



Governance > Corporate Governance

# Corporate governance

As a holding company, J. Front Retailing puts the strengthening of corporate governance at the top of its business agenda to ensure the legal compliance, transparency, objectivity and soundness of the business of the entire Group and focus on and thoroughly fulfill its accountability to its stakeholders (customers, shareholders, employees, business partners, local communities and others) as the core of the unified governance of the Group.

## Transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees)

The Company made the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) through the resolution adopted at the Annual Shareholders Meeting in May 2017. The purpose of this change is to further strengthen corporate governance from the following standpoints.

### (1) Strengthening of the management oversight function by separating oversight from execution

The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution. In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important issues relating to the management of the Group.

### (2) Greater clarity of authority and responsibility in business execution and promotion of agile management

The Company will enable decisions of business execution to be delegated to Executive Officers, clarify the authority and responsibility between the Board of Directors and Executive Officers and between the holding company and its operating subsidiaries, and carry out

speedy management decision making.

### (3) Improvement of transparency and objectivity of management

The Company will improve the transparency and objectivity of management by transitioning to a Company with Three Committees including Nomination, Audit and Remuneration Committees. The majority of the members of each committee are Outside Directors.

### (4) Building of a globally applicable governance system

The Company will build a governance system that is easy to understand from global perspectives, such as those of overseas investors.

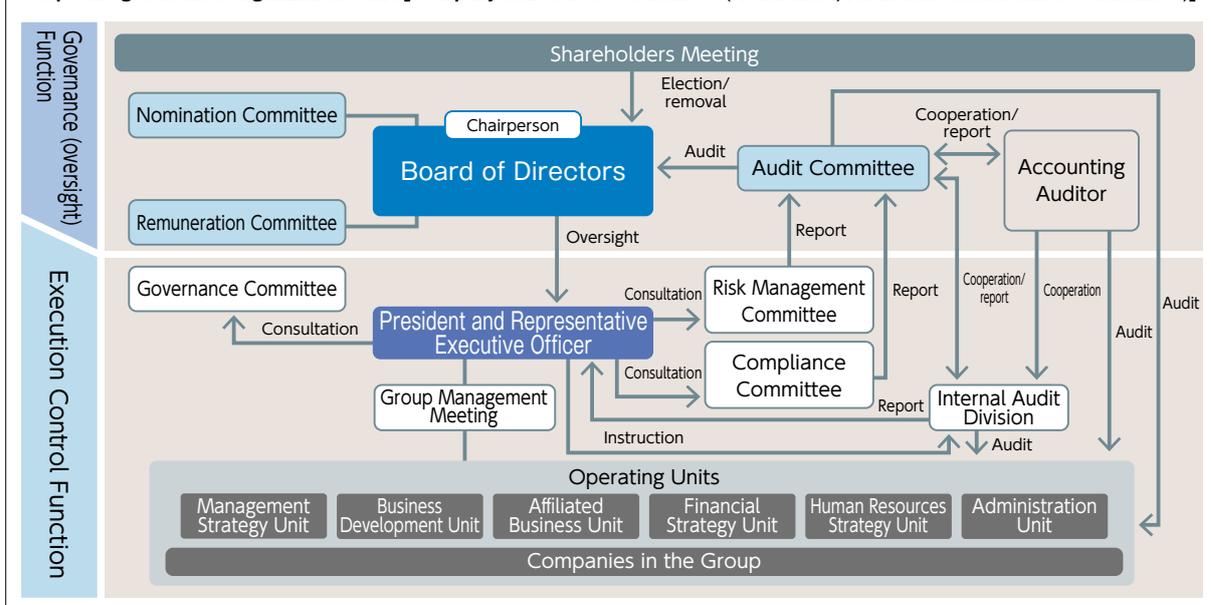
## Overview of corporate governance system

The Company is a pure holding company and, with the exception of authority for important matters relating to the management of the Group, it delegates authority to its respective operating subsidiaries with respect to matters involving business execution by the operating subsidiaries in an effort to speed up business decisions and to make managerial responsibilities clear.

The roles and responsibilities of the Company, as a pure holding company, are as described below:

- Establishment of corporate governance practices for the entire Group;
- Planning and formulating of the Group Vision, the Group Medium-term Business Plan and the Group Management Policy and tracking of the progress and results thereof;
- Optimal allocation of the Group's management resources;
- Establishment of the Group-wide risk management system and involvement in internal audits;
- Decision making on important matters involving business execution relating to the management of the Group; and

**Corporate governance organization chart [Company with Three Committees (Nomination, Audit and Remuneration Committees)]**



- Provision of advice and approval for the management policies and management strategies of respective operating companies and oversight and evaluation of the progress thereof.

The Company has six supervisory units (Management Strategy Unit, Business Development Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit) as management bodies to clarify each unit's roles, responsibilities and authorities, thereby strengthening the oversight function and improving the internal control system of the entire Group.

## Board of Directors

### (1) Basic roles and responsibilities of the Board of Directors

Directors who are elected by shareholders and are entrusted with the management of the Company are to carry out the following roles and responsibilities in the Board of Directors in accordance with their fiduciary responsibility and accountability to shareholders with the aim of realizing the Group Vision.

- Indicating the overall direction that the Group management is to take by engaging in constructive discussions with respect to the Group Vision, the Group Medium-term Business Plan, the Group Management Policy and other fundamental management policies and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Appropriately making decisions in terms of overall policy and plans pertaining to the Group management on the basis of the direction noted above and overseeing the progress and results of the plans;
- Improving the environment to drive aggressive management toward discontinuous growth;
- Taking steps to build and develop internal control systems of the Group overall and otherwise overseeing the operational status of such systems;
- Overseeing conflicts of interest between related parties; and
- On the basis of summary reports furnished by the Nomination Committee, overseeing the progress of senior management

team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

### (2) Composition of the Board of Directors

The Board of Directors of the Company is comprised of the appropriate number of 15 or less Directors as set forth in the Articles of Incorporation. The number of Directors is thirteen (five of whom are independent Outside Directors including two female Directors) as of May 24, 2018 and the term of office is one year.

From the standpoint of separating oversight from execution and enhancing the effectiveness of discussions at the Board of Directors meetings, one-third or more of Directors are independent Outside Directors and the majority of Directors are independent Outside Directors and internally promoted Directors who do not execute business.

When nominating Director candidates, the Company ensures diversity in consideration of the balance of knowledge, experience and ability on the Board of Directors as a whole.

With regard to the agenda for discussion at the Board of Directors meetings concerning important policies related to the Group's overall management, we deliberate in advance at the "Group Management Meetings," which consists of Executive Officers and the Senior Executive General Managers of the supervisory units.

### (3) Matters discussed at the Board of Directors meetings in fiscal year 2017

In fiscal year 2017, the Board of Directors had 14 meetings to deliberate and resolve the "dissemination of the Group Vision" and the "progress of the Medium-term Business Plan" as strategic discussion for the medium- to long-term growth of the Group, the "validation of the rationale for cross-shareholdings and sales of such shares" and a "basic policy to build internal control systems" as discussion concerning corporate governance, the "opening of Parco in the Daimaru Shinsaibashi store" and the "launch of the early childhood education" as discussion concerning individual growth businesses, the "transfer of shares of Forest," the "sale of unused real

estates” and the “acceptance of the share buyback planned by Senshukai, an associate accounted for using equity method” as the replacement of businesses and assets to improve capital efficiency, as well as approving budgets and financial statements.

## Nomination Committee / Audit Committee / Remuneration Committee

### (1) Nomination Committee

The Nomination Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer.

In fiscal year 2017, concerning the appointment of Directors including Outside Directors and the Executive Officers of J. Front Retailing and its major operating subsidiaries, the Committee ensured objectivity, transparency and rationality using assessment data from third-party institutions as well as the Company’s internal information on human resources and through the opportunities to have direct contact with candidates’ personalities and mindsets such as interviews conducted as needed. While having discussions on succession planning for the top management, they verified the system to develop candidates for the next officers in a planned manner and confirmed the status of results achieved by successor candidates on a regular basis.

### (2) Audit Committee

The Audit Committee is composed of three Outside Directors and two full-time Inside Directors who do not execute business and are well informed about the Company’s internal information to maintain and improve the accuracy of audit.

In fiscal year 2017, the Committee drafted and implemented an audit plan for the current fiscal year in accordance with the Audit Committee Rules, Audit Standards, Audit Practice Standards for Internal Control Systems and others set by the Committee and reported details to the Board of Directors. In particular, as its key audit items, the Committee audited the status of developing and operating internal control systems determined by the Board of Directors and the progress status of the key strategies in the first year of the Medium-term Business Plan of the Group in close cooperation with Internal Audit Division, Accounting Auditor and the Audit & Supervisory Board Members of the Group companies. And the Committee assessed Ernst & Young ShinNihon LLC by comparing its quality management, expertise, etc. with other audit firms in accordance with the Accounting Auditor Selection Criteria newly developed by the Committee.

An internally promoted Director who does not execute business chairs the Committee from the standpoint of achieving a smooth transition from the Audit & Supervisory Board system. However, the Company will reconsider reviewing this system and establishing the most appropriate system.

### (3) Remuneration Committee

The Remuneration Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer. The chairperson is chosen from among independent Outside Directors from

the standpoint of ensuring transparency and objectivity. The Remuneration Committee determines the policies on deciding the contents of individual remuneration of management personnel of the Company and Daimaru Matsuzakaya Department Stores and these contents themselves.

In fiscal year 2017, the Committee achieved an appropriate allocation between basic remuneration and performance-based remuneration (bonuses and stock-based remuneration) and also disclosed the performance indicators that will determine the level of stock-based remuneration in the Officer Remuneration Policy resolved on May 25, 2017. With respect to bonuses, which reflect the status of the achievements of individual officers, the Committee formulated a new performance evaluation sheet and has adopted it from fiscal year 2018 after revising evaluation items, performance indicators and the evaluation rank determination process so that results will be shown with greater fairness and objectivity. At the same time, entering into the first year when the Company’s shares are issued as remuneration, the Committee is working on the verification of the stock-based remuneration system for officers for appropriate operation as planned.

## Committees to which Directors belong (as of May 31, 2018)

(◎ Chairperson)

Name	Nomination Committee	Audit Committee	Remuneration Committee	Remarks
KOBAYASHI Yasuyuki	○		○	Chairperson of the Board of Directors
DOI Zenichi		◎		Non-executive
TSUTSUMI Hiroyuki		○		Non-executive
TACHIBANA FUKUSHIMA Sakie	◎		○	Independent Outside Director
OTA Yoshiakatsu	○		◎	Independent Outside Director
ISHII Yasuo		○		Independent Outside Director
NISHIKAWA Koichiro		○		Independent Outside Director
SATO Eriko	○	○	○	Independent Outside Director
YAMAMOTO Ryoichi	○		○	President and Representative Executive Officer
YOSHIMOTO Tatsuya				Representative Managing Executive Officer
MAKIYAMA Kozo				Managing Executive Officer
SAWADA Taro				Managing Executive Officer
WAKABAYASHI Hayato				Managing Executive Officer

## Governance Committee (optional advisory committee)

The Company, in principle, holds monthly meetings of the Governance Committee, an optional advisory committee comprised of the Chairperson of the Board of Directors, President and Representative Executive Officer, and all Outside Directors. The Governance Committee engages in constructive discussions and exchanges of views with respect to matters such as addressing issues to make the meetings of the Board of Directors more effective in view of the results of evaluation of the Board of Directors, and considering options with respect to organizational structure.

In fiscal year 2017, new personnel have been appointed as the presidents of three important associates (JFR Card, J. Front Design & Construction and Dimples’) in business areas with high management efficiency, and these presidents have also been concurrently appointed as the Executive Officers of the Company. This is because the Company has confirmed that the

strengthening of the Group governance requires the strengthening of oversight, auditing and business execution functions of operating companies. Governance is also strengthened by assigning Audit & Supervisory Board Members to each main associated operating company, setting up auditing functions horizontally covering these companies, and taking other measures. From now on, the Company will engage in discussions and exchanges of views with respect to various issues on corporate governance, such as governance of the Group companies and the role of the holding company.

### Appointment of Outside Directors

The Company has appointed five independent Outside Directors out of 13 Directors to separate oversight from execution, ensure the effectiveness of the Board of Directors' discussions, and maintain and improve transparency and objectivity. In appointing Outside Directors, we confirm, in accordance with the Criteria for Determining Independence of Outside Directors set by the Company, that nominees are not susceptible to conflicts of interest with the Company's shareholders and

are in an objective position, independent of the management team that executes business.

### Environmental improvement that supports appropriate risk taking by the management

Changes in the business environment are a source of uncertainty that a company cannot avoid. But that uncertainty or "risk" provides an "opportunity" as a positive side and a "threat" as a negative side. In addressing such uncertainty, we tackle strategic issues raised in the Medium-term Business Plan in terms not only of "risk-hedging," but also of "risk-taking" for growth.

The Company has also established the "Risk Management Committee" as an advisory body for its President and Representative Executive Officer to extract risks related to the Group and formulate, implement and monitor measures against individual risks.

During the current fiscal year, the Company extracted 138 risk items as those related to the Group, identified 15 items out of them as "business risk items," including six items that were reflected in strategies for the current fiscal year, and continues to monitor the progress.

## Evaluation of the effectiveness of the Board of Directors

Evaluation methodology	<p>Continued from 2016, the Company performed the third evaluation by third-party organization of the Board of Directors from July to September 2017, in line with the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees). The evaluation was performed using a methodology whereby the third-party organization prepared a report containing summaries and analyses of the results of "individual interviews" conducted for all Directors and "direct observation of the Board of Directors through attendance at its meetings" based on self-assessment by Directors concerning the progress of the evaluation items below and the Board of Directors carried out deliberations on the evaluation based on the report.</p>
Items evaluated	<p>In light of the roles and responsibilities of the Board of Directors, an analysis/evaluation was performed for each of the items for evaluation, including the Board of Directors' composition and its operational status, agenda items, materials for deliberations, level of explanation for proposals, supporting system for Outside Directors, and the effectiveness of three Committees' (Nomination, Audit and Remuneration Committees) activities. We set new questions each time to get answers according to their positions such as Inside Director, Outside Director, Committee Member and Non-Committee Member, as well as giving consideration to ensure comparability.</p>
Evaluation results and improvements	<p>Evaluation results are shared between Directors and they discuss the solutions to the issues found from the evaluation to improve the effectiveness of the Board of Directors continuously. The evaluation of the Board of Directors conducted from July to September 2017 identified significant improvements compared to the previous evaluation regarding the level of the "Board of Directors' contribution to the entire Group," the "selection of appropriate agenda items and substantive discussions," "each Director's contribution to discussions" and other matters. The "enhancement of the corporate governance system through organizational structure changes" and the "level of each Committee's contribution to the Board of Directors" were also highly evaluated. On the other hand, since there are opinions that there are still some problems remaining in the strengthening of execution (execution speed) to formulate the Group strategies expeditiously due to expectations toward further improving the effectiveness of the Board of Directors, the timing of implementing the solutions to the issues pointed out in the Board of Directors meetings and their contents are confirmed at the beginning of each meeting of the Board of Directors. We are working on improvements including the strengthening of the organizational structure of Management Strategy Unit to promote "Multi Service Retailer strategy" and "ICT strategy toward the era of IoT," which are the pillars of the Medium-term Business Plan started in fiscal year 2017. Since there are opinions demanding the improvement of execution planning and proposal ability, the Company has started to review discussion materials to improve the planning and proposal accuracy from shareholder viewpoints. The Company has also newly established the "Business Development Unit" that is responsible for completing the business portfolio reforms and achieving corporate value enhancement to strengthen execution and the "Human Resources Strategy Unit" that is responsible for preparing HR policies and further strengthening the promotion activities related to recruitment, assignment, cultivation and evaluation so that the growth of human resources, which are the most important management resources, can lead to the entire Group organization's growth. The Company will continue to share issues based on the evaluation of the effectiveness of the Board of Directors to ensure the effectiveness of the entire Board of Directors.</p>

## Officer remuneration system

### 1 Policy on determining remuneration for Directors and Executive Officers

To carry out the Medium-term Business Plan steadily for realizing the new Group Vision, the Company has formulated the new "Officer Remuneration Policy" including the introduction of a stock-based remuneration system for officers. The basic policies on the officer remuneration are as follows:

- Contributing to the sustainable growth of the Group and increasing corporate value over the medium to long term;
- A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans and for achieving targets with respect to corporate performance;
- Remuneration levels that can secure and retain personnel who have the "desirable managerial talent qualities" required by the Company;
- Increasing shared awareness of profits with shareholders and awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration determining process.

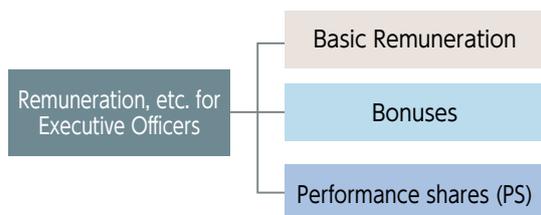
### 2 Procedures for determining remuneration for Directors and Executive Officers

To ensure that remuneration levels and remuneration amounts are appropriate and that their determination process is transparent, the determination of the specific remuneration amounts to be paid is made by discussion and resolution of the "Remuneration Committee," which comprises a majority of independent Outside Directors and is chaired by an independent Outside Director. The Remuneration Committee meetings are to be held at least four times per year and the Company plans to conduct a review of the officer remuneration system upon the completion of the period of each Medium-term Business Plan.

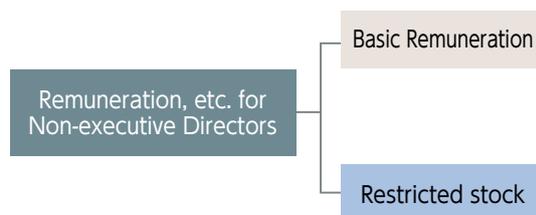
#### (Basic remuneration)

Basic remuneration is positioned as a fixed remuneration and is decided for each rank (position) based on the size (weight) of the responsibility borne by each officer.

#### Remuneration composition for Executive Officers



#### Remuneration composition for Non-executive Directors



#### (Restricted stock)

Restricted stock is a system for issuing the Company's shares in a way that is not linked to performance with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen the aggressive and defensive governance of the Company from a different standpoint from that of Executive Officers as the representatives of stakeholders. The shares are issued upon their retirement from office.

#### Proportion of remuneration by type for Executive Officers of each rank

##### <President>

Basic remuneration 38.5%	Bonuses 23.0%	PS 38.5%
Monetary remuneration 61.5%		Stock-based remuneration 38.5%
Fixed remuneration 38.5%	Performance-linked remuneration 61.5%	

##### <Executive Officers excluding President>

Basic remuneration 45.4%	Bonuses 27.3%	PS 27.3%
Monetary remuneration 72.7%		Stock-based remuneration 27.3%
Fixed remuneration 45.4%	Performance-linked remuneration 54.6%	

Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.

Note: The remuneration composition for Directors and Executive Officers at Daimaru Matsuzakaya Department Stores is the same as that shown for "Executive Officers excluding President" in the figure above.

#### Details of performance shares

KPI		Short term	Medium to long term	Methods of use
Profitability	(1) Consolidated operating profit	○	○	Evaluation based on the achievement rate of targets (absolute value) Evaluation is weighed as 50% for each indicator.
	(2) Basic earnings per share	○	○	
	(3) Free cash flows	—	○	If targets are not achieved, the amount of stock-based remuneration is reduced by 50% (reduced by 25% if one target is not achieved).
Efficiency	(4) ROE	—	○	

Note: KPI stands for Key Performance Indicator.

Note: Short-term targets are the initial forecasts for the relevant fiscal year as announced in the Consolidated Financial Results each April (IFRS basis).

#### Calculation method for performance-linked coefficient

Performance achievement rate	Performance-linked coefficient
150% or more	2.0
50% to less than 150%	$(\text{Actual value} / \text{Targets} - 0.5) \times 2$
Less than 50%	0

## Succession planning

The selection and dismissal of the chief executive officer are the most important strategic decision-making and the Company positions the development and implementation of succession plans (for the next senior management team) as matters of particular importance in terms of management strategy.

The Company ensures clarity and transparency in the process of selecting successor candidates through repeated reviews of successor candidates' individual evaluations based on assessments made by a third-party organization using internal data. The deliberations are conducted by the Nomination Committee and Remuneration Committee, in which Outside Directors comprise a majority. In the process of deciding a successor, the Board of Directors plays a supervisory role focused on realizing the Basic Mission Statement and the Group Vision, based on proposals received from the Nomination Committee. With regard to the qualities required of successors, the Company clearly defines the necessary values, capabilities, and behavioral traits in the form of the five qualities required of an officer in the Corporate Governance Guidelines under "Desirable qualities required of JFR Group managerial talent." These are a "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organization development strengths" and "human resource development strengths." The Company endeavors to ensure impartial cultivation and selection of successors by sharing these qualities among all members of the Nomination Committee to make them all aware of the indicators used in cultivating and assessing successors.

In addition, the dismissal of the chief executive officer is determined by the Board of Directors after being discussed and resolved by the Nomination Committee based on the goals set, expected and actual results (e.g. annual performance and strategy execution status), and the status of results, etc., achieved by successor candidates who are selected under the succession plan resolved by the Nomination Committee.

The Nomination Committee will continue to have discussions on succession planning in a planned manner so that changes in the environments and situations surrounding the Company, the progress of strategies formulated, etc., can be reflected in such planning.

Both the Committees mentioned above also discuss and resolve the dismissal of senior management team members as in the case of the chief executive officer.

## Basic capital policy

The Company believes that any increase in free cash flows and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to "undertaking strategic investment," "enhancing shareholder returns" and "expanding net worth" being equipped to address risks.

Moreover, in procuring funds through interest-bearing

debt, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

A "business strategy" where higher sales are accompanied by profits and a "finance strategy (encompassing the capital policy)" that heightens the rate of return on invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we maximize our operating profit and continually improve our operating margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

## Shareholder return policy

The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

## Policy on cross-shareholdings

The Group reduces its cross-shareholdings as appropriate considering the market environment, share price trends and other such factors (cross-shareholdings are the holdings of listed shares other than those of subsidiaries and associates which are not held for pure investment purposes). However, this does not apply to shares with respect to which rationale for such holdings has been verified by means of validation as described below.

The Board of Directors validates the rationale for the Group to maintain its cross-shareholdings on a yearly basis from both qualitative and quantitative perspectives. From a qualitative perspective, the Board of Directors considers such business strategies as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains, and from a quantitative perspective, it considers dividend income and other economic rationale.

Decisions with respect to voting on matters regarding cross-shareholdings are made from both of the perspectives of whether cross-shareholdings contribute to the sustainable growth of and the medium- to long-term enhancement of the corporate value of the company whose shares are held and whether the cross-shareholdings contribute to the Group's sustainable growth and medium- to long-term enhancement of corporate value. Specifically, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals

relating to the corporate governance system (appointment of officers), proposals relating to shareholder return (appropriation of surplus) and proposals that have an effect on shareholder value (introduction of takeover defense measures), we establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we take a response that is in line with such policies. We engage in dialogue with companies whose shares we hold if necessary when we exercise voting rights.

In accordance with the aforementioned policy, in fiscal year 2017, the Company sold all shares of 12 companies and partially sold shares of two companies (proceeds from the sales amounted to approximately ¥1.32 billion). As a result, the Group maintained cross-shareholdings in 48 companies (approximately ¥6.3 billion recorded on the statements of financial position) as of February 28, 2018. Also, from the current fiscal year, the Company has established the guidelines for exercising voting rights relating to cross-shareholdings and implemented them in line with the entire Group's policy.

In case a holder of cross-held shares which holds the Company's shares for the purpose of cross-shareholding indicates intention to sell the Company's shares, the Company will never conduct activities to hinder the sale of cross-held shares by implying a reduction of business transaction, etc., and appropriately handle the sale, etc.

### Improvement of Shareholders Meetings

With the aim of engaging in constructive dialogue with shareholders, we ensure that there is adequate time for our shareholders to consider matters with respect to which they will exercise their voting rights. To that end, we send convocation notices as early as possible (at least three weeks prior to the date on which a Shareholders Meeting is to be held) and at the same time we submit such content to financial instruments exchanges and post it on the Company's website as early as practicably possible before sending out convocation notices. The convocation notice of the 11th Annual Shareholders Meeting was provided to financial instruments exchanges and made available on the Company's website before delivery of the printed version and four weeks prior to the date of the Shareholders Meeting.

We give consideration to ensuring that our shareholders including domestic and overseas institutional investors are able to conveniently exercise their voting rights. To that end, we have adopted online and other means of exercising voting rights and otherwise use an electronic platform for exercising voting rights. We also prepare English translations of our convocation notices and make them available on our website and the Electronic Voting Platform so that our overseas shareholders are able to properly exercise their voting rights.

For many shareholders, the venue of the Shareholders Meetings was moved further away from their residences compared to the times when they had been the shareholders of Daimaru and Matsuzakaya before J. Front Retailing was established as a holding company. Therefore, in order to provide them with opportunities to

view the Meetings, we have set up live relay venues in the Osaka area (the Daimaru Shinsaibashi store) and the Nagoya area (the Matsuzakaya Nagoya store).

### Participation of beneficial shareholders in Shareholders Meetings

Respecting the requirements of the Corporate Governance Code, at the 10th Annual Shareholders Meeting held in May 2017, the Company amended the Articles of Incorporation to enable an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name to attend a Shareholders Meeting and exercise voting rights as a proxy.

There were no special requests filed by beneficial shareholders at the 11th Annual Shareholders Meeting.

### Disclosure and IR activities

Under the Basic Mission Statement that "we aim at developing the Group by contributing to society at large as a fair and reliable corporation," the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we promote IR activities with the aim of improving management transparency and helping stakeholders better understand the Company.

The Company discloses important company information to which the timely disclosure rules apply through the TDnet (Timely Disclosure Network) system provided by the Tokyo Stock Exchange, while posting the same information on the Company's website, etc. as quickly as possible. With respect to any information that is deemed to help stakeholders better understand the Company, even where the timely disclosure rules do not apply to it, the Company works to publicize such information on its website as well as by using SNS and publishing integrated reports. The Company releases information in a timely and appropriate manner by making use of the TDnet and EDINET platforms, the Company's website and other means in line with the attributes of the information being disclosed. Moreover, to ensure that we disclose information in an impartial manner, we prepare and release English translations of our convocation notices of the Shareholders Meetings, integrated reports, timely disclosure information, financial information and the Company's website.

The Company's efforts to improve communication include timely disclosure and information transmission on its website in combination with various briefings and meetings and responses to inquiries from shareholders and investors on a daily basis. The comments and requests received from shareholders and investors are widely shared among the Company and the



relevant companies in the Group, and we refer to them in managing the Company to increase corporate value.

Furthermore, the Company was chosen as No. 1 in the retail category of the “2017 Award for Excellence in Corporate Disclosure” (sponsored by The Securities Analysts Association of Japan). Its evaluation items include: (1) top management attitude, the function of IR department and the basic stance on IR; (2) information disclosure in briefings, interviews and description materials; (3) fair disclosure; (4) disclosure of information on corporate governance; and (5) voluntary information disclosure in line with the situation of each industry. The Company was highly evaluated, selected as No. 1 in two items out of five, and as the overall No.1 in the retail category among 20 retail companies.



#### Major dialogue activities with investors in fiscal year 2017

For individual investors	Participation in briefings hosted by securities companies, etc.	Seven times in total
For analysts / institutional investors	Results presentations	Every six months
For overseas institutional investors	Overseas IR roadshows	Three times in total
	Participation in overseas conferences	Once
	Participation in conferences for overseas investors held in Japan	Three times in total

Combining the above and individual meetings, we held a total of 287 dialogues with analysts and institutional investors.

From the standpoint of fair disclosure, we release the Japanese and English texts of the summary of questions and answers in the results presentations and conference calls held after the release of financial results beginning in the fiscal year ended February 28, 2018.

#### Risk management and compliance

The Risk Management Committee manages and addresses strategic and other risks as a whole systematically from a company-wide perspective, and makes management decisions specifically focusing on risk management. The Committee is chaired by President and Representative Executive Officer and the Committee members include the Senior Executive General Managers of the supervisory units and the presidents of main subsidiaries. The Committee assesses a variety of risks, prepares necessary measures, and conducts progress

management, etc. using extensive specialized knowledge of the Committee members chosen from among the supervisory units.

The Company has established the “Compliance Committee” (whose membership includes a corporate lawyer) for the purpose of appropriately addressing the issues of the Group compliance management practices. The Committee draws up a policy for addressing matters involving serious compliance-related violations, continuously oversees development of the foundations of compliance system (e.g. preparation of promotion systems and plans) and the status of implementation through close collaboration with departments in charge of promoting compliance and promotes compliance with laws and regulations, corporate ethics and other such standards.

Both the Committees report details of their deliberations to the Audit Committee regularly (about two times a year) and in a timely manner.

#### Whistleblowing system

The Company has established a whistleblowing system that enables all the Group’s officers and employees as well as all individuals working at the Group (including part-timers and employees seconded from business partners) to notify the Compliance Committee directly with respect to compliance-related issues, and to seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the Company (a corporate lawyer).

The Group’s internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting any disadvantageous treatment of any whistleblower.

\*There were 28 whistleblowing cases in fiscal year 2017.