Corporate governance

Based on the corporate philosophy of “Contributing to society through the advancement of sporting goods and the promotion of sports” and our belief that the rationality and objectivity of management decisions and the swiftness and transparency of decision making are important to improve the corporate value of the Group, we strive to build and strengthen a corporate governance system that can realize them.

Please refer to the Financial Report for details of our corporate governance.

Corporate governance system

With a resolution of the 103rd Ordinary General Meeting of Shareholders held on June 23, 2016, the corporate governance system has been transferred to a company with an audit and supervisory committee. Directors serving as Audit and Supervisory Committee members have voting rights on the Board of Directors and are expected to help improve the effectiveness of audits and supervision compared to corporate auditors. We believe that this leads to the enhancement of corporate governance.

Our Articles of Incorporation stipulate that the number of directors shall be seven or less (excluding directors serving as Audit and Supervisory Committee members) and that the number of directors serving as Audit and Supervisory Committee members shall be three or less. As of July 1, 2021, we have five directors (excluding directors serving as Audit and Supervisory Committee members) and three directors serving as Audit and Supervisory Committee members.
Of the five directors (excluding directors serving as Audit and Supervisory Committee members), four are directors who execute business, including the President (CEO), and one is an outside director.

Of the three directors serving as Audit and Supervisory Committee members, one is a full-time Audit and Supervisory Committee member and two are part-time outside directors. The Audit and Supervisory Committee uses the internal control system to audit and supervise the status of business execution throughout the Group, including the execution of duties by directors. In addition, Audit and Supervisory Committee members work with accounting auditors to improve the efficiency of audits.

Outside directors are expected to express their opinions with an open mind from an objective and neutral standpoint at the Board of Directors meetings without being bound by industry practices and business relations. We believe that they help improve the rationality and transparency of decision making and management decisions of the Board of Directors. Currently, the ratio of outside directors on the Board of Directors is 37.5%.

We have also introduced an executive officer system. Under this system, the Board of Directors fulfills the function of strategy formulation and management supervision, and executive officers are responsible for business execution, thereby aiming to ensure management transparency and speed up decision making. Executive officers are in charge of each management area, including business divisions (products handled and sporting events), sales channels, sales areas (including overseas), and subsidiaries, and are responsible for business execution in their management area throughout the Mizuno Group.

Please refer to the Sustainability Operations Structure for details of the management system related to sustainability.

Board of Directors

Please refer to “Board of Directors” in the section “About Mizuno Group” for a list of directors and officers and their responsibilities.

Analysis and evaluation of the effectiveness of the Board of Directors

We conduct a self-evaluation of the effectiveness of the Board of Directors through an anonymous questionnaire for all directors and analyze and evaluate the results of the questionnaire to ensure the effectiveness of the entire Board of Directors. The main evaluation items are the composition of the Board of Directors, the culture of the Board of Directors, the agendas of the Board of Directors meetings, the monitoring of business execution of the Board of Directors, and the operation of the Board of Directors. As a result of the questionnaire, it was confirmed that the effectiveness of the Board of Directors was generally ensured.

Training of directors

With the aim of having directors appropriately fulfill their expected roles and duties, we provide and mediate opportunities for them to acquire the knowledge necessary to deepen their understanding of matters related to their roles and duties. Directors are mainly provided with the opportunity to attend workshops organized by third-party organizations, and their costs are borne by the company. When a new director is appointed, a briefing session is held by the Corporate Planning Office, the Human
Status of internal audits and audits by the Audit and Supervisory Committee

The Internal Audit Office of Mizuno Corporation conducts internal audits of the Mizuno Group in cooperation with the legal division, the accounting and finance division, and the human resources and general affairs division, which collect information and conduct investigations. The Internal Audit Office conducts internal audits to ascertain the validity and legality of business execution and procedures and reports the audit results to executive directors in charge of internal control and the Board of Directors as needed. To ensure the effectiveness of the Audit and Supervisory Committee, the Board of Directors requests the Internal Audit Office to collect the necessary information and conduct investigations and closely cooperates with it by exchanging information and opinions.

For the purpose of grasping the status of development and operation of internal control, internal auditors attend meetings and inspect documents as appropriate and ask for explanations from the relevant divisions as needed to check the appropriateness of transactions and the decisions that are made in the process of transactions. Thus, we work to improve the effectiveness of internal audits.

Internal control system

Mizuno Corporation is involved in the development and operation of the internal control system of the Mizuno Group, including its subsidiaries, in accordance with the “system for ensuring the appropriateness of business” (basic policy on the development of the internal control system) established by a resolution of the Board of Directors. It has clarified that subsidiaries should perform their business activities and operate their risk management system under the same policy management as Mizuno Corporation.

In addition, to ensure the reliability of financial reports related to the consolidated financial results, the Response Committee for the Internal Control Reporting System, chaired by the executive director in charge of accounting and finance, develops, operates, and evaluates the internal control system across all organizations of the Mizuno Group based on the Internal Control Regulations.

To promptly announce information that should be disclosed in a timely manner, such as important facts related to the Mizuno Group, upon decision of the Board of Directors, the executive director in charge of accounting and finance thoroughly manages information as the person responsible for handling information. In particular, stock trading by officers and other insiders is tightly controlled through monitoring and is strictly supervised to prevent the occurrence of insider trading.
Executive compensation

Based on our basic policy on how to determine the compensation of officers or its calculation method, we have established a compensation system that can motivate directors (excluding Audit and Supervisory Committee members) to contribute to improving corporate value with the aim of appointing and securing talented human resources as managers. In this compensation system, we have ensured the transparency, fairness, rationality, and objectivity of the calculation method of compensation based on the average level of compensation at companies of the same size listed on the First Section of the Tokyo Stock Exchange in order to ensure accountability to stakeholders.

For the maximum amount of compensation for directors (excluding Audit and Supervisory Committee members), the amount of basic compensation and the amount of performance-linked compensation are determined by the Board of Directors within the range of compensation resolved at the 103rd Ordinary General Meeting of Shareholders, held on June 23, 2016, according to an examination and report by the Nomination and Compensation Committee, composed of a majority of independent officers.

For the maximum amount of stock-based compensation for directors (excluding Audit and Supervisory Committee members and outside directors), the amount of transfer-restricted stock-based compensation is determined by the Board of Directors within the range of compensation resolved at the 105th Ordinary General Meeting of Shareholders, held on June 21, 2018, according to an examination and report by the Nomination and Compensation Committee.

The defined amount of basic compensation for directors (Audit and Supervisory Committee members) is determined separately for full-time and part-time Audit and Supervisory Committee members with reference to the average level of compensation at companies of the same size listed on the First Section of the Tokyo Stock Exchange with the aim of appointing and securing human resources with a wide range of experience and deep insight who can submit useful proposals at the Board of Directors meetings and appropriately fulfill their duties in auditing and supervising the business execution of the Board of Directors.

For the maximum amount of compensation for directors (Audit and Supervisory Committee members), the amount of basic compensation is determined within the range resolved at the 103rd Ordinary General Meeting of Shareholders, held on June 23, 2016, by a resolution of the Audit and Supervisory Committee.

Unit (million yen)

<table>
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<th>Total amount of compensation, etc.</th>
<th>Total amount of compensation, etc. by type</th>
<th>No. of target persons(persons)</th>
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<td></td>
<td>Fixed compensation</td>
<td>Performance-linked compensation</td>
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<td>Directors(excluding Audit and Supervisory Committee members) (excluding outside directors)</td>
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<td>152</td>
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171
### Risk management system

To clarify the responsibility system for risk management, we have established the Risk Management Committee, chaired by the President (CEO). The Risk Management Committee is responsible for identifying and evaluating all types of risks associated with business activities and overseeing risk management concerning the implementation of countermeasures and information disclosure throughout the Mizuno Group based on the Risk Management Regulations.

Each department and subsidiary of Mizuno Corporation conducts training and prepares manuals on risk management to ensure a system that can respond to various foreseeable risks in each field. We have also prepared the Crisis Management Manual, which explains how to foresee and respond to natural disasters, sabotage from outside the company, and fraud.

<table>
<thead>
<tr>
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<th>No. of target persons(persons)</th>
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<td>Fixed compensation</td>
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<tr>
<td>Directors (Audit and Supervisory Committee members) (excluding outside directors)</td>
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<tr>
<td>Outside directors(Audit and Supervisory Committee members)</td>
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