

Basic Policy for Establishing an Internal Control System

I. A system that ensures that the directors and employees carry out their jobs in compliance with the law and the Articles of Incorporation

1. The Company will formulate a set of guidelines for corporate behavior with the aim of complying with the law, the Articles of Incorporation and social norms.
2. The Company will set up a disclosure committee under the leadership of top management in order to inspect and improve the relevancy of financial information, compliance status and timely disclosure in strict compliance with the law.
3. The Company will organize an audit team for internal control to monitor the internal control system.
4. The General Affairs Department will assume primary responsibility for promoting awareness and practice of compliance on a group-wide basis and in each group company.

II. A system for preserving and safekeeping the information on job execution by the directors

1. The Company will record and preserve the information on job execution by the directors in print or in the electronic medium (“the documents”) in accordance with the Board of Directors Bylaws, Approval Procedures and Document Management Regulations.
2. The directors, auditors and audit team leader will have access to these documents at any given time.

III. Regulations for the management of potential losses and other systems

1. The Company will continuously emphasize the importance of preventing potential compliance risks through a series of regulations study meetings.
2. The Company will identify and take measures against risks in each area of business.
3. The directors will endeavor to lessen losses in accordance with the Business Risk Management Regulations, Natural Disaster Countermeasure Regulations, etc. when a risk is actually incurred.

IV. A system that ensures effective job execution by the directors

1. The directors will formulate an action plan setting forth job objectives for the employees on a group-wide basis and put forth the plan at the meetings of the department and store managers (including meetings of the presidents of affiliated

companies.)

2. The directors will assess the progress of the action plan at least once in every three months and take necessary measures aimed at achieving business objectives and enhancing efficiency in response to change in the situation.
3. The directors will adopt mid-term business plans as necessary, promote the awareness of the action plan among the employees and manage the progress of the plan.

V. A system that ensures the rational operation of the Company as well as that of the Group comprising the Parent Company and the subsidiaries.

The Company will appoint the officers of the subsidiaries with the aim of strengthening and promoting compliance and risk management. Specifically, it will set up a system under which the subsidiaries are required to report operational conditions and results on a quarterly basis, the presidents of these subsidiary companies are requested to attend the meetings of the department & store managers and rational operation is ensured on a group-wide basis.

VI. A system under which the directors and employees report directly or indirectly to the auditors or the board of auditors

1. A director or an employee shall report to the auditors or the board of auditors if any of the following situations arises:
 - (i) If he finds a fact that can cause significant losses to the Company.
 - (ii) If there is a violation of the law and/or the Articles of Incorporation.
 - (iii) If he is going to execute an important business for the Company.
 - (iv) If he finds an important matter concerning compliance.
2. The audit team leader will submit internal audit reports to the auditors or the board of auditors.

VII. A system that ensures effective audit by the auditors

1. The auditors will exchange opinions with the representative director & president, directors, presidents of the affiliated companies and the external audit firm as provided for in the Auditing Standards and express their views at the meetings of the department & store managers as well as at the disclosure committee meetings.
2. In addition, the auditors will keep in contact with the audit team and the auditors of the subsidiaries.