

Corporate Governance

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<https://imhds.disclosure.site/en/themes/132#1071>

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

1. Basic Views

Please refer to the Corporate Governance Guidelines section of the Company website regarding basic views and policy for corporate governance at Isetan Mitsukoshi Holdings.
(URL: <https://imhds.disclosure.site/en/themes/132#1071>): 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

The basic policy of the Group is to not acquire or hold cross-shareholdings in principle, except when cross-shareholdings are deemed conducive to sustainable growth and enhancement of corporate value of the Group over the medium- to long- term. With regard to the cross-shareholdings the Company currently holds, every year at the Board of Directors, the Company comprehensively verifies whether it is rational to continue holding such cross-shareholdings from quantitative and qualitative aspects including the purpose of holding, transaction status, and dividend earnings. Regardless, the Company will proceed with phased sales in consideration of factors such as the market environment and status of shares held with the aim of reducing cross-shareholdings.

(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, 4-3]

Transactions between Related Parties

Regulations on officers 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 officers themselves such as Directors and Executive Officers or their specified relatives and the Company, or between a company or organization where officers themselves or their specified relatives hold a position as officers 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 2-1,3-1(i)]

Purpose of the Company (Management Philosophy, etc.), and Management Strategies and Management Plans

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 credo "Our philosophy," which is the *raison d'être* of the Isetan Mitsukoshi Group and the way we want to be.

The Group utilizes its in-house media, such as company newsletters and intranet, to disseminate within the Group the meaning of "Our philosophy" and expected behaviors, while holding lectures as part of the training session for new hires with the aim of creating an ever-evolving corporate culture. We strive to thoroughly familiarize the entire Group with the credo such as by having all of our officers attend the annually held "Our philosophy" Promotion Meetings to introduce initiatives including best dialogue-based practices contributing to changes in corporate culture.

In addition, with regard to management strategies and management plans, we temporarily withdrew the Medium-term Management Plan in November 2020 in view of various social backgrounds and external factors. We are formulating a long-term vision and a new three-year plan, in order to transform our business model from the conventional department store model, promote structural reforms, and create business foundations even more swiftly than before. Even in a society transformed by major changes, we will steadily implement our strategies, to be a retailing group centered on department stores, which helps customers enrich their lives and lifestyles.

Refer to the Company website for details of management philosophy and management plans:

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

<https://imhds.disclosure.site/en/themes/168>: Initiatives for disseminating "Our philosophy" across the Company

<https://www.imhds.co.jp/en/ir/plan.html>: The Isetan Mitsukoshi Group's Medium-term Management Plan (Three-year Plan) (FY2019 to FY2021)

[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 and the accounting auditors.

As part of these efforts, for the purpose of further advancing corporate governance, the Company has adopted a company with a nominating committee, etc. as its organizational design.

The Group will work to secure 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 stakeholders, the Group will continue taking a range of measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

Refer to the Corporate Governance Guidelines on the Company website for more details.

<https://imhds.disclosure.site/en/themes/132#1071>

[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 officers

The Company has established the following four basic principles regarding executive remuneration (excluding Outside Directors).

- 1) Promotion of common interests between shareholders and officers
- 2) Expansion of incentive effects to improve financial results and shareholder value
- 3) Provision of remuneration at a level by no means inferior to the standards of overall industry (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." Based on these basic principles, the Compensation Committee, comprised only of Outside Directors, will decide on the policy regarding the remuneration of officers, deliberate and decide individual amounts of remuneration, and continue its deliberations so that the executive remuneration system functions better as a healthy incentive towards the sustainable growth 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 Compensation Committee, a statutory committee that is comprised of a majority of Outside Directors and chaired by one of them.

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

Under the Director remuneration system of the Company, executive remuneration is composed of three elements: "basic remuneration" as fixed remuneration, "bonuses" linked to annual performance, and "share-based remuneration" as a medium- and long-term incentive. For Executive Officers, including the President and CEO (Representative Executive Officer), 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. (Bonuses shall not be paid to internal Directors except for those who concurrently serve as Executive Officer, and Outside Directors.)

Meanwhile, share-based remuneration shall account for 15% of the total annual remuneration for each individual, with a view toward promoting common interests between officers and shareholders. In this context, the Company introduced a Restricted Share-based Remuneration System linked to share price performance in FY2020 for better incentive effect, aimed at enhancing the Group's medium- to long-term performance and our corporate value.

<Bonuses>

For Executive Officers including President and CEO (Representative Executive Officer), performance-linked bonus as described hereunder has been introduced as a strong motivation towards the achievement of goals based on the Director Remuneration Principles. Bonuses are not paid to Directors who do not concurrently serve as Executive Officer.

Base amount of bonus = Basic remuneration x 5 (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 officers 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 five-grade evaluation (between 0.50 (50%) at minimum and 1.50 (150%) at maximum) by President and CEO (Representative Executive Officer) 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 (Representative Executive Officer) at the beginning of each fiscal year. This evaluation will be put to deliberations by the Compensation Committee.

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. For the President and CEO, who has ultimate responsibility for results, the allocation ratio of the degree of achievement against the corporate performance is set at 100%, and for other Executive Officers, it is set at 60%.

<Restricted Share-based Remuneration System>

In FY2020, we implemented a share-based remuneration system with restriction of transfer, with a view to further enhancing the awareness of the Company's Directors, including Outside Directors, and Executive Officers towards improving shareholder value.

Since this system is aimed at strengthening incentives for Directors, excluding non-executive Directors such as Outside Directors, and Executive Officers to enhance the Group's medium- to long-term performance and our corporate value, the restriction of transfer is lifted at a rate determined on the basis of the Company's share prices in a given period.

1) Amount of monetary remuneration receivable under the Restricted Share-based Remuneration System

For Executive Officers (including those concurrently serving as Director): Basic monthly remuneration x 3 (months) x 150% (*)

For non-executive Directors: Basic monthly remuneration x 1 (month)

*The maximum payout ratio of 150% shall apply to Executive Officers, who are to be affected by the share price performance conditions.

2) Determination of the number of shares allotted

Individual monetary remuneration receivable / Reference share price (*) (Figures under one hundred shares are to be disregarded.)

*Reference share price: the final closing price of the Company's share at Tokyo Stock

Exchange on one business day prior to resolution on allotment (or, if no closing price is quoted on such day, the final closing price of the immediately preceding business day)

3) Period during which the transfer of shares is restricted and conditions under which the restriction is lifted

Period during which the transfer of shares is restricted: 30 years

Transfer restrictions shall be lifted if the recipient retires from all offices within the Group due to the expiration of his or her term of office, or for reasons deemed justifiable by the Company's Board of Directors during the transfer restriction period.

- 4) Method for determining a rate at which the restriction is lifted (not applicable to non-executive Directors)
 - (1) Appraisal period: a three-year period from the relevant FY
 - (2) Range of lifting rates applied: 33.3%–100% (*)
 - * The range has been set in a way that the restriction is lifted within a range of 50%–150% in accordance with the Ratio to TOPIX Growth (as defined in (3) below), supposing that the number of allotted shares for which the restriction is lifted represents 100% when the Ratio to TOPIX Growth is 100%.
 - (3) Method for determining a rate at which the restriction is lifted:

The restriction lifting rate is determined as follows, based on the value (“Ratio to TOPIX Growth”) obtained by dividing the total shareholder return (hereinafter referred to as “TSR”), calculated from the Company's share price and dividend for the appraisal period, by the growth rate of Tokyo Stock Price Index(TOPIX):

 - (i) If the Ratio to TOPIX Growth is over 150%: 100% across the board
 - (ii) If the Ratio to TOPIX Growth is under 50%: 33.3% across the board
 - (iii) If the Ratio to TOPIX Growth is between 50% and 150%: Restriction lifting rate (%) = Ratio to TOPIX Growth x 2/3 x 100%

After comprehensive examination of factors including operational issues in the first fiscal year after introduction, the Company plans to consider its response regarding this restricted stock compensation from the fiscal year ending March 2022 onwards.

[Principles 3-1(iv)(v), Supplementary Principles 4-1(3), 4-3(1)(2)(3), Principle 4-11]

Explanation on Policies and Procedures on the Board of Directors' Selection/Dismissal of Management Executives and Nomination of Candidates for Director, and Individual Selection/Dismissal

(1) Policies on selection and dismissal of management executive officers

As a policy of selection and dismissal of senior management Executive Officers, including Representative Executive Officers, the Company stipulates the maximum age and the maximum term of office for each position in the Regulations of Age Limits of Executive Officers in Office to promote appropriate rotation. Given this, selection of Executive Officers, including Representative Executive Officers and Executive Officers with special titles, and their reappointment after the expiration of the appointment contract shall be determined by the Nominating Committee by appropriately evaluating quantitative results of respective Executive Officers during their term of appointment contract, along with qualitative aspects, such as contributions in materializing the Group's “Our philosophy,” as well as objective data such as management personnel evaluation, etc. prepared by third-party agencies.

<Decision on selection and reappointment of the CEO>

The Company has positioned the selection and reappointment of the CEO and the succession plan as one of the most important tasks of the Nominating Committee, and has worked on this while ensuring transparency and fairness. The Committee actively discusses its approach to the matter and, in the process, is working to further enhance such initiatives, including by obtaining the opinions of all Outside Directors other than the Committee members.

(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), the Nomination and Remuneration Committee undertook 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, the overall situation at the time, future outlook, issues to be addressed, etc. to the Nominating Committee after which the CEO leaves the meeting, and only the Outside Directors who are members of the Committee deliberate on the acceptance/non-acceptance of reappointment of the CEO.

(ii) Succession plan of the CEO

The Company actively created opportunities where Outside Directors can monitor candidates after the following contents were 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

*Evaluation and training plans for each candidate by an external management personnel evaluation agency

*Plans for relocation to sectors that each candidate should experience in the future

In addition, the Company has systematically established a selective education program for managerial positions and educational opportunities for officers after assumption of office, to build a group of candidates for the next CEO.

(2) Policy on nomination of candidates for Director

With regard to nomination of candidates for Director, the policy of the Company is to have the Board of Directors comprised of members from a diverse range of people with broad and highly specialized knowledge and skills, as well as high ethical standards.

For Outside Directors in particular, the Company invites people from different fields and industries, primarily those with practical management and business-world experience, in order to actively take in a wide range of opinions from objective and specialist perspectives and ensure well-balanced management.

Candidates for Director are determined at the Nominating Committee, which is comprised of a majority of Outside Directors and chaired by one of them, and the proposal is submitted to the general meeting of shareholders.

Regarding senior management Executive Officers, the Board of Directors shall determine candidates after the deliberation by the Nominating Committee.

The reasons for nomination of each candidate for Director are described in the “Notice of the Convocation of the Ordinary General Meeting of Shareholders” (Reference Documents for the General Meeting of Shareholders).

As described above, Outside Directors lead the deliberation and decision-making regarding the nomination, which is important in terms of corporate governance. The Nominating Committee will work to further clarify the officer selection standards of the Company.

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

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

Responsibilities of the Board of Directors

In light of the Company’s fiduciary responsibilities and accountability to shareholders, with the aim of promoting the Group’s sustainable growth and the enhancement of corporate value over mid- to long-term and further advancing corporate governance, the Company has adopted a company with a nominating committee, etc. as its organizational design since June 2020.

The Company will clearly separate the roles between “execution” and “oversight” by adopting a company with a nominating committee, etc. as its organizational design, whereby the Board of Directors’ roles are focused on the establishment of general direction of the Group and the oversight/monitoring of business execution, in order to enhance the oversight function of the Board of Directors. In addition, in order to achieve the enhancement of the oversight function, the Company has put in place a system suited to monitoring “execution” of management through such measures as having Outside Directors comprise a majority of the Board of Directors. The Company has also clearly set forth in 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, and delegated authority to Executive Officers in order to enhance the maneuverability of management.

By establishing a statutory Nominating Committee, Compensation Committee, and Audit Committee, we implement such important governance measures as selection and dismissal of top management in a highly objective and transparent manner, led by Outside Directors.

[Supplementary Principle 4-1(2)]

Administrative Management of the Medium-term Management Plan

For the purpose of developing and strengthening the PDCA cycle for management, the Company holds at the Board of Directors multiple step-by-step exchanges of opinions as part of the process to formulate a medium- to long-term management plan while fully reflecting the opinions of Outside Directors. Progress reports and discussions at the Board of Directors during the term of the plan serve as the basis for amendments to the plan. 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 meeting of shareholders and semi-annual financial results briefings, as well as on the Company website, etc.

With regard to the Group's management strategies and management plans, we temporarily withdrew the Medium-term Management Plan in November 2020 in view of various social backgrounds and external factors. We are formulating a long-term vision and a new three-year plan, in order to transform our business model from the conventional department store model, promote structural reforms, and create business foundations even more swiftly than before. Even in a society transformed by major changes, we will steadily implement our strategies, to be a retailing group centered on department stores, which helps customers enrich their lives and lifestyles.

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

Composition of the Board of Directors

The Company's Articles of Incorporation stipulates that the number of Directors shall not exceed 15. In light of strengthening corporate governance, Outside Directors comprise the majority of the Board of Directors. Furthermore, the policy of the Company for the Board of Directors is to appoint a diverse range of people with broad and highly specialized knowledge and skills, as well as high ethical standards. All Outside Directors satisfy the Independence Standards of the Company. Furthermore, the Regulations of the Board of Directors set out that the Board of Directors shall be chaired by a non-executive Director, and the Board of Directors has been chaired by an Outside Director since April 2021.

The Company's views on the composition of the Board of Directors, important concurrent positions of the Directors, and their attendance at the Company's Board of Directors meetings 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 Officers

In designating Outside Directors and 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 principal lender of 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," a "principal lender" in 4) above means "any lender from whom the Group's balance of borrowings exceeds 2% of the consolidated total assets of

the Company as of the end of the fiscal year,” 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 4-3,4-7,4-10, Supplementary Principle 4-3(1),4-10(1)]

Systems to Enhance Governance Functions of the Company

The Company currently adopts a company with a nominating committee, etc. as its organizational design.

The Nominating Committee and the Compensation Committee strive to enable independent judgments by Outside Directors concerning discussions and decision-making related to the “nomination” and “remuneration.” To this end, the committees will take various measures, such as increasing contact with prospective nominees and utilizing personnel evaluations and other objective indicators. The Audit Committee endeavors to build and operate a system that ensures both the effectiveness and independence so as to sufficiently exercise its audit functions, including by internal non-executive Directors acting as full-time Audit Committee members to endeavor to identify in-house information.

[Supplementary Principle 4-11(3)]

Effectiveness Evaluation of the Board of Directors

(1) Purpose and Process

Since fiscal 2016, the Company has conducted an annual analysis and evaluation of the effectiveness of the Board of Directors, and has engaged in further enhancing the effectiveness of the Board of Directors by steadily implementing continuing improvements in areas where issues were extracted. Specifically, the Company has conducted individual questionnaires for all Directors inside and outside the Company. In the questionnaire, both quantitative and qualitative aspects of issues, including the composition of the Board of Directors, the details of its deliberation, operations such as support from the secretariat, and processes for determining the “nomination” and “compensation” of officers, are evaluated.

In fiscal 2020, we conducted questionnaires that incorporated new perspectives put forward by a third-party advisor and interviewed 7 Directors, and discussed the results multiple times at meetings of the Board of Directors, etc.

(2) Analysis of results and extraction of issues

The evaluation results for fiscal 2020 showed a majority of respondents providing affirmative answers regarding the Board of Directors, evaluating it as – either “sufficiently effective” or “generally effective,” and several respondents were of the view that the Board had engaged in energetic discussions for medium- and long-term strategy to guide the Group’s overall direction and for overseeing the execution of duties, confirming that the effectiveness of the Company’s Board of Directors was ensured. In addition, many of them provided affirmative answers regarding the composition of the Board of Directors and the content of reports from each committee as well.

On the other hand, it was pointed out that issues were identified regarding explanations to the Board of Directors by those responsible for the business execution, the depth of discussions completed before a matter was submitted to the Board of Directors, and discussions based on dialogue with stakeholders.

(3) Initiatives for the next fiscal year

With the Board of Directors’ new structure, chaired by an Outside Director, the Company will work to address the following issues raised as a result of this effectiveness evaluation.

- i) Raise the quality of discussions by the Board of Executive Officers, on which the Board of Directors’ resolutions and reports are premised, to further enhance its effectiveness.
- ii) Expand the occasions for meetings of Directors and meetings of Non-executive Directors as forums for free and lively discussions, in addition to meetings of the Board of Directors.

[Supplementary Principle 4-14(2)]

Training Opportunities for Directors

The Company continuously provides to Outside Directors explanation on the environment surrounding the Group and its business, financial position, and organizational structure when assuming their position and during their service so that they are able to fully recognize the Group's important management issues and make best decisions based on their beliefs at the Board of Directors and other committee meetings.

Meanwhile, the Company provides internal Directors with options for updating their knowledge even during their services. In addition, 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 and executive officers of Group companies who will be candidates for Directors and top management in the future. The Company offers opportunities to acquire knowledge necessary as officers and develop self-awareness as officers for new executive officers and presidents of Group companies when they are newly appointed and systematically carries out an annual program, which meets attributes of each target officer, in the second year and onward. In addition, the Company arranges external seminars as needed.

[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 practices 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 provides opportunities for dialogue through interviews and briefing sessions, such as results briefings by top management, small meetings for analysts, face-to-face meetings for individual 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 President and CEO (Representative Executive Officer), Managing Executive Officer and CFO (Corporate Finance and IR), Managing Executive Officer and CSDO (Corporate Strategy) and other senior management cooperate to develop a platform, with Corporate Finance and IR Department and Public Relations/Investor Relations Department serving as a liaison office.
- 2) The Corporate Finance and IR Department and General Affairs Department cooperate organically as a platform for supporting constructive dialogue with shareholders to compile disclosure materials, share information, and provide information to responsible officers, 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 dialogues including dedicated meetings held by persons in charge of investor relations with institutional investors, securities analysts, etc.
- 4) Opinions provided by shareholders and investors are reflected in the improvement of corporate value by broadly sharing such information in-house and providing feedback to the management.
- 5) Based on the IR Policy, the Company observes a "Quiet IR Period," during which it desists from investor relations activities. During this period, officers 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 "Quiet IR Period," pursuant to the Insider Trading Prevention Regulations, the Company never refers to significant matters, etc., that have not yet been publicly disclosed.

2. Capital Structure

Ratio of shares held by overseas shareholders

From 10% to less than 20%

[Current Major Shareholders] **Updated**

Name / Company name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	42,665,300	11.20
Custody Bank of Japan, Ltd. (Trust account)	23,445,600	6.15
The Mitsukoshi Health and Welfare Foundation	13,067,832	3.43
Isetan Mitsukoshi Group's partner holding companies	8,357,878	2.19
SHIMIZU CORPORATION	6,200,000	1.63
Meiji Yasuda Life Insurance Company	5,697,279	1.50
Custody Bank of Japan, Ltd. (Trust account 5)	5,287,600	1.39
Isetan Mitsukoshi Group Employees Shareholding Association	4,700,186	1.23
Custody Bank of Japan, Ltd. (Trust account 6)	4,683,300	1.23
MUFG Bank	4,541,595	1.19

Controlling shareholders (excluding parent company)

-

Parent company

None

Supplementary explanation

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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	From ¥100 billion to less than ¥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

1. Organizational Composition and Operation

Organizational form	Company with a nominating committee, etc.
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[Directors]

Maximum number of Directors stipulated in the Articles of Incorporation	15
Terms of office of Directors stipulated in the Articles of Incorporation	1 year
Chair of the Board of Directors	Outside Director
Number of Directors	9

[Outside Directors]

Number of Outside Directors	6
Number of Outside Directors designated as independent officers	6

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								△			
Hidetoshi Furukawa	Joined the Company from another company								△			
Fukutaka Hashimoto	Attorney											

* 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	Committee			Independent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nominating	Compensation	Audit			
Michiko Kuboyama				○	External Director, Sumitomo Mitsui Banking Corporation External Director, Kids Smile Holdings Inc. External Director, Kids Smile Project Inc.	The candidate has served as General Manager of the Products Public Relations Center and other positions at Kao Corporation, and has extensive knowledge and experience mainly in product development and marketing. At the Company, she has provided valuable advice from a wide range of perspectives at the Board of Directors, including her insight in these fields. As a member of the Audit Committee, she has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group. Since April 2021, she contributes to strengthening the monitoring of management as the new Chairman of the Board of Directors.
Masami Iijima	○	○		○	Advisor, MITSUI & CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan	The candidate has served in management at MITSUI & CO., LTD., one of the leading general trading companies in Japan, and has extensive experience related to corporate management. He has contributed to corporate governance at the Company as Chairman of the Board of Directors, and also has deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. At the Company, he has provided valuable advice based on his broad experience and insight into corporate management, and has played a leading role in the objective and transparent management of meetings as Chairman of the Nominating Committee, in deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Compensation Committee, he has contributed to deliberations on the executive compensation system and the determination of individual compensation amounts. The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his insight into governance in the supervision of the Company's management, and to demonstrate leadership as the Chairman of the Nominating Committee and member of the Compensation Committee.
Miwako Doi	○	○		○	Auditor, National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU	The candidate has significant expert achievements, extensive knowledge, and experience in the digital and IT fields, having worked as a researcher and manager in the information technology field at TOSHIBA CORPORATION. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives, including insight in these fields. She has played a leading role in the objective and transparent management of meetings as Chairman of the Compensation Committee, in deliberations on the executive compensation system and the determination

Name	Committee			Independent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nominating	Compensation	Audit			
					UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.	of individual compensation amounts. As a member of the Nominating Committee, she has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated her because it expects her to utilize her extensive knowledge and insight in the digital and IT fields in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Compensation Committee and member of the Nominating Committee.
Takashi Oyamada	○		○	○	Special Advisor of MUFG Bank, Ltd. Outside Director of Mitsubishi Research Institute DCS Co., Ltd Outside Director of Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd.	In addition to having been involved in management at the former The Bank of Tokyo-Mitsubishi UFJ, Ltd., a leading mega bank in Japan, and having extensive experience in corporate management, the candidate possesses deep knowledge in finance and accounting based on his experience at a financial institution, and deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. At the Company, he has provided valuable advice at the Board of Directors based on his advanced insight into corporate management and his specialized knowledge of finance and accounting. As a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group. The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management, his knowledge of finance and accounting, and his insight into governance in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.
Hidetoshi Furukawa	○		○	○	Chairperson of SMBC Trust Bank Ltd.	The candidate has directed sales activities both in Japan and overseas, and supervised investment banking and corporate finance operations, at Sumitomo Mitsui Banking Corporation. He also served as President and Chief Operating Officer of SMBC Trust Bank Ltd. in 2015, carrying out PMI, and possesses extensive experience in corporate management as well as deep knowledge in finance and accounting based on his many years of experience at financial institutions. At the Company, he has provided valuable advice at the Board of Directors based on his expert feeling for operations, his

Name	Committee			Independent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nominating	Compensation	Audit			
						<p>advanced insight into corporate management and his specialized knowledge of finance and accounting. As a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his knowledge of finance and accounting in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>
Fukutaka Hashimoto		○	○	○	<p>Representative Partner Attorney and Director of Tokyo Hatchobori Law Office</p> <p>Outside Audit & Supervisory Board Member of Sampo Japan Insurance Inc.</p> <p>Outside Auditor, KOKUYO Co.,Ltd.</p>	<p>The candidate possesses a high level of specialized knowledge and experience in corporate legal affairs, having played a leading role as an attorney-at-law for many years, appointed Representative Partner Attorney and Director of Tokyo Hatchobori Law Office in 2008. In addition, he has deep insight into auditing, through his experience serving as Outside Corporate Auditor and Outside Audit & Supervisory Board Member of Japan's leading listed companies. At the Company, he has provided valuable advice at the Board of Directors based on his specialist perspective as an attorney-at-law. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his specialist knowledge in corporate legal affairs and his insight into auditing in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Audit Committee and a new member of the Compensation Committee.</p>

[Committees]

Composition and attributes of chair(s) at each committee

	Total of members	Full-time members	Internal Directors	Outside Directors	Chair
Nominating Committee	5	0	1	4	Outside Director
Remuneration Committee	3	0	0	3	Outside Director
Audit Committee	4	0	1	3	Internal Director

[Executive Officers]

Number of Executive Officers 4

Concurrent service

Name	Company Representation	Concurrent service as Director	Concurrent service as Director		Concurrent service as employee
			Nominating Committee member	Remuneration Committee member	
Toshiyuki Hosoya	Yes	Yes	○	×	None
Toru Takeuchi	Yes	Yes	×	×	None
Shigeru Nishiyama	No	No	×	×	None
Yoshinori Makino	No	No	×	×	None

[Audit Framework]

Directors and employees to assist the Audit Committee with its duties

Available

Matters related to the independence of these Directors and employees from the Executive Officers

The Company established and adequately staffed an organizational unit dedicated to the role of assisting the Audit Committee under the instruction thereof. Personnel matter (appointment and change) of the staff in the unit shall require the consent of the Audit Committee.

Cooperation between the Audit Committee, the accounting auditors and the Internal Audit Division

The Audit Committee and the Internal Audit Division receive explanations from the accounting auditors on their audit plan and audit results and hold periodical meetings, etc. to ensure adequate cooperation.

If the accounting auditors submit a report to the effect that there are misconducts committed regarding execution of duties by Executive Officers or 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), necessary investigations will be conducted after deliberation at the Audit Committee and necessary measures will be taken in a timely manner such as reporting to the Board of Directors or providing advice or recommendations to Executive Officers.

In addition, the Company ensures the cooperation between the Internal Audit Division and the Board of Directors as well as the Audit Committee by stipulating provisions under various internal regulations. The Internal Audit Division reports to the Audit Committee on the internal audit plan, audit results and the progress of audits across the Group, while coordinating information exchange.

[Independent Officers]

Number of Independent Officers

6

Matters relating to Independent Officers

The Company designates all outside officers qualifying as independent officers as independent officers.

[Incentives]

Implementation status of incentive policies for Directors and Executive Officers **Updated**

Performance-Linked Remuneration, Other

Supplementary explanation **Updated**

Under the Director remuneration system of the Company, executive remuneration is composed of three elements: “basic remuneration” as fixed remuneration, “bonuses” linked to annual performance, and “share-based remuneration” as a medium- and long-term incentive. For Executive Officers, including the President and CEO (Representative Executive Officer), 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.

(Bonuses shall not be paid to internal Directors except for those who concurrently serve as Executive Officer, and Outside Directors.)

Meanwhile, share-based remuneration shall account for 15% of the total annual remuneration for each individual, with a view toward promoting common interests between officers and shareholders. In this context, the Company introduced a Restricted Share-based Remuneration System linked to share price performance in FY2020 for better incentive effect, aimed at enhancing the Group's medium- to long-term performance and our corporate value.

Recipients of stock options

Supplementary explanation

[Remuneration for Directors and Executive Officers]

Disclosure (of individual Director's remuneration)	No disclosure of individual remuneration
Disclosure (of individual Executive Officer's remuneration)	No disclosure of individual remuneration

Supplementary explanation

The following has been disclosed in the FY2020 Annual Securities Report, business report and notice of the convocation of General Meeting of Shareholders.

Director remuneration

Total amount of remuneration, etc.: 14 Directors, ¥213 million (including 7 Outside Directors, ¥89 million)

Audit & Supervisory Board Member remuneration

Total amount of remuneration, etc.: 5 Audit & Supervisory Board Members, ¥20 million (including 3 Outside Audit & Supervisory Board Members, ¥7 million)

Executive Officer remuneration

Total amount of remuneration, etc.: 7 Executive Officers, ¥195 million

Policy on determining remuneration amounts and calculation methods	Established
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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]

The Company provides the following support for Directors and Audit Committee members inside and outside the Company such that they may sufficiently fulfil their roles.

(1) Information Provision and Opinion Exchange Meeting

The Company has established a system to provide Outside Directors with prior explanation before the Board of Directors meetings so that they are able to ask for information as necessary, and has also put in place dedicated staff members who support the Board of Directors, allowing appropriate information to be provided additionally as necessary. In addition, we are working to improve the cooperative system by regularly providing opportunities for meetings among Outside Directors only, meetings among non-executive Directors, and opinion exchange meetings among Outside Directors and the President and CEO (Representative Executive Officer).

(3) Training Opportunities for Outside Directors

The Company continuously provides to Outside Directors explanation on the environment surrounding the Group and its business, financial position, and organizational structure when assuming their position and during their service so that they are able to fully recognize the Group's important management issues and make best decisions based on their beliefs at the Board of Directors and other committee meetings.

(4) Expenses for Receiving Advice Deemed by Directors to Be Necessary

The Company has regulations in place stipulating that, if Directors deem it necessary to receive advice from consultants, lawyers and other external experts, they may do so at the expense of the Company, and established such system.

[Former Representative Director and President, etc.]

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

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
—	—	—	—	—	—

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

Other matters Updated

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 advisers.

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

Board responsibilities

In light of the Company's fiduciary responsibilities and accountability to shareholders, with the aim of promoting the Group's sustainable growth and the enhancement of corporate value over mid- to long-term and further advancing corporate governance, the Company has adopted a company with a nominating committee, etc. as its organizational design since June 2020.

The Company will clearly separate the roles between "execution" and "oversight" by adopting a company with a nominating committee, etc. as its organizational design, whereby the Board of Directors' roles are focused on the establishment of general direction of the Group and the oversight/monitoring of business execution, in order to enhance the oversight function of the Board of Directors. In addition, in order to achieve the enhancement of the oversight function, the Company has put in place a system suited to monitoring "execution" of management through such measures as having Outside Directors comprise a majority of the Board of Directors. The Company has also clearly set forth in 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, and delegated authority to Executive Officers in order to enhance the maneuverability of management.

By establishing a statutory Nominating Committee, Compensation Committee, and Audit Committee, we implement such important governance measures as selection and dismissal of top management in a highly objective and transparent manner, led by Outside Directors.

Composition of the Board of Directors

The Company's Articles of Incorporation stipulates that the number of Directors shall not exceed 15. In light of strengthening corporate governance, Outside Directors comprise the majority of the Board of Directors. Furthermore, the policy of the Company for the Board of Directors is to appoint a diverse range of people with broad and highly specialized knowledge and skills, as well as high ethical standards. All Outside Directors satisfy the Independence Standards of the Company. Furthermore, the Regulations of the Board of Directors set out that the Board of Directors shall be chaired by a non-executive Director, and the Board of Directors has been chaired by an Outside Director since April 2021.

The Company's views on the composition of the Board of Directors, important concurrent positions of the Directors, and their attendance at the Company's Board of Directors meetings are described and disclosed in the "Notice of the Convocation of the Ordinary General Meeting of Shareholders."

Executive Systems and Organs

After appointing Chief Officers as "Executive Officers," a "Board of Executive Officers" will be established as an organ for executive decision-making and discussion, and it will discuss and make decisions concerning important Group issues, including matters over which authority has been delegated by the Board of Directors.

[Matters concerning decisions on auditing and oversight, nomination, and remuneration]

1) Nominating Committee

The Nominating Committee engages in discussion and makes decisions related to the "nomination" of officers with a high degree of objectivity and transparency, under the leadership of Outside Directors. To this end, in addition to providing quantitative information such as performance indicators, qualitative information such as personnel evaluations, and objective evaluations by third-party agencies, efforts are being made to enable Outside Directors to make independent judgments with regard to the reappointment and succession plan of the CEO, decisions on proposals for the appointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, and deliberations on proposals of the members of the three statutory committees and proposals for executive appointment of Executive Officers, to be decided by the Board of Directors, including by conducting interviews between candidates and Outside Directors.

The Nominating Committee is composed of a majority of Outside Directors, and is also chaired by an Outside Director.

2) Compensation Committee

Like the Nominating Committee, the Compensation Committee engages in discussion and makes decisions related to remuneration of officers and takes steps to further enhance corporate governance, under the leadership

of an Outside Director. The committee discusses issues and policy related to officer remuneration plans, including the Company's approach to incentives for officers to enhance corporate value, and utilizes various objective indicators, including quantitative information such as performance indicators and qualitative information such as personnel evaluation, to enable independent judgments by Outside Directors concerning the appropriateness of individual remuneration proposals. The Compensation Committee is comprised of Outside Directors only.

3) Audit Committee

The Audit Committee audits the execution of duties by Executive Officers and Directors and the status of internal control systems, and carries out evaluations related to the appointment and dismissal of the Accounting Auditor, performing the oversight function of the Board of Directors through auditing. In addition, it has built an audit system to encompass the entire Group by coordinating with the Internal Audit Division and Audit & Supervisory Board Members at each Group company.

The Audit Committee is comprised of a majority of Outside Directors and internal non-executive Directors who are full-time members.

In addition, at least one person who has sufficient knowledge of finance and accounting is selected to ensure the effectiveness of the Audit Committee. The policy is to appoint an Outside Director as chair of the Audit Committee; however, the current chair is a full-time Audit Committee member who is an internal Director.

[Matters relating to the Accounting Auditor]

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 and regulations. 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 is comprised of 22 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 Executive Officers and other Executive Officers.
- 3) The Audit Committee receives explanations from the accounting auditors on their audit plan and audit results and holds periodical meetings to ensure adequate cooperation. In addition, the Internal Audit Division carries out audits in cooperation with the accounting auditors by sharing audit plans, audit results, and risk information.
- 4) If the accounting auditors submit a report on misconduct regarding execution of duties by Executive Officers or Directors, or on 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 Committee and necessary and timely measures will be taken such as reporting to the Board of Directors or providing advice or recommendations to Executive Officers.

3. Reasons for Adopting the Current Corporate Governance System

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 and the accounting auditors.

As part of these efforts, for the purpose of further advancing corporate governance, the Company has adopted a company with a nominating committee, etc. as its organizational design. The Group will work to secure 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 continue taking a range of measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

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 usually sends the notice of the convocation of the General Meeting of Shareholders three weeks before the day of the meeting so that shareholders have sufficient time for examining the agenda of the meeting. The information on the notice is disclosed on the Company website and the Tokyo Stock Exchange's TDnet approximately one month prior to the day of the meeting.
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 website.

2. IR Activities

	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. https://www.imhds.co.jp/en/ir/policy/ir_policy.html : IR Policy	
Regular briefings for private investors	Shareholder questionnaire survey is conducted every year.	Not available
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 holds individual face-face meetings 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 holds regular face-face meetings with 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. https://www.imhds.co.jp/en/index.html	
Establishment of division and/or manager in charge of IR	Corporate Finance and IR Department, Public Relations/Investor Relations Department	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanation
<p>Rules based on internal regulations to ensure due respect for stakeholders</p>	<p>The Company stipulates in its Corporate Governance Guidelines, “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 and the accounting auditors. As part of these efforts, for the purpose of further advancing corporate governance, the Company has adopted a company with a nominating committee, etc. as its organizational design.</p> <p>The Company stipulates that “With the transition to a company with a nominating committee, etc. as a turning point, the Group will work to further 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 continue taking a range of measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems,” and is working to ensure that all employees understand and comply with the stipulation.</p>
<p>Implementation of environmental activities and CSR activities, etc.</p>	<p>Under the Group’s “Basic Policy on Sustainability,” the Company will fulfill its corporate social responsibility by addressing various social issues from ESG and SDGs perspectives and contributing to solving them through its corporate activities, and play its role in realizing both prosperous future for all the surrounding people and a sustainable society.</p> <p>We have designated priority sustainability 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 based on Group governance and communication. We have identified Priority Effort 1 as “connecting people and local communities” (connecting local communities, creators and customers), Priority Effort 2 as “connecting sustainable societies and times” (connecting a safe and secure environment with the future) and Priority Effort 3 as “improving the satisfaction of employees.”</p> <p>The Company recognizes that addressing sustainability issues is an important part of risk management, and the Board of Directors will discuss overall risks, including our current activities.</p> <p>https://imhds.disclosure.site/ja/themes/116 (available in Japanese only): Questionnaire survey of our customers concerning sustainability</p>
<p>Development of policies on information provision to stakeholders</p>	<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</p>

	Supplementary explanation
	<p>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>[Sustainability philosophy at Isetan Mitsukoshi Group] Isetan Mitsukoshi Group would like to move forward together with the communities, society and the world, through building up, maintaining and improving a solid relationship of mutual trust with all concerned parties surrounding the Group, such as customers, employees, shareholders and business partners, which shall serve as the basis of a virtuous cycle to be formed in cooperation with business partners, giving rise to customer satisfaction leading to shareholder satisfaction, hence employee satisfactions.</p> <p>Isetan Mitsukoshi Group’s “Basic Policy on Sustainability,” “Isetan Mitsukoshi Group Human Rights Policy,” “Isetan Mitsukoshi Group Procurement Policy” and “Isetan Mitsukoshi Group Environmental Policy” are disclosed on the Company website and disseminated to all employees through training and other opportunities for enlightenment. https://imhds.disclosure.site/en/themes/86: Policies on Sustainability</p> <p>[Promoting active roles for female employees including managerial appointment] The Group is engaged in the initiatives for better work-life balance that support active female participation, such as improvements in various institutional framework and working form, along with review of personnel systems and its operation. Currently 5 female officers (2 Outside Directors, 2 executive officers and 1 President of a Group subsidiary) serve within the Group. Female employees hold key managerial posts in the areas such as merchandising, sales, branch general affairs, and back office departments, and further efforts will be made along these lines.</p>

IV Matters Related to the Internal Control System

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

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 Executive Officers and employees of the Company are in compliance with laws, regulations, and the Articles of Incorporation” (Article 416, Paragraph 1, Item 1-v of the Companies Act and Article 112, Paragraph 2, Item 4 of the Companies Act Enforcement Regulations)

- (1) The Board of Directors shall convene on a regular basis pursuant to the Regulations of the Board of Directors, to resolve mainly on matters required to be deliberated at the Board of Directors by laws and regulations (hereinafter the “Statutory Board Matters”), while overseeing business execution by Executive Officers and preventing violations of laws, regulations, and the Articles of Incorporation.
- (2) The 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 decision-making and oversight by the Board of Directors, there shall be a majority of 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 112, Paragraph 2, 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 Executive Officers at the Company” (Article 112, Paragraph 2, Item 1 of the Companies Act Enforcement Regulations)
- (1) The following documents related to the execution of business duties by Executive Officers 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 Board of Executive Officers
 - (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, Executive Officers and employees shall result in its safe storage.
5. Systems for the Efficient Execution of Duties
 “Systems to ensure the efficient performance of Executive Officers’ professional duties at the Company” (Article 112, Paragraph 2, Item 3 of the Companies Act Enforcement Regulations)
- (1) Division of duties to be executed by Executive Officers as well as the relevant chain of command shall be decided by the Board of Directors.
 - (2) The Board of Directors shall resolve primarily on the Statutory Board Matters, delegating decision-making authority on other important matters to Executive Officers. Such other important matters shall be deliberated and decided by resolution at the Board of Executive Officers consisting primarily of Executive Officers.
 - (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 President and CEO (Representative Executive Officer) to be in charge of important areas of operation shall promote cross-departmental control of issues facing 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.
6. Group Company Management Systems
 “Systems to ensure the compliance of the business conducted by the corporate groups consisting of the Company and its subsidiaries” (Article 112, Paragraph 2, 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 112, Paragraph 2, 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 112, Paragraph 2, 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 shall be created as the Risk Management Division. 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 President and CEO (Representative Executive Officer) 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 112, Paragraph 2, 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 obtain an approval by the President and CEO (Representative Executive Officer) of the Company or 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 112, Paragraph 2, 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 Directors and employees assigned to assist the Audit Committee in performing its duties, items relating to the independence of such Directors and employees from Executive Officers, and items relating to procedures to ensure effectiveness of the Audit Committee’s instructions to such Directors and employees” (Article 112, Paragraph 1, Items 1 to 3 of the Companies Act Enforcement Regulations)

(1) A unit dedicated to assisting the Audit Committee in performing its duties shall be established with staff (hereinafter the “Audit Committee staff”). The Audit Committee may give instructions to the Audit Committee staff regarding items necessary for auditing duties.

(2) The Audit Committee staff shall report on the matters as required by the Audit Committee, and shall be entitled to gather information necessary for such report.

(3) The Audit Committee staff shall be independent from executive operational systems, be attached to the Audit Committee, and carry out their duties as instructed by the Audit Committee. Personnel changes, evaluation, discipline, and other such treatment pertaining to the staff shall require the consent of the Audit Committee.

(4) The Audit Committee staff shall be seconded to each Group company as part-time Audit & Supervisory Board Member, with a view to reinforcing the audit framework of the entire Group.

8. Systems Relating to Reports to the Audit Committee

1. “Systems for reports to the Audit Committee of the Company by its Directors (excluding those who are

Audit Committee members), Executive Officers and employees as well as systems relating to other reports to the Audit Committee” (Article 112, Paragraph 1, Item 4-i of the Companies Act Enforcement Regulations)

“Systems for reporting to the Audit Committee of the Company by Directors, Audit & Supervisory Board Members and employees of the Company’s subsidiaries, or by individuals who have received reports therefrom” (Article 112, Paragraph 1, Item 4-ii of the Companies Act Enforcement Regulations)

- (1) Matters to be reported to the Audit Committee at its request by Directors, Executive Officers and employees, or the matters to be reported to the Audit Committee without delay as circumstance that warrants such reporting arises, shall be prescribed in the “Regulations of the Audit Committee” formulated by the Board of Directors, whereby Directors, Executive Officers and employees shall make such report as needed. Notwithstanding the foregoing, the Audit Committee may request reports from Directors, Executive Officers and employees at any time if necessary.
 - (2) Directors, Audit & Supervisory Board Members, or employees of a subsidiary, or individuals who have received reports therefrom may report to the Audit Committee of the Company on important matters that may affect the business or performance of such subsidiary.
 - (3) The Isetan Mitsukoshi Group Hotline, an internal hotline system that covers the Group as a whole, shall be adequately maintained, and its operation status, nature of issues reported through this system, and the results of the follow-up investigation shall be reported to the Audit Committee on a regular basis.
2. “Systems to ensure that individuals who give applicable reports under item 1. are not subject to unfavorable treatment because of such reporting” (Article 112, Paragraph 1, Item 5 of the Companies Act Enforcement Regulations)

It shall be forbidden to treat individuals who give reports to the Audit Committee 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 the Audit Committee of the Company, fees resulting from the execution of applicable duties including repayment procedures, and policies involved in the processing of obligations” (Article 112, Paragraph 1, Item 6 of the Companies Act Enforcement Regulations)

When Audit Committee members bill for prepayment of fees, etc. for the execution of their duties based on Article 404, Paragraph 4 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 Committee members’ duties.

10. Systems Relating to the Ensured Efficacy of Audit Committee Audits

“Other systems to ensure the efficient operation of Audit Committee members’ audits” (Article 112 Paragraph 1, Item 7 of the Companies Act Enforcement Regulations)

- (1) The Audit Committee shall have regular meetings for exchanging opinions individually with Representative Executive Officers, the chairman of the Board of Directors, Directors other than those concurrently serving as the Audit Committee members and the accounting auditors.
- (2) In addition to the Board of Directors, Audit Committee members selected by the Audit Committee may attend important meetings in order to understand the decision-making process for important matters as well as the state of executed duties.
- (3) The Internal Audit Division shall report to the Audit Committee on the internal audit plan, audit results and the progress of audits across the Group, while coordinating information exchange. The Audit Committee shall, upon receipt of a report on misconduct of Executive Officers in the course of executing their duties, or material facts involving their violation of laws and regulations or the Articles of Incorporation, or otherwise where necessary, may request the Internal Audit Division to conduct investigation, and give concrete instructions thereon. Personnel affairs and disciplinary actions involving the general manager of the Internal Audit Division shall require consent of the Audit Committee.

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.

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted
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Supplementary explanation

The Company does not 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 the Timely Disclosure Regulations, the Insider Trading Prevention Regulations have been established and thoroughly spread to prevent information leaks relating to 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 for which the Company is obligated to conduct timely disclosure according to public securities exchange regulations, information that do not apply to these regulations but for which the Company deems it 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 person responsible for the handling of information for timely disclosure, 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 for timely disclosure 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 for timely disclosure will, as necessary, report to the Board of Executive Officers and make disclosure decisions.
 - In the case that timely disclosure is deemed appropriate by the Company, the Corporate Finance and IR Department, 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 Corporate Finance and IR Department will receive resolutions or approval from Executive Officers and the Board of Directors, and will disclose the information by the designated methods as the division responsible for disclosure, with the approval of the person responsible for the handling of information for timely disclosure.

