

Materiality 3

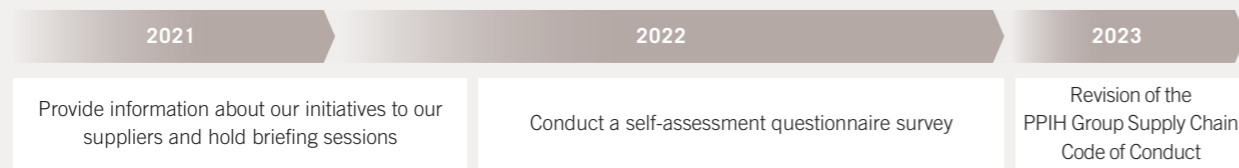
Sustainable Product Sourcing and Responsible Sales

Based on our corporate principle of “The Customer Matters Most,” the PPIH Group is above all committed to delivering safe and secure products to its customers. To this end, we promote procurement that leads to consideration for human rights and the environment, as well as harmony with local communities.

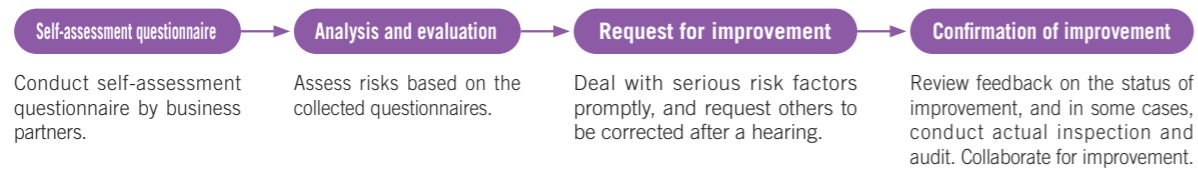
Sustainability in the supply chain

Our Group believes that addressing issues related to human rights, working environment, health, and safety for all people involved in our business is one of the key challenges for the Group as a retailer, and that fulfilling our social responsibility in the supply chain will contribute to the realization of a sustainable society and lead to the growth of our suppliers and the Group itself. In order to promote responsible procurement throughout our supply chain based on strong partnerships between our Group and suppliers, we are making efforts based on the Guidelines for Respecting Human Rights in Responsible Supply Chain announced by the Ministry of Economy, Trade and Industry (METI).

Our response toward responsible procurement



Conducting self-assessment questionnaire survey and monitoring



✓ PPIH Group Supply Chain Code of Conduct

Since 2022, we have requested about 700 contract manufacturing suppliers of PB/OEM products to submit a written pledge that they endorse the PPIH Group Sustainable Procurement Policy and will comply with the PPIH Group Supply Chain Code of Conduct.

In addition to holding briefing sessions on the implementation of this matter, we have translated the original Japanese Code of Conduct into English, Chinese, Thai, and Korean for global dissemination, and have asked our suppliers to comply with the PPIH Group Supply Chain Code of Conduct.



Revision of the Supply Chain Code of Conduct

In November 2023, we revised the PPIH Group Supply Chain Code of Conduct. We reflected international guidelines on human rights and the environment in the supply chain, consultations with external organizations, and advice from experts, identified the necessary points for revision, and implemented this with the approval of the Board of Directors.

✍ PPIH Group Supply Chain Code of Conduct

1. Respect for Human Rights
2. Management of Working Environment, Safety and Health
3. Fair and Transparent Business Activities
4. Environmental Protection
5. Quality Control
6. Information Security
7. Contributing to the Local Community
8. Efforts to Put into Practice

● Efforts to prevent and reduce overtime work
 ● Efforts to procure sustainable energy, use resources such as water efficiently, and prevent pollution
 The two items above were added. In the fiscal year ending June 30, 2024, we plan to implement SAQs based on this content.

✓ Evaluation by self-assessment questionnaire

In order to identify and improve risks in the supply chain, we are conducting self-assessment questionnaire (SAQ) surveys to check compliance with the PPIH Group Supply Chain Code of Conduct at approximately 2,200 factories that are contracted to manufacture PB/OEM products.

Responses to the SAQs are comprehensively evaluated based on the status of compliance with each item and the severity of risk. As of the end of the fiscal year ended June 30, 2023, 99.6% of the SAQs had been collected, and we confirmed that there were no major risks or incidents by checking serious risk responses related to human rights, labor, and health and safety. Based on the submitted SAQs and evaluation results, we will proceed with analysis to identify risks in the supply chain.

Self-assessment questionnaire survey categories and major items	(1) Human rights and labor	Prevention of child and forced labor, discrimination, harassment
	(2) Health and safety	Appropriate measures against hazardous chemicals, industrial accidents, etc.
	(3) Fair trade and ethics	Prevention of bribery, illegal contributions, abuse of a superior bargaining position, etc.
	(4) Environment	Legal compliance for wastewater, sludge, waste disposal, etc., formulation of waste reduction targets
	(5) Quality and safety	Development and operation of a quality management system
	(6) Information security	Appropriate management and protection of personal and confidential information
	(7) Contribution to society	Implementation of activities that contribute to the development of the international and local communities
	(8) Other (co-existence and co-prosperity)	Responsible procurement of raw materials with serious human rights and environmental risks, etc.

✓ Implementation of third-party audits

At the PPIH Group, third-party audits have also been implemented for contracted factories that manufacture PB products in Japan and overseas.

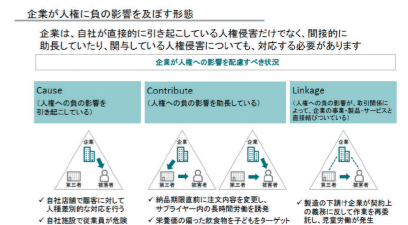
The results of the audits are shared with the target factories, and meetings are held to correct the issues pointed out. After this, we continue to monitor the status of improvement by checking on the corrective actions as necessary.

✓ Capacity building for suppliers

We conduct follow-up for risk assessments and monitoring with contracted factories that manufacture PB/OEM products where SAQs identified minor issues and we would like efforts to be strengthened to minimize risks.

In the fiscal year ended June 30, 2023, we held a total of 12 online meetings with participation by people in charge of factories in Japan and overseas. Based on the Guidelines for Respecting Human Rights in Responsible Supply Chain formulated by METI and other such guidelines, we explain the responses required of companies and provide advice on specific initiatives, including human rights due diligence practices.

We will continue to provide follow-up and other support to promote capacity building initiatives.



✓ Establishment of a hotline for business partners

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.

