

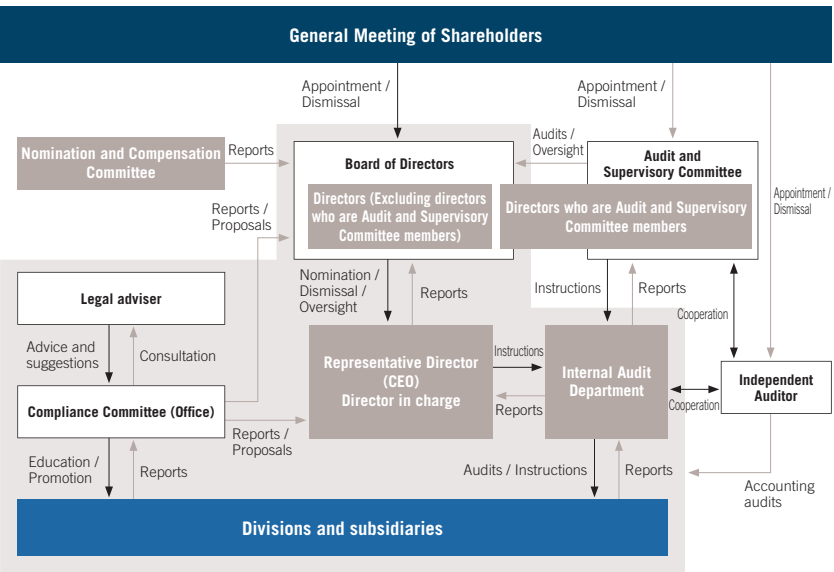
Establishing a Solid Governance System

Corporate Governance

Basic philosophy behind corporate governance

The Group ensures thorough adherence to our corporate principle that “The Customer Matters Most,” and strives to bolster corporate governance and compliance. The Group also engages in active disclosure of information in our effort to coexist with society by deepening understanding for the Group, which we believe is an important management issue for boosting our corporate value. Our philosophy is that business activities based on a strong sense of ethics are the key to our continued existence. The Group has established a system of responding quickly and ensuring compliance in our corporate governance system and operations, with advice from external experts.

Corporate governance structure



Our corporate governance structure at a glance

Institutional design	A group with an Audit and Supervisory Committee
Number of directors (number of independent outside directors in parentheses)	12 (4)
Number of Audit and Supervisory Committee members (number of independent outside directors in parentheses)	3 (3)
Term of office of directors	1 year (2 years for Audit and Supervisory Committee members)
Remuneration structure for directors	(1) Basic remuneration (2) Performance-based monetary remuneration (3) Share-based compensation stock options (excluding directors who are Audit and Supervisory Committee members)
Number of meetings held by the Board of Directors (average number attended by directors)	13 (96%)
Independent auditor	UHY Tokyo & Co.

Overview of the Board of Directors and Audit and Supervisory Committee

Name	Overview	Members
Board of Directors and Audit and Supervisory Committee	<ul style="list-style-type: none">● The Board of Directors, which is chaired by the President and Representative Director, meets at least once a month to discuss and decide important management matters as the highest decision-making body on business management.● The Audit and Supervisory Committee consists of three of the outside directors. It audits the execution of duties by directors and other such matters, and cooperates with the independent auditor as necessary.● All four outside directors are appointed as independent officers, which enables incorporation of a wide range of insight into important matters concerning company operations, including the formulation of company-wide management strategies, from an independent perspective with no risk of conflict of interest with general shareholders. This creates a system that enables appropriate management decisions to be made.	Listed on P.43-46

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

- The division of duties and authority of directors will be clarified, and regulations regarding the organizational structure are revised and established in a timely manner as necessary
- Organizational structure and business operating systems revised in response to changes in the management environment
- Minutes of the General Meeting of Shareholders, Board of Directors’ meetings, and other important meetings stored for a period of 10 years and made accessible whenever necessary

Policy and procedures for appointment of directors

In order to promote the PPIH Group's continued growth and the enhancement of our corporate value, and to ensure prompt and rational decision-making by the Board of Directors, the Board consults with the general meeting of shareholders and appoints an appropriate number of director candidates who are not only of excellent character, but also have extensive knowledge, experience, and abilities in various businesses, including the retail business which is our core business. Furthermore, to ensure fair and neutral oversight over our management, we appoint an appropriate number of outside directors selected from among people who have held high-level posts, managers, and a variety of experts.

Overview of each committee and the Internal Audit Department

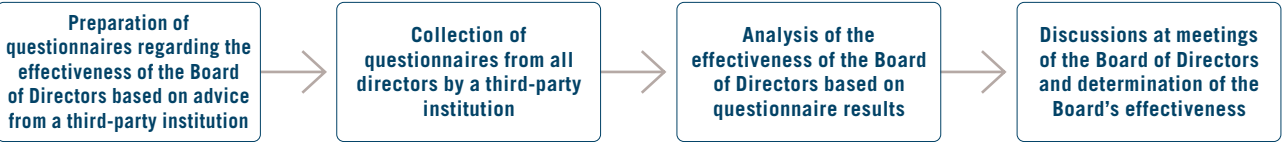
Name	Overview	Members
Compliance Committee	With the legal and compliance executive officer as a central figure, the Compliance Committee formulates misconduct prevention measures, drafts investigation and survey plans, examines the results of such investigations and surveys, and shares and verifies information on misconduct cases that have occurred at other companies.	Chairman: Executive Officer in charge of Legal and Compliance Members: Director, Managing Executive Officer Hideki Moriya Outside Director Isao Kubo Three others (executive officer, division head, etc.)
Nomination and Compensation Committee	The Nomination and Compensation Committee deliberates and reports on various matters as requested by the Board of Directors, including those relating to the appointment and dismissal of directors, the selection and dismissal of representative directors and others, and directors’ remuneration.	Chairman: Director (Audit and Supervisory Board Member) Jumpei Nishitani Members: Representative Director Naoki Yoshida Director (Audit and Supervisory Board Member) Yasunori Yoshimura
Internal Audit Department	<ul style="list-style-type: none">● The Internal Audit Department conducts audits of the legality and appropriateness of the operations of each department and our Group subsidiaries based on the audit plan, in cooperation with the independent auditor and the Audit and Supervisory Committee as necessary.● From the perspective of internal control, the Department monitors the major business processes of each department, each store, the Group subsidiaries, and others.	10 employees

Initiatives to Achieve Effective Corporate Governance

Evaluation of the effectiveness of the Board of Directors

The Board of Directors has decided that evaluations of its effectiveness will be carried out at least once a year. In the fiscal year ended June 2022, the evaluation of the Board of Directors was implemented through the following process. The evaluation results were that the Board of Directors’ members made appropriate and timely decisions based on vibrant discussions that sufficiently considered management philosophy. The evaluation also confirmed the effective role played by the Board of Directors in boosting medium-to long-term corporate value through the Group’s strict supervisory function, such as monitoring of internal management operations, and recognized the efficacy of the Board of Directors. In addition, the evaluation confirmed appropriate reports and discussions in Board of Directors’ meetings regarding sustainability-related topics, which were raised as an issue in the analysis and evaluation last year. Meanwhile, the evaluation called for further enhancement of nomination and compensation functions as well as further strengthening of operations to facilitate sustainable growth and improve medium- to long-term enterprise value. Furthermore, it has been decided to use an outside organization for the preparation and collection of survey forms and some analyses in order to increase the transparency of the evaluation and ensure its effectiveness.

Evaluation process



Our Board of Directors’ strengths and pressing issues based on its meetings in the fiscal year ended June 2022

Strengths of the Board of Directors	Pressing issues for the Board of Directors
<ul style="list-style-type: none">● Board of Directors management fully based on our management philosophy, including “The Source”● Ability to respond to and implement new themes such as ESG and sustainability. Provision of and learning opportunities for directors	<ul style="list-style-type: none">● Need to reconsider the allocation of time between discussions on recent business performance vs. discussion on medium- to long-term management strategies and other such matters● Need for greater transparency around processes related to succession planning, nomination, and compensation

Director training policy

The Board of Directors appoints directors who are knowledgeable and experienced in various aspects, including laws and regulations, finance, and accounting, and who are capable of fulfilling their roles and responsibilities. We have established a system to appropriately report and

provide various types of information to directors after they take up their posts. Furthermore, we provide opportunities for directors to be briefed directly by experts such as lawyers and accountants, as well as ESG consultants, and also hold training sessions for them as necessary.

Bolster governance to raise 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 based on the candidate’s ability to have sufficient autonomy to carry out the role of outside director from a position that is independent from the Group’s executive team.

Name	Reasons for selection	Attendance records	
		Board of Directors	Audit and Supervisory Committee
Isao Kubo	Mr. Kubo possesses abundant insight related to corporate management, having engaged in corporate planning and audit-related services for many years at ITOCHU Corporation, and Chief Strategy Officer and General Manager of Corporate Planning Division of FamilyMart Co., Ltd.	12/13	—
Yasunori Yoshimura	Mr. Yoshimura possesses experience that includes serving in such important positions as a Special Advisor to the Cabinet, Professor at a university, and President of various learned societies.	12/13	13/14
Jumpei Nishitani	Mr. Nishitani has considerable knowledge of finance and accounting from his research and teaching on economics and management studies at universities and other locations.	13/13	14/14
Masaharu Kamo	Mr. Kamo has served in important positions at a consulting company and at an operating company, and possesses abundant experience and broad insight related to corporate planning, etc. as a result of being involved in corporate management for many years.	—	—

Director remuneration system

Policy for determining the remuneration (fiscal year ending in June 2023)

The compensation system for the Company’s directors (excluding those that are Audit and Supervisory Committee members) consists of basic compensation as monthly fixed monetary compensation and performance-based monetary compensation (annual bonus) as short-term incentive compensation, and stock compensation-type stock options (non-monetary compensation) for the purpose of sharing shareholder interests. In consideration of their roles, the Company’s compensation system for outside directors who are members of the Audit and Supervisory Committee is limited to base compensation only.

The basic compensation for the directors is fixed monthly monetary compensation, and the Company considers the level of compensation for directors at other companies of the same scale, the Company’s business performance, and the salary level of employees, in accordance with the position and responsibilities of each director. The performance-linked monetary compensation (annual bonus) as short-term incentive compensation is linked to the Company’s performance for a single fiscal year. From the viewpoint of improving profits in the core business, the Company sets “consolidated operating profit” as a performance indicator

(KPI). The amount to be paid shall be determined based on the degree of achievement of the budget and shall fluctuate in the ratio of 0% to 150% depending on the degree of achievement of the budget. The Company does not stipulate the ratio of stock compensation-type stock options or the timing of their payment, as the Company determines the necessity of granting stock options on a case-by-case basis, taking into consideration the past results of stock option grants, etc. The Company will continue to consider the frequency of granting stock options for stock-linked compensation as part of an appropriate compensation system for directors.

The Company’s compensation structure is designed with 80% fixed compensation as basic compensation and 20% performance-linked monetary compensation (annual bonus) as short-term incentive compensation. The fixed compensation, which is the basic compensation, is paid monthly, and the performance-linked monetary compensation (annual bonus) as short-term incentive compensation will be paid after the Company’s performance is determined and after the Annual General Meeting of Shareholders.

Policy on determining the content of individual remuneration for directors

The Company’s Nomination and Compensation Committee is consulted regarding the determination of the content of individual director compensation, etc., and a resolution is adopted by the Board of Directors upon receipt of the Nomination and Compensation Committee’s report. Regarding the basic compensation, the Board of Directors shall determine the range of it and has delegated to the President

and Representative Director the authority to determine the final amount of basic compensation in consideration of the size of each director’s role and responsibility. To ensure that the delegated authority is properly exercised, the President and Representative Director must also fully consult with the independent outside directors through the Nomination and Compensation Committee.

Remuneration of directors in the fiscal year ended June 30, 2022

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of applicable directors
		Fixed remuneration	Performance-based bonuses	Retirement benefits	Non-monetary rewards as part of the remuneration shown on left	
Directors (excluding Audit and Supervisory Committee members and outside directors)	302	246	—	—	56	11
Directors who are Audit and Supervisory Committee members (excluding outside directors)	13	13	—	—	—	1
Outside Directors	37	37	—	—	—	6
Total	352	296	—	—	56	18

Initiatives to enhance risk management

Compliance Committee

With the legal and compliance director as a central figure, the Compliance Committee formulates misconduct prevention measures, drafts investigation and survey plans, examines the results of such investigations and surveys, and shares and verifies information on misconduct cases that have occurred at other companies. It consists of directors, executive officers and outside directors (Audit and Supervisory Committee members), and receives advice from an outside legal advisor.

To ensure the appropriateness of operations, the Group manages matters regarding compliance and internal control, guarantees a strong sense of ethics in business activities, and strives to ensure the legal compliance and implementation of the Group’s corporate governance structure. Furthermore, responses to compliance risks are optimized by performing cross-organizational, Groupwide assessments and evaluations of these risks.

Whistle-blower system

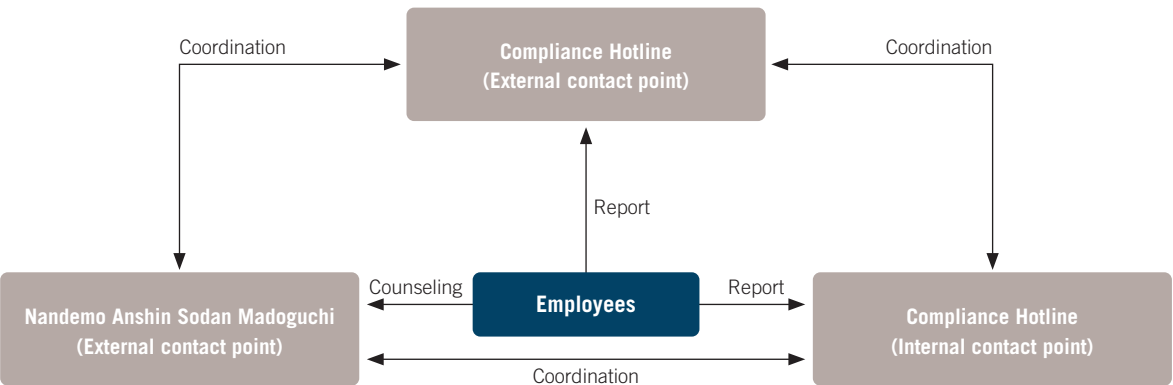
As part of strengthening compliance, the PPIH Group created a Compliance Hotline as a whistleblower contact point regarding violations of law and internal rules and provisions. In addition, in order to maintain moderate and sound relations with our business partners, we have established the “Partner Exclusive Hotline” so that our business partners can report concerns about the employees of the Group. We take the opinions of our business partners seriously and work to promptly make improvements, ensure fair transactions, and build stronger relationships of trust.

The content of reports made to these hotlines is discussed by the Compliance Committee, and the content is reported

to the directors and the Audit and Supervisory Committee in a timely and appropriate manner. 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 lives of employees and their families. These hotlines are operated in accordance with internal regulations, and information obtained through these hotlines is utilized to ensure fair transactions and the provision of safe and secure products and services.

Reports made to these hotlines are treated confidentially and can be made anonymously.

Framework of whistle-blower system



Conducting compliance training

The PPIH Group is strengthening its compliance efforts in order to ensure that each employee is committed to selfless and honest business practices, backed by high aspirations and morals. We have begun regular compliance training via

e-learning for all Group employees (regular, and contracted employees)*. By conducting this training, we are striving to raise awareness of corporate compliance throughout the organization.

*UNY Co., Ltd. conducted it for regular full-time employees.

PPIH Group Anti-Corruption Policy

The PPIH Group conducts its business activities based on the management philosophy of “We commit ourselves to doing business in a manner that is unselfish, 100% honest, and grounded in a strong sense of morality and purpose.” In order to practice sound and fair business activities, we have

[PPIH Group Anti-Corruption Policy](#)

established PPIH Group Anti-Corruption Policy to ensure the prevention of bribery and acts complicit in bribery throughout the Group and to fulfill our corporate social responsibility.

PPIH Group Tax Compliance Policy

The PPIH Group is an international corporate group whose purpose is to bring joy and excitement to customers and to contribute to society through the distribution business. Based on this corporate philosophy, in order to contribute to

[PPIH Group Tax Compliance Policy](#)

the economic development of each country and region, we have established the “PPIH Group Tax Compliance Policy” and will pay appropriate taxes in accordance with the tax systems of each country and region.

Risk management

The Risk Management Headquarters conducts risk management at the PPIH Group. The Headquarters gathers information on cases of risks that may occur at stores and offices, and determines risk responses and countermeasures. The

stores and offices then implement the countermeasures in accordance with the instructions. Progress is monitored by the Risk Management Headquarters and reported to the Board of Directors as necessary.

As for our response to climate change-related risks, in the event of a large-scale disaster, we will respond promptly by having the frontlines (stores) make flexible judgments based on the Business Continuity Plan (BCP) and our management philosophy of “delegation of authority.”

→ **Reference pages: P.21-22**

Business risks (summary)

The following are the main business-related and other risks faced by our Group. The Group is aware of the possibility of those risks becoming reality, strives to avoid them, and deals with them whenever they do indeed manifest themselves. Risks related to the future are based on management

decisions and forecasts made by the Group according to information currently available through the financial statement report submitted (on September 28, 2022) for FY2022.

Main risks		Assumed effects associated with the risks	
Impact of COVID-19	➡	Decreased inbound sales due to travel restrictions	
Expansion of stores and acquisition of human resources	➡	Inability to acquire and foster necessary human resources may lower the quality of services and lower business performance	
Imports, logistics and delivery	➡	Possibility of delays in logistics and delivery due to political or economic conditions within the exporting country, or the state of management of external contractors	
Marketing	➡	Business performance may be lowered by inability to acquire and foster staff capable of executing appropriate marketing, or inability to maintain an organizational management system	
Legal regulations	➡	Possibility of the financial state and operating results of the Group being impacted by increased management costs as the result of revision to or stricter interpretation of laws and regulations	
Act on Protection of Personal Information	➡	Loss of social trust, compensation for individuals, etc., in the case of personal information leakage	
Impairment of fixed assets	➡	Possibility of recording impairment loss for fixed assets as the result of recognition and measurement of losses	
Business expansion via M&A	➡	Possibility of discovering contingent liabilities or unknown debts	
Loss from closing stores	➡	Possibility of loss due to closing stores	
Exchange rate risks	➡	Risks from changes in the gross profit margin due to fluctuating exchange rates	
Natural disasters	➡	Possibility of problems occurring due to costs arising from restoring store facilities, having to temporary close stores, logistics and delivery of products, etc.	
Inventory risks	➡	Possibility of retained stock due to unavoidable circumstances, such as skewed demand caused by abnormal weather or seasonal fluctuations in demand	