

Corporate Governance

Basic Views

We pursue initiatives in corporate governance with the aim of contributing to the sustainable growth of the Isetan Mitsukoshi Group and improving its corporate value over the medium to long terms.

In the Isetan Mitsukoshi Group, we take steps to build excellent relationships with customers, employees, shareholders, business partners, and local communities as our stakeholders. At the same time, we promote corporate governance reforms by establishing and reinforcing our legal framework, which includes the general meeting of shareholders, the Board of Directors, the Audit & Supervisory Board, and accounting auditors. To ensure that we fulfill our social responsibilities, we also work to increase the transparency of our corporate activities and ensure thorough compliance in our management, while taking measures to create and deliver value in various forms for all stakeholders associated with the Group. With the aim of becoming a corporate group that is trusted by all its diverse stakeholders, we take a range of ongoing measures including speeding up management decision-making, strengthening the administrative supervision function, and enhancing internal control systems.

Administrative Supervision Structure

Board of Directors

Roles and responsibilities of the Board of Directors

To achieve the sustainable growth of the Group, improve its corporate value over the medium to long term, and fulfill our fiduciary responsibility to shareholders, we are striving to develop an environment that will permit the Board of Directors to fulfill its roles and responsibilities in a highly effective manner. As a measure for achieving these goals, we promote the separation of the supervision and business execution functions and strengthen the decision-making and supervisory functions to be fulfilled by the Board of Directors, while having adopted the Company with Board of Auditors as the institutional design. Specifically, we have clearly stipulated the benchmarks for matters to be submitted to the Board of Directors for discussion and determination in our internal rules (including the Regulations of the Board of Directors and Regulations of Decision Making Process for the Group). At the same time, we review the benchmarks and delegate the authority to business execution organizations as necessary within the scope of a Company with a Board of Auditors to improve the mobility of business management. For further clarification of the division between business execution and supervision, our Board of Directors is chaired by the Chairman and Representative Director, who is not an executive officer, instead of the President and CEO. In this environment, the Board of Directors is proactive in creating opportunities for discussing important management issues from a broad perspective, instead of only discussing matters for resolution and reports to fulfill procedural requirements. The directors ensure that these discussions lead to the formulation of a medium- to long-term management plan, while the status of the progress of the plan is reported to the Board of Directors on a timely basis and reflected in corrections of the plan and the formulation of the next plan. With these and other measures, we are striving to establish a PDCA cycle of management,

with the Board of Directors as the starting point.

We are also striving to fulfill our accountability to our shareholders, investors, and other stakeholders by disclosing information about our management plan and the status of its progress at the General Shareholders' Meeting, biannual results briefing, our official website, and others.

Structure of the Board of Directors

To ensure that our Board of Directors fulfills its roles and responsibilities in a highly effective manner, we make sure that it consists of diverse members and have established a system that enables it to fulfill its administrative oversight function. With regard to outside directors, we have been placing emphasis on their diversity since the establishment of the company in 2008, and we invite people with a range of experience and from industries in different areas of specialty to take up the positions. This reflects our intention to have them oversee and advise on the appropriateness of decisions made by the management, in addition to supervising business execution.

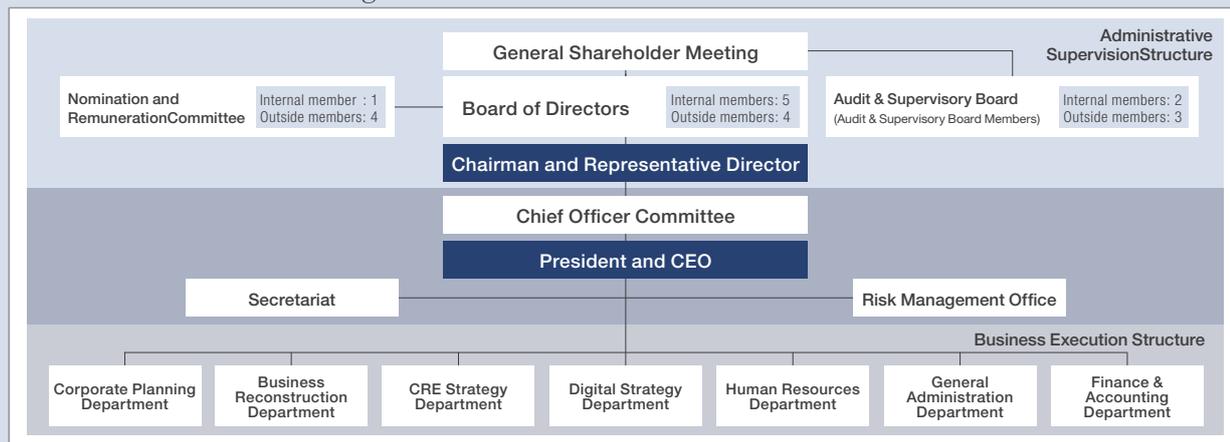
Structure of the Board of Directors

A total of nine directors, including four outside directors (three men and one woman) and five directors (five men) They include three independent outside directors who meet our independence standards. We disclose our policy on the structure of the Board of Directors, the important concurrent positions held by the directors and Audit & Supervisory Board members, and the record of their attendance at meetings of the Board of Directors and the Audit & Supervisory Board by describing them in the notice of convocation of the General Shareholders' Meeting.

Nomination and Remuneration Committee

We have voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors. This committee deliberates overall

Isetan Mitsukoshi Holdings Ltd.



matters related to nomination, including the nomination of candidates for the President and CEO, his/her successor, officers, and presidents of affiliates, as well as overall matters related to remuneration, including the officer remuneration system, bonuses of directors and executive officers, and the framework for the remuneration of directors and Audit & Supervisory Board members. The committee reports its findings made in the deliberations to the Board of Directors. The Nomination and Remuneration Committee meets at least ten times a year and makes a significant contribution to enhancing governance functions as a key element of corporate governance.

Structure of the Nomination and Remuneration Committee

A total of five members including the President and CEO and outside directors (three independent outside directors and one outside director) We have this committee chaired by an outside director, thereby ensuring sufficient transparency and fairness.

Audit & Supervisory Board

As members of an independent body that has a mandate from its shareholders, the Audit & Supervisory Board members oversee the directors in the performance of their duties, thereby helping achieve the sustainable growth of the Group and the creation of corporate value over the medium to long term and establish a sound corporate governance system that meets the expectations of society. In addition, they regularly exchange opinions with the representative directors and accounting auditors, and share information on internal audit results and other matters with the Internal Audit Division, within a system intended to ensure effective audits. The outside Audit & Supervisory Board members express frank opinions, recognizing that they are expected to express opinions on audits objectively from an

independent, neutral perspective. Full-time Audit & Supervisory Board members strive to improve the audit environment and collect internal information proactively and monitor and examine the status of the establishment and operation of the internal control system on a daily basis, based on the characteristics of their positions as full-time members. In addition, the Audit & Supervisory Board meets regularly with outside directors and creates other opportunities to exchange opinions with other non-executive officers concerning issues to be addressed by the company, the risks surrounding it, important audit issues, and other matters. They thus strive to exchange information and share recognition with other non-executive officers and deepen relationships of trust with them. Board by describing them in the notice of convocation of the General Shareholders' Meeting.

Structure of the Audit & Supervisory Board

A total of five members, including three outside members and two full-time members They include two independent outside members who meet our independence standards.

Policy and procedures on the nomination of candidates for directors and Audit & Supervisory Board members

In nominating candidates for directors and Audit & Supervisory Board members, we consider the breadth of knowledge, ethical standards, and depth of experience of potential candidates, in addition to their eligibility in light of laws and regulations.

Policy on appointment and dismissal of representative directors as senior management executives and executive officers who serve concurrently as directors

We define the upper age limits of incumbent officers and their maximum terms of office on a position-by-position

basis in accordance with our Rules on Upper Age Limits of Incumbent Officers. We use these limits as the prior conditions for the nomination of officers so that they will be replaced appropriately.

Based on this, we have made it a requirement that nominations of officers, including the appointment and dismissal of the CEO, should be deliberated by the Nomination and Remuneration Committee to ensure the transparency and fairness of the process. Specifically, we take the following initiatives.

Appointment and dismissal of CEO

We position the judgments regarding the appointment of the CEO and whether to allow the CEO to remain in office as the most important agenda items of the Nomination and Remuneration Committee and focus our efforts on them.

Judgment regarding whether to allow the active CEO to remain in office

Judgment regarding whether to allow the active CEO to remain in office (after the expiry of the service agreement period) is made by the Nomination and Remuneration Committee in the following manner, premised on the upper limit stipulated in the Rules on Upper Age Limits of Incumbent Officers.

- When assuming the post, the CEO suggests his/her commitments (goals to achieve definitely) for his/her assumed term of office, and the Nomination and Remuneration Committee deliberates the pros and cons of the commitments.
- In the following years, the CEO explains the status of the progress of the commitments, the earnings forecast, and other aspects. After the CEO leaves the meeting room, the four outside directors as members of the committee deliberate as to whether to allow the CEO to remain in office.

We have devised measures for improving the effectiveness of deliberations on whether to allow a CEO to remain in office in the following fiscal year and preventing him/her from becoming a mere façade. These measures include having the deliberations made after the CEO leaves the meeting room.

CEO succession planning

We are proactive in creating opportunities for outside directors to monitor candidates after the Nomination and Remuneration Committee report, and we share the following details on a regular basis.

- Creating a list of candidates for the next CEO (in the event of an emergency, replacement before the expiration of the term, or replacement due to the expiration of the maximum term)
- Clarifying the requirements for the CEO
- Plan to develop each candidate and proposed transfers of candidates to fields that they should experience

We have also systematically introduced training programs. These include the Business Leader Program, which is given to selected managers, and the Business Executive Program, which is given to people who have been appointed as executive officers. We invest sufficient time and resources to develop candidates for the next CEO.

Appointment of outside officers

We consider the breadth of knowledge, ethical standards, and depth of experience of potential candidates, in addition to their eligibility in light of laws and regulations.

Outside directors

We appoint human resources from different fields and industries to manage the company in a balanced manner by absorbing a wide range of opinions provided from objective, specialist perspectives. We mainly invite people with sufficient practical experience in the business world because we expect outside directors to oversee and advise on the appropriateness of decisions made by the management, in addition to supervising business execution.

Outside Audit & Supervisory Board members

We appoint human resources from different fields and industries to ensure supervision from a neutral, objective perspective. In particular, we expect outside Audit & Supervisory Board members to check the appropriateness of the decision-making process by the management and the contents of the decisions from legal and accounting perspectives. We therefore invite people with a wealth of knowledge and experience in each field.

Independence standards

We have established our own Independence Standards of Outside Officers of Isetan Mitsukoshi Holdings as the judgment criteria for the independence of outside directors and outside Audit & Supervisory Board members who will be appointed as independent officers. We appoint five outside officers (three outside directors and two outside Audit & Supervisory Board members) who fall under none of the following categories as independent officers.

1. A person from the Group who executes its business
2. A person for whom the Group is a major business partner, or an executive director, executive, or manager thereof
3. A major business partner of the Group, or an executive director, executive, manager or other employee thereof
4. A person who executes business at a financial institution that has trading relations with the Group
5. A consultant or accounting or legal expert who has received financial or other economic benefits from the Group exceeding a certain sum, other than remuneration of directors or Audit & Supervisory Board members
6. A shareholder or an executive officer thereof who holds at least 5% of the total issued shares of the company
7. Any person who has fallen under categories 1 to 5 above in the last three years
8. Spouses or relatives within the second degree of kinship of anybody falling under categories 1 to 5 above

A “major business partner” in 2 and 3 above means any business partner for whom the annual transaction amount with the company, on a consolidated basis, exceeds 1% of the total annual transaction amount of either party over the preceding three years, even if this

occurs on only one occasion, and a “certain sum” in 5 above means a sum of at least 10 million yen in any of the preceding three fiscal years.

Analyses and evaluations of the effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors by applying objective, quantitative methods including questionnaire surveys of all internal and outside directors and Audit & Supervisory Board members. We thereby confirm that the effectiveness of the Board of Directors is secured from a broad perspective in view of not only its structure and operational aspects but also its institutional design and the nomination and remuneration of its members. At the same time, to enhance its functions further, we propose improvement measures against issues surrounding the Board of Directors, which are identified in the evaluation process, and implement the measures on an ongoing basis.

These initiatives have produced specific effects, including the appointment of the first female outside independent director (who has been in office since June 2018) and improvements for timely, effective agenda setting. In addition to improvements in the aspect of operation, we lead the initiatives to a multilateral, fundamental review of what our governance should be like, including the institutional design, the standards for the appointment and dismissal of officers, and the officer remuneration system.

Business Execution Structure

We employ an executive officer system to ensure prompt business execution. General managers of divisions that are important for achieving the management goals of the Group are appointed as executive officers, and a significant portion of the authority has been transferred to them by clarifying their executive responsibilities.

Chief Officer System

In the current fiscal year, we introduced the Chief Officer System to powerfully promote the Medium-Term Management Plan and improve our earnings strength as quickly as possible. We have clarified the administrative operations of the chief officers to strengthen their cross-divisional coordination functions.

We have the following chief officers.

- CEO : Chief Executive Officer
- CDTO : Chief Digital Transformation Officer
- CSRO : Chief Strategy and Restructuring Officer
- CACO : Chief Administration and Compliance Officer
- CHO : Chief Human resource Officer
- CIO : Chief Information Officer



Measures for invigorating deliberations by the Board of Directors

To invigorate deliberations by the Board of Directors, we provide prior explanations to all outside directors individually before each meeting.

To secure sufficient time for discussions, we allocate two hours and 30 minutes for each meeting of the Board of Directors and encourage directors to exchange opinions in a free, vigorous, and constructive manner about a wide range of agenda items, including management issues and the medium- and long-term directions of the Group and the status of the progress of the main businesses, in addition to passing resolutions and reviewing reports that are necessary in decision-making procedures.

Internal control and risk management systems of the Board of Directors

We have established systems for internal control and risk management by introducing relevant rules and policies including the Basic Policy on Internal Control System Construction, the Basic Risk Management Policy, and the Basic Regulations on Risk Management. The Board of Directors regularly reports on the status of the operation of the Group Hotline (a whistleblowing system), reporting lines related to incidents and accidents, and other aspects, and supervises the statuses of their operation in a comprehensive manner.

Chief Officer Committee

The Chief Officer Committee is convened by the President and CEO and meets once a week, in principle. It is a body for resolving and deliberating on matters of importance related to the Group’s business execution that are equivalent to the agenda items of the Board of Directors in a timely and flexible manner.

Promotion committees

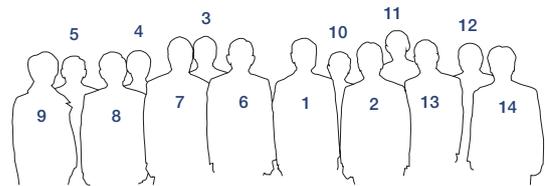
Aimed at promoting important matters of the Group, our promotion committees consist of members from across the Group and pursue higher-level operations.

- Committee for Promoting Our Philosophy
- Compliance and Risk Management Promotion Committee
- Workstyle Reform Promotion Committee
- Sustainability Promotion Committee

We have introduced Casual Fashion Day for staff members of the head office and headquarters to encourage each of them to be conscious of changes and take actions accordingly, thereby enabling them to create new ideas and value. Members of the Chief Officer Committee also wear casual clothing and have lively discussions on a range of matters every time they meet on a Casual Fashion Day.



Board Members



Directors

Chairman and Representative Director

1 Ken Akamatsu Born September 5, 1952

Joined what was then Mitsukoshi, Limited in 1975. After serving as General Manager of the Administration Headquarters, he became Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. when the Company was established in 2008. As General Manager of the Administration (Management) Headquarters, who is the chief control manager of the General Administration Division, the Accounting Division, the Administration and Property Division and the Logistic Planning Division, he focused on the development and enhancement of infrastructure, cost reduction and the construction of a government system of the Group. He subsequently became Vice Chairman of Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), an equity method affiliate of Isetan Mitsukoshi Holdings Ltd., in 2016 before serving as Chairman and Representative Director of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. in 2017. He now contributes to enhancing the corporate value of Isetan Mitsukoshi Holdings Ltd. and further strengthening its governance with his wealth of knowledge and remarkable leadership, and has sought to develop the overall department store industry as Chairman of the Japan Department Stores Association since 2017.

Director

3 Toru Takeuchi Born May 21, 1960

Joined what was then Isetan Co., Ltd. in 1983. Since then, he has engaged mainly in sales of men's and women's clothing and led the sales department for many years. After becoming President and CEO of Sapporo Marui Mitsukoshi Ltd. in 2013 and General Manager of the Group Human Resources Headquarters of Isetan Mitsukoshi Holdings Ltd. in 2016, he became Director of Isetan Mitsukoshi Holdings Ltd. and Senior Managing Executive Officer and General Manager of the Department Store Business Planning & Operation Headquarters of Isetan Mitsukoshi Ltd. in 2017. He now makes a significant contribution to the corporate value of the Group by leading the overall department store business, the core business of the Group, with his extensive and considerable experience.

President, CEO and CDTO

2 Toshihiko Sugie Born February 15, 1961

Joined what was then Isetan Co., Ltd. in 1983. In 2009, he became Executive Officer and General Manager of the Food Division in Merchandising Headquarters, Business Planning & Operation Headquarters after working in the living and ladies' goods divisions and as a sales employee. He subsequently became Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. in 2012 and took the initiative in developing Group strategies as the General Manager of the Strategic Planning Headquarters. In 2017, he became President and CEO of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. He now contributes to enhancing the corporate value of the entire Group with his capabilities and knowledge of all businesses of the Group and with the remarkable leadership that he has cultivated through his considerable experience in both the sales and staff departments. He concurrently serves as CDTO (Chief Digital Transformation Officer) from the current fiscal year to strongly drive forward the digital strategy of Isetan Mitsukoshi Holdings Ltd.

Director, Managing Executive Officer and CSRO (in charge of the Corporate Planning Department, the Business Reconstruction Department and the CRE Strategy Department)

4 Toshinori Shirai Born January 28, 1959

Joined what was then Isetan Co., Ltd. in 1982. From then onward, he worked in the Corporate Planning Division for many years and promoted the growth strategies of the Group as an official responsible for the preparation and implementation of the strategies. In 2017, he became Managing Executive Officer and General Manager of the Strategic Planning Headquarters of Isetan Mitsukoshi Holdings Ltd. to formulate and navigate the management plans of the overall Group. Since 2018, he has also served as CSRO (Chief Strategy and Restructuring Officer) as well as Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. to contribute to the further enhancement of the corporate value of the Group by taking charge of several departments, including Corporate Planning and Business Reconstruction.

Director, Managing Executive Officer and CACO
(in charge of the General Administration Department, the Finance & Accounting Department and the Human Resources Department)

5 Takaaki Muto Born November 28, 1956

Joined what was then Mitsukoshi, Limited in 1979. From then onward, he worked in the Human Resources Department and the General Administration Department for many years and became the Executive Officer and General Manager of the Risk Management Office in 2016. Since 2017, he has contributed to the promotion of integrated risk management of the Group as Managing Executive Officer. Since June 2018, he also serves as CACO (Chief Administration and Compliance Officer) as well as Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. to contribute to the further enhancement of the corporate value of the Group by taking charge of several departments, including General Administration, Finance & Accounting and Human Resources.

Outside Directors

7 Yoshinori Ida Independent Officer Born May 18, 1943

Joined Isuzu Motors Limited in 1966. In 2000, he became President, Representative Director and COO of Isuzu Motors Limited and improved its business performance significantly by promoting fundamental structural reforms and leading management reconstruction, including the reinforcement of overseas business in the company. He currently serves as Special Advisor to Isuzu Motors Limited and assumed the office of Outside Directors of Isetan Mitsukoshi Holdings Ltd. in 2013. Since then, he has been providing useful advice and appropriate supervision on the execution of business from an independent standpoint based on his extensive knowledge and experience.

Outside Directors

9 Michiko Kuboyama Independent Officer Born April 16, 1956

Joined Kao Soap Co. Ltd. (then and now Kao Corporation) in 1980. She worked in the product development, marketing and other departments and served as the Director of the Product Public Relations Center (now Communication Fellow of the Lifestyle Research Center of Kao Corporation). She also teaches in the Tama Graduate School of Business as a visiting professor based on her considerable experience in marketing, and concurrently serves as Outside Director of JACCS Co., Ltd. In June 2018, she assumed the office of Outside Director of Isetan Mitsukoshi Holdings Ltd. and provides useful advice and appropriate supervision on the execution of business from an independent standpoint at meetings of the Board of Directors of the Company, where diverse perspectives including that of consumers are required.

*The official name in the family register of Ms. Michiko Kuboyama is Michiko Iwasaki.

Outside Directors

6 Shohei Utsuda Independent Officer Born February 12, 1943

Joined Mitsui & Co., Ltd. in 1967. In 2002, he became President and CEO of Mitsui & Co., Ltd. and delivered results in terms of fully enforcing the compliance awareness of the company, carrying out institutional reforms and improving business performance as the manager of the general trading company representing Japan. At present, he concurrently serves as Counselor of Mitsui & Co., Ltd. as well as in several outside officer roles, including Outside Director of Tokyo Electric Power Company Holdings, Inc. He became Outside Director of Isetan Mitsukoshi Holdings Ltd. in 2013 and now provides useful advice and appropriate supervision for the execution of business from an independent standpoint based on his extensive knowledge and experience.

Outside Directors

8 Katsunori Nagayasu Born April 6, 1947

Joined what was then Mitsubishi Bank, Ltd. in 1970. He became President of what was then Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2008 and Director and President of Mitsubishi UFJ Financial Group, Inc. in 2010. At present, he concurrently serves as Special Advisor to MUFJ Bank, Ltd. and in several outside officer roles, including Outside Director of Kirin Holdings Company, Limited and Outside Audit & Supervisory Board Member of Nippon Steel & Sumitomo Metal Corporation. He became Outside Director of Isetan Mitsukoshi Holdings Ltd. in 2014 and has since been providing useful advice and appropriate supervision on the execution of business based on his considerable experience and knowledge of finance as the manager of the financial institution representing Japan for many years.

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member

10 Hidenori Takeda Born July 5, 1954

Joined what was then Mitsui Bank, Ltd. in 1978. After many years' experience at the bank, he joined what was then Mitsukoshi, Limited in 2006. After working in the corporate planning and sales policy departments, he became President and Representative Director of MICARD Co., Ltd. in 2010 and Director, Managing Executive Officer and General Manager of the Domestic Subsidiaries & Affiliates Headquarters of Isetan Mitsukoshi Holdings Ltd. in 2013, before becoming a Standing Audit & Supervisory Board Member of the Company in 2015. He now conducts audits that make use of his extensive knowledge of finance and accounting and his broad experience in corporate planning and related businesses, and provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors and others.

Outside Audit & Supervisory Board Member

12 Koichi Miyata Born November 16, 1953

Joined what was then Mitsui Bank, Ltd. in 1976. In 2011, he became Director and President of Sumitomo Mitsui Financial Group, Inc. At present, he concurrently serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and in outside officer roles, including as an Outside Director of Sony Corporation. He became Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2016 and now contributes to audits of the Company, making use of his considerable experience and knowledge of finance as the manager of the financial institution representing Japan for many years. He also provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors of Isetan Mitsukoshi Holdings Ltd. with his extensive insight.

Outside Audit & Supervisory Board Member

14 Takeo Hirata Independent Officer Born January 16, 1960

Joined the Ministry of International Trade and Industry (then and now the Ministry of Economy, Trade and Industry) in 1982. With a change of career in 2002, he became a Senior Member of the Executive Committee of the Japan Football Association. He currently makes a significant contribution to the promotion of the sports business as a professor in the Graduate School of Sports Sciences, Waseda University and serves as Outside Company Auditor of Rakuten, Inc. He also became a Special Advisor to the Cabinet in 2013. Since he became an Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2017, he has been exercising his wide-ranging and extensive knowledge in conducting audits of the Company to contribute to further strengthening the governance function of the Group and to provide appropriate advice and proposals from an independent standpoint at meetings of the Board of Directors of the Company, where more diverse perspectives are required.

Standing Audit & Supervisory Board Member

11 Yoshio Takino Born May 11, 1956

Joined what was then Isetan Co., Ltd. in 1981. Subsequently engaging mainly in business related to the sales policy and store operation of department stores, he became Executive Officer of Isetan Mitsukoshi Ltd. and General Manager of Isetan Tachikawa Store in 2011, Managing Executive Officer of Isetan Mitsukoshi Ltd. and General Manager of Isetan Shinjuku Main Store in 2013, and Managing Executive Officer and General Manager of the Risk Management Office of Isetan Mitsukoshi Holdings Ltd. in 2014, before becoming Audit & Supervisory Board Member of the Company in 2016. He conducts audits making use of his considerable experience in the sales department and administrative department, such as compliance and risk management, and provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors and others.

Outside Audit & Supervisory Board Member

13 Hirotaka Fujiwara Independent Officer Born May 21, 1954

Joined the Law Offices of Iijima and Yamada in 1985. In 1995, he founded Hikari Sogoh Law Offices. Since 2007, he has been a part-time lecturer at Keio University Law School. In 2015, he became Representative Partner at Hikari Sogoh Law Offices. Since his appointment as Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2016, he has been exercising his deep insight cultivated in activities as a lawyer for many years and his experience as a company auditor in other companies for conducting audits and building and maintaining the compliance system in Isetan Mitsukoshi Holdings Ltd., and providing appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors of the Company.

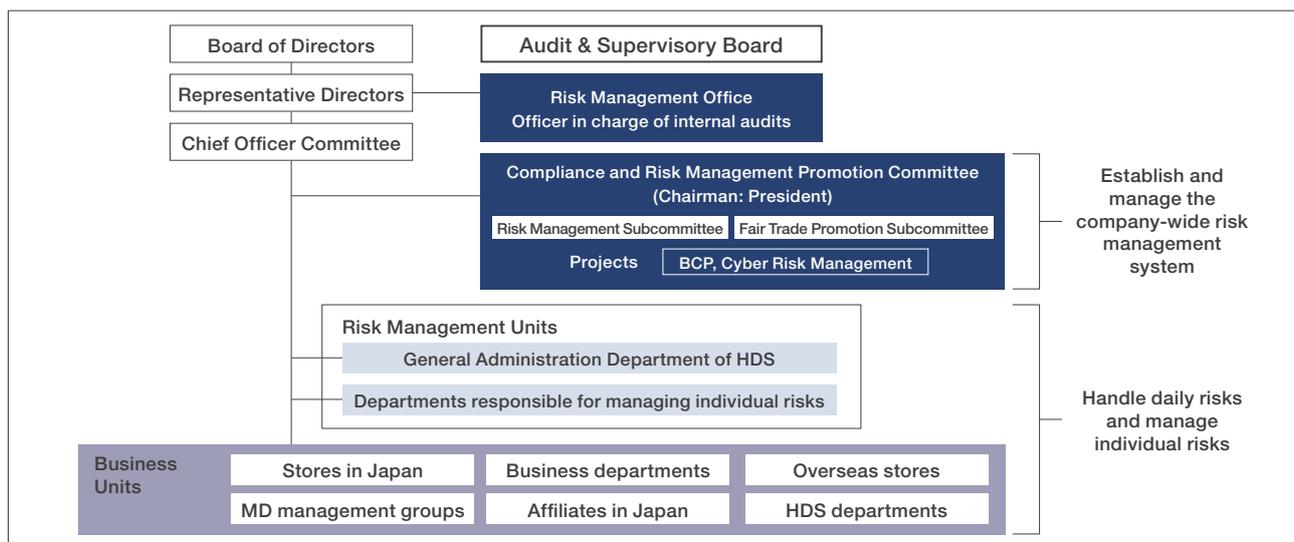
Risk Management (as of November 2018)

Our Views on Risk Management

At the Isetan Mitsukoshi Group, we have established our Basic Regulations on Risk Management to implement overall risk management for all Group companies. Under these regulations, we implement measures both for risk management during normal times and for crisis management during times of emergency.

As a measure for promoting risk management, we create a risk map each year to visualize the risks facing the Group and strengthen policies for minimizing the impacts of risks that are realized. More specifically, we identify target risks, which vary depending on changes in the Group's environment, and implement measures to counter them.

Our Risk Management System



Roles of the Risk Management Office

Established as an independent division directly under senior management, the Risk Management Office pursues the centralized management of risks surrounding the entire Group.

During normal times, this office engages in activities aimed at managing risks to corporate value, quality, safety, health, and labor; ensuring thorough compliance; improving the quality of internal control; and enhancing corporate governance.

The Risk Management Office responds promptly and flexibly to any risks that are realized.

Roles of the Compliance and Risk Management Promotion Committee (from FY2018 onward)

To improve the effectiveness of the Compliance and Risk Management Committee, which existed until FY2017, we have converted this entity into the Compliance and Risk Management Promotion Committee in FY2018. To minimize the impacts of risks that are realized and prevent the occurrence of risks, this committee is promoting initiatives for realizing the integrated risk management of all Group companies by monitoring action plans related to individual risks and how they are addressed.

The Compliance and Risk Management Promotion Committee consists of 20 members -- the president as the chair and 19 members appointed by the chair -- and meets twice every year. Audit & Supervisory Board

members and people from related divisions also participate in meetings of this committee to share information.

Business continuity plan (BCP)

We have formulated a business continuity plan (BCP) by assuming major natural disasters (such as earthquakes and flooding) and pandemics. We also conduct training to improve the effectiveness of the BCP in a well-planned manner and verify its effects in our efforts to continue improving the plan.

Establishment and operation of an information security management system

Concerning information systems and related information owned and managed by the Group internally, we have formulated standards on measures for handling and managing them and ensuring compliance in the Regulations on Information Security Management with the aim of protecting the systems and information from risks including those of accidents, crimes, and negligence. The Cyber Risk Management Project, which is a subordinate body of the Compliance and Risk Management Promotion Committee, suggests and promotes measures for addressing cyber risks to the overall Group. It engages in activities focused on governance, employee training, daily preventive measures, and reviews of daily monitoring flow.

Our Views on Compliance

■ At the Isetan Mitsukoshi Group, we believe that all employees working in the Group must embrace compliance as part of our values, consciousness, and actions if we are to truly respect not only laws but also ethics, social norms and rules. For this purpose, we have adopted our Corporate Code of Ethics and Conduct based on Our Philosophy as a code of conduct for executives and other employees. We strive to ensure that the Corporate Code of Ethics and Conduct is embraced throughout the Group and to maintain and enhance our compliance system to secure the trust of society.

■ The Internal Audit Division was established within the Risk Management Office as an independent body to audit the legality and acceptability of business activities.

■ As a measure for ensuring thorough understanding of these matters in regular business activities, we provide employees with the Compliance Guidebook, which shows laws and regulations that must be complied with, and provides standards for ethical behaviors, in relationships with customers and business partners.

Protection of personal information

To be equal to the trust customers place in us and fulfill their expectations, we have formulated and made public the Group's Privacy Policy for properly managing and using the personal information customers entrust to us.

In addition, we have established our Personal Information Management Rules based on our Privacy Policy. Under these rules, we use our customers' personal information properly and ensure strict protection and management of such information.

Establishment and operation of a system for preventing insider trading

We have established and operate a system for preventing insider trading that is trusted by equity markets and stakeholders. Specifically, we have established our Insider Trading Prevention Rules regarding the handling of unpublished important information. By following these rules, we take measures for ensuring strict management of information and raising awareness of the importance of proper information management.

The system we have put in place also requires that executives and other employees assigned to certain divisions take steps such as providing prior notification when engaging in the trading of equity or other securities.

Development of IR Policy

We have formulated and disclosed our IR Policy and make strenuous efforts to practice fair information disclosure and enhance communication in our IR activities (public relations activities directed toward shareholders and other investors). These efforts are aimed at gaining the trust and understanding of our shareholders and other investors.

Establishment and operation of systems for promoting fair trade

We have established our Fair Trade Guidelines, under which we promote establishment and strict management of systems for eliminating unfair restraint on trade and the similar acts, in our efforts to firmly maintain fair, free competition and continue to contribute widely to society as a corporate entity.

Response to antisocial forces

Our Basic Policy on Internal Control System Construction clearly states that the Isetan Mitsukoshi Group will reject relationships with antisocial forces, refuse inappropriate requests from them, and take measures to prevent damage they may attempt to inflict.

Case example Sound corporate culture

Training for persons responsible for preventing inappropriate requests

At the Isetan Mitsukoshi Group, for the purpose of responding to inappropriate requests from antisocial forces with a firm attitude, we encourage the site managers of our stores and affiliates to undergo training for persons responsible for preventing inappropriate requests. The training includes lectures given by officials from the Metropolitan



Number of persons who underwent the training

2015	142
2016	98
2017	105

Police Department and the Tokyo Center for Removal of Criminal Organizations and commissioned lecturers, as well as learning through a video produced for the training. A certificate of attendance is granted to those who have completed this training. They apply what they have learned through the training in actual settings.

Establishment and operation of a whistleblowing office

We have established the Group Hotline Rules to swiftly bring to light and correct inappropriate conduct, illegal conduct, and harassment that occur within the Group. We have also established the Group Hotline, our whistleblowing system for all employees of the Group and the Group's business partners. Under this system, a specialized internal division and external entities (including a law firm) accept whistleblowing.

Initiatives for preventing unreasonable restraint of trade (cartel and bid-rigging)

On January 12, 2018, Isetan Mitsukoshi Ltd. was handed a cease and desist order and an Order for Payment of Surcharge by the Japan Fair Trade Commission under the Antimonopoly Act. The company has responded to these orders by conducting employee training and taking initiatives to prevent recurrence. In response, we at the Isetan Mitsukoshi Group have renewed our determination to promote fair trade. For this purpose, we have formulated rules on interactions with our competitors, under which we prohibit unfair restraint of trade. We are striving to ensure fair trade with these and other initiatives.