

Last Update: November 15, 2023

Pan Pacific International Holdings Corporation

President and CEO (Representative Director): Naoki Yoshida

Contact: IR Division (+81-3-5725-7588)

Securities Code: 7532

<https://ppih.co.jp/en/>

The corporate governance of Pan Pacific International Holdings Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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 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.

[Reasons for Not Adopting the Principles of Japan’s Corporate Governance Code]

The Company has implemented all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.4 Cross-Shareholdings

The Company holds investment shares for purposes other than a pure investment when it determines that it is possible to build a cooperative relationship with the investee and that it is expected to improve the corporate value of the Group, with respect to the rationality of the investment shares. In addition, the Company makes decisions on holding and selling by comprehensively taking into consideration the

relationship with the investee, the transaction status, whether the investment risk is reasonable for the cost of capital, and whether the corporate value of the investee can be expected to improve.

Principle 1.7 Related Party Transactions

If a director plans to conduct a transaction that competes with the Company or represents a conflict of interest, the director is required to receive approval from the Board of Directors as stipulated by laws and internal regulations. Furthermore, the Company requires post-fact reports to be submitted to the Board of Directors detailing the progress, results, and other material facts of said transactions and post-fact monitoring frameworks are in place.

Frameworks have also been established to ensure that the Company is aware of all related party transactions through means such as annual investigations of directors to ascertain any involvement in applicable transactions.

When engaging in other related party transactions, the materiality of each transaction is to be assessed and discussions are to be held among the Board of Directors as necessary to ensure that transactions do not adversely impact the interests of the Company or its shareholders.

Supplemental Principle 2.4.1 Ensuring diversity in the promotion to core human resources

(1) Approach to ensuring diversity

The PPIH Group's Corporate Philosophy "The Source" states that we are a company that recognizes diversity. We have set "Accepting Diversity and Creating a Rewarding Workplace" as one of its key issues and are working to promote diversity throughout the Group.

The Diversity Management Committee ("DM Committee"), established in 2020, is chaired by the director in charge of diversity management and is structured as a cross-functional collaboration among several related departments. The DM Committee plans, drafts and implements measures to promote diversity, such as the creation of an environment in which women can play an active role in all positions including executive and managerial positions, support for LGBTQ+ individuals, promotion of seniors and non-Japanese workers, and employment of people with disabilities.

In addition, to ensure affinity with customers with various values and lifestyles and to create innovations, we do not discriminate in any way based on gender or nationality, and actively promote women and foreign nationals to key managerial positions.

In mid-career hiring, we actively hire part-timers as well as hire career personnel. Employees with skills and know-how accumulated outside the company are important to the Group.

Many of these mid-career hires are now working in managerial positions.

(2) Voluntary and measurable goals and their status

As more than 60% of our customers are women, we believe that more women working in the field will lead to business growth. Therefore, we have set the goal of promoting female participation and career advancement by increasing the number of female store managers and improving the retention rate of female employees.

1. Increase the number of female store managers to 100 (subject: Japan)

Numerical target: 50 by the fiscal year ending June 30, 2026, and 100 by the fiscal year ending June 30, 2030.

Progress: 32 female store managers as of June 30, 2023

2. Improve the retention rate of female employees (subject: Japan)

Numerical target (turnover rate): 8.8% by FY2026, 5% by FY2030

Progress: 9.7% as of June 30, 2023

■ Initiatives to achieve goals

- Implemented a training program to provide the knowledge and skills necessary to produce female store managers.
- Conducted "Women's Health Seminar" for directors, managers, and female employees to deepen understanding of women's health issues and to create a comfortable working environment.
- Implemented a "college-style career development seminar" for female employees.
- Distributed a report to managers with female subordinates that quantitatively shows the ratio of female employees, the ratio of female managers, the promotion rate, and the retention rate.
- Introduced a subsidy program for the expenses of low-dose birth control pills to support female employees in maintaining their physical and mental health.

For more information on the status of our diversity management initiatives, please refer to the "Materiality 2: Accepting Diversity and Creating a Rewarding Workplace" section on our sustainability website. (<https://ppih.co.jp/sustainability/materiality2/>)

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company does not have fund-type or contract-type defined-benefit pension plans or welfare pension fund plans. However, the Company does have a corporate-defined contribution pension plan, and asset management education is provided to employees.

Principle 3.1 Full Disclosure

(1) Company objectives (e.g., business principles), business strategies and business plans

The Company discloses information on its corporate philosophy—"The Customer Matters Most"—and on its business model and other policies, management strategies, and management plans through its

various communication tools, which include investor relations information, financial results briefing materials, and integrated reports available on its corporate website.

Investor relations website: <https://ppih.co.jp/en/ir/>

(2) Basic views and guidelines on corporate governance based on each of the principles of the Code

The Company endeavors to entrench its corporate philosophy—“The Customer Matters Most”—and enhance corporate governance and compliance while also practicing proactive disclosure to encourage a deeper understanding of Pan Pacific International Holdings Corporation as a company coexisting with society. These tasks have been positioned as important objectives for improving corporate value.

Please refer to “1. Basic Views” under “Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information” in this report for more information on the Company’s basic policy on corporate governance.

(3) Board policies and procedures in determining the compensation of the senior management and directors

For the policy and procedures in determining the basic compensation for Directors (excluding Directors who are members of the Audit and Supervisory Committee) and the process for the determination, etc., please refer to 2 "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods".

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors

The Board of Directors decides on the selection and dismissal of senior management and the nomination of candidates for directors (excluding Directors who are members of the Audit and Supervisory Committee). The company takes into consideration such factors as rapid decision-making in response to the rapidly changing business environment and appropriate risk management and supervision of business execution and comprehensively considering the abilities, experience, and personality of the candidates from the perspective of having the right person in the right place.

Concerning the selection of candidates for executive directors, in addition to the above, the Nomination and Compensation Committee, an advisory body, deliberates and recommends prior to the resolution of the Board of Directors.

With regard to the appointment of candidates for directors who are members of the Audit and Supervisory Committee is decided by the Board of Directors after deliberation by the Nomination and Compensation Committee and consultation with the Audit and Supervisory Committee to ensure a diversity of viewpoints based on personalities, insights, and backgrounds.

(5) Explanations with respect to the individual appointments/dismissals and nominations based on (4) Information on appointments and dismissals of members of senior management are disclosed in an appropriate manner in accordance with laws and regulations.

The biographies of candidates for Directors and the reasons for their nomination are included in the reference materials for the General Meeting of Shareholders, and we will continue to enhance the content of the explanations.

<Notices of convocation of the General Meeting of Shareholders>: <https://ppih.co.jp/en/ir/stock/meeting/>

Supplemental Principle 3.1.3 Disclosure of Sustainability Initiatives

Based on the corporate principle of "the Customer Matters Most," the PPIH Group is committed to resolving important environmental and social issues (materiality) through the business activities of its core business of general retailing, with the first priority being to support the lifestyles of local customers and provide them with the pleasure of shopping.

In the area of sustainability, the PPIH Group is thoroughly adhering to the corporate philosophy and action guidelines set forth in the Group's core values, "The Source," with the ultimate goal of contributing to customers and society through our business activities. This in turn raises the sense of mission and pride of our employees, which ultimately leads to higher corporate value. We will always keep this virtuous cycle in mind as we are boldly taking on the challenge of solving environmental and social issues and achieving business growth for the Group.

For more information on the status of our sustainability activities, please visit the sustainability site on our website (<https://ppih.co.jp/sustainability/>).

■Materiality (Key issues)

- Reduce the environmental impact of our business activities
- Accepting diversity and creating a rewarding workplace
- Sustainable product sourcing and responsible sales
- Resolving social issues through coexistence with local communities
- Establishing a solid governance system

<Disclosure on Investments in Human Capital and Intellectual Property>

■Initiatives for human resources development

We aim to create a highly productive organization in which the right people are in the right places by providing a reskilling program to develop human resources with a high ability to respond to change, career plans that allow employees to maximize their independence and satisfaction in accordance with their positions, responsibilities, and affiliations, and by establishing an environment and systems that enable career paths.

- "Kizuki Skill Up Seminars (self-growth seminars) " are held for all employees to help them acquire new knowledge and skills.
- Activation of "Koubo.com (internal recruitment system)" for the purpose of career development and broadening experience.
- Promotion of the "Million Star Program(next-generation executive development program) "

■ Our Approach to Internal Environmental Improvement

In order for all employees to work with peace of mind, it is essential to maintain an appropriate internal environment that allows them to maintain their physical and mental health. The Group's Personnel and Labor Headquarters play a central role in identifying and improving problems faced by individual employees and the working environment of the Group as a whole through the establishment of internal and external consultation services and individual hearings. By building an internal consultation system that allows each employee to feel comfortable voicing his or her concerns, and by promoting problem identification and improvement measures that shift the focus to the employee, we will be able to improve the working environment for all employees. We are striving to create an organization with a high level of employee engagement that is both comfortable and rewarding to work in.

<Disclosure based on the TCFD recommendations>

We recognize that addressing climate change issues is an important issue for the sustainable development of our group and the enhancement of our corporate value over the medium to long term. In order to ensure that, we declared support for the "Task Force on Climate-related Financial Disclosure (TCFD)" in February 2022, and conducted scenario analyses and disclosures based on the TCFD recommendations. The details are posted on our website under "Climate change (information disclosure based on TCFD recommendations)" (https://ppih.co.jp/en/sustainability/materiality1/climate_change/).

Supplementary Principle 4.1.1 Scope of Delegation of Authority to Management from the Board of Directors

As the body responsible for making management decisions, the Board of Directors is tasked with making decisions on matters requiring decision by the Board of Directors as stipulated by law or the Company's Articles of Incorporation as well as on important matters as defined by the regulations for the Board of Directors (establishment of important management policies; establishment, revision, or abolishment of important regulations or management systems; capital investment plans; etc.). In addition, the Board of Directors is also responsible for setting Group-wide management policies in light of the role of the Company as a holding company.

Following a resolution at the 36th Ordinary General Meeting of Shareholders held on September 28, 2016, the Company transitioned to the Company with an Audit and Supervisory Committee structure

described in the Companies Act of Japan. In conjunction with this transition, the Board of Directors resolved to partially or entirely transfer authority for certain important operational execution decisions to directors.

The primary business of the Group is retail. A great deal of authority is delegated to frontline operations in order to facilitate swift and flexible responses to the ever-changing operating environment of the retail industry. However, the Company has also established regulations regarding the limits of authority that 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. Guided by these regulations, the Company strives to enhance its operations management.

Principle 4-8: Appointment of Multiple Independent Outside Directors

At present, there are four outside directors among the ten directors of the Company. All four outside directors are independent of the Company and have been registered as independent directors with the Tokyo Stock Exchange. We believe that the outside directors are fulfilling their responsibilities to make appropriate decisions for the Company by providing useful opinions from an independent perspective at meetings of the Board of Directors and so forth.

Principle 4.9 Independence Standards and Qualification for Independent Directors

The Company selects candidates for the position of outside director to be designated as independent directors based on the conditions for outside directors defined by the Companies Act of Japan and the requirements for independent directors stipulated by the Tokyo Stock Exchange. Candidates must not present the risk of conflicts of interest with general shareholders and are also expected to possess the extensive insight and personality required to effectively fulfill the function of overseeing management from an impartial perspective as an outside director to be designated as an independent director.

Supplemental Principle 4.10.1 Use of Optional Approach

The Company has established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. The Nomination and Compensation Committee aims to enhance the fairness, objectivity, and transparency of the evaluation and decision-making process regarding the nomination and compensation of directors and others and to further enhance the corporate governance system.

The Nomination and Compensation Committee consists of three or more members, a majority of whom are independent outside directors. The chairman of the committee is selected from among the independent outside directors by a resolution of the Board of Directors.

The Nomination and Compensation Committee consult the Board of Directors and deliberates and reports on the following matters.

- Deliberations on the election and dismissal of directors
- Policy for determining compensation, etc. of individual directors of the Company
- Review and deliberation of the Company's executive compensation system
- Review and deliberation of the latest situation surrounding management compensation
- Review of the compensation system for management

Supplementary Principle 4.11.1 Policy and Procedures for Election of Directors

The Company's Board of Directors shall appoint directors who are not only of excellent character, but also have a wealth of knowledge, experience, and ability in various businesses, including the Company's core retail business. In order to ensure the Company's continued growth and increase in corporate value, and for the Board of Directors to make decisions in a timely and rational manner, the Company's Board of Directors nominates candidates for Directors at the General Meeting of Shareholders and appoints an appropriate number of Directors. In addition, the Company appoints an appropriate number of outside directors from among those who have held important positions, managers, and experts in various fields, etc., in order to monitor the Company's management from a fair and neutral perspective.

A skill matrix identifying the skills of the directors and the reasons for their appointment is disclosed in the notice of convocation of the General Meeting of Shareholders.

« Convocation Notice of the General Meeting of Shareholders »

"Convocation Notice of the General Meeting of Shareholders and reference documents"

<https://ppih.co.jp/ir/stock/meeting/>

« Website » (Skill Matrix only)

Corporate Governance Directors

<https://ppih.co.jp/ir/governance/officer/>

Supplementary Principle 4.11.2 Concurrent Positions Held by Directors

Information on concurrent positions, including positions as officers at listed companies and other important positions, held by directors or director candidates are disclosed each year in reference materials for the General Meeting of Shareholders, business reports, and annual securities reports.

Supplementary Principle 4.11.3 Analyses and Evaluations 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 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 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. 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.

Process of Evaluation of Effectiveness of the Board of Directors

- (1) Preparation of questionnaires regarding the effectiveness of the Board of Directors based on advice from a third-party institution
- (2) Collection of questionnaires from all directors by a third-party institution
- (3) Analysis of the effectiveness of the Board of Directors based on questionnaires
- (4) Discussions and determination of evaluation at meetings of the Board of Directors

<Overview of the Evaluation of Effectiveness of the Board of Directors>

[Strengths of the Company's Board of Directors]

- The Board of Directors promotes the Company's corporate philosophy "The Source" and operates 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.

[Issues to be addressed by the Company's Board of Directors]

- 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

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.

Supplementary Principle 4.14.2 Policies for Training 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 as well as consultants with matters related to ESG. We also hold training sessions as needed and appropriate.

Principle 5.1 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.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
CREDIT SUISSE AG HONG KONG TRUST A/C CLIENTS FOR DQ WINDMOLEN B. V.	134,028,000	22.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	68,810,800	11.53
Custody Bank of Japan, Ltd. (Trust Account)	34,807,700	5.83
Anryu Shoji Co., Ltd.	33,120,000	5.55
FamilyMart Co., Ltd.	33,057,384	5.54
JP MORGAN CHASE BANK 385632	21,474,386	3.60
GIC PRIVATE LIMITED -C	15,999,100	2.68
Yasuda Scholarship Foundation	14,400,000	2.41
STATE STREET BANK WEST WEST CLIENT-TREATY 505234	8,444,536	1.42
GOVERNMENT OF NORWAY	7,936,331	1.33

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	June
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	27
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	H	i	j	k	
Yasunori Yoshimura	Academic									○			
Jumpei Nishitani	Academic												
Isao Kubo	Comes from other company												
Masaharu Kamo	Comes from other company									○			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any

of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company Outside Directors/Audit and Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee	Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yasunori Yoshimura	○	○	<p>Yasunori Yoshimura, an outside director who is a member of the Audit and Supervisory Committee, is the Representative Director of YOSHIMURA BIOETHIC INSTITUTE.</p> <p>The Company has entered into an outsourcing agreement with the Institute where the Institute provides lecturers and prepares training materials for the Company's directors, officers and employees. The content of the training includes the necessity and concept of women's activities in the company and women's health.</p> <p>This is in line with Principle 2-4 of the Code of Corporate Governance, "Ensuring diversity within the company, including the promotion of women's activities.</p> <p>This is part of our internal awareness-raising activities to realize this principle.</p> <p>Dr. Yoshimura is a Professor Emeritus of Obstetrics and Gynecology at Keio University School of Medicine, and with his experiences of being a Counselor to the Cabinet (in charge of measures to cope with falling birthrate and support for child care), we believe that he is the most suitable lecturer for this training.</p> <p>The outsourcing cost is approximately ¥1 million.</p>	<p>Yasunori Yoshimura has been appointed as an outside director as we expect that he could use his experience from holding important positions, such as special advisor to the Cabinet, university professor, and chairman of various academic associations, to perform his duties in an effective manner and from an objective standpoint. We assessed that he does not present the risk of conflicts of interest with general shareholders and thus fulfils the requirements for being designated as an independent director. Dr. Yoshimura has therefore been designated as an independent director.</p>

			(less than 0.01% of our consolidated net sales and SG&A expenses). Therefore, we believe that he has sufficient independence from the Company.	
Jumpei Nishitani	○	○	-	Jumpei Nishitani has been appointed as an outside director as we expect that he could use the specialized knowledge and wealth of experience pertaining to accounting and economics gained through his position as a professor of a university's faculty of business administration to perform the duties of an outside director that is an Audit and Supervisory Committee member in an effective manner. We assessed that he does not present the risk of conflicts of interest with general shareholders and thus fulfils the requirements for being designated as an independent director. Dr. Nishitani has therefore been designated as an independent director.
Isao Kubo		○	Isao Kubo, an outside director, held the positions of Director, Senior Managing Executive Officer, CSO, Advisor and so forth of FamilyMart Co.Ltd. He left the company in June 2021. The company used to be a major shareholder of the Company but already sold part of its shares in September 2021. As a result, it is no longer a major shareholder. Therefore, we believe that Mr. Kubo has sufficient independence from the Company.	Isao Kubo has been appointed as an outside director as we expect that he could use his extensive experience and broad knowledge of management gained through holding key positions at ITOCHU Corporation and FamilyMart Co., Ltd., to perform the duties of an outside director in an effective manner. We assessed that he does not present the risk of conflicts of interest with general shareholders and thus fulfils the requirements for being designated as an independent Director. Mr. Kubo has therefore been designated as an independent director.
Masaharu Kamo	○	○	Masaharu Kamo, an outside director who is an Audit and Supervisory Committee member is the Representative Director of Kamo Office Co.Ltd. The Company has entered into an outsourcing agreement with Kamo Office for the training courses for executives and employees. The content of the training includes organizational operation and marketing. This is to contribute to the	Masaharu Kamo has been appointed as an outside director as we expect that that he could use his extensive experience and broad knowledge of management gained through holding key positions at consulting companies and business companies, to perform the duties of an outside director in an effective manner. We assessed that he does not present the risk of conflicts of interest with general shareholders

		<p>development of the next generation of management executives. Mr. Kamo has experience working for a consulting company and has held senior management positions at business companies. We believe that Mr. Kamo is the most suitable lecturer for this training program. The outsourcing cost is approximately ¥8 million. (less than 0.01% of our consolidated net sales and SG&A expenses). Therefore, we believe that he has sufficient independence from the Company.</p>	<p>and thus fulfills the requirements for being designated as an independent director. Mr. Kamo has therefore been designated as an independent director.</p>
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[Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	3	0	0	3	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

- (1) The Company established an office of the Audit and Supervisory Committee (Auditors' Office) with staff exclusively dedicated to assisting the Audit and Supervisory Committee in its duty as required.
- (2) Any personnel matters (including treatment and disciplinary action) pertaining to Auditors' Office staff must be reported first to the Audit and Supervisory Committee.
- (3) If a staff member of the Auditors' Office concurrently performs administrative tasks in another division, priority shall be given to requests from the Audit and Supervisory Committee when the instructions are deemed necessary in the course of auditing activities. In addition, the supervisor in the other division where the individual with concurrent duties is assigned will extend the necessary support if requests are made to facilitate the implementation of the Audit and Supervisory Committee's instructions.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Division

- (1) The Internal Audit Division provides the Audit and Supervisory Committee with timely and accurate updates on the implementation of internal controls.

(2) Directors and employees of the Company and Group companies (excluding directors who are Audit and Supervisory Committee members) shall promptly inform the Audit and Supervisory Committee of any important issues that impact, or may impact, the operations of the Company or any Group company.

(3) Directors and employees of the Company and Group companies (excluding directors who are Audit and Supervisory Committee members) must respond promptly when requested by the Audit and Supervisory Committee or the Auditors' Office to provide information about the status of operations, assets, or other corporate matters.

(4) The Company prohibits unfavorable treatment of anyone on the basis of a report given to the Audit and Supervisory Committee concerning information related to the aforementioned matters.

[Voluntary Establishment of Nomination/Compensation Committee]

Voluntary Establishment of Committee(s) Corresponding to the Nomination Committee or Compensation Committee	Established
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Establishment of voluntary committees, the composition of members, and attributes of the chair (chairperson)

	Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Others	Chairperson
Corresponding to Nomination Committee	Nomination and Compensation Committee	3	1	1	2	0	0	Outside Director
Corresponding to Compensation Committee	Nomination and Compensation Committee	3	1	1	2	0	0	Outside Director

Supplementary Explanation

The Nomination and Compensation Committee was established as a voluntary advisory body to the Board of Directors for the purpose of enhancing fairness, objectivity, and transparency in the evaluation and decision-making process regarding the nomination and compensation of directors, etc., and to further enhance the corporate governance system.

The role of the Nomination and Compensation Committee is to deliberate and make recommendations, in consultation with the Board of Directors, on matters relating to the election and dismissal of directors, the selection and dismissal of representative directors, compensation of directors, and other matters on which the Board of Directors has consulted.

The Nomination and Compensation Committee is composed of at least three members, the majority of whom are independent outside directors. The chairperson of the committee is selected by resolution of the Board of Directors from among the members who are independent outside directors.

The policy for determining the compensation of each director of the Company is verified its appropriateness by Nomination and Compensation Committee and is determined at Board of Directors meeting.

(Composition of the Nomination and Compensation Committee)

Chairman (Outside Director) Jumpei Nishitani

Member (Outside Director) Yasunori Yoshimura

Member (Representative Director) Naoki Yoshida

(Major deliberations of the Nomination and Compensation Committee)

- Deliberations on revisions to the executive compensation system
- Deliberations on the concept of compensation for female executives on maternity leave
- Deliberations on the Company's policy for determining the compensation of individual directors
- Confirmation of the content of disclosure related to compensation

[Independent Directors]

Number of Independent Directors	4
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Matters relating to Independent Directors

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[Incentives]

Incentive Policies for Directors	Introduction of performance-linked compensation system and stock option plan
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Supplementary Explanation

• Performance-Linked Compensation Plan

Please refer to "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" of this report.

• Stock Option Plan

Following a resolution at the 34th Ordinary General Meeting of Shareholders held on September 26, 2014, the Company abolished its retirement benefits plan for directors and Audit and Supervisory Board members. At the same time, share-based stock options were introduced for directors (excluding those who are Audit and Supervisory Committee members) with an exercise price of ¥1, and has issued these options seven times to date. 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. In addition, approval was received at the same meeting to set an upper limit of ¥400 million annually for share-based stock options, which is to be separate from existing monetary compensation.

Recipients of Stock Options	Inside Directors / Outside Directors / Parent Company's Employee / Subsidiaries' Directors / Subsidiaries' Employee
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Supplementary Explanation

The Company has been issuing stock options to directors and employees since 1998 with the aim of heightening their motivation and desire to contribute to improved performance and thereby increasing shareholder value. Individuals eligible to receive stock options include the Company's directors, employees of the Company including executive officers, directors of the Company's affiliates in Japan and overseas, and employees of the Company's affiliates in Japan and overseas.

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[Director Compensation]

Disclosure of Individual Directors' Compensation	Some of them are disclosed individually.
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Supplementary Explanation

In the fiscal year ended June 30, 2023, compensation totalling ¥234 million was paid to eight directors (excluding those that are Audit and Supervisory Committee members) and compensation totalling ¥26 million was paid to six directors that are Audit and Supervisory Committee members (of which ¥30 million was paid to six outside directors). Those whose total amount of consolidated compensation is ¥100 million or more are disclosed individually in the Annual Securities Report.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

1. 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.

2. 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.

3. 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.

[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.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

(1) Board of Directors

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 president and meets at least once a month to discuss and determine important issues concerning business activities. The Board of Directors comprises ten members, seven of which are directors (excluding those that are Audit and Supervisory Committee members), of which one is the outside director, and three are directors that are Audit and Supervisory Committee members, of which three are outside directors.

The Audit and Supervisory Committee is comprised 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. In addition, management has designated all four outside directors as independent directors, who contribute broad-based knowledge from an objective position free from any conflicts of interest with general shareholders. Such input is applied to issues important from a corporate administration perspective, such as the formulation of companywide business strategies, and management, therefore, believes that the current Board of Directors structure is conducive to suitable decision-making processes. In addition, each of the outside directors, Jumpei Nishitani and Masaharu Kamo, have considerable knowledge of finance and accounting through his research and education in economics and business administration at universities and other institutions, and through his many years of corporate management experience at consulting firms and business companies, respectively.

(2) Compliance Committee

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.

The committee is chaired by the executive officer in charge of legal affairs and compliance and consists of Hideki Moriya, director and managing executive officer, Isao Kubo, director, and a total of 6 members, including executive officers and the heads of related divisions. Director Isao Kubo is an outside director.

(3) Nomination and Compensation Committee

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, matters related to the compensation of directors.

The Nomination and Compensation Committee is composed of the members of the Board of Directors (including the Audit and Supervisory Board Members). It is chaired by Jumpei Nishitani, Director (Audit and Supervisory Board Member), and consists of Naoki Yoshida, Representative Director, and Yasunori Yoshimura, Director (Audit and Supervisory Board Member), for a total of three members. Director (Audit and Supervisory Board Member) Jumpei Nishitani and Director (Audit and Supervisory Board Member) Yasunori Yoshimura are outside directors.

(4) 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.

(5) Internal Audit Division

The Internal Audit Division, under the direct authority of the Board of Directors, is independent of divisions that execute operations. 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 important matters are reported to the Audit and Supervisory Committee as well as to the Board of Directors as appropriate to ensure organisational cooperation. Furthermore, 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.

(6) Other

The Legal Department holds Legal Consultation Days to provide opportunities for receiving advice directly from legal counsel with regard to the legal conformity of important matters. These days are held on a regular basis to reinforce and entrench compliance.

The independent auditor, in addition to standard accounting audits, provides pre-confirmation on the legality and accounting standard conformity of specific items from the perspectives of timely and accurate disclosure and offers advice when deemed necessary.

3. Reasons for Adoption of the Current Corporate Governance System

At the 36th Ordinary General Meeting of Shareholders held on September 28, 2016, a resolution was passed to amend the Company's Articles of Incorporation to allow for a transition to the Company with an Audit and Supervisory Committee structure described in the Companies Act of Japan. The Company thus transitioned from the prior Company with a Board of Company Auditors structure to the Company with an Audit and Supervisory Committee structure effective September 28, 2016. In conjunction with the transition, the Audit and Supervisory Committee was established and directors that are Audit and Supervisory Committee members were granted voting rights at meetings of the Board of Directors. The purpose of these changes was to strengthen the monitoring and oversight functions of the Board of Directors in order to facilitate enhancements to corporate governance and improvements to corporate value.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Dispatch of Convocation Notice	For the 43rd, Ordinary General Meeting of Shareholders held on September 27, 2023, the convocation notice was sent 1 day prior for the statutory date of dispatch. We will make every effort to send the convocation notice as early as possible from next year onward.
Scheduling AGMs Avoiding the Peak Day	The fiscal year-end of the Company is June 30, and the Ordinary General Meeting of Shareholders is held in late September of each year.
Allowing Electronic Exercise of Voting Rights	An electronic voting rights exercise system is employed through a website developed by a securities agency.
Participation in Electronic Voting Platform	The electronic voting rights exercise platform for institutional investors operated by ICJ, Inc., is employed.
Providing Convocation Notice in English	Notices of convocation (summaries) in English are prepared and made available on the Company's corporate website for the convenience of overseas investors.
Other	The General Meeting of Shareholders is positioned as a forum for communication between shareholders and the Company, and sales reports employing visual representations and other methods are utilized to ensure interactive meetings.

2. IR Activities

	Supplementary Explanations	Explanations from the representative
Regular Investor Briefings for Analysts and Institutional Investors	In the fiscal year ended June 30, 2023, quarterly briefings for analysts and institutional investors are held to explain the financial figures from CFO and Managing Executive Officer. The Representative Director also attended the briefings to explain business strategies and other matters as appropriate.	Yes
Regular Investor Briefings for Overseas Investors	We respond to meeting requests from overseas investors in Europe, North America, and Asia as needed. We also participate in conferences for overseas investors hosted by securities firms.	Yes
Posting of IR Materials on the Website	Financial summaries, financial results briefing materials, non-financial disclosures, annual securities reports, quarterly business reports, and other investor relations materials are made available on the Company's corporate website (https://ppih.co.jp/en/ir/) to facilitate understanding of the	

	Company among investors and other individuals (some information is available in Japanese only). In addition, the Company proactively discloses information in English for the benefit of overseas investors.
Establishment of Department and/or Manager in Charge of IR	The CFO has been designated as the officer responsible for investor relations and the IR Division has been designated as the division responsible for investor relations.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Approach to Stakeholder Engagement</p> <p>We believe that our ultimate goal is to contribute to the realization of a sustainable society while generating greater results by recognizing issues through communication with our stakeholders and fulfilling our social responsibilities while building relationships of trust and collaboration. Therefore, we place importance on proactive "stakeholder engagement" and we reflect the interests, expectations and requests identified in the process of stakeholder engagement in our management and business activities.</p> <p>The main methods of stakeholder engagement are listed at https://ppih.co.jp/sustainability/stakeholder/.</p> <p>Our various sustainability-related policies can be found at https://ppih.co.jp/sustainability/basic_policy/.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>Basic Approach to Sustainability Activities</p> <p>Based on our corporate principle of "The Customer Matters Most," we are committed to supporting the lifestyles of our customers in local communities and providing them with the joy of shopping.</p> <p>The Company is committed to resolving important environmental and social issues (materiality) through its core business of general retailing.</p> <p>We aim to achieve both the realization of a sustainable society and the enhancement of corporate value over the medium to long term, while continuing to engage in dialogue with stakeholders. For more information, please visit https://ppih.co.jp/sustainability/strategy/</p>
Establishment of policies related to the disclosure of information to stakeholders	<p>Our policy regarding the provision of information is described in the "Basic Policy on Corporate Governance" section.</p> <p>We are committed to the corporate principle of "The Customer Matters Most," and we promote the strengthening of corporate governance and</p>

	<p>compliance as well as proactive disclosure to deepen understanding of our company as a company that coexists with society. We believe that is a key management issue for increasing our corporate value.</p> <p>Under the philosophy that business activities in accordance with high ethical standards are a prerequisite for the survival of a company, the Company ensures the legality of its corporate governance system and its operations by establishing an internal early response system and seeking advice from outside experts.</p> <p>The concept of corporate governance is available at https://ppih.co.jp/ir/governance/basic_views/</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<p>The Company’s internal control structure was established and is maintained under the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act to ensure the appropriateness of the Company’s business operations.</p> <p>1. System ensuring the execution of duties by directors complies with the Company’s Articles of Incorporation and prevailing laws and regulations</p> <p>(1) Directors must consistently ensure that the Company’s management is undertaken in compliance with laws and regulations and must take the initiative to promote awareness of compliance practices at the Company and at its subsidiaries.</p> <p>(2) To ensure the appropriate execution of duties by directors, the Company continues to appoint outside directors to its Board of Directors and strives to enhance the supervision of duties executed by 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 that are Audit and Supervisory Committee members).</p> <p>(3) The Company establishes a Compliance Committee to oversee matters related to compliance (legal compliance) and internal control. In addition, the Compliance Committee collaborates with lawyers and other outside experts to ensure that business activities are conducted in accordance with high ethical standards and to ensure the legality of the corporate governance system and its operation.</p> <p>2. System for storing and managing information related to the execution of duties by directors</p>

(1) The minutes of shareholders' meetings, Board of Directors meetings, and other important meetings along with any related materials are stored and managed by a designated department and retained for a period of 10 years under conditions that facilitate examination whenever necessary.

(2) The Company utilizes tools to improve the security of in-house information networks and performs careful and timely reviews of its Rules for Information Security Management. Concurrently, the Company encourages information sharing within the organization and maintains systems to prevent leaks of confidential information.

3. Rules and system for managing the risk of loss

(1) The Compliance Committee analyzes and evaluates lateral risks from a compliance standpoint for the entire Group of companies and examines potential measures for dealing with such risks.

(2) Efforts are made to swiftly and accurately systemize rules and instruction manuals, and standardize business practices to minimize operational risks.

(3) Organizational and operating structures are swiftly and effectively established to control risks associated with procedures, including financial accounting, purchasing, sales, store operation, and legal issues, which serve to minimize operational risks.

4. System ensuring the efficient execution of duties by directors

(1) Rules relating to organizational structures are reviewed and updated in a timely and appropriate manner to clarify the division of directors' duties and respective oversight authority.

(2) Organizational and administrative systems are revised when necessary to meet changes in the business environment.

5. System ensuring the execution of duties by employees complies with the Company's Articles of Incorporation and prevailing laws and regulations

(1) The compliance officer promotes compliance and ensures thorough adherence to stated practices in accordance with resolutions by the Board of Directors.

(2) The Compliance Committee, through coordination with the compliance officer, formulates plans that include education on issues related to compliance, and the Compliance Office handles the administrative aspect of these activities based on instructions from the Compliance Committee.

(3) The Company maintains a whistle-blower system, dubbed “the Compliance Hotline”, which enables employees and business partners of the Group to directly report questionable conduct—which are possible violations of the law, regulations, or in-house rules—directly to an outside entity or an in-house point of contact with complete confidentiality. Concerted efforts are made to promote awareness of this system to ensure that it continues to function effectively. The Company makes it a top priority to protect individuals who report an actual or possible violation from any sort of disadvantage for bringing potential infractions to light.

6. System ensuring the appropriateness of operations at the Company and its subsidiaries

(1) The status of the execution of business by each Group company must be reported to the Board of Directors of the Company in a timely and appropriate manner.

(2) To confirm the proper execution of operations at Group companies, the Internal Audit Division works with each company to determine progress in establishing internal controls. To further improve the internal control system, the Compliance Committee provides instruction and support as required based on a shared understanding of internal control measures within the Group.

(3) To confirm the proper execution of operations at Group companies, the Company has prepared the Rules for the Management of Affiliated Companies. These rules provide guidelines for monitoring business activities at Group companies.

7. Issues pertaining to employees that assist the Audit and Supervisory Committee when such assistance is required

The Company established an office of the Audit and Supervisory Committee (Auditors’ Office) with staff exclusively dedicated to assisting the Audit and Supervisory Committee in its duty as required.

8. Matters related to the independence of employees that are to assist the Audit and Supervisory Committee with its duty from directors (excluding those that are Audit and Supervisory Committee members) and matters related to ensuring the effectiveness of instruction from the Audit and Supervisory Committee to such employees

(1) Any personnel matters (including treatment and disciplinary action) pertaining to Auditors’ Office staff must be reported first to the Audit and Supervisory Committee.

(2) If a staff member of the Auditors’ Office concurrently performs administrative tasks in another division, priority shall be given to requests from the Audit and Supervisory Committee when the instructions are deemed necessary in the course of auditing activities. In addition, the supervisor in the other division where

the individual with concurrent duties is assigned will extend the necessary support if requests are made to facilitate the implementation of the Audit and Supervisory Committee's instructions.

9. System for submitting reports to the Audit and Supervisory Committee, which includes the system for directors and employees to report to the Audit and Supervisory Committee

(1) The Internal Audit Division provides the Audit and Supervisory Committee with timely and accurate updates on the implementation of internal controls.

(2) Directors and employees of the Company and Group companies shall promptly inform the Audit and Supervisory Committee of any important issues that impact, or may impact, the operations of the Company or any Group company.

(3) Directors and employees of the Company and Group companies must respond promptly when asked by the Audit and Supervisory Committee or the Auditors' Office to provide information about the status of operations, assets, or other corporate matters.

(4) The Company prohibits unfavorable treatment of anyone on the basis of a report given to the Audit and Supervisory Committee concerning information related to the aforementioned matters.

10. Other: Systems for ensuring the effectiveness of audits by the Audit and Supervisory Committee

(1) Opportunities are provided for the Audit and Supervisory Committee to communicate with directors (excluding those that are Audit and Supervisory Committee members) of the Company as well as the directors and audit and supervisory board members of Group companies to make audits as effective as possible. The Audit and Supervisory Committee keeps close ties with the Internal Audit Division and looks over internal audit reports to complement standard audits performed in line with in-house rules. Also, when the independent auditor submits an audit report, the Audit and Supervisory Committee confirms the appropriateness of the content therein.

(2) The Audit and Supervisory Committee is informed regularly of how the Compliance Hotline is operating.

(3) Payments of costs incurred in the process of executing the required duties of a director that is an Audit and Supervisory Committee member shall be addressed promptly upon submission of a payment request.

2. Basic Views on Eliminating Anti-Social Forces

The Group has defined the following policies for non-association with antisocial forces and has established internal systems in this regard.

(1) Neither the Company nor any Group company will respond to inappropriate requests or any other form of a request from antisocial forces and will cancel business dealings if the counterparty is found to be an individual, business, organization, or any other type of entity with ties to antisocial forces.

(2) To guarantee a firm response to any inappropriate requests by antisocial forces, the Company has established the Risk Management Division to respond to inappropriate requests from antisocial forces, implement in-house training, and address any questionable activities.

(3) The Risk Management Division collects information through coordination with the police, legal counsel, and other external organizations. In addition, a special position has been set up within the Company to deal with inappropriate requests and an internal structure is in place, along with an intranet, to expedite responses in the event a situation arises.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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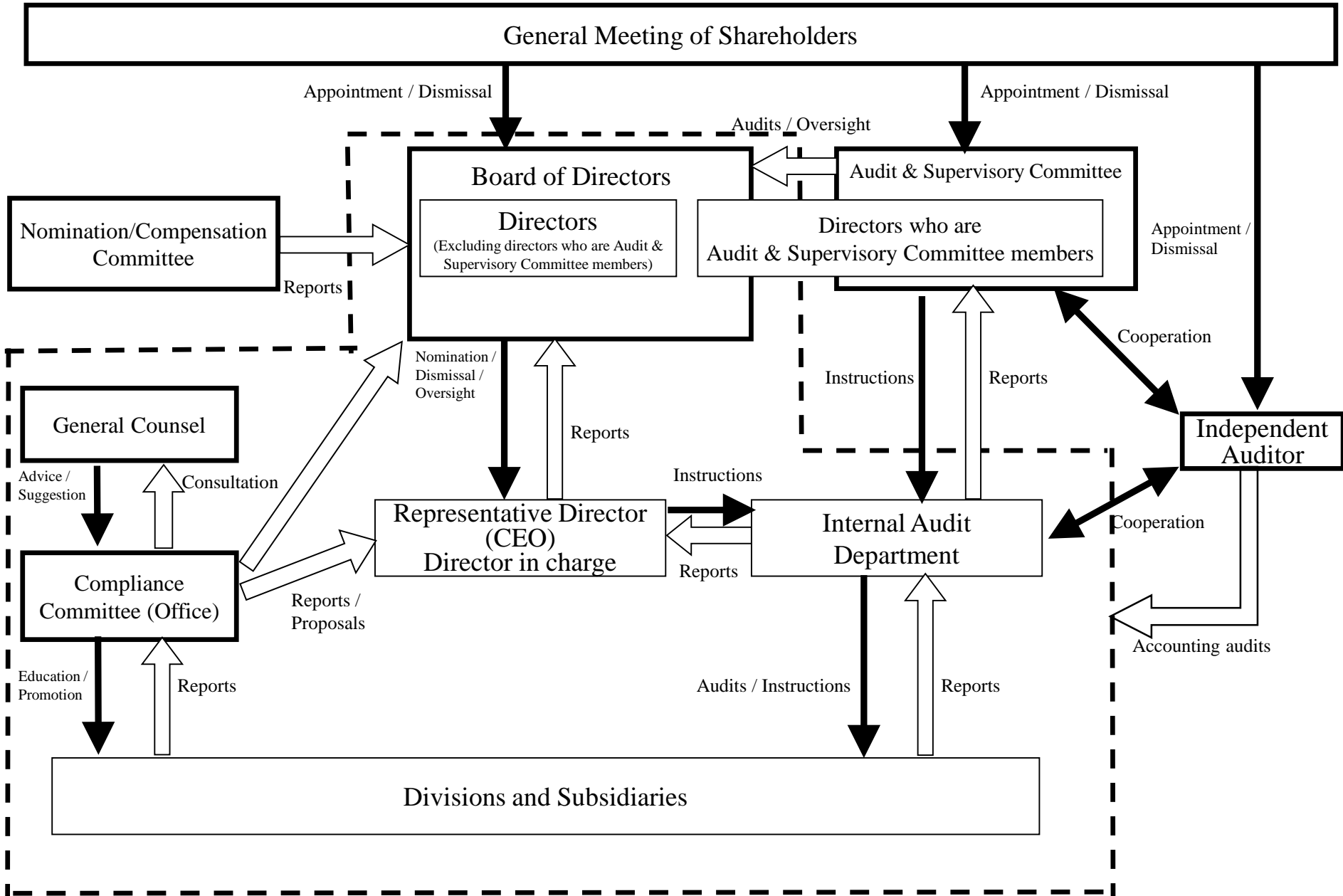
Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

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< Corporate Governance Structure >



< Timely Disclosure System >

