

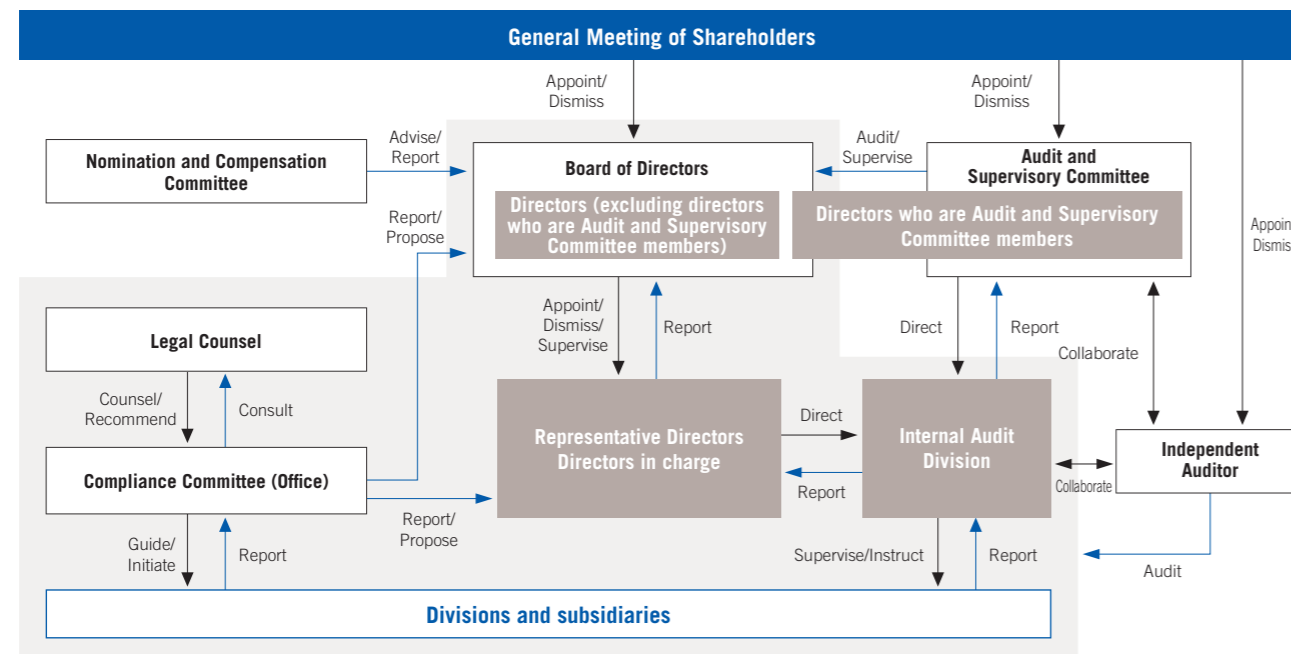
Corporate Governance

Basic policy on corporate governance

The Company firmly adheres to its corporate philosophy of “the Customer Matters Most” and strives to enhance corporate governance and compliance while actively carrying out disclosure practices and encouraging a deeper understanding of Pan Pacific International Holdings Corporation as a company coexisting with society. This commitment is integral to enhancing corporate value and is thus a top management priority. Business activities based on a high standard of ethics are crucial to the ongoing survival of a company. With this conviction, we will build and maintain our in-house structures to expedite problem-solving and, when necessary, seek advice from outside experts to establish and support internal controls and ensure that operations are conducted lawfully and properly. In regard to compliance, the Company will strive to foster an even stronger organizational framework and advance corporate activities while seeking to entrench and enhance initiatives for heightening compliance awareness and reinforcing the accounting, internal audit, monitoring, and auditing departments.

Our corporate governance structure at a glance

Institution	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)	15 (5)	Number of meetings held by the Board of Directors (Average rate attended by directors)	13 (94.2%)
Number of Audit and Supervisory Committee members (number of independent outside directors in parentheses)	5 (4)	Independent auditor	UHY Tokyo & Co.
Term of office of directors	1 year (2 years for Audit and Supervisory Committee members)		



Board of Directors

Overview	Directors
<ul style="list-style-type: none"> The Board of Directors, chaired by the President and Representative Director, meets at least once a month to discuss and decide on important matters related to business execution. Out of the 6 outside directors, 5 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 P17-20

Scope of delegation 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 partially or entirely transfers 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 that the execution of directors' duties is conducted appropriately and efficiently, we have established the following internal control system.

- By continuously appointing outside directors, we aim to enhance the supervisory function of directors' duties. Additionally, the Audit and Supervisory Committee, which includes outside directors, ensures fair and transparent audits from an independent standpoint (excluding directors who are Audit and Supervisory Committee members).
- To clarify the duties and authority of directors, reviewing and updating organizational regulations are as needed.
- Revise the organizational and operational structure in response to changes in the business environment.

Policy and procedures for election of directors

To ensure the company's continuous growth and increase in corporate value, and to enable swift and rational decision-making by the Board of Directors, the Board nominates candidates with excellent characteristics and extensive knowledge, experience, and abilities in various businesses, including our core retail business, for approval at the General Meeting of Shareholders. An appropriate number of directors are appointed. For outside directors, an appropriate number of individuals who have held important positions, managers, and experts in various fields are appointed to monitor the company's management from a fair and neutral perspective.

Training policy for directors

The Company appoints directors that possess the prerequisite insight and experience pertaining to legal affairs, finance, accounting, and a wide variety of other fields and that are thereby able to effectively fulfill their roles and responsibilities. In addition, frameworks are in place to ensure that information is reported and supplied to directors as necessary after appointment, and directors are provided with opportunities to receive explanations directly from lawyers, accountants, and other specialists. We also hold training sessions as needed and appropriate.

Evaluation of 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, 2024, 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 the 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. While the balanced composition of the Board of Directors, the environment that fosters open discussions, and the active initiatives related to diversity are positively recognized, there is a need for further enhancement in the discussions on certain topics. This includes reviewing the methods of presenting agenda items and improving the reporting of outcomes, as well as enriching discussions from a company-wide perspective.

In the preparation, collection, and partial analysis of the questionnaire, we use an external organization to increase the transparency of the evaluation and ensure its effectiveness.

Evaluation process



Overview of the evaluation of effectiveness of the Board of Directors for FY2024

Strengths	Issues to be addressed
<ul style="list-style-type: none"> Balanced composition of the Board of Directors based on diverse skills and expertise Environment for open discussions fostered by the integration of the corporate philosophy “The Source” Enhancement of discussions related to gender and diversity initiatives 	<ul style="list-style-type: none"> Further enhancement of discussions on the medium- to long-term management strategies and talent development Improvement of outcome reports concerning previously discussed matters, such as investment projects

Going forward, the Company will implement measures to address issues identified based on the evaluation in order to increase the effectiveness of the Board of Directors while enhancing the Company's corporate governance structure.

Outside directors

The outside directors are appointed with the expectation that they will provide opinions and suggestions on management from an external perspective, based on their specialized knowledge and experience in management, thereby enhancing the soundness and transparency of management. Additionally, 5 out of the 6 outside directors are designated as independent directors in accordance with the regulations of the Tokyo Stock Exchange and have been registered with the Exchange.

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.

Support system

6 of the Company's 15 directors are outside directors, and 5 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 Compensation

Basic policy on director compensation

The compensation for our directors is designed to function as an incentive for the continuous enhancement of corporate value, taking into account shareholder interests. Additionally, the basic policy is to set individual director compensation at an appropriate level based on their responsibilities.

Structure of director compensation system (excluding outside directors and directors who are Audit and Supervisory Committee members)

Basic Compensation	Monthly fixed monetary compensation is determined based on the position and responsibilities of each director, considering the level of director compensation at other companies of similar size and the level of employee salaries.
Performance-linked monetary remuneration (annual bonus)	The performance-linked monetary remuneration (annual bonus) as a short-term incentive for the Representative Director shall be linked to the Company's performance for a single fiscal year. In the Company, the performance-linked KPI shall be "consolidated operating income" from the perspective of improving earnings in the core business. The amount to be paid shall vary in a ratio of 0% to 150% depending on the degree of achievement of that budget. For Directors other than the Representative Director, 50% of their remuneration will be linked to the Company's performance, similar to the Representative Director, and an additional 50% will be linked to individual performance. The individual performance-linked portion will be assessed based on budget target achievement, reviewed by the Nomination and Compensation Committee, and the final payment rate, ranging from 0% to 150%, will be determined by the President and Representative Director.
Share-based stock options	Share-based stock options do not have a specified ratio or timing of grants, as the necessity of each grant is determined based on past grant records and other factors. However, the frequency and other aspects of the options will continue to be reviewed within the framework of an appropriate executive compensation system.

The compensation structure for the outside directors and directors who are Audit and Supervisory Committee members consists solely of basic compensation, reflecting their roles. For other directors (excluding outside directors and directors who are Audit and Supervisory Committee members), the compensation structure is based on a ratio of 70% basic compensation and 30% short-term incentive compensation. Basic compensation is paid monthly, while short-term incentive compensation is paid after the annual general meeting of shareholders, following the determination of the company's performance.

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 for Directors other than the President and Representative Director, 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, within the maximum and minimum amounts separately determined by the Board of Directors. The Company also delegates to the President and Representative Director the authority to determine the final payment rate of the performance-linked cash remuneration (annual bonus) for the individual performance-linked portion. To ensure that the delegated authority is properly exercised, the President and Representative Director must fully consult with the independent outside directors through the Nomination and Compensation Committee.

Total compensation by director category, total compensation by type, and the number of eligible directors (FY2024)

Position	Total remuneration (million yen)	Total remuneration by type (million yen)				Number of applicable directors
		Fixed remuneration	Performance-based bonuses	Retirement benefits	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee members and outside directors)	215	130	52	—	33	6
Directors who are Audit and Supervisory Committee members (excluding outside directors)	—	—	—	—	—	—
Outside Directors	27	27	—	—	—	4
Total	242	157	52	—	33	10

Note: The table above includes the compensation of 1 director who retired at the conclusion of the 43rd Annual General Meeting of Shareholders held on September 27, 2023, and 1 director who retired on October 31, 2023.

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 director overseeing IR and the information officer registered with the Tokyo Stock Exchange will establish a structure to consolidate information in coordination with the director to be aware of important information within the Company. The IR division works with Legal, Finance, Accounting, Sales, Property Development and other divisions as necessary to ensure appropriate disclosure of information.
- (2) The director overseeing IR and IR division responds appropriately to requests for meetings from analysts and institutional investors and holds quarterly financial results briefings. The President and Representative Director 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 available only in Japanese).
- (3) The valuable input received from shareholders and other investors is shared with the Board of Directors and management as necessary to incorporate this input into the Company's management.
- (4) The Company designates a quiet period before the announcement of financial results, during which no comments on the results are made. Additionally, undisclosed material information (insider information) is strictly managed in compliance with laws and regulations, and an insider trading prevention policy is in place.

Strategic management focused on capital costs and stock price optimization

To enhance corporate value, the Company aims to achieve the quantitative target of 200 billion yen in operating income for the fiscal year ending June 2030, as outlined in our medium- to long-term management plan "Visionary 2030". We strive to improve corporate value through strategic management focused on capital costs and stock prices by maintaining growth investments, stabilizing ROE at a high level through improved profitability, and strengthening dividend policies.

In the fiscal year ended June 2024, we achieved the operating income target of 120 billion yen a year ahead of schedule which was initially set for "Visionary 2025". This resulted in an ROE exceeding capital costs and a PBR significantly above 1. The management and leaders will actively engage in dialogue with the market. Additionally, we will continue to issue integrated reports, enhance English disclosures, and expand our disclosure and IR activities, including responding to various evaluation agencies.

Status of each committee

	Overview	Members
Audit and Supervisory Committee	<ul style="list-style-type: none"> The Audit and Supervisory Committee is composed entirely of 5 outside directors. It audits the execution of duties by directors and collaborates with the accounting auditor as necessary to ensure effective audits. 	Yasunori Yoshimura (Chairman, Independent Outside Director) Jumpei Nishitani (Independent Outside Director) Masaharu Kamo (Independent Outside Director) Takaki Ono (Outside Director) Naoko Kishimoto (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 of the Board of Directors to enhance fairness, objectivity, and transparency in the evaluation and decision-making processes related to the nomination and compensation of directors and other executives, thereby strengthening the corporate governance system. The majority of its members are outside directors. The role of our Nomination and Compensation Committee, in response to consultations by the Board of Directors, is to deliberate and provide recommendations on matters such as the appointment and dismissal of directors, the selection and removal of representative directors and other executives, compensation for directors, and other matters consulted by the Board of Directors. 	Jumpei Nishitani (Chairman, Independent Outside Director) Yasunori Yoshimura (Independent Outside Director) Naoki Yoshida (President and 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 (Representative Director) Naoko Kishimoto (Independent Outside Director) 9 other executive officers and employees
Internal Audit Division	<ul style="list-style-type: none"> Independent from the 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. In addition, the Internal Audit Division reports and collaborates with the Audit and Supervisory Committee as appropriate. For important matters, in addition to reporting to the Audit and Supervisory Committee, it also reports to the Board of Directors to ensure organizational cooperation. 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, to ensure accurate and efficient internal control audits. 	5 employees

Initiatives to enhance risk management

Status of risk management system development

As part of the Group’s risk management system, a Compliance Officer is designated 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 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. The findings are then reported 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)

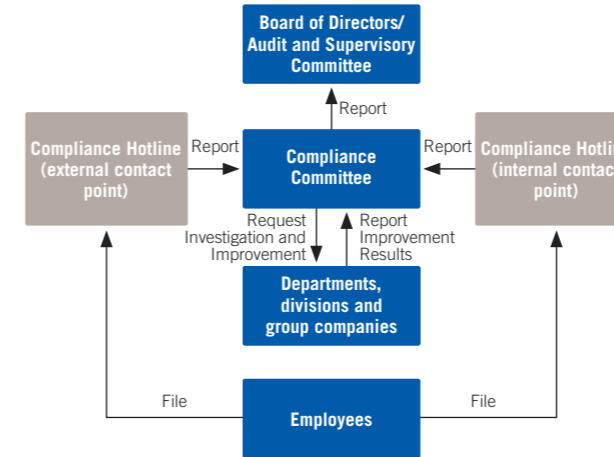
Major Risks	Potential impact of the risks
Store expansion and talent acquisition	Failure to secure and develop the necessary personnel may undermine service quality, posing a risk to business success
Import and logistics/distribution	Possibility of delays in logistics and delivery due to political or economic conditions within the exporting country, or the state of management of external contractors
Marketing	Failure to secure and develop staff for proper marketing, along with maintaining an organizational management system, may result in a risk to business success
Legal regulations	Changes in laws or stricter interpretations may lead to increased operational costs, potentially impacting on the Group’s financial state and business performance
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 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
Infectious disease risks	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
Information security risks	Possibility of negative impact on the Group’s performance in the event of unforeseen circumstances leading to prolonged system outages.

Whistle-blower hotline

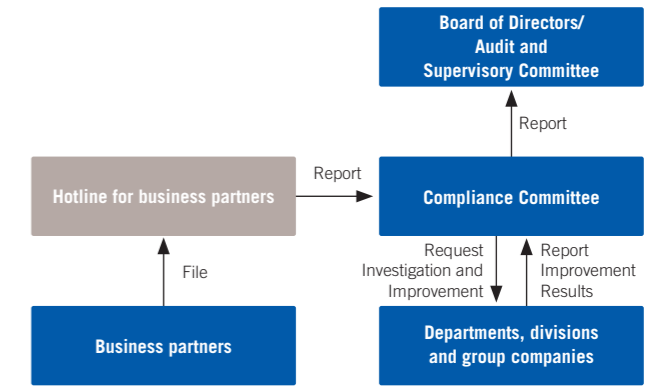
As part of strengthening compliance, the PPIH Group has a “Compliance Hotline” for employees to report violations of laws, regulations, and internal rules and regulations. The “Compliance Hotline” has two contact points, one with an external law firm and the other with an internal contact point, from 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 reviewed by the Compliance Committee. The findings are subsequently reported to the Board of Directors and the Audit and Supervisory Committee as appropriate.

Matters reported through these hotlines are handled with strict confidentiality, and anonymous reporting is also allowed. Additionally, email reports are 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 to create an environment in which employees can use the hotline when necessary.

Whistle-blower System



Reporting framework for 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 key themes related to business risks and the Group’s sustainability issues (materiality), as well as to inform and promote the use of the Group’s compliance initiatives, including the whistle-blower system, to ensure the corporate compliance of the PPIH Group.

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

FY2024 Compliance training participation

Monthly average number of participants: 9,503

Monthly average participation 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 harassment was conducted in June 2023 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 to fulfill its proper tax obligations in each of the regions in which the Group operates. In accordance with this policy, the PPIH Group discloses its tax status appropriately. We do not use tax havens for the purpose of tax avoidance.

Tax status by region (FY2024)

Unit: millions of yen

	Japan	North America	Asia	Total
Net sales*	1,763,062	246,875	85,140	2,095,077
Income before income taxes	140,169	(6,484)	(3,179)	130,506
Arising tax amount	45,783	1,449	163	47,395

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