

Corporate Governance Policy

Onward Holdings Co., Ltd. (the Company) works to establish strong bonds of trust with customers and shareholders as well as with society on the whole by improving its corporate governance structure, strengthening its management efficiency, and enhancing its management soundness in an aim to continuously increase the corporate value of the Onward Group.

This Corporate Governance Policy is established, and updated continuously and periodically, by the Board of Directors, with the purpose of reinforcing corporate governance of the Group.

Chapter 1 General Provisions

Article 1 (Basic philosophy on corporate governance)

The Onward Group understands that responding promptly to changes in the management environment and establishing corporate governance systems that enhance soundness, fairness, transparency, and compliance are important management issues for increasing corporate value, or, in other words, shareholder value.

The Company has defined its business domain as “creating a world of fashion that gives refreshment and beauty to people’s lives.” It operates based on its basic management policy of creating new lifestyles and values that contribute to the enrichment of life for all people by offering fashion as lifestyle culture. The Company recognizes that in order to materialize and achieve this basic management policy, it is important to build and maintain favorable networks and relationships with all stakeholders, especially its customers, with whom it interacts in conducting its business activities.

Based on the above recognition, the Company works to strengthen corporate governance in accordance with the following basic principles of the corporate governance code.

- (1) Secure the rights and equal treatment of shareholders.
- (2) Appropriately cooperate with stakeholders by taking into account their interests.
- (3) Ensure appropriate disclosure of corporate information and transparency.
- (4) Improve the effectiveness of the board of directors’ supervision function over business execution.
- (5) Engage in constructive dialogue with shareholders having an investment policy that matches the mid- to long-term interests of shareholders.

Chapter 2 Securing the Rights and Equal Treatment of Shareholders

Article 2 (General meeting of shareholders)

1. The Company positions the general meeting of shareholders as the highest decision-making body and operates the general meeting of shareholders so as to make it a place to engage in constructive dialogue with shareholders.
2. The Company electronically discloses its convocation notices in Japanese and English after the board decides to convene a general meeting of shareholders, and by the time the convocation notice is sent out, no later than three weeks prior to the date of the general meeting of shareholders. Furthermore, the Company offers an online voting system and participates in the electronic voting platform to put in place an environment in which all shareholders, including those who are unable to attend the general meeting of shareholders, can properly exercise their voting rights.
3. The Company secures the substantial rights of all shareholders, including minority shareholders and foreign shareholders, to see that shareholders may make appropriate decisions. At the same time, it discloses information on its management strategy, financial conditions, business performance, and such like to shareholders and investors in a timely and appropriate manner through conducting IR activities and promotes dialogue with shareholders and investors.
4. The responsible department of the Company analyzes the results of voting rights exercised at the general meeting of shareholders each year after the meeting. The results of the analysis are shared between related departments including IR and responsible corporate executives and are also reported at the meeting of the Board of Directors.
5. The Board of Directors of the Company deliberates any proposal that received a considerable number of votes against, by taking into account factors, and studying solutions.

Article 3 (Basic strategy for capital policy)

The Company recognizes capital policy as one of the most important issues for management and manages business based on the following basic strategies.

- (1) The Company does not implement any strategy for capital policy that is unlikely to contribute to creating sustainable shareholder value on a long-term basis.
- (2) When intending to implement a capital strategy that may cause a change in management control or a significant share dilution, the Board of Directors will deliberate the purpose, necessity and reasonableness of the strategy and the Company will secure a proper procedure and provide explanations to shareholders.
- (3) The basic dividend policy of the Company is to set a target dividend payout ratio of 35% or more and strive to make stable distributions from profits that are appropriate considering the trends in the Company's operating performance.
- (4) The Company discloses Return on Equity and other capital productivity indicators in its medium-term management plan.

Article 4 (Cross-shareholdings)

1. The Company may, on top of making portfolio investments, hold listed stocks of business partners by

maintaining and reinforcing business relationships with business partners, with the purpose of improving corporate value on a mid- to long-term basis.

2. In regard to major cross-shareholding, the Board of Directors of the Company verifies the significance and economic rationale behind cross-shareholdings each year. It does so by taking into account growth potential, profitability, reinforcement of business relationships from the perspective of mitigating risks associated with shareholdings and promoting capital efficiency. If the Company cannot recognize the reasonableness of holding, its basic policy is to sell the shares upon receiving adequate understanding from the respective business partner.
3. Even when the Company recognizes the reasonableness of cross-shareholdings, it may sell the shares in consideration of the market environment, management and financial strategies.
4. In exercising voting rights pertaining to cross-held shares, the Company ensures proper exercise by making a comprehensive judgment on each proposal based on the viewpoints of increasing corporate value of the investee company on a mid- to long-term basis and expanding the economic benefits of the Company and the Onward Group over the medium to long term.

Article 5 (Anti-takeover measures)

1. With the purpose of securing and increasing corporate value and the common interests of shareholders, the Company has in place “Defense Measures against Large-Scale Purchases of Shares of Onward Holdings Co., Ltd. (Anti-Takeover Measures)” (hereinafter referred to as “the Plan”).
2. The Company ensures the fairness and objectivity of the Plan by furnishing the following features; e.g., the Plan respects the intent of shareholders; reasonable and objective requirements for activation of the Plan are set forth in the Plan; an Independent Committee comprising highly independent outside individuals is in place; activation of the Plan requires the judgment of the Independent Committee; the Independent Committee may, at the Company’s expense, receive advice from a third party independent of the management team that engages in business execution of the Company (such as an investment bank, securities company, financial adviser, certified public accountant, attorney-at-law, consultant and any other specialist); and the Plan remains in effect for three years although it may be terminated at any time based on the decision of the general meeting of shareholders or the Board of Directors. Hence, the Plan is highly reasonable and helps to increase corporate value and the common interests of shareholders, and is not intended to maintain the status of corporate officers of the Company.
3. The Company continues to judge the need for the Plan in light of the environment surrounding the Company.

Article 6 (Related-party transactions)

1. The Company sets forth in its rules on corporate officers that when intending to execute a transaction involving conflicts of interest and competition provided in the Companies Act with a Director of the Company, the content and such like of the transaction must be explained to the Board of Directors

and the approval of the Board of Directors must be obtained. The Company also stipulates that the status of such transaction is to be reported also after receiving approval and that the use of such transaction must be strictly controlled and properly monitored.

2. Even when a transaction does not correspond to the above, the Company, with regard to a transaction with a Director of the Company or its consolidated subsidiary or with the next of kin thereof, individually distributes, once a year, a survey form to the Director to confirm whether or not the transaction took place.
3. The Company properly discloses transactions with major shareholders and other related-party transactions in accordance with the provisions of the Companies Act, the Financial Instruments and Exchange Act, and other relevant laws and regulations and with the regulations of the Tokyo Stock Exchange.

Chapter 3 Appropriate Cooperation with Stakeholders Other Than Shareholders

Article 7 (Formulation and implementation of code of conduct)

1. The Company recognizes that execution of corporate social responsibility entails proactively dealing with social issues on top of pursuing activities for ensuring legal compliance, industrial safety and health, protection of human rights, social contribution, and environmental conservation.
2. Specifically, the Company has developed a Compliance Manual that specifies ways of conducting compliance activities and ethical standards to be followed, and the Onward Group Compliance Committee takes the lead in conducting educational activities, including in-house training and enlightenment activities, to ensure widespread awareness and understanding.

Article 8 (Addressing sustainability issues)

1. In order to keep the Company in existence being recognized as a “good company,” the Company believes that each and every member of the Onward Group must work to ensure not only compliance with laws, regulations, and internal rules but also socially sensible behaviors.
2. In order to see that each and every employee of the Onward Group carries out his or her social responsibilities in their own community, the Company has in place a Compliance Manual that takes the Onward Group Compliance Regulations as the basis and engages in business activities with the focus on compliance.

Article 9 (Ensuring diversity, including women’s active roles)

1. With the purpose of putting in place an environment in which women can continue to be highly motivated and demonstrate strong performance, the Company supports female workers in developing specific career plans by organizing occasions in which actively performing female employees can exchange opinions and taking other measures.
2. The Company has in place the Diversity Promotion Department and operates a support system in

which dedicated staff members receive opinions from and are consulted by employees.

Article 10 (Whistleblowing)

The Company establishes a framework for whistleblowing referred to as the Onward Group Whistle Line with an internal department and an external law firm as contact points. To support this framework, the Company sets forth the Onward Group Whistleblowing Rules that provide for the department responsible for operating the framework, consultation and reporting procedures, response to requests for consultation and reporting made, protection of the whistleblower seeking consultation or making the report.

Chapter 4 Ensuring Appropriate Disclosure and Transparency

Article 11 (Ensuring appropriate disclosure and transparency)

1. The Company appropriately makes disclosure in compliance with the Companies Act, the Financial Instruments and Exchange Act, other relevant laws and regulations, and rules of the Tokyo Stock Exchange. The disclosure includes both financial information, such as operating results and financial standing, and non-financial information, such as business strategies, business issues, risks and governance.
2. The Company places strict control over important pieces of information, such as insider information, in accordance with the Onward Group Insider Trading Prevention Rules.

Article 12 (Policy and procedures for nominating director candidates)

1. Candidates for Directors (excluding Outside Directors) of the Company shall satisfy the following conditions.
 - (1) The candidate is capable of making judgment from a company-wide perspective.
 - (2) The candidate has special knowledge concerning business operations of the Company.
 - (3) The candidate has outstanding ability to make business decisions and execute business activities.
 - (4) The candidate has excellent supervisory skills, decision-making skills, and foreseeability and planning skills.
 - (5) The candidate has personal traits and expertise that are suitable for a Director.
2. Candidates for Outside Directors of the Company shall satisfy the following conditions.
 - (1) The candidate has abundant experience in management or is a professional specialist in law, accounting, or finance.
 - (2) The candidate can maintain independence from the Representative Director of the Company.
 - (3) The candidate has personal traits and expertise that are suitable for an Outside Director.
3. Independence standards for Outside Directors and Outside Audit & Supervisory Board Members set forth by the Company are as provided in the (Attachment) "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members."
4. Based on the procedure for nominating Directors (including Outside Directors) of the Company set

forth by the Company, the Representative Director formulates a proposal on candidates. He or she explains, from the perspective of securing transparency, the reasons for selecting candidates and the appropriateness of the selection to the Audit & Supervisory Board Members, and the Board of Directors decides on the candidates by taking into account the opinions of the Audit & Supervisory Board Members.

5. Reasons for nominating each of the candidates for Directors of the Company are indicated in the Reference Materials for the General Meeting of Shareholders.

Article 13 (Policy and procedures for nominating candidates for Audit & Supervisory Board Members)

1. Candidates for Audit & Supervisory Board Members of the Company shall satisfy the following conditions.
 - (1) The candidate has abundant experience in each business of the Onward Group while having knowledge and skills for demonstrating appropriate supervisory and auditing functions.
 - (2) The candidate has traits to secure independence from persons engaged in business execution.
 - (3) The candidate has personal traits and expertise that are suitable for an Audit & Supervisory Board Member.
2. Candidates for Outside Audit & Supervisory Board Members of the Company shall satisfy the following conditions.
 - (1) The candidate has abundant experience in various sectors or has abundant experience and appropriate insights into the area of law, accounting or any other special field so that the candidate may contribute to enhancing the supervisory and auditing functions.
 - (2) The candidate can be expected to proactively and aggressively provide advice and recommendations to the Board of Directors.
 - (3) The candidate has personal traits and expertise that are suitable for an Outside Audit & Supervisory Board Member.
3. Standards for independence of Outside Audit & Supervisory Board Members set forth by the Company are as provided in the (Attachment) "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members."
4. According to the procedure for nominating Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) of the Company, the Board of Directors decides on the candidates upon receiving concurrence of the Audit & Supervisory Board.
5. Reasons for nominating each of the candidates for Audit & Supervisory Board Members of the Company are indicated in the Reference Materials for the General Meeting of Shareholders.

Article 14 (External accounting auditors)

With respect to decisions on selecting, dismissing, reappointing and not reappointing external accounting auditors, the Audit & Supervisory Board of the Company performs evaluation based on the evaluation standards set out under the Guidelines on Standards for Evaluation of Accounting Auditors

prepared by the Audit & Supervisory Board, has discussions and makes the decision. In regard to audits performed, the Company secures the reliability of disclosure and the responsibility toward shareholders and investors by making sure to allocate adequate time for conducting audits, coordinating with Audit & Supervisory Board Members and the Internal Control Department, and allocating time for interviews with the management team.

Chapter 5 Responsibilities of the Board of Directors

Article 15 (Roles and responsibilities of the Board of Directors)

1. The Company recognizes that one of the major roles and responsibilities of the Board of Directors lies in setting the strategic direction based on the corporate philosophy. Therefore, the Company delegates the authority over business executions except for matters set forth in laws and regulations and the Articles of Incorporation and important management matters of the Onward Group to the Representative Director and others in the management team to encourage prompt and active management decisions for business execution. At the same time, the Company recognizes its fiduciary responsibility and accountability to shareholders and secures the diversity, as well as demonstrates appropriately its supervisory function over business strategies, medium-term management plans, and other management matters on the whole to increase corporate value.
2. The Representative Director of the Company, in recognition that the development of his or her successor is one of his or her important responsibilities, pursues development of successor candidates by requiring executive officers to set not only operating targets but also missions in line with the responsibility of each officer, participate in management through attending management meetings and other important meetings and take other steps.

Article 16 (Roles and responsibilities of Outside Directors)

1. Trying to contribute to enhancement of corporate governance, Outside Directors of the Company are adequately aware that they are expected to promote appropriate decision-making in the Board of Directors through asking questions and stating opinions to activate discussions at meetings of the Board of Directors and stating comments from the perspective of each of their specialized fields.
2. Outside Directors of the Company recognize that one of their major roles and responsibilities is to take their independent and objective positions in verifying the outcome of management of the Company and the performance of the management team of the Company at any time, making judgment on the appropriateness of delegating management to the incumbent management team, and actively stating opinions..

Article 17 (Roles and responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board)

Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) and the

Audit & Supervisory Board of the Company recognize their roles and responsibilities to be not limited to carrying out the so-called defensive functions, such as operation audits and accounting audits, and make efforts to also proactively and aggressively exercising their authority by appropriately stating opinions at meetings of the Board of Directors or to the management team. In addition, they make appropriate judgment from their independent and objective standpoints by taking into account their fiduciary responsibility to shareholders in carrying out their roles and responsibilities.

Article 18 (Remuneration of corporate officers)

Remuneration of corporate officers of the Company is comprised of a base compensation, bonus and remuneration for purchasing treasury stock. The base compensation for Directors and Audit & Supervisory Board Members is determined by taking into account factors, such as whether they are standing or outside, roles assigned, title, number of years in role, and personal evaluation, and based on discussions by the Board of Directors regarding remuneration for Directors and by the Audit & Supervisory Board regarding remuneration for Audit & Supervisory Board Members. Bonuses are paid to Directors (excluding Outside Directors) based on the consolidated operating results of the previous fiscal year. Remuneration for purchasing treasury stock is paid to Directors (excluding Outside Directors) with the purpose of increasing the motivation and morale of Directors toward raising the stock price and improving operating performance.

Article 19 (Establishment of risk management system and supervision of operating condition)

With the aim of ensuring timely business execution under an appropriately controlled environment, the Board of Directors of the Company sets forth the Basic Policy on the Establishment of Internal Control System, promotes establishment of systems, including the compliance system, system to promote efficiency of business execution, risk management system, and system to ensure appropriateness of financial reporting, and oversees the status of operation of these systems.

Article 20 (Concurrent positions as corporate officers of other listed companies)

1. When a Director of the Company is to concurrently hold an executive position at another listed company, the Board of Directors approves the concurrent holding of position only when the holding is within a reasonable range of being able to secure the time and labor necessary for appropriately carrying out the roles and responsibilities as Director of the Company.
2. The status of holding important concurrent positions by Directors of the Company is indicated in the Reference Material for the General Meeting of Shareholders and the Business Report in accordance with relevant laws and regulations.

Article 21 (Ensuring the effectiveness of the Board of Directors)

1. Directors of the Company conduct self-assessments each year with regard to the effectiveness and appropriateness of oversight of management by the Board of Directors and the status of executing their duties as Directors, and report the results to the Board of Directors.

2. The Board of Directors of the Company analyzes and evaluates the effectiveness of the Board of Directors as a whole based on the self-assessment of each Director and discloses a summary of results of the analysis and evaluation.

Article 22 (Training for Directors and Audit & Supervisory Board Members)

1. The Company provides and arranges training opportunities for Directors, Audit & Supervisory Board Members, and executive officers to acquire and update the knowledge and skills required for executing duties so that they may appropriately carry out their roles and responsibilities.
2. The Company organizes meetings with Directors, Audit & Supervisory Board Members or executive officers when they assume their positions to hold discussions on the Company's management, business and financial strategies and related matters, relevant laws and regulations, and issues of the Onward Group and solutions thereof.
3. When an Outside Director/Outside Audit & Supervisory Board Member newly assumes his or her position, the Company provides explanations on the Company's business activities, organizational structure and other matters, and also provides the officer with necessary information regarding business issues on a periodical basis.

Chapter 6 Dialogue with Shareholders

Article 23 (Policy on constructive dialogue with shareholders)

1. At the Company, the officer responsible for IR information disclosure takes the lead in holding periodical briefing sessions for analysts and institutional investors and offering adequate information disclosure on the Company's website. In order to have these activities function effectively, the IR Department is established and the department promotes close coordination with the Corporate Planning Department, Accounting Department, Legal Department and other relevant departments. Comments and requests received through IR activities are reported to the Executive Management Council and the Board of Directors and are used in discussions for increasing corporate value.
2. In order to appropriately manage insider information, the Company establishes a silent period during which the Company withholds from having dialogue concerning financial information.
3. The Company prepares a shareholder register on a quarterly basis, periodically conducts research to identify substantial shareholders, and works to identify the shareholder structure.

Enforced: April 8, 2016

(Attachment) Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

When a candidate for Outside Director or Outside Audit & Supervisory Board Member applies to any of the following, the Company considers that the candidate does not have the independence as Outside Director/Outside Audit & Supervisory Board Member.

1. Company at which a person engaged in business execution of the Company¹ assumes a corporate executive position

Any person engaged in business execution of a company at which a person engaged in business execution of the Company assumes a corporate executive position.

2. Major business partner

Any party that considers the Company as a major business partner² or a person engaged in business execution of the party, or any major business partner of the Company³ or a person engaged in business execution of the business partner.

3. Accounting corporation of the Company

Any person belonging to an accounting corporation that performs audits concerning the Company based on the Companies Act or the Financial Instruments and Exchange Act.

4. Independent specialist

Any specialist who receives a considerable amount⁴ of money or other assets in addition to remuneration for corporate officers (such specialist refers to an attorney-at-law, accountant, tax accountant, patent attorney, judicial scrivener, consultant, etc.; if the party receiving the aforesaid assets is a corporation, union, or entity, the person belonging to such entity).

5. Recipient of contribution

Any party receiving a considerable amount⁵ of contribution from the Company (if the party receiving the aforesaid contribution is a corporation, union, or entity, the person engaged in business execution at such entity).

6. Major shareholder

Any party or a person engaged in business execution of a respective company that substantially holds 10% or more of the Company's voting rights.

7. Past applicable person

Any party that was applicable to any of 1 through 5 above in the past five years.

8. Next of kin

Next of kin of person applicable to any of 1 through 7 above (excluding person of no importance).

Notes:

- 1 “A person engaged in business execution” refers to a business-executing Director and managing executive, executive officer, manager, or employee (including adviser).
- 2 “Any party that considers the Company as a major business partner” refers to a party that has received from the Company an amount of payment equivalent to over 2% of the annual net sales in the most recent business year.
- 3 “Major business partner of the Company” refers to a party that has paid the Company an amount equivalent to over 2% of the annual net sales of the Company or a party whose outstanding loan to the Company exceeds 2% of the total assets of the Company, in the most recent business year.
- 4 “A considerable amount” with respect to assets received in the most recent business year refers to, in case the party that has received the assets concerned is an individual, an annual amount of ¥10 million, and in case the party is a corporation, union, or entity, an amount over 2% of consolidated net sales or total revenue of the entity.
- 5 “A considerable amount” with respect to contribution received in the most recent business year refers to, an annual amount of ¥10 million or 2% of the total revenue, whichever is higher.