

# Corporate Governance

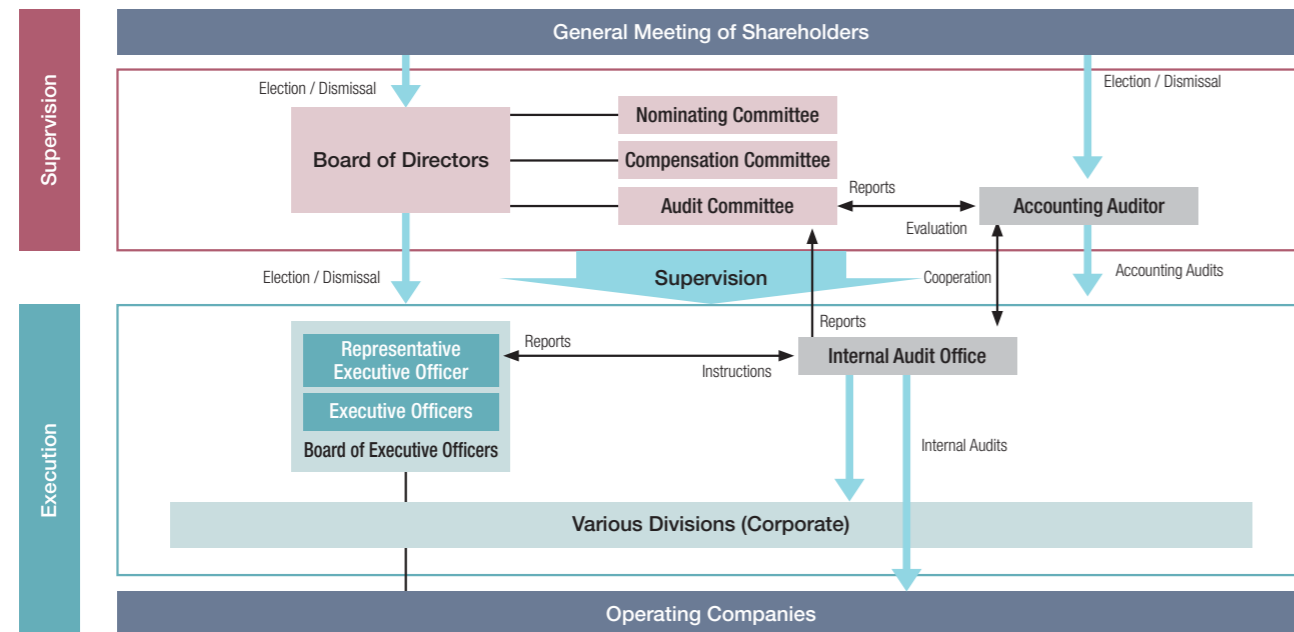
## Basic Views

The Group is overhauling its corporate governance structure by ongoing efforts toward securing the transparency of our corporate activities, speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems. The Company has adopted a company with a nominating committee, etc., structure as its organizational design.

In order to build excellent relationships with customers, employees, shareholders and investors, business partners and the local and wider communities—our stakeholders—we examine the status of our corporate governance and make necessary improvements.

We have established the Isetan Mitsukoshi Corporate Governance Guidelines, which stipulate the Group's basic approach to corporate governance, the necessary framework, and operational guidelines.

### Corporate Governance Structure



### Timeline of our corporate governance

Trends in corporate governance in Japan	◆ Corporate Governance Code came into effect ◆ Revised Companies Act enforced (May 2015)			◆ Corporate Governance Code revised		◆ Revised Companies Act enforced (March 2021)	◆ Corporate Governance Code revised	◆ Transitioned to new market segment of the Tokyo Stock Exchange	
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Our initiatives	Company with an audit and supervisory board					Company with a nominating committee, etc.			
	◆ Established Corporate Governance Guidelines, a set of guiding principles for strengthening governance	◆ Commenced external directors meetings, a forum for the exchange of opinions among external directors ◆ Commenced evaluations of Board of Directors' effectiveness	◆ Increased the number of external auditors by one (from 2 to 3) ◆ Started reduction of cross-shareholding	◆ Appointed a female director ◆ Increased the number of external directors (from 3 to 4) ◆ Started issuing integrated reports	◆ Reviewed and discussed transition in institutional design	◆ Transitioned to a company with a nominating committee, etc., structure ◆ External directors became the majority in the composition of the Board of Directors ◆ Used a third-party organization to evaluate board's effectiveness ◆ Introduced a restricted stock compensation system	◆ External director appointed as chairperson of the Board of Directors ◆ Began disclosing skills matrix of directors ◆ Started issuing Sustainability Report ◆ Held a sustainability briefing session (Chairperson of the Board of Directors, CEO, and CAO spoke at this session)	◆ Appointed first female director from within the Company	◆ Established the Isetan Mitsukoshi Group Corporate Philosophy ◆ Conducted interviews with the Chairperson of the Board of Directors (External Director) and major shareholders
Ratio of external directors on the Board of Directors *excluding auditors	<div> <div></div> <div>Internal 5 members</div> <div>37.5%</div> <div>External 3 members</div> </div>			<div> <div></div> <div>Internal 5 members</div> <div>44.4%</div> <div>External 4 members</div> </div>		<div> <div></div> <div>Internal 6 members</div> <div>53.8%</div> <div>External 7 members</div> </div>	<div> <div></div> <div>Internal 3 members</div> <div>66.6%</div> <div>External 6 members</div> </div>	<div> <div></div> <div>Internal 4 members</div> <div>60.0%</div> <div>External 6 members</div> </div>	<div> <div></div> <div>Internal 3 members</div> <div>66.6%</div> <div>External 6 members</div> </div>

## Board of Directors, System of Three Statutory Committees

### Board of Directors

#### Roles of the Board of Directors

In light of the Company's fiduciary responsibilities and accountability to shareholders, the Board of Directors will aim to promote the Group's sustainable growth and the enhancement of corporate value over the medium to long term by focusing on the establishment of general direction of the Group and the oversight/monitoring of business execution.

#### Composition and skills matrix of the Board of Directors

We appoint directors in a way that ensures that the Board of Directors has both a broad perspective and an appropriate size. In addition to the experience and skills needed to monitor business operations and execute actions as a member of the Board of Directors, as well as to make decisions on important matters such as the Group's basic management policies and internal control systems, we identify the skills of directors by categorizing their expertise and business-related insights as "experience," "expertise," and "knowledge and know-how," which are essential for the realization of our vision and management plans.

☆ Chairperson ○ Areas of knowledge, experience and competence  
● Areas where external directors are expected to contribute in terms of knowledge, experience, and abilities

Name			Committee			Skills						
			Nominating Committee	Compensation Committee	Audit Committee	Corporate management	Distribution, marketing	Global	DX, IT, security	Finance, accounting	Legal affairs, risk management, governance	Human resources, personnel management
Toshiyuki Hosoya	Reappointment					○	○	○				
Yuki Ishizuka	Reappointment	Non-executive			☆				○		○	○
Yoshinori Makino	New appointment					○			○	○		
Fukutaka Hashimoto	Reappointment	External and non-executive independent director	☆			●					●	●
Miwako Doi	Reappointment	External and non-executive independent director	✓	☆		●			●			●
Hidetoshi Furukawa	Reappointment	External and non-executive independent director	✓		✓	●		●		●		
Tomoko Ando	Reappointment	External and non-executive independent director		✓	✓	●	●					●
Hitoshi Ochi	New appointment	External and non-executive independent director	✓		✓	●	●		●			
Toshio Iwamoto	New appointment	External and non-executive independent director	✓	✓		●		●	●			

The Company's articles of incorporation stipulates that the number of directors shall not exceed 15. The number of directors shall be such that the functions of the Board of Directors can be effectively and efficiently demonstrated. In addition, the majority of the Board of Directors consists of independent external directors to ensure high objectivity and transparency in its supervisory function. All external 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 external director since April 2021.

#### Activities of the Board of Directors in FY2022

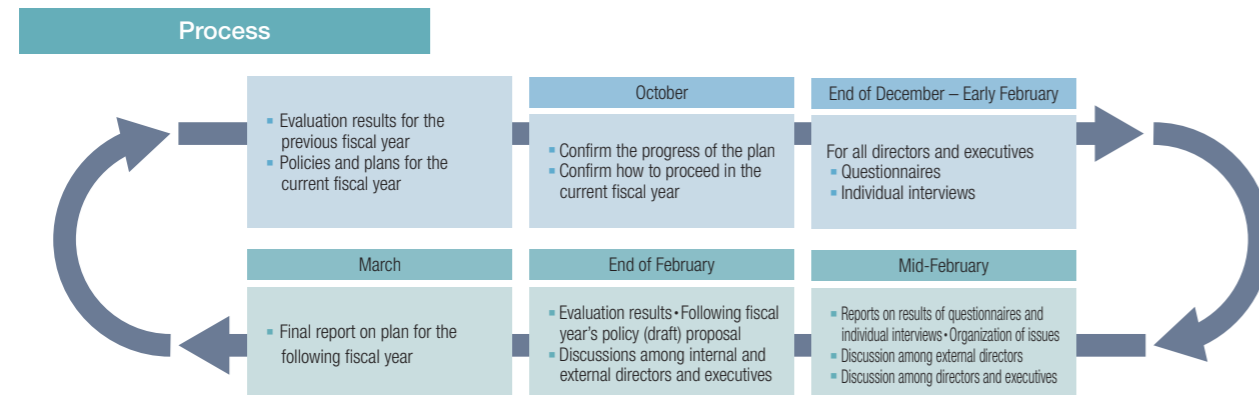
Board of Directors	Main roles: determination of the Group's direction from a broad perspective and the supervision and monitoring of the execution of business			
	Number of members and structure	Number of meetings held	Attendance rate	Meeting agenda
	<div> <div></div> <div>10</div> <div>of whom 6 are external directors (60%)</div> </div>	12	<div> <div></div> <div>100%</div> </div>	<ul style="list-style-type: none"> <li>Resolutions and reports required under the Companies Act, our articles of incorporation, etc.</li> <li>Deliberation on rebuilding the Group corporate philosophy</li> <li>Monitoring of Medium-Term Management Plan and important business execution</li> <li>Monitoring of internal control systems</li> </ul>

## Corporate Governance

### ◆ Evaluation of Board of Directors' effectiveness

The Company is conducting the analysis and evaluation of the effectiveness of the Board of Directors on an ongoing basis through such means as self-evaluation questionnaires and interviews with directors including external directors. Furthermore, the Board of Directors discusses how to enhance its effectiveness based on the analysis and evaluation, and strives to make improvements through formulation and implementation of action plans. We have designed a process to examine the effectiveness of the Board of Directors under the leadership of the Chairperson of the Board of Directors, who is an external director, based on fiduciary responsibility and accountability to shareholders.

### ◆ Efforts to evaluate the effectiveness of the Board of Directors in FY2022



### Evaluation results

- The results showed that more than a certain percentage responded with either “effective” or “generally effective” to many of the questions, and the average score for all items have improved from the previous fiscal year. The evaluation results confirmed that the effectiveness of the Board of Directors and Nominating, Compensation, and Audit committees is adequately ensured.
- In particular, there was a marked improvement in the score for “operations and discussions of the Board of Directors,” with a certain degree of evaluation and satisfaction regarding to improvements in agenda items, frequency of meetings, the implementation of open-minded and constructive discussions, etc.
- With regard to “roles and responsibilities of the Board of Directors” an opinion that emerged was that “As the Group moves from the Department Store revitalization phase to the more challenging Deployment and Fruiting phases, it is necessary to evolve the monitoring perspective of the Medium-Term Management Plan to stimulate discussions from a long-term perspective.”

### Operating policy and action plan

As a result of discussions between external directors and executive officers and the Board of Directors that took into account the evaluation results, the following operating policy and action plan for the next fiscal year have been established.

#### Operating policy

- Evolve the Board of Directors' monitoring capability and create an environment that supports appropriate executive risk-taking.
- Achieve alignment on the direction of the next Medium-Term Management Plan through discussions about the Company's future from a long-term perspective.

#### Action plan

- 1 Overall direction of the Group (engage in discussions from long-term perspective)
- 2 Supervision and monitoring of business execution (clarify points for monitoring)
- 3 Improving the effectiveness of the Nominating Committee, Compensation Committee, and Audit Committee (cooperation between the Board of Directors and each committee)
- 4 Continuously improving operations and support (enhance support for external directors)

Note: Amounts, numbers of shares and other figures contained in this business report have been rounded down to the nearest indicated digit. In addition, any fractions of a percentage less than the indicated digits are rounded to the nearest whole number.

### ◆ Meetings led by external directors

As part of our efforts to improve the effectiveness of the Board of Directors, we held a total of seven meetings led by external directors in FY2022. We hold a wide-ranging discussions on such things as the Group's annual summary, management issues, directions to be taken, and succession plans. These include external director meetings (three times in FY2022), non-executive director meetings (two times in FY2022), and exchanges of views between external directors and the CEO (two times in FY2022).

### ◆ Training for directors

We provide ongoing training for directors and executive officers to acquire knowledge and improve their skills in accordance with their required roles and responsibilities.

For external directors in particular, we provide an overview of our Group and its strategies, and explain the content of discussions at past Board of Directors meetings and statutory committees to which they belong in order to promote understanding of our current situation and recognition of issues prior to their appointment. In order to keep external directors continuously updated after their appointment, we ensure that they have opportunities to visit important business sites.

In addition, we ensure that the Board of Directors and each committee have regular opportunities to share the necessary knowledge according to the environment surrounding the Group and the strategies and plans it is promoting. This enables them to obtain a deep awareness of the important management issues facing the Group, and to make correct decisions based on their own beliefs at the meetings of the Board of Directors, committees, etc.

### Message from the Chairperson of the Board of Directors



Fukutaka Hashimoto  
Chairperson of the Board of Directors

A constant challenge we face is how to improve the effectiveness of Board of Directors meetings. We believe that an important element of this is the proper setting of agendas and the acquisition and sharing of information necessary for deliberations.

With regard to the setting of agendas, the chairperson, CEO, and members of the secretariat review the previous board meeting, and after reflecting on the content of the meeting, the annual schedule, and other factors, they discuss and agree on the agenda for the next meeting. In doing so, we endeavor to establish timely and diverse perspectives, incorporating topics of the day, requests from external directors, and other factors.

With regard to the acquisition and sharing of information, in addition to requesting that the executive and administrative offices prepare and provide materials deemed necessary for deliberations, we have several mechanisms in place. These include allowing each director to observe meetings of the Board of Executive Officers and inspect materials, holding external director meetings following board meetings to discuss issues and information, and, if necessary, requesting the attendance of executive officers and others to actively exchange opinions, as well as conducting on-site inspections to ascertain actual conditions. By further enhancing and taking full advantage of these mechanisms, we aim to further improve the quality of discussions and monitoring by the Board of Directors.

One of our tasks is to acquire and share outside knowledge in areas different from our department store business. For example, in the process of realizing our goal of achieving “Urban Community Development,” we will need knowledge of new business fields such as real estate development. I think an important issue is how to incorporate such outside knowledge and other information into the Board of Directors as a way to enhance deliberations. We would like to discuss this issue thoroughly with the executive side, and will endeavor to take appropriate action based on the content of these discussions.

## Corporate Governance

### ■ Nominating Committee

#### ◆ Roles of the Nominating Committee

The Nominating Committee will engage in deliberations and make decisions related to the nomination of officers, under the leadership of external directors.

#### ◆ Composition of the Nominating Committee

The number of committee members shall be approximately five, the majority of whom will be external directors (of which at least one member shall concurrently serve as a member of the Audit Committee). The committee members will be selected by the Board of Directors' resolutions, and the chair will be selected from among the external directors who are members of the committee.

#### ◆ Deliberations and details of decisions by the Nominating Committee

In addition to providing quantitative information such as performance indicators, qualitative information such as personnel evaluations, and objective evaluations by third-party agencies, the committee will secure contact between candidates and external directors such as interviews, make judgment with regard to the reappointment of the CEO, deliberate on the succession plan for the CEO, make decisions on proposals for the appointment and dismissal of directors to be submitted to the general meeting of shareholders, and deliberate on proposals by the members of the three statutory committees and proposals for executive appointment of executive officers, to be decided by the Board of Directors.

#### ◆ Activities in FY2022

	Main roles: deliberations and decision-making regarding the nomination of officers			
	Number of members and structure	Number of meetings held	Attendance rate	Meeting agenda
Nominating Committee	<p>5 of whom 4 are external directors (80%)</p>	10	<p>100%</p>	<ul style="list-style-type: none"> <li>■ Deliberations on the reappointment and succession plan for the president and CEO</li> <li>■ Determination of candidates for directors</li> <li>■ Deliberations on resolutions regarding the appointment of committee members and officers, including executive officers</li> </ul>

### Message from the Chairperson



Fukutaka Hashimoto  
Chairperson of the Nominating Committee

The Nominating Committee is a very important committee that underpins the effectiveness of the Group's governance and helps enhance corporate value in the medium to long term from a human perspective. To date, the Group has made efforts to strengthen the management team by inviting external directors with

diverse skills and ensuring its diversity, which includes the selection of our CEO.

In addition, under the leadership of Mr. Iijima, the previous chairperson, the committee took steps to improve objectivity and transparency last fiscal year, including clarifying the CEO reappointment process and enhancing the CEO candidate development plan, as well as sharing information by hearing the opinions of external directors other than Nominating Committee members on multiple occasions.

This fiscal year, we would like to carry on and further refine these activities, as well as have deeper discussions on efforts such as fostering managerial human resources to realize the future ideal of our company as envisioned in our long-term plans.

This is an enormous task. Fortunately, our Nominating Committee is composed of individuals with a wealth of experience in matters related to human resources, and we intend to find a way to address these issues through full committee discussions, while also working with the Board of Directors and executives.

### ■ Compensation Committee

#### ◆ Roles of the Compensation Committee

The Compensation Committee will engage in deliberations and make decisions related to remuneration of officers, under the leadership of external directors, based on the remuneration plans that lead to incentives for officers to enhance corporate value.

#### ◆ Composition of the Compensation Committee

The number of committee members shall be not less than three persons and not more than five persons, the majority of whom will be external directors. The committee members will be selected by the Board of Directors' resolutions, and the chair will be selected from among external directors who are members of the committee.

#### ◆ Deliberations and details of decisions by the Compensation Committee

The committee will engage in deliberations on issues and policy of officer remuneration plans that lead to incentives for officers to enhance corporate value, and then utilize objective indicators, including quantitative information such as performance indicators and qualitative information such as personnel evaluation to make judgment and decisions concerning the appropriateness of individual remuneration proposals.

#### ◆ Activities in FY2022

	Main roles: decision-making regarding compensation for officers			
	Number of members and structure	Number of meetings held	Attendance rate	Meeting agenda
Compensation Committee	<p>3 of whom all are external directors (100%)</p>	8	<p>100%</p>	<ul style="list-style-type: none"> <li>■ Deliberations and decision-making on compensation for officers</li> <li>■ Investigations and decisions on incentive systems, such as performance-linked compensation and non-monetary compensation</li> </ul>

### Message from the Chairperson



Miwako Doi  
Chairperson of the Compensation Committee

Since FY2021, the Compensation Committee has focused its discussions on how incentive-based compensation should be linked to the enhancement of corporate value. Our Group has achieved a significant improvement in performance in FY2022, bouncing back from the difficult business conditions of the COVID-19 pandemic to a level of expected record profits in FY2023. This recovery has finally allowed the compensation

system that the Compensation Committee has been exploring to show its effectiveness. We would like to thank our customers, shareholders, and employees for making this a success.

The Group will continue to pursue its aggressive stance with an eye to the next ten years, including the "Scientific analysis of department stores", expansion of its "High sensitivity, fine quality" strategy, "Intra-group coordination" strategy, and "Urban community development" strategy.

In addition to past discussions, the Compensation Committee would also like to begin considering the design of a new compensation system, with an view toward what we would like to achieve ten years down the road. We will establish a new system, balance, and level of executive compensation in the future, based on a firm grasp of the market and other companies' information along with our Group's situation.

Additionally, this fiscal year we intend to enhance information sharing and exchanges of opinions with external directors who are not members of the committee, and to consider executive compensation in a manner that takes into account a greater diversity of opinions.

Corporate Governance

Audit Committee

Roles of the Audit Committee

The Audit Committee performs audits of the execution of duties by executive officers and directors, audits the status of internal control systems, and determines the content of proposals to be submitted to the general meeting of shareholders concerning the appointment and dismissal of accounting auditors, etc., and performs the oversight function of the Board of Directors through audits. In addition, it establishes an audit system for the entire Group in cooperation with the accounting auditors, the internal audit divisions, and the corporate auditors of each Group company.

Composition of the Audit Committee

The number of committee members shall be approximately five, the majority of whom will be external directors (of which at least one member shall concurrently serve as a member of the Nominating Committee) and internal non-executive directors who are full-time members. In addition, at least one person who has sufficient knowledge of finance and accounting will be selected. The committee members will be selected by the Board of Directors' resolutions, and chair will be selected from among directors who are members of the committee.

Activities of the Audit Committee

The committee will set forth audit policies and plans, obtain reports on risk management, reports from the Internal Audit Division, and reports and other information from the accounting auditors, and conducts hearings, etc., on the status of business execution for the executive division. In addition, in order to improve the quality of audits, the committee will appropriately coordinate with the accounting auditors and the Internal Audit Division, including exchanging information on audit results and other matters.

Activities in FY2022

Audit Committee	Main roles: auditing of executives' and directors' fulfillment of their duties, auditing of the status of internal control systems, and evaluations related to the appointment and dismissal of accounting auditors			
	Number of members and structure	Number of meetings held	Attendance rate	Meeting agenda
	<div><div></div><div>5</div><div>of whom 3 are external directors (60%)</div></div>	17	<div><div></div><div>100%</div></div>	<div><div></div>■ Formulation of audit policies and plans</div> <div><div></div>■ Reporting on risk management</div> <div><div></div>■ Reporting from the Internal Audit Office</div> <div><div></div>■ Reporting from the Accounting Auditor</div> <div><div></div>■ Interviews with executive divisions on the status of business execution</div>

Message from the Chairperson



Yuki Ishizuka  
Chairperson of the Audit Committee

In FY2022, the first year of implementation of the Medium-Term Management Plan, we were able to achieve better results than planned.

The Audit Committee has conducted interviews with the executive officers as well as internal control departments and Group companies, and has monitored

the Group in an effort to understand its situation.

We believe that this fiscal year represents a phase of change in which the revitalization of our department stores will accelerate and efforts to realize our medium- to long-term vision will be undertaken at a swift pace. In this phase, the Audit Committee will focus on monitoring the functioning of controls and checks within the organization through the proper operation of internal control systems. In addition, it plans to organize the Group company audit system to enhance its effectiveness.

Each of the three external directors who make up the Audit Committee has a wealth of diverse experience, and is expected to help strengthen the Group's governance and monitor the appropriate execution of business operations that will contribute to business transformation over the medium to long term. Following on from the previous fiscal year, we will continue to engage in in-depth discussions with executive officers, and will also work with the internal control and other departments to provide advice and recommendations as necessary to ensure the sustainable enhancement of corporate value into the future.

Policy on the Nomination of Officers

To facilitate the appropriate replacement of officers, the Group stipulates the maximum age and the maximum term of office for officers on a position-by-position basis in the Regulations of Age Limits of Executive Officers in Office. Based on this, the appointment of executive officers, including representative executive officers and executive officers with special titles, and their reappointment after the expiration of the term of the appointment contract shall be determined by the Nominating Committee by appropriately evaluating the quantitative results of respective executive officers during the term of their appointment contract, as well as objective data, such as management talent assessments by a third-party institution. To ensure transparency in our standards for the appointment and dismissal of executives, we formulated the Isetan Mitsukoshi Group Officer Policy in March, 2022.

Decisions on CEO appointments, potential reappointments, and succession planning

Decision-making for the appointment of our CEO, succession planning, and potential reappointment is regarded to be one of the most important responsibilities of the Nominating Committee and we always strive to ensure transparency and fairness in that process. The Nominating Committee proactively discusses how this approach should operate and seeks to further strengthen these initiatives by, for instance, hearing opinions from all external directors who are not members of the Nominating Committee.

Specifically, in the first year of inauguration of the CEO, the Nominating Committee deliberates on the vision for the term of office, and the CEO explains and shares the progress of management plans, future outlook, issues to be addressed, etc., to the Nominating Committee each fiscal year. The Company has established a system under which external directors who are members of the Nominating Committee independently determine the acceptance/non-acceptance of the reappointment. In addition, the Company thoroughly shares all information on candidates for a CEO successor with the Nominating Committee, including screening results of each candidate by an external management personnel evaluation agency, training plans, and plans for relocation to sectors that each candidate should experience.

Emergency CEO candidates (acting CEO) are deliberated on and confirmed in the initial Nominating Committee meeting of each business period.

Policy on the nomination of director candidates

With regard to nomination of candidates for director, the policy of the Company is to have the Board of Directors comprise members from a diverse range of people with broad and highly specialized knowledge and skills, as well as high ethical standards. When appointing candidates for director, the Nominating Committee, which is composed of a majority of external directors and chaired by one of them, makes decisions based on the above policy on the composition of the Board of Directors and the appointment standards as below, and the proposal is submitted to the general meeting of shareholders.

- 1) Must have knowledge and experience that are meaningful to the management of the Company and be well-versed in various management issues
- 2) Must have accurate insight into and a grasp of the global trends as well as changes in the market and customers
- 3) Must be eager to learn new knowledge and able to develop new views on management and directions based on such knowledge
- 4) Must have excellent character and insight and be physically and mentally healthy
- 5) Must have a strong sense of ethics and compliance, as well as values and personality that are appropriate for a director

Furthermore, for external directors, the Company invites people from different fields and industries, primarily those with practical management and business-world experience, while giving due consideration to ensuring diversity of the Board of Directors when selecting candidates, in order to actively take in a wide range of opinions from an objective perspective and ensure well-balanced management.

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

Criteria for independence

The Group has established the Independence Standards for the External Officers of Isetan Mitsukoshi Holdings as its criteria for judging the independence of external directors before appointing them as independent officers. Based on the independence standards, the Company appoints external officers who do not fall under any of the following categories.

- 1

A person from the Group who executes its business
- 2

A person for whom the Group is a major business partner, or an executive director, an executive or a manager thereof
- 3

A major business partner of the Group, an executive director, an executive, a manager or an employee of any other type thereof
- 4

A person who executes business at a principal lender to the Group
- 5

A consultant, an accounting expert, a legal specialist or the like who has received financial or other economic benefits from the Group exceeding a certain sum other than the remuneration for officers
- 6

A shareholder or executive officer of the Company who holds 5% or more of its total outstanding shares
- 7

Any person who has fallen under any of the categories 1 to 5 above in the last three years
- 8

A spouse or a relative within a second degree of kinship who falls under any of the categories 1 to 5 above

\*A major business partner in categories 2 and 3 above refers to 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 category 4 above refers to any lender from whom the Group's balance of borrowings exceeds 2% of the Company's consolidated total assets as of the end of the fiscal year.

\*A certain sum in category 5 refers to 10 million yen or more in any of the last three fiscal years.

# Corporate Governance

## Compensation of Officers

### ◆ Basic principles related to compensation for officers

The Company established the Basic Principles on Officers' Compensation, which is a policy regarding the details of remuneration, etc., for individual executive officers and other executives, an outline of which is as shown below. The Company has established the following four basic principles regarding executive remuneration to provide incentives for demonstrating sound entrepreneurship:

- ① Promotion of common interests between shareholders and officers
- ② Expansion of the effects of incentives for improving business results and shareholder value
- ③ Provision of compensation whose amount compares favorably with the standard of the overall industry (at the point of target achievement)
- ④ Guaranteed objectivity and transparency in evaluation and remuneration determination methods

Based on the aforementioned Basic Principles on Officers' Compensation, the Compensation Committee, which is a statutory committee consisting solely of external directors, determines the policy regarding compensation, and deliberates and determines the amounts of individual compensation. The Committee is continuing to consider making the executive compensation system even more functional as a sound incentive for the sustainable growth of the Company.

### ◆ Compensation structure

Executive officers \*Including those who serve concurrently as directors

Basic salary × 12 months	<b>Bonuses</b> Base salary × 5 months (at a payment rate of 1.00)	<b>Stock-based compensation</b> Basic salary × 4 months
--------------------------	---	--

Non-executive directors \*Including external directors

Basic salary × 12 months	<b>Stock-based compensation</b> Basic salary × 1 month
--------------------------	---

### ◆ Bonuses

For executive officers, reflecting the principles for compensation, the following performance-based bonus has been introduced with the goal of strongly motivating them to achieve goals.

1. Bonus payment calculation formula for executive officers:  
Base amount of bonus (monthly remuneration (5 months)) × corporate performance payment rate × Company-wide ESG indicators
2. Corporate performance payment rate  
The payout ratio shall be 1.00 (100%) upon the full achievement of the operating income goal the Company should aim for, and designed to vary in proportion to the degree of achievement, with 0.00 (0%) at the minimum and no cap for the maximum.
3. Company-wide ESG indicators  
From FY2023, ESG indicators have been incorporated in the evaluation of officers' bonuses as a motivation to achieve the Company's mid- to long-term goal of promoting sustainability. The KPI indicators shall be determined for each fiscal year and are designed to reflect the individual's degree of achievement within a ±5% range of the base amount of bonus × corporate performance payment rate.

### ◆ Stock-based compensation

With the aim of raising awareness of the need to increase shareholder value, we have introduced a restricted stock compensation system that aligns the interests of shareholders and directors by granting shares in the Company with restrictions on their transfer for a certain period of time.

Restricted stock compensation system

Amount of monetary compensation claim	Executive officers (including those who serve concurrently as directors): Monthly basic salary × 4 months Non-executive directors: Monthly basic salary × 1 month
Calculation of the number of dividend shares	Individual monetary compensation claim ÷ Reference stock price*1 (with any fraction less than 100 shares being rounded down)
Transfer restriction period	30 years*2

\*1 Closing price of the Company's share on the Tokyo Stock Exchange on the trading day immediately before the date of resolution of the allotment (or the trading day preceding it if no closing price is recorded on such date).

\*2 The transfer restriction is lifted in the case of expiration of the term of office or resignation during the transfer restriction period for a reason which is deemed valid by the Board of Directors.

## Business Execution Structure

To accelerate the execution of its business, in principle, the Company appoints chief officers as executive officers and then establishes a Board of Executive Officers as an organ for executive decision-making and discussion. The Board of Executive Officers discusses and makes decisions concerning important Group issues, including matters over which authority has been delegated by the Board of Directors.

### ◆ Chief officer

The Company appoints chief officers, whose role is to execute business as executive officers. The chief officer's main duties are described below.

<b>CEO</b> Chief Executive Officer  Chief Executive Officer	<b>CFO</b> Chief Financial Officer  Implementation of PDCA cycles for the Group's finance plans, financial risk management, budget management for operating companies, etc.
<b>CMO</b> Chief Merchandising Officer  Checking of PDCA cycles of operating companies, the Group's overall policies regarding its business partners, structural reforms, etc.	<b>CHRO</b> Chief Human Resource Officer  Implementation of the Group's human resource strategies, human resource allocation for operating companies, etc.
<b>CSDO</b> Chief Strategy and Digital Officer  Establishment of the Group's management plans, implementation of associated PDCA cycles, promotion of group alliances, promotion of real estate development, promotion of digital strategies, etc.	<b>CRO</b> Chief Risk Officer  Prevention of critical incident risks across the Group, leadership and direction in such incidents, etc.
	<b>CAO</b> Chief Administrative Officer  Implementation of the Group's general affairs, operations, sustainability promotion, etc.

As the chief executive overseeing the Group's overall management, the CEO takes command of the chief officers. All chief officers except the CEO take charge of different departments of the Company and execute their duties by presiding over these departments. Chief officers address Group-wide issues that require the involvement of multiple departments by serving as a project owner or chairing a committee consulted by the Board of Executive Officers.

Chief officers may serve concurrently as part-time directors of Group companies. These chief officers participate in the consensual decision-making process of the Board of Directors of the Group company, thereby supervising and taking comprehensive control of the process. They also give instructions and advice regarding preliminary consultations from other part-time directors, thus taking comprehensive control of Group companies as chief officers beyond the boundaries between them.

### ◆ Board of Executive Officers

The Board of Executive Officers consists of executive officers authorized by the Board of Directors. The purpose of this organization is to enable the President and CEO and the other executive officers to make specific decisions on the execution of business. They deliberate on the passing of resolutions and on the President and CEO's decisions on important matters, etc., related to the execution of business by the Company and the entire Group, and report matters. In addition, matters that have been resolved, deliberated on, or reported on at the Board of Executive Officers' meetings and which are deemed important are reported to the Board of Directors.

### ◆ Advisory bodies to the Board of Executive Officers

The following committees have been formed to serve as advisory bodies to the Board of Executive Officers. Before critical Group management issues are submitted for decision by the decision-making body, these advisory bodies take initiative in determining whether to submit such issues and scrutinizing issues being submitted by verifying their rationality, reviewing them based on quantitative criteria, and checking assumed risk conditions.

- Investment and Credit Committee
- Business Revitalization Committee

### ◆ Promotion meetings

Aimed at advancing the important projects of the Group, our promotion meeting consist of members from across the Group and pursue the higher-level promotion of operations.

- Compliance and Risk Management Promotion Meeting
- Workstyle Reform Promotion Meeting
- Sustainability Promotion Meeting