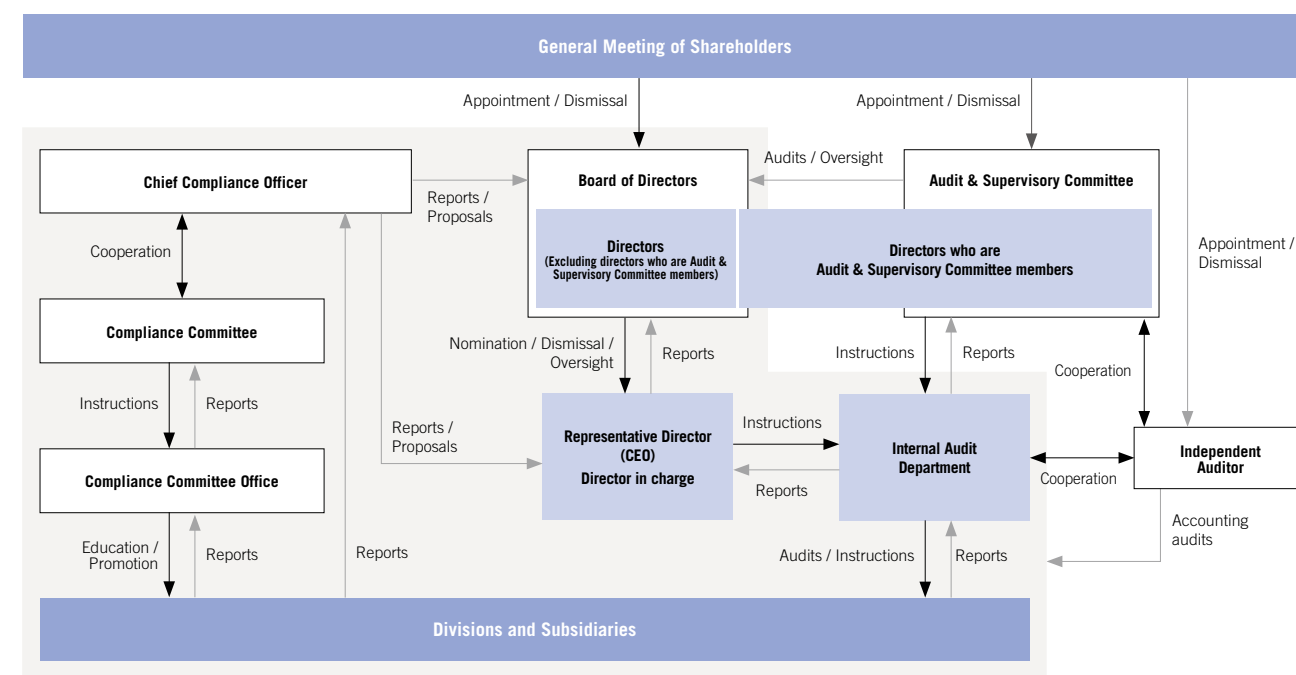


Reinforcement of Corporate Governance to Increase Management Transparency

At the PPIH Group, we firmly adhere to the corporate principle of “the customer matters most” and strive to reinforce corporate governance and compliance while actively carrying out disclosure practices and encouraging a deeper understanding of the Company as an entity coexisting with society. This commitment is integral to enhanced corporate value and is thus a top management priority. Moreover, we believe in the principle that a high level of ethics in business activities is crucial to the ongoing survival of a company. Based on this belief, we take steps to ensure legal compliance in our corporate governance systems and in their operation by constructing systems for quickly detecting issues in-house and soliciting advice from external specialists.

In regard to compliance, we are evolving organizational systems and advancing corporate activities while thoroughly implementing and expanding upon initiatives for improving compliance awareness and enhancing the accounting, internal audit, monitoring, and auditing departments.

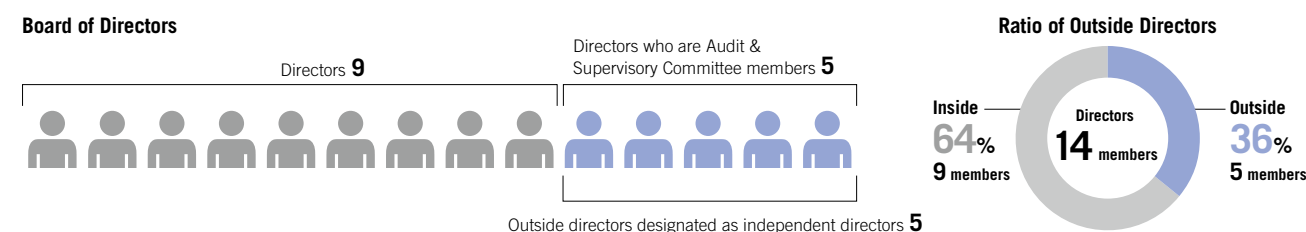
Corporate Governance Structure (As of September 25, 2019)



Highest Decision-Making Body—The Board of Directors

The Board of Directors of the Company meets at least once a month to engage in vigorous discussions on topics such as the formulation of important Group management strategies for improving corporate value. The Board of Directors consists of 14 members, of which five are outside directors who have been designated as independent directors. The appointment of such independent outside directors allows management to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders. This system thus guarantees appropriate and highly transparent management.

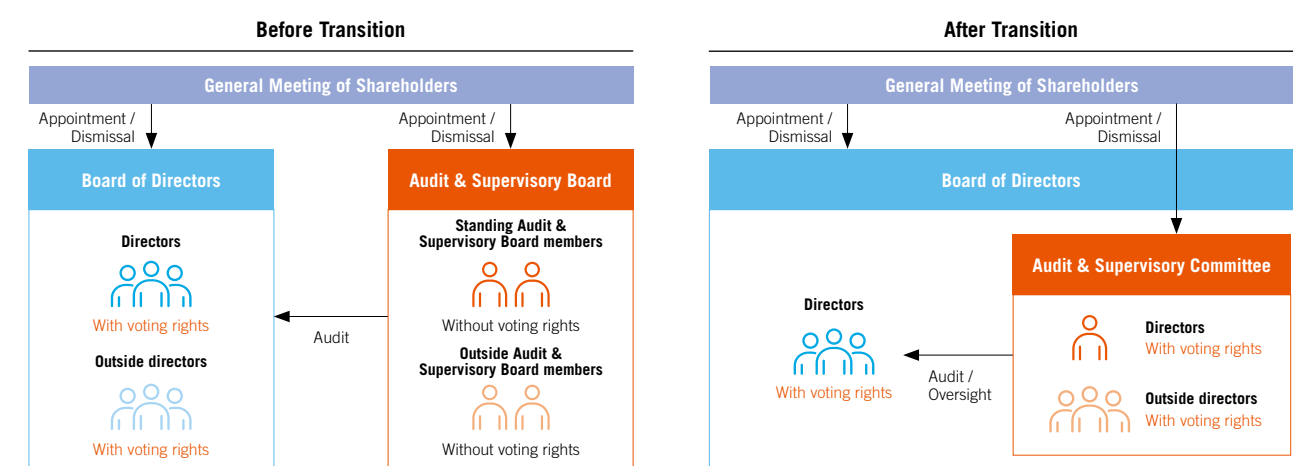
As the body responsible for making management decisions, the Board of Directors is tasked with making decisions on matters requiring decision by the Board of Directors as stipulated by law or the Company's Articles of Incorporation as well as on important matters as defined by the regulations for the Board of Directors (establishment of important management policies; establishment, revision, or abolishment of important regulations or management systems; capital investment plans; etc.). In addition, the Board of Directors is also responsible for setting Groupwide management policies in light of the role of the Company as a holding company.



Transition for Reinforcing Corporate Governance Structure

At the 36th Ordinary General Meeting of Shareholders held on September 28, 2016, a resolution was passed to allow for a transition from the Company with Board of Company Auditors' structure to the Company with Audit and Supervisory Committee structure described in the Companies Act of Japan. In conjunction with the transition, the Audit & Supervisory Committee was established and directors who are Audit & Supervisory Committee members were granted voting rights at meetings of the Board of Directors. The purpose of these changes was to strengthen the monitoring and oversight functions of the Board of Directors in order to facilitate enhancements to corporate governance and improvements to corporate value.

Benefits of the Company with Audit and Supervisory Committee structure include (1) the separation of operational execution and oversight achieved through the appointment of several outside directors who do not have operational execution duties, (2) the strengthening of the monitoring and oversight functions of the Board of Directors by granting of voting rights at meetings of the Board of Directors to directors who are Audit & Supervisory Committee members, and (3) the expedition of decision-making through the delegation of certain important operational execution decision-making authority to directors with operational execution authority.



Delegation of Authority from the Board of Directors to Management

In conjunction with the transition to the Company with Audit and Supervisory Committee structure, the Board of Directors resolved to partially or entirely transfer authority for certain important operational execution decisions to directors. At the PPIH Group, a great deal of authority is delegated to frontline operations in order to facilitate swift and flexible responses to the ever-changing operating environment.

However, the Company has also established regulations regarding the limits of authority that clearly stipulate the matters for which authority should be delegated to directors, other managers, and members of senior management based on materiality, transaction amounts, and other factors. Other measures are also implemented to enhance governance of business operations.

Operational Execution by Directors

To ensure the appropriateness of operational execution by directors, the Company continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of operational execution by directors. In addition, the Audit & Supervisory Committee, which has the participation of outside directors, conducts thorough audits that ensure impartiality and transparency from a position independent of influence of directors (excluding those who are Audit & Supervisory Committee members).

In addition, the division of duties and authority of directors is clearly defined and regulations regarding organizational structures are revised and established in a timely manner as necessary in order to support the efficient execution of duties by

directors. Organizational structures and operating procedures are revised flexibly in response to changes in the operating environment.

Records on the execution of duties by directors, including the minutes of the General Meeting of Shareholders, Board of Directors' meetings, and other important meetings, as well as related materials, are stored and managed by a designated department, which retains these records for a period of 10 years and makes them accessible whenever necessary.

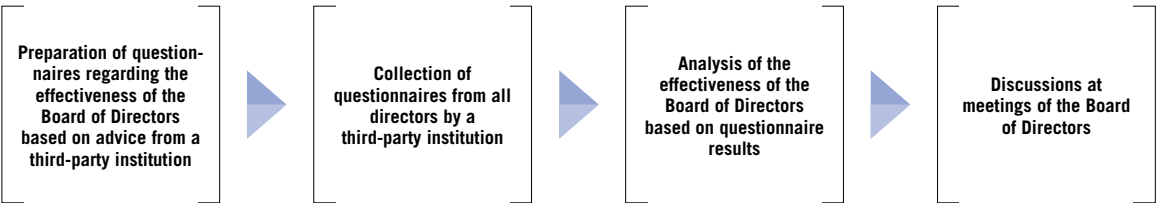
Basic Policy on Corporate Governance
https://ppi-hd.co.jp/en/ir/governance/basic_views/



Evaluation of the Effectiveness of the Board of Directors

A third-party institution is commissioned to evaluate the effectiveness of the Board of Directors at least once a year. Measures are instituted to address any issues identified based on the evaluation results in order to increase the effectiveness of the Board of Directors, enhance the Company's corporate governance structure, and contribute to sustainable growth and improved corporate value over the medium to long term.

Evaluation Process



Results of Evaluation of Effectiveness in the Fiscal Year Ended June 30, 2019

Summary	It was confirmed that the Board of Directors has been making swift and appropriate decisions based on brisk discussion in line with the Company's corporate principle while effectively fulfilling its role of improving medium- to long-term corporate value by exercising rigorous oversight functions. The Company therefore judged that the Board of Directors was effective. Conversely, it was determined that there was a need to further build upon the Company's corporate governance structure, including with regard to Group companies, given the fact that the number of stores is increasing due to the consolidation of UNY Co., Ltd. and the opening of overseas stores.
Strengths of the Company's Board of Directors	1. Proceedings based on the corporate principle 2. Swift decision-making processes enabled by appropriate delegation of operational execution authority 3. Balanced composition of the Board of Directors

Pressing issues for the Company's Board of Directors	Future initiatives
<div>Task 1</div> Creation of training opportunities for directors	The Company will provide, arrange, and support the utilization of external seminars and other training opportunities for directors. These efforts are aimed at ensuring that directors are able to fulfill their responsibilities and roles effectively based on changes in the structure of the Board of Directors, including the increase in the number of directors instituted in September 2017.
<div>Task 2</div> Provision of appropriate opportunities for utilizing the experience of outside directors	The Company will clearly define the roles and duties expected of each outside director to enable them to sufficiently exert their supervisory function based on their wealth of experience and specialized insight. Based on these definitions, discussions will be directed in a manner that draws upon the values and insight of outside directors.
<div>Task 3</div> Building upon the Company's corporate governance structure including with regard to Group companies	As a pure holding company, the Company respects the autonomy of Group companies while also managing and providing guidance to these companies as deemed necessary. By clarifying the roles and authority of Group companies, we are building an appropriate corporate governance system in which the Company focuses on its management oversight function.

Status of Response to Task 1

In the fiscal year ended March 31, 2019, discussions with outside directors possessing specialized expertise and lectures by specialized external institutions and the Board of Directors' secretariat were arranged for new directors as needed. In addition, we offered other training opportunities and support through means such as the utilization of external seminars on themes including ESG and compliance.

Director Remuneration System

Remuneration for directors excluding those that are Audit & Supervisory Committee members is determined by the Board of Directors, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders, taking into account the Company's operating results and financial position as well as the economic environment. Remuneration for directors that are Audit & Supervisory Committee members is determined by deliberation among Audit & Supervisory Committee members, within the overall limit of remuneration approved by a resolution of the General Meeting of Shareholders.

Under a resolution of the General Meeting of Shareholders, an annual ceiling of ¥6 million is set for the basic remuneration of directors excluding those that are Audit & Supervisory Committee members and there is a ceiling of ¥4 million for additional remuneration in the form of share-based compensation stock options. In the fiscal year ended June 30, 2019, remuneration decisions were based on factors including each director's responsibilities and contributions and the earnings of the Company.

Remuneration of Directors in the Fiscal Year Ended June 30, 2019

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Directors (excluding Audit & Supervisory Committee members and outside directors)	619	237	382	—	—	10
Directors who are Audit & Supervisory Committee members (excluding outside directors)	7	7	—	—	—	1
Outside directors	20	20	—	—	—	4
Total	646	264	382	—	—	15

Remuneration of Individual Directors in the Fiscal Year Ended June 30, 2019 (Directors who received total remuneration exceeding ¥100 million)

Name (Position)	Company	Total remuneration (millions of yen)				Total remuneration (millions of yen)
		Basic remuneration	Stock options	Bonuses	Retirement benefits	
Koji Ohara (Director)	Pan Pacific International Holdings Corporation	75	220	—	—	311
	Pan Pacific Shared Services Co., Ltd.	16	—	—	—	
Naoki Yoshida (Director)	Pan Pacific International Holdings Corporation	43	130	—	—	185
	Japan Commercial Establishment Co., Ltd.	7	—	—	—	
	Pan Pacific Shared Services Co., Ltd.	4	—	—	—	
	Route Advisory Co., Ltd.	1	—	—	—	

Share-Based Stock Options

In September 2014, the Company abolished its retirement benefits plan for directors and Audit and Supervisory Board members. At the same time, share-based stock options were introduced for directors (excluding those who are Audit & Supervisory Committee members) with an exercise price of ¥1.

This move was aimed at heightening directors' motivation and desire to contribute to improved medium- to long-term performance and corporate value for the Company by having directors share both the benefits of share price increases and the risks of share price decreases with shareholders.

Compliance Committee

The Compliance Committee is primarily membered by outside experts, including lawyers and outside directors. The duties of these members include formulating misconduct prevention measures, drafting investigation and survey plans, examining the results of such investigations and surveys, and sharing and verifying information on misconduct cases that have occurred at other companies. This committee is chaired by an outside director and consists of members including directors, outside directors (Audit & Supervisory Committee members), and outside lawyers.

Reinforcement of Compliance

To the PPIH Group, true compliance is about earning the confidence of all stakeholders and fulfilling social responsibilities. With this in mind, we have set up the Compliance Hotline, which functions as a portal for reporting concerns, such as possible legal violations. Reports received through this hotline are reviewed by the Compliance Committee, and the results of these reviews are promptly reported to the Board of Directors and the Audit & Supervisory Committee.

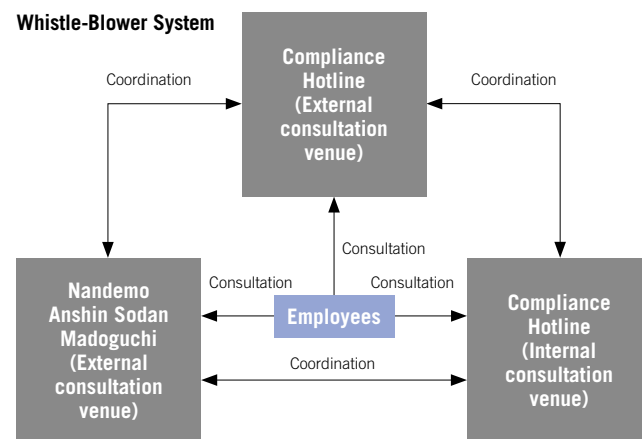


Dedicated Hotline for Business Partners

The PPIH Group is committed to maintaining appropriate and healthy relationships with its business partners. For this reason, we have established dedicated internal and external hotlines for business partners to enable them to report on any areas of concern in the behavior of PPIH Group transaction representatives. We endeavor to respond earnestly to feedback from business partners, implementing swift improvements while ensuring fair transactions to build strong, trust-based relationships.

As a measure for ensuring the appropriateness of operations, a chief compliance officer has been appointed to oversee matters regarding compliance and internal control. The chief compliance officer also coordinates with the Compliance Committee, to help guarantee a high level of ethics in business activities and the legal compliance of the Company's corporate governance structure and its implementation. The chief compliance officer and the Compliance Committee furnish optimal responses to compliance risks by performing cross-organizational, Groupwide assessments and evaluations of these risks.

In addition, the Nandemo Anshin Sodan Madoguchi (a consultation help desk for any issue) has been established to help resolve issues relating to the emotional and physical well-being and lifestyles of employees and their families. These hotlines are operated in accordance with internal regulations, and information obtained through these hotlines is utilized to facilitate fair transactions and the provision of safe and secure products and services.



Management Structure for Minimizing Risks

The PPIH Group assigns the risk rank of “store compliance” to the laws and regulations with which stores are required to comply and pursues improvements to compliance structures through e-learning programs for store managers and employees and store self-check sheets. We also have in place systems for

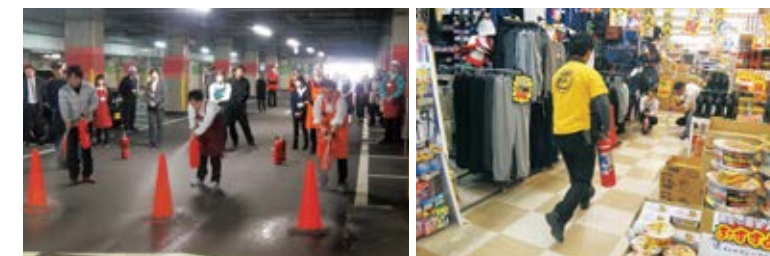


monthly checks by Group companies responsible for legal compliance inspections and improvement follow-up systems for ensuring rigorous compliance by stores. Furthermore, area and store managers coordinate with management divisions to reinforce systems for maintaining legal compliance.



Enhancement of Disaster Countermeasures and Improvement of Employee Disaster Preparedness Awareness

At the PPIH Group, disaster countermeasure representatives are appointed at each store. We implement various measures for improving employee disaster preparedness awareness, including regular disaster response drills, construction of manuals containing guidelines for response in times of disaster, and presentation of awards to employees who have contributed to preventing violations of the Fire Service Act. Furthermore, a seismic-insulated building was constructed at UNY's head office in Inazawa City, Aichi Prefecture in 2014. At the same time, with lifelines and communication functions protected by seismic-insulated facilities, we have put systems in place to enable business continuity or the quick restoration of operations even when management functions have been disrupted due to disasters. These initiatives help guarantee calm and accurate responses in times of disaster.



Disaster response drill at Don Quijote store



Disaster response drill at UNY store



Seismic-insulated building at UNY's head office

Responsible Product Procurement

Throughout the planning and manufacturing processes for original products, we exercise responsibility for our supply chain by performing on-site inspections of the overseas factories to which we outsource production. These inspections examine conditions pertaining to labor standards, working environments, and safety and quality management across all production processes. In addition, evaluation sheets detailing standards for approximately 100 items and reports containing internal views of factories are compiled as part of our efforts to ensure appropriate working environments and quality management.

