

# Corporate Governance

## Fundamental Policy

PARCO constantly works to strengthen its corporate governance, recognizing that to enhance its corporate value it is essential for it to protect the rights and earnings of shareholders, build smooth relationships with stakeholders other than shareholders, preserve transparency in management and establish an effective management oversight structure. PARCO has adopted the “Company with Committees” system in order to make a clear distinction between supervision and execution in management, build a highly transparent corporate governance structure, and delegate substantial authority to executive officers in order to establish a means of quick decision-making and business execution.

## Board of Directors

The Board of Directors is responsible for deciding fundamental policies regarding management, and for the supervision of directors and executive officers. The Board of Directors comprises ten directors (of which eight are external directors), and it convenes once a month, with additional irregular meetings held flexibly as necessary. In fiscal 2010, the Board of Directors convened a total of 14 times for both regular and irregular meetings.

## Committees

Each committee acts in its capacity to conduct management supervision and reports to the Board of Directors. A Committees Secretariat has been established to support the activities of each committee by providing dedicated staff.

### ■ Nominating Committee

The Nominating Committee determines the content of proposals to be submitted at the General Meeting of Shareholders regarding the appointment or dismissal of directors, as well as nominates candidates for representative director for the Board of Directors and executive officers, and recommends their removal. The Nominating Committee comprises five external directors. (They are all independent directors.)

In fiscal 2010, the Nominating Committee convened nine times.

### ■ Audit Committee

The Audit Committee monitors the execution of business by directors and executive officers, and determines the content of proposals to be submitted at the General Meeting of Shareholders regarding the selection or dismissal of the

financial auditor. The Audit Committee comprises five external directors. (They are all independent directors.)

In fiscal 2010, the Audit Committee convened 13 times.

### ■ Compensation Committee

The Compensation Committee determines the compensation of individual directors and executive officers. The Compensation Committee comprises five external directors. (They are all independent directors.)

In fiscal 2010, the Compensation Committee convened four times.

## Executive Officers and the Management Committee

Executive officers execute specific operations based on the fundamental policies decided by the Board of Directors.

The Management Committee is a deliberative organ designed to facilitate decision making by a president and representative executive officer in the execution of concrete business operations. The members of the Management Committee comprise directors who also serve as executive officers, the Executive Officer for the Store Operation Headquarters, the Executive Officer for the Finance and IR Group, and the Accounting Group, and the executive officers for the Group Auditor Office, and departments related to submitting proposals.

## Group Auditor Office

The Group Auditor Office (nine members) was established under a full-time executive officer as the company's internal auditing department. It audits the status of legal compliance, operational streamlining and risk management of all business aspects of PARCO and the PARCO Group subsidiaries, based on the auditing plan. It also exchanges information with the Audit Committee and auditors of group subsidiaries as necessary, and conducts effective audits.

## Role of External Directors

Each external director is selected for the Board of Directors from the viewpoint of possessing a variety of external knowledge and experience, with the aim of further improving the transparency of management and the effectiveness of the supervision of business execution, and appointed as the head or a committee member of the Nominating Committee, Audit Committee or Compensation Committee.

## Internal Controls

### ■ Fundamental Policy

PARCO retains a structure to maintain the appropriateness of the operations of PARCO and the PARCO Group in terms of the effectiveness and efficiency of operations, the credibility of financial statements, compliance with laws and regulations related to business activities and the protection of assets and other areas. At the same time, PARCO works to further improve corporate value.

### ■ Compliance Structure

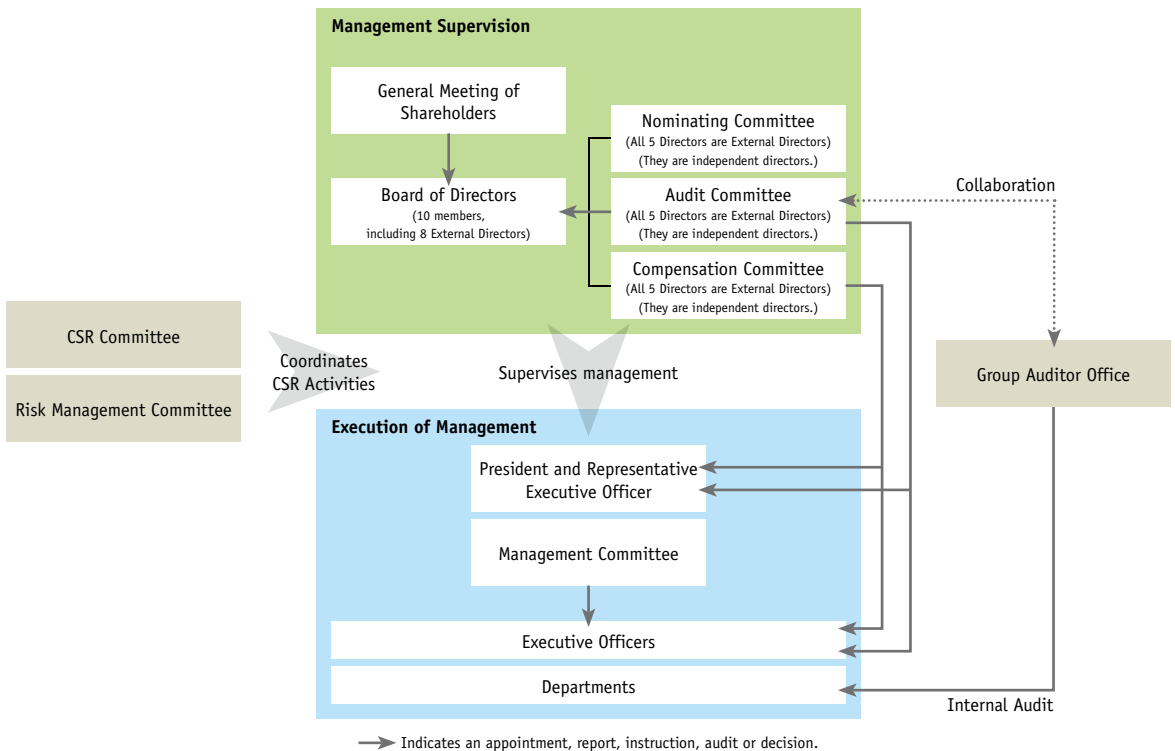
As part of its measures for the compliance structure, PARCO has implemented an internal awareness program that includes formulation of the Basic Principles of Compliance, and a Code of Conduct, which all employees are expected to adhere to and follow, and distribution of the PARCO Employee Handbook incorporating management principles, ten action guidelines

designed to ensure application of these principles, as well as compliance guidelines. Also, in consideration of compliancy and risk management, we have set up an internal reporting system to protect the persons providing information from any negative consequences that might arise from disclosure.

### ■ Risk Management Structure

PARCO has established a Risk Management Committee chaired by the Administration Division general manager, to provide cross-organizational monitoring of various risks, company-wide response, and general control. We have also established a CSR Committee, chaired by the managing executive officer, which coordinates activity with the Risk Management Committee as necessary, to control and efficiently implement risk management and other CSR activities, increasing the speed and effectiveness of conduct.

## Framework for Management Supervision and Execution



For further information about corporate governance at PARCO, please visit the Corporate Governance page of our website:

➤ [www.parco.co.jp/group/en/corporate/](http://www.parco.co.jp/group/en/corporate/) ➤ Corporate ➤ Corporate Governance