

[Translation]

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To whom it may concern

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Notice Regarding Amendments of Corporate Governance Guidelines

J. FRONT RETAILING Co., Ltd. (the “Company”) resolved at a meeting of its Board of Directors held yesterday on the amendments of Corporate Governance Guidelines, as described below.

1. Summary of Amendments

Accompanying the shift in the organizational structure to a company with three committees (nomination, audit and remuneration committees) and the establishment of the new Group Vision, a content review has been carried out for the Corporate Governance Guidelines that were formulated and disclosed on December 25, 2015, with the goal of bringing about the best possible corporate governance practices.

The Company discloses these Guidelines to society at large with the belief that promoting constructive dialogue with all JFR Group stakeholders helps the JFR Group achieve sustainable growth while increasing corporate value over the medium to long term.

2. Main content of Amendments

- Upon the establishment of the new Group Vision, we newly formulated “JFR’s Approach to Corporate Governance,” which aims to increase corporate value by further spurring the promotion of initiatives for strengthening corporate governance.
- Content review of the “roles and responsibilities of the Board of Directors, etc.,” “rationale for adopting the company with three committees (nomination, audit, and remuneration committees) structure,” “composition of the Board of Directors, support structure, policy for appointments, and training” and formulation of the “roles of the three committees (nomination, audit and remuneration committees)” accompanying the shift in the organizational structure.
- Description of goal for voluntary adoption of the International Financial Reporting Standards and key financial indicators.
- Review of the “Risk Management System” aimed toward implementing growth strategies.

3. Publication of Corporate Governance Guidelines

The Guidelines will be available on the Company's website from today.

<http://www.j-front-retailing.com/company/governance.php> (Japanese)

<http://www.j-front-retailing.com/english/company/governance.php> (English)

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Corporate Governance Guidelines

Foreword

J. FRONT RETAILING Co., Ltd. (the “Company”) has established these Guidelines with the aims of ensuring sustainable growth of the overall corporate group which consists of the Company and its subsidiaries (the “JFR Group”), increasing corporate value over the medium to long term, and bringing about the best possible corporate governance practices with respect to the JFR Group.

These Guidelines are positioned as high-order regulations concerning corporate governance of the JFR Group, second only to the Companies Act of Japan, other applicable laws and regulations, and the Articles of Incorporation. Accordingly, the applicability of these Guidelines takes precedence over other JFR Group regulations.

These Guidelines have been established to set out the role of corporate governance of the JFR Group as of the date of their release, and as resolved by a meeting of the Company’s Board of Directors. However, we will maintain efforts to revise content of these Guidelines on a continual basis, with the aims of ensuring sustainable growth of the JFR Group, increasing corporate value over the medium to long term, and bringing about the best possible corporate governance practices with respect to the JFR Group.

We will disclose these Guidelines to society at large, and continue to engage in sincere and constructive dialogue with all JFR Group stakeholders in order to ensure sustainable growth of the JFR Group and increase corporate value over the medium to long term.

Chapter 1. General Provisions

1. JFR's Approach to Corporate Governance

Ever since its management integration, the JFR Group has been engaging in initiatives that involve strengthening its competitiveness and profitability as a multifaceted retailer operating multiple businesses and constructing a business model for growth along with regions in which it operates.

However, we now face the prospect of an increasingly obsolete business model and other substantial changes emerging in the business environment in this era of changes occurring at an accelerating rate after having achieved a track record of successes spanning back over the last 50 years. As such, we are now finding it more difficult to generate growth by remaining on the path prescribed in terms of our current business model, and accordingly view our present situation as a turning point with respect to possibilities for drastically altering the course being taken by Group management.

Amid such trends, the JFR Group has been giving thought to the notion of what it is that makes people happy, and has consequently drawn up its new Group Vision. This new vision reflects our commitment to helping people lead emotionally fulfilling lives by strategically seeking expansion in current fields of business and transforming our existing businesses in hopes of providing new forms of value with respect to lifestyles as well as means of seeking enjoyment.

Accordingly, with the Group Vision pointing us in the direction we ought to be headed, we have shifted to a company with three committees (nomination, audit and remuneration committees) organizational structure as part of our efforts to enhance our managerial framework in a manner geared to substantially transforming the JFR Group while also achieving discontinuous growth.

Taking advantage of this change in organizational structure, we aim to persist with efforts to enhance our corporate governance practices while also heightening our corporate value by pursuing outcomes of more substance.

2. Group Philosophy

(1) Basic Philosophy

We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.

(2) Group Vision

“Create and Bring ‘New Happiness’ to Your Life”

(3) JFR Way (The ideas that motivate us)

“Create the future”

We will create things that society and consumers have never before perceived as well as create new amazing and delightful things.

“Act on courage not fear”

We will take action without fear of failure, and we will all learn from the challenges we have faced.

“Embrace new ideas”

We will not succumb to an inward-looking approach, but instead will take a broader view developed by coming into contact with people, objects and events in the outside world.

“Think for yourself when taking action”

We will think for ourselves when taking action without waiting to be told, and will enthusiastically accomplish our goals.

“Act sensibly and honestly”

We will take action as members of society in a manner commensurate with a sense of social decency, while unwaveringly conducting ourselves with sincerity and honesty at all times.

(4) Commitments to Stakeholders

(Customers) We are committed to providing genuine satisfaction captivating customers by offering new value.

(Shareholders) We are committed to increasing corporate value over the long term by practicing highly profitable and highly efficient management.

(Business partners) We are committed to building the relations of trust by working hard together and aim to grow together.

(Employees) We are committed to ensuring rewarding workplace environments where employees’ performance and contributions are evaluated fairly and they can demonstrate their abilities, achieve growth, and have job satisfaction.

(Communities) We are committed to contributing to the development of the communities as well as promoting environmentally friendly business activities as a good corporate citizen.

3. Basic Ideas on Corporate Governance

(1) Role of Corporate Governance

We believe that ensuring sustainable growth of the JFR Group and increasing corporate value over the medium to long term is paramount to realizing ideals of the Group Philosophy. Accordingly, the role of corporate governance in the JFR Group must be to help enable us to realize the ideals of the Group Philosophy.

The Company assumes responsibility as a pure holding company for ensuring managerial transparency, soundness and compliance centered on corporate governance of the JFR Group, with the aim of realizing the ideals of the Group Philosophy.

(2) Relationship with Shareholders

Our shareholders are the providers of the Company’s capital and act as the main source of the JFR Group’s corporate governance. Accordingly, the Company respects shareholder rights

to the maximum extent (including those of minority shareholders and foreign shareholders), and substantively ensures their rights.

The Company treats its shareholders equitably and impartially, in accordance with types and numbers of shares held by shareholders. Moreover, neither the Company nor the JFR Group provides property benefits to any person, such that relate to the exercise of the rights of specific shareholders.

(3) Information Disclosure

We believe that promoting constructive dialogue with our shareholders and investors helps the JFR Group achieve sustainable growth while increasing corporate value over the medium to long term. The Company is committed to timely and appropriate disclosure of information premised on constructive dialogue, and through such initiatives maintains and develops trusting relations with its stakeholders.

The Company discloses important information of the JFR Group in a timely and appropriate manner, in accordance with Japan's Financial Instruments and Exchange Act and other such laws and regulations, as well as in accordance with rules for timely disclosure stipulated by financial instruments exchanges on which the Company's shares are listed. Even in cases where such laws, regulations and the timely disclosure rules do not apply, the Company recognizes information deemed useful to shareholders, investors and other stakeholders as important with respect to its corporate activities as called for by society. As such, the Company proactively discloses such information in an impartial and swift manner using appropriate means, and with the added aim of facilitating more extensive understanding regarding the JFR Group.

(4) Roles and Responsibilities of the Board of Directors, etc.

Directors, who are appointed by the shareholders and are entrusted with management of the Company, are to carry out the roles and responsibilities in the Board of Directors as listed below. They are to do so in accordance with of their fiduciary responsibility and accountability to shareholders, and with the aim of realizing the ideals of the Group Vision. Accordingly, these roles and responsibilities include:

- (i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, Group Medium-term Business Plan, 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;
- (ii) Appropriately making decisions in terms of overall policy and plans pertaining to Group management on the basis of the direction noted above and overseeing progress and results of the plans;
- (iii) Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- (iv) Taking steps to build and develop internal control systems of the JFR Group overall, and otherwise overseeing the operational status of such systems;
- (v) Overseeing conflicts of interest between related parties; and

- (vi) On the basis of summary reports furnished by the Nomination Committee, overseeing progress of senior management team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

The Company has recently adopted the company with three committees (nomination, audit, and remuneration committees). Rationale used in adopting this structure is as described below.

- (i) 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 strategic issues relating to the Group management.
- (ii) The Company will enable decisions of business execution to be delegated to Executive Officers, clarify the authority and responsibility, and carry out speedy management decision making.
- (iii) The Company will improve the transparency and objectivity of management by transitioning to a company with three committees (statutory committees of nomination, audit and remuneration). The majority of the members of each of these committees are outside officers.
- (iv) The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

Chapter 2. Relationships with Shareholders

1. Shareholders Meetings

(1) Positioning of Shareholders Meetings

The Company regards the Shareholders Meeting as its highest decision-making body, and at the same time views the Shareholders Meeting as an important opportunity to engage in constructive dialogue with its shareholders.

(2) Developing an Environment Appropriate for Exercising Voting Rights and Other Rights of Shareholders

The Company endeavors to develop an environment at its Shareholders Meetings, which is its highest decision-making body and enables its shareholders to appropriately exercise their voting rights and other rights of shareholders, as described below.

- (i) We give consideration to ensuring time for audits in the course of setting dates on which Shareholders Meetings are to be held and schedules otherwise in relation to Shareholders Meetings.
- (ii) 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 (with the aim of doing so 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 to the Company's website as early as practicably possible before sending out convocation notices.
- (iii) We upgrade the content of our convocation notices (containing sections that include the business report, financial statements, and reference materials for Shareholders Meeting) in a manner that provides our shareholders with a deeper understanding of the JFR Group and enables them to make appropriate decisions when exercising their voting rights. We also prepare English translations of our convocation notices and make them available so that our overseas investors are able to properly exercise their voting rights.
- (iv) We give consideration to ensuring that our shareholders are able to conveniently exercise their voting rights, including domestic and overseas institutional investors. To that end, we have adopted online and other means of exercising voting rights and otherwise use an electronic platform for exercising voting rights.
- (v) We act appropriately with respect to substantively ensuring that shareholders are able to exercise their rights to make proposals and other minority shareholder rights. Moreover, our Articles of Incorporation stipulate that a shareholder may exercise his or her voting rights by proxy upon completing the necessary procedures when a beneficial shareholder has filed to exercise rights as a shareholder beforehand.

(3) Analysis of Voting Results

The Company will analyze causes of opposition in situations where substantial numbers of voting rights have been exercised in opposition to a Shareholders Meeting proposal made by the Company, taking into consideration factors such as the content of the proposal, resolution requirements, the proposal in comparison with similar proposals made in the past, and the

percentage of voting rights exercised. Upon so doing, the Company will then respond by engaging in dialogue with shareholders and otherwise taking action deemed necessary, and will otherwise act on its findings by reviewing content of the subsequent fiscal year Shareholders Meeting proposal.

2. Capital Policy

(1) Basic Capital Policy

The Company believes that any increase in free cash flow 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 financial strategy (encompassing the capital policy) that heightens profitability of 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 income 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.

(2) 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.

(3) Respecting Rights of Shareholders In Cases Where Implementing Capital Policy Could Potentially Harm Shareholder Interests

The Company will take steps to ensure that interests of its existing shareholders are not unduly harmed should it engage in a management buyout or a large capital increase by means of third-party allotment of shares or should it otherwise implement capital policy that will bring about a change of controlling interests or a substantial dilution of shares. Accordingly, the Company will carefully consider the necessity and rationality of any such initiative at a meeting of the Board of Directors whose attendance shall include its Outside Directors who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders. Furthermore, the Company will fully explain

such matters to the shareholders and will otherwise ensure that all necessary and proper procedures are followed.

(4) **Basic Policy Regarding Control of the Company**

The Company believes it is necessary for parties controlling the Company's financial and business policy decisions to be parties who sufficiently understand financial and business specifics of the JFR Group and the JFR Group's corporate value, and who furthermore continuously and sustainably ensure the JFR Group's corporate value while enabling further improvement thereof.

The Company has not specifically stipulated so-called takeover defense measures involving concrete initiatives to be taken should a party attempt to acquire a large volume of the Company's shares and thereby damage the JFR Group's corporate value. However, the Company will act to prevent damage caused to the JFR Group's corporate value in the event that such a party attempting a large-scale acquisition emerges. Under any such scenario the Company will accordingly establish an independent committee whose membership is composed of its Outside Directors as well as experts who maintain viewpoints that are independent of the Company's Internal Directors. The Company will then consider advice and opinions of the committee as it acts to secure the JFR Group's corporate value by taking necessary and appropriate measures.

3. Cross-shareholdings

(1) **Policy on Cross-shareholdings**

The JFR Group reduces its cross-shareholdings as appropriate considering the market environment, share price trends and other such factors (cross-shareholdings are 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.

(2) **Validation of Rationale for Cross-shareholdings**

The Board of Directors validates the rationale for the JFR Group to maintain its major 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.

(3) **Policy on Exercising Voting Rights Regarding Cross-shareholdings**

Decisions with respect to voting on matters regarding cross-shareholdings are made from both of the following two perspectives: (1) we consider whether cross-shareholdings contribute to improving the sustainable growth and the corporate value over the medium to long term of the company whose shares are held; (2) we consider whether the cross-shareholdings contribute to improving the JFR Group's sustainable growth and corporate value over the medium to long term. We establish criteria for making rationale judgments, and also consider

the possibility of engaging in dialogue with companies whose shares we hold if necessary when we exercise voting rights.

4. Adoption of the International Financial Reporting Standards (IFRS)

The Group has adopted the International Financial Reporting Standards voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and ensuring accountability to domestic and overseas investors by improving the international comparability of financial information.

In monitoring our key financial indicators used in achieving objectives of the Medium-term Business Plan through efforts to realize our new Group Vision, we focus primarily on ROE for capital efficiency, consolidated operating profit for business profitability, free cash flows for profitability and stability, and ratio of equity attributable to owners of parent to total assets (equity ratio) for financial soundness.

5. Related Party Transactions

When engaging in transactions with Directors, the Company gains approval beforehand and reports afterwards pursuant to the provisions of Japan's Companies Act and the Rules of the Board of Directors. Moreover, we regularly verify whether or not there have been transactions between our officers and the JFR Group.

When conducting intra-group transactions involving listed subsidiaries and listed associates, we strive to ensure that no damage is incurred with respect to interests of any such company's minority shareholders. Accordingly, such transactions are generally to be carried out on the basis of business terms and conditions on par with those applicable to transactions conducted between independent parties.

Chapter 3. Information Disclosure

1. Constructive Dialogue with Shareholders and Investors

(1) IR Policy

Under the basic philosophy that “we aim at developing the Group by making a broad contribution to society as a fair and trusted business entity,” 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 aim to improve management transparency and help stakeholders better understand the Company.

(2) Promoting Constructive Dialogue

If a shareholder or investor makes a request to engage in constructive dialogue with the Company, either the President or another Director (including Outside Directors), or the Corporate Governance Promotion Division will properly respond, upon taking into consideration the intent and aims of the request.

(3) Sharing Information Laterally Across Departments That Support Constructive Dialogue

The Company develops structures for supporting constructive dialogue. Initiatives in that regard include engaging in organic collaboration among respective departments and sharing information among respective supervisory units of the Company and respective JFR Group companies, in the Group Management Meeting and other such forums.

(4) Improving Communications

The Company endeavors to improve communications by achieving timely disclosure and disseminating information via its website, while also pursuing initiatives that include holding financial results briefings, one-on-one meetings, briefing sessions for individual investors, meetings for overseas institutional investors and other such forums, and replying to daily inquiries made by shareholders and investors. Moreover, we conduct what is referred to as shareholder identification surveys to identify the Company’s shareholder ownership structure, thereby putting that information to use toward improving communications with our beneficial shareholders. The comments and requests received from shareholders and investors are shared widely among those in the Company and related JFR Group companies, and we draw on such feedback in the course of managing the Company with the aim of increasing our corporate value.

The Company works to further improve communications in order to build stable relationships of trust with its stakeholders, and has accordingly established the Corporate Governance Promotion Division as a department that integrates the three functions of investor relations (IR), shareholder relations (SR) and public relations (PR).

2. Appropriate Disclosure of Company Information

(1) Formulating and Disclosing the Group Vision, Group Medium-term Business Plan and Group Management Policy

The Company draws up business model, medium- to long-term strategy story that the JFR Group pursues, as well as the Group Vision, Group Medium-term Business Plan and Group Management Policy which indicate management benchmarks and other objectives, with the aim of realizing the Group philosophy. We release those documents in order to share such details with our shareholders, investors and other stakeholders.

(2) Methods of Information Disclosure

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 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 for Shareholders Meetings, integrated reports, timely disclosure information, financial information, and the Company website.

(3) Structures for Information Disclosure

Matters regarding important company information are presented for discussion at the Group Management Meeting, regardless of whether or not such information is to be disclosed. Matters involving such company information are presented for discussion at a meeting of the Board of Directors depending on the level of importance thereof, and disclosed in a timely and appropriate manner upon determining at such meetings the necessity of its disclosure. Meanwhile, upon any emergence of urgent company information that would not accord with the aforementioned procedures, that information is to be promptly disclosed after passing through the requisite organizational decision.

The Legal Division, Financial Strategy Unit and Corporate Governance Promotion Division handle the task of summarizing specifics of disclosure information, and the Legal Division or the Financial Strategy Unit handles clerical procedures of disclosure. Furthermore, the Corporate Governance Promotion Division responds to inquiries and other communications related to disclosure.

(4) Appropriately Managing Insider Information

With respect to company information, particularly significant event having an effect on investment decisions of investors, and information that is subject to timely disclosure requirements as stipulated by financial instruments exchanges, we develop structures for appropriately managing it by stipulating the Rules for Preventing Insider Trading that includes procedures for handling and managing such information, and responsible managers.

Moreover, in order to prevent the leakage of financial information and ensure fairness, the Company refrains from answering any questions concerning financial results during the quiet period from the day following the closing date of each quarter until the release of financial results. However, the Company will disclose information in a timely and appropriate manner if a significant amendment to business performance is necessary, even during the quiet period.

Chapter 4. Roles and Responsibilities of the Board of Directors, etc.

1. Approach to Allocating Authority

(1) Allocating Authority With Respect to Shareholders Meetings and the Board of Directors

The Shareholders Meetings are held for the purpose of deliberating on and resolving matters that include the election and dismissal of Directors, amendments to the Articles of Incorporation, and other matters as prescribed in the Companies Act of Japan and/or the Articles of Incorporation.

Of the matters that may be delegated to the Board of Directors under the Companies Act of Japan, the Board of Directors is to undertake the task of making decisions with respect to paying out dividends of surplus, making purchases of the Company's own shares and other matters where there is a need to ensure agile and professional business judgment.

Matters delegated to the Board of Directors are reviewed to determine if such matters may be appropriately delegated in order to ensure optimal corporate governance.

(2) Allocating Authority With Respect to the Board of Directors and the Management Team

The Board of Directors deliberates on and resolves matters defined in the Companies Act of Japan and/or the Articles of Incorporation, as well as the Group Vision, Group Medium-term Business Plan, Group Management Policy, matters relating to new business development and M&As. Moreover, the Rules of the Board of Directors stipulate that the Board of Directors is to determine matters to be resolved, consulted and reported before such meetings are held.

In order to speed up the decision-making and execution process, the task of determining matters of business execution other than the above is delegated to the management teams, with the exception of matters which have a material impact on Group management.

(3) Allocating Authority With Respect to the Holding Company and Business Subsidiaries

The Company is a pure holding company and, with the exception of authority for matters which have an impact on business of the JFR Group, it accordingly delegates authority to its respective business subsidiaries with respect to matters involving business execution by the business subsidiaries, in order 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. Accordingly, the Company:

- (i) Establishes corporate governance practices for the entire JFR Group;
- (ii) Plans and formulates the Group Vision, Group Medium-term Business Plan and Group Management Policy, and tracks the progress and results thereof;
- (iii) Optimally allocates the JFR Group's management resources;
- (iv) Establishes Group-wide risk management system and is involved in internal audits;
- (v) Makes decisions on important matters of business execution relating to management of the JFR Group; and
- (vi) Provides advice and approval for management policy and management strategy of respective operating companies, and oversees and evaluates progress thereof.

2. Board of Directors

(1) Composition of the Board of Directors

The Board of Directors of the Company is to be composed of an appropriate number of Directors, but no more than fifteen (15), as stipulated in the Articles of Incorporation (one-year terms of office). The membership is to include Representative Executive Officers, managing officers of the Company as a holding company, and managers of the major business subsidiaries. The membership is also to include multiple Outside Directors who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders, in order to improve the oversight function of the Board of Directors and ensure its effectiveness.

We take steps to ensure diversity with respect to the Board of Directors from the standpoint of separating oversight and execution and ensuring the effectiveness of the Board of Directors' discussions. To such ends, a majority of its membership consists of Directors who do not execute business (internal Directors who do not execute business and independent Outside Directors) with one-third or more of the Directors independent Outside Directors, while consideration is given to bringing about a balance of knowledge, experience and abilities within the Board of Directors as a whole.

(2) Composition and Roles of the Three Committees (Nomination, Audit and Remuneration Committees)

(i) Nomination Committee

The Nomination Committee is composed of three (3) Outside Directors, chairperson of the Board of Directors who do 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.

This committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders' meetings, seeks consultation from the Board of Directors, and reports to the Board of Directors regarding the nomination and dismissal of management personnel of the Company and its major business subsidiaries, as well as the nomination and dismissal of chairpersons and members of respective committees, and other matters.

(ii) Audit Committee

The Audit Committee is composed of three (3) Outside Directors and two (2) internal full-time Directors who do not execute business. In addition, at least one of the Audit & Supervisory Board Members must have appropriate knowledge of finance and accounting.

In the near term, the chairperson has been chosen from among internally promoted Directors who do not execute business from the standpoint of achieving a smooth transition from the Audit & Supervisory Board system.

In accordance with the overall policy and plan determined by the Board of Directors, the committee audits the execution of business by Directors and Executive Officers,

important matters submitted to the Board of Directors, and other individual matters that the Audit Committee considers necessary.

(iii) Remuneration Committee

The Remuneration Committee is composed of three (3) Outside Directors, chairperson of the Board of Directors who do 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 committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.

(3) Advisory Committees of the Board of Directors

The Company supplements the functions of the Board of Directors. In particular, the Company has established the advisory committee, in order to ensure effectiveness of the oversight function.

● Governance Committee

We have established the Governance Committee whose membership consists of the chairperson of the Board of Directors who represents the Board of Directors, Outside Directors who represent our stakeholders, Representative Executive Officers who represent the Executive Officers. The committee engages in free, open and constructive discussion and exchanges of views regarding issues of corporate governance and business management overall (this includes views with respect to Group governance of the Company and reforming the Board of Directors on the basis of evaluations thereof). Moreover, the committee endeavors to facilitate information sharing and collaboration of the Outside Directors.

(4) Board of Directors and Each Committee (Nomination, Audit and Remuneration Committees)

Support Structure

The Company has established the Board of Directors Secretariat (Board of Directors Secretariat, Nomination Committee Secretariat, Audit Committee Secretariat, and Remuneration Committee Secretariat) to enable sufficient discussion through effective operation of meetings among the chairperson of the Board of Directors and the chairpersons of the three committees, and accordingly promotes greater effectiveness of meetings of the Board of Directors and the respective committees through collaboration with the Corporate Governance Promotion Division. In that regard, the Company develops a support structure which handles the following:

- (i) Providing support for making decisions on plans of holding meetings of the Board of Directors, each committee, advisory committees and other such bodies;
- (ii) Providing support for making decisions on agenda items of the respective meeting structures and plans for annual deliberations;
- (iii) Arranging to provide briefings beforehand to the Outside Directors, and coordinating other information;

- (iv) Providing in-house feedback with respect to questions, opinions and other communications from the Outside Directors provided during prior briefings and other forums, and managing progress of tasks;
- (v) Making adjustments to materials for deliberations; and
- (vi) Preparing meeting minutes.

(5) Evaluating the Board of Directors

The Company understands that ensuring the effectiveness of the Board of Directors is of vital importance with respect to the JFR Group achieving sustainable growth and increasing corporate value over the medium to long term. Accordingly, we assess whether or not the Board of Directors is sufficiently effective through evaluations as described below.

(i) Items evaluated

Items evaluated include Board of Directors' composition and its operational status, agenda items, details of deliberations; the level of materials for deliberations and explanations of proposals; support structures for Outside Director; and effectiveness of activities of the three committees.

(ii) Evaluation methodology

Evaluation involves either self-assessment carried out by all Directors or third-party assessment carried out by a third-party organization.

(iii) Evaluation frequency

Evaluations are carried out periodically every year.

(iv) Evaluation results

Summaries of Board of Directors evaluation results are disclosed in the Corporate Governance Report.

3. Directors and Executive Officers

The Company believes that parties who assume management of the JFR Group should be equipped with the qualities described below, in accordance with the basic philosophy and Group Vision.

[Desirable qualities required of JFR Group managerial talent]

(i) Strategic mindset

The persons need to forge strategies from a medium- to long-term perspective and contemplate their own forward-looking and innovative solutions geared toward achieving goals through a process that involves proactively analyzing changes in markets and customers and taking a multifaceted approach in using such findings to gain insights into the essential challenges at hand.

(ii) Reform-oriented leadership

The persons need to pursue new initiatives underpinned by a desire to take on challenges without becoming caught up with precedent or past experiences. Furthermore, they need to foment a healthy sense of urgency within the organization without any fear of risk while promoting a transformative course of action.

(iii) Tenacity for achieving results

The persons need to have a sense of mission and a desire to take on challenges with respect to achieving lofty goals, thereby holding course until goals are achieved and persevering until efforts lead to results.

(iv) Organization development strengths

The persons need to generate results through efforts that involve making the utmost of the organization's inherent energy and initiative by instilling their team members with a sense of vision and strategy for achieving the organization's objectives and spurring the organization's various elements (including its business operations, mechanisms, corporate culture and human resources).

(v) Human resource development strengths

The persons need to maximize the growth potential of their team members by taking a series of approaches that involve assigning challenges to team members, retrospectively evaluating their results and drafting training plans, all on the basis of a career development mindset premised on the notion that "individuals achieve growth through the work that they pursue."

Based on the above, our policy for nominating and appointing Directors and Executive Officers is as follows.

(i) Internal Directors who do not execute business

We appoint individuals who are well informed about internal information based on their extensive experience in the respective business of the JFR Group, and who are expected to effectively ensure objective management oversight. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan.

The chairperson of the Board of Directors, with the aim of further enhancing the oversight function while ensuring smooth operation of the Board of Directors, and the full-time members of the Audit Committee, with the aim of maintaining and improving audit accuracy by bringing about a smooth transition from our Audit & Supervisory Board Member system, are respectively appointed from among Directors who do not execute business. One of the full-time members of the Audit Committee has been appointed to act as the chairperson of the Audit Committee for the time being.

(ii) Outside Directors

We appoint individuals who are expected to furnish advice and perform the oversight function on the Board of Directors by drawing on points of view and perspectives that vary from those of our Internal Directors. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must offer a sense of pragmatism along with a high-level overview and sweeping perspective of business based on abundant experience as corporate managers; and they must have careers outside the retail industry or have a global managerial background or extensive expertise in finance, accounting, legal affairs etc.

For the position of Outside Director, we nominate those who meet our "5. Criteria for Determining Independence of Outside Directors," in this Chapter, to thereby avoid the prospect of any conflicts of interest arising with the Company's shareholders.

(iii) Executive Officers

We appoint individuals who are expected to steadily and swiftly carry out business execution on the basis of corporate management policy as determined by the Board of Directors. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must have extensive experience in the respective businesses of the JFR Group; and they must have a profound understanding of the JFR Group's operating environment (including its challenges).

The Company has stipulated appointment of a number of Executive Officers with specific titles in addition to the Representative Executive Officers. These individuals are to provide control, direction and oversight of business executed by the Executive Officers, acting as persons responsible for making fundamental and final decisions pertaining to business execution.

4. Human Resources and Remuneration and Other Matters Involving Directors and Executive Officers

(1) Procedures for Nominating and Appointing Directors and Executive Officers, and Disclosure in That Regard

Matters involving human resources with respect to Directors and Executive Officers of the Company and its major business subsidiaries are carried out on the basis of the aforementioned policy for nominations and appointments, and such decisions are made in accordance with results of managerial talent evaluations performed by a third-party organization. To ensure transparency and objectivity in the decision-making process, a majority of the Nomination Committee members are Outside Directors, and the committee is chaired by an Outside Director. The committee is tasked with deliberating on such matters and making decisions in that regard, and then reporting such details in response to the request of the Board of Directors.

In our convocation notices for Shareholders Meetings (in the Reference Materials for Shareholders Meeting section), we disclose our rationale for appointing candidates for the position of Director and the status of officers from other listed companies who are concurrently serving in those positions.

(2) 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.

- (i) Contribute to the sustainable growth of the JFR Group and increase corporate value over the medium to long term.
- (ii) 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.

- (iii) Remuneration levels that can secure and retain personnel who have the desirable managerial talent qualities required by the Company.
 - (iv) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
 - (v) Enhanced transparency and objectivity in the remuneration determining process.
- (3) 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. 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 based on external conditions during the period of the Medium-term Business Plan.
- (4) Training of Directors and Executive Officers
- We continuously provide opportunities to Directors and Executive Officers to acquire and update knowledge they need to fulfill their roles and responsibilities with respect to oversight, auditing, business execution and other tasks.
- We arrange briefings for Directors who do not execute business and Outside Directors, when they are appointed as well as on a continuous and regular basis, providing details on the basic philosophy, Group Vision, Group Medium-term Business Plan and Group Management Policy, and also featuring content that includes details of JFR Group operations, its performance, financial standing and operational status.
- We provide Executive Officers with useful information regarding corporate governance, risk management and Group management, mainly when they are appointed. Furthermore, we establish and implement training plans tailored to individuals, taking into account results of managerial talent evaluations performed by a third-party organization.
- We also enhance the business execution capabilities of our management team and implement scheduled initiatives to develop the next generation. This involves providing individual executive coaching for our management team to develop leadership, holding training sessions geared to candidates for management personnel including Executive Officers, and implementing training that entails enhancing ingenuity with respect to carrying out the medium-term plan.
- (5) Management Team Succession Planning
- The Nomination Committee seeks consultation from the Board of Directors with respect to plans for training and selection of Chief Executive Officer candidates and with respect to plans for training the next generation of management team. The committee also engages in ongoing and scheduled deliberations on such matters, and reports summaries of progress in that regard to the Board of Directors.

5. Criteria for Determining Independence of Outside Directors

In appointing the Company's Outside Directors, we select individuals who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders. An individual does not meet the criteria for independence if one or more of the items listed below apply to that individual.

- (i) Person who executes business in the JFR Group
- (ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi), below)
- (iii) Major business partner of the JFR Group
- (iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the JFR Group
- (v) Recipient of donations of more than a certain amount contributed by the JFR Group
- (vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer appointment with the JFR Group
- (vii) Person with respect to whom any of items (i) to (vi) has applied at any point over the last five years
- (viii) Spouse or relative within the second degree of consanguinity of a person with respect to whom any of the items (i) to (vii) applies

With respect to the above, "person who executes business" refers to an Executive Director, an Executive Officer, and other employees; "major shareholder" refers to a shareholder who holds voting rights accounting for no less than 10% to the Company's voting rights; "major business partner" refers to a business partner whose transactions with the JFR Group account for 2% or more of the Company's annual consolidated net sales or the business partner's annual net sales for any of the fiscal years over the last five years; "a certain amount" refers to an annual amount of 10 million yen in any of the fiscal years over the last five years.

6. Accounting Auditor

- (1) Policy for Decisions of the Audit Committee on Proposals for Election, Dismissal and Non-reappointment of the Accounting Auditor

The Audit Committee draws up criteria in advance for selecting and evaluating the Accounting Auditor, that is composed of matters relating to the auditor's independence, expertise and other aspects of executing the audit, with the aim of ensuring that the Accounting Auditor properly carries out the audit. On the basis of that criteria, the Audit Committee sufficiently exchanges views with the management team, and then makes decisions on proposals for election, dismissal and non-reappointment of the Accounting Auditor that are submitted to the Shareholders Meeting.

The Audit Committee is to take necessary measures that include dismissing the Accounting Auditor upon resolution of the committee, or otherwise making a decision on proposals to dismiss or not reappoint the Accounting Auditor submitted to the Shareholders Meeting, in the event that the Audit Committee deems it appropriate to dismiss or otherwise not reappoint the Accounting Auditor either if there are grounds for dismissal as provided for in Article 340, Paragraph 1 of the Companies Act of Japan, or if a situation arises whereby the audit of the

Company has been significantly impeded such as would be the case if the supervisory authorities were to issue an order requiring suspension of auditing activities.

(2) Developing Structures for Supporting Effective Audits Performed by the Accounting Auditor

To provide support for enabling effective audits performed by the Accounting Auditor, the Company develops structures for:

- (i) Ensuring that content of audit plans proposed by the Accounting Auditor is respected and allowing sufficient time to perform the audit, in order to enable high-quality audits;
- (ii) Arranging discussions between the Accounting Auditor and Representative Executive Officers and relevant Executive Officers on a regular basis (about two times per year);
- (iii) Arranging meetings between the Accounting Auditor and Audit Committee members and Internal Audit Division for the purpose of sharing information and exchanging views on a regular basis (about six times per year) in order to heighten effectiveness with respect to audit accuracy; and
- (vi) Enabling the Audit Committee to perform necessary investigations upon receiving a report from the Accounting Auditor detailing instances of material improprieties and illegal acts related to the execution of duties of Directors and Executive Officers; and enabling the Audit Committee to take necessary measures in that regard, that include reporting, furnishing advice and providing recommendations to the Board of Directors.

7. Risk Management System

(1) Basic Ideas on Risk Management

The Company regards risk as uncertainty embodied by the effects of an organization's profit or loss, and accordingly defines risk management as the notion of engaging in initiatives seeking to maximize returns by taking risks while keeping the potential negative effects of risk in check.

In order to effectively manage risk, we have established a three-tiered system of checks performed in-house, as follows:

- (i) Tier 1: On-site checking performed on a daily basis by business subsidiaries and other such entities
- (ii) Tier 2: Checking performed on a routine basis via administrative departments of the head office and via meeting frameworks and other such forums that enlist the involvement of management teams
- (iii) Tier 3: Checking from an independent viewpoint performed on a routine basis by the Internal Audit Departments

(2) Developing and Maintaining Internal Control Systems

The Company has established the Policy on Developing Internal Control Systems with the aim of ensuring appropriateness of operations performed by the entire JFR Group. Accordingly, we take steps to facilitate the JFR Group's sustainable growth and increase corporate value over the medium to long term through specific initiatives geared toward promoting the policy.

(3) **Overseeing and Disclosing the Operational Status of Internal Control Systems**

The operational status of internal control systems of the overall JFR Group is reported to the Board of Directors regularly (about two times per year) and in a timely manner, and the Board of Directors engages in appropriate oversight in that regard. Moreover, summaries of the operational status are disclosed in our convocation notices for Shareholders Meetings (in the Business Report section).

(4) **Risk Management Committee**

The Company has newly established the Risk Management Committee under its management execution framework as a separate organization entity from the former Compliance and Risk Management Committee so that it can better systematically manage and address risks as a whole from a Group-wide perspective, particularly with respect to risk related to positive strategies that are geared to tapping growth opportunities.

Drawing on extensive specialized knowledge of committee members chosen from among respective supervisory units, the Risk Management Committee assesses a variety of risks, prepares necessary measures, instructs departments to take charge of implementing such measures, and monitors progress in that regard.

Risk Management Committee reports details of its deliberations to the Audit Committee regularly and in a timely manner.

8. Compliance

The Company has established the Compliance Committee, whose membership includes corporate lawyers, for the purpose of addressing issues of JFR Group compliance management practices.

The Compliance Committee draws up a policy for addressing matters involving serious compliance-related violations, continuously oversees development of the foundations of compliance system and the status of implementation through enhanced collaboration with departments in charge of promoting compliance of each Group company, and promotes compliance with laws and regulations, corporate ethics, and other such standards.

The Compliance Committee also reports details of its deliberations to the Audit Committee regularly and in a timely manner.

9. Whistleblowing System

The Company has established a whistleblowing system that enables all JFR Group officers and employees as well as all individuals working at the JFR 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 (corporate lawyers).

The JFR Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting disadvantageous treatment thereof.

Supplementary Provisions

Resolution of the Board of Directors is required to revise or abolish these Guidelines (with the exception of minor changes, etc.).

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