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Corporate Governance Report

CORPORATE GOVERNANCE

ASKUL Corporation

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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 Updated

[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.

Additionally, the “Approach to Ensuring Diversity” formulated by the Company during the fiscal year ended May 20, 2023 (60th fiscal year) is as follows.

○ Approach to Ensuring Diversity

We will respect diversity and believe that co-creation which makes use of individual strengths will serve as the source for creating new value. As a first step, we will achieve a 30% female manager ratio, and in areas including hiring, placement, development, evaluations, compensation, and workstyles, we will not discriminate based on age, gender, nationality, religion, race, tribe, beliefs, disability, or gender identity, ensuring diversity by providing equal opportunities.

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://s3-ap-northeast-1.amazonaws.com/sustainability-cms-askul-s3/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, 2024, the ratio of foreign nationals to all employees was 1.5% (14 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 creating an environment where both new graduates and mid-career hires are thriving.

As a result, as of the end of the fiscal year ended May 20, 2024, the ratio of Executive Officers was seven males to three females, with an age composition of one in his/her 30s: three in their 40s: five 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, 2024 was 96%, 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://s3-ap-northeast-1.amazonaws.com/sustainability-cms-askul-s3/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/corp/english/investor/library/mplan/>

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

The "Policies for human resource development to ensure diversity" and "internal environmental improvements" and the "status of implementation" formulated by the Company are as follows.

○ "Policies for human resource development to ensure diversity"

We will develop human resources that allow individuals to be themselves, proactively learn, co-create through exercising diversity, and create true delight in any age.

<Status of implementation>

During the fiscal year ended May 20, 2024, the Company strengthened the "Learning support system (sponsorship for educational fees and participation in online learning services)," enabling employees to proactively learn. Additionally, progress continued in creating initiatives to enable employees to embark on new challenges, such as implementing "internal job postings" and an "internal second job system."

○ "Internal environmental improvements"

To ensure that each employee is healthy in both mind and body, can maintain high levels of motivation, and demonstrate their abilities to the fullest, we will ascertain their status with a scientific and multifaceted approach using multiple surveys from employees, bolstering our corporate culture while maintaining our internal environment.

<Status of implementation>

During the fiscal year ended May 20, 2024, the Company maintained a quick response environment by conducting an annual stress check in addition to a monthly condition survey to monitor daily health status. Furthermore, we conducted an engagement survey to measure the gap between what employees seek from their work and what they feel that they have received, and we are working to maintain our internal environment by determining and prioritizing internal issues.

Additionally, as a basic approach and policy to human resources overall in areas such as hiring, development, evaluations, and compensation, the Company has formulated a "Human resources policy," and formulates each policy and implements various measures with it as a base.

The Company's "Human resources policy" is as follows.

○ "Human resources policy"

Based on the shared values of the "ASKUL WAY," it is our hope that employees will challenge themselves to proactively learn, co-create as diverse individuals, and create new value. We will fairly reward any results and actions.

Additionally, we have defined the following significant policies for human resource development toward achievement of the Medium-Term Management Plan.

○ “Significant policies for human resource development”

- (1) In response to a rapidly changing business society, we will use technology to focus on developing DX human resources that can serve as the management foundation to implement reforms as fast as possible.
- (2) By integrating ESG indices into evaluations for managers, we will develop human resources that can contribute to realizing our objective of “ethical e-commerce.”
- (3) We will develop management human resources through multifaceted evaluations, bold personnel placement, and succession planning that integrates training with the objective of developing revolutionary human resources.

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

[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 strategic 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 the common interests of its shareholders, nor give rise to such concerns. Details are described in “2. Capital Structure, Supplementary Explanation” 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

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environment where both new graduates and mid-career hires are thriving.

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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://s3-ap-northeast-1.amazonaws.com/sustainability-cms-askul-s3/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/corp/english/investor/library/mplan/>

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<Status of implementation>

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○ “Internal environmental improvements”

To ensure that each employee is healthy in both mind and body, can maintain high levels of motivation, and demonstrate their abilities to the fullest, we will ascertain their status with a scientific and multifaceted approach using surveys from multiple employees, bolstering our corporate culture while maintaining our internal environment.

<Status of implementation>

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The Company’s “Human resources policy” is as follows.

○ “Human resources policy”

Based on the shared values of the “ASKUL WAY,” it is our hope that employees will challenge themselves to proactively learn, co-create with diverse individuals, and create new value. In turn, we will fairly reward employees for their achievements and actions.

Additionally, we have defined the following significant policies for human resource development toward achievement of the Medium-Term Management Plan.

○ “Significant policies for human resource development”

- (1) In response to a rapidly changing business society, we will use technology to focus on developing DX human resources that can serve as the management foundation to implement reforms as fast as possible.
- (2) By integrating ESG indices into evaluations for managers, we will develop human resources that can contribute to realizing our objective of “ethical e-commerce.”
- (3) We will develop management human resources through multifaceted evaluations, bold personnel placement, and succession planning that integrates training with the objective of developing revolutionary human resources.

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

The Company does not have any corporate pension funds. With the objective of creating stable asset generation for employees, the Company has implemented a corporate defined contribution retirement benefit system, and in line with the implementation of this system, the Company holds asset management seminars for employees.

[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.

Please refer to the following for details on basic approaches to information disclosure and dialogue.

[Basic approaches to information disclosure and dialogue with shareholders] at

<https://www.askul.co.jp/corp/english/investor/management/disclosure/>

[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/corp/english/company/way/>

■ 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 “transformation 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 has leveraged 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 has striven 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 has also planned 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.).

The planned figures of the Medium-Term Management Plan have not been achieved due to an increase in amortization from increased investment in the new ASKUL website (system) and not achieving the planned opening effects, low utilization rates of newly-introduced products due to a disproportionate emphasis on product expansion (number of items), not achieving the sales plan for LOHACO due to the prioritization of profitability, and increased fixed costs due to the launch of ASKUL Kanto DC. However, on the other hand, growth has accelerated as a result of setting high targets in the plan, and both sales and operating profit have reached record highs.

The Group plans to formulate and announce a new Medium-Term Management Plan during the fiscal year ending May 20, 2025. The Group will continue to pursue its mission of "transformation from an office supplies mail-order company" and promote entry into areas other than product sales with the aim of becoming an infrastructure company that supports all workplaces and lifestyles.

For operating results data including net sales, income, and key operating metrics, please also refer to the following. [Investor Relations / Financial Highlights] at <https://www.askul.co.jp/corp/english/investor/finance/>

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

○ Basic Capital Policy

The Company will continue to maintain and improve our sound financial structure to support further growth investments (including discontinuous growth investments such as M&As), while at the same time enhancing shareholder returns and improving capital efficiency.

Regarding the distribution of profits to shareholders, the Company's policy is to, while maintaining sound cash flow and a stable financial structure, secure internal reserves as investment capital for the growth necessary to enhance corporate value over the medium to long term as well as to improve shareholder returns and capital efficiency. To this end, the Company has set a target total return ratio of 45% and will pay stable dividends to shareholders and systematically acquire treasury stock.

For investment decision-making, the Company sets the weighted average cost of capital (WACC) as the hurdle rate and uses the internal rate of return (IRR) and discounted payback period (DPP) as the criteria for evaluation.

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 60th fiscal year (from May 21, 2022 to May 20, 2023), which was the basis for calculating the performance-linked compensation for the 61st fiscal year (from May 21, 2023 to May 20, 2024), was ¥21.7 billion (target achievement rate of 96.9%), which was paid at 69% 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" plan to promote the further sharing of value with shareholders as an incentive to sustainably enhance its corporate value. Upon conferring restricted stock compensation, 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 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 conferred on Directors for the fiscal year ended May 20, 2024 and the fiscal year ending May 20, 2025 are as follows.

Additionally, from the fiscal year ended May 20, 2024, in addition to restricted stock compensation (performance provisos), the Company will also confer restricted stock compensation (ESG provisos / ESG indicator-based) to achieve further effectiveness in reaching ESG targets.

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. Targets for the ESG conditions are the Company's important themes for E (environmental), S (social), and G (governance), and we will aim to review these indices annually.

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

(Details of the restricted stock compensation)

• Conferred in the fiscal year ended May 20, 2024 (performance provisos)

- (1) Restricted transfer period
From August 31, 2023 to August 30, 2026
- (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 ended May 20, 2024, the third year of the Medium-Term Management Plan announced in July 2021)
 - (a) Consolidated net sales exceeds ¥482.0 billion.
 - (b) Consolidated operating profit exceeds ¥16.5 billion.

The results for the 61st fiscal year (from May 21, 2023 to May 20, 2024) regarding the above performance conditions were (a) consolidated net sales of ¥471.6 billion and (b) consolidated operating profit of ¥16.9 billion, achieved the performance conditions.

• Conferred in the fiscal year ended May 20, 2024 (ESG provisos)

- (1) Restricted transfer period
From August 31, 2023 to August 30, 2026
- (2) ESG conditions (achievement of at least three of the following five conditions below related to material issues (important issues) as defined by the Company. Additionally, ESG items to serve as evaluation indices shall be revised annually)
 - (a) During the fiscal year ended May 20, 2024, achieve the target reduction in delivery units by increasing the number of products per box (per-box product target).
 - (b) During the fiscal year ended May 20, 2024, achieve the target for the number of customers (number of user IDs) purchasing products with environmental scores.
 - (c) Achieve a comprehensive score target (67.8 points or higher) for the engagement survey implemented during the fiscal year ended May 20, 2024.
 - (d) Achieve the female manager ratio target (26.0%) by the end of the fiscal year ended May 20, 2024.
 - (e) Achieve a governance score equal to or better than the previous year (4.0) in an evaluation to be implemented during the fiscal year ended May 20, 2024, by an external party (FTSE).

Regarding the ESG conditions, targets (a) and (b) have been achieved, but targets (c) and (d) have not been met. The result for target (e) has not yet been announced, so the final outcome remains undetermined.

• Conferred in the fiscal year ending May 20, 2025 (tenure-based)

- (1) Restricted transfer period
From August 30, 2024 to August 29, 2027
- (2) Tenure conditions

- 1) During the transfer restriction period, continuously remain in a position of Director, Audit & Supervisory Board Member, Executive Officer, employee, or equivalent position of the Company or any of its consolidated subsidiaries or affiliated companies.
- 2) Notwithstanding 1) above, during the transfer restriction period, retire or resign from a position of Director, Audit & Supervisory Board Member, Executive Officer, employee, or equivalent position of the Company or any of its consolidated subsidiaries or affiliated companies due to expiration of term of office, expiration of the contract term, mandatory retirement, death, or any other justifiable reason (excluding voluntary termination).

• Conferred in the fiscal year ending May 20, 2025 (ESG indicator-based)

- (1) Restricted transfer period
From August 30, 2024 to August 29, 2027
- (2) ESG conditions (achievement of at least three of the following five conditions below related to material issues (important issues) as defined by the Company. Additionally, ESG items to serve as evaluation indices shall be revised annually)
 - (a) During the fiscal year ending May 20, 2025, achieve the target reduction in delivery units by increasing the number of products per box (per-box product target).
 - (b) During the fiscal year ending May 20, 2025, achieve a comprehensive score target for products with environmental scores.
 - (c) Achieve a comprehensive score target for the engagement survey implemented during the fiscal year ending May 20, 2025.
 - (d) Achieve the female manager ratio target (30.0%) by the end of the fiscal year ending May 20, 2025.
 - (e) Achieve a governance score of 4.0 or higher in an evaluation to be implemented during the fiscal year ending May 20, 2025, by an external party (FTSE).

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 61st Annual General Meeting of Shareholders held on August 8, 2024, 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 four Outside Directors; however, the number of Directors after the conclusion of the 61st Annual General Meeting of Shareholders was 10, including five Outside Directors) within such compensation limit (¥800 million per year), and the number of shares of the Company's common stock to be allotted is 100,000 shares or less 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 18 times during the 61st fiscal year (from May 21, 2023 to May 20, 2024) 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"

<https://askul.disclosure.site/ja/themes/83#governance10> (Japanese only)

[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 61st Annual General Meeting of Shareholders (pages 9 to 21)
<https://pdf.irpocket.com/C2678/Oxqc/gPJx/B0ve.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 61st Annual General Meeting of Shareholders at <https://pdf.irpocket.com/C2678/Oxqc/HcmN/KNSH.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.

- Annual Securities Report for the 61st Fiscal Year, Overview of Business, Approach and initiatives on sustainability at <https://pdf.irpocket.com/C2678/Rhyn/T94v/NG2U.pdf>
- 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/corp/english/investor/library/mplan/>

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 an expansion in the hiring and development 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 capita 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]

O 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.

- A. 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.
- B. 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 pages 22 and 23 of the Notice of the 61st Annual General Meeting of Shareholders.

For details, please refer to the following.

- Notice of the 61st Annual General Meeting of Shareholders (pages 22 to 23)
<https://pdf.irpocket.com/C2678/Oxqc/yy0h/Yx1d.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 61st Annual General Meeting of Shareholders (pages 10 to 21, 36, and 41)
<https://pdf.irpocket.com/C2678/Oxqc/gPJx/B0ve.pdf>
- Annual Securities Report for the 61st Fiscal Year
<https://pdf.irpocket.com/C2678/Rhyn/T94v/NG2U.pdf>

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

To continuously improve the effectiveness of the Board of Directors, ASKUL has analyzed and evaluated the overall effectiveness of the Board of Directors annually since 2015, targeting all directors and Audit & Supervisory Board members. In the 2024 effectiveness evaluation, the Company implemented an assessment through a third-party organization to incorporate a more objective perspective.

● Evaluation method and evaluation process

Based on the analysis of the survey conducted in February 2024, a third-party organization carried out individual interviews with all directors and Audit & Supervisory Board members in April of the same year to evaluate the overall effectiveness of the Board of Directors.

The survey included multiple questions for each of the following items, with responses rated on a five-point scale, multiple-choice answers, and a free comment section for each item to assess the effectiveness of the Board.

- Major items of the survey (approximately 40 questions) were as follows:

1. Role of the Board of Directors; 2. Composition of the Board of Directors; 3. Operation of the Board of Directors; 4. Discussions

by the Board of Directors; 5. Monitoring functions of the Board of Directors; 6. Performance of inside and outside directors; 7. Support system for directors and Audit & Supervisory Board members; 8. Training; 9. Dialogue with shareholders; 10. Personal initiatives; 11. Operation of the Nomination and Compensation Committee; 12. Nomination and Compensation Committee; and 13. Summary

- Evaluation process for the fiscal year ended May 20, 2024 and the fiscal year ending May 20, 2025

February 2024: A web questionnaire survey was conducted by a third-party organization for all directors and Audit & Supervisory Board members (13 individuals).

April 2024: Individual interviews were conducted by a third-party organization with all directors and Audit & Supervisory Board members.

June 2024: The Board of Directors reported issues based on the third-party evaluation report, exchanged opinions, and confirmed future response policy.

November 2024 (planned): Interim report on improvement measures.

March 2025 (planned): Effectiveness evaluation.

- Issues identified in the previous evaluation and responses to date

1) Implementation of pre-briefings

To further enhance the discussions at the Board of Directors' meetings, there was a suggestion to hold pre-briefings based on the content of the agenda items.

For important agendas, such as large-scale system investments and distribution center investments, pre-briefings were held, which deepened the understanding of the Board members and extended the time for questions, leading to more in-depth discussions.

[Large-scale system investment project]

There were questions regarding factors expected to increase sales on the new site after the system investment, strategies to encourage continued use by customers after the transition to the new site, and differences in competitiveness with competitors.

[Distribution center investment project]

Questions and opinions were raised about the investment profitability plan, return on the investment relative to capital cost, decarbonization initiatives at the distribution center, and risks associated with transitioning to a warehouse primarily operated by automated transport robots.

2) Early distribution of materials

There was a suggestion to promote the early distribution of materials to ensure sufficient discussion.

Materials related to resolutions were distributed at least three business days in advance, and documents related to reports were sent in draft form, ensuring time for prior review.

- Main themes for discussion at the Board of Directors' meetings suggested during the previous evaluation and their progress

The main themes proposed in the questionnaire during the previous evaluation are as follows:

- 1) Growth strategies of ASKUL and next-generation business models
- 2) Mid-term goal setting based on long-term growth strategies
- 3) B2B management vision
- 4) Human capital investment
- 5) Framework and culture to continuously drive innovation
- 6) Business portfolio
- 7) New service businesses
- 8) M&A

1) Growth strategies of ASKUL and next-generation business models

[Key discussion points]

Opinions were expressed that ASKUL should refine its strengths in the era of AGI and create an overarching narrative that transforms the Company into a business entity centered around those core strengths. Additionally, there were suggestions to explore new business opportunities, including M&A, based on an analysis of the Company's and its competitors' capabilities when shifting customers, products, and services. Furthermore, discussions were held regarding the Company's existence value if suppliers and customers start conducting purchasing transactions through AI in the future.

2) Mid-term goal setting based on long-term growth strategies

[Key discussion points]

It was confirmed that the Company as a whole would shift towards the utilization of DX and AI, and the organizational structure of the new business development team was shared. The main opinions expressed during the discussion were as follows:

- Formulation of policies that provide a solid foundation for the direction of initiatives and M&As
- Examination of the impact that the "energy transformation," an environmental change surrounding companies, may have on the Company
- Recognition of environmental changes and their connection to new businesses, along with the prioritization of new businesses
- Consideration of long-term strategic investments in research and development aimed at standardizing purchasing platforms
- Proposal of services that differentiate the Company from others in terms of social contribution, such as green purchasing and integrity purchasing that considers human rights
- Exploration of specific images regarding changes in customer experience driven by data

3) B2B management vision

[Key discussion points]

There was a discussion about the direction of opening up data to support agents' sales activities and personalizing prices for each customer in the future.

Additionally, given the increasing frequency of disasters, there was a suggestion to create a disaster-related category and develop a business that would be associated with "on-site, disaster, and ASKUL."

Regarding future strategies for large enterprises, it was confirmed that the Company is progressing with the sale of purchasing platforms and system integration to meet the demand for streamlining purchasing operations and will consider collaboration within the Group concerning procurement outsourcing services.

4) Human capital investment

[Key discussion points]

There was an opinion that long-term strategies should be linked with the approach to human capital, and that if the Company is to advance data-driven management, it should also secure the necessary budget for human resources. Additionally, from the perspective of expanding human capital, there was a suggestion to consider providing returns to employees. These were discussed further.

5) Framework and culture to continuously drive innovation

[Key discussion points]

Opinions were expressed that it is necessary to introduce organizations and mechanisms that promote innovation and link them with the portfolio review process. This was discussed further.

6) Business portfolio

[Key discussion points]

There were opinions on the need to establish a narrative that emphasizes capital efficiency while challenging new businesses to transform the business structure and on the importance of considering business withdrawal strategies.

7) New service businesses

8) M&A

Discussions on these themes, like the others, will continue to be pursued in future meetings.

- Evaluation results

In the evaluation conducted in May 2024, the Board of Directors was generally assessed as functioning effectively. There were particularly positive opinions regarding the diversity of the Board, the operation of Board meetings, internal control and risk management, the performance of inside and outside directors, and the various themes discussed by the Nomination and Compensation Committee.

Additionally, the above themes proposed during the previous evaluation will continue to be recognized as challenges this term, and further consideration will be given to them during the planning process of the next Medium-Term Management Plan.

- Issues identified and measures for improvement

Opinions and issues extracted from the questionnaire results, as well as initiatives and policies for addressing and improving upon each issue, are listed below.

(1) Role and composition of the Board of Directors

1) Challenges identified include insufficient discussions on the role and institutional design of the Board of Directors, and the fact that independent Outside Directors do not constitute a majority.

This issue will be continuously discussed in the Nomination and Compensation Committee and the Independent Outside Officer Meeting, and a report will be made to the Board of Directors by the time of the appointment of director candidates.

2) There was an opinion that it is necessary to reassess the skills and experience required for directors, as well as the diversity in terms of gender and age.

In response, the Nomination and Compensation Committee will reassess these aspects based on a skill matrix and will approach candidates systematically for the following fiscal years, with reports made to the Board of Directors.

(2) Operation of the Board of Directors

1) There was an opinion that there is insufficient time for discussion.

To address this, the time allocated for reports will be shortened by focusing the monthly report explanations on topics. Additionally, buffer time will be secured in advance during agenda setting, and materials will continue to be provided early to facilitate improvement.

2) There was feedback that the materials are detailed and voluminous.

Presentation materials for the Board of Directors will be separated from the Appendix, with key points clearly highlighted.

3) There was a request for enhanced information sharing with outside directors.

In response, the agenda and minutes of internal management meetings will be shared, and outstanding issues and risks will be organized in the Board of Directors' materials. Furthermore, pre-briefings tailored to agenda items will continue to be provided.

(3) Discussions by the Board of Directors

1) There was feedback that discussions on mid- to long-term strategies and management plans, the future-oriented business portfolio, and human capital and talent strategies are insufficient.

Discussions on the next Medium-Term Management Plan have already begun. For the other themes, an agenda will be set systematically for further discussion.

2) There was an opinion that follow-up on the progress of the Medium-Term Management Plan is necessary. This will also be addressed by regularly scheduling follow-up discussions.

(4) Support for directors

There was a request for opportunities to learn about the Company's initiatives and the surrounding environment. In response, explanations of the various businesses and the external environment will be provided upon request.

(5) Nomination and Compensation Committee

There was feedback requesting more comprehensive reports from the Nomination and Compensation Committee to the Board of Directors.

To address this, summaries of discussions on key issues, such as succession planning and the level and structure of compensation for executives, will be reported to the Board of Directors twice a year, along with the agenda.

- Future measures and schedule

Moving forward, an interim report will be delivered at the Board of Directors' meeting in November 2024 to confirm and discuss progress made in regard to the abovementioned improvement policies in the first half of the fiscal year and outline plans for measures to be taken in the second half of the fiscal year.

Furthermore, the Company plans to conduct the next effectiveness evaluation in March 2025, along with a review of the current fiscal year, and report on the results at a subsequent Board of Directors' meeting.

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

- <https://askul.disclosure.site/ja/themes/83#governance11> (Japanese only)

[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, including lectures on finance, 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, financial literacy, and other relevant matters. The Company will also provide advance briefings on an individual basis as the content of the proposals submitted to the Board of Directors dictates in order to enhance their level of comprehension as required for decision-making.

[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

The Company believes that dialogue with shareholders and investors is important in aiming for sustainable growth. Executive Officers of a division in charge of investor relations will be responsible for dialogue with shareholders and investors, 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, senior management and Executive Officers will handle actual dialogues with shareholders, taking into consideration the shareholders' intentions and the main concerns of the meeting. Fair disclosure rules will be respected, with the utmost care taken to avoid leakage of insider information.

Opinions, requests, concerns, etc., gained through dialogue are reported and shared at the Management Meeting every quarter and twice a year (after second and fourth quarters) at the Board of Directors' meetings, and actively used to not only to review the company's management strategies, etc., but also provided as feedback to all employees via internal webinars, making use of the information to further improve corporate value.

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.

[Status of implementation of dialogue with shareholders]

Under the recognition that dialogue with shareholders and investors leads to sustainable growth and further improvement in corporate value, the Company has active IR activities to promote constructive dialogue with shareholders, investors, analysts, etc., both inside and outside Japan. For the status of implementation for the fiscal year ended May 20, 2024, please see III. Implementation of Measures for Shareholders and Other Stakeholders, 2. Status of IR-related Activities.

[Action to implement management that is conscious of capital cost and stock price]

To strengthen its management's focus on capital cost and stock price, the Company will implement measures such as setting financial indicators, including ROE and total return ratio, cash allocation strategies, and initiatives to expand its shareholder and investor base while enhancing communication.

These initiatives are detailed in the "Financial Results for the Fiscal Year Ended May 2024, VI Action to Implement Management that is Conscious of Capital Cost and Stock Price." Moving forward, we will continue to be highly conscious of capital cost and return on capital, ensuring the appropriate allocation of management resources to achieve sustainable growth. This includes investments in human capital, investments in equipment and software to realize digital transformation (DX), enhancement of shareholder returns, and a review of the business portfolio, including M&A.

<https://pdf.irpocket.com/C2678/Oxqc/XTJh/bbuS.pdf#page=41>

[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]

The "Basic policy regarding the business portfolio and the status of the review of such portfolio, and specific action items regarding the distribution, etc., of management resources" is as follows.

○ "Basic approach to business portfolio management"

The Board of Directors will evaluate each business segment from the viewpoints of growth potential and profitability, synergies, etc., and capital efficiency at least once per year and oversee the distribution of management resources and execution of strategy based on the business portfolio.

○ "Approach to distribution of management resources"

The Company plans to work toward further business expansion in the e-commerce business and aims to improve productivity through measures such as capital investment with the objective of advanced automation and system investment to realize DX. In the logistics business and other areas, the policy is to execute investment with the intent of expanding synergies with the e-commerce business.

○ "Status of review of business portfolio"

The Company is comprised of the mainstay e-commerce business, logistics business, and other (TSUMAGOI MEISUI CORPORATION). All business segments have mutual synergies, and the Company believes that developing these businesses in tandem will lead to improving corporate value for the overall group.

Since the launch of the ASKUL service in 1993, B-to-B product sales of the e-commerce business has responded to the diverse needs of SMEs and medium-scale large corporations alike, evolving its products, services, and systems while listening to customer feedback on what types of products and services they require in their office environments. This has led to the realization of steady growth.

In November 2010, AlphaPurchase Co., Ltd. was welcomed into the Group to strengthen our MRO product offerings, and we have since aimed to create synergies through mutual cooperation by leveraging the customer portfolios and product catalogues held by each company. In February 2023, to strengthen strategic industries as outlined in the Medium-Term Management Plan, we welcomed FEED Corporation to the Group, which has strengths in its wide selection of specialized dental equipment and accessory products.

Among B-to-C sales, LOHACO has been popular among customers since its launch in October 2012, expanding rapidly to annual sales of ¥30.0 billion four years after its launch. Meanwhile, owing to events such as the February 2017 fire at ASKUL LogiPARK Metropolitan, one of the main LOHACO distribution centers in East Japan, causing shipping capacity to drop, and the effects of the "delivery crisis" causing shipping costs to rise, losses at LOHACO widened, and it was in a state of poor results. Amid such harsh changes in the environment, we worked to expand our original product offerings and reduce the logistics cost ratio by combining B-to-B and B-to-C for shipment synergies alongside promoting unattended delivery, achieving a profit in the fiscal year ended May 20, 2023. In July 2017 as well, with the aim of expanding our product offerings, we welcomed charm Co., Ltd. to the Group, a company that specialized in pet products, positioning it as a leader in our push to grow the B-to-C business.

Moving forward, we will seek further synergies between B-to-B and B-to-C, improve service quality and realize healthy growth, implementing business portfolio management by unifying B-to-B and B-to-C.

In the logistics business, we will increase shipping volume and shipping density for manufacturers and other e-commerce businesses at wholly-owned group companies ASKUL LOGIST Corporation and SEISHO TRANSPORT Corporation, which will lead to expanded revenue and lower distribution costs, creating productivity gains in our e-commerce business.

In other areas (TSUMAGOI MEISUI CORPORATION), we use high-quality natural water to manufacture and sell natural mineral water with a unified quality management system from bottling to delivery, and we will utilize ASKUL services and LOHACO to expand the business.

For the logistics business and others (TSUMAGOI MEISUI CORPORATION), we will continue to implement business portfolio management with a focus on mutual synergies with the e-commerce business.

2. Capital Structure

Foreign Shareholding Ratio **Updated** 20% or more and less than 30%

Status of Major Shareholders **Updated**

Name or Company Name	Number of Shares Owned	Percentage (%)
LY Corporation (“2. Capital Structure” is as of May 20, 2024.)	43,808,600	45.28
PLUS Corporation	10,331,400	10.68
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,698,100	5.89
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,905,698	3.00
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,242,100	2.32
The Nomura Trust and Banking Co., Ltd.	1,660,300	1.72
Custody Bank of Japan, Ltd. (Trust Account)	1,609,811	1.66
SSBTC CLIENT OMNIBUS ACCOUNT	1,462,338	1.51
Shoichiro Iwata	1,328,100	1.37
Hidehisa Imaizumi	1,233,600	1.27

Name of Controlling Shareholder, if applicable (excluding Parent Company) **Updated** —

Name of Parent Company, if applicable Not applicable

Supplementary Explanation

The Company holds 810,475 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.

[Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Major Shareholders]

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

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	10 or more and less than 50

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

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

(1) Approach and Policy on Group Management

The Company has a listed subsidiary, 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 subsidiary 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 subsidiary.

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 regarding the shares of a listed subsidiary held by the Company, the Company will promptly cooperate with independent officers of listed subsidiary AlphaPurchase Co., Ltd. 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 policy of nominating one officer or employee of ASKUL as a candidate for Director, holding regular dialogues between the two 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.

<Listed subsidiary>

AlphaPurchase Co., Ltd. is a consolidated subsidiary listed on the Tokyo Stock Exchange (Standard Market) and primarily engages in MRO and FM businesses.

The businesses of AlphaPurchase Co., Ltd. and the Company have different primary customer bases and sales channels, creating a complementary relationship. Through collaboration and cooperation between the two companies, we believe that each company can enhance its corporate value, thereby significantly contributing to the overall corporate value of the Group. As such, we will continue to ensure that AlphaPurchase Co., Ltd. receives valuation in the stock market while fostering good relationships with stakeholders such as customers, business partners, and employees through business operations, and pursuing autonomous management that considers the interests of minority shareholders. We believe that this approach will contribute to business growth and corporate value enhancement for each company, and ultimately, to the overall corporate value of the Group. Therefore, at this time, we consider it desirable to maintain the listing of AlphaPurchase Co., Ltd.

(History)

November 2010: Acquired shares of AlphaPurchase Co., Ltd. and made it a subsidiary to expand product lineups.

December 2022: Listed on the Tokyo Stock Exchange (Standard Market).

(4) LY Corporation, the Company's Other Affiliated Company

1) Relationship with the other affiliated company

LY Corporation, the Company's other affiliated company, holds 45.28% of the Company's voting rights (as of May 20, 2024), and two out of 10 directors of the Company are dispatched from LY Corporation.

Since LY Corporation holds 45.28% 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.

2) Approach and policy on group management in the other affiliated company

Please refer to the Corporate Governance Report of LY Corporation for their approach and policy on group management. The Company benefits from being part of the LY Group through collaboration with LY Corporation in the LOHACO business, support from technology talent in the operation of the new ASKUL website, and cooperation in advanced technology areas such as marketing, DX, and AI.

3) Initiatives to ensure independence from the other affiliated company

LY Corporation respects the fact that the Company operates as an independent listed company maintaining independence in its business operations, and although there is acceptance of dispatched directors and employees from the company, the number of such positions is small. We recognize that the Company's business activities and management decisions are not constrained by LY Corporation, thus ensuring our independence.

Additionally, the Company has established the Related-Party Transaction Management Regulations, which clearly prohibit transactions with LY Corporation that are evidently more favorable or unfavorable compared to transactions with third parties or similar transactions, and explicitly forbid transactions aimed at transferring profits, losses, or risks.

Furthermore, the Company's Board of Directors Regulations stipulate that any person with a special interest in a resolution of the Board of Directors cannot exercise voting rights on that matter. In determining whether a director corresponds to the person with a special interest, we make efforts to ensure accurate judgment by seeking opinions from external experts as necessary.

Moreover, the Company's Board of Directors consists of 10 members, with five of them being independent Outside Directors, thereby securing its independence. As an advisory body to the Board, we have established a standing Special Committee composed of independent officers, including two of these independent Outside Directors. This committee strengthens the supervisory function by monitoring decision-making processes when conducting transactions with group companies such as LY Corporation. It also deliberates on important matters related to the governance of the Group, aiming to further enhance corporate governance and protect the interests of minority shareholders.

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 Updated	5
Number of Independent Directors Updated	5

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yumiko Ichige	Lawyer									○			
Genri Goto	From another company									○			
Kazuo Tsukahara	From another company												
Naomi Aoyama	From another company									○			
Rina Akimoto	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) **Updated**

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, 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 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 stated opinions from a standpoint to protect the interests of minority shareholders. At the voluntary Nomination and Compensation Committee, she stated opinions considering 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	○	---	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 and the lead Independent Outside Director, 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.
Naomi Aoyama	○	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.	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. Since her appointment as Outside Director of the Company in August 2022, she 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 her extensive management experience, 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.
Rina Akimoto	○	There are no transactions between the Company and vivid garden Inc. at which Ms. Rina Akimoto serves as CEO.	Having established an innovative business that solves the distribution challenges of agriculture, Ms. Rina Akimoto possesses the experience and track record of driving business services aimed at improving the overall value of agriculture and establishing a sustainable primary industry. As a young business leader, she also focuses on existing social issues and has a high level of knowledge and insights through her activities in various organizations. Accordingly, the Company expects her to provide supervision and suggestions making use of her extensive experience and knowledge in fast-paced work and creating innovation at a start-up company and has nominated her as a candidate for Outside Director.

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) **Updated**

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	6	0	1	5	0	0	Outside Director
Voluntarily Established Committee Equivalent to Compensation Committee	Nomination and Compensation Committee	6	0	1	5	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 regularly exchange opinions 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													o	
Miyuki Nakagawa	From another company													o	

*Categories for “Relationship with the Company.”

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

a. Person who executes business of the Company or a subsidiary

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

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. Since August 2020, he has appropriately fulfilled the auditing function of business execution as Outside Audit & Supervisory Board Member of the Company based on his advanced expertise and extensive practical experience. Accordingly, the Company has determined that he is qualified to serve as an Outside Audit & Supervisory Board member 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 SBI 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 SBI 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 a legal professional, 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 **Updated**

7

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

Supplementary Explanation for Applicable Items **Updated**

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 61st fiscal year (from May 21, 2023 to May 20, 2024) 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 61st Fiscal Year (from May 21, 2023 to May 20, 2024) (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)	127	81	36	9	4
Outside Directors	53	53	—	—	4
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	22	22	—	—	1
Outside Audit & Supervisory Board members	26	26	—	—	2

(Notes)

1. As of the end of the 61st fiscal year (from May 21, 2023 to May 20, 2024), the number of Directors is 10 (including four Outside Directors), and the number of Audit & Supervisory Board members is three (including two Outside Audit & Supervisory Board members). The number of Directors subject to compensation, etc. does not include two Directors who receive no compensation, etc.
2. Total amount of compensation, etc., of Directors does not include employee salaries of Directors who concurrently serve as employees.
3. The total amount of non-monetary compensation, etc., to Directors (excluding Outside Directors) consists of restricted stock compensation and the amount of ¥9 million recorded as expenses for the 61st fiscal year (from May 21, 2023 to May 20, 2024).

[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

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) **Updated**

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 (five 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Board of Directors met 16 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Audit & Supervisory Board met 15 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Management Meeting met 37 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Special Committee met two 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Independent Outside Officer Meeting met three 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 Director and Independent Officer	Rina Akimoto
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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Nomination and Compensation Committee met 18 times.

The members of the Nomination and Compensation Committee as of the date of the update of this Report 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
Outside Director and Independent Officer	Rina Akimoto
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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Sustainability Committee met 12 times.

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 (Katsuhiro 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 61st fiscal year (from May 21, 2023 to May 20, 2024), 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 (Katsuhiro Kawamura), Executive Officer of unit in charge of human resources (Tamami Ito, 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 61st fiscal year (from May 21, 2023 to May 20, 2024), 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 (Katsuhiro 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) (Rina Akimoto, Outside Director; Naomi Aoyama, Outside Audit & Supervisory Board member) is appointed as an advisor. During the 61st fiscal year (from May 21, 2023 to May 20, 2024), 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Information Disclosure Committee met 36 times.

For activities of the Board of Directors and each Committee, etc., please also refer to the following.

- Annual Securities Report for the 61st Fiscal Year, Status of the Submitting Company, Status of Corporate Governance, etc.,
4) Status of activities of the Board of Directors, Nomination and Compensation Committee, Special Committee, and Sustainability Committee at <https://pdf.irpocket.com/C2678/Rhyn/T94v/NG2U.pdf>

[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, has held important posts in legal circles and has a wealth of experience and expertise in the compliance and risk management areas as an attorney. 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 Director and President, Directors, Executive Officers, and other senior employees, as well as the representative directors of the Company's major subsidiaries. Furthermore, regular exchanges of opinions 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. Issues identified in the course of mid-term audits are pointed out to Directors and Executive Officers of related divisions, etc., accordingly, who are requested to make improvements. In addition, they hold regular meetings with the Representative Director and President 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 61st fiscal year (from May 21, 2023 to May 20, 2024), the Audit & Supervisory Board met a total of 15 times, including two extraordinary meetings, with a 100% attendance rate by all Audit & Supervisory Board members.

The Audit & Supervisory Board, for the 61st fiscal year (from May 21, 2023 to May 20, 2024), worked specifically on evaluating the following as the main priority audit items, confirming the content of each: (1) status of development and management of internal control system (risk management and governance systems); (2) compliance system; (3) status of development and management of information security system; (4) management of the Group companies; (5) progress of business plans and status of investment projects; (6) status of compliance with workstyle reforms and labor affairs management; (7) monitoring of conflict-of-interest transactions; and (8) appropriateness of the Accounting Auditor's auditing methods and results, and the selection of KAM, etc.

Moreover, regular exchanges of opinion 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 sharing the plans and results of the Audit & Supervisory Board audit, explanations of the internal audit implementation plan (once a year, attended by all Audit & Supervisory Board members), reports on the progress of internal audit implementation (four times a year, attended by all Audit & Supervisory Board members), in addition to monthly collaboration meetings (monthly, attended by full-time 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 16 times during the 61st fiscal year (from May 21, 2023 to May 20, 2024), 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 Director and President (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, and Yoshitaka Asaeda, Outside Audit & Supervisory Board member, once a month), Risk and Compliance Committee (Miyuki Nakagawa, 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 internal audit results of the previous fiscal year and the business plan for the new fiscal year, the internal audit policy for the new audit year is determined upon approval by the Representative Director and President. In accordance with the determined internal audit plan, 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 internal 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. 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. Additionally, reports are directly given to the Representative Director and President (four times a year), Board of Director (twice a year), the Audit and Supervisory Board (four times a year), and the full-time Audit & Supervisory Board member (12 times a year) regarding issues uncovered by implementing internal audits, other plans for improvement, and progress, etc., to secure the efficacy of internal audits. Furthermore, in cooperation with the Audit & Supervisory Board (four times a year), opinions are exchanged and results are shared regarding mutual audit plans by the Audit & Supervisory Board members and internal audits, while at the same time, there is cooperation and exchanges of opinion with the Accounting Auditor at the time of mid-term and year-end to enhance the efficacy and efficiency of auditing.

(3) Status of Accounting Audit for the 61st fiscal year (from May 21, 2023 to May 20, 2024)

- a. Name of Audit Corporation
Deloitte Touche Tohmatsu LLC
- b. Consecutive Period of Auditing
1 year
- c. Certified Public Accountants Who Executed Audit Duties
Hiroyuki Kobayashi Designated Limited Liability Partner, Engagement Partner
Osamu Hattori 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 16 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
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 expires at the conclusion of the 59th Annual General Meeting of Shareholders to be 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 Updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Creation and Announcement of Disclosure Policy	In addition to the basic approach to information disclosure and disclosure standards, methods, and structures, the Company provides the "ASKUL Disclosure Policy" on its website. Please see the website below for details. [Basic approaches to information disclosure and dialogue with shareholders] at https://www.askul.co.jp/corp/english/investor/management/disclosure/	
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. [Status of implementation for the fiscal year ended May 20, 2024] Four Earnings Announcement Briefing (online type and hybrid type) One Distribution center tour (ASKUL Tokyo DC)	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/corp/english/investor/release/)	
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.

	Supplementary Explanation
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)
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 December 6, 2023).

- (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) 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 LY 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

Supplementary Explanation for Applicable Items

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

(Tax Policy)

Under the recognition that compliance is a prerequisite for management, in relationships with stakeholders, the Company has established the ASKUL Code of Conduct (Code of Ethics and 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 while they strive to maintain a high sense of ethical standards and a law-abiding spirit, and the Company and each Group company is committed to conducting themselves in accordance with these rules.

With regard to tax compliance, based on the spirit of the ASKUL Code of Conduct, the Company aims to contribute to the economic and social development of each country and region in which we conduct business by ensuring transparency in our tax affairs through the timely and appropriate disclosure of tax information, compliance with applicable laws and regulations, and by filing tax returns and paying taxes as appropriate.

For the ASKUL Group Tax Policy, please refer to the following.

Corporate Governance Tax Policy at <https://askul.disclosure.site/ja/themes/83> (Japanese only)

(System for Timely Disclosure of Information)

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.

