and the Board of Directors Regulations stipulate matters to be discussed at the Board of Directors' meetings.

Decision-making on matters other than those to be decided by the Board of Directors in accordance with the Board of Directors Regulations mentioned above and their execution are specifically stipulated in the Management Meeting Regulations and the Administrative Authority Regulations as to the scope of delegation to each level of management. Other legally permissible business execution decisions are delegated to the Management Meeting, which comprises the President and CEO, ASKUL Directors, COO, and CFO (some decisions are finally made by the President and CEO after deliberation at the Management Meeting).

[Principle 4-9: Criteria for Independence and Qualification of Independent Outside Directors]

○ Standards for Determining Independence

Based on the Designation Criteria for Independent Officers, the Company designates all outside officers not falling under the following categories as independent officers with their consent.

- Individuals for whom the Company is or has been a major supplier or business executor at present or in the past
*A business executor refers to an executive as defined in Article 2, Paragraph 3, Item 6 of the Regulations for Enforcement of the Companies Act, and includes not only executive directors but also employees.
- Individuals who are or have been major supplier of the Company or in charge of business execution at present or in the past
*The Company determines whether or not individuals fall under the category of "major supplier" in accordance with

Article 2, Paragraph 3, Item 19 (b) of the Regulations for Enforcement of the Companies Act, which states, “important counterparties of the stock company (including organizations other than corporations).” The Company’s target for commercial transactions is 2% of consolidated net sales and purchases, and its target for financial institution transactions is to have outstanding borrowings equal to 30% of consolidated net assets.

- C (1). Consultants or professionals, accounting auditors, tax accountants, or corporate attorneys who at present or within five years prior to assuming office have received large cash payments or other assets from the Company other than compensation for their services as Directors or Audit & Supervisory Board members. If the person receiving such assets belongs to a corporation, partnership, or other organization, it includes persons who belong to the same organization and who have been directly in charge of the Company in the course of their duties within five years prior to assuming office.
- C (2). Individuals who belong to organizations such as consulting firms, accounting and audit corporations, tax accounting firms, or law firms that have received large cash payments or other assets from the Company at present or within five years prior to assuming office. However, with respect to the past, only those who were directly in charge of the Company in the course of their duties within five years prior to assuming office.
- *The Company determines whether or not assets fall under the category of “large cash payments and other assets” in accordance with Article 74, Paragraph 4, Item 6 (d) or Article 76, Paragraph 4, Item 6 (d) of the Regulations for Enforcement of the Companies Act, which states, “a large amount of money or other assets (excluding compensation as their director, accounting advisor, company auditor, executive officer, or other corporation similar thereto),” and the Company deems such assets to be large cash payments and other assets if the amount of such assets paid (for the most recent year if it spans multiple years) exceeds the amount of basic compensation for Outside Directors.
- D. Individuals who are/were at present or in the past an executive or non-executive director or audit & supervisory board member of the Company, its parent company, subsidiaries, or fellow subsidiaries (limited to cases where an outside audit & supervisory board member is designated as an independent officer).
- *Parent company refers to a parent company as defined in Article 8, Paragraph 3 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963).
- *Fellow subsidiaries refer to any other company having the same parent company as such company.
- E. Individuals who are or were major shareholders of the Company at present or in the past. If the major shareholder is an organization such as a corporation, partnership, etc., it includes a person who is or was an executive or non-executive director or audit & supervisory board member of such organization (limited to cases where an Outside Audit & Supervisory Board member is designated as an independent officer).
- *Major shareholders refer to a major shareholder as defined in Article 163, Paragraph 1 of the Financial Instruments and Exchange Act, which states, “meaning a shareholder that holds shares (excluding those specified by Cabinet Office Order in consideration of the manner of acquisition or holding thereof or other circumstances) exceeding 10 percent of the total number of shares issued in the shareholder's own name or the name of another person (or under a fictitious name).”
- F. A close relative of an individual listed in either (1) or (2) below.
- (1) An individual listed in A to E of this article
- (2) An accounting advisor of the Company, its parent company, subsidiaries, and fellow subsidiaries (if such accounting advisor is a corporation, including an employee who is to perform the duties of such accounting advisor) (limited to cases where an outside audit & supervisory board member is designated as an independent officer).
- *Close relative refers to a relative within the second degree of kinship. If the family relationship has been dissolved due to divorce, dissolution of marriage, etc., the close relative does not fall under the definition of close relative in the Standards.

[Supplementary Principle 4-10-1: Nomination Committee and Compensation Committee]

The Company has established the Nomination and Compensation Committee, which is responsible for the functions of both the Nomination Committee and the Compensation Committee.

The Committee may investigate matters under its jurisdiction, provide opinions, advice, and recommendations to the Board of Directors, and may also express its opinions at a General Meeting of Shareholders and other meetings regarding matters for which it has made reports, recommendations, etc.

The details are described in the sections “Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee” of “1. Organizational Composition and Operation” and “4. Nomination and Compensation Committee” of “2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of this Report.

The majority of the members of the Company’s Nomination and Compensation Committee are independent Outside Directors.

[Supplementary Principle 4-11-1: Ensuring the Effectiveness of the Board of Directors and the Audit & Supervisory Board]

The Company’s approach to the balance between knowledge, experience, and skills, diversity, and size of the Board of Directors as a whole is described and disclosed in [Principle 3-1 (4): Board of Directors’ Policies and Procedures for the Appointment and Dismissal of the Senior Management and the Nomination of Directors and Audit & Supervisory Board Members Candidates], as follows.

○ Composition of the Board of Directors

In consideration of diversity, the Board of Directors comprises a distinct group of Directors with different backgrounds in terms of knowledge, expertise, experience, and business capabilities.

The number of Directors on the Board is stipulated in the Articles of Incorporation, and shall be maintained appropriately so that the Board of Directors functions as effectively and efficiently as possible, with a focus on the following two perspectives:

- Adequate diversity in management decision-making and supervision
- Substantial and sufficient discussions at Board of Directors' meetings

In this way, the Company ensures that the Board of Directors functions effectively in terms of important management decision-making and supervisory functions, with the aim of ensuring overall diversity and a balance between knowledge, experience, and capabilities while maintaining an appropriate size.

Further, the Company appoints multiple independent Outside Directors to incorporate the extensive experience, deep insight, broad knowledge, and solid expertise of Directors from outside the Company into its management. This is done in an attempt to maintain and strengthen management supervision efficacy from an independent and objective standpoint and improve management transparency.

The abilities (skills, experience, and expertise) possessed by the Company's Directors and Audit & Supervisory Board members are organized as a table (skill matrix) and disclosed on page 24 of the Notice of the 59th Annual General Meeting of Shareholders. For details, please refer to the following.

- Notice of the 59th Annual General Meeting of Shareholders (page 24 to 25)
<https://pdf.irpocket.com/C2678/JS39/EIPo/sdq4.pdf#page=24>

The table described indicates the fields in which particular contribution is expected, and does not represent all the knowledge possessed by each person.

[Supplementary Principle 4-11-2: Concurrent Appointment of Officers]

The Company believes that when Directors and Audit & Supervisory Board members serve concurrently as directors or audit & supervisory board members of other companies, it is a prerequisite that they are able to secure the time and effort necessary to properly perform their roles and responsibilities as Directors and Audit & Supervisory Board members of the Company. The Company also considers it appropriate that an adequate number of concurrent positions be held by Directors and Audit & Supervisory Board members.

The most recent important concurrent positions held by Directors and Audit & Supervisory Board members of the Company are as stated in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report.

- Notice of the 59th Annual General Meeting of Shareholders (pages 11 to 23)
<https://pdf.irpocket.com/C2678/JS39/EIPo/sdq4.pdf#page=11>
- Annual Securities Report for the 59th Fiscal Year (pages 51 to 57)
<https://www.askul.co.jp/kaisya/ir/library/closing.html> (Japanese only)

[Supplementary Principle 4-11-3: Summary of Results of Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole]

The Company has analyzed and evaluated the overall effectiveness of the Board of Directors since 2015 with respect to the Board of Directors' composition, the Board of Directors' management status, support system for Outside Directors and Outside Audit & Supervisory Board members, each officer's self-evaluation, and external communications, targeting all Directors and Audit & Supervisory Board members. The most recent evaluation was conducted by questionnaire in April 2022 and, based on the results of the questionnaire analysis and other factors, the Company evaluated the overall effectiveness of the Board of Directors.

In light of the evaluation results, similar to the results of the March 2021 evaluation, it was determined that the Board of Directors effectively fulfills its responsibilities and roles based on the following: (1) its diverse member composition, which ensures effective and appropriate management supervision, and (2) energetic and constructive deliberations leveraging the knowledge and experience of each member. Going forward, the Company will consider the appropriateness of the Board of Directors' size and composition in pursuit of greater diversity.

Further, with regard to Board of Directors' management, the Company continues to make efforts ensuring the careful examination of agenda items, the early distribution of reference materials, and the provision of explanations of technical terms, among other efforts aimed at providing easily understandable meeting materials. The chairman of the Board of Directors and the Board secretariat lead ongoing improvement efforts that, depending on the issue, include pre-meeting briefings.

For details on evaluating the Board of Directors' effectiveness, please also refer to the following.

- Integrated Report: ASKUL Report 2022 (page 66)
https://www.askul.co.jp/kaisya/english/ir/library/integrated_report/pdf/ASKUL_Report_2022E.pdf#page=67

[Supplementary Principle 4-14-2: Policy on Training for Directors and Audit & Supervisory Board Members]

The Company will provide Directors and Audit & Supervisory Board members with opportunities to acquire the necessary knowledge of the Company's business, finances, and organization, etc., and to fully understand the roles and responsibilities (including legal responsibilities) expected of Directors and Audit & Supervisory Board members at the time of assuming office and will provide opportunities to update these on an ongoing basis.

The Company will provide Outside Directors and Outside Audit & Supervisory Board members with individual training programs at the time of assuming office. In addition, the Company will give them explanations mainly on matters related to business activities, the management environment, the ASKUL WAY, corporate governance, and various officer-related regulations, and conduct tours of a distribution center and other major business sites as necessary.

In addition to individual training programs for ASKUL Directors and Audit & Supervisory Board members, the Company will provide them with training opportunities to make personal progress and to acquire a wide range of insights, abilities, knowledge, and skills, as well as knowledge of the Companies Act, corporate governance, compliance, and other relevant matters.

[Principle 5-1: Policy on Constructive Dialogue with Shareholders]

The Company has formulated and managed the policy on constructive dialogue with shareholders, which stipulates the following.

○ Policy on Constructive Dialogue with Shareholders

Executive Officers of a division in charge of investor relations will be responsible for dialogue with shareholders, and will discuss the method of response with the Representative Director and President, Directors in charge, Executive Officers in charge, etc., and take appropriate measures to respond.

As an internal measure to support dialogue with shareholders, the Company has established the Information Disclosure Committee chaired by the Director in charge of information handling, who is also the Director in charge of information disclosure, and consisting mainly of the managers of administrative division. The Information Disclosure Committee deliberates and decides on necessary matters concerning timely disclosure, corporate information that is required to be disclosed under the Securities Listing Regulations established by the Tokyo Stock Exchange, Inc. In addition to this, when disclosing and explaining financial results, etc., the division in charge of investor relations takes the lead in holding meetings with the Representative Director and President, Directors in charge, Executive Officers in charge, corporate planning division, accounting division, general affairs division, legal affairs division, and other related divisions to exchange opinions based on their respective professional perspectives, and to cooperate in responding to and supporting dialogue with shareholders. In principle, the Representative Director, Directors, Audit & Supervisory Board members, senior management and Executive Officers will handle actual dialogues with shareholders, taking into consideration the shareholders' intentions and the main concerns of the meeting.

Furthermore, the Company will strive to provide information to shareholders to deepen their understanding the Company's management strategies, and business environment by holding retail investor and institutional investor briefings and information disclosure through IR for overseas, TDnet, and the Company's website.

As a result of communication with shareholders and investors, the Company's shareholder composition and trends, along with opinions received from shareholders, analysts, and investors, are reported and shared at the Management Meeting every quarter and twice a year (after and second and fourth quarters) at the Board of Directors' meetings, and actively used to review the company's management strategies, etc.

The Company will ensure the management of insider information in the course of dialogue with shareholders as follows.

- (1) All employees receive training on the management of insider information once a year on a regular basis.
- (2) In principle, two or more persons should be assigned to each dialogue.
- (3) The period from the day following the fiscal year end to the earnings announcement is a quiet period during which the division in charge of investor relations refrains from dialogue with shareholders and investors regarding such earnings announcement.

2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Z Holdings Corporation ("2. Capital Structure" is as of May 20, 2022.)	43,808,600	44.96
PLUS Corporation	10,331,400	10.60
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,616,700	5.76
Shoichiro Iwata	1,874,800	1.92
Custody Bank of Japan, Ltd. (Trust Account)	1,871,700	1.92
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,871,300	1.92
Hidehisa Imaizumi	1,592,800	1.63
Tadahisa Imaizumi	1,580,800	1.62
SMBC Nikko Securities Inc.	1,572,700	1.61
Sohei Imaizumi	996,000	1.02

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
Name of Parent Company, if applicable	Not applicable

Supplementary Explanation

The Company holds 71,871 shares of treasury shares, which are excluded from the "Status of Major Shareholders" above. The percentage (%) shown in the "Status of Major Shareholders" above is calculated excluding treasury shares.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	May
Business Sector	Retail Trade
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	¥100 billion or more and less than ¥1 trillion
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

The Company formulated the Related-Party Transaction Management Regulations to carefully determine the rationality of transactions and the appropriateness of transaction proposals to ensure that transactions with related parties do not harm ASKUL or the common interests of its shareholders, nor give rise to such concerns.

Related parties as used in the Regulations shall mean the following parties.

- (1) Parent company of the Company
- (2) Subsidiaries of the Company
- (3) Companies, etc. (meaning a company, designated corporation, partnership, or other similar entity (including the equivalent thereof in a foreign country; the same shall apply hereinafter)), that have the same parent company as the Company
- (4) Other affiliated companies of the Company (in the case where the Company is an associated company of other company, such other company, etc.), parent company of such affiliated companies, subsidiaries of such parent company, and subsidiaries of such affiliated companies
- (5) Associated companies of the Company and subsidiaries of such associated companies
- (6) Major shareholders of the Company (meaning shareholder that hold voting rights exceeding 10 percent of the voting rights held by all the shareholders, etc., in the shareholder's own name or the name of another person) and their close relatives (relatives within the second degree of kinship; the same shall apply hereinafter)
- (7) Officers of the Company and their close relatives
- (8) Officers of the Company's parent company and their close relatives
- (9) Companies, etc., in which a majority of the voting rights are owned by the parties listed in (6) through (8) above in their own calculation, and subsidiaries of such companies, etc.
- (10) Corporate pension plan for employees (limited to cases where significant transactions are conducted with the Company other than contribution of premiums)

Further, in line with a resolution by the Board of Directors at a meeting held on August 4, 2021, the Company enhanced its Board of Directors' supervisory function to appropriately improve corporate governance and ensure management transparency of the Company and the Group. The Special Committee was also established as a permanent advisory body to the Board of Directors for the purpose of protecting the interests of minority shareholders and ensuring fairness and impartiality in important transactions, as well as transactions where the interests of controlling shareholders and major shareholders with an equivalent level of control (dominant shareholders) conflict with those of minority shareholders. The members of the Special Committee as of the date of the update of this Report are as follows.

Outside Director and Independent Officer	Yumiko Ichige (Chairperson)
Outside Director and Independent Officer	Kazuo Tsukahara
Outside Audit & Supervisory Board member and Independent Officer	Yoshitaka Asaeda

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

(1) Approach and Policy on Group Management

The Company has listed subsidiaries, and the Group's basic policy regarding group management is to strengthen group strategies with federal management to solve social issues, and in accordance with this basic policy, the Group will ensure that individual corporate entities have freedom in their management, share a mission to solve social issues, and moreover, will build a governance structure to achieve this goal and provide the highest value to various stakeholders through the collective strength of the Group.

(2) Measures to Ensure the Effectiveness of Governance Systems of Listed Subsidiaries

The Company recognized that it is important for the listed subsidiaries to enhance its corporate value over the medium to long term and to maximize the common interests of all shareholders, including minority shareholders and the Company, and with this perspective in mind, the Company decides to exercise voting rights for each proposal of the listed subsidiaries.

In addition, the Company has established the Affiliated Companies Management Regulations for the purpose of management of investees, etc., and requires prior approval or reporting to the Company regarding important decisions made by subsidiaries including affiliated companies, etc. However, the Company does not require prior approval of listed subsidiaries that would affect the independence of such listed subsidiaries, and makes effort to ensure that it does not unfairly restrict the decision-making of each company.

In the unlikely event that a difference of opinion arises between the two companies with respect to any proposals, the Company will promptly cooperate with independent officers of AlphaPurchase Co., Ltd. and make the final exercise of voting rights from the perspective of protecting minority shareholders. The Company believes that communication between the two companies is extremely significant in order to prevent differences in policies and views and conflicts of opinion. In addition to nominating one officer or employee of ASKUL as a candidate for Director, the Company will promote regular dialogues between the two leaders of the CEOs, communication between senior management, and close communication with each other down to the administrative level in the Corporate Planning Division, aiming at maximizing synergies.

(3) Significance of Having Listed Subsidiaries

The significance of the Company having listed subsidiaries is as follows. The Company believes that the listed subsidiaries, while being evaluated in the stock market, should be able to maintain good relationships with their customers, business partners, employees, and other stakeholders and engage in their businesses, and that autonomous management taking into consideration the interests of minority shareholders will contribute to the growth of each company's business and enhancement of its corporate value, and ultimately to the enhancement of the overall corporate value of the Group.

AlphaPurchase Co., Ltd.: It engages mainly in the MRO business for B-to-B business and facility management (FM) business. As the use of Internet mail-order sales has been expanding in Japan, the Company believes that while maintaining the independence and autonomy of the company as a listed company, collaborating with other companies in the Group a member of the Group will contribute to the enhancement of overall corporate value of the Group.

(4) Z Holdings Corporation, the Company's Other Affiliated Company

Z Holdings Corporation, the Company's other affiliated company, holds 45.0% of the voting rights of the Company; however, the company respects the fact that the Company operates as an independent listed company maintaining independence in its business operations, and although there are some concurrent director positions and acceptance of dispatched directors from the company as described below, the number of such positions is small.

Since Z Holdings Corporation holds 45.0% of the voting rights of the Company's shares, the Company is included in the scope of consolidation of the company under International Financial Reporting Standards (IFRS). The Company has approved such a situation on the premise of enhancing value for all stakeholders (customers, shareholders, business partners, and employees) and maintaining independence of business operations as a listed company.

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	11
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takao Ozawa	From another company							○	○			
Yumiko Ichige	Lawyer								○			
Genri Goto	From another company								○			
Kazuo Tsukahara	From another company								○			
Naomi Aoyama	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
Takao Ozawa		<p>Mr. Takao Ozawa is the Director, Senior Managing Corporate Officer, and E-Commerce CPO of Z Holdings Corporation, one of the Company's major shareholders. There are transactions related to the use of the system with Z Holdings Corporation, at which he serves as Director and Senior Managing Corporate Officer. Z Holdings Corporation is an entity holding the Company as an affiliate. There are transactions with Yahoo Japan Corporation, at which he serves as President and Representative Director, President Corporate Officer, CEO (Chief Executive Officer), related to consignment of advertising, sales transactions of the Company's products, and marketing consignment, etc. In addition, there are sales transactions of the Company's products with Ikyu Corporation and PayPay Corporation, for which he serves as a Director, sales results related to the use of the system and sales transactions of the Company's products with ZOZO, Inc., for which he serves as an Executive Director, and transactions related to consignment of delivery, etc., and sales transactions of the Company's products with Demae-can Co., Ltd., for which he serves as an Outside Director.</p>	<p>Mr. Takao Ozawa possesses advanced insight and wide-ranged knowledge in the fields of the Internet business and e-commerce, as well as corporate management and management experience of public service corporations for social activities. Since his appointment as Outside Director of the Company in August 2013, he has fulfilled important roles, such as creating group synergies, in the course of making management judgements and decisions of the Board of Directors, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that he is qualified to serve as an Outside Director and has appointed him.</p>

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yumiko Ichige	○	<p>There are sales transactions of the Company's products between the Company and Nozomi Sogo Attorneys at Law, at which Ms. Yumiko Ichige serves as Partner, between the Company and FOOD & LIFE COMPANIES LTD., at which she serves as Outside Director, and between the Company and Idemitsu Kosan Co., Ltd., at which she serves as Outside Audit & Supervisory Board Member. However, the transaction amounts each accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on her independence. The Company has not concluded any legal advisory contract, litigation representation contract, or similar contract with, and has no related transactions with, Nozomi Sogo Attorneys at Law. There are no transactions from FOOD & LIFE COMPANIES LTD. and from Idemitsu Kosan Co., Ltd. to the Company.</p>	<p>Ms. Yumiko Ichige started out her career as a corporate attorney and possesses highly specialized expertise and work experience in the fields of corporate governance, including group governance, compliance, and intellectual property, gained through her experience as a lawyer. She has served as Outside Director and Outside Audit & Supervisory Board Member at multiple companies, including listed subsidiary companies, as well as been an officer of the bar association, federation of bar associations, and public-interest corporations in the past. Since her appointment as Outside Director of the Company in March 2020, she has not only fulfilled important roles in the course of making management judgements and decisions of the Board of Directors, but also at the Special Committee established in August 2021, stated opinions from an independent standpoint as its chairperson to protect the interests of minority shareholders and ensure fairness and equity for shareholders. At the voluntary Nomination and Compensation Committee, she stated opinions taking into account diversity from an independent standpoint as its member, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that she is qualified to serve as an Outside Director and has appointed her.</p>
Genri Goto	○	<p>There are sales transactions of the Company's products between the Company and Kotozna, Inc. at which Mr. Genri Goto serves as CEO. However, the transaction amounts accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on his independence. There are no transactions from Kotozna, Inc. to the Company. There are no transactions between the Company and Kotozna (China Office), at which Mr. Genri Goto serves as Chairman, and between the Company and Kotozna Singapore Pte Ltd, at which he serves as Managing Director.</p>	<p>Mr. Genri Goto possesses the experience and track record of starting up an innovative business of online sales of pharmaceutical products, being involved in managing the business as CEO for many years, and leading the growth of the company in the e-commerce market. In addition, he has extensive work experience and advanced insights and knowledge not only in the e-commerce field but also in the digital services field. Since his appointment as Outside Director of the Company in March 2020, he has not only fulfilled important roles, such as making suggestions on medium- to long-term management strategies, in the course of making management judgements and decisions of the Board of Directors, but also stated opinions at the voluntary Nomination and Compensation Committee as its member from an independent standpoint based on his extensive management experience, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that he is qualified to serve as an Outside Director and has appointed him.</p>

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kazuo Tsukahara	○	<p>There are sales transactions of the Company's products between the Company and DIC Corporation, at which Mr. Kazuo Tsukahara serves as Outside Director. However, the transaction amounts accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on his independence. There are no transactions from DIC Corporation to the Company.</p>	<p>Mr. Kazuo Tsukahara served as Executive Vice President of a heavy industrial manufacturer with global operations after engaging in extensive operations, including the experience of overseas assignment, at the company. He possesses extensive experience, a solid track record, as well as high levels of knowledge and ethics, regarding corporate management based on his experience of serving as Outside Director at multiple companies up until now. Furthermore, since his appointment as Outside Director of the Company in March 2020, he has not only fulfilled important roles in the course of making management judgements and decisions of the Board of Directors, but also led the active dialogue of the voluntary Nomination and Compensation Committee from an independent standpoint as its chairperson, greatly contributing to the enhancement of corporate value and management supervisory function of the Company. Accordingly, the Company has determined that he is qualified to serve as an Outside Director and has appointed him.</p>
Naomi Aoyama	○	<p>There are no transactions between the Company and style bis Inc. at which Ms. Naomi Aoyama serves as Representative Director. There are sales transactions of the Company's products between the Company and IZUMI Co., Ltd. at which she serves as Outside Director. However, the transaction amounts accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on her independence. There are no transactions from IZUMI Co., Ltd. to the Company.</p>	<p>Having established a consumer-oriented marketing support company, Ms. Naomi Aoyama possesses advanced expertise and extensive experience through serving as an advisor related to corporate social media management and e-commerce. She has also served as Outside Director at multiple companies to date and possesses extensive experience in corporate management. Expecting her to provide supervision and suggestions that make use of her advanced expertise, extensive experience, and knowledge regarding marketing from the perspective of diverse consumers, the Company has appointed her as an Outside Director.</p>

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Compensation Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has established the Nomination and Compensation Committee, which is responsible for the functions of both the Nomination Committee and the Compensation Committee. The details are described in “4. Nomination and Compensation Committee” of the sections “2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of this Report.

Audit & Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as “kansayaku”

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	No upper limit
Number of Audit & Supervisory Board Members	3

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

Audit & Supervisory Board members hold regular meetings and actively collaborate with the Accounting Auditor and the Internal Audit Division in order to enhance the efficacy and efficiency of their audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	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	
Yoshitaka Asaeda	CPA											○			
Miyuki Nakagawa	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
- 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 Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yoshitaka Asaeda	○	<p>There are sales transactions of the Company's products between the Company and Yoshitaka Asaeda CPA Office, at which Mr. Yoshitaka Asaeda serves as Director, between the Company and Shimane Bank Ltd., at which he serves as Outside Director, and between the Company and WingArc1st Inc., at which he serves as Outside Auditor. However, the transaction amounts accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on his independence. There are also transactions related to the use of the system between the Company and WingArc1st Inc. However, the transaction amounts accounted for less than 0.1% of the Company's consolidated purchase of goods in the most recent fiscal year and therefore there is no impact on his independence.</p>	<p>Mr. Yoshitaka Asaeda has practical experience and specialist insight into global accounting and auditing as a CPA. In addition to his management experience in a global organization, he has also served as an outside director and outside audit & supervisory board member at several corporations. From this advanced expertise and extensive practical experience, the Company has determined that he is qualified to serve as an Outside Audit & Supervisory Board member, to assume responsibility for auditing business execution, and has appointed him.</p>

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Miyuki Nakagawa	○	<p>There are sales transactions of the Company's products between the Company and Chuo University, at which Ms. Miyuki Nakagawa serves as Professor of Chuo Law School, between the Company and Kousui Law Office, at which she serves as Representative, between the Company and NITTO KOGYO CORPORATION, at which she serves as Outside Director, between the Company and Nissan Chemical Corporation, at which she serves as Outside Director, between the Company and FANCL CORPORATION, at which she serves as Outside Audit & Supervisory Board Member, and between the Company and Shinsei Bank, Limited, at which she serves as Outside Audit & Supervisory Board Member. However, the transaction amounts each accounted for less than 0.1% of the Company's consolidated net sales in the most recent fiscal year and therefore there is no impact on her independence.</p> <p>There are also transactions related to purchasing of cosmetics and health foods, etc. between the Company and FANCL CORPORATION. However, the transaction amount accounted for less than 0.2% of the Company's consolidated purchase of goods in the most recent fiscal year and therefore there is no impact on her independence. There are no transactions from Chuo University, Kousui Law Office, NITTO KOGYO CORPORATION, Nissan Chemical Corporation, and Shinsei Bank, Limited to the Company.</p> <p>The Company has not concluded any legal advisory contract, litigation representation contract, or similar contract with Kousui Law Office.</p>	<p>Ms. Miyuki Nakagawa worked for many years as a prosecutor at the Tokyo District Public Prosecutors Office and elsewhere and has practical experience in legal circles. In addition to her expertise as legal profession, she also serves as Outside Director and Outside Audit & Supervisory Board Member at multiple companies. The Company has appointed her as an Outside Audit & Supervisory Board member so that her experience will be reflected in the audit of the Company from an outside perspective and from an objective and neutral standpoint.</p>

Matters Concerning Independent Directors and Independent Audit & Supervisory Board Members

Number of Independent Directors and Independent Audit & Supervisory Board Members

6

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

The Company designates all outside officers who meet the qualifications for independent officers in accordance with the Designation Criteria for Independent Officers formulated by the Company as described in “Disclosure Based on the Principles of the Corporate Governance Code (Principle 4-9: Criteria for Independence and Qualification of Independent Outside Directors).

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Compensation Scheme, Other

Supplementary Explanation for Applicable Items

For details, please refer to the section “[Principle 3-1 (3): Board of Directors’ Policies and Procedures for Determining the Compensation of Directors and Senior Management] as described in “Disclosure Based on the Principles of the Corporate Governance Code” of this Report.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Compensation of Directors

Status of Disclosure of Individual Directors' Compensation	No Disclosure for any Directors
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Supplementary Explanation for Applicable Items

Total amount of compensation paid to Directors and Audit & Supervisory Board members is disclosed for ASKUL Directors and Audit & Supervisory Board members and for Outside Directors and Audit & Supervisory Board members, respectively, in the Annual Securities Report and other documents.

In cases where the total amount of compensation, etc., paid to Directors is ¥100 million or more, the Company discloses such information separately in the Annual Securities Report.

The amounts of compensation, etc., paid to Directors and Audit & Supervisory Board members for the 59th fiscal year (from May 21, 2021 to May 20, 2022) are as follows.

[Total Amount of Compensation, etc., by Category of Directors, Total Amount of Compensation, etc., by Type of Compensation, and Number of Directors and Audit & Supervisory Board Members Subject to Compensation, etc.]

■ Compensation of Directors and Audit & Supervisory Board Members for the 59th Fiscal Year (from May 21, 2021 to May 20, 2022) (Millions of yen)

Category of Directors	Total amount of compensation, etc.	Fixed compensation	Performance-linked compensation	Non-monetary compensation, etc.	Number of Directors and Audit & Supervisory Board Members Subject to Compensation, etc. (persons)
Director (excluding Outside Directors)	180	103	57	19	5
Outside Directors	52	52	—	—	4
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	22	22	—	—	1
Outside Audit & Supervisory Board members	26	26	—	—	2

(Notes)

- Total amount of compensation, etc., of Directors does not include employee salaries of Directors who concurrently serve as employees.
- The total amount of non-monetary compensation, etc., to Directors (excluding Outside Directors) consists of restricted stock compensation and the amount of ¥19 million recorded as expenses for the 59th fiscal year (from May 21, 2021 to May 20, 2022).

[Total Amount of Consolidated Compensation, etc., for Each Director and Audit & Supervisory Board Member]

As there is no Director or Audit & Supervisory Board member who received a total amount of ¥100 million or more in consolidated compensation, etc., the amount is not stated.

[Significant Employee Salaries of Officers Concurrently Serving as Employees]

Not applicable.

Policy on Determining Compensation Amounts and the Calculation Methods Thereof	Established
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Disclosure of Policy on Determining Compensation Amounts and the Calculation Methods Thereof

For details on policies and procedures for the Company's Board of Directors in determining the compensation for Directors and senior management, please refer to the section "[Principle 3-1 (3): Board of Directors' Policies and Procedures for Determining the Compensation of Directors and Senior Management]" as described in "Disclosure Based on the Principles of the Corporate Governance Code" of this Report.

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

Although the Company does not have dedicated staff for Outside Directors and Outside Audit & Supervisory Board members, the division in charge of secretarial functions and the Legal Affairs Division serves as the secretariat for the Board of Directors' meetings in cooperation with the relevant divisions to ensure appropriate handling. The Internal Audit Division and Legal Affairs Division provide the Audit & Supervisory Board members with assistance as necessary, and when requested by the Audit & Supervisory Board members to assign dedicated staff, they respond appropriately upon consultation with the Audit & Supervisory Board members.

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

The Company has adopted a system of a company with an Audit & Supervisory Board.

As of the date of the update of this Report, the Company has ten Directors, five of whom are Outside Directors (four of whom are independent officers). The Board of Directors engages in active and effective discussions on management strategies and business plans for new businesses, as well as on proposals for important business execution and other matters. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Board of Directors met 15 times.

As of the date of the update of this Report, the Company has three Audit & Supervisory Board members, two of whom are Outside Audit & Supervisory Board members (two of whom are independent officers). The Audit & Supervisory Board received reports on, discusses, or resolves important matters related to audits. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Audit & Supervisory Board met 20 times.

In addition to the above Board of Directors and Audit & Supervisory Board, the Company has established the following meetings and committees: 1. Management Meeting; 2. Special Committee; 3. Independent Outside Officer Meeting; 4. Nomination and Compensation Committee; 5. Sustainability Committee; 6. Risk and Compliance Committee; 7. Occupational Health and Safety Committee; 8. Quality Management Committee; and 9. Information Disclosure Committee.

1. Management Meeting

Comprised of CEO (Akira Yoshioka, Chairperson), ASKUL Director (Shinichi Hokari), COO (Katsuhiro Kawamura), and CFO (Tsuguhiro Tamai), the Management Meeting examines and submits proposals for business execution to be discussed in accordant with the respective regulations.

During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Management Meeting met 40 times.

2. Special Committee

In response to the revision of the Corporate Governance Code in 2021, at the Board of Directors' meeting held on August 4 of the same year, the Company resolved to enhance its Board of Directors' supervisory function to appropriately improve corporate governance and ensure management transparency of the Company and the Group. The Special Committee was also established as a permanent advisory body to the Board of Directors for the purpose of protecting the interests of minority shareholders and ensuring fairness and impartiality in important transactions, as well as transactions where the interests of controlling shareholders and major shareholders with an equivalent level of control (dominant shareholders) conflict with those of minority shareholders. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Special Committee met four times.

The members of the Special Committee as of the date of the update of this Report are as follows.

Outside Director and Independent Officer	Yumiko Ichige (Chairperson)
Outside Director and Independent Officer	Kazuo Tsukahara
Outside Audit & Supervisory Board member and Independent Officer	Yoshitaka Asaeda

3. Independent Outside Officer Meeting

With the aim of establishing an appropriate corporate governance system and enhancing corporate value of the Company and the Group, Independent Outside Directors and Independent Audit & Supervisory Board members (the "Independent Outside Officers") freely exchange information and opinions on matters related to corporate governance, the content of proposals made by Directors, important matters related to the Company's business and management, and other matters deemed necessary by the Independent Outside Officers. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Independent Outside Officer Meeting met six times.

The members of the Independent Outside Officer Meeting as of the date of the update of this Report are as follows.

Outside Director and Independent Officer	Kazuo Tsukahara (Chairperson, lead Independent Outside Director)
Outside Director and Independent Officer	Yumiko Ichige
Outside Director and Independent Officer	Genri Goto
Outside Director and Independent Officer	Naomi Aoyama
Outside Audit & Supervisory Board member and Independent Officer	Yoshitaka Asaeda
Outside Audit & Supervisory Board member and Independent Officer	Miyuki Nakagawa

4. Nomination and Compensation Committee

The Nomination and Compensation Committee is a permanent advisory body to the Board of Directors, consisting of all independent Outside Directors and the President and CEO, for the purpose of contributing to the building of an appropriate corporate governance and ensuring management transparency of the Company and the Group, and deliberates and reports to the Board of Directors on the following matters, in consultation with the Board of Directors.

- Formulation of basic policies on the appointment and dismissal of Directors, Representative Directors, President and CEO, and key officers and employees, as well as on the appointment of Audit & Supervisory Board members.
- Proposals for the appointment and dismissal of Directors and Audit & Supervisory Board members to be submitted to a General Meeting of Shareholders.
- Proposals for the appointment and dismissal of key officers and employees to be submitted to the Board of Directors' meetings.
- Formulation and operation of succession plans for Representative Directors, President and CEO, Directors, and key officers and employees.

- Formulation of basic policies on compensation of President and CEO, Directors, Audit & Supervisory Board members, and key officers and employees.
- Proposals for the calculation method of compensation of President and CEO, Directors, and key officer and employees, and the amount of compensation for each individual.
- Other important management matters deemed necessary by the Board of Directors.

The Nomination and Compensation Committee may investigate matters under its jurisdiction, provide opinions, advice, and recommendations to the Board of Directors, and may also express its opinions at a General Meeting of Shareholders and other meetings regarding matters for which it has made reports, recommendations, etc.

During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Nomination and Compensation Committee met 23 times. The members of the Nomination and Compensation Committee are as follows.

Outside Director and Independent Officer	Kazuo Tsukahara (Chairperson)
Outside Director and Independent Officer	Yumiko Ichige
Outside Director and Independent Officer	Genri Goto
Outside Director and Independent Officer	Naomi Aoyama
Representative Director, President and CEO	Akira Yoshioka

5. Sustainability Committee

With the aim of fulfilling the social responsibilities, achieving sustainable growth, and enhancing corporate value over the medium to long term, and complementing governance function of the Board of Directors of the Company and the Group, the Sustainability Committee deliberates and decides on issues and policies related to sustainability and ESG, and monitors each of the committees listed in 6 to 9 below. The Sustainability Committee members consist of the Representative Directors (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai, chairperson), COO (Katsuhiko Kawamura), and the chairpersons of each of the committees listed 6 to 9 below. In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (Yumiko Ichige, Outside Director; Toshio Imamura, full-time Audit & Supervisory Board member; Yoshitaka Asaeda, Outside Audit & Supervisory Board member) are appointed as advisors. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Sustainability Committee met 12 times.

In line with a resolution by the Board of Directors at a meeting held on August 4, 2021, the previous CSR Committee was reorganized as the Sustainability Committee.

6. Risk and Compliance Committee

With the aim of managing risks in the Company and the Group, complying with laws and regulations, internal and external rules and norms, and ensuring proper business execution, the Risk and Compliance Committee works to understand and take measures to address risks and compliance situations related to matters other than those under the jurisdiction of the committees listed in 7 and 8 below. The Risk and Compliance Committee members consist of the Representative Directors (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai, chairperson), COO (Katsuhiko Kawamura), and the Executive Officer of unit in charge of legal affairs.

In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (Miyuki Nakagawa, Outside Audit & Supervisory Board member) is appointed as an advisor. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Risk and Compliance Committee met 12 times.

7. Occupational Health and Safety Committee

With the aim of ensuring the safety of staff and employees and promoting their mental health and physical health, as well as improving productivity and heightening morale, through the improvement of the occupational safety and working environment of the Company and the Group, the Occupational Health and Safety Committee works to understand the status of and take measures related to occupational safety and health. The Occupational Health and Safety Committee members consist of ASKUL Director (Shinichi Hokari) including Director in charge of risk management (Tsuguhiro Tamai), COO (Katsuhiko Kawamura), Executive Officer of unit in charge of human resources (Hiroyuki Ueno, chairperson), Executive Officers of divisions in charge of logistics, corporate planning, legal affairs, CSR, and general affairs, as well as the head of internal audit division, and the Representative Director and President of ASKUL LOGIST Corporation.

In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (Kazuo Tsukahara, Outside Director; Toshio Imamura, full-time Audit & Supervisory Board member) are appointed as advisors. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Occupational Health and Safety Committee met 12 times.

8. Quality Management Committee

With the aim of improving customer trust and satisfaction, as well as providing customers with products that are safe and reliable through the improvement of the quality of services and products handled throughout the value chain, including the Company and the Group, and the strengthening of quality management functions for services and products, the Quality Management Committee works to understand the status of the quality of services and products handled throughout the value chain and to implement countermeasures. The Quality Management Committee members consist of the Representative Director (Akira Yoshioka), ASKUL Director (Shinichi Hokari) including Director in charge of risk management and management and quality key performance indicators (KPIs) (Tsuguhiro Tamai), COO (Katsuhiko Kawamura), Executive Officer of unit in charge of customer support (Hideo Sakurai, chairperson), Executive Officers of divisions in charge of products, product quality management, B-to-B, B-to-C, IT, logistics, corporate planning, legal affairs, and CSR, as well as Vice Executive Officer of division in charge of product quality management, the head of internal audit division, and the Representative Director and President of ASKUL LOGIST Corporation.

In addition, one or more Outside Directors or Audit & Supervisory Board members (including Outside Audit & Supervisory Board members) (Naomi Aoyama, Outside Audit & Supervisory Board member) is appointed as an advisor. During the 59th

fiscal year (from May 21, 2021 to May 20, 2022), the Quality Management Committee met 11 times.

9. Information Disclosure Committee

With the aim of enhancing management transparency through appropriate disclosure of information about the Company and the Group, decisions on disclosure are made by the Information Disclosure Committee. The Information Disclosure Committee members consist of the person responsible for handling information (Tsuguhiro Tamai, chairperson), Executive Officers, Vice Executive Officers, and General Managers of divisions in charge of IR, public relations, finance, corporate planning, and accounting, as well as Executive Officers, Vice Executive Officers, etc., of divisions in charge of legal affairs, CSR, general affairs, and human resources. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Information Disclosure Committee met 36 times.

[Status of Audit]

(1) Status of Audits by Audit & Supervisory Board Members

1. Organization, Members and Audit Procedures

As of the date of the update of this Report, the Company has three Audit & Supervisory Board members, two of whom are Outside Audit & Supervisory Board members, and both of whom are independent officers. In addition, one of the Audit & Supervisory Board members is a full-time Audit & Supervisory Board member. One of the conditions for the appointment of candidates for the Company's Audit & Supervisory Board members is that they must have appropriate experience, capabilities, and knowledge of requisite financial, accounting, and legal matters. Furthermore, one or more Audit & Supervisory Board members must have sufficient knowledge of finance and accounting matters. The current composition of the Audit & Supervisory Board is chaired by Mr. Toshio Imamura, a full-time Audit & Supervisory Board member, who possesses extensive business and management experience in the Group's operations, as well as experience and knowledge appropriate for the supervisory function of business execution. Mr. Yoshitaka Asaeda, an Outside Audit & Supervisory Board member, is a certified public accountant and has considerable knowledge of financing and accounting as well as a wealth of practical auditing experience. Ms. Miyuki Nakagawa, an Outside Audit & Supervisory Board member, worked for many years as a prosecutor at the Tokyo District Public Prosecutors Office and elsewhere and has practical experience in legal circles. In addition to her expertise as a legal professional, she also serves as Outside Director and Outside Audit & Supervisory Board Member at multiple companies, and has a wealth of experience and expertise as a legal professional. The procedures for auditing by the Audit & Supervisory Board members are as follows.

Planning····· Based on the audit results of the previous fiscal year and the business plan for the new fiscal year, the audit policy and audit plan for the new audit year are determined through discussions by the Audit & Supervisory Board.

Implementation·· Based on the audit plan, Audit & Supervisory Board members attend important meetings to understand the status of the execution of duties, and conduct audits by interviewing the Company's Representative Directors, Directors, Executive Officers, and other senior employees, as well as the representative directors of the Company's major subsidiaries. Furthermore, regular meetings are held with the Internal Audit Division and the Accounting Auditor in order to actively collaborate with them, thereby enhancing the efficacy and efficiency of the audits.

Reporting, etc.··· After the year-end audit, Audit & Supervisory Board members receive the audit report from the Accounting Auditor, exchange opinions, prepare the audit report, and submit it to the Representative Director and President. They also attend the Annual General Meeting of Shareholders to report on the audit. In addition, they hold regular meetings with the Representative Directors and Accounting Auditor to exchange opinions.

2. Activities of the Audit & Supervisory Board

In principle, the Audit & Supervisory Board meets regularly on a monthly basis after the Board of Directors' meetings, and extraordinary meetings are held as necessary. During the 59th fiscal year (from May 21, 2021 to May 20, 2022), the Audit & Supervisory Board met a total of 20 times, including seven extraordinary meetings, and Mr. Toshio Imamura, Mr. Mikinao Kitada, and Mr. Yoshitaka Asaeda attended all of them, with a 100% attendance rate by all Audit & Supervisory Board members.

The Audit & Supervisory Board, for the 59th fiscal year (from May 21, 2021 to May 20, 2022), worked on evaluating the following as the main priority audit items: (1) status of development and management of internal control system (risk management and governance systems); (2) compliance system; (3) management of the Group companies; (4) progress of business plans and status of investment projects; (5) status of compliance with workstyle reforms and labor affairs management; (6) monitoring of conflict-of-interest transactions; and (7) appropriateness of the Accounting Auditor's auditing methods and results, and the contents of KAM.

Moreover, regular meetings were held with the Accounting Auditor and the Internal Audit Division. Through active collaboration, the Audit & Supervisory Board enhances the efficacy and efficiency of audits. The Audit & Supervisory Board promotes exchanges of opinions and collaboration with the Accounting Auditor through the briefing session on the accounting audit plan held at the beginning of each fiscal year (once a year, attended by all Audit & Supervisory Board members), the briefing session on the accounting audit results at the end of each fiscal year (once a year, attended by all Audit & Supervisory Board members), and the quarterly accounting audit review (three times a year, attended by all Audit & Supervisory Board members). The Audit & Supervisory Board also exchanges opinions and collaborates with the Internal Audit Division through explanations of the internal audit implementation plan at the Audit & Supervisory Board meeting at the beginning of each fiscal year (once a year, attended by all Audit & Supervisory Board members), monthly collaboration meetings (monthly, attended by full-time Audit & Supervisory Board members), and reports on the progress of internal audit implementation (four times a year, attended by all Audit & Supervisory Board members).

3. Major Activities of Audit & Supervisory Board Members

The Company's Audit & Supervisory Board members conduct auditing activities in accordance with the auditing policy and plan for audit by Audit & Supervisory Board members and the assignment of duties, etc., which are resolved at the Audit & Supervisory Board meeting at the beginning of each fiscal year. All Audit & Supervisory Board members attend the Board of Directors' meetings to understand the status of Directors' execution of their duties, audit the operation of the proceedings and the content of resolutions, monitor competing transactions and conflict-of-interest transactions, and express their opinions as necessary. The Board of Directors met 15 times during the 59th fiscal year (from May 21, 2021 to May 20, 2022), and three Audit & Supervisory Board members (Mr. Toshio Imamura, Mr. Mikinao Kitada, and Mr. Yoshitaka Asaeda) attended all of these meetings, with a 100% attendance rate by all.

Full-time Audit & Supervisory Board members also attend important internal meetings including the Management Meetings (in principle, twice a month) and inspect important approval documents, etc. At the end of the fiscal year, they attend physical inspection conducted by the Accounting Auditor to confirm that inventories are being properly managed. Furthermore, they monitor the status of systems to ensure proper business activities on a daily basis, communicate and exchange information with Audit & Supervisory Board members of the Group companies as appropriate, and share information with Outside Audit & Supervisory Board members as necessary.

All Audit & Supervisory Board members interview the Company's Representative Directors (twice a year), Directors (once a year), Executive Officers (once a year) and other senior employees, and meet with the Representative Directors of major Group companies (once a year) to confirm and exchange opinions on the status of the development and management of internal control system, progress of business plans, status of investment projects, status of compliance with workstyle reforms, labor affairs management, and make recommendations as necessary. The Audit & Supervisory Board members also meet with each Outside Director (once a year) to exchange opinions and promote collaboration.

Furthermore, each Audit & Supervisory Board member serves as an advisor to the Sustainability Committee (Toshio Imamura, full-time Audit & Supervisory Board member, one a month), Risk and Compliance Committee (Mikinao Kitada, Outside Audit & Supervisory Board member, once a month), Quality Management Committee (Yoshitaka Asaeda, Outside Audit & Supervisory Board member, once a month), and Occupational Health and Safety Committee (Toshio Imamura, full-time Audit & Supervisory Board member, once a month), which complement the governance function of the Board of Directors, to further improve the efficacy and efficiency of auditing.

(2) Status of Internal Audits

The Internal Audit Division, an independent division under the direct control of the Representative Director and President, consists of four members, including one responsible for internal auditing. The Internal Audit Division audits the status of business execution and cross-divisional business processes in each division and subsidiary from the viewpoint of compliance and risk management, and assesses the efficacy of internal controls. Internal audit procedures are as follows.

Planning..... Based on the audit results of the previous fiscal year and the business plan for the new fiscal year, the audit policy for the new audit year is determined upon approval by the Representative Director and President. In accordance with the determined audit policy, the Internal Audit Division formulates priority audit targets, audit scope, and audit schedule, allocates audit duties, and determines divisions to be audited, audit items, and audit schedule, etc.

Implementation.. Based on the determined audit plan, the Internal Audit Division conducts audits by understanding the status of business execution and cross-divisional business processes in the divisions and subsidiaries to be audited, inspecting documents such as applications for approval, contracts, and transaction records, and interviewing responsible persons and other relevant persons. The Internal Audit Division also conducts audits by attending on-site inspection of inventories, etc.

Reporting, etc.... After conducting the internal audit, the Internal Audit Division prepares the audit report and submits it to the Representative Director and President, Directors, and Audit & Supervisory Board members. Problems identified in the course of internal audits are pointed out to the responsible persons in the audited divisions and subsidiaries accordingly, who are requested to submit an improvement report, and the Internal Audit Division confirms such improvement report before reporting it to the Representative Director and President, Directors, and Audit & Supervisory Board members. Information is exchanged through a summary of internal audit reports at the time of mid-term and year-end audits by an audit corporation to enhance the efficacy and efficiency of auditing.

(3) Status of Accounting Audit for the 59th fiscal year (from May 21, 2021 to May 20, 2022)

a. Name of Audit Corporation
KPMG AZSA LLC

b. Consecutive Period of Auditing
24 years

The above information is for the period after the period covered by the audit in the securities registration statement, as it was extremely difficult to research the period prior to the period covered by the audit in the securities registration statement submitted when the Company first listed. The actual consecutive period of auditing may exceed this period.

c. Certified Public Accountants Who Executed Audit Duties
Ryohei Tomita Designated Limited Liability Partner, Engagement Partner
Shinichiro Tozuka Designated Limited Liability Partner, Engagement Partner

d. Composition of Assistants for Auditing

Six certified public accountants, three persons who have passed the certified public accountant examination, and six other persons

- e. **Policy and Reason for Selection of Auditing Corporation**
 The selection of audit corporation by the Audit & Supervisory Board of the Company is based on a comprehensive review of such factors as quality control system, independence, expertise, audit fees, communication with Audit & Supervisory Board members and management, and response to the risk of fraud, with reference to the “Practical Guidelines for Audit & Supervisory Board Members on the Evaluation and Selection of Accounting Auditors” and other guidelines published by the Japan Audit & Supervisory Board Members Association, in addition to the firm’s thorough knowledge of the business of the Company.
 The Audit & Supervisory Board dismisses the Accounting Auditor with the unanimous consent of Audit & Supervisory Board members if the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act. The Audit & Supervisory Board, in the course of evaluating the status of the execution of duties by the Accounting Auditor, determines a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders if it is deemed that there is a hindrance to the proper execution of duties, or if it is otherwise deemed necessary.
- f. **Evaluation of Audit Corporation by Audit & Supervisory Board Members and the Audit & Supervisory Board**
 The Audit & Supervisory Board of the Company comprehensively evaluates the Accounting Auditor’s audit structure and performance of duties, in addition to its suitability for the criteria set forth in the above-mentioned method of selecting an auditing corporation.
- g. **Changes in Audit Corporation**
 In accordance with the resolution to appoint the new Accounting Auditor at the 59th Annual General Meeting of Shareholders held on August 4, 2022, the audit corporation for the Company has been changed as follows.
 59th fiscal year (from May 21, 2021 to May 20, 2022, consolidated and non-consolidated) KPMG AZSA LLC
 60th fiscal year (from May 21, 2022 to May 20, 2023, consolidated and non-consolidated) Deloitte Touche Tohmatsu LLC

The matters described in the Extraordinary Report (submitted on July 1, 2022) are as follows.

- (1) Name of certified public accountant, etc., for audits pertaining to the change
 - (a) Name of the certified public accountant, etc., for audits to be appointed
Deloitte Touche Tohmatsu LLC
 - (b) Name of the retiring certified public accountant, etc. for audits
KPMG AZSA LLC
- (2) Date of change
August 4, 2022 (Date of the 59th Annual General Meeting of Shareholders)
- (3) Date on which the retiring certified public accountant, etc. for audits became a certified public accountant, etc., for audits
May 15, 1998
- (4) Opinions, etc., in audit reports, etc., prepared by the retiring certified public accountant, etc., for audits for the past three years
Not applicable.
- (5) Reasons and background leading to the decision of such change or such change
The term of office of the Company’s Accounting Auditor KPMG AZSA LLC expired at the conclusion of the 59th Annual General Meeting of Shareholders held on August 4, 2022. The Audit & Supervisory Board has decided to appoint Deloitte Touche Tohmatsu LLC, given the years of continuous audit by the incumbent Accounting Auditor, it is expected that audits can be provided from a new perspective. In addition, appointing the same Accounting Auditor as Z Holdings Corporation, which is the Company’s affiliated company is expected to improve audit efficiency for the entire Group. Also, the Audit & Supervisory Board has examined the audit structure, independence, and expertise, etc., of Deloitte Touche Tohmatsu LLC based on the “Criteria for Selection and Evaluation of Accounting Auditor” prescribed by the Audit & Supervisory Board and concluded that it would be suitable for the post.
- (6) Opinions on the reasons and background in (5) above
 - (a) Opinions of the retiring certified public accountant, etc., for audits
The Company has received a response that there are no particular opinions to be expressed.
 - (b) Opinion of the Audit & Supervisory Board
The Audit & Supervisory Board has determined that they are appropriate.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the present system of a company with an Audit & Supervisory Board since it believes that the audit and supervisory functions of management can be fully performed by Outside Audit & Supervisory Board members, who account for over half of the Audit & Supervisory Board, in cooperation with the independent Outside Directors.

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
Scheduling of the General Shareholders Meeting During Non-Peak Days	The Company's fiscal year ends on May 20, and no consideration regarding the peak days is required.
Electronic Exercise of Voting Rights	The Company accepts the exercise of voting rights via the Internet at the website for exercising voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in the electronic voting platform for institutional investors for the convenience of investors.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company prepares English translation of the Notice of the General Meeting of Shareholders (summary) and posts it on its website.
Other	The Company posts the Notice of the General Meeting of Shareholders and other information on its website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Individual Investors	In principle, it is the Company's policy to hold retail investor briefings (including briefings organized by securities companies) at least once a year.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	In principle, earnings announcements (including online) are held four times a year, as of the end of the first through third quarters and at the end of the fiscal year, with explanation provided by Representative Director or Director and CFO.	Held
Online Disclosure of IR Information	IR releases disclosed about the Company are posted on its website in chronological order for easy understanding. (URL https://www.askul.co.jp/kaisya/english/ir/)	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has established a division in charge of investor relations, and dedicated staff members are engaged in investor relations activities.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has established the Code of Ethics and Conduct (ASKUL Code of Conduct), which defines the basic rules of conduct that should be observed by all officers and employees of the Company in the execution of their duties, as follows. "In our business activities and relationships with stakeholders surrounding ASKUL, we shall comply with laws and regulations, the ASKUL Code of Conduct, policies, internal rules, regulations, guidelines, manuals, etc. (hereinafter, those listed after "policies" are collectively referred to as the "Internal Rules, etc."), and shall conduct our activities in a sound, fair, and transparent manner. When conducting business activities overseas on a permanent basis, we shall also comply with the laws and regulations of the respective countries." These are posted on the Company's intranet to ensure that all officers and employees are thoroughly informed.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company discloses its basic approach to sustainability activities (environmental and social activities) and major initiatives on its website. https://askul.disclosure.site/ja/ (Japanese only)

	Supplementary Explanation
Formulation of Policies, etc. on Provision of Information to Stakeholders	Based on the decision of the Information Disclosure Committee mentioned above, the Company has formulated policies, etc., for providing information to customers, shareholders, investors, partners, employees, and other stakeholders. “1. Basic Policy and Approach on Timely Disclosure of Corporate Information” and “Current Status of Timely Disclosure System” are described in detail in “2. Other Matters Concerning the Corporate Governance System” of V. Other.”

IV. Matters Concerning the Internal Control System

1. Basic Approach to Internal Control System and Status of Development

1. Basic Approach

In order to ensure proper business activities of the Company in accordance with the Companies Act and the Regulations for Enforcement of the Companies Act, the Company shall establish an internal control system to prevent various risks from the perspective of risk management by recognizing the social responsibilities the Company should fulfill, while enhancing corporate governance and at the same time ensuring compliance management.

2. Status of Development

The Company has made a resolution at the Board of Directors’ meeting on the basic policy regarding establishment of internal control system concerning the “systems for ensuring proper business activities” as stipulated in the Companies Act and the Regulations for Enforcement of the Companies Act. The outline of the policy is as follows (last revised on June 8, 2022).

- (1) System for ensuring that the execution of duties by Directors, etc., and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation
 - a. The corporate group comprised of the Company and its subsidiaries has established the ASKUL WAY, which is the origin of concepts and actions necessary for sustainable growth, and has developed, shared, and complied with the Code of Ethics and Conduct (ASKUL Code of Conduct) and the *Compliance Manual*. The Company shall also comply with various regulations, including the Board of Directors Regulations, Organization Regulations, Regulations on Division of Duties, and Administrative Authority Regulations, to ensure appropriate execution of duties.
 - b. The Company’s Board of Directors shall always include Outside Directors who have no vested interest in the Company, in the expectation that they will serve as checks and balances to ensure the legality of the Directors’ execution of their duties.
 - c. In order to contribute to the establishment of appropriate corporate governance and management transparency of the Company and the Group, the Company has established committees such as the Nomination and Compensation Committee and the Special Committee, which are mainly composed of independent officers, as well as the Sustainability Committee and other committees to fulfill the social responsibilities of the Company and the Group and to promote sustainable growth and enhance corporate value over the medium to long term, thereby establishing a system to complement the governance function of the Board of Directors.
 - d. Education and training on the environment, information security, occupational safety, quality, and various laws and regulations are provided on a regular basis to deepen understanding of compliance and create an environment facilitating the sound execution of duties.
 - e. The Internal Audit Division shall audit the status of the execution of duties by the Company’s employees, pointing out any problems to managers of divisions to which the employee belongs, and reporting to the Representative Directors, Directors, and Audit & Supervisory Board members to request improvements in those divisions and ensure proper business activities.
 - f. The status of the execution of duties by Directors and employees of the Company’s subsidiaries shall be supervised and managed by the Corporate Planning Division in accordance with the Company’s Affiliate Companies Management Regulations, and audited by the Company’s Internal Audit Division to ensure proper business activities.
 - g. As part of the monitoring function of the Company and its subsidiaries, a hotline (internal reporting system) applicable in the Company and its subsidiaries, including an outside consultation service (in the office of the Company’s legal counsel), has been established to identify any suspicious activities from the perspective of compliance.
- (2) System for storing and managing information related to the execution of duties by Directors
 - a. Information related to the execution of duties by Directors shall be appropriately recorded, stored, and managed in accordance with laws, regulations, and the Articles of Incorporation, and internal rules such as the Board of Directors Regulations, Information Security Regulations, and Document Handling Regulations. In addition, Directors and Audit & Supervisory Board members shall have access to these records at all times.
 - b. Executive Officers appointed by the Board of Directors are responsible for these duties.
- (3) Regulations and other systems for managing the risks of loss of the Company and its subsidiaries
 - a. With regard to risks of the Company and its subsidiaries, the Company has appointed a Director in charge of risk management, established a division to deal with such risks, and set up committees such as the Risk and Compliance Committee, Occupational Health and Safety Committee, Quality Management Committee, and Information Disclosure Committee to understand and assess the risk and compliance status of the Company and its subsidiaries, and to prevent the occurrence of risks.

- b. Based on the above risk assessment, the Company and its subsidiaries shall establish in advance the systems necessary to minimize losses of the Company and its subsidiaries in the event that various risks materialize, and shall take necessary measures in accordance with such systems in the event that such risks actually materialize.
- c. With regard to risks related to the environment, information security, occupational safety, quality, compliance, and human rights, etc., the Company shall develop a management system that complies with the ISO 14001 (Environment), JIS Q 15001 (Personal Information Protection), and ISO 27001 (Information Security) standards, and maintain a management cycle of analysis/planning, execution, examination/review, and improvement, and establish a system for proper business activities. Furthermore, the Company shall establish regulations and manuals in each division in charge and subsidiary, and provide all employees with training and thorough awareness of them.
- d. With respect to monitoring risk management related to the execution of duties by the Company and its subsidiaries, the Internal Audit Division shall take the lead in conducting regular audits from the perspectives of compliance and risk management.

- (4) System for ensuring the efficient execution of duties by Directors, etc., of the Company and its subsidiaries
 - a. The Company and its subsidiaries shall adopt a system to ensure the proper and efficient execution of duties in accordance with the Board of Directors Regulations, Organization Regulations, Regulations on Division of Duties, Administrative Authority Regulations, and other regulations established by each company.
 - b. The Company's Board of Directors shall always include Outside Directors who have no vested interest in the Company, in the expectation that they will serve as checks and balances to ensure the appropriateness and efficiency of the Directors' execution of their duties.

- (5) System for reporting to the Company on matters pertaining to the execution of duties by Directors, etc., of the Company's subsidiaries

The Company has formulated the Affiliate Companies Management Regulations and other related regulations, and in accordance with these regulations, each subsidiary shall regularly report to the Company on the status of execution of its duties and other important matters through reports to the Corporate Planning Division, which serves as the Company's contact point, or through attendance at the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company. The Corporate Planning Division shall promptly share with the relevant divisions of the Company matters reported by Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries.

- (6) Other system for ensuring the proper business activities of the corporate group comprised of the Company, its other affiliated companies, and its subsidiaries

With regard to the relationship between the Company and Z Holdings Corporation, which is one of the Company's other affiliated companies, the Company shall ensure the proper business activities by enhancing the management monitoring system and strengthening the check-and-balance function by Outside Officers who have no vested interest in the Company.

- (7) System concerning employees who are requested by Audit & Supervisory Board members to assist them in their duties, matters related to the independence of such employees from Directors, and matters related to the ensuring the efficacy of instructions given to such employees

- a. The Internal Audit Division and the Legal Affairs Division shall assist the duties of Audit & Supervisory Board members as necessary, and if Audit & Supervisory Board members request, the Internal Audit Division and the Legal Affairs Division shall discuss with Audit & Supervisory Board members to assign dedicated staff to assist them.
- b. The appointment and transfer of employees to assist the duties of Audit & Supervisory Board members shall be subject to the approval of Audit & Supervisory Board members. Such employees shall execute their duties under the supervision and direction of Audit and Supervisory Board members, and their evaluation shall be subject to the opinions of Audit & Supervisory Board members.

- (8) Systems for ensuring that Directors, Audit & Supervisory Board members, and employees of the Company and its subsidiaries report to the Company's Audit & Supervisory Board members, that those who make such reports are not treated unfavorably by reason of having made such reports, and that audits by other Audit & Supervisory Board members are carried out effectively.

- a. Directors and employees of the Company shall report the status of execution of their duties through the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company attended by Audit & Supervisory Board members.
- b. Directors, Audit & Supervisory Board members, and employees of the Company's subsidiaries shall report regularly to the Company on the status of execution of their duties and other important matters through report to the Corporate Planning Division, which serves as the Company's contact point, or through attendance at the Board of Directors' meetings, the Management Meetings, and other important meetings of the Company attended by Audit & Supervisory Board members. The Corporate Planning Division shall promptly report to Audit & Supervisory Board members any important matters reported by Directors, Audit & Supervisory Board members, and employees of the Company's subsidiaries.
- c. The Company's Audit & Supervisory Board members shall conduct efficient and effective audits by mainly targeting the Company's Directors, Executive Officers of Business Units, Executive Officers of Units, and Directors of the Company's subsidiaries, in accordance with the audit policy determined by the Audit & Supervisory Board, while covering the overall status of business execution of the Company and its subsidiaries. In addition, the Company's Audit & Supervisory Board members shall actively collaborate with the Internal Audit Division and the Accounting Auditor to conduct audits.
- d. The Company and its subsidiaries shall establish a system whereby any event that may have a significant impact on the Company's credibility or business performance, or any serious act that violates laws, the Articles of Incorporation, or the Internal Rules, etc., shall be promptly reported to the Company's Audit & Supervisory Board members through the division of the Company in charge.

- e. The Audit & Supervisory Board shall hold regular meetings to exchange opinions with the Representative Directors and the Accounting Auditor, respectively.
- f. In the hotline applicable to the Company and its subsidiaries, the Company’s Audit & Supervisory Board members shall be appointed as one of the contact points to enhance the reporting system to Audit & Supervisory Board members. The Company shall prohibit any unfavorable treatment of whistleblowers who report through the hotline as a result of their making such a report.

- (9) Matters concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Audit & Supervisory Board members and other policies concerning the treatment of expenses or liabilities incurred in the execution of such duties

When Audit & Supervisory Board members request advance payment or reimbursement of expenses incurred in the execution of their duties, the Company shall promptly process such expenses and liabilities, unless such expenses or liabilities are deemed unnecessary for the execution of duties by Audit & Supervisory Board members.

- (10) System for ensuring the reliability of financial reporting

The Company shall appoint a Director in charge of finance and accounting, formulate internal rules for financial reporting, prepare consolidated and non-consolidated financial statements in accordance with corporate accounting standards that are generally accepted as fair and appropriate, and establish the Information Disclosure Committee to ensure the reliability of financial reporting by the Company and its subsidiaries.

2. Basic Approach to Measures for Eliminating Anti-Social Forces and Status of Development

The Code of Ethics and Conduct of the Company and its subsidiaries stipulates that the Company and its subsidiaries shall take a firm stand against anti-social forces and organizations, sever all relationships with them, and shall not engage in any acts that encourage or contribute to the activities of anti-social forces and organizations, as a basic approach to eliminate anti-social forces. The Code of Ethics and Conduct shall be posted at all times within the Company and its subsidiaries to ensure that all employees are educated and thoroughly informed of it.

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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When introducing anti-takeover measures, the Company shall not, as a matter of course, aim to protect management or the Board of Directors, and the Board of Directors will carefully deliberate on the necessity and rationality of the introduction and operation of such measures, and furthermore, the Company shall make decisions based on the opinions of a “third-party committee” consisting of Outside Directors, mainly independent officers, third parties with no vested interests in the matter, and other relevant parties. If necessary, the Board of Directors will also consider implementing such measures after consulting with and obtaining approval at a General Meeting of Shareholders.

2. Other Matters Concerning the Corporate Governance System

The status of the Company's internal system for the timely disclosure of corporate information is as follows.

1. Basic Policy and Approach on Timely Disclosure of Corporate Information

The Code of Ethics and Conduct (ASKUL Code of Conduct) is a set of basic rules that should be observed by all Directors, Audit & Supervisory Board members, employees, contract employees, and part-time employees (hereinafter referred to as "we") working for ASKUL Corporation and its subsidiaries in the course of executing their duties, which clearly states as follows.

(1) For shareholders and investors

- The Company proactively and impartially discloses information in accordance with applicable laws and regulations for shareholders and investors, including management-related matters and the status of business activities (the "Company Information").
- Company Information is disclosed in a timely and appropriate manner, with efforts made to ensure accuracy at all times and, when necessary, consider the necessity of maintaining confidentiality.
- In order to ensure the reliability of financial and tax accounting records and reports, the Company shall conduct accurate and proper accounting procedures in accordance with corporate accounting standards that are generally accepted as fair and appropriate, relevant laws and regulations, and internal rules, and shall not prepare inaccurate or false records.
- With regard to records and reports concerning our duties and operations, the Company shall also accurately and faithfully prepare such records and reports in accordance with relevant laws and regulations and internal rules, and shall not prepare inaccurate or false records, and shall make efforts to present such records and reports in an understandable manner.
- In addition to information that must be disclosed due to legal requirements, the Company makes proactive efforts to disclose non-financial information such as the ASKUL WAY, policies, risks, governance, and matters related to the Company's relationship with society, including environmental and social contribution activities (so-called ESG factors).

(2) Prohibition of insider trading

We shall not engage in any conduct that interferes with the soundness and fairness of the securities market, such as trading in stocks or securities with knowledge of material non-disclosed information on all business partners of the ASKUL Group obtained in the course of business activities. In addition, we will not use material non-disclosed information to provide benefits or favors to third parties.

In this matter, all employees of the ASKUL Group take a sincere attitude toward the timely disclosure of facts and information related to financial results that have a significant impact on investors' investment decisions.

2. Current Status of Timely Disclosure System

Specifically, with regard to material facts that may influence investors' decisions, the following systems are in place for information on decisions and financial results, respectively.

(1) Information on decisions and financial results

In order for each business site and division of the ASKUL Group to understand and recognize what constitutes a material fact, a list of material facts is compiled in the Insider Trading Regulations reflecting laws, regulations, and listing rules, and each case is judged by the Information Disclosure Committee.

The Information Disclosure Committee is the decision-making body for the Company to promptly and appropriately disclose information in accordance with the Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities of the Tokyo Stock Exchange, Inc. and related laws and regulations, and operates in accordance with Information Disclosure Committee Regulations that stipulate matters related to such disclosure. When an agenda item concerning a material fact is proposed at a Board of Directors' meeting and other meetings, the division in charge of investor relations confirms whether or not the item is a material fact in accordance with the rules for timely disclosure, and the Information Disclosure Committee make a decision on the item.

Based on these frameworks, the Board of Directors makes a decision on items and handles information disclosure, and immediately after the decision is made, the information is disclosed through the Tokyo Stock Exchange, Inc.

(2) Information on occurrence of an event

For sudden events, the Company has established a mechanism to convene the relevant divisions to take emergency measures and to promptly respond to disclosure. Under this mechanism, the level of risk is determined and an organization is formed to respond according to the level of risk. For events that fall under the category of material facts, an emergency task force is set up to ensure prompt and appropriate disclosure.

Moreover, the Internal Audit Division conducts rigorous audits of the business execution of each division and subsidiary to ensure and improve the fairness and transparency of corporate management.

[Reference: Schematic Diagram]

