

Corporate Governance

1. Basic stance

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

In order to maintain the proper mindset that will allow us to realize our corporate philosophy, we put in place the Code of Conduct. This Code expresses how we should think and act to achieve our stated goals.

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

(Reference) Major initiatives to strengthen corporate governance

2007	• Abolished retirement benefits for officers
2008	• Adopted an executive officer system
2013	• Appointed one outside director (four internal directors, one outside director)
2015	• Appointed a second outside director (four internal directors, two outside directors) • Formulated and disclosed the Corporate Governance Policy • Sold all cross-shareholdings
2016	• Transitioned to the Company with an Audit and Supervisory Committee structure • Established the Nomination and Compensation Committee • Appointed a third outside director (four internal directors, three outside directors) • Undertook an evaluation of the effectiveness of the Board of Directors and disclosed results
2017	• Adopted a restricted stock compensation plan • Abandoned measures to prevent hostile takeovers

2. Corporate governance framework

Guided by the aforementioned basic stance, UNITED ARROWS LTD. decided to adopt an Audit and Supervisory Committee structure as its corporate governance framework. The purposes for adopting this structure is to bolster the monitoring function of the Board of Directors and to accelerate the pace of decision making by utilizing outside directors, who do not directly engage in the execution of business, and properly delegating authority.

In addition, the Company established the Nomination and Compensation Committee, which is mainly comprised of independent outside directors. This structure is designed to reinforce the independence, objectivity, and accountability of the Board of Directors by ensuring the integrity of the nominating process and compensation paid.

Board of Directors

The Board of Directors is comprised of nine directors (three of whom are independent outside directors) who in principle meet once a month. Meetings of the Board of Directors are attended by directors who are not Audit and Supervisory Committee members as well as directors who are Audit and Supervisory Committee members. The Board makes decisions on legal and regulatory matters as well as important matters set forth in the bylaws governing the Board of

Directors. The Board is also responsible for supervising and overseeing business execution. UNITED ARROWS LTD. has developed a framework conducive to efficient business execution, with the Board of Directors holding extraordinary meetings whenever necessary and directors meeting individually to discuss matters when required.

Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of three directors who are Audit and Supervisory Committee members. The Committee determines policies relating to audits and related activities in accordance with the regulations of the Audit and Supervisory Committee. Moreover, the Committee prepares audit reports based on explanations provided by each Audit and Supervisory Committee member, directors who are not members of the Audit and Supervisory Committee, and the accounting auditor. By ensuring that all three Audit and Supervisory Committee members are outside directors, positive steps are being taken to secure the transparency of management and to ensure that a proper structure is in place to oversee and audit the Company as a whole. As of March 31, 2019, Audit and Supervisory Committee members did not hold shares in the Company. Accordingly, UNITED ARROWS LTD. is confident that there are no conflicts of interest from a personal, business, or any other perspective.

Nomination and Compensation Committee

UNITED ARROWS LTD. has established the Nomination and Compensation Committee. In order to reinforce the independence, objectivity, and accountability of the Board of Directors and to ensure the integrity of the nominating process and compensation paid, the Committee is comprised of three independent outside directors and one representative director.

Executive Officer System

UNITED ARROWS LTD. adopted an executive officer system in July 2008. To allow the Board of Directors to concentrate on decision making with respect to important matters relating to business operations and to supervise and oversee the execution of business activities, executive officers are appointed to assume responsibility for the executive function. Substantial authority is delegated by the Board to allow executive officers to carry out their duties in a timely fashion. At the same time, steps are being taken to bolster the decision making and supervisory functions of the Board of Directors.

Outline of the corporate governance framework	as of June 21, 2019
Organizational format	Company with an Audit and Supervisory Committee
Chairman of the Board of Directors	Representative Director, President and CEO
Directors (excluding directors who are Audit and Supervisory Committee members)	Six (none of whom are outside directors)
Directors who are Audit and Supervisory Committee members	Three (all of whom are outside directors)
Independent officers [*]	Three outside directors
Average age	51.1 years
Number of Board of Directors' meetings held during the fiscal year ended March 31, 2019	18
Number of Audit and Supervisory Committee meetings held during the fiscal year ended March 31, 2019	13
Number of Nomination and Compensation Committee meetings held during the fiscal year ended March 31, 2019	4

^{*} Yukari Sakai, Gaku Ishiwata, and Hidehiko Nishikawa satisfy the qualifications for independent officers stipulated by Tokyo Stock Exchange, Inc. as well as the "Independence Determination Standards for Independent Officers" of the Company. Although the Company registered Yukari Sakai and Hidehiko Nishikawa as independent officers with the Tokyo Stock Exchange, Gaku Ishiwata has not been registered as such due to the internal regulations of the law firm to which he belongs.
Please refer to the Company's Corporate Governance Policy (Japanese only) for details regarding its "Independence Determination Standards for Independent Officers."
www.united-arrows.co.jp/corporate/governance.html

Policies and Procedures for Nominating Directors

Nomination policies

The policy for the nomination of internal directors (“Policy 1” hereinafter) is to nominate individuals with a strong commitment to accomplishing goals and exceptional management skills, which should be founded on their experience, exceptional insight, and sophisticated expertise. The goal of this policy is to nominate individuals that can help realize sustainable growth and increase corporate value over the medium to long term in accordance with the Company Policy.

The policy for the nomination of outside directors (“Policy 2” hereinafter) is to nominate individuals with a wealth of experience, exceptional insight, and sophisticated expertise. The goal of this policy is to nominate individuals that can help realize sustainable growth and increase corporate value over the medium to long term in accordance with the Company Policy while monitoring and supervising management from an independent standpoint.

Nomination procedures

In accordance with Policy 1 and Policy 2 above, the procedure for nominating directors who are not Audit and Supervisory Committee members entails nominations being decided through resolution of the Board of Directors after consultation with the Nomination and Compensation Committee. Attributes of candidates such as gender and nationality will be not be considered in this process.

In accordance with Policy 1 and Policy 2 above, the procedure for nominating directors who are Audit and Supervisory Committee members entails nominations being decided through resolution by the Board of Directors after receiving consent from the Audit and Supervisory Committee. Attributes of candidates such as gender and nationality will be not be considered in this process.

The Nomination and Compensation Committee is comprised of all outside directors as well as the representative director (president and CEO), with the chairperson being selected from among the outside directors through discussion by the Committee.

Cultivation and Selection of Director Candidates and Succession Plan for Chief Executive Officer

As one facet of its efforts to create frameworks for ensuring it can always respond to the desires for society, the Company has defined the following policies for selecting and cultivating candidates for positions in senior management.

The executive officers of the Company and the directors of affiliates are viewed as potential candidates for positions as directors or, eventually, as the chief executive officer. Candidates for positions as executive officers are first selected by the president, the director in charge of human resources, and human resources divisions. Individuals selected are to be comprehensively evaluated based on their strategic vision formulation skills, which should be of the degree required of business division general manager-level officer, as well as their business execution, leadership, and other skills. After consultation with the Nomination and Compensation Committee, the final selection of candidates is performed by the Board of Directors. The initial selection of successors for senior management positions will be carried out by the committees comprised of executive directors from among executive directors, executive officers with sufficient experience addressing Companywide management tasks, and directors of affiliates. The final decision regarding the nomination of successors for senior management positions will then be made the Board of Directors, after consultation with the Nomination and Compensation Committee, based on the Company Policy and management

strategies. Formal standards for the nomination of directors have been established with regard to the values, skills, commitment, and insight of candidates to ensure clearer and more objective decisions related to the cultivation and selection of directors.

From among the directors selected based on the aforementioned policies, individuals are identified as candidates for the position of chief executive officer based on their performance as directors, the strong commitment to the realization of the Company Policy, their exceptional leadership skills, their vast interpersonal networks inside and outside of the Company, and their superior management skills founded on their experience, exceptional insight, and sophisticated expertise. Candidates for the position of chief executive officer are assigned to more critical positions and will be appointed the next chief effective officer should they be deemed suitable to this role by the Board of Directors based on their performance in those positions and consultation with the Nomination and Compensation Committee.

Policy on Determining Directors’ Compensation

UNITED ARROWS LTD. has positioned the payment of compensation to directors as an incentive to help realize sustainable growth and increase corporate value over the medium to long term in accordance with its Company Policy. The compensation paid to executive directors is comprised of a basic fixed monthly component, a bonus that is linked to the Company’s performance over a single fiscal year period, and stock-based compensation that is set in line with the degree to which the targets under the Medium-Term Vision are met.

Basic compensation

UNITED ARROWS LTD. has put in place a directors’ compensation table based on the position of each director. In putting together this table, the Company also took into consideration industry-wide compensation payment levels as well as the results of executive compensation surveys conducted by external research agencies. Recommendations for the payment of compensation are put forward within the range identified in the table based on the role and responsibilities of each director.

Bonuses

After putting forward a proposal for the total bonus amount to be paid, UNITED ARROWS LTD. advances an additional proposal for the allocation of bonuses to each executive director. The Company’s proposal for total bonuses paid is determined following a comprehensive evaluation of such management indicators as consolidated operating cash flow and ROE, in addition to the degree to which initial earnings forecasts in any given fiscal year were achieved, with a particular emphasis on consolidated ordinary income. The amount of bonus allocated and paid to each director is determined on the basis of each director’s managerial rank. It is set up this way so that a higher ranking on the director compensation table receives a higher bonus coefficient (the ratio of bonus paid to the total amount of basic compensation and bonus paid), with the objective of strengthening the commitment of directors to achieving business targets in any given fiscal year. In principle, bonuses are not paid if consolidated ordinary income falls below the initial forecast by a certain amount.

Stock-based compensation

UNITED ARROWS LTD. has adopted a Restricted-Share Remuneration Plan in order to ramp up efforts aimed at sharing value with all shareholders and putting in place a compensation structure and system that is designed to enhance corporate value over the medium to long term. Under this plan, restricted share remuneration that lifts transfer restrictions is granted to executive directors who achieve the

targets set out under the Medium-Term Vision within the fixed transfer restriction period. The amount of restricted share remuneration reflects the degree to which targets are achieved.

Bonuses and stock-based compensation are not paid to non-executive directors. Payments made to non-executive directors comprise a basic compensation payment only in line with the role and responsibilities of each non-executive director.

Procedure for determining individual compensation

The procedure for determining the amount of compensation paid to individual directors who are not Audit and Supervisory Committee members is based on the aforementioned policy. Accordingly, each amount is determined based on a resolution of the Board of Directors and falls within an established range authorized by shareholders. As a part of the procedure for determining individual compensation, steps are also taken to obtain the advice of the Nomination and Compensation Committee.

The procedure for determining the amount of compensation paid to individual directors who are Audit and Supervisory Committee members is also based on the aforementioned policy. In this instance, each amount is determined based on a resolution of the Audit and Supervisory Committee and falls within an established range authorized by shareholders.

In addition to the preceding, the Nomination and Compensation Committee verifies the validity of the policies relating to and composition of directors' compensation as well as the compensation table and associated computation rules. Among other activities, the Nomination and Compensation Committee also puts forward revised proposals.

3. Maintaining an environment that facilitates the proper taking of risks

UNITED ARROWS LTD. continues to put in place an environment that enables the Company to properly take risks. In specific terms, we have established an internal control system as well as a risk management structure that allows us to make important decisions regarding a wide range of activities, including the expansion of business into new domains.

Internal Control System

UNITED ARROWS LTD. has put in place an appropriate internal control system in an effort to ensure that directors and employees perform their duties in accordance with laws, regulations, and the Articles of Incorporation and that directors carry out their duties in an efficient manner and maintain risk management systems for the Group as a whole. Through its internal control system, the Company maintains a framework that enables all directors and employees to consistently carry out their duties with a strong sense of ambition and the desire to improve themselves in order for them to realize the Company Policy.

Internal whistleblower system

UNITED ARROWS LTD. has an internal whistleblower system whereby employees can anonymously contact an external organization if they

discover suspect behavior from a compliance standpoint. Law offices and other external organizations serve as the contact point for the system and designate an individual who is responsible for the investigation depending on the particulars of each case and performs any necessary investigations. The whistleblower is treated anonymously to preclude any repercussions.

Risk Management

Recognizing that the Company continues to confront a wide variety of risk factors, UNITED ARROWS LTD. is putting in place a management framework in accordance with its basic rules regarding internal control and crisis management. The Internal Control Committee considers all important matters concerning operational risks. This includes the establishment of rules and regulations, manuals, and guidelines as well as an emergency headquarters to respond to a crisis situation by gathering and managing information. In line with changes in the environment in which the Company operates, each department constantly reviews all pertinent risk factors, continues to upgrade and expand rules and regulations as well as manuals, and puts in place the structure and systems required to prevent risks before they arise and to properly respond at the time of a crisis.

4. Corporate Governance Policy formulation and Corporate Governance Code compliance

Corporate Governance Policy Formulation

UNITED ARROWS LTD. formulated and disclosed the Corporate Governance Policy in November 2015 based on the Corporate Governance Code. The Corporate Governance Policy outlines policies on such matters as the Company's basic approach to corporate governance, measures for ensuring shareholder rights and equality, appropriate cooperation with stakeholders, and the corporate governance framework in order to improve the transparency of management and organizational operations.

The Company works to continuously enhance its corporate governance in a bid to improve both stakeholder and corporate value.

Corporate Governance
www.united-arrows.co.jp/en/corporate/governance.html

Corporate Governance Code Compliance

The status of the Company's compliance with each of the Corporate Governance Code's fundamental principles is as follows.

Fundamental Principle 1: Securing the Rights and Equal Treatment of Shareholders

The Company will take appropriate measures to fully secure shareholder rights, including the effective exercise of voting rights at shareholders' meetings. To ensure that shareholders have sufficient time to review shareholder meeting agenda items, convocation notices are announced to the Tokyo Stock Exchange and on the official Company website four weeks prior as well as mailed out three weeks prior to the shareholders' meeting. In addition, an abridged English-language convocation notice is

released to the Tokyo Stock Exchange and on the official Company website. The Company works to enhance constructive dialogue with shareholders by avoiding holding shareholders' meetings on days when many other companies are also holding shareholders' meetings and by selecting times and venues that facilitate shareholder participation. The Company has introduced an electronic platform for exercising voting rights to ensure that shareholders who are unable to attend shareholders' meetings are able to exercise their voting rights. The Company engages in optimal information disclosure aimed at ensuring that shareholders are treated equally by establishing an IR website for individual shareholders and investors, broadcasting videos of earnings results briefings, and promptly posting Q&A sessions related to earnings results briefings and the status of monthly sales.

Fundamental Principle 2: Ensuring Appropriate Cooperation with Stakeholders Other Than Shareholders

In its Company Policy, UNITED ARROWS LTD. has made a promise to society to create value for its customers, its employees, its business partners, society, and its shareholders. Moreover, the Company formulates and discloses a Code of Conduct that illustrates what types of attitudes and actions must be taken in order to realize the Company Policy. The Company continuously revises this Code of Conduct to reflect social changes and needs as well as takes action based on the Code with the aim of remaining an organization that contributes to society.

Furthermore, UNITED ARROWS LTD. maintains an internal whistleblower system whereby employees can anonymously contact an external organization if they discover suspect behavior from a compliance standpoint.

Fundamental Principle 3: Ensuring Appropriate Information Disclosure and Transparency

The Company aims to increase management transparency by proactively promoting Investor Relations (IR) activities, improve corporate management soundness by engaging in communications with shareholders and investors, and create shareholder value. The Company formulates and makes available its disclosure policy in order to enhance constructive dialogue with shareholders and investors as well as information disclosure. This disclosure policy lists policies on timely disclosure prescribed in the Companies Act, the Financial Instruments and Exchange Act, and other legal regulations as well as policies intended to facilitate constructive dialogue with shareholders and investors.

Disclosure Policy
www.united-arrows.co.jp/en/ir/strategy/disclosure.html

Director Workshop Led by ESG Investor

The Company invites external specialists to hold workshops for directors as part of its efforts to fulfill the obligations described in "Principle 4.14 Director and Kansayaku Training" of Japan's Corporate Governance Code. In the fiscal year ended March 31, 2019, three such workshops were held. One of these was a lecture on ESG investment led by Megumi Sakuramoto, chief ESG analyst of the Responsible Investment Department of the Investment Division at Asset Management One Co., Ltd. From the perspective of an ESG investor, Mr. Sakuramoto explained overarching themes, such as the importance of ESG, the concept of ESG investment, and expectations for corporate information disclosure. He also evaluated UNITED ARROWS LTD., offered information on his expectations for the Company, and provided an assessment of the Company along with some advice for improvement from this perspective. During the Q&A session in the second half of the workshop, discussions delved into topics such as materiality policies, engagement measures, and industry-level initiatives. This workshop thus served as an invaluable opportunity to reaffirm the importance of ESG. The advice and suggestions received during this workshop will be utilized when drafting medium- to long-term strategies and in improving disclosure practices.



Megumi Sakuramoto
Asset Management One Co., Ltd.

Fundamental Principle 4: Responsibilities of the Board of Directors

Established as an organization entrusted by shareholders to manage the Company, the Board of Directors undertakes management decisions always aimed at realizing its corporate philosophy and Our Commitment—Creating Five Values. The Board also sets the medium- to long-term direction of the Company and is responsible for maintaining sustainable growth and improving corporate value by following this direction.

Based on the Board's roles and responsibilities listed above, the Company takes steps to strengthen Board of Directors' monitoring functions and accelerate decision making. To this end, the Company has adopted the Company with Audit and Supervisory Committee structure described in the Companies Act to serve as its corporate governance system. Limiting the number of directors not serving as Audit and Supervisory Committee members to eight and the number of directors who do to six, it is the policy of the Company to maintain the minimum number of directors necessary to preserve the functions of the Board.

In addition, the Company takes steps to maintain and improve the effectiveness of the Board of Directors. Annual analyses and evaluations of the overall effectiveness of the Board of Directors are performed and overviews of the results are disclosed. In addition, director training policies are formulated and enacted.

Fundamental Principle 5: Dialogue with Shareholders

Recognizing that IR activities are an important management initiative, the Company has established regulations for IR activities overseen by the president. In addition, the director in charge of administration has been made responsible for IR in order to ensure enhanced IR activities and strict internal information control as well as maintain organic links between financial and capital measures. The president and the director in charge of IR attend earnings results briefings held quarterly to explain the medium- to long-term direction of the Company and the progress of management policies and key initiatives for each fiscal year and to hold Q&A sessions. In addition, the president and the director in charge of IR attend small meetings and individual interviews as needed in an effort to engage in constructive dialogue with shareholders and investors. The Company aims to improve corporate value by providing feedback to management and throughout the Company about opinions, requests, and concerns received through IR activities based on the amount of information available.

Total amount of compensation and other benefits paid to directors and Audit and Supervisory Committee members for the fiscal year ended March 31, 2019

Officer category	Number of officers to whom compensation and other benefits were paid	Total amount of compensation and other benefits paid (millions of yen)	Total amount of compensation and other benefits paid by type of payment (millions of yen)			
			Basic compensation	Restricted stock compensation	Bonus	Retirement benefit allowance
Directors (excluding outside directors)	6	290	149	42	98	—
Independent officers	3	30	30	—	—	—

5. Management control system

Clarification of Revenue Responsibility and KPI Management

The Company conducts the profit and loss management of all its directly operated stores on an individual basis and manages aggregate profit and loss on a business unit level to clarify the revenue responsibility of each business. Moreover the Company sets numerical targets for such KPIs as net sales, product sales rate, and product return of investment (ROI); numerical targets are also set for divisions and stores as well as for employees to achieve the KPI targets. In addition, the Company undertakes progress management on a daily, weekly, monthly, seasonal, and annual basis against achievement status and other benchmarks. UNITED ARROWS LTD. is building a framework to achieve Companywide business targets by having individuals, stores, and divisions achieve their respective targets.

Clarification of Investment Criteria, Store Closure Criteria

When making new investments in sales facilities or undertaking large-scale renovations with a view to beneficially utilizing the cash obtained as a result of its business activities, the Company calculates the ROI fiscal year, which takes into account the capital cost (approximately 8%) set by the Company, the net present value (NPV) of expected net cash flows, and the internal rate of return (IRR). The Company makes its investment decisions on the condition that Company-set hurdle rates are exceeded.

In cases where it is expected to be impossible for a new business to turn a single fiscal year profit in three years and cover all accumulated losses in five years, Companywide backup is provided toward an improvement in profitability. Should there be no possibility of an improvement, an assessment is made regarding withdrawal from that business. Over a three-year period of struggling performance that began in the fiscal year ended March 31, 2007, the Company withdrew from 10 underperforming brands out of the 22 brands deployed at the time. Furthermore, the Company withdrew from an additional two brands while ceasing store operations for another brand during the fiscal year ended March 31, 2018, in accordance with the policy to “identify and evaluate underperforming businesses, stores, and activities and carry out appropriate countermeasures” described under the strategy of establish a robust management platform presented in the Medium-Term Vision.

6. Investor relations

Proactive Approach to IR

Since its founding, UNITED ARROWS LTD. has aimed to be a publicly held company that is open to society. Since the time of its initial public offering to today, the Company has proactively engaged in IR activities for shareholders and investors inside and outside of Japan. UNITED ARROWS LTD. holds earnings announcement meetings every quarter for analysts and institutional investors, holds an average of 250 or so separate investor meetings each year for investors in Japan and overseas, arranges around 10 small meetings with the president, and gives tours of its facilities. Engagement with shareholders and other investors helps management make new discoveries, including means of utilizing capital with greater efficiency.

External Appraisal of Corporate and IR Activities

UNITED ARROWS LTD. is continuously enhancing its corporate governance system in order to put in place a transparent and fair management framework and to ensure its ability to make timely and bold decisions. To create value for shareholders, UNITED ARROWS LTD. has positioned efforts to voluntarily provide impartial information on a constant, timely, and continuous basis at the heart of its basic policy on IR activities. As a result of proactively engaging in corporate and IR activities based on this policy, the Company has received various commendations from external evaluation agencies.

Going forward, UNITED ARROWS LTD. will strive to continuously evolve and improve its corporate and IR activities to realize the Company Policy while receiving the enduring trust of capital markets.

2002	Awarded the IR Grand Prix Award by the Japan Investor Relations Association (JIRA)
2003	Awarded the Best IR Award by JIRA
2005	Awarded the Best IR Award by JIRA
2012	Awarded the Nikkei Annual Report Special Award for its abridged version Awarded the Tokyo Stock Exchange's Corporate Value Improvement Award, Grand Prize
2013	Awarded the Porter Prize, Hitotsubashi University's Graduate School of International Corporate Strategy (ICS) Awarded the Nikkei Annual Report Special Award for its abridged version Awarded the IR Special Award by JIRA
2014	Awarded the IR Grand Prix Award by JIRA
2017-2019	Maintained the highest evaluation under the ISS Quality Score (Please refer to the column below for details.)



UNITED ARROWS LTD. Maintains an ISS Quality Score of “1” Based in the United States, Institutional Shareholder Services Inc. (ISS) is a global company that delivers proxy research and vote recommendations. ISS has a major impact on the decisions made by worldwide institutional investors when exercising their voting rights as well as the reputations of a wide range of global companies. In addition to delivering proxy research and vote recommendations, ISS evaluates the corporate governance framework and systems of various companies including the structure of each Board of Directors, executive compensation systems, and policies regarding the return of

profits to shareholders using a scale from 1 to 10 (ISS Quality Score). UNITED ARROWS LTD. has received the highest ISS Quality Score of “1” for three consecutive years beginning with 2017. Looking ahead, the Company will work diligently to improve its corporate governance in a bid to secure a sound reputation and the confidence of all stakeholders.



Corporate Governance-Related Initiatives

The Company’s corporate governance-related initiatives in the fiscal year ended March 31, 2019, are as follows.

1. Board of Directors

In June 2016, UNITED ARROWS LTD. transitioned from the Company with Board of Company Auditors structure described in the Companies Act to the Company with Audit and Supervisory Committee. In conjunction with this change, the range of items brought to the Board of Directors for resolution was reduced, thereby securing sufficient time for discussion of management policies, medium- to long-term strategies, and other important management matters.

Major Activities (18 meetings held in the fiscal year ended March 31, 2019, principal discussion topics and resolutions are as follows)

First Quarter	<ul style="list-style-type: none">• Discussion on reorganizing logistics processes and resolution on relevant contracts• Discussion on evaluation of effectiveness of the Board of Directors• Resolution on director compensation, bonuses, and restricted share remuneration• Internal control report and approval	Third Quarter	<ul style="list-style-type: none">• Discussion and resolution on revision of Policy Structure• Discussion and resolution on revision of Corporate Governance Policy• Discussion on revision of important personnel systems• Ongoing discussion on framework for next medium-term vision
Second Quarter	<ul style="list-style-type: none">• Discussion on change in operating system for UA ONLINE STORE and resolution on relevant contracts• Discussion and resolution on partial revision of basic internal control system policies• Discussion on process for formulating next Medium-Term Vision	Fourth Quarter	<ul style="list-style-type: none">• Discussion and resolution on establishment of strategic joint venture company fitom Inc.• Discussion on enhancement of internal control and compliance• Discussion on M&A activities and business alliances for expanding business domains

2. Audit and Supervisory Committee

The Audit and Supervisory Committee is responsible for evaluating and confirming the effectiveness of the operational execution of directors and auditing compliance and adequacy. The Committee also holds regular meeting with executive team representatives to maintain an understanding of the issues faced and the progress of improvement measures in order to ensure effective audits, oversight, and guidance.

Major Activities (13 meetings held in the fiscal year ended March 31, 2019)

First Quarter	<ul style="list-style-type: none">• Discussion on implementation and operation of internal control systems• Reports from internal audit divisions and exchanges of opinions• Reports from the accounting auditor and exchanges of opinions	Third Quarter	<ul style="list-style-type: none">• Reports from internal audit divisions and exchanges of opinions• Individual discussions with three executive directors regarding their areas of responsibility
Second Quarter	<ul style="list-style-type: none">• Discussions with the representative director (human resources strategies, compliance, new business strategies)• Discussions with executive officers (management strategies, organizational strategies, personnel system reforms)	Fourth Quarter	<ul style="list-style-type: none">• Discussions with the representative director (succession plans, Group governance, medium- to long-term strategies)• Individual discussions with two executive directors regarding their areas of responsibility• Discussions with executive officers (overseas strategies)

3. Nomination and Compensation Committee

The Nomination and Compensation Committee is tasked with reinforcing the independence, objectivity, and accountability of the Board of Directors and ensuring the integrity of the nominating process and compensation paid. Comprised of three independent outside directors and one representative director, this Committee meets at least once a quarter and informs the Board of Directors of its opinions regarding nominations and dismissals of individual directors and of members of senior management, matters related to the compensation of directors who are not Audit and Supervisory Committee members, and issues regarding succession plans for the chief executive officer.

Major Activities (4 meetings held in the fiscal year ended March 31, 2019)

First Quarter	<ul style="list-style-type: none">• Consultation on nomination of candidates for positions (reappointment) as directors who are not Audit and Supervisory Committee members• Consultation on the distribution of compensation and performance-linked bonuses for directors who are not Audit and Supervisory Committee members	Third Quarter	<ul style="list-style-type: none">• Exchanges of opinions regarding revisions and updates to the Company's Corporate Governance Policy and Corporate Governance Reports to reflect amendments to Japan's Corporate Governance Code
Second Quarter	<ul style="list-style-type: none">• Exchanges of opinions regarding succession plans (qualitative conditions, evaluation standards, evaluation process)	Fourth Quarter	<ul style="list-style-type: none">• Consultation on nomination of directors to serve at UNITED ARROWS LTD. and associates in the fiscal year ending March 31, 2020