

PPIH Group Stakeholder Engagement

The PPIH Group believes that its ultimate goal is to contribute to the realization of a sustainable society by recognizing issues through communication with its stakeholders, building relationships of trust and collaboration, and fulfilling its social responsibilities while continuing to produce greater results. To this end, we emphasize active “stakeholder engagement” and reflect the interests, expectations, and requests we ascertain through this process in our management and business activities.

Our stakeholders	How we engage
Customer	-Daily sales activities and customer services -Customer service centers -Customer satisfaction surveys through PPIH Group e-money app -In-store customer interactions -Communication through corporate and brand websites, advertisement, social media and mailing service
Suppliers	-Partner conference -WEB Business Negotiation System -Supplier surveys -Suppliers hotline
Shareholders, investors	-Annual General Meeting of Shareholders -Earnings announcements -Active engagement with investors -Corporate website for investors, Integrated Report and ESG Databook -Responding to ESG research surveys
Employee	-Employee engagement surveys -Employee education and training -Fair performance evaluations and individual consultations -Internal portal and newsletters for employees -Employee hotline
Local/global community, society, government	-Participation in local activities -Comprehensive cooperation agreements with local governments -Support for refugees -Emergency Disaster Relief -Social contribution activities and volunteer activities -Participating in Government initiatives -Environmental education classes for children at elementary schools

Examples of stakeholder engagement conducted by the PPIH Group

Dialogue with shareholders and investors

The PPIH Group actively engages in dialogue with shareholders and investors to perceive social changes and needs, identify risks, and resolve issues. We conduct IR activities for shareholders and investors under the basic concepts of being fair, active, and quick (appropriate timing). We are working to improve management transparency and build a good relationship with the capital market through activities such as one-on-one meetings as well as store tours and large and small meetings.

[Results for the fiscal year ended June 30, 2023]

- 70 small meetings
- 4 large meetings
- 330 one-on-one meetings

Employee and director dialogues

Since 2021, we have been holding regular dialogues between female employees who are active within the Company and the director in charge of diversity management, with the aim of increasing the motivation of female employees and developing their careers. The content of these dialogues is published in the company newsletter so that all employees can read it.

Through these dialogues that were published, we introduce women with various work styles and values, and help female employees design their careers. In addition, for male employees, these dialogues help to strengthen their awareness of the need for everyone to work to create an environment in which women can demonstrate their abilities and play active roles.



Solid Governance

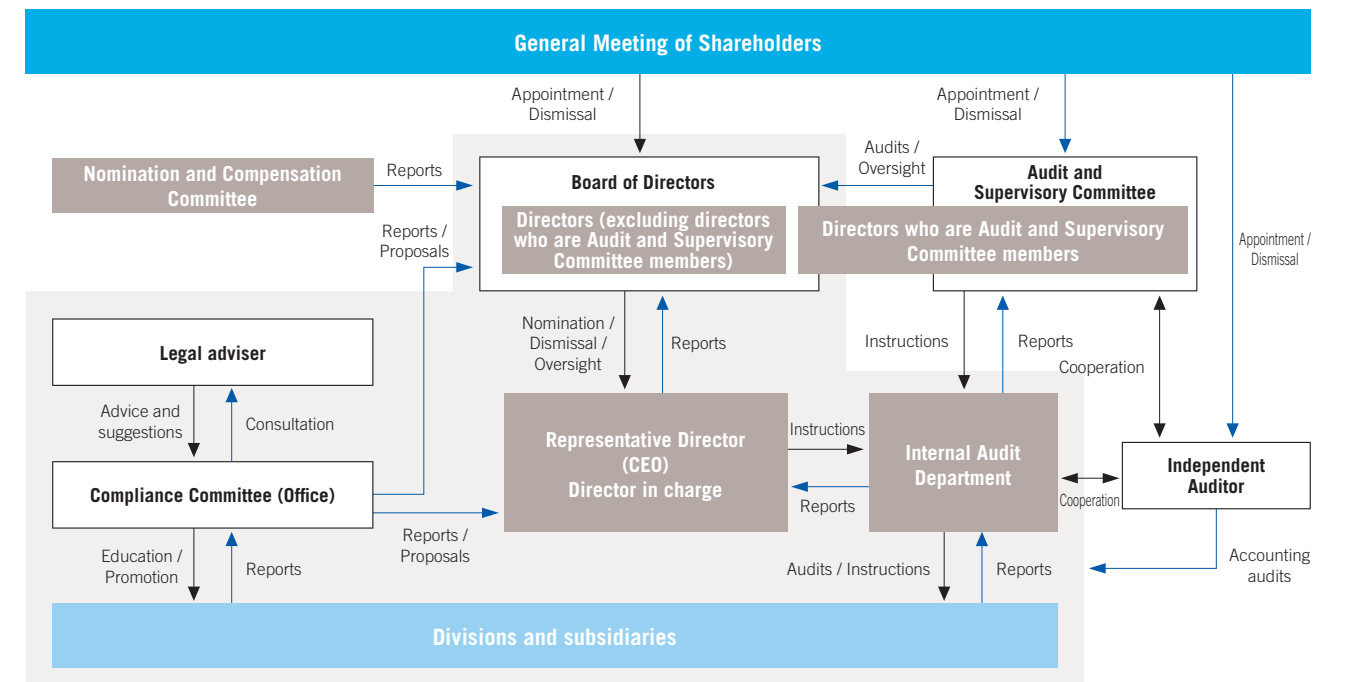
Corporate Governance

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.

Our corporate governance structure at a glance

Institutional design	A group with an Audit and Supervisory Committee	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 directors (number of independent outside directors in parentheses)	10 (4)		Number of meetings held by the Board of Directors (average number attended by directors)	13 (95.7%)
Number of Audit and Supervisory Committee members (number of independent outside directors in parentheses)	3 (3)			Independent auditor
Term of office of directors	1 year (2 years for Audit and Supervisory Committee members)			



Board of Directors

Overview	Members
<p>Board of Directors</p> <ul style="list-style-type: none"> The highest decision-making body within the Company with regard to the execution of operations is the Board of Directors, which is chaired by the representative director and meets at least once a month to discuss and determine important issues concerning business activities. 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. 39-42

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.

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.

Evaluation of the effectiveness of the Board of Directors

The Board of Directors shall evaluate the effectiveness of the Board of Directors at least once a year. In the fiscal year ended June 30, 2023, the Company assessed the effectiveness of the Board of Directors through the following process. The results showed the members of the Board of Directors play an effective role in improving corporate value over the medium and long term by making appropriate and prompt decisions through active discussions based on the management philosophy, and by exercising strict supervisory functions including monitoring of the internal control system. In addition, the strength of the company's ability to promote initiatives when it decides to address new issues such as gender and diversity was well evaluated. At the same time, further enhancement of discussions on specific themes is required.

In the preparation, collection, and partial analysis of the questionnaire, we used an external organization 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 2023

Strengths of the Board of Directors	Pressing issues for the Board of Directors
<ul style="list-style-type: none"> Promotion of the company's corporate philosophy "The Source" and operation of the Board of Directors with an awareness of this philosophy Gender and diversity initiatives Supervisory function of the Board of Directors by taking advantage of the expertise and experience of outside directors 	<ul style="list-style-type: none"> Further enhancement of discussions on overseas business Further enhancement of discussions on the medium- to long-term vision of the Company Further enhancement of discussions on securing and developing human resources

Specific matters considered by our Board of Directors during the fiscal year ended June 30, 2023

- Management strategies: Medium- to long-term management plan, matters related to the reorganization of Group companies, and matters related to financing
- Sales policies: Matters related to store openings, store closings, etc., matters related to sales results by business
- Financial results: Matters related to financial results, earnings forecasts, and dividends
- Governance: Matters related to internal fraud, internal control, and sustainability
- Human resources: Matters related to the appointment of directors and executive officers, establishment and transfer of important positions, and training of executive officers
- Other matters stipulated in the Companies Act, etc.

Outside directors

The Company has four outside directors. The outside directors are appointed on the expectation that the individuals will offer opinions and point out issues helpful to management from an external perspective, based on specialized knowledge and experience in corporate management, and thereby contribute to enhanced management soundness and transparency. All four directors were designated as independent directors in accordance with rules set by the Tokyo Stock Exchange, to which notifications were submitted.

The Company has no clear-cut criteria or policies regarding the independence of individuals appointed as outside directors. However, in appointing outside directors, the Company ensures that they can provide opinions and suggestions regarding management from an outside perspective based on their expertise and experience in management, thereby improving the soundness and transparency of the Company's management. The Company's judgment is based on the premise that the appointment of an outside director is sufficiently independent of the Company's management team to enable them to perform their duties as an outside director.

Supporting system for outside directors

Four of the Company's ten directors are outside directors, and three outside directors are Audit and Supervisory Committee members. The Board of Directors' Secretariat and the Audit and Supervisory Committee Secretariat assist outside directors in performing their duties as requested.

Director remuneration system

Basic Policy

The Company's basic policy is to set compensation for directors in consideration of shareholder interests so that the compensation system functions as an incentive to increase corporate value continuously, and to set the compensation of individual directors at an appropriate level based on the responsibilities of their positions.

Structure of the compensation system for the Company's directors

The compensation system for the Company's directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) consists of the following: the base remuneration as monthly fixed monetary compensation, performance-linked monetary remuneration as short-term incentive (annual bonus), and share-based stock options (non-monetary compensation) for the purpose of sharing shareholder interests. In light of their roles, the Company's outside directors receive only base remuneration. The compensation system for directors who are members of the Audit and Supervisory Committee of the Company also consists of base remuneration only, in consideration of their roles.

The base remuneration is a monthly fixed monetary compensation and is determined based on the position and responsibilities of each director, taking into consideration the level of compensation for directors at other companies of the same size as the Company, as well as the level of employee salaries, and a comprehensive range of factors.

The performance-linked cash remuneration (annual bonus) as a short-term incentive shall be linked to the Company's performance for a single fiscal year, and in the Company, the performance-linked (KPI) shall be "consolidated operating income" from the perspective of improving earnings in the core business. The target amount of "consolidated operating income", which is the KPI, for the fiscal year ending June 30, 2023, is ¥94 billion, and the actual amount is ¥105.2 billion.

The amount to be paid shall be determined based on the degree of achievement of that budget and shall vary in a ratio

of 0% to 150% depending on the degree of achievement of the budget.

Since the Company determines the necessity of granting share-based compensation on a case-by-case basis, taking into consideration the past results of stock option grants, etc., the Company does not clearly stipulate the ratio of share-based stock options or the timing of their payment. However, the Company will continue to consider the frequency of granting share-based stock options in the future in the context of an appropriate executive compensation system.

At the Board of Directors meeting held on July 13, 2023, the Company issued share-based stock options to directors above a certain rank. The purpose of this type of compensation is to be in line with shareholders' viewpoint and to serve governance functions to increase corporate value during the period between the grant of stock acquisition rights and the retirement of the Company.

As for the ratio of the Company's compensation structure, it shall be designed based on 80% fixed remuneration as basic compensation and 20% performance-linked remuneration (annual bonus) as a short-term incentive.

Regarding the timing of payment of compensation, etc., fixed remuneration, which is basic remuneration, shall be paid monthly, and performance-linked monetary remuneration (annual bonus), which is a short-term incentive, shall be paid after the Company's performance is determined and after the annual shareholders' meeting.

Policy on determination of individual compensation

The Company consults its Nomination and Compensation Committee regarding the determination of individual director compensation, etc., and the Board of Directors adopts a resolution based on the Nomination and Compensation Committee's report.

However, with respect to base remuneration, the Company delegates to the President and Representative Director the authority to determine the final amount of such remuneration, taking into consideration the roles and responsibilities of each individual director, under the maximum and minimum amounts to be separately determined by the Board of Directors. To ensure that the delegated authority is properly exercised, the Company shall also fully consult with the independent outside directors through the Nomination and Compensation Committee.

Position	Total remuneration by type (millions of yen)					Number of applicable directors
	Total remuneration (millions of yen)	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)	227	188	39	—	—	7
Directors who are Audit and Supervisory Committee members (excluding outside directors)	3	3	—	—	—	1
Outside Directors	30	30	—	—	—	6
Total	260	221	39	—	—	14

Policy for constructive dialogue with shareholders

As part of its efforts to realize sustainable growth and improved corporate value over the medium to long term, the Company engages in constructive dialogue with shareholders and other investors through investor relations activities to ensure that its management policies and performance are accurately understood.

- (1) The CFO has been designated as the officer responsible for investor relations. In addition, the Investor Relations Division has been placed under the direct jurisdiction of the CFO and designated as the division responsible for investor relations.
- (2) In order for the IR Officer and the person responsible for handling information reported to the TSE to be aware of important information within the company, a structure will be established to consolidate information in a coordinated manner with the said officer. The IR division works with Legal, Finance, Accounting, Sales, Property Development and other divisions as necessary to ensure appropriate disclosure of information.
- (3) The officer and division responsible for investor relations respond appropriately to requests for meetings from analysts and institutional investors and hold quarterly financial results

briefings. The president and CEO also take part in the financial results briefings. Furthermore, the investor relations section of the Company's corporate website (<https://ppih.co.jp/en/ir/>) provides timely disclosure information, financial information, and other reference materials (financial summaries, annual securities reports, annual integrated reports, PPIH reports, monthly sales reports, etc.). The Company strives to support the investment decisions of shareholders and other investors (some information is only available in Japanese).

- (4) The valuable input received from shareholders and other investors is shared with the Board of Directors and management as necessary to reflect this input in the management of the Company.
- (5) The Company observes a set quiet period prior to the announcement of financial results during which it will not respond to any questions related to financial results. In addition, the Company complies with laws and regulations pertaining to undisclosed information (insider information), defines internal regulations for preventing insider trading, and practices rigorous management of this information.

Status of each committee

	Overview	Members
Audit and Supervisory Committee	<ul style="list-style-type: none"> The Audit and Supervisory Committee is composed of three outside directors and audits the execution of duties carried out by directors. The Audit and Supervisory Committee will work with the independent auditor to facilitate the execution of audits when necessary. 	Yasunori Yoshimura (Chairman, Independent Outside Director) Jumpei Nishitani (Independent Outside Director) Masaharu Kamo (Independent Outside Director)
Nomination and Compensation Committee	<ul style="list-style-type: none"> The Nomination and Compensation Committee is established as a voluntary advisory body to the Board of Directors, with a majority of its members being outside directors, in order to strengthen fairness, objectivity, and transparency in the evaluation and decision-making process regarding nomination and compensation of directors and to further enhance the corporate governance system. The role of the Nomination and Compensation Committee is to act as an advisory body to the Board of Directors, and is responsible for matters related to the election and dismissal of directors, the selection and dismissal of representative directors, and matters related to the compensation of directors. 	Jumpei Nishitani (Chairman, Independent Outside Director) Yasunori Yoshimura (Independent Outside Director) Naoki Yoshida (Representative Director)
Compliance Committee	<ul style="list-style-type: none"> The Compliance Committee is responsible for planning fraud prevention, planning inspections and investigations, verifying the results of inspections and investigations, and sharing and verifying cases of fraud at other companies. 	Executive Officer in charge of Legal Affairs and Compliance (Chairman) Hideki Moriya (Director) Isao Kubo (Independent Outside Director) 3 other executive officers and employees
Internal Audit Division	<ul style="list-style-type: none"> Independent of business execution divisions Based on the audit plan, the Internal Audit Division audits the legality, effectiveness and efficiency of the operations of each department and the Group's subsidiaries, and evaluates the internal control over financial reporting. The Company has established regular information-sharing opportunities with the accounting auditors with regard to the maintenance and assessment of the operational status of internal control over financial reporting, in order to ensure accurate and efficient internal control audits. 	5 employees

Initiatives to enhance risk management

Status of establishment of risk management system

As part of the Group's risk management system, a Compliance Officer is appointed to oversee matters related to compliance and internal control. The Compliance Officer, in cooperation with the Compliance Committee and outside experts such as lawyers, analyzes and evaluates compliance risks across the organization, including those of our Group companies, and provides education on compliance-related matters. In addition, our Compliance Hotline system has been established to enable employees and business partners of the Group to report directly to external organizations and specialized internal departments any suspicious activities related to laws, regulations, and internal rules. The Compliance Committee deliberates on reports received through this system and reports the contents of such reports to the Company's directors and Audit & Supervisory Committee in a timely and appropriate manner. Moreover, accounting matters are regularly audited by an independent auditor, and advice and guidance are provided in a timely manner by lawyers for legal matters and tax accountants for tax matters.

Business risks (summary)

Main risks	Assumed effects associated with the risks
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	Possibility of a significant impact on our business performance, including issues of social credibility and individual compensation, in the event of personal information leakage
Impairment of fixed assets	Possibility of an adverse effect on the Group's business as a result of the recognition and measurement of impairment losses with prediction of impairment loss on fixed assets
Business expansion via M&A	Possibility of an adverse effect on the Group's financial state and results of operations in the event of incurring contingent liabilities or discovering unknown debts after an M&A has taken place
Loss from closing stores	Possibility of negative impact on the Group's results in the event of losses associated with the closure of one or more stores
Exchange rate risks	General market risk from fluctuations in forex markets without assurance of being able to completely avoid exchange rate risk
Natural disasters	Possibility of effects on the Group's financial state and operating results due to costs arising from restoring store facilities, temporarily closing stores, disruption in logistics and delivery of products, etc., in the event of a natural disaster, such as a large-scale earthquake or typhoon
Inventory risks	Possibility of effects on the Company's financial state and operating results through inventory disposal and inventory write-down
Response to climate change	Risk of higher-than-expected energy and countermeasure costs in the event of a sudden increase in social demands, such as a significant tightening of laws and regulations related to climate change
Risk of spread of infectious diseases	Possibility of effects on the Group's financial state and operating results due to store closures, reduced operating hours, or a decrease in the number of visitors due to a decline in the number of inbound tourists visiting Japan

Whistle-blower system

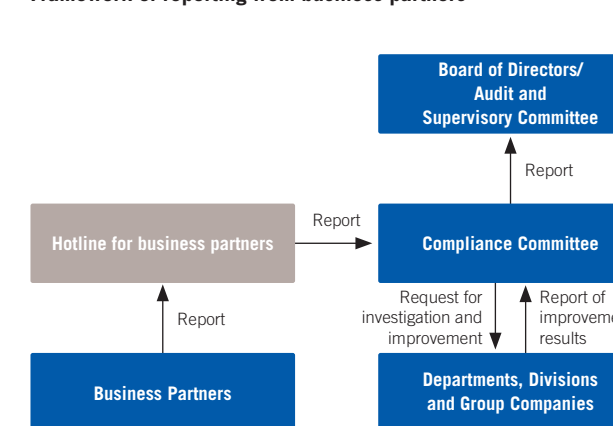
As part of strengthening compliance, the PPIH Group has a "Compliance Hotline" for employees to report violations of laws, regulations, and internal rules and regulations. The "Compliance Hotline" has two contact points, one with an external law firm and the other with an internal contact point, from which employees can choose to make a report. In addition, in order to maintain a moderate and sound relationship with our business partners, we have established a hotline for them so that they are able to report any concerns they may have about the actions of our Group's account managers. We take the opinions of our business partners seriously and work to promptly make improvements, ensure fair transactions, and build stronger relationships of trust. These hotlines are operated in accordance with internal regulations, and the contents of reports are discussed by the Compliance Committee and reported to the Board of Directors and the Audit and Supervisory Committee as appropriate.

The contents of reports made to these hotlines are treated with the strictest confidentiality, and anonymous reporting is also possible, with e-mails being accepted 24 hours a day. Whistleblowers are thoroughly protected by the company regulations, which state that whistleblowers shall not be subject to any disadvantageous actions such as retaliation or worsening of the work environment because of their reporting. In addition, we actively introduce the "Compliance Hotline" in our company newsletter, monthly compliance training sessions, and internal posters in order to create an environment in which employees can use the hotline when necessary.

The establishment of a consultation service



Framework of reporting from business partners



Compliance training for employees

Full-time and contract employees* receive e-learning compliance training sessions each month.

Compliance training is designed to improve each employee's understanding and awareness of each of the themes that are related to the business risks or the Group's sustainability key issues (Materiality), as well as to inform and promote the use of the Group's compliance system, including the whistle-blower system, in order to ensure the corporate compliance of the PPIH Group.

* UNY Co., Ltd. and UCS Co., Ltd. conduct compliance training for full-time employees

Participation in compliance training for FY2023

Monthly average number of participants: 9,642
Monthly average attendance rate: 85.8%

Anti-corruption initiatives

In order to practice sound and fair business activities, we are thoroughly implementing group-wide anti-corruption initiatives in accordance with our corporate philosophy and code of conduct "The Source," and the "PPIH Group Anti-Corruption Policy," which was established with the approval of the Board of Directors.

As part of efforts to improve understanding and awareness of anti-corruption, in addition to compliance training for employees, training for executive officers on bribery was conducted in November 2022 by an outside lecturer. All executive officers participated in the training, which included lectures on domestic and international laws and regulations related to bribery and examples of compliance violations, as well as discussions on issues to be addressed by the Company. We also ask our business partners who are contract manufacturers of our private brand (PB) products to thoroughly prevent corruption through the "PPIH Group Supply Chain Code of Conduct" and a questionnaire survey to self-check their compliance with the code of conduct.

Tax compliance initiatives

The PPIH Group has established the "PPIH Group Tax Compliance Policy" with the approval of the Board of Directors in order to fulfill its proper tax obligations in each of the regions in which the Group operates. In accordance with this policy, the PPIH Group will disclose its tax status appropriately. We do not use tax havens for the purpose of tax avoidance.

Tax status by region (FY2023)

Unit: millions of yen

	Japan	North America	Asia	Total
Net sales*	1,620,851	233,590	82,343	1,936,783
Income before income taxes	94,768	6,417	▲445	100,739
Arising tax amount	34,333	2,606	428	37,367

* Net sales are based on the location of customers and are classified into countries or regions