

TRANSLATION FOR REFERENCE PURPOSE ONLY

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

[Delayed] Corporate Governance Report

Last Update: December 23, 2020

UNITED ARROWS LTD.

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Securities Code: 7606

<http://www.united-arrows.co.jp/en/>

The corporate governance of UNITED ARROWS LTD. (the “Company” or “we”) is described below.

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

1. Basic Views

At the time of its founding in October 1989, UNITED ARROWS LTD. defined its founding spirit as "contributing to society by setting new standards of Japanese lifestyle." The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our Company Policy. In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for which value is to be created are customers, employees, business partners, society, and shareholders. In this regard, the Company's mission is to increase value for all stakeholders. In order to maintain the proper mindset that will allow us to realize our Company Policy, we put in place the Code of Conduct. This code expresses how we should think and act to achieve our stated goals.

Recognizing the critical need to build a transparent and fair management framework, along with a structure under which we are capable of making timely and bold decisions, we are committed to continuously strengthening and expanding our corporate governance capabilities and functions in order to realize our Company Policy, fulfill our promise to society, and create value for five distinct stakeholders. Through these means, we are working to enhance our corporate value on a long-term and continuous basis. To enhance corporate governance continuously, the Company develops and discloses its corporate governance policy.

<http://www.united-arrows.co.jp/corporate/governance.html> (Japanese only)

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with the Principles of the Corporate Governance Code.

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

[Principle 1.3 Basic Strategy for Capital Policy]

Sustainable growth and improving business results are our top priority toward realization of Our Promise—Our Five Core Values stated in our Company Policy. The Company will use cash generated from earnings growth to invest for medium- to long-term growth, while at the same time improving its capital policy by paying robust dividends and carrying out share buybacks. We aim to support business activities by implementing a flexible financial/capital policy, while at the same time creating value for all stakeholders in “Our Five Values” by increasing capital efficiency.

[Principle 1.4 Cross-Shareholdings]

The Company sold all shares it held as cross-shareholdings in 2015 when Japan’s Corporate Governance Code was enacted and currently does not hold any such shares.

Going forward, if we decide to hold shares in another company as cross-shareholding, judging that the cross-shareholding is appropriate after considering its purpose, benefits (e.g., dividends, benefits from associated transactions), capital cost and other factors comprehensively, the Company will develop and disclose specific standards for exercising voting rights for the cross-shareholding.

[Principle 1.7 Related Party Transactions]

If the Company engages in any transaction with its related party (director or major shareholder of the Company), the Company will obtain prior approval of its Board of Directors for the transaction so as not to harm the interests of the Company or the common interests of its shareholders.

The Company will disclose related party transactions in accordance with the Companies Act, Accounting Standard for Related Party Disclosures, and other related provisions.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has a defined contribution pension system, and its human resources division conducts awareness-building activities for stable asset formation by employees.

[Principle 3.1 Full Disclosure]

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

Company policy: our “Policy Structure” is posted on the Company website.

Corporate strategy: UNITED ARROWS Group’s Medium-Term Vision that will carry through until March 31, 2020 and business strategies/measures to achieve the Vision are published on the Company website and in documents such as financial results, securities report, and the integrated report.

Business plan: information such as management policy and performance targets are published in financial results, presentation materials of earnings announcements and other documents.

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

At the time of its founding in October 1989, UNITED ARROWS LTD. defined its founding spirit as "contributing to society by setting new standards of Japanese lifestyle." The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our Company Policy. In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for

which value is to be created are customers, employees, business partners, society, and shareholders. In this regard, the Company's mission is to increase value for all stakeholders. In order to maintain the proper mindset that will allow us to realize our Company Policy, we put in place the Code of Conduct. This code expresses how we should think and act to achieve our stated goals.

Recognizing the critical need to build a transparent and fair management framework, along with a structure under which we are capable of making timely and bold decisions, we are committed to continuously strengthening and expanding our corporate governance capabilities and functions in order to realize our Company Policy, fulfill our promise to society, and create value for five distinct stakeholders. Through these means, we are working to enhance our corporate value on a long-term and continuous basis.

To enhance corporate governance continuously, the Company develops and discloses its corporate governance policy.

<http://www.united-arrows.co.jp/corporate/governance.html> (Japanese only)

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

The Company positions director remuneration as incentive for achieving sustainable growth and higher corporate value over the medium to long term in line with the Company Policy.

The remuneration of executive directors consists of a monthly fixed “base compensation,” “bonuses” that is linked to single-fiscal-year business performance, and “stock-based compensation” that is set according to the level of achievement against the medium-term business plan.

For base compensation, a director remuneration table according to position is set out by referring to such information as industry standards and the results of director remuneration surveys by external research organizations. Remuneration recommendations are calculated according to the roles and responsibilities of each Director within the corresponding range in the table.

For bonuses, after putting forward a proposal for the total amount of director bonuses, a proposal for allocations of bonuses to individual executive directors is determined. The proposal for the total amount of bonuses is determined based on a comprehensive review of management ratios such as consolidated operating cash flow and ROE, in addition to the degree of meeting the initial plan figures for operating performance, especially consolidated operating income, over any given single fiscal year. Allocations to individual directors are determined in such a way that a higher-ranking director in the director remuneration table will have a higher bonus coefficient (i.e., the ratio of bonuses to the sum of base compensation and bonuses). The objective of this is to strengthen their commitment to achieving management targets over any given single fiscal year. In principle, no bonus will be paid if consolidated operating income is below a certain level against the initial earnings forecast.

Stock-based compensation in the form of “restricted shares” is granted to executive directors with the objective of sharing value with shareholders and establishing a remuneration framework that contributes to higher corporate value over the medium to long term. Transfer restrictions on the restricted shares will be removed if targets under the medium-term

management plan are met within a fixed transfer restriction period. The shares are to be unrestricted according to the degree of achieving the targets.

Bonuses and stock-based compensation will not be paid to non-executive directors. Only base compensation will be paid to them according to their individual roles and responsibilities.

The remuneration of each director who is not an Audit and Supervisory Committee member is determined in accordance with the policy described above by resolution of the Board of Directors within a range set by approval of a Shareholders Meeting. The Nomination and Compensation Committee is consulted before determining the remuneration.

The remuneration of each director who is an Audit and Supervisory Committee member is determined in accordance with the policy described above by unanimous resolution of the Audit and Supervisory Committee within a range set by approval of a Shareholders Meeting.

In addition to the above, the Nomination and Compensation Committee examines the appropriateness of the policy, structure, and remuneration table and calculation rules on director remuneration and puts forward revision proposals.

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of candidates for directors and audit and supervisory board members

Our policy on the nomination of director candidates (excluding outside directors) is to nominate those who are committed to achieving goals and highly competent in making management decisions based on their experience, insight and expertise to contribute to sustainable growth and higher corporate value over the medium to long term in line with the Company Policy (hereinafter “Nomination Policy 1”).

Our policy on the nomination of outside director candidates is to nominate those who have abundant experience, deep insight and a high level of expertise to fulfill the function of control and oversight over management from independent standpoints while contributing to sustainable growth and higher corporate value over the medium to long term in line with the Company Policy (hereinafter “Nomination Policy 2”).

As for nomination procedures, the nomination of candidates for directors who are not Audit and Supervisory Committee members is determined by resolution of the Board of Directors in accordance with Nomination Policies 1 and 2. The Nomination and Compensation Committee is consulted in making the decision. Gender, nationality and other such factors of candidates are not considered.

The nomination of candidates for directors who are Audit and Supervisory Committee members is determined by resolution of the Board of Directors with consent of the Audit and Supervisory Committee in accordance with the policy described in (3) above as well as Nomination Policies 1 and 2. Gender, nationality and other such factors of candidates are not considered.

In case of circumstances that warrant dismissal of a senior management member such as significantly lacking management capability or engaging in a serious wrongdoing, the Board of Directors or the chair of the Board (or a person acting in his or her place according to the predetermined order if the chair is the subject person) will consult the Nomination and Compensation Committee. Fully respecting recommendations by the Committee, the Board of Directors will determine whether the dismissal is necessary.

(5) Explanations with respect to the individual appointments/dismissals and nominations in the Board's appointment/dismissal of the senior management and the nomination of candidates for directors and audit and supervisory board members based on (4)

Explanations on appointments/dismissals and nominations of directors (6 inside directors and 3 outside directors) are provided in the documents attached to Corporate Governance Policy of the Company.

The following is the link to the Corporate Governance Policy.

<https://www.united-arrows.co.jp/ir/strategy/governance.html> (Japanese only)

<Supplementary Principles 4.1.1>

Scope of Matters Delegated to the Management

In addition to what is provided for by laws and regulations and the Articles of Incorporation, resolution by the Board of Directors is required for deciding/revising its Policy Structure, as well as for material management matters with quantitative thresholds set especially for matters that may have a significant impact on earnings results, such as investments and loans. Matters to be judged/decided by the Management Committee and other approvers are stipulated in the "list of approvers," thereby setting them out and clarifying the scope of matters delegated to the management.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The Company sets forth the Independence Determination Standards for Independent Officers as follows and deems that any independent officers who do not fall under any of the items below are sufficiently independent from the Company.

1. A major shareholder of the Company (Note 1) or an executive thereof
 2. A party whose major client or supplier is the Company (Note 2) or an executive thereof
 3. A major client or supplier of the Company (Note 3) or an executive thereof
 4. A major lender of the Company (Note 4) or an executive thereof
 5. A consultant, accounting professional or legal professional who receives a large amount of money or other properties (Note 5) from the Company or its subsidiaries other than executive remuneration (if the recipient is a corporation, partnership or any other type of organization, any person who belongs to that organization)
 6. A person who received from the Company or its subsidiaries more than 10 million yen in donations in the most recent fiscal year of the Company (if the recipient is a corporation, partnership or any other type of organization, any person who belongs to that organization)
 7. An executive of a company in which an executive of the Company or its subsidiaries is currently appointed as outside director or outside audit and supervisory board member, or an executive of a parent or subsidiary of such a company
 8. A person who fell under any of items 1 through 7 above in the past three years.
 9. An immediate family member (spouse or a relative within the second degree of kinship) of any of the persons listed in 1) through 3) below. However, persons who are not important are excluded.
- 1) Persons listed in items 1 through 8 above.
 - 2) An executive of a subsidiary of the Company
 - 3) A person who fell under 2) or was an executive of the Company in the past three years.

Note 1: A “major shareholder” means a shareholder who directly or indirectly holds 10% or more of the total voting rights on shares of the Company.

Note 2: A “party whose major client or supplier is the Company” means a client or supplier that received payments from the Company or its subsidiaries totaling over 100 million yen or 2% of consolidated net sales of the client or supplier group, whichever is higher, in the most recent fiscal year of the client or supplier.

Note 3: A “major client or supplier of the Company” means a client or supplier that made payments to the Company or its subsidiaries totaling over 2% of consolidated net sales of the Company group in the Company’s most recent fiscal year.

Note 4: A “major lender of the Company” means a lender whose loans to the Company or its subsidiaries amounted to over 2% of consolidated assets of the Company group as of the last day of the Company’s most recent fiscal year.

Note 5: A “large amount of money or other properties” means those whose average total amount exceeds 10 million yen in the Company’s most recent three fiscal years.

<Supplementary Principles 4.11.1>

View on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size

The Company chooses the corporate governance structure of the Company with the Audit and Supervisory Committee with the aim of strengthening the Board’s monitoring function and expediting decision-making through appointment of outside directors who do not execute business and appropriate delegation of authority.

Our policy is to keep the number of Board members to the minimum required for ensuring Board functions—no more than eight directors who are not members of the Audit and Supervisory Committee members, and no more than six directors who are Audit and Supervisory Committee members.

Our policy for outside directors is to have multiple persons who have abundant experience, deep insight and a high level of expertise for the position.

We have a system of assigning areas of responsibility to executive directors so that they can effectively fulfill their roles and responsibilities.

It is our basic policy that the Board of Directors should be composed in ways to achieve a balance between diversity, including aspects of gender and internationality, and appropriate size. Internationality considered by the Company not only refers to differences in nationality but also covers persons with abundant international business experience.

<Supplementary Principles 4.11.2>

Positions at other listed companies served by directors

The Company has confirmed that the additional positions held by our outside directors at other companies are to the extent that allows them to devote sufficient time and effort to appropriately fulfilling their roles and responsibilities at the Company.

Any director positions at other listed companies served by our directors are disclosed as “significant concurrent positions outside the Company” in the Notice of Ordinary General Meeting of Shareholders each year.

<https://www.united-arrows.co.jp/en/ir/stockinfo/notification.html>

<Supplementary Principles 4.11.3>

Analysis and evaluation on the effectiveness of the board as a whole

The Company annually carries out self-evaluation of directors by such means as conducting a questionnaire survey on items that include the effectiveness of the composition, deliberation, operation and other aspects of the Board of Directors and the quality of information provided to the Board. In reference to the content of evaluation, the Company adopts a process in which it periodically verifies the effectiveness of the Board as a whole and takes measures to improve issues and reinforce the operation, and discloses an overview of the results.

In the fiscal year ended March 2020, in addition to the above questionnaire, we conducted interviews with Directors as necessary to further obtain details of the issues that were identified. The result of these reviews showed there were no major problems with the effectiveness of the Board of Directors. It was evaluated that discussions on succession planning and medium- to long-term corporate strategies, which were identified as issues in the previous year, have improved to a certain extent, but have not reached a satisfactory level. There were opinions reflecting specific examples of improvements: succession planning was documented and the framework was clarified, and as for medium- to long-term corporate strategies, there were progress reports and opportunities for discussions at the intermediate stage. On the other hand, there were opinions pointing out that there was a lack of in-depth deliberations on succession planning and that there was not enough time for deliberations on medium- to long-term strategies and matters could not be sufficiently addressed.

In light of the above, we have recognized the following issues to be addressed going forward: (1) enhance deliberations on succession planning; (2) secure sufficient time for deliberations by the Board of Directors; and (3) highlight important items for deliberation, such as medium- to long-term strategies in response to changes in the business environment caused by the novel coronavirus. We will take the necessary measures as appropriate to address issues recognized and aim to further improve the effectiveness of the Board. In the fiscal year ending March 2021 (current period), we drafted a next-generation management system as part of succession planning with the appropriate involvement of the Nomination and Compensation Committee, and in November 2020, the Board of Directors resolved and disclosed personnel changes in Directors based on the above. In addition, the Board of Directors continued discussions on the revision of the medium-term management plan in response to changes in the business environment caused by the novel coronavirus, reached a resolution at the Board meeting in November 2020, and provided an explanation to external parties.

<Supplementary Principles 4.14.2>

Training policies for directors

Our training policies for directors are as follows.

(1) Training programs by experts on economy, finance, legal and other areas necessary for business operation of the Company are provided as necessary.

(2) Separately from the above, explanations are provided on the Company's philosophy, business strategy, and business activities and there is a tour of major facilities at the time a person assumes the office of director.

(3) Full-time Audit and Supervisory Committee members obtain the necessary information by regularly attending multiple expert committees and give lectures to other Audit and Supervisory Committee members as necessary.

In addition, directors are able to receive external training at the expense of the Company to acquire the knowledge needed for fulfilling their roles and responsibilities.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders] and [Principle 5.2 Establishing and Disclosing Business Strategies and Business Plans]

The Company aims to improve the soundness of corporate management and create shareholder value by increasing the transparency of its management through active IR operations and driving communication with its shareholders and investors. In addition, the Company works to enhance information disclosure by disclosing its medium-term management plan that shows its strategies as well as quantitative targets for profitability and capital efficiency (ROE), while striving to maintain and boost profitability by establishing investment/exit standards based on capital cost.

The Company establishes and discloses Disclosure Policies for "constructive dialogue with shareholders and investors, and full disclosure."

Policies, establishment of systems and other matters on timely disclosure under the Companies Act, the Financial Instruments and Exchange Act and other laws and regulations are described in "Information Disclosure Criteria and Methods," "Timely Information Disclosure Structure and Systems," "Quiet Period," and "Precautionary Notes Regarding Statements with Respect to Future Forecasts" in the Disclosure Policies.

Policies, establishment of systems and other matters for constructive dialogue with shareholders and investors are described in "Comprehensive Communication," "Pertinent Feedback on the Company's IR Activities" and "Constructive Dialog with Shareholders and Investors" in the Disclosure Policies.

The Company establishes and discloses its medium-term management plan (Medium-Term Vision) every three years. We strive for full disclosure by stating quantitative targets for profitability and capital efficiency (ROE), in addition to strategies, in the medium-term management plan. We set the ROE target at a value higher than capital cost recognized internally to increase corporate value over the medium to long term.

To use cash from operating activities beneficially, the Company calculates, when making new investments in sales facilities or undertaking large-scale renovations, the number of years until investment recovery taking into account capital cost, the net present value (NPV) and internal rate of return (IRR). Investment decisions are made on condition that hurdle rates set by the Company are exceeded. If it is expected to be impossible for a new business to post a single fiscal year profit in three years and cover cumulative losses in five years, we will provide company-wide backup to the business to improve profitability and, if there is no possibility of improvement, consider exiting.

*The link to the Disclosures Policies is as follows.

<https://www.united-arrows.co.jp/en/ir/strategy/disclosure.html>

*The document is attached as Attachment 2 of this Corporate Governance Policy.

2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Osamu Shigematsu	2,488,400	8.72
Yusaku Maezawa	2,407,000	8.43
ADS Co., Ltd.	2,000,000	7.00
Custody Bank of Japan, Ltd. (Trust Account)	1,749,600	6.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,566,500	5.48
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	770,900	2.70
NORTHERN TRUST CO. (AVFC) RE HCR00 Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited (HSBC)	651,500	2.28
THE BANK OF NEW YORK 13392 Standing proxy: Mizuho Bank, Ltd.	529,100	1.85
Custody Bank of Japan, Ltd. (Trust Account 5)	432,500	1.51
Custody Bank of Japan, Ltd. (Trust Account 9)	431,800	1.51

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

Supplementary Explanation Updated

1. In addition to the above, the Company holds 1,679,373 shares of treasury stock, which are excluded from the “Status of Major Shareholders” above.

2. The Change Report of the Report of Large-Volume Holdings made available for public inspection on May 22, 2020 states that Asset Management One Co., Ltd. owned the following shares as of May 15, 2020. However, the Company is unable to confirm the actual number of shares owned as of the end of the first half of the fiscal year ending March 2021, and therefore the firm is not included in the above status of major shareholders.

The content of the Change Report of the Report of Large-Volume Holdings is as follows.

Name or Company Name / Address / Number of Shares Owned / Percentage (%)

Asset Management One Co., Ltd. / 1-8-2 Marunouchi, Chiyoda-ku, Tokyo / 1,118,100 shares / 3.70%

3. The Change Report of the Report of Large-Volume Holdings made available for public inspection on June 15, 2020 states that Mitsubishi UFJ Financial Group, Inc. and its joint holders Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. owned the following shares as of June 8, 2020. However, the Company is unable to confirm the actual number of shares owned as of the end of the first half of the fiscal year ending March 2021, and therefore these firms are not included in the above status of major shareholders.

The content of the Change Report of the Report of Large-Volume Holdings is as follows.

Name or Company Name / Address / Number of Shares Owned / Percentage (%)

Mitsubishi UFJ Trust and Banking Corporation / 1-4-5 Marunouchi, Chiyoda-ku, Tokyo / 960,300 shares / 3.18%

Mitsubishi UFJ Kokusai Asset Management Co., Ltd. / 1-12-1 Yurakucho, Chiyoda-ku, Tokyo / 123,200 shares / 0.41%

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. / 2-5-2 Marunouchi, Chiyoda-ku, Tokyo / 241,398 shares / 0.80%

4. The Change Report of the Report of Large-Volume Holdings made available for public inspection on September 4, 2020 states that Nomura Securities Co., Ltd. and its joint holders NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. owned the following shares as of August 31, 2020. However, the Company is unable to confirm the actual number of shares owned as of the end of the first half of the fiscal year ending March 2021, and therefore these firms are not included in the above status of major shareholders.

The content of the Change Report of the Report of Large-Volume Holdings is as follows.

Name or Company Name / Address / Number of Shares Owned / Percentage (%)

NOMURA INTERNATIONAL PLC / 1 Angel Lane, London EC4R 3AB United Kingdom/ 138,800 shares / 0.46%

Nomura Asset Management Co., Ltd. / 2-2-1 Toyosu, Koto-ku, Tokyo / 1,581,000 shares / 5.23%

5. The Change Report of the Report of Large-Volume Holdings made available for public inspection on September 18, 2020 states that Sampo Asset Management Co., Ltd. owned the following shares as of September 15, 2020. However, the Company is unable to confirm the actual number of shares owned as of

the end of the first half of the fiscal year ending March 2021, and therefore the firm is not included in the above status of major shareholders.

The content of the Change Report of the Report of Large-Volume Holdings is as follows.

Name or Company Name / Address / Number of Shares Owned / Percentage (%)

Sompo Asset Management Co., Ltd. / 2-2-16 Nihonbashi, Chuo-ku, Tokyo / 1,964,300 shares / 6.50%

6. The Report of Large-Volume Holdings made available for public inspection on September 23, 2020 states that Sumitomo Mitsui Trust Bank, Limited and its joint holders Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. owned the following shares as of September 15, 2020. However, the Company is unable to confirm the actual number of shares owned as of the end of the first half of the fiscal year ending March 2021, and therefore these firms are not included in the above status of major shareholders.

The content of the Report of Large-Volume Holdings is as follows.

Name or Company Name / Address / Number of Shares Owned / Percentage (%)

Sumitomo Mitsui Trust Asset Management Co., Ltd. / 1-1-1 Shibakoen, Minato-ku, Tokyo / 625,900 shares / 2.07%

Nikko Asset Management Co., Ltd. / 9-7-1 Akasaka, Minato-ku, Tokyo / 1,033,200 shares / 3.42%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

None

5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

None

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 & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Outside Directors' Relationship with the Company*										
		a	b	c	d	e	f	g	h	I.	j	k
Yukari Sakai	From another company											
Hidehiko Nishikawa	Academic											
Yusaku Kurahashi	Lawyer											

* 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/audit and supervisory board member

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 in which the same outside directors/audit and supervisory board members are also appointed at the Company (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. Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yukari Sakai	○	○	---	Ms. Sakai has experience as director and audit and supervisory board member at other companies, abundant finance-related knowledge, including expertise in financing and accounting matters, and various viewpoints from the perspective of diversity. The Company appointed her as outside director (Audit and Supervisory Committee members) in the belief that she would leverage her abundant experience and knowledge to execute the Company's business and fulfill the function of control and oversight over management, and she was elected in the 31st Ordinary General Meeting of Shareholders. Ms. Sakai satisfies the Independence Determination Standards for Independent Officers set forth by the Company.

Name	Audit and Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Hidehiko Nishikawa	○	○	---	<p>Mr. Nishikawa has a wealth of business experience in the fashion and retailing industries, and as a university professor specializing in marketing, has developed global scholarly activities and has extensive academic knowledge. The Company appointed him as outside director (Audit and Supervisory Committee members) in the belief that he would leverage his experience and knowledge he has accumulated thus far to promote sound and efficient operation at the Company, and he was elected in the 31st Ordinary General Meeting of Shareholders.</p> <p>Mr. Nishikawa satisfies the Independence Determination Standards for Independent Officers set forth by the Company.</p>

Name	Audit and Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yusaku Kurahashi	○	○	---	Mr. Kurahashi has been engaged in lawsuits and other dispute cases, M&A, corporate restructuring, and corporate legal affairs as a lawyer, and has broad experience, including participating in third-party committees in corporate scandal cases. The Company appointed him as outside director (Audit and Supervisory Committee member) in the belief that he would leverage his extensive specialized knowledge to enhance the Company's corporate governance and other matters, and he was elected in the 31st Ordinary General Meeting of Shareholders. Mr. Kurahashi satisfies the Independence Determination Standards for Independent Officers set forth by the Company.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	0	3	Outside Director

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

The Company has employees who concurrently serve as staff to support the Audit and Supervisory Committee. The appointment, transfer, evaluation and the like of the staff are determined upon consultation with the Audit and Supervisory Committee to ensure independence from directors who are not Audit and Supervisory Committee members.

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit and Supervisory Committee is composed of three directors who are Audit and Supervisory Committee members (all of whom are outside directors). The Committee determines policies on audits and other related matters in accordance with the regulations of the Audit and Supervisory Committee, and prepares audit reports upon receiving reports from Audit and Supervisory Committee members, directors who are not Audit and Supervisory Committee members, and the accounting auditor.

As for internal audits, the Internal Auditing Office, which is placed directly under the president and composed of seven members, conducts store and department audits focusing on operational efficiency/appropriateness and risk management. The results of these audits are shared with the Audit and Supervisory Committee to recognize issues. Internal audits are also conducted on subsidiaries.

[Establishment of Optional Nomination/Remuneration Committee]

Establishment of Optional Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Appointed
Committee's Name, Composition, and Attributes of Chairperson	

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Optional Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	4	2	1	3	0	0	Outside Director
Optional Committee Corresponding to	Nomination and Compensation Committee	4	2	1	3	0	0	Outside Director

Remuneration Committee								
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Supplementary Explanation

The Nomination and Compensation Committee composed of all independent outside directors and the Representative Director (President and CEO) is established to strengthen the independence/objectivity and accountability of Board functions related to appointment and remuneration of directors. The Company's Nomination and Compensation Committee serves as both a nomination committee and a compensation committee. The Committee is held quarterly in principle, and is to be convened by the chair as necessary.

Specific matters to be deliberated at the Nomination and Compensation Committee are described in the Corporate Governance Policy of the Company.

<https://www.united-arrows.co.jp/corporate/governance.html> (Japanese only)

[Independent Directors]

Number of Independent Directors	3
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Matters relating to Independent Directors

Mr. Gaku Ishiwata satisfies the qualifications for independent officers stipulated by Tokyo Stock Exchange, Inc. as well as the Independence Determination Standards for Independent Officers of the Company, but he has not been registered as an independent officer with the Tokyo Stock Exchange due to the internal regulations of the law firm to which he belongs. For the Independence Determination Standards for Independent Officers, see the Corporate Governance Policy of the Company.

<https://www.united-arrows.co.jp/ir/strategy/governance.html> (Japanese only)

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, other
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Supplementary Explanation

The Company has introduced a restricted stock compensation scheme for the directors who are not Audit and Supervisory Committee members with the objective of sharing value with shareholders and establishing a remuneration framework that contributes to higher corporate value over the medium to long term.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

Total amounts of remuneration by director category are disclosed in securities reports and other documents.

Policy on Determining Remuneration Amounts and Calculation Methods	Appointed
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated
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The Company positions director remuneration as incentive for achieving sustainable growth and higher corporate value over the medium to long term in line with the Company Policy.

The remuneration of executive directors consists of a monthly fixed “base compensation,” “bonuses” that is linked to single-fiscal-year business performance, and “stock-based compensation” that is set according to the level of achievement against the medium-term business plan.

For base compensation, a director remuneration table according to position is set out by referring to such information as industry standards and the results of director remuneration

surveys by external research organizations. Remuneration recommendations are calculated according to the roles and responsibilities of each Director within the corresponding range in the table.

For bonuses, after putting forward a proposal for the total amount of director bonuses, a proposal for allocations of bonuses to individual executive directors is determined. The proposal for the total amount of bonuses is determined based on a comprehensive review of management ratios such as consolidated operating cash flow and ROE, in addition to the degree of meeting the initial plan figures for operating performance, especially consolidated operating income, over any given single fiscal year. Allocations to individual directors are determined in such a way that a higher-ranking director in the director remuneration table will have a higher bonus coefficient (i.e., the ratio of bonuses to the sum of base compensation and bonuses). The objective of this is to strengthen their commitment to achieving management targets over any given single fiscal year. In principle, no bonus will be paid if consolidated operating income is below a certain level against the initial earnings forecast.

Stock-based compensation in the form of “restricted shares” is granted to executive directors with the objective of sharing value with shareholders and establishing a remuneration framework that contributes to higher corporate value over the medium to long term. Transfer restrictions on the restricted shares will be removed if targets under the medium-term management plan are met within a fixed transfer restriction period. The shares are to be unrestricted according to the degree of achieving the targets.

Bonuses and stock-based compensation will not be paid to non-executive directors. Only base compensation will be paid to them according to their individual roles and responsibilities.

The remuneration of each director who is not an Audit and Supervisory Committee member is determined in accordance with the policy described above by resolution of the Board of Directors within a range set by approval of a Shareholders Meeting. The Nomination and Compensation Committee is consulted before determining the remuneration.

The remuneration of each director who is an Audit and Supervisory Committee member is determined in accordance with the policy described above by resolution of the Audit and Supervisory Committee within a range set by approval of a Shareholders Meeting.

In addition to the above, the Nomination and Compensation Committee examines the appropriateness of the policy, structure, remuneration table and calculation rules on director remuneration and puts forward revision proposals.

[Support System for Outside Directors]

The Company has employees who concurrently serve as staff to support the Audit and Supervisory Committee that is mainly composed of outside directors. To ensure effectiveness of instructions given to the aforementioned staff by Audit and Supervisory Committee members, we give the necessary investigation authority to the staff and put in place a system of cooperation by departments.

Board of Directors meeting materials are sent to outside directors by the day before each meeting. In addition, outside directors check sufficient information other than Board materials by referring to meeting minutes provided by secretariats of key meeting bodies.

[Status of Persons Retired from Office of Representative Director and President or the Like]

Names and other details of counselor, advisor or the like who are former representative directors and presidents or the like

Name	Position/ title	Description of duties	Working arrangements/ conditions (e.g., full-time/ part-time, paid/ unpaid)	Date of retirement as president, etc.	Term of office
Osamu Shigematsu	Chairman	1. Providing various types of advice to directors of the Company (not involved in management) 2. Providing advice on improving corporate culture, corporate loyalty, and creativity	Part-time, paid	March 31, 2012	1 year

Total number of counselors, advisors or the like who are former representative directors and presidents or the like	1
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Other Matters

The Board of Directors deliberates on and decides any new appointment of a person who has retired from the office of representative director and president or the like to the position of advisor.

The term of office is renewed for an additional one-year period if necessary.

2. Matters Related to Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

With approval by the 27th Ordinary General Meeting of Shareholders held on June 23, 2016 for amendments to the Articles of Incorporation associated with transition to a Company with an Audit and Supervisory Committee, the Company transitioned to a Company with an Audit and Supervisory Committee.

(1) Board of Directors

The Board of Directors is composed of nine directors and in principle meets once a month. Board meetings are attended by directors who are not Audit and Supervisory Committee members and directors who are Audit and Supervisory Committee members. The Board of Directors makes decisions on matters prescribed by laws and regulations as well as important matters set forth by internal rules such as the Board of Directors regulations. It also monitors and supervises the status of business execution. In addition, extraordinary Board meetings are held on an as-needed basis, and directors also have discussions with each other whenever necessary. As such, we have a framework in place for enabling efficient business execution.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three directors who are Audit and Supervisory Committee members. The Committee determines policies on audits and other related matters in accordance with the regulations of the Audit and Supervisory Committee, and prepares audit reports upon receiving reports from Audit and Supervisory Committee members, directors who are not Audit and Supervisory Committee members, and the accounting auditor. The Audit and Supervisory Committee, all three members of which are outside directors, ensures transparency of management and assumes the roles of monitoring and auditing the Company as a whole. The holding of Company shares by Audit and Supervisory Committee members is described in “number of Company shares owned” in the “status of officers” of securities reports. They do not have any personnel, transactional and other interests in the Company.

The Company establishes independence standards for outside officers and deems that any independent officers who satisfy the standards are sufficiently independent from the Company. The independence standards are described in the Corporate Governance Policy disclosed on the Company website.

<https://www.united-arrows.co.jp/ir/strategy/governance.html> (Japanese only)

All of the three outside directors of the Company satisfy the aforementioned independence standards.

In addition, pursuant to Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement that limits liability for damages under Article 423, paragraph 1 of the same Act with each Audit and Supervisory Committee member who is a non-executive director. The maximum amount of the liability for damages under the agreement is the amount prescribed by laws and regulations.

(3) Nomination and Compensation Committee

Details of the Nomination and Compensation Committee are described in the Supplementary Explanation in "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" - "1. Organizational Composition and Operation" - [Establishment of Optional Nomination/Remuneration Committee].

(4) Executive Officer System

The Company adopted an executive officer system in 2008. In order to ensure the Board of Directors makes important decisions and supervises business execution, executive officers are placed as persons responsible only for executing business. The authority to execute business has been significantly delegated from the directors to the executive officers, thereby accelerating business execution and strengthening the Board's decision-making and oversight functions.

(5) Internal Audit Departments

As for internal audits, the Internal Auditing Office, which is placed directly under the president and composed of seven members, conducts store and department audits focusing on operational efficiency/appropriateness and risk management. The results of these audits are shared with the Audit and Supervisory Committee to recognize issues. Internal audits are also conducted on subsidiaries.

(6) Status of Accounting Audit

(i) Name of audit corporation

Deloitte Touche Tohmatsu LLC

(ii) Continuous audit period

13 years

(iii) Names of certified public accountants who executed the services

Mr. Toru Nakatsuka, Designated Limited Liability Partner, Engagement Partner and Certified Public Accountant

Mr. Hayato Otsuji, Designated Limited Liability Partner, Engagement Partner and Certified Public Accountant

(iv) Composition of assistants related to audit services

The composition of assistants related to the audit services comprises three certified public accountants, two persons who passed the CPA examination, and five others.

3. Reasons for Adoption of Current Corporate Governance System

At the time of its founding in October 1989, UNITED ARROWS LTD. defined its founding spirit as "contributing to society by setting new standards of Japanese lifestyle." The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our Company Policy. In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for which value is to be created are customers, employees, business partners, society, and

shareholders. In this regard, the Company's mission is to increase value for all stakeholders. In order to maintain the proper mindset that will allow us to realize our Company Policy, we put in place the Code of Conduct. This code expresses how we should think and act to achieve our stated goals.

Recognizing the critical need to build a transparent and fair management framework, along with a structure under which we are capable of making timely and bold decisions, we are committed to continuously strengthening and expanding our corporate governance capabilities and functions in order to realize our Company Policy, fulfill our promise to society, and create value for five distinct stakeholders. Through these means, we are working to enhance our corporate value on a long-term and continuous basis.

Based on the basic approach described above, the Company chooses the corporate governance structure of the Company with an Audit and Supervisory Committee with the aim of strengthening the Board's monitoring function and expediting decision-making through appointment of outside directors who do not execute business and appropriate delegation of authority.

Also, the Nomination and Compensation Committee composed of mainly independent directors is established to strengthen the independence/objectivity and accountability of Board functions related to appointment and remuneration of directors.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

Rights

	Supplementary Explanation
Early Notification of General Shareholder Meeting	We dispatch the notice of a shareholders meeting about three weeks before the date of the meeting. For the 31st Ordinary General Meeting of Shareholders held on June 19, 2020, the notification was sent out on June 1, about three weeks before the date of the Meeting.
Scheduling AGMs Avoiding the Peak Day	The Company strives to make shareholder meetings more open by scheduling shareholder meetings avoiding the peak days and selecting times that facilitate participation by individual shareholders, as well as holding friendly meetings for shareholders and directors to get to know each other.
Allowing Electronic Exercise of Voting Rights	Shareholders may exercise their voting rights via the Internet.
Participation in Electronic Voting Platform and Other Measures to Improve Voting Rights Environment for Institutional Investors	The Company participates in the Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc.
Providing Convocation Notice in English	The Company provides convocation notices in English (summary version) on the Company website and “Listed Company Search” of the Tokyo Stock Exchange website. Company website https://www.united-arrows.co.jp/en/ir/stockinfo/notification.html
Other	Convocation notices, results of resolutions, and extraordinary reports are posted on the Company website. https://www.united-arrows.co.jp/en/ir/stockinfo/notification.html The convocation notice is posted on the Company website and the “Listed Company Search” of the Tokyo Stock Exchange website on May 22, about one week before sending the notice by mail.

2. IR Activities

	Supplementary Explanation	Briefing by the Representative
Preparation and Publication of Disclosure Policy	Posted on an IR website of the Company. https://www.united-arrows.co.jp/en/ir/strategy/disclosure.html	
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company holds quarterly earnings results briefings (in principle on the day following an earnings release) where its representative director explains earnings results, as well as the fiscal year policy and progress compared with the policy. Also, directors in charge or other relevant persons explain the progress of measures in separate programs on the same day as the earnings results briefings.</p> <p>Videos of these earnings results briefings are released on the IR website. http://www.united-arrows.co.jp/ir/lib/data/movie.html (Japanese only)</p> <p>On average each year, we hold about 8 small meetings and facility tours with domestic analysts and institutional investors as well as about 100 individual IR meetings.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>We visit overseas investors once or twice each year to hold individual IR meetings. Also, we actively participate in IR conferences held by securities firms in and outside Japan for overseas investors.</p> <p>On average each year, we hold about 100 individual IR meetings with overseas investors.</p>	None

	Supplementary Explanation	Briefing by the Representative
Posting of IR Materials on Website	<p>In addition to monthly sales reports (updated after 3 p.m. on the second business day of each month), the following earnings materials are posted on the website.</p> <ul style="list-style-type: none"> • Financial Results (Japanese, English) • Securities reports, quarterly reports (Japanese) • Data Book (Japanese, English) • Presentation Material of Earnings Announcements (Japanese, English), Earnings Announcement Meetings Q&A (Japanese, English), videos of earnings announcement meetings • Shareholders news (Japanese) • Integrated Report (Japanese, English) <p>http://www.united-arrows.co.jp/en/ir/monthly/index.html (monthly sales reports)</p> <p>http://www.united-arrows.co.jp/en/ir/lib/index.html (earnings materials)</p>	
Establishment of Department and/or Manager in Charge of IR	<p>Three persons in charge of IR are placed in the IR and PR Department and the officer in charge of IR is appointed to push forward with fair and timely information disclosure and actively carry out IR operations.</p> <p>Officer in charge of IR: Yoko Nakai, Director, Executive Managing Officer</p> <p>Executive officer in charge of IR: Satoshi Tan, Executive Officer</p> <p>Department in charge of IR: IR and PR Department (Responsible person: Toshiharu Mii, Head of IR and PR Department)</p>	

	Supplementary Explanation	Briefing by the Representative
Other	<p>In addition to the forgoing, our activities include the following.</p> <ul style="list-style-type: none"> • Distribute IR e-mail newsletters to analysts, institutional investors and individual investors. • Hold store tours and small meetings involving business managers for institutional investors on an ad-hoc basis. • Hold company briefing sessions for individual investors on an ad-hoc basis. • Annually conduct a shareholders survey using shareholders news. Shareholders' opinions on management, IR activities and other matters of the Company are collected and analyzed as reference materials to improve measures for shareholders such as by making changes to shareholders' special benefit programs and reviewing the dividend policy. 	

3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Our management policy is to realize the Company Policy and maximize corporate value by continuously creating value for our five stakeholders—customers, employees, business partners, society and shareholders.

	Supplementary Explanation
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company incorporates its commitment to “Creating Five Values” in the corporate philosophy. The five values are: value for customers, value for employees, value for business partners, value for society, and value for shareholders, and the Company considers it its mission to increase value for all stakeholders. The Company's basic management policy is to make every effort to create these five values while at the same time helping to improve Japanese lifestyles and culture as a public entity of society.</p> <p>Furthermore, in recent years, corporate management that emphasizes the environment, society, and governance to realize a sustainable society has become increasingly important. We aim to proactively take initiatives in our sustainability issues. Therefore, in May 2020 we set out five themes of supply chains, resources, communities, human resources and governance, based on Creating Five Values. By working on these five themes, the Company will actively engage in activities aimed at resolving social issues and contributing to society through its business.</p> <p>Specific activities are disclosed on our Company’s Sustainability site. http://www.united-arrows.co.jp/csr/index.html (Japanese only)</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company establishes the Disclosure Policies and discloses them on the Company website. https://www.united-arrows.co.jp/en/ir/strategy/disclosure.html</p>

	Supplementary Explanation
Other	<p>The Company works to create a comfortable work environment focusing on women who account for about 60% of its employees so that they can continue working through various life events such as marriage, childbirth and family care. We facilitate balancing work and family for employees who have children such as by offering maternity leave, childcare leave, child nursing leave and a shorter work hour system. In January 2014, the Company received accreditation for the second time by the Ministry of Health, Labour and Welfare as a company actively supporting child rearing. As a result of these efforts, the ratio of women returning to work after taking childcare leave stood at 99% as of the end of March 2020. The Company also has leave, time off and shorter work hour systems for caring for the family.</p> <p>For the status of employees such as the number of female employees and the ratio of women in managerial positions—store manager and higher—as well as data on the use of childbirth and child rearing support systems, see the following link.</p> <p>https://www.united-arrows.co.jp/csr/about/value_02.html (Japanese only)</p>

IV. Matters Related to the Internal Control System

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

Basic Management Policy

At the time of its founding in October 1989, the Company defined its founding spirit as "contributing to society by setting new standards of Japanese lifestyle." The essence of this spirit has been maintained and its expressions updated to better match the times so that it can continue to function as the basis for the actions of all directors and employees as our Company Policy.

In addition, we have defined our promise to society and the creation of value for five distinct stakeholders as key features of our Policy Structure. The five distinct stakeholders for which value is to be created are customers, employees, business partners, society, and shareholders. In this regard, the Company's mission is to increase value for all stakeholders.

We establish the internal control system as an operational framework necessary for achieving the Company Policy. With an awareness that building the internal control system requires an open corporate culture where anyone regardless of his or her duties or roles can provide the right opinions and such opinions are reflected, all directors and employees will look for improvements at all times in executing their duties.

1. Compliance System

(1) We put in place an internal reporting system that enables directors and employees to report anonymously to external organization in accordance with the internal reporting regulations any behavior that would be suspected of constituting compliance issue if such behavior arose or came to light. We work to foster a corporate culture that does not overlook any wrongdoings or irregularities, however small they may be. The Company will keep reported information secret and will not treat persons who reported disadvantageously.

(2) For execution of duties, we put in place a system for proper checks and balances and reporting to function by clarifying the scope of duties and approval authority by department and responsibility in accordance with the rules for divisions of duties and the rules for delegation of authority.

(3) The Internal Auditing Office placed directly under the president confirms the status of compliance with laws, regulations and the Articles of Incorporation as well as the status of execution of duties by conducting regular internal audits of stores and departments.

2. Information Retention and Management System

(1) We manage information on execution of duties with retention periods set based on the classification of information in accordance with the document management rules. Where necessary, we keep documents available for inspection.

(2) We ensure thorough retention and management of important management information also for documents stored in systems by setting access authority in accordance with internal rules and guidelines on information systems.

3. Risk Management System

- (1) We establish a system for managing various risk factors surrounding the Company in accordance with the basic rules on internal control and the rules on crisis management.
- (2) For significant risks to business operations, the Internal Controls Committee considers establishing internal rules, manuals, guidelines or the like and, in the event of a crisis, centrally controls information and takes actions by setting up the emergency headquarters.
- (3) Amid changing environments that surround the Company, each department always reviews risk factors. At the same time internal rules and various manuals are established on an ongoing basis. Through these activities, the Company establishes systems for both risk prevention and appropriate response in the event of a crisis.

4. System for Efficient Execution of Duties

- (1) In executing their duties, directors are to make decisions in accordance with laws and regulations, as well as internal rules such as the Board of Directors regulations and the rules for delegation of authority.
- (2) Regular Board of Directors meetings are in principle held monthly and in them the Board deliberates resolution items and receives reports on the status of business execution and business performance. In addition, extraordinary meetings of the Board of Directors are held on an as needed basis, and directors also have discussions with each other whenever necessary. Furthermore, a system is in place for executive directors to discuss and resolve important matters at the Management Committee that meets weekly in order to ensure opportunity for full discussion and enhance speed of management.
- (3) By adopting an executive officer system, we have accelerated business execution and strengthened the Board's decision-making and oversight functions.

5. Group Management System

- (1) We have established a subsidiary management system under which important business matters are decided and reported as necessary by setting forth basic policies and frameworks for managing subsidiaries in accordance with the rules on managing subsidiaries and associates, while emphasizing autonomous operation of each company. In addition, the Company sends directors and audit and supervisory board members to its subsidiaries depending on the circumstances to optimize business. This also enhances business efficiency with a framework put in place for identifying operational situations through reporting at the board of directors of each subsidiary.
- (2) The Company works to establish the internal control system for the Group. This is done with relevant divisions of the Company, in coordination with each other, by providing guidance and support as necessary for the establishment of control (e.g., internal rules, delegation of authority), compliance and risk management systems at its subsidiaries, while such frameworks as internal reporting are expanded to subsidiaries.
- (3) The Internal Auditing Office of the Company conducts internal audits also covering its subsidiaries to confirm their compliance with laws, regulations and articles of incorporation as well as their status of executing duties under internal rules.

(4) We ensure and continue to improve the reliability of financial reporting and, in turn, public credibility by establishing the necessary systems covering subsidiaries for internal control over financial reporting.

6. Audits by the Audit and Supervisory Committee

(1) The Company has employees who concurrently serve as staff to support the Audit and Supervisory Committee. To ensure their independence from directors (excluding those who are Audit and Supervisory Committee members), the appointment, transfer, evaluation, disciplinary action and the like of the staff are determined upon consultation with the Audit and Supervisory Committee.

(2) To ensure effectiveness of instructions given to the aforementioned staff by the Audit and Supervisory Committee, we give necessary investigation authority to the staff and put in place a system of cooperation by departments.

(3) Directors and employees of the Group promptly report to the Audit and Supervisory Committee or Audit and Supervisory Committee members any important matter that causes or may potentially cause significant damage to the Company.

(4) We have a system in place for risks identified by internal audits and by the Internal Controls Committee to be reported regularly to the Audit and Supervisory Committee.

(5) We have a system in place for ensuring that a person who has reported to the Audit and Supervisory Committee or an Audit and Supervisory Committee member will not be subjected to disadvantageous treatment such as demotion and reduction in salary on the grounds of making that report. We disseminate information on and ensure thorough understanding of this system.

(6) To understand important decision-making processes by the board of directors or other organs as well as the status of business execution in the Group, the Company's Audit and Supervisory Committee or Audit and Supervisory Committee members may attend board of directors, management committee and other important meetings of Group companies, and, if necessary, request their directors and employees to provide explanations and inspect the necessary documents.

(7) The Audit and Supervisory Committee of the Company may use external advisers such as accounting auditors and attorneys where necessary.

(8) If an Audit and Supervisory Committee member requests an advance payment of expenses to be incurred, reimbursement of expenses paid, or repayment of a debt assumed for execution of his or her duties, the Company will agree to the request unless such expenses or debt are found to be unnecessary for the execution of duties.

2. Basic Views on Eliminating Anti-Social Forces

(1) The Group's basic policy is to stand firmly against and not to have any relationship whatsoever with anti-social forces/organizations which bring threats to the order and security of the civil society.

(2) The Company establishes internal systems and collects information to eliminate anti-social forces, having the General Affairs and Legal Department as a department in charge

coordinating with legal advisors, the police and external organizations such as the National Center for Removal of Criminal Organizations as well as regional anti-crime advisers.
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V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

■ Timely Information Disclosure System

1. Division responsible for timely disclosure

The director in charge of investor relations is responsible for handling the disclosure of information, and the IR Department is responsible for ensuring the timely disclosure of such information. Collaborating closely with related departments and divisions, steps are taken to identify pertinent information, to prepare all the necessary documents, and to ensure their timely disclosure.

The IR Department is responsible for addressing all inquiries from market-related parties as well as shareholders and other investors.

2. Identification of Information for Timely Disclosure

The officer responsible for handling the disclosure of information and the head of the IR Department attend in-house weekly, monthly, and all other important meetings. At these meetings, efforts are made to gather information on the status of measures implemented by each division.

In the event that any information subject to timely disclosure is anticipated, the department or division that handles the subject information reports all details to the officer responsible for handling the disclosure of information and the head of the IR Department in a timely manner.

3. Preparation of Timely Information Disclosure Documentation and Disclosure

The Finance and Accounting Department is responsible for preparing the Company's accounting-related disclosure materials, including financial results and quarterly reports. Documentation relating to the Company's shares and personnel transfers and assignments is prepared and handled by the General Affairs and Legal Department and the Human Resources Department, respectively. Ultimately final examination of the details of documentation is to be done by the officer responsible for handling the disclosure of information and the head of the IR Department, who ensure the information's timely disclosure.

4. Management of Timely Disclosure Information

The Company has put in place a set of internal rules governing the handling and storage of internal information. The utmost emphasis is placed on ensuring the confidentiality of information subject to timely disclosure. The officer responsible for handling the disclosure of

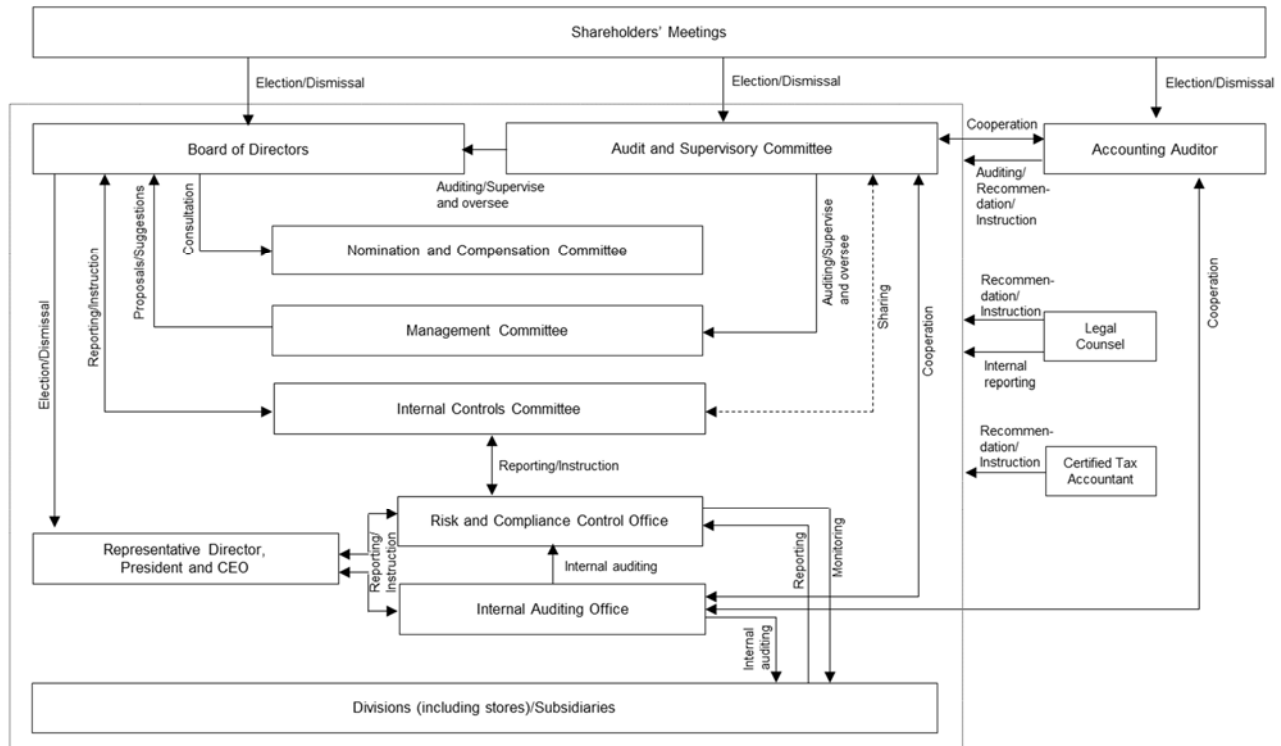
information works diligently to prevent any leakage of insider information to external parties and to prevent any incidence of internal insider trading.

5. Quiet Period

The Company has identified the period from the day after each quarterly financial settlement date to each quarterly financial results announcement as a so-called quiet period. This initiative aims to prevent the leakage of financial results information and to ensure equity. During this period, the Company refrains from responding to financial results inquiries and from holding individual IR meetings. In the event, however, that an important incident arises during the quiet period that is subject to timely disclosure, the details are immediately announced in accordance with the timely information disclosure rules and regulations.

The Company aims to disclose monthly sales information on the second business day of each following month. The Company accordingly refrains from commenting on sales data during any relevant applicable month in an effort to ensure the equity of information disclosure.

■ Corporate Governance System



■ Timely Disclosure System

