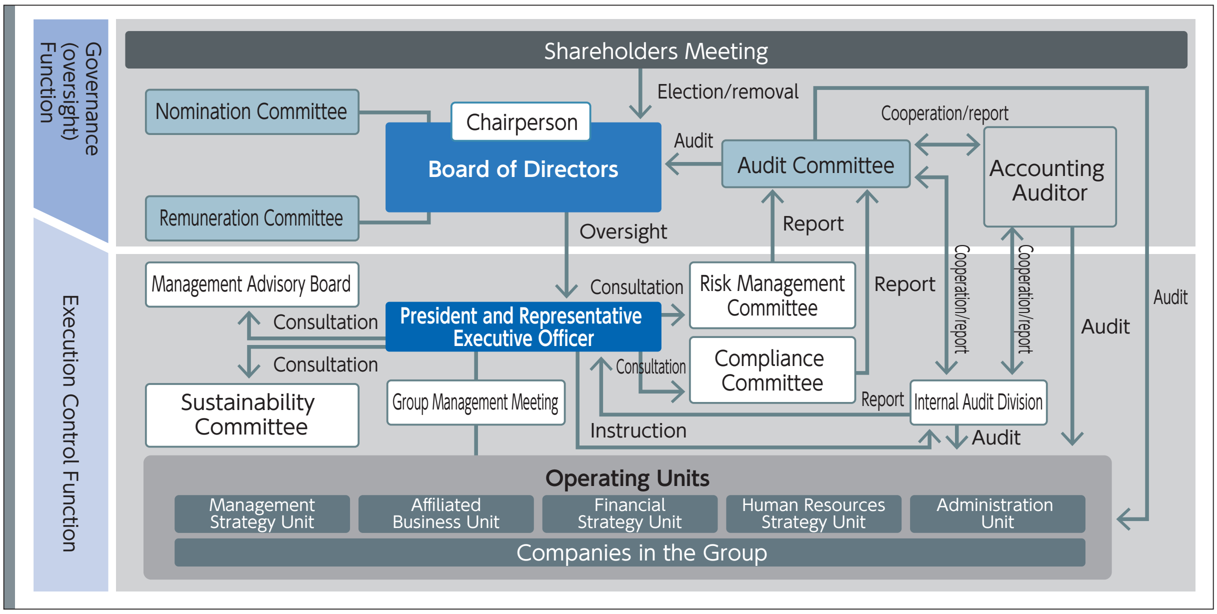
Corporate Governance

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.

As part of these efforts, 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 by:

(1) Strengthening of the management oversight function by separating oversight from execution;
(2) Greater clarity of authority and responsibility in business execution and promotion of agile management;
(3) Improvement of transparency and objectivity of management; and
(4) Building of a globally applicable governance system.



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, Group Medium-term Business Plan and 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
- 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 five supervisory units (Management Strategy 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

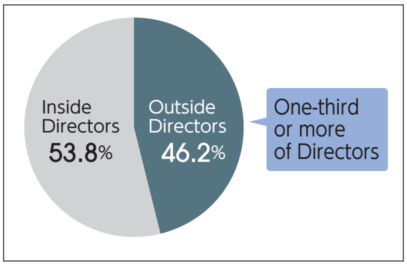
Directors who are elected by shareholders and are entrusted with the management of the Company are to carry out the following roles and responsibilities in the Board of Directors in accordance with their fiduciary responsibility and accountability to shareholders with the aim of realizing the Group Vision:

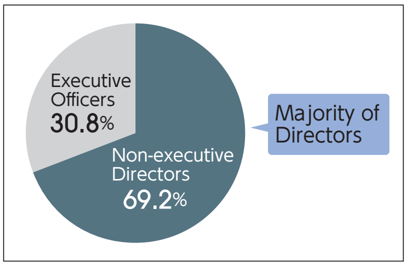
- Indicating the overall direction that the Group management is to take by engaging in constructive discussions with respect to the Group Vision, Group Medium-term Business Plan, Group Management Policy and other fundamental management policies and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Making appropriate 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 (six of whom are independent Outside Directors) as of May 23, 2019 and the term of office is one year.

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. In appointing Outside Directors, we confirm, in accordance with the Criteria for Determining Independence of Outside Directors set by the Company, that nominees are highly independent not being susceptible to conflicts of interest with the Company's shareholders.





As of May 23, 2019

(3) Matters discussed at the Board of Directors meetings in fiscal year 2018

In fiscal year 2018, the Board of Directors had 14 meetings to deliberate and resolve: the "progress of the Medium-term Business Plan" as strategic discussion for the medium- to long-term growth of the Group; the "growth strategy of the Credit and Finance Business" and the "development plan of Sakae Kadochi in Nagoya" as discussion concerning individual growth businesses; the "validation of rationale for cross-shareholdings and sales of such shares" and the "basic policy to build internal control systems" as discussion concerning corporate governance; the "Group human resources strategy" and the "initiative for strategic ESG corporate management" as discussion to strengthen operating foundations; the "closure of the Daimaru Yamashina Store", the "closures of Utsunomiya Parco and Kumamoto Parco" and the "subscription of the share buyback planned by Senshukai and the dissolution of the capital tie-up therewith" as discussion on 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. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. The Nomination Committee determines the content of the proposals relating to the election and dismissal of Directors to be submitted to the Shareholders Meeting as well as the content of the reports relating to the election and dismissal of the members of the management teams of the Company and Daimaru Matsuzakaya Department Stores and the appointment and removal of the chairpersons and members of each of the statutory committees to be submitted to the Board of Directors.

(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. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. The Audit Committee effectively audits the efficient performance of duties by Executive Officers and Directors in compliance with applicable laws and regulations as well as the Articles of Incorporation and in line with the Company's Basic Mission Statement and the Group Vision, and thus provides necessary advice and recommendations. In addition, the Audit Committee audits the building and operation status of internal control, and prepares audit reports.

In addition, the Audit Committee oversees accounting auditors to ensure the reliability of accounting information and determines the content of proposals relating to the election and dismissal of accounting auditors to be presented to the Shareholders Meeting.

(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 individual remuneration of management personnel of the Company and Daimaru Matsuzakaya Department Stores and the content of remuneration.

Management Advisory Board

In January 2019, the Company reorganized the Governance Committee that had been held as an optional advisory committee to discuss corporate governance-related issues and then newly established the Management Advisory Board that is composed of President and Representative Executive Officer, all Outside Directors, and Chairperson of Board of Directors. The Management Advisory Board freely, vigorously, and constructively discusses and exchanges opinions about various issues concerning corporate governance and overall corporate management; and works to share information and facilitate cooperation with Outside Directors.

Succession planning

The selection of the chief executive officer is the most important strategic decision-making and the Company positions the development and implementation of

Committees and their respective members

				Length of office as Director	3 Statutory Committees			Management Advisory Board
					Nomination Committee	Audit Committee	Remuneration Committee	
Outside Directors (6)	Non-executive (9)	TACHIBANA FUKUSHIMA Sakie*		Approx. 7 years	◎		○	○
		OTA Yoshikatsu		Approx. 4 years	○		◎	○
		ISHII Yasuo		Approx. 2 years	○		○	○
		NISHIKAWA Koichiro		Approx. 2 years		◎		○
		SATO Rieko *		Approx. 1 year		○		○
		UCHIDA Akira		Newly appointed		○		○
Inside Directors (7)		KOBAYASHI Yasuyuki	Chairperson of Board of Directors	Approx. 6 years	○		○	○
		TSUTSUMI Hiroyuki		Approx. 2 years		○		
		MURATA Soichi		Newly appointed		○		
	Executive (4)	YAMAMOTO Ryoichi	President and Representative Executive Officer	Approx. 11 years and 9 months	○		○	◎
		YOSHIMOTO Tatsuya	Representative Managing Executive Officer	Approx. 6 years				
		MAKIYAMA Kozo	Managing Executive Officer	Approx. 6 years				
		WAKABAYASHI Hayato	Managing Executive Officer	Approx. 3 years				

*Female

As of May 23, 2019

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, 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 implemented based on the evaluation determined through highly objective deliberations by the Nomination and Remuneration Committees on the submitted data of differences among the goals set, expected results and actual results (e.g. annual performance and strategy execution status).

Evaluation of the Board of Directors

Evaluation methodology

The evaluation was performed through deliberations by the Board of Directors based on the report prepared by a third-party organization containing summaries and analyses of the results of "individual interviews" conducted for all (both Inside and Outside) Directors based on preliminary questionnaires and "direct observation of the Board of Directors through attendance of its meetings."

Items evaluated

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.

Evaluation results are shared between Directors and they discuss the solutions to the issues found from the evaluation to continually improve the effectiveness of the Board of Directors.

Evaluation results and countermeasures

The fourth evaluation of the Board of Directors conducted from October to November 2018 identified continuous improvements of the Company's initiatives both formally and practically. On the other hand, some items lowered evaluation points. We recognize that this is not because of a decrease in the effectiveness of the Board of Directors, but because of a heightened expectation for a fundamental solution to issues in order to enhance the corporate value since the framework of the corporate governance system has been already established at the high level.

The Company will continue to share issues based on the evaluation of the Board of Directors to enhance the effectiveness of the entire Board of Directors.

First (2015) to third (2017)

Issues

- Creation of a mechanism to improve proposals
- Focus on corporate strategy proposals
- Review of decision making process
- Strengthening of the function of the committees
- Strengthening of execution

Actions

- Clarification of the roles of the Board of Directors
- Revision of the Board of Directors rules (Clarification of criteria for proposals)
- Shorter explanation for proposals and longer time for discussion
- Prior explanation given to all Outside Directors
- Classification of proposals (Establishment of "discussion" in addition to resolution and report)
- Setup of the Governance Committee and sophistication of discussions
- Improvement of materials (by using format)
- Appointment of external management human resources to ensure speedy facilitation of strategies

Groundwork to enhance the effectiveness

Fourth (2018)

Issues

- Strengthening of discussion of important proposals
- Continuous initiatives to enhance the effectiveness of the Board of Directors
- Strengthening of the function of the Audit Committee
- Strengthening of execution

Actions

- Increase in proposals of important issues (Group strategies, business portfolio, capital policy, resource allocation)
- Strengthening of the monitoring function of the Medium-term Business Plan
- Review of development method of yearly agenda plan
- Setup of the Management Advisory Board that discusses not just governance issues but various other management issues
- Improvement of materials (Enhanced clarification of discussion points, sharing of deliberation status of Management Meetings)

Essential solution to issues to enhance corporate value

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.

3 Remuneration composition for Executive Officers and Non-executive Directors

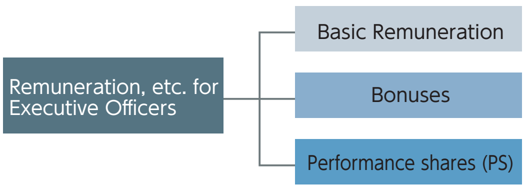
【Basic remuneration】(monetary remuneration)

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.

【Restricted stock】(non-performance-linked stock-based remuneration)

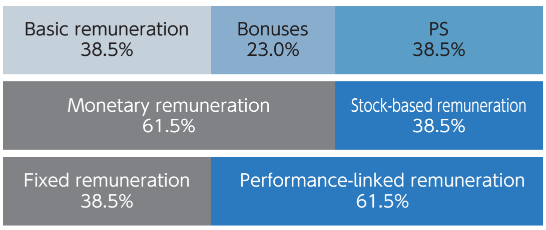
Restricted stock is a system for issuing the Company's shares in a way that is not linked to performance with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen the aggressive and defensive governance of the Company from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

Executive Officers

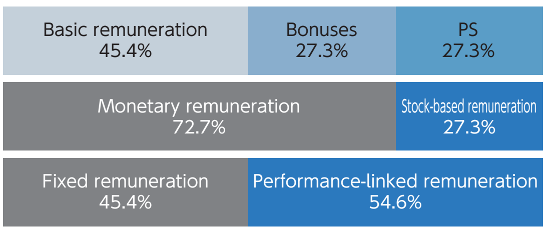


Proportion of remuneration by type for Executive Officers of each rank

【President】



【Executive Officers excluding President】



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	–	○	

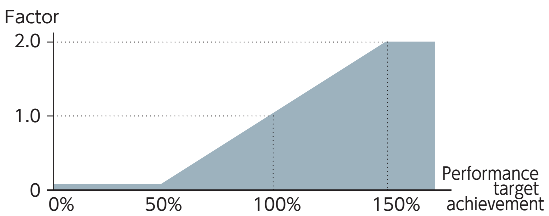
Note: KPI stands for Key Performance Indicator.

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 of performance-linked factor

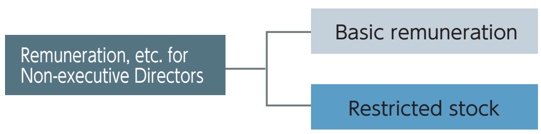
Performance target achievement	Performance-linked factor
150% or more	2.0
50% or more but less than 150%	(Actual results ÷ Target – 0.5) × 2
Less than 50%	0

Image of changes in performance-linked factor



Note: When performance target achievement is less than 50%, performance-linked factor is 0 (0%), and when performance target achievement is 150% or more, performance-linked factor is 2.0 (200%).

Non-executive Directors



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.

The dismissal of senior management team members is also determined based on deliberations by the Nomination and Remuneration Committees 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" for the purpose of hedging against possible risks.

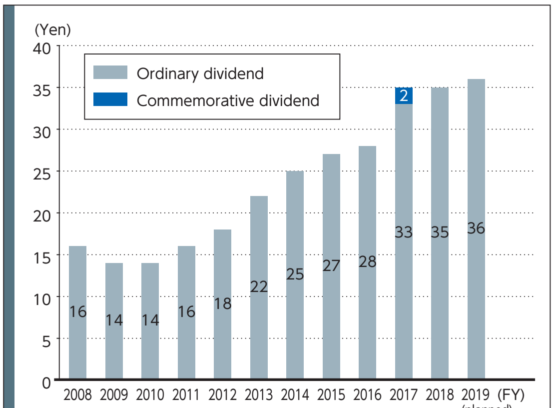
Moreover, in procuring funds through interest-bearing debt, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance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

A "business strategy" to achieve an increase of profitable sales 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 duly return profits to shareholders. 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 such factors as profit levels, future capital investment and free cash flow trends 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.

Changes in annual dividend per share (Yen)



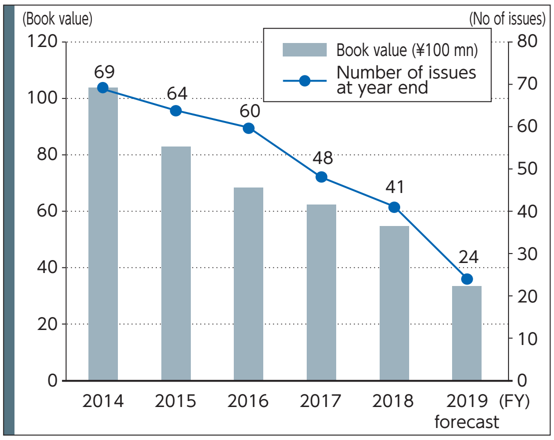
*These annual dividends per share are adjusted retroactively, reflecting the consolidation of shares.

Policy on Cross-shareholdings

The Group reduces its cross-shareholdings as appropriate considering such factors as the market environment and share price trends (cross-shareholdings are the holdings of listed shares, other than those of subsidiaries and associates, which are not held for pure investment purposes). However, if the Company receives any request for a cross-shareholding from a local government or any company based in the area where the Company will promote its key strategy, the Urban Dominant strategy, executives will thoroughly examine the appropriateness of such cross-shareholding from a perspective of "Coexistence with Local Communities," one of our key ESG materiality issues.

The Board of Directors validates the rationale for the Group to maintain its principal cross-shareholdings on a yearly basis from both qualitative and quantitative perspectives. From qualitative perspectives, 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. From quantitative perspectives, the Board of Directors examines whether the profitability, including dividends and income from related sales, exceeds cost of capital for each of the issues of cross-shareholding.

Changes in number of issues of cross-shareholdings and their book value



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. If necessary, we engage in dialogue with companies whose shares we hold when we exercise voting rights.

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 upon which they will exercise their voting rights. To that end, we send convocation notices of the Shareholders Meeting as early as possible (at least three weeks prior to the date of the meeting) and at the same time we post notice details on financial instruments exchanges' and the Company's websites as early as practicably possible before sending out the convocation notices. The convocation notice of the 12th Annual Shareholders Meeting was made available on financial instruments exchanges' and the Company's websites 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.

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 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 publishes on its website a presentation video and materials and a Q&A summary of financial results presentations and an ESG presentation, and a Q&A summary of financial results teleconferences both in Japanese and English as promptly as possible.

The Company's efforts to improve communication include timely disclosure and information dissemination 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.

Risk management and compliance

The Company has established the "Risk Management Committee" within its execution system in order to manage and address strategic and other risks as a whole systematically from a company-wide perspective. The Risk Management Committee manages and addresses risks as a whole systematically from a group-wide perspective, including risks associated with positive strategies in order to ensure growth opportunities, and makes management decisions specifically focusing on risk management. The Committee is chaired by President and Representative Executive Officer and consists of members such as the Senior Executive General Managers of the supervisory units and the presidents of main operating companies. The Committee assesses a variety of risks, instructs a business unit in charge to develop and implement necessary measures,

Major dialogue activities with investors in fiscal year 2018

Item		Remarks
Financial results presentations for institutional investors/analysts (explanation of results and business management)	Twice	Posted a streaming video and a Q&A summary of each presentation in Japanese and English on the Company's website.
Financial results teleconferences for institutional investors/analysts (1Q and 3Q)	Twice	Posted a Q&A summary of each presentation in Japanese and English on the Company's website.
ESG presentation for institutional investors/analysts	Once	Posted a streaming video and a Q&A summary of each presentation in Japanese and English on the Company's website.
Store tours for institutional investors/analysts	Once	Held a store tour of Ginza Six for overseas investors.
Overseas IR	3 times/45 companies	1 time each in Europe, North America and Asia.
Conferences hosted by securities companies (in Japan and overseas)	4 times/41 companies	3 times in Japan and 1 time overseas.
Individual meetings for institutional investors	163 times	Held mostly by visiting or inviting them and sometimes via teleconference.
Briefings for individual investors	16 times	7 times in Tokyo, 3 times in Osaka, 2 times in Nagoya, and 1 time each in Saitama, Sapporo, Kobe and Kyoto.

and monitors the progress thereof by using extensive specialized knowledge of the Committee members chosen from among the supervisory units.

Changes in business environment are considered unavoidable uncertainties for companies. However, the Company recognizes such uncertainties, that is, risks, which entail both "opportunities" on the positive side and "threats" on the negative side, and is working to manage risks associated with strategies listed in the Medium-term Business Plan both from the perspectives of "risk hedging" and "risk taking" toward achieving growth.

In the fiscal year 2019, the Company extracted 137 risks in total relating to the Group and, out of them, identified 15 as "business risks" that require special attention. In addition to these, in recent years we have seen more abnormal weather patterns and typhoons, floods and other natural disasters resulting from the global warming, while there have been growing concerns about the world political instabilities and economic slowdown which are deemed to greatly impact financial risks. Under such circumstances, as a matter of high priority, the Company is also identifying and addressing such risks in relation to natural hazards and financial risks as they could have a potentially considerable impact on the Group's business activities.

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, chaired by the President and Representative Executive Officer, draws up a policy for addressing matters involving serious compliance-related violations, continuously oversees development of the foundations of the 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 the observance of laws and regulations, corporate ethics and other such standards.

Both Committees report details of their deliberations to the Audit Committee regularly and in a timely manner.

JFR Group Compliance Hotline

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.