

## Corporate Governance

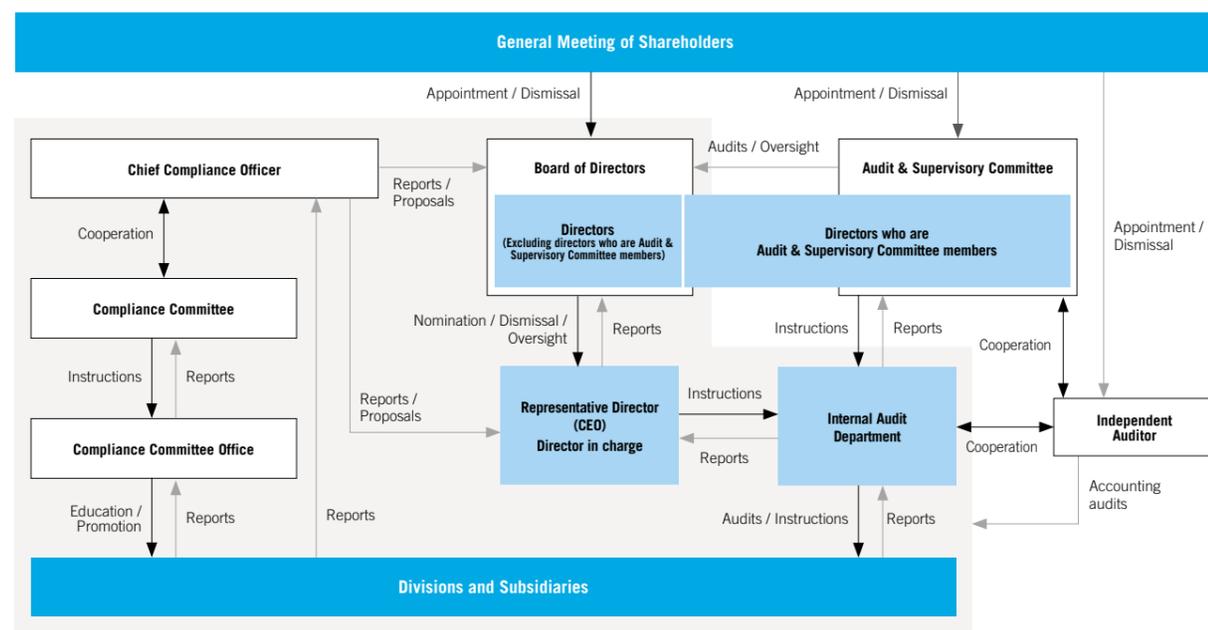
### Strengthening Governance to Improve Management Transparency

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.

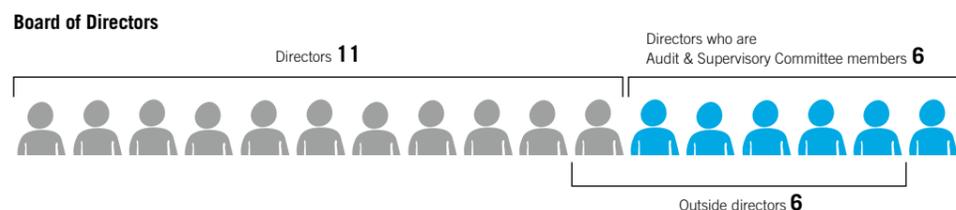
Corporate Governance Structure (As of October 12, 2020)



#### 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 17 members, of whom six are outside directors (including five Audit &

Supervisory Committee members) to incorporate wide-ranging insight and perspectives that share the independent standpoint of shareholders.



#### Audit & Supervisory Committee

The Audit & Supervisory Committee consists of six members, including five who are outside directors, and is capable of auditing the manner in which directors are conducting their work and implementing an effective audit in collaboration with the accounting firm as necessary. Additionally, since all five outside directors on the Audit & Supervisory Committee have been selected as

independent directors, they are able to bring independent wide-ranging views without concern about conflict of interest with general shareholders to bear on important items in corporate operations, such as formulating overall management strategy. This format supports appropriate management decisions.

### Strengthening Governance to Improve Management Transparency

Outside directors provide opinions and suggestions on management from an outside perspective based on their specialized knowledge and experience related to management. We select them with the anticipation of enhancing management health and transparency. Despite the absence of clearly stipulated standards

and policies on independence in selecting outside directors, we make decisions regarding selection premised on the ability to have sufficient autonomy to carry out the role of outside director from a position that is independent from the Company's executive team.

Reasons for selection of outside (independent) directors on the Audit & Supervisory Committee and attendance records (Board of Directors/Audit & Supervisory Committee)

Name	Reasons for selection	Attendance records	
		Board of Directors	Audit & Supervisory Committee
Yukihiko Inoue	Mr. Inoue has served as Metropolitan Police Superintendent-General and held other important posts and leverages those experiences in suitably carrying out duties from an objective standpoint.	100%	100%
Yasunori Yoshimura	Mr. Yoshimura has served as a Special Advisor to the Cabinet, worked as a university professor, and held other important posts, such as director of various academic associations, and leverages those experiences in suitably carrying out duties from an objective standpoint.	92%	93%
Tomiaki Fukuda	Mr. Fukuda has served as Chairman of the Japan Wrestling Federation and held other important posts and leverages those experiences in suitably carrying out duties from an objective standpoint.	100%	100%
Jumpei Nishitani	Mr. Nishitani possesses expert knowledge related to accounting and economics as a university business school professor, among other experience, and leverages those capabilities in suitably carrying out duties.	100%	100%
Masaki Yoshino	Mr. Yoshino is well-versed in corporate law and other areas as a lawyer and possesses expert knowledge and leverages those capabilities in suitably carrying out duties.	100%	100%

### 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.

### Reasons for Selecting the Current Corporate Governance Structure

Following passage of a resolution to change the corporate charter at the 36th Shareholder General Assembly held on September 28, 2016, we switched from a company with a board of auditors to a company with an Audit & Supervisory Committee. Through our establishment of an Audit & Supervisory Committee and allocation

of Board of Directors' voting rights to directors who are Audit & Supervisory Committee members, we enhance Board of Directors' auditing and supervisory capabilities and aim to further bolster corporate governance and raise enterprise value.

## Corporate Governance

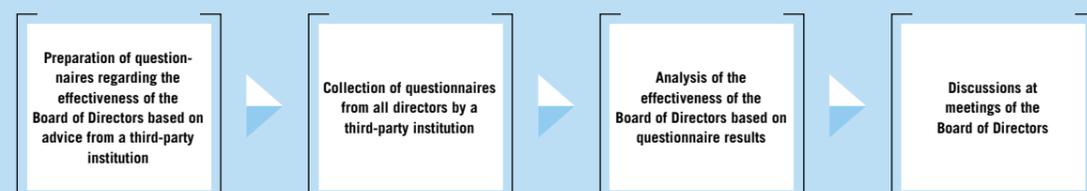
### Evaluation of the Effectiveness of the Board of Directors

A third-party institution is commissioned to evaluate the effectiveness of the Board of Directors at least once a year. In fiscal year 2020, Board of Directors' members made appropriate and timely decisions based on vibrant discussions that sufficiently considered management ideals. Furthermore, since it was possible to confirm an effective role in boosting longer-term corporate value through the Company's strict supervisory function, such as monitoring of

internal management operations, the evaluation recognized the efficacy of the Board of Directors.

Meanwhile, it called for further enhancement of transparency related to nominating and compensation and strengthening of operations to facilitate sustainable growth and improve longer-term enterprise value, such as ESG responses.

#### Evaluation Process



#### Overview of Evaluation Results for Fiscal Year 2020

##### Strengths of the Company's Board of Directors

- Proceedings based on the corporate principle
- Construction of appropriate management operations, such as a whistleblower program, and implementation of supervision
- Provision of appropriate opportunities to utilize the experiences of outside directors

##### Pressing issues for the Company's Board of Directors

- Formulation of management strategy that takes into account capital costs and reinforcement of ESG item initiatives
- Further improvement in nominating and compensation transparency
- Creation of director training opportunities and content enhancement

Considering the above-mentioned evaluation results, we intend to promote initiatives to solve issues and thereby improve Board of Directors' efficacy and reinforce governance operations.

### Director Remuneration System

Remuneration for directors excluding those who 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 who 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 resolutions of the General Meeting of Shareholders, an annual ceiling of ¥6 million is set for the basic remuneration of directors excluding those who are Audit & Supervisory Committee members. There is a ceiling of ¥4 million for additional remuneration in the form of share-based compensation stock options, and an annual ceiling of ¥100 million is set for the basic remuneration of directors who are Audit & Supervisory Committee members.

### Share-Based Stock Options

In September 2014, the Company abolished its retirement benefit plan for directors and Audit & 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.

#### Remuneration of Directors in the Fiscal Year Ended June 30, 2020

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)	199	199	–	–	–	11
Directors who are Audit & Supervisory Committee members (excluding outside directors)	2	2	–	–	–	1
Outside directors	29	29	–	–	–	5
Total	230	230	–	–	–	17

### 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.

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.

### Initiatives to Strengthen Compliance

As part of strengthening compliance, we created a Compliance Hotline as a whistleblower contact point for employees, business partners, and others regarding violations of law and internal rules. 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.

