

## Corporate Governance

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The current corporate governance measures at Isetan Mitsukoshi Holdings Ltd. (the “Company”) are as follows.

### I **Basic Views on Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters**

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#### 1. Basic Views **Updated**

Please refer to the Corporate Governance Guidelines section of the Company’s website regarding basic views and policy for corporate governance at Isetan Mitsukoshi Holdings.  
(URL: [https://www.imhds.co.jp/english/ir/effort/organizational\\_governance.html](https://www.imhds.co.jp/english/ir/effort/organizational_governance.html)): Section titled Corporate Governance

#### **[Reasons for non-compliance with each of the principles of Japan’s Corporate Governance Code]**

The Company complies with all principles of Japan’s Corporate Governance Code.

#### **[Disclosure based on each of the principles of Japan’s Corporate Governance Code] **Updated****

[Principle 1-4, Supplementary Principles 1-4 (1)(2)]

Cross-shareholdings

(1) Policy on cross-shareholdings

To ensure effective corporate governance, and to contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, the Company may enter into cross-shareholding arrangements with companies as deemed necessary, with the purpose of safeguarding and strengthening product supplies, capital procurement and other trading relationships. Every year at the Board of Directors, the Company comprehensively verifies factors including the purpose of holding individual cross-shareholdings, transaction status, and dividend earnings. The Company works to reduce cross-shareholdings by selling shares which possession is deemed no longer reasonable.

(2) Standards for exercising voting rights in relation to cross-shareholdings

Regarding the exercise of voting rights for cross-shareholdings, an overall judgment is made as to whether or not exercise of such rights would spur sustainable corporate value of said company or contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long-term. Such voting rights are duly exercised for each agenda item.

(3) Policy in the case that cross-shareholders indicate their intention to sell shares

When shareholders who hold the Company's shares for the purpose of cross-shareholding (cross-shareholders) indicate their intention to sell their shares, the Company will not hinder the sale of the shares by, for instance, implying a possible reduction of business transactions.

[Principle 1-7]

Transactions between Related Parties

Regulations on executives including the Regulations of the Board of Directors and Regulations of Executive Officers stipulate that, in the event that a conflict of interest transaction or competitive transaction is entered into between executives themselves such as Directors and Executive Officers or their specified family members and the Company, or between a company or organization where executives themselves or their specified family members hold a position as executives and the Company, the important facts of such transactions are to be disclosed to the Board of Directors in advance for its approval. This rule is disseminated throughout the Company. The Board of Directors reaches a decision on approval after due deliberation of the transaction.

[Principle 2-6]

Functional Roles as Corporate Pension Fund Asset Owners

The Company's retirement pension plan has transitioned to a defined contribution corporate pension plan. Although the defined benefit corporate pension plan is still available for some retired employees, its influence on the Company's financial position is extremely limited. For pension investment management, qualified persons suitable for such duties are placed in relevant departments, and we receive periodic reports on investment status from financial institutions for monitoring.

[Principles 3-1(i), 2-1]

Purpose of the Company (management philosophy, etc.), and management strategies and management plans  
"Our philosophy" at Isetan Mitsukoshi Holdings

To achieve sustainable growth as a company in an age of rapid change, the Group will seek to continue a drastic reform of the entire Group. In 2018, we compiled a new credo "Our philosophy," which is the *raison d'être* of the Isetan Mitsukoshi Group and the way we want to be.

"Our" refers to the Isetan Mitsukoshi Group itself and everyone working there.

"Our philosophy" is a behavioral guideline that we should bear in mind at any time and shows how each and every employee should change oneself. By carrying out "Our philosophy," we will offer enriched life and sense of affluence to our stakeholders.

We strive to thoroughly familiarize the entire Group with the credo such as by having our executives attend the annually held "Our philosophy" Promotion Meetings to introduce initiatives including best dialogue-based practices contributing to changes in corporate culture.

<https://www.imhds.co.jp/english/company/philosophy.html>: "Our philosophy"

<https://www.imhds.co.jp/english/ir/special01.html>: The Isetan Mitsukoshi Group's Three-Year Plan (FY2018 to FY2020)

[Principle 3-1(ii)]

Basic views and policy regarding corporate governance based on each of the principles in Japan's Corporate Governance Code

In combination with measures to build excellent relationships with customers, employees, shareholders, business partners and local communities—our stakeholders—the Group is overhauling its corporate governance structure, along with management reform. This entails the establishment and strengthening of legal frameworks for the general meeting of shareholders, the Board of Directors, the Audit & Supervisory Board and the external accounting auditors. To ensure fulfilment of the Company's social responsibilities, we are also working 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. Aiming to become a corporate Group that is deeply trusted by all of its various stakeholders, the Group will take

a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

[https://www.imhds.co.jp/english/ir/effort/organizational\\_governance.html](https://www.imhds.co.jp/english/ir/effort/organizational_governance.html)): Section titled Corporate Governance

[Principles 3-1(iii), 4-2, Supplementary Principle 4-2(1)]

Policies and procedures with regard to Board of Directors' decisions concerning remuneration of senior management executives and Directors

(1) Policy regarding the remuneration, etc. of executives

The Company has established the following four basic principles regarding executive remuneration (excluding Outside Directors and Audit & Supervisory Board Members).

- 1) Promotion of common interests between shareholders and executives
- 2) Expansion of incentive effects to improve financial results and shareholder value
- 3) Provision of remuneration at a level by no means inferior to competing companies (upon achieving goals)
- 4) Ensuring objectivity and transparency in methods of evaluation and remuneration decision

These basic principles have been formulated as "Director Remuneration Principles" in the "Director Remuneration Guidelines" established by the resolution of the Board of Directors of the Company.

(2) Matters concerning the process for determining executive remuneration

Under the above Director Remuneration Principles, the objectivity and transparency of the entire process of determining executive remuneration are ensured through the effective deliberation at the Nomination and Remuneration Committee, an advisory body to the Board of Directors comprising five committee members, four of whom are Outside Directors, and chaired by an Outside Director.

(3) Types of remuneration, etc. of executives and the method by which they are determined

Under the Director remuneration system of the Company, executive remuneration is composed of three elements: monthly "basic remuneration" along with "bonuses" and "remuneration-type stock options" which are paid or granted annually. For Directors concurrently serving as executive officers, including the President & CEO, bonuses that are paid as a form of performance-linked remuneration shall account for 25% of the total annual remuneration for each individual, with the aim of clarifying their responsibilities for business execution. Meanwhile, stock options shall also account for 25% of the total annual remuneration for each individual, with a view toward promoting shareholdings by executives and their common interests with the shareholders.

(Bonuses shall not be paid to the Chairman, Outside Directors or Audit & Supervisory Board Members, while stock options shall not be granted to Outside Directors or Audit & Supervisory Board Members.)

<Bonuses>

For Directors (excluding those who are not concurrently serving as executive officers), performance-linked bonus as described hereunder has been introduced as a strong motivation towards the achievement of goals based on the remuneration principles.

Base amount of bonus = Basic remuneration x 6 (months)

Amount of bonus to be paid = Base amount of bonus x [1] Payout ratio (degree of achievement against the corporate performance goal) x [3] Allocation ratio (weight) + Base amount of bonus x [2] Payout ratio (personal qualitative evaluation) x [3] Allocation ratio (weight)

1) Payout ratio (degree of achievement against the corporate performance goal)

Since the Company's foundation in FY2008, the Group has adopted consolidated operating income as its indicator to strongly motivate executives to achieve annual goals, with a view toward quickly establishing a sound operational base for the Group and launching its management on a growth track into the future.

Specifically, the payout ratio shall be 1.00 (100%) upon the full achievement of the operating income goal, and designed to vary within the range between 0.00 (0%) at minimum and 2.00 (200%) at maximum, in proportion to the degree of achievement. The amounts of consolidated operating income corresponding to such minimum

and maximum factors shall be determined for each fiscal year, based on the absolute standards of the targeted amount, with a view toward providing clear and effective incentives.

2) Payout ratio (personal qualitative evaluation)

The payout ratio of qualitative evaluation shall be subject to a seven-grade evaluation (between 0.00 (0%) at minimum and 2.00 (200%) at maximum) by the President and CEO at the end of each fiscal year, based on the assessment of the degree of achievement of the qualitative goals established through the interview with the President and CEO at the beginning of each fiscal year.

3) Allocation ratio (weight)

The allocation ratio (weight) between the degree of achievement against the corporate performance goal and the personal qualitative evaluation shall be determined for each fiscal year following a review of its positioning.

As for FY2019, the allocation ratio of the degree of achievement against the corporate performance goal is set at 100% for the President & CEO, who is ultimately responsible for corporate performance, and is set at 70% for other Directors concurrently serving as executive officers.

[Remuneration-type Stock Options]

Stock options shall be granted to Directors (excluding Outside Directors) as follows, based on the remuneration-type stock options scheme involving an exercise price set at one yen, with a view toward promoting shareholdings by executives and enhancing awareness towards improving shareholder value over the long-term.

Maximum number of stock options to be granted (each stock option being equivalent to 100 shares of the Company) = (Basic remuneration) x 6 (months) / Reference price of a share of the Company (\*)

\*Reference share price = “Average price of share over the three months up to the month prior to the resolution on issuance” or “the price of a share on the day four days prior to the date of the resolution on issuance (if no closing price is quoted on such day, the closing price of the immediately preceding business day)” at the Tokyo Stock Exchange, whichever is higher.

[Principles 3-1(iv)(v), Supplementary Principles 4-1(3), 4-3(1)(2)(3)]

Explanation on policies and procedures on the Board of Directors’ selection/dismissal of executives and nomination of candidates for Director and Audit & Supervisory Board Member, and individual selection/dismissal

As a prerequisite regarding “nomination” of executives, the Company stipulates the maximum age and maximum term of executives for each position in the Regulations of Age Limits of Executives in Office to promote appropriate rotation.

Given this, assuming that “nomination” of executives including selection/dismissal of the CEO should be deliberated at the Nomination and Remuneration Committee to ensure transparency and fairness as described in “5. Nomination and Remuneration Committee (Optional Committee),” the Company specifically takes following actions.

(1) Decision on selection and reappointment of the CEO

Decision on selection and reappointment of the CEO is positioned as the most important task and is addressed with priority at the Nomination and Remuneration Committee.

(i) Decision on reappointment of the current CEO

With respect to acceptance or non-acceptance of reappointment of the current CEO (reappointment after expiration of the term of the appointment contract), pursuant to the upper limit stipulated in the aforementioned “Regulations of Age Limits of Executives in Office,” the Nomination and Remuneration Committee undertakes the following.

\*At the time of inauguration of the CEO, the CEO submits in person a commitment (goals to be achieved) for the estimated term of office, of which acceptance/non-acceptance is discussed.

\*In the following and subsequent years, the CEO explains progress for the commitment, future earnings forecasts, etc., and after the CEO leaves the meeting, four Outside Directors who are members of the Committee deliberate on the acceptance/non-acceptance of reappointment of the CEO.

Decision on reappointment of the CEO for the following year is deliberated in the absence of the CEO. In this and other ways, the Company strives to improve its effectiveness and not reduce the process to formality.

(ii) Succession plan of the CEO

The Company actively creates opportunities where Outside Directors can monitor candidates after the following contents are periodically reported and shared at the Nomination and Remuneration Committee.

\*Listing of candidates for a CEO successor (for emergencies, at the time of change before expiration of term, and the maximum term of office)

\*Clarification of requirement for the CEO

\*Training plans for each candidate and plans for relocation to sectors that each candidate should experience in the future

Furthermore, the Company creates a reserve group of candidates for the CEO successor by spending adequate time and resources by providing systematic education opportunities such as the “business leader program” which is a selective education program for managerial positions and the “business executive program” after appointment as executive officer.

(2) Policy on Nomination of Candidates for Director and Audit & Supervisory Board Member

With regard to nomination of candidates for Director and Audit & Supervisory Board Member, the policy of the Company is to look for candidates with broad insight, high ethical standards and extensive experience, in addition to meeting eligibility requirements under laws and regulations.

Of these, we select Outside Directors from different fields and industries, to ensure account is taken of a wide range of opinions from objective and specialist perspectives, and ensure well-balanced management. Also, recruitment focuses mainly on candidates with practical business-world experience, expecting that Outside Directors not only oversee the execution of business operations, but also provide supervision and advice on the appropriateness of management decision-making itself.

Regarding Outside Audit & Supervisory Board Members, recruitment focuses mainly on candidates with a wealth of knowledge and experience in relevant fields, so as to ensure that audits are carried out from a neutral and objective standpoint including whether the processes and contents of management decision-making are appropriate from legal and accounting perspectives.

The reasons for nomination of each candidate for Directors (including executive officers concurrently serving as the Representative Director and Director) and Audit & Supervisory Board Members are described in the “Notice of the Convocation of the Ordinary General Meeting of Shareholders” (Reference Documents for the General Meeting of Shareholders).

<https://www.imhds.co.jp/english/ir/stockholder/meeting.html>: Section titled General Meeting of Shareholders

[Supplementary Principle 4-1(1), Principles 4, 4-1, Supplementary Principle 4-1(2)]

Responsibilities of the Board of Directors

The Company makes efforts to create an environment where the Board of Directors can fulfil its roles and responsibilities in a highly effective manner to promote the Group’s sustainable growth and the enhancement of corporate value over mid- to long-term and sufficiently fulfil its fiduciary responsibility to shareholders. As a part of these efforts, the Company promotes separation of “execution” and “oversight” while selecting a company with the Audit & Supervisory Board as a form of corporate organization and works to strengthen decision-making functions and oversight functions to be fulfilled by the Board of Directors.

Specifically, the Company has clearly set forth in internal regulations (such as the Regulations of the Board of Directors and Regulations of Decision Making Process for the Group) criteria for making proposals to be decided upon by the Board of Directors. At the same time, the Company revises the criteria for making proposals as necessary and delegates authority to the execution side within a range of a company with the Audit &

Supervisory Board in order to enhance the agility of management. Also, to further clarify separation of “execution” and “oversight,” the Chairman and Representative Director who is not an executive officer, instead of the President and CEO, serves as the Chairman of the Board of Directors.

Under this environment, in addition to resolutions necessary for procedures and reporting, the Company’s Board of the Directors actively arranges opportunities where important managerial issues are discussed from a wide perspective. Those discussions are utilized for preparing the mid- to long-term management plan and the progress of the plan is reported to the Board of Directors in a timely manner so that it is reflected in plan revisions and establishment of the next management plan. Thus, the Company makes efforts to establish the management PDCA cycle with the Board of Directors as the starting point.

In addition, in order to fulfil adequate accountability, the Company discloses materials regarding management plans and progress to stakeholders, including shareholders and investors, at the general meetings of shareholders and semi-annual financial results briefings as well as on the Company’s website, etc.

[Principles 4-8, 4-11, Supplementary Principle 4-11(1)(2), Principles 4-6, 4-7]

Composition of the Board of Directors (“Effective Utilization of Independent Outside Directors”)

The Company has a structure, where the Board of Directors maintains diversity in its composition and adequately fulfils its management oversight function, so that the Board of Directors can perform its roles and responsibilities in a highly effective manner. As a part of such structure, the Company has been inviting Outside Directors with different backgrounds from industries of various specialized fields since the Company’s foundation in 2008, expecting that they not only oversee business execution but also provide supervision and advice on the appropriateness of management decision-making itself.

Currently, the Company has nine Directors including two women and four Outside Directors (two men and two women), among which three are Independent Outside Directors who satisfy the Independence Standards of the Company.

The Company’s views on the composition of the Board of Directors, important concurrent positions of the Directors and Audit & Supervisory Board Members, and their attendance at the Company’s Board of Directors and Audit & Supervisory Board are described and disclosed in the “Notice of the Convocation of the Ordinary General Meeting of Shareholders.”

[Principle 4-9]

Independence Standards and Qualifications for Independent Outside Executives

In designating Outside Directors and Outside Audit & Supervisory Board Members as independent officers, the Company has compiled its proprietary “Independence Standards for Independent Directors and Independent Auditors of Isetan Mitsukoshi Holdings Ltd.,” for assessing their independence and outside officers who do not come under any of the following categories are nominated as independent officers.

- 1) Business executives of the Group
- 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) An executive officer of a financial institution which 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 come under categories 1) to 5) above in the last three years
- 8) Spouses or relatives within the second degree of kinship of anybody coming 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.”

[Principle 4-10, Supplementary Principle 4-10(1)]

Nomination and Remuneration Committee (Optional Committee)

The Company has established the Nomination and Remuneration Committee as an optional structure to act as an advisory body to the Board of Directors, and it deliberates on matters regarding “nomination,” including personnel plans and succession plans of the President and CEO, personnel plans for executives, and a candidate plan for the president of associated companies, and general matters on “remuneration,” including the Director remuneration system, a bonus plan for Directors and executive officers, and a remuneration portion plan for Directors and Audit & Supervisory Board Members, and findings are submitted to the Board of Directors.

The Committee is composed of five members, all of which are Outside Directors (three Independent Outside Directors and one Outside Director) excluding one President and CEO and its transparency and fairness is fully ensured with an Outside Director serving as chair.

The Nomination and Remuneration Committee is held 10 times or more every year and greatly contributes to improvement of governance functions that are pivotal for the Company’s governance.

[Supplementary Principle 4-11(3)]

Effectiveness Evaluation of the Board of Directors

The Company evaluates effectiveness of the Board of Directors by using objective and quantitative methods, including giving an individual questionnaire to all Directors and Audit & Supervisory Board Members inside and outside the Company. To confirm that effectiveness is properly maintained at the Board, various viewpoints are taken into account, including institutional design, nomination, and remuneration, in addition to the composition and operation of the Board of Directors. Meanwhile, the Company continues to develop and carry out improvement plans for issues concerning the Board of Directors.

Owing to this approach, specific positive results have been achieved, such as an increase in the number of Independent Outside Directors (from June 2018) and improvement of timely and effective agenda preparation. Furthermore, we believe that the transparency of the governance of the Company has been drastically enhanced through in-depth disclosure regarding the methods for implementing the selection/dismissal of the CEO and succession plans, as well as the policy for nominating executives. Going forward, we shall pursue further enhancement of governance based on the results of the questionnaire.

[Supplementary Principle 4-14(2)]

Training Opportunities for Directors and Audit & Supervisory Board Members

The Company believes that it is important to provide opportunities to Outside Directors and Outside Audit & Supervisory Board Members where they can continue to understand the environment surrounding the Group and its business, financial position, and organizational structure, and update such information when assuming their position and during their service. This would help Outside Directors and Outside Audit & Supervisory Board Members fully recognize the Group's important management issues and make best decisions based on their beliefs at the Board of Directors, the Audit & Supervisory Board, and other meetings.

Meanwhile, for internal executives, on the assumption of giving Directors and Audit & Supervisory Board Members options for updating their knowledge even during their services, the Company believes that the most important matter is to provide opportunities to develop self-awareness and recognition as leaders who steer management for executive officers and presidents of Group companies who will be candidates for Directors and top management in the future.

Based on these views, the Company offers opportunities to acquire knowledge necessary as executives and develop self-awareness as executives for new executive officers and presidents of Group companies when they are newly appointed and systematically carries out an annual “Business Executive Program,” which meets attributes of each target executive, in the second year and onward. In addition, the Company arranges external seminars as needed, where internal Directors and Audit & Supervisory Board Members can continue to update their knowledge, and continually provides explanations about the Group to Outside Directors and Outside Audit & Supervisory Board Members.

[Principle 5-1, Supplementary Principle 5-1(1)(2)]

#### Policy for Dialogue with Shareholders and Investors

The Company recognizes that dialogue with shareholders and investors is important for realizing sustainable growth and enhancing corporate value over mid- to long-term. We make efforts to improve information disclosure with regard to strengthening of corporate governance and progress of the mid- to long-term strategies in order to promote constructive dialogue with shareholders.

The Company will practice timely and accurate disclosure by establishing Timely Disclosure Regulations and other regulations and policies about information disclosure. Furthermore, based on its IR Policy, the Company will hold meetings and results briefings for domestic and overseas institutional investors, in addition to the general meeting of shareholders, in a proactive and continuous manner to the extent reasonable. Opinions gathered from such activities will be reflected in management.

#### Specific Systems and Measures to Encourage Constructive Dialogue with Shareholders and Investors

- 1) To promote constructive dialogue with shareholders, the Company provides opportunities where senior management executives periodically discuss efforts to strengthen corporate governance and progress of the mid- to long-term plan with major shareholders and institutional investors. Also, a platform is in place, with the Chief Financial Officer (CFO) in charge of PR/IR Division, Group Corporate Strategy Office.
- 2) The Group Corporate Strategy Office and Group General Affairs Department cooperate organically as a platform for supporting constructive dialogue with shareholders to prepare disclosure materials and share information as well as provide information to responsible executives, etc.
- 3) The Company promptly provides information subject to disclosure to media organizations, and carries such information on its website. In addition, shareholder newsletters and other notifications are prepared using easy-to-understand terms. Furthermore, the Company organizes dedicated meetings with institutional investors, securities analysts, etc., results briefings and general corporate briefings.
- 4) Opinions and evaluation on disclosure provided by shareholders and investors as well as reports by securities analysts, etc. are reflected in the improvement of corporate value by broadly sharing such information in-house and having common understanding on the issues with the management through regular feedback.
- 5) Based on the IR Policy, the Company observes a “self-restraint period,” during which it desists from investor relations activities. During this period, executives and other employees of the Company desist from commenting to external parties on earnings results and targets, as well as other information relating to financial accounts. In addition to the “self-restraint period,” pursuant to the Insider Trading Regulations, the Company never refers to significant matters, etc., that have not yet been publicly disclosed.

## 2. Capital Structure **Updated**

Ratio of shares held by overseas shareholders	From 10% to less than 20%
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### [Current major shareholders] **Updated**

Name / Company name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	38,385,000	9.84
Japan Trustee Services Bank, Ltd. (Trust account)	23,389,244	6.00
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.50
Japan Trustee Services Bank, Ltd. (Trust account 9)	10,139,700	2.60
Isetan Mitsukoshi Group's partner holding companies	7,822,678	2.01
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,227,400	1.85
SHIMIZU CORPORATION	6,200,000	1.59
Meiji Yasuda Life Insurance Company	5,697,279	1.46
JP MORGAN CHASE BANK 385151	5,576,247	1.43
MUFG Bank, Ltd.	5,342,995	1.37

Controlling shareholders (excluding parent company)	-
Parent company	None

Supplementary explanation

## 3. Corporate Attributes

Listed stock exchange and market section	Tokyo Stock Exchange, First Section; Fukuoka Stock Exchange
Fiscal year-end	March
Type of business	Retailing
Number of employees (consolidated basis) as of the end of the previous fiscal year	More than 1,000
Net sales (consolidated basis) as of the end of the previous fiscal year	Over ¥1 trillion
Number of consolidated subsidiaries as of the end of the previous fiscal year	From 10 to less than 50

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

Isetan (Singapore) Ltd., a subsidiary of the Company in which Isetan Mitsukoshi Ltd. holds shares, is listed on the Singapore Exchange. Negotiations regarding major policies take place as and when required among the Company, Isetan Mitsukoshi Ltd. and the subsidiary in question. However, the independence of the Board of Directors of the subsidiary will be respected. The Company holds 52.7% of the voting rights in Isetan (Singapore) Ltd.

## II Business Management Organizations and Other Corporate Governance Systems regarding Management Decision-Making, Execution of Business and Oversight in Management

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### 1. Organizational Composition and Operation

Organizational form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum number of Directors stipulated in the Articles of Incorporation	12
Terms of office of Directors stipulated in the Articles of Incorporation	1 year
Chair of the Board of Directors	Chairman (except where the post is concurrently held by the President)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Outside Directors designated as independent officers	3

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Michiko Kuboyama	Joined the Company from another company											
Masami Iijima	Joined the Company from another company											
Miwako Doi	Joined the Company from another company											
Takashi Oyamada	Joined the Company from another company								△			

\* Categories for “Relationship with the Company”

\* ”○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Executive or non-executive director of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between which and the Company’s outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Relationship with the Company (2) **Updated**

Name	Independent Director	Supplementary explanation of the relationship	Reasons for appointment
Michiko Kuboyama	○	Communication Fellow, Ordinary Citizens Research Department, Kao Corporation	Michiko Kuboyama has served as General Manager, Products Public Relations Center and other positions at Kao Corporation, engaging mainly in product development and marketing departments. Her activities span diverse fields including sharing her abundant experience as Visiting Professor at TAMA GRADUATE SCHOOL OF BUSINESS. She took office as the Company’s Outside Director in 2018. The Company operates in an industry that calls for a wide range of perspectives including that of the consumer. As she is expected to continue giving valuable advice and appropriate oversight over business execution from an independent standpoint at the Company’s Board of Directors, she was

Name	Independent Director	Supplementary explanation of the relationship	Reasons for appointment
			appointed. As a result of rigorous screening in light of 3.5. (3)-2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, she was appointed as an independent Director.
Masami Iijima	○	<p>Representative Director, Chairman of the Board of Directors of MITSUI &amp; CO., LTD.</p> <p>Outside Director of Ricoh Company, Ltd.</p> <p>External Board Director of SoftBank Group Corp.</p> <p>Counsellor of Bank of Japan</p>	Masami Iijima has served as the management of one of the largest corporations in Japan with excellent achievements in its growth. As Chairman of the Board of Directors of MITSUI & CO., he has also proved to be indispensable in the promotion of its corporate governance as the supervisor of management. The Company expects him to reflect his abundant insight in the Company's management with adequate guidance and suggestions to ensure the validity and appropriateness of decision-making by its Board of Directors from an independent standpoint. Therefore, he was appointed. As a result of rigorous screening in light of 3.5. (3)- 2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was appointed as an independent Director.
Miwako Doi	○	<p>Auditor of National Institute of Information and Communications Technology</p> <p>Outside Director of Nomura Research Institute, Ltd.</p> <p>Executive Director of Nara Institute of Science and Technology</p>	Miwako Doi has accumulated abundant experience at a major electronics manufacturer as a researcher and manager in the information technology field with great expert achievement in the field. Her activities are diverse, ranging from government committee member to visiting professor at a university. The Company aims to be future department stores that make use of the power of IT, stores, and human resources. She is expected to provide valuable guidance backed by her sophisticated expertise and techniques in IT as well as appropriately oversee business execution from an independent standpoint at the Company's Board of Directors. Therefore, she was appointed. As a result of rigorous screening in light of 3.5. (3)- 2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, she was appointed as an independent Director.
Takashi Oyamada		<p>Special Advisor of MUFG Bank, Ltd.</p> <p>Representative Director &amp; Vice Chair of The Japan Institute of International Affairs</p> <p>Outside Director of Mitsubishi Research Institute DCS Co., Ltd</p>	Takashi Oyamada has served as the management of a leading financial institution in Japan with excellent achievements, and possesses broad insight and deep knowledge in finance, gained over years of experience at a financial institution. The Company expects him to provide valuable guidance and suggestions to ensure the validity and appropriateness of decision-making by its Board of Directors, leveraging his sophisticated expertise. Therefore, he was appointed.

Establishment of a discretionary committee corresponding to a Nomination Committee or Remuneration Committee

Established

Establishment status and composition of discretionary committee(s), and attributes of chair(s)

	Name	Total of members	Full-time members	Internal Directors	Outside Directors	Outside Experts	Others	Chair
Committee Corresponding to Nomination Committee	Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director

Supplementary explanation **Updated**

The Company has established the Nomination and Remuneration Committee as an optional structure to act as an advisory body to the Board of Directors, and it deliberates on matters regarding “nomination,” including personnel plans and succession plans of the President and CEO, personnel plans for executives, and a candidate plan for the president of associated companies, and general matters on “remuneration,” including the Director remuneration system, a bonus plan for Directors and executive officers, and a remuneration portion plan for Directors and Audit & Supervisory Board Members, and findings are submitted to the Board of Directors. The Committee is composed of five members, all of which are Outside Directors (three Independent Outside Directors and one Outside Director) excluding one President and CEO and its transparency and fairness is fully ensured with an Outside Director serving as chair.

During FY2018, the Nomination and Remuneration Committee held 12 meetings, having deliberations twice on the “reappointment of the CEO, and candidates for CEO successor,” seven times on the nomination of Directors and Audit & Supervisory Board Members, four times on the remuneration of the Board of Directors and Audit & Supervisory Board Members, and nine times on the nomination and remuneration of the executive officers of the Company and executives at the main Group companies. Regarding attendance of each member of the committee, all members attended all of these meetings, with the exception of Mr. Yoshinori Ida, who attended 11 out of 12 of these meetings.

**[Audit & Supervisory Board Members]**

Establishment of an Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, accounting auditors and the Internal Audit Division **Updated**

With regards to the organization of Audit & Supervisory Board Members’ audits of the Company, the Audit & Supervisory Board, comprising five Audit & Supervisory Board Members including three Outside Audit & Supervisory Board Members, meet once each month in principle, to discuss, resolve and report matters concerning the audit. In accordance with the Corporate Audit Standards determined by the Audit & Supervisory Board, auditing policies and the division of duties, each Audit & Supervisory Board Member makes efforts to

collect information and establish auditing circumstances through communication with the Directors, Internal Audit Division and other employees. In addition, each member attends meetings of the Board of Directors and other important meetings to receive reports regarding the status of the execution of duties from the Board of Directors and employees, and requested explanations as necessary. Each member also inspects the approved documents, and examines the status of operations and conditions of assets at its head office and principal offices, as well as monitors and verifies the status of internal control systems. Audit & Supervisory Board Members receive from subsidiaries their reports as necessary through communication and information sharing with their directors and corporate auditors.

With regards to the organization of internal audits within the Company, the Internal Audit Division (comprising 20 staff members), which is independent from other business execution, pursuant to the Financial Services Agency guidelines, evaluates the status of development and operation of internal control systems regarding financial reporting in order to ensure the reliability of such reporting, conducts operational audits over compliance with laws and regulations, and effectiveness and validity of operations concerning the business execution at each Group company, and reports the results thereof to the Representative Director and Audit & Supervisory Board Members.

The Company has entered into an audit contract with Ernst & Young ShinNihon LLC, which conducts the accounting audits pursuant to the provisions of applicable laws. Three certified public accountants, namely Mr. Kazuhiko Umemura, Ms. Eri Sekiguchi and Mr. Kiyotaka Kinugawa, executed the accounting audit of the Company. The team of staff members that assisted the accounting audit of the Company comprises 34 certified public accountants, along with 34 others (including those who passed the certified public accountant examination). Ernst & Young ShinNihon LLC has been in charge of the accounting audit of the Company since our foundation in 2008.

Recognizing that accounting auditors assume accountability to shareholders and investors, the Company takes appropriate measures to ensure appropriate audits. Specifically, the following structures are set in place so as to ensure effectiveness of audits by accounting auditors.

- 1) The Company understands the status of audit implementations by accounting auditors and confirms the validity of labor allocation in consideration of the audit scope and maintenance of quality.
- 2) The Company holds periodical discussions between accounting auditors and the Representative Director and major executive officers.
- 3) Accounting auditors ensure adequate cooperation by reporting audit results to the Audit & Supervisory Board and holding periodical meetings. They also carry out audits in cooperation with the internal audit department by sharing audit plans, audit results, and risk information.
- 4) If the accounting auditors submit a report on misconduct regarding execution of duties by Directors or material facts regarding laws and regulations or the Articles of Incorporation (including facts that may impact ensuring adequacy of documents on financial calculation), a necessary investigation will be made after deliberation at the Audit & Supervisory Board and necessary and timely measures will be taken such as reporting to the Board of Directors or providing advice or recommendations to Directors.

Also, the Audit & Supervisory Board has adopted a system where Audit & Supervisory Board Members evaluate audit activities by accounting auditors periodically over an annual period by understanding audit activities through audit reports from accounting auditors and periodical meetings, and based on the results of such evaluations, etc., decides their reappointment for each term.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members designated as independent officers	2

Relationship with the Company (1)
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Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koichi Miyata	Joined the Company from another company										○			
Hiroataka Fujiwara	Attorney													
Takeo Hirata	Academic													

\* Categories for “Relationship with the Company”

\* ”○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Executive or non-executive director of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Member are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Relationship with the Company (2)

Name	Independent Audit & Supervisory Board Member	Supplementary explanation of the relationship	Reasons of appointment
Koichi Miyata		Director of Sumitomo Mitsui Banking Corporation Outside Director of Sony Corporation Outside Director of TAIJU LIFE INSURANCE COMPANY LIMITED	Koichi Miyata has abundant experience and knowledge regarding finance as manager of financial institutions, which can be brought to the audit of the Company. As it is judged that he can provide advice and proposals with his wide range of insights for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company, he was asked to serve as Outside Audit & Supervisory Board Member.
Hirotaka Fujiwara	○	Representative Attorney of Hikari Sogoh Law Offices	Hirotaka Fujiwara has a high level of insight fostered by his activities as attorney for many years, and while utilizing these to create and maintain the audit and compliance structures of the Company, it is judged that he can provide advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company from an independent status. Therefore, he was appointed as Outside Audit & Supervisory Board Member. As a result of rigorous screening in light of 3.5. (3)-2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent Audit & Supervisory Board Member.
Takeo Hirata	○	Professor, Graduate School of Sport Sciences, Waseda University Special Advisor to the Cabinet Outside Company Auditor of Rakuten, Inc. Chairman of the Japan Society of Sports Industry	Takeo Hirata has made many contributions to the promotion of sports businesses in Japan, including the launch of the J.League and bringing the World Cup to Japan. He has served for many years as an outside corporate auditor, while currently working as a graduate school professor. Given his wide-ranging and deep knowledge, we believe that he will contribute to further strengthening the governance of the Group. We also believe that he will provide appropriate advice and suggestions from an independent standpoint at the Board of Directors meetings seeking a diverse range of perspectives. Therefore, he was appointed as Outside Audit & Supervisory Board Member. As a result of rigorous screening in light of 3.5. (3)-2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent Director.

**[Independent Officers]**

Number of Independent Officers

5

Matters relating to Independent Officers

All outside officers qualifying as independent officers have been designated as independent officers.

**[Incentives]**

Implementation status of incentive policies for Directors

Performance-Linked Remuneration and Stock Options

Supplementary explanation

Details are described in [Disclosure based on each of the principles of Japan's Corporate Governance Code].

Recipients of stock options

Internal Directors, Subsidiaries' Directors

Supplementary explanation **Updated**

Stock acquisition rights have been issued to Directors (excluding Outside Directors) based on the remuneration-type stock options scheme involving an exercise price set at one yen, with a view to enhancing awareness towards improving shareholder value over the long-term.

Executive officers who are not concurrently serving as Directors, as well as Directors of Isetan Mitsukoshi Ltd., the Company's major subsidiary (excluding those who are concurrently serving as Directors of Isetan Mitsukoshi Holdings) and their executive officers have also been assigned stock acquisition rights as stock options by a resolution of the Board of Directors.

## [Director's remuneration]

Disclosure (of individual Director's remuneration)

No disclosure of individual remuneration

### Supplementary explanation

The following has been disclosed in the FY2018 Annual Securities Report and business report.

Director remuneration

Fixed remuneration: 10 Directors, ¥215 million (including 4 Outside Directors, ¥40 million)

Executive bonuses: 4 Directors, ¥58 million (including 0 Outside Directors)

Stock options: 5 Directors, ¥72 million (including 0 Outside Directors)

Audit & Supervisory Board Member remuneration

Fixed remuneration: 5 Audit & Supervisory Board Members, ¥79 million (including 3 Outside Audit & Supervisory Board Members, ¥28 million)

Note: Directors with simultaneous posts as executive officers do not receive remuneration, etc. for their position as executive officer.

Policy on determining remuneration amounts and calculation methods

Established

### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Details are described in [Disclosure based on each of the principles of Japan's Corporate Governance Code].

## [System for Supporting Outside Directors and/or Audit & Supervisory Board Members]

The Company provides the following support for Directors and Audit & Supervisory Board Members inside and outside the Company such that they may sufficiently fulfil their roles.

### (1) Opinion Exchange Meeting for Directors and Audit & Supervisory Board Members

As a part of improvement of the effectiveness of the Board of Directors, the Company annually holds an "Opinion Exchange Meeting among Outside Executives and the Representative Director" in the first half and an "Opinion Exchange Meeting among Outside Directors and Audit & Supervisory Board Members" in the second half. Through these measures, outside executives (Directors and Audit & Supervisory Board Members) deepen their understanding on the Group while ensuring their independence, and a free and wide-ranging exchange of opinions is facilitated among executives inside and outside the Company.

### (2) Training Opportunities for Directors and Audit & Supervisory Board Members

The Company believes that it is important to provide opportunities to Outside Directors and Outside Audit & Supervisory Board Members where they can continue to understand the environment surrounding the Group and its business, financial position, and organizational structure, and update such information when assuming their position and during their service. This would help Outside Directors and Outside Audit & Supervisory Board Members fully recognize the Group's important management issues and make best decisions based on their beliefs at the Board of Directors, the Audit & Supervisory Board, and other meetings.

**[Former Representative Director and President, etc.]**

Names, etc. of consultants and advisers, etc. who are former Representative Director and President, etc.

Name	Titles and positions	Duty	Arrangements and conditions (Full-time/part-time; with/without remuneration, etc.)	Date of retirement as President, etc.	Term of office
Kunio Ishizuka	Senior Advisor	Engaged in activities as a Vice Chair of the KEIDANREN (Japan Business Federation) and other officer positions of industry groups, etc., that the Company has membership or affiliation, based on delegation by the Board of Directors and Representative Directors of the Company.	Part-time With remuneration  The Company appoints a former Representative Director to the position of Senior Advisor after retirement only when such person acts as an officer of an important external organization (business association and industry group) designated by the Company. These persons are not involved in any management decision-making of the Company.	June 21, 2017	Until the expiration of term of office of the position in the said industry group, etc. No reappointment after retirement as an officer of the said industry group, etc.

Total number of consultants and advisers, etc. who are former Representative Director and President, etc.

1

**Other matters**

1. After having retired as President and CEO of the Company on February 1, 2012, the above Senior Advisor assumed office of Chairman, Representative Director and Executive Officer, and then left office on June 21, 2017.
2. Appointment and remuneration, etc. of Senior Advisors are deliberated upon by the Nomination and Remuneration Committee chaired by an Outside Director, and determined by the Board of Directors.
3. Since its establishment in 2008, the Company has not appointed any consultants, and abolished its consultant system (Consultant Regulations) on April 1, 2018. For advisers, their purpose and duties, etc. have been stipulated in internal regulations, but currently we have no other advisers other than the above Senior Advisor.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated**

### Roles and Responsibilities of the Board of Directors

The Company makes efforts to create an environment where the Board of Directors can fulfil its roles and responsibilities in a highly effective manner to promote the Group's sustainable growth and the enhancement of corporate value over mid- to long-term and sufficiently fulfil its fiduciary responsibility to shareholders. As a part of these efforts, the Company promotes separation of "execution" and "oversight" while selecting a company with the Audit & Supervisory Board as a form of corporate organization and works to strengthen decision-making functions and oversight functions to be fulfilled by the Board of Directors.

Under this environment, the Company's Board of the Directors actively arranges opportunities where mid- to long-term management plan and important managerial issues are discussed from a wide perspective. Thus, the Company makes efforts to establish the management PDCA cycle with the Board of Directors as the starting point.

### Composition of the Board of Directors

The Company has a structure, where the Board of Directors maintains diversity in its composition and adequately fulfils its management oversight function, so that the Board of Directors can perform its roles and responsibilities in a highly effective manner. As a part of such structure, the Company has been inviting Outside Directors with different backgrounds from industries of various specialized fields since the Company's foundation in 2008, expecting that they not only oversee business execution but also provide supervision and advice on the appropriateness of management decision-making itself.

Currently, the Company has nine Directors including two women and four Outside Directors (two men and two women), among which three are Independent Outside Directors who satisfy the Independence Standards of the Company.

The Board of Directors held 14 meetings during FY2018, conducting active exchanges of opinions primarily regarding mid- to long-term issues, on the agendas classified as "Matters to be Resolved," "Matters to be Reported," and "Reports on Policies for Business Execution." All Directors attended 13 or more of these 14 meetings. (All Directors appointed in June 2018 attended all 11 meetings held after their appointment.)

### Nomination and Remuneration Committee (advisory body)

The Company has established the Nomination and Remuneration Committee as an optional structure to act as an advisory body to the Board of Directors, and it deliberates on matters regarding "nomination," including personnel plans and succession plans of the President and CEO, personnel plans for executives, and a candidate plan for the president of associated companies, and general matters on "remuneration," including the Director remuneration system, a bonus plan for Directors and executive officers, and a remuneration portion plan for Directors and Audit & Supervisory Board Members, and findings are submitted to the Board of Directors.

The Committee is composed of five members, all of which are Outside Directors (three Independent Outside Directors and one Outside Director) excluding one President and CEO and its transparency and fairness is fully ensured with an Outside Director serving as chair.

### Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board Members contribute to establishing a sound corporate governance structure that lives up to social credibility and which realizes the Group's sustainable growth and creation of mid- to long-term corporate value by auditing execution of Directors' duties as an independent body with a mandate from shareholders. Also, a structure is established to ensure effectiveness of audits, in which Audit & Supervisory Board Members share opinions with the Representative Director and external accounting auditors periodically and exchange information such as on audit results with the internal audit department.

The Company's Audit & Supervisory Board is composed of three Outside Audit & Supervisory Board Members and two full-time Audit & Supervisory Board Members from the Company. The Outside Audit & Supervisory Board Members express opinions candidly, recognizing that they are particularly expected to represent objective audit opinions from an independent and neutral position. The full-time Audit & Supervisory Board Members, considering their nature as full-time workers, actively make efforts to improve the audit environment and collect internal information as well as monitor and verify the status of establishment and operation of internal control systems on a daily basis.

#### Business execution

The Company employs an executive officer system in order to realize agile business execution, and transfers significant portion of authority.

President and Executive Officer (CEO) hosts the Chief Officer Committee, which consists of Directors, Executive Officers and employees of Isetan Mitsukoshi Holdings Ltd. and its group companies who are approved by the Board of Directors or are nominated and approved by the chairman. The Committee resolves and deliberates important matters of the Group's business execution that conform to the matters to be decided at the Board of Directors meetings in a timely and prompt manner.

Through the above measures, the Company has created a corporate governance system that is trusted by stakeholders including shareholders.

### **3. Reasons for Adopting the Current Corporate Governance System**

The Company has constructed and operates internal control systems and ensures its appropriate governance as a stock company, having taken into account the effects that corporate activities have on society. In order to improve its corporate value, the Isetan Mitsukoshi Group acts according to its fundamental internal control policies by conducting audits of business activities (compliance) as well as accounting audits while also conducting effective auditing activities such as working together with accounting and internal auditors, ensuring the appropriateness of business of the entire Group. For these reasons, the current corporate governance system has been selected.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary explanation
Early sending of Notice of Convocation of the General Meeting of Shareholders	The Company works to send notices of convocation three weeks before the legally-mandated date. They are also published in locations such as the Company website 14 days before they are sent.
Scheduling of general meeting of shareholders avoiding the peak day	Since the Company's first Ordinary General Meeting of Shareholders in 2009, it has taken into account shareholder convenience and has held such meetings on non-peak days.
Allowing electronic exercise of voting rights	The Company has adopted these measures since its first Ordinary General Meeting of Shareholders in 2009.
Participation in the electronic voting platform and other efforts to enhance the environment for the exercise of voting rights by institutional investors	Since the Company's first Ordinary General Meeting of Shareholders in 2009, it has participated in the platform for the electronic exercise of voting rights operated by ICJ, Inc.
Provision of the convocation notice (summary) in English	Since the Company's first Ordinary General Meeting of Shareholders in 2009, it has used the platform for the electronic exercise of voting rights operated by ICJ, Inc. to offer English-language notices of convocation. Additionally, beginning in 2010, it has published English-language notices of convocation and other documents on the Tokyo Stock Exchange's website. These documents are also published on the Company's website.
Other	The Company publishes notices of convocation of general meetings of shareholders on its website together with information about the general meeting of shareholders 14 days before they are sent. Additionally, after the general meeting of shareholders, notices of resolutions and results of exercised voting rights are published on the website.

## 2. IR Activities **Updated**

	Supplementary explanation	Presentation by Representatives
Preparation and publication of disclosure policies	The Company impartially dispatches timely and appropriate information about daily IR and public relations activities, and creates and adheres to a disclosure policy (IR policy) to gain the trust and empathy of shareholders and investors. Furthermore, this policy is published on the Company website. <a href="https://www.imhds.co.jp/ir/ir_policy.html">https://www.imhds.co.jp/ir/ir_policy.html</a>	
Regular investor briefings for analysts and institutional investors	Twice a year (Q2, Q4) after earnings releases, the Company holds briefings for analysts. Additionally, the Company holds small meetings and makes individual visits on a regular basis for domestic major shareholders and institutional investors.	Available
Regular investor briefings for foreign investors	The Company participates in overseas conferences hosted by securities companies several times a year, and makes regular visits to major shareholders.	Available
Posting of IR materials on the website	Earnings releases, monthly sales reports, news releases, Integrated Reports, and more are published on the website in Japanese and English. <a href="https://www.imhds.co.jp">https://www.imhds.co.jp</a>	
Establishment of division and/or manager in charge of IR	PR/IR Division, Group Corporate Strategy Office	

## 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary explanation
Rules based on internal regulations to ensure due respect for stakeholders	In the Company's Corporate Governance Guidelines, stipulation is made that "In combination with measures to build excellent relationships with customers, employees, shareholders, business partners and local communities—our stakeholders—the Group is overhauling its corporate governance structure, along with management reform. This entails the establishment and strengthening of legal frameworks for the general meeting of shareholders, the Board of Directors, the Audit & Supervisory Board and the accounting auditors. To ensure fulfilment of the Company's social responsibilities, we are also working 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. Aiming to become a corporate Group that is deeply trusted by all of its various stakeholders, the Group takes a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems," a statement all employees are closely familiar with.

	Supplementary explanation
Implementation of environmental activities and CSR activities, etc.	<p>Regarding sustainability from ESG and SDGs perspectives, the Company aims to contribute to solving social issues through corporate activities so as to create an affluent future for stakeholders and realize a sustainable society.</p> <p>We have designated priority ESG efforts by identifying social issues and environmental changes that would influence the Group's challenge towards sustainable growth and classifying initiatives that are most important in terms of risk and opportunity into three groups. Going forward, we will decide and promote specific initiatives by "connecting people," "connecting sustainable societies," and "bridging local communities and times" as a corporate group that connects people and bridges times.</p>
Development of policies on information provision to stakeholders	<p>Regarding the Group's corporate activities, the Group discloses to all stakeholders business-related information about products, services, and so on, as well as financial information in a timely and appropriate manner. Additionally, in order to build irreplaceable relationships of trust with stakeholders going into the future, it both offers information on its website out of regard for simultaneity and fairness while also creating an engagement form to receive thoughts and opinions from various stakeholders, attempting to optimize its activities while making communication more two-sided.</p>
Other	<p>The Company has intentions to assertively promote women in order to realize management and plan business strategy that meets customer needs, and accordingly, 5 female officers (2 Outside Directors, 2 executive officers and 1 President of a Group subsidiary) were appointed. Women have been appointed to important managerial posts such as General Manager of Merchandising Headquarters, Sales Manager, General Manager of Branch General Affairs Department, and Division Manager of back office department, and further efforts will be made along these lines.</p> <p>Also, the Group is improving systems and work styles while reconsidering various personnel systems and operations in efforts to create work-life balance that supports women's active participation in the workforce.</p>

## IV Matters Related to the Internal Control System

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### 1. Basic Approaches to the Internal Control System and the Progress of System Development **Updated**

Isetan Mitsukoshi Holdings Ltd. (hereinafter the “Company”) develops the system below (hereinafter the “Internal Control System”) to ensure the compliance of its business operations as part of its attempts to conduct healthy and transparent group management and maximize corporate value.

#### 1. Compliance Systems

“Systems to ensure that business duties as executed by Directors and employees of the Company are in compliance with laws, regulations, and the Articles of Incorporation” (Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1, Item 4 of the Companies Act Enforcement Regulations)

- (1) The Board of Directors shall regularly convene once per month in accordance with the “Regulations of the Board of Directors,” where they shall attempt to come to mutual understandings between one another and mutually supervise the execution of other members’ duties, preventing actions are not in compliance with laws, regulations, and the Articles of Incorporation.
- (2) The Group General Affairs Department shall establish sections and individuals with jurisdiction over compliance-related matters, maintaining and improving systems for compliance with internal control and laws and regulations.
- (3) In order to increase the legal compliance, efficiency, and legitimacy of the Board of Director’s decision-making, there shall be multiple Outside Directors among Directors.
- (4) An independent, specialized Internal Audit Division shall be created. Internal audits will be in accordance with the “Regulations of Internal Audits” and be implemented as each division works with the Internal Audit Division to audit the legal compliance and legitimacy of business affairs.
- (5) In the case that the Company or the Group commits an act of wrongdoing, the Company shall confirm the nature of the situation in a timely manner and form the “Isetan Mitsukoshi Group Hotline” as a point of contact for internal reports from employees for self-betterment.

#### 2. Risk Management Systems

“Regulations and other systems involving management of risks of loss to the Company” (Article 100, Paragraph 1, Item 2 of the Companies Act Enforcement Regulations)

- (1) Risks shall be prevented from occurring by identifying, evaluating, and analyzing risks that may occur in the course of business operations and using this information to select risks that require prioritized response.
- (2) In the case that a risk does occur, company-wide internal management systems that allow for rapid response shall be organized through methods such as the establishment of a countermeasures headquarters and the managing of information.
- (3) Relevant regulations shall be established with regards to risk recognition, evaluation, and response and be made well-known and thoroughly understood.
- (4) Audits by the Internal Audit Division will attempt to detect risks facing the Company at an early stage and settle them.
- (5) Involvement with anti-social forces shall be eliminated and any unjust demands shall be rejected to prevent related damages.

#### 3. Internal Control Systems Regarding Financial Reporting

“Systems to ensure the appropriateness of financial reporting” (Article 24-4-4 of the Financial Instruments and Exchange Act)

- (1) Company-wide policies and procedures shall be indicated to ensure appropriate financial reporting and conduct that are adequately built and operated.
- (2) Appropriate evaluation and response shall be taken regarding the risk of misstatements made on items

of importance in financial reports, and systems shall be adequately built and operated to reduce such risk.

- (3) The Company shall build and operate methods to identify, understand, and process truthful and impartial information that is then communicated to the appropriate parties in a timely manner.
- (4) A financial reporting-related monitoring system shall be built and appropriately operated.
- (5) A system shall be built to report internal control issues (deficiencies) understood through the course of monitoring in a timely and appropriate manner.
- (6) Adequate support shall be given to information technologies relating to internal controls involved in financial reporting.

4. Information Storage Management Systems

“Systems regarding the storage and management of information relating to the execution of business duties of Directors at the Company” (Article 100, Paragraph 1, Item 1 of the Companies Act Enforcement Regulations)

(1) The following documents related to the execution of business duties by Directors shall be recorded, stored, and managed together with related materials for a prescribed period according to the “Document Retention Policies”:

- (i) Minutes of the general meeting of shareholders
- (ii) Minutes of the meetings of the Board of Directors
- (iii) Minutes of the meetings of the Chief Officer Committee
- (iv) Financial statements
- (v) Copies of documents submitted to government administrative offices, other public agencies, and markets for financial instruments
- (vi) Other documents as determined by the Board of Directors

(2) Protection and management systems and other methodologies shall be used to create regulations such as the “Information Retention Policies” for management information, trade secrets, and personal information of customers, etc. that should be kept confidential according to laws and regulations including the Companies Act and the Financial Instruments and Exchange Act, and the compliance of related Directors and employees shall result in its safe storage.

5. Systems for the Efficient Execution of Duties

“Systems to ensure the efficient performance of Directors’ professional duties at the Company” (Article 100, Paragraph 1, Item 3 of the Companies Act Enforcement Regulations)

- (1) The segregation of duties among Directors shall be determined and reviewed as appropriate.
- (2) The Board of Directors shall meet regularly on a monthly basis as well as when needed, ensuring a system under which matters of importance can be resolved without delay. Additionally, important matters that conform to the matters to be decided at the Board of Directors meetings shall be deliberated at the Chief Officers Committee, and decided by the Representative Director and President.
- (3) The Company shall adopt an executive officer system to streamline the business execution through clarification of the executive duties of executive officers.
- (4) The Company shall adopt a chief officer system, whereby the Chief Officer assigned by the Representative Director and President to be in charge of important areas of operation shall promote control of the entire Group.
- (5) The Company shall define details of duties, responsibilities and procedures in “Regulations of Duties and Authority”, “Regulations of the Conduct of the Business”, and “Regulations of Decision Making Process for the Group” for execution of duties that are based on the decisions by the Board of Directors.

6. Group Company Management Systems

“Systems to ensure the compliance of the business conducted by the Company and the corporate groups consisting of their parent companies and subsidiaries” (Article 100, Paragraph 1, Item 5 of the Companies Act Enforcement Regulations)

The Company shall develop a system to ensure the compliance of the business conducted by each company in the Group, as described below.

1. “Systems relating to reports by the Company on items relating to the execution of business duties by the Directors of the Company’s subsidiaries” (Article 100, Paragraph 1, Item 5-i of the Companies Act

Enforcement Regulations)

With regards to business management, in addition to the introduction of integrated accounting systems and efforts toward uniform management through the widening of target scope, approval and reporting systems shall be managed and monitored as necessary. Additionally, the “Regulations on Group Company Management” shall be used as a base for reporting by Group companies to the Company regarding matters of importance and for establishing rules regarding discussion in pursuit of improved risk management and efficiency across the entire Group.

2. “Regulations regarding the management or risk of loss to subsidiaries of the Company and other systems” (Article 100, Paragraph 1, Item 5-ii of the Companies Act Enforcement Regulations)

(1) Regarding risk management for the Group, needed items shall be established in the “Basic Regulations on Risk Management,” and a specialized independent division as a division responsible for matters related to risk management shall be created within the Group General Affairs Department. The said division shall work with companies in the Group as it conducts risk management.

(2) In order to realize comprehensive risk management across the entire Group, a Compliance and Risk Management Promotion Committee shall be created consisting of the Company’s Representative Director and President as the chairman as well as members selected by said chairman.

3. “Systems to ensure the efficient execution of business duties by Directors, etc. of subsidiaries of the Company” (Article 100, Paragraph 1, Item 5-iii of the Companies Act Enforcement Regulations)

(1) The Company shall optimize its business operations by respecting the independence of the Group companies while also managing their managerial affairs and providing advice and guidance, as well as by dispatching Directors and Audit & Supervisory Board Members as necessary to understand the state of their management.

(2) The Group companies shall receive a decision by the Representative Director and President at the Company’s Chief Officer Committee or a resolution of approval by its Board of Directors for important items whose management is deemed to have major effects.

4. “Systems to ensure the compliance of the execution of duties of Directors and employees of subsidiaries of the Company with laws, regulations, and Articles of Incorporation” (Article 100, Paragraph 1, Item 5-iv of the Companies Act Enforcement Regulations)

(1) The Internal Audit Division shall conduct internal audits of Company Group companies, auditing the legal compliance, appropriateness, etc. of executed business duties.

(2) A compliance guidebook and other documents shall be created and thoroughly disseminated throughout the Group while training regarding appropriateness and legal compliances is held to foster an awareness of compliance.

(3) An “Isetan Mitsukoshi Group Hotline” shall be established as a point of contact for internal reports regarding the Group as a whole, and corrective measures and future prevention measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

7. Items Relating to Audit Staff

“Items relating to applicable employees in the case that Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members request the placement of employees to assist with their duties, items relating to these employees’ independence from Directors, and items relating to the ensured efficacy of Audit & Supervisory Board Members’ instructions to these employees” (Article 100, Paragraph 3, Items 1-3 of the Companies Act Enforcement Regulations)

(1) Audit staff may be placed to assist Audit & Supervisory Board Members with their duties upon discussions with Audit & Supervisory Board Members. Audit & Supervisory Board Members may give instructions to audit staff regarding items necessary to auditing duties.

(2) Audit staff shall be independent from executive operational systems, be attached to Audit & Supervisory Board Members, and carry out their duties as instructed by Audit & Supervisory Board Members. Personnel changes, evaluation, discipline, and other such treatment pertaining to audit staff shall require the consent of Audit & Supervisory Board Members.

8. Systems Relating to Reports to Audit & Supervisory Board Members

1. “Systems for reports to Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members by Directors and employees of a company with Audit & Supervisory Board Members

as well as systems relating to other reports to those Audit & Supervisory Board Members” (Article 100, Paragraph 3, Item 4-i of the Companies Act Enforcement Regulations)

“Systems for reporting to Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members when individuals at subsidiaries of a company with Audit & Supervisory Board Members receive reports from Directors, Audit & Supervisory Board Members, and/or employees” (Article 100, Paragraph 3, Item 4-ii of the Companies Act Enforcement Regulations)

- (1) The Company shall establish the “Corporate Audit Standards” regarding items that should be reported by Directors and employees to Audit & Supervisory Board Members, and important items relating to the Company’s business or those that will affect the Company’s performance shall be reported by Directors and employees to Audit & Supervisory Board Members without delay. Additionally, Audit & Supervisory Board Members may request reports from Directors and employees as necessary even when the previous conditions do not apply.
  - (2) Directors, Audit & Supervisory Board Members, or employees of a subsidiary, or individuals who have received reports therefrom may report to Audit & Supervisory Board Members of the Company on important matters that may affect the business or performance of such subsidiary.
  - (3) The Internal Audit Division shall report Group-wide internal auditing plans and the findings of audits to Audit & Supervisory Board Members, and work together with Audit & Supervisory Board Members to share information, etc.
  - (4) The Company shall work in cooperation with the Audit & Supervisory Board to ensure that adequate reporting system is in place for matters concerning violations of laws and regulations and other compliance related issues through maintenance of appropriate operations of internal hotline system, the Isetan Mitsukoshi Group Hotline.
2. “Systems to ensure that individuals who give applicable reports under item a. are not subject to unfavorable treatment because of such reporting” (Article 100, Paragraph 3, Item 5 of the Companies Act Enforcement Regulations)
- It shall be forbidden to treat individuals who give reports to Audit & Supervisory Board Members in an unfavorable manner because of the applicable reports.

9. Policy for Processing Auditing Fees

“Items relating to the advance payment of fees resulting from the execution of duties of Audit & Supervisory Board Members in a company with Audit & Supervisory Board Members, fees resulting from the execution of applicable duties including repayment procedures, and policies involved in the processing of obligations” (Article 100, Paragraph 3, Item 6 of the Companies Act Enforcement Regulations)

When Audit & Supervisory Board Members bill for prepayment of fees, etc. for the execution of their duties based on Article 388 of the Companies Act, fees and obligations related to those billings must be processed unless it is deemed that they are not necessary for the execution of those Audit & Supervisory Board Members' duties.

10. Systems Relating to the Ensured Efficacy of Audit & Supervisory Board Member Audits

“Other systems to ensure the efficient operation of Audit & Supervisory Board Members’ audits” (Article 100, Paragraph 3, Item 7 of the Revised Enforcement Regulations)

- (1) The “Corporate Audit Standards” shall be used as a basis for Audit & Supervisory Board Members to regularly hold meetings to exchange opinions with the Representative Director and accounting auditors.
- (2) In addition to the Board of Directors, Audit & Supervisory Board Members may attend important meetings after discussion with Directors in order to understand the decision-making process for important matters as well as the state of executed duties.

## **2. Basic Views on Eliminating Anti-Social Forces and Current Implementation Status**

The Group shall eliminate any relationship with anti-social forces that threaten the order or safety of a healthy society, and takes a firm stance against such forces as a group. Also, in addition to avoiding any contact with anti-social forces in advance, the Group shall not submit to any unjust demands made by such forces and will use legal methods to resolve such issues.

As the Group's system to eliminate anti-social forces, customer consulting offices in subsidiary stores shall be used as a primary place of resolution, while the General Administration Departments of subsidiary headquarters shall be used as supervisory places of resolution. When circumstances dictate, the headquarters’

General Administration Department shall work together with subsidiaries to resolve issues as an entire group. The police, The National Center for the Elimination of Boryokudan (Anti-Social Forces), attorneys, and other outside expert organizations will be used to exchange information and conduct training with to strengthen this policy through cooperation, and efforts will be made toward internal awareness-raising activities.

## V Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures

Not adopted

#### Supplementary explanation

The Company does to implement anti-takeover measures. In the case that an acquisition of a large volume of shares may be conducted, the Company will take action through appropriate procedures by examining its necessity and rationale. Also, in the case of a tender offer of the Company's shares, the Company will express its position and not take unreasonable measures to prevent shareholders from accepting a tender offer.

### 2. Other Matters concerning Corporate Governance System

Overview of the timely disclosure system

The Company's internal system regarding timely disclosure of company information is as follows.

#### 1. Basic view

The Company's goals are to enhance compliance and ensure trust in company information, etc., which is why in addition to establishing timely disclosure regulations, insider trading regulations have been established and thoroughly spread to prevent information leaks relating to the disclosure process and preventing insider trading. Accordingly, information disclosure is conducted as follows.

#### 2. Internal systems regarding timely disclosure

For "information on determined material facts," "information on material facts which occurred regardless of the Company's intent," and "information relating to financial statements" relating to the Company and/or subsidiaries, in addition to the information the Company is obligated to conduct timely disclosure of according to public securities exchange regulations, information that do not apply to these regulations but which the Company deems necessary to conduct timely disclosure are handled according to the following internal systems.

#### (1) Information on determined material facts / information on material facts which occurred regardless of the Company's intent

- For information that requires timely disclosure or whose necessity of timely disclosure is unclear, a report is made to the Chief Administrative Officer (CAO), the person responsible for the handling of information, by the General Manager of the division with jurisdiction over the information (hereinafter the "division with jurisdiction") when the information involves the Company, or by the General Manager of the subsidiary's division with jurisdiction over the information (hereinafter the "subsidiary division with jurisdiction") when the information involves the Company's subsidiary.
- The person responsible for the handling of information will disclose information according to public securities exchange regulations. For information that does not correspond to these regulations, the person responsible for the handling of information will, as necessary, report to the Chief Officer Committee and make disclosure decisions.

- In the case that timely disclosure is deemed appropriate by the Company, the Group Corporate Strategy Office, the division responsible for disclosure, will discuss the disclosed content with the division with jurisdiction or the subsidiary division with jurisdiction and conduct disclosure in a prescribed method.

(2) Information relating to financial statements

The Accounting Division of Group General Affairs Department will receive approval from the Board of Directors or the Chief Officer Committee, receive approval from the person responsible for the handling of information, and the Group Corporate Strategy Office, the division responsible for disclosure will disclose the information by the designated methods .

(3) Reports to the Chief Officer Committee

The Chief Administrative Officer (CAO) shall report the content, time period, reason, etc. of information, etc. that has been disclosed in a timely manner to the Chief Officer Committee on a regular basis.

