

Corporate Governance

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Isetan Mitsukoshi Holdings Ltd.

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<https://imhds.co.jp/en/themes/132>

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

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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 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>): 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]

[Principle 1-3]

Basic Principles of Capital Policy

The Company addresses its capital policy and returns profits to shareholders based on its basic policy of “pursuing the financial soundness, improvement of capital efficiency, and enhancement of shareholder returns in a well-balanced manner while increasing corporate value through business growth.” With regard to dividends, the Company’s basic approach is to maintain a stable level of dividends while comprehensively considering the management environment, business performance, and the soundness of the Group’s financial position, with a view to steadily increasing dividends over the medium- to long-term in line with profit growth. As for the acquisition of treasury stock, the Company will keep it in consideration on a continuous and flexible basis while giving priority to growth investment.

[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.

The number of shares held by Isetan Mitsukoshi Ltd., the largest shareholder of cross-shareholdings, was 36 as of March 31, 2022. In FY2022, it sold 3 shares and holds 33 shares as of March 31, 2023.

(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 material transaction, conflict of interest transaction, or competitive transaction is entered into between the Company's 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 the Board of Directors to reach a decision on approval after due deliberation of the transaction. The regulations also stipulate that, when such transactions are carried out, the important facts of the transactions are to be reported to the Board of Directors without delay. This rule is disseminated throughout the Company.

In addition, the Regulations of the Board of Directors stipulate that, in the event that a material transaction, conflict of interest transaction, or competitive transaction is entered into between the Company's major shareholders (shareholders who hold 10% or more of the Company's voting rights) and the Company, similar procedures are to be followed. This rule is also disseminated throughout the Company.

[Principle 2-4(i)]

(1) Ensuring diversity

The Group believes that incorporating various perspectives and values inside the organization can be an advantage in securing the sustainable growth of a company. Based on this recognition, the Group works to construct a foundation on which all employees can be active, and creates an environment where various human resources can fully demonstrate their capabilities regardless of gender or employment arrangements.

In addition, the Group conducts a development program called the business leader program for human resources of Stage A status (general manager class) in the fourth year onwards to create a pool of human resources who may become future board members, thereby systematically ensuring diversity within the organization.

*Managerial positions Stage A status: general manager class, Stage B status: section manager/sub-section manager class

<Promoting female employees to managerial positions>

We have built various institutional frameworks to promote the career advancement of women and create an environment that enables them to continue working.

(FY2022: 31.0% FY2023: 30.6% *Group total including overseas)

As for targets, the Group plans to gradually increase the ratio to 33% in 2024 and 38% in 2030.

<Promoting foreign nationals to managerial positions>

The Group hires foreign nationals in line with its ideal candidate profiles regardless of nationality and has established the same career progression framework as Japanese human resources.

(FY2022: 10.9% FY2023: 9.7% *Group total including overseas)

The Group will maintain the current number of foreign nationals and further enhance its efforts in designing institutional frameworks.

<Promoting mid-career hires to managerial positions>

The Group will increase the number of mid-career hires in the future to more actively incorporate new ideas, skills, and know-how based on diverse backgrounds as a means to create innovation.

(FY2022: 6.5% FY2023: 7.8% *Group total in Japan)

(2) Policies on development of human resources, creation of internal environment, and others for ensuring diversity

The Isetan Mitsukoshi Group develops ideal human resources for the Group's sustainable growth through the MANABI NO MORI, a grand design for human resource development in which manabi (learning) is systematically organized, to provide employees with an environment and opportunities where they can autonomously learn, grow, and advance their careers.

As the foundation for human resource development, the Group also develops an environment in which employees can truly feel satisfied and comfortable with their jobs, so that they can ensure physical and mental health and improve work-life balance. The Group is working on efforts to enable each individual to work flexibly and sustainably, such as by building systems to appropriately address issues encountered by employees at different life stages and life events, providing support for health, and facilitating diverse workstyles.

[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

In order to sustain continuous growth as a company in a time of rapid change, the entire Group will take on the challenge of continuously reinventing itself. With regard to management strategies and management plans, the Group will transform our business model from the conventional model, promote structural reforms, and create business foundations even more swiftly than before under the new Medium-term Management Plan (FY2022 to FY2024) formulated and announced in November 2021. We have identified "a 'special' department store-centered retail group that enriches the lives of its customers" as our long-term vision to be realized by utilizing our advantages of "goodwill," "customers," "human resources," and "stores and real estate."

In order to transform our Vision into reality, we reorganized our corporate philosophy to clarify our Mission and Values, and in 2023, we established a new "Isetan Mitsukoshi Group Corporate Philosophy."

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

[Principle 3-1(ii)]

Basic Views and Policy Regarding Corporate Governance Based on Each of the Principles in Japan's Corporate Governance Code

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. 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.

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

At a meeting of the Compensation Committee held on November 11, 2020, the Company established the Basic Principles on Officer's 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 (excluding External Directors) to provide incentives for demonstrating sound entrepreneurship:

- 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

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.

(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% ($\pm 0\%$ compared to FY2022) 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, with a view toward promoting common interests between officers and shareholders, and raising the effectiveness of the incentive for enhancing the Group's medium- to long-term performance and our corporate value, the Company introduced a Restricted Share-based Remuneration System linked to share price performance in FY2020, the remuneration percentage of which is being raised gradually. For FY2023, share-based remuneration shall account for 20% ($+5\%$ compared to FY2022) of the total annual remuneration for each individual.

<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.

[1] Bonus payment calculation formula

Executive Officers: Base amount of bonus (monthly remuneration (5 months)) x corporate performance payment rate x Company-wide ESG indicators

[2] Corporate performance payment rate

The Group has adopted consolidated operating income as its indicator to strongly motivate officers to achieve goals under the Medium-term Management Plan and annual goals in line with the plan, 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 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. The operating income goal the Company should aim for 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.

[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 $\pm 5\%$ range of the base amount of bonus x corporate performance payment rate.

<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.

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

[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

The Company stipulates the maximum age and the maximum term of office for each position of senior management Executive Officers 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, as well as objective data such as management personnel evaluation, etc. prepared by third-party agencies. In March 2022, the Company formulated the Isetan Mitsukoshi Group Officer Policy, which sets the criteria for the appointment and dismissal of officers to ensure transparency.

(2) Decision on selection and reappointment of the CEO and the succession plan

The Company has positioned decision on 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 is working to further enhance such initiatives, including by obtaining the opinions of all External Directors other than the Committee members in the deliberation process.

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. The Nominating Committee deliberates on and confirms CEO candidates for emergencies (acting CEO) at the beginning of each fiscal year.

(3) 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.

When selecting 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 selection 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.

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

[Supplementary Principle 3-1(3)]

The Group has positioned the promotion of sustainability as the foundation for its management strategies and identified three priority efforts (material issues). In its Sustainability Report, the Group discloses various initiatives for contributing to the building of a low-carbon society, managing the overall supply chain including partners, facilitating dialogue activities, achieving the proper work-life balance of employees, etc., which comprise these priority efforts.

<Investments in human capital and intellectual properties>

The Group considers people as the most important factor in achieving its management plans. Therefore, the Group aims to improve employee satisfaction by enhancing various systems aimed at making employees feel greatly satisfied and comfortable with their jobs. The Group also provides support for employees to autonomously build up learning and wide-ranging experience, and fosters a culture that facilitates such efforts.

As for investments in human capital, various expenses on human resource development include personnel expenses for training, training and education expenses, and recruiting and human resource development expenses. The Group plans to maintain the current level of investments going forward.

(Investment in human capital for FY2022: 1.20 billion yen, expected investment for FY2023: 1.30 billion yen

*Group total in Japan)

Furthermore, the appeal of department store goodwill and knowledge of sales and store development the Group has accumulated over the years, the know-how on building individual relationships with customers, and investments in new digital businesses are important intellectual properties that are essential to the value creation process of the Group. In the Medium-term Management Plan (FY2022 to FY2024), the Group has clarified its plans to actively allocate management resources to these investments.

The Board of Directors will periodically and continuously monitor these investments in human capital and intellectual properties, in addition to following up on the progress of the Medium-term Management Plan.

<Response to the Task Force on Climate-related Financial Disclosures (TCFD)>

The Group has positioned addressing climate change as an important issue in conducting corporate activities and endorsed TCFD to promote responses more actively to climate change as a group. The Group will continue reviewing its evaluation and analysis with more quantitative information based on environmental changes. The Company is disclosing information on scenario analysis according to the TCFD Recommendations, which includes responding to the risks and opportunities associated with climate change and climate-related financial information concerning initiatives and impacts.

[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, the Board of Directors will aim to promote the Group's sustainable growth and enhancement of corporate value over mid- to long-term by focusing on the establishment of general direction of the Group and the oversight/monitoring of business execution. The Company clearly separates the roles between "execution" and "oversight" and has selected a company with a nominating committee, etc. as its organizational design in order to enhance the oversight and monitoring function of the Board of Directors and achieve rapid business execution.

The Company has built a highly objective and transparent oversight system, led by External Directors by having Independent External Directors comprise a majority of the Board of Directors as well as establishing a statutory Nominating Committee, Compensation Committee, and Audit Committee, whose majority members are External Directors.

The Company has clearly set forth criteria for making proposals to be decided upon by the Board of Directors in the Articles of Incorporation and the Regulations of the Board of Directors and other internal regulations in addition to those stipulated by laws and regulations. As for other important matters, the Company has delegated authority to deliberate and make decisions to Executive Officers in order to enhance the maneuverability of management.

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

Composition of the Board of Directors

The Board of Directors shall be comprised of a diverse range of people with broad and highly specialized knowledge, knowledge in specified business fields, and skills based on experience in corporate management, etc. as well as high ethical standards. For External Directors in particular, the Company will invite people from different fields and industries, primarily those with sufficient management and executive experience in the business world, and select people with due consideration to ensure diversity of the Board of Directors.

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, a majority of the Board of Directors shall be Independent External Directors so that

highly objective and transparent oversight functions are demonstrated. All External Directors satisfy the Independence Standards of the Company. (Please refer to Principle 4-9 below.)

When selecting 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 selection standards in [Principle 3-1(iv)(v), Supplementary Principles 4-1(3), 4-3(1)(2)(3), Principle 4-11] “(3) Policy on nomination of candidates for Director,” and the proposal is submitted to the general meeting of shareholders.

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. In addition, the Company identifies required skills, etc. for the Company’s Board of Directors and discloses them as a skills matrix.

[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.

[Supplementary Principle 4-11(3)]

Effectiveness Evaluation of the Board of Directors

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, which also incorporate a perspective of third-party agencies. 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. An outline of the effectiveness evaluation of the Board of Directors conducted for the fiscal year ended March 31, 2022 is as follows:

(1) Process

Following discussions at the Board of Directors on interim evaluations of the improvement status of issues extracted in fiscal 2022, the Board of Directors conducted “questionnaires” and “interviews” for Executive Officers as well as all Directors regarding the composition of the Board of Directors, content of deliberations, and operational aspects of support.

<Major items for questionnaire>

- Roles and responsibilities of the Board of Directors
- Size and composition of the Board of Directors
- Operations and discussions of the Board of Directors
- External Directors' meetings
- Constructive dialogue with stakeholders
- Support for External Directors
- Effectiveness of the three statutory committees

Next, the quantitative responses from the questionnaire and qualitative opinions from the interviews were collated and discussed among External Directors and among Directors and Executive Officers. The results of these evaluations were reported to the Board of Directors and multiple discussions were held among External Directors, Executive Officers, and Directors and Executive Officers regarding policies that had been set for the next fiscal year, based on which plans (operating policy, action plan, draft for the annual agenda schedule) were formulated for the next fiscal year. In addition, the Nominating Committee, Compensation Committee, and Audit Committee similarly engaged in reflections and discussions of the issues, and formulated plans for the next fiscal year.

(2) Analysis and evaluation results

The evaluation results showed that more than a certain percentage responded with “effective” or “generally effective” to many of the questions, confirming that the effectiveness of the Board of Directors and Nominating, Compensation, and Audit Committees is 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, and 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 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.”

The main assessments and issues identified by the Directors and Executive Officers captured by this year's evaluation of the effectiveness of the Board of Directors are summarized below.

The following items in the previously formulated action plan were evaluated as having improved or having been implemented this fiscal year:

- Clarification of strategic direction by way of periodic reporting on key strategies
- Establishment of a centralized system for managing the Group's management issues
- Enhancement of discussions regarding business execution through the leadership of the CEO and improved effectiveness of the Board of Executive Officers

On the other hand, the common view was that it was necessary to continue working on these items:

- Discussion of agenda items and selection of themes for the next Medium-Term Management Plan and other issues relevant to the Company's future from a long-term perspective
- Utilizing the Board of Directors meetings for reporting and sharing information about risks
- Reporting on progress on the action plans of the three statutory committees
- Enhancing training that contributes to the understanding of the Company
- Further improving the content (quality and quantity) of materials

(3) Action plan for the next fiscal year

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. Global 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, Compensation, and Audit Committees (cooperation between the Board of Directors and each committee)
4. Continuously improving operations and support (enhance support for External Directors, improve efficiency of secretariat management)

(4) Summary

The Company will steadily implement the action plans formulated and periodically check the progress and status of improvements on the issues at Board of Directors meetings, in an effort to further enhance the effectiveness of the Board of Directors.

[Supplementary Principle 4-14(2)]

Training Opportunities for Directors

The Company continuously provides Directors and Executive Officers with training to enable them to acquire knowledge and improve their skills in accordance with their required roles and responsibilities.

For External Directors in particular, the Company ensures that they are provided with opportunities to understand the current status of the Company and promote recognition of issues before assumption of office, as well as opportunities to continuously update and exchange information after assumption of office.

In addition, the Company continuously provides to External 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 continuously provides internal Directors and Executive Officers with opportunities to enhance their skills, such as external seminars, in-house discussion sessions on corporate management, and online learning systems. 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 Operating Officers and presidents 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, recognizing that dialogue with shareholders and investors is important for realizing sustainable growth and enhancing corporate value over mid- to long-term, has formulated and disclosed a "Stakeholder Engagement" that sets out our policies for dialogue with stakeholders.

Moreover, a liaison office for dialogue with shareholders has been established within the General Affairs Department, and opportunities are provided for dialogue through face-to-face meetings for individual domestic and overseas institutional investors as well as interviews and briefing sessions, in a proactive and continuous manner to the extent reasonable. Opinions gathered from such activities will be reflected in management.

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.. In addition, Directors including External Directors appropriately respond to the extent reasonable from the position of providing oversight (monitoring). We will continue holding dialogue with shareholders and investors.

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 General Affairs Department serving as a liaison office.
- 2) As a department that assists dialogue with shareholders, General Affairs Department prepares disclosure materials and shares information, as well as providing 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.

The implementation status of dialogues is described in the “2. IR Activities” of this report (status as of December 2023).

[Principle 5-2]

Formulating and Publishing Management Strategies and Management Plans: “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”

1) Capturing the cost of capital

The Company calculates its cost of equity at regular intervals using the capital asset pricing model (CAPM) and works out the weighted average cost of capital (WACC) based on the weighted costs of equity and debt. The Company is also aware of the need to capture its cost of capital through dialogue with investors.

2) Generating ROE in excess of the cost of equity

Aiming to improve capital efficiency, the Company announced in May 2023 that it would provide returns keeping in mind a total payout ratio at a level of 50%. Backed by the profit growth achieved through its long-term strategy, the Company raised the level of shareholder returns by doubling the amount of interim dividend from 6 yen per share for the fiscal year ended March 31, 2023, to 12 yen per share for the fiscal year ending March 31, 2024. Combining such boosting of shareholder returns with the enhancement of profit based on its business strategy, the Company aims to achieve an ROE in a range of 7% to 8% in the near future.

3) Earnings management on the business segment level

In order for the Group as a whole to generate earnings that exceeds the cost of capital, the Company is establishing a managerial accounting system to gauge the profitability of each business segment. By setting ROIC targets and hurdle rates for investment that are commensurate with the distinctive features of each business segment, the Company will work to spread the behavioral change toward capital cost consciousness across the entire Group.

*Please refer to the Company website for details of our initiatives.

Integrated Report 2023: <https://imhds.disclosure.site/en/themes/136> (p.36-37)

Material for the business results explanation meeting for the second quarter of the fiscal year ending March 31, 2024: <https://pdf.irpocket.com/C3099/FpHG/ESWx/qyws.pdf> (pp.12, 14, 30, 31)

Material for the financial results explanation meeting for the fiscal year ended March 31, 2023: <https://pdf.irpocket.com/C3099/CaoZ/nYvw/flh3.pdf> (pp.28-30)

2. Capital Structure

Ratio of shares held by overseas shareholders	From 10% to less than 20%
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[Current Major Shareholders]

Name / Company name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	65,758,500	17.21
Custody Bank of Japan, Ltd. (Trust account)	32,668,600	8.55
The Mitsukoshi Health and Welfare Foundation	13,067,832	3.42
Isetan Mitsukoshi Group's partner holding companies	8,230,578	2.15
SHIMIZU CORPORATION	6,200,000	1.62
Meiji Yasuda Life Insurance Company	5,697,279	1.49
JP MORGAN CHASE BANK 385781	4,744,637	1.24
Isetan Mitsukoshi Group Employees Shareholding Association	4,443,586	1.16
STATE STREET BANK WEST CLIENT-TREATY 505234	4,282,200	1.12
TAIJU LIFE INSURANCE COMPANY LIMITED	3,806,300	1.00

Controlling shareholders (excluding parent company)	-
Parent company	None

Supplementary explanation

3. Corporate Attributes **Updated**

Listed stock exchange and market section	Tokyo Prime Market
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	From ¥100 billion to less than ¥1 trillion

fiscal year	
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

-

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)	
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Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Miwako Doi	Joined the Company from another company											
Hidetoshi Furukawa	Joined the Company from another company								△			
Fukutaka Hashimoto	Attorney											
Tomoko Ando	Joined the Company from another company											
Hitoshi Ochi	Joined the Company from another company											
Toshio Iwamoto	Joined the Company from another company								△			

* Categories for “Relationship with the Company”

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

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

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

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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary company of the Company

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

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

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

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

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

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

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

k. Others

Relationship with the Company (2)

Name	Committee			Independent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nominating	Compensation	Audit			
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 UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.	Ms. Doi has significant expert achievements, extensive knowledge, and experience in the IT and digital 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 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 Ms. Doi has not been involved in corporate management other than as External Director, the Company has reappointed her as External Director because it expects her to utilize her extensive knowledge and experience in the IT and digital fields in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Compensation Committee and a member of the Nominating Committee.
Hidetoshi Furukawa	○		○	○	Special Advisor, SMBC Trust Bank Ltd. Chairman, General Incorporated Company, Kobe City Property Research Outside Director, Toagosei Co., Ltd.	Mr. Furukawa 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 advanced insight into corporate management and his specialized knowledge of finance and accounting. At the same time, 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 Company has reappointed Mr. Furukawa as External 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

Name	Committee			Independent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nominating	Compensation	Audit			
						contribute to further enhancing its governance as a member of the Nominating Committee and a member of the Audit Committee.
Fukutaka Hashimoto	○			○	Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit & Supervisory Board Member, Sampo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.	Mr. Hashimoto 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, and since June 2022, he has managed the Board of Directors appropriately as Chairman of the Board of Directors, and contributed to strengthening the management supervisory functions of the Company. Although Mr. Hashimoto has not been involved in corporate management other than as External Director, the Company has reappointed him as External 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 Chairman of the Board of Directors and Chairman of the Nominating Committee.
Tomoko Ando		○	○	○	Outside Director, PRESS KOGYO CO., LTD. Outside Director, Kansai Paint Co., Ltd Representative Director, Open the Door Ltd.	Ms. Ando possesses extensive knowledge and experience concerning brand marketing, sales planning, and strategic human resources at top global companies from Japan, the United States and Europe, as well as a high level of insight and experience as a corporate manager. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives. She has contributed to deliberations on the executive compensation system and the determination of individual compensation amounts as a member of the Compensation Committee. 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 enhanced audit system encompassing the entire Group. The Company has reappointed Ms. Ando as External Director because it expects her to appropriately monitor its management from a fair and neutral standpoint, and to contribute to further enhancing the Group's corporate value as a member of the Compensation Committee and a member of the Audit Committee by actively providing comments from the perspective of an expert in corporate management, marketing, and management personnel development.
Hitoshi Ochi	○		○	○	None	Mr. Ochi has served in management at Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation), where he advocated sustainability management, transformed the company's business model, promoted DX (Digital

Name	Committee			Indepen- -dent Director	Supplementary explanation of the relationship	Reasons for appointment
	Nomi- nating	Compen- sation	Audit			
						Transformation), and strived to carry out bold business restructuring and strengthen business foundations through M&A. In addition, he changed the organizational structure of the company to one with a nominating committee, etc., and has extensive experience in corporate management and deep insight into IT, DX, and governance, including through the creation of a flexible management system, while ensuring transparency and objectivity. The Company has newly appointed Mr. Ochi as External Director because it expects him to utilize his extensive experience in corporate management, his knowledge of IT and DX, and his insight of governance in the supervision of the Company's management, and to contribute to further enhancing its governance as a member of the Nominating Committee and a member of the Audit Committee.
Toshio Iwamoto	○	○		○	Consultant, NTT DATA Corporation Outside Audit & Supervisory Board Member, IHI Corporation Outside Director, Daiwa Securities Group Inc. Outside Director, East Japan Railway Company	Mr. Iwamoto has served in management at NTT DATA Corporation for many years, and has extensive experience in corporate management, including systems development and the establishment of a global brand for the company, as well as deep insight into IT and digital, and global business. He also has deep insight into governance, with experience as Outside Director of one of the foremost listed companies in Japan. The Company has newly appointed Mr. Iwamoto as External Director because it expects him to utilize his extensive experience in corporate management, his knowledge of IT and digital, 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 Compensation Committee.

[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	0	5	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 employee
			Nominating Committee member	Remuneration Committee member	
Toshiyuki Hosoya	Yes	Yes	×	×	None
Yoshinori Makino	No	Yes	×	×	None
Akira Kimbara	No	No	×	×	None
Takuya Yamashita	No	No	×	×	None

[Audit Framework]

Directors and employees to assist the Audit Committee with its duties	Available
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Matters related to the independence of these Directors and employees from the Executive Officers
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In accordance with the Basic Policies for Internal Control Systems determined by the Board of Directors, the Company has established and is operating an organizational unit dedicated to the role of assisting the Audit Committee under the instruction thereof. Personnel matters (appointment and transfer, etc.) of its staff shall require the consent of the Audit Committee.

Cooperation between the Audit Committee, the accounting auditors and the Internal Audit Division
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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
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Matters relating to Independent Officers
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The Company designates all outside officers qualifying as independent officers as independent officers.

[Incentives]

Implementation status of incentive policies for Directors and Executive Officers	Performance-Linked Remuneration, Other
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Supplementary explanation

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% (±0% compared to FY2022) 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, with a view toward promoting common interests between officers and shareholders, and raising the effectiveness of the incentive for enhancing the Group's medium- to long-term performance and our corporate value, the Company introduced a Restricted Share-based Remuneration System linked to share price performance in FY2020, the remuneration percentage of which is being raised gradually. For FY2023, share-based remuneration shall account for 20% (+5% compared to FY2022) of the total annual remuneration for each individual.

Recipients of stock options	
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Supplementary explanation

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[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 FY2023 Annual Securities Report, business report and notice of the convocation of General Meeting of Shareholders.

Director remuneration

Total amount of remuneration, etc.: 11 Directors, ¥170 million (including 7 Outside Directors, ¥86 million)

Executive Officer remuneration

Total amount of remuneration, etc.: 4 Executive Officers, ¥249 million

Policy on determining remuneration amounts and calculation methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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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) Support System for Information Provision

- The Company has put in place dedicated staff members who support the Board of Directors, allowing appropriate information to be provided additionally as necessary.

- We are working to improve the cooperative system by regularly providing opportunities for meetings of External Directors, meetings of non-executive Directors, and opinion exchange meetings among External Directors and the President and CEO.

(2) Training Opportunities

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. During their service, External Directors are provided with opportunities to visit our stores and offices, as well as to promote mutual understanding through information provision and exchange at meetings of External Directors and on other occasions.

[Former Representative Director and President, etc.]

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

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)

【Corporate Governance System】

The Company clearly separates the roles between “execution” and “oversight” and has selected a company with a nominating committee, etc. as its organizational design in order to enhance the oversight and monitoring function of the Board of Directors and achieve rapid business execution.

The Company has built a highly objective and transparent oversight system, led by External Directors by having Independent External Directors comprise a majority of the Board of Directors as well as establishing a statutory Nominating Committee, Compensation Committee, and Audit Committee, whose majority members are External Directors.

The Company has clearly set forth criteria for making proposals to be decided upon by the Board of Directors in the Articles of Incorporation and the “Regulations of the Board of Directors” and other internal regulations in addition to those stipulated by laws and regulations. As for other important matters, the Company has delegated authority to deliberate and make decisions to Executive Officers in order to enhance the maneuverability of management.

【Directors and the Board of Directors】

(1) 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 mid- to long-term by focusing on the establishment of general direction of the Group and the oversight/monitoring of business execution.

(2) Composition of the Board of Directors

The Board of Directors shall be comprised of a diverse range of people with broad and highly specialized knowledge, knowledge in specified business field, and skills based on experience in corporate management, etc. as well as high ethical standards. For External Directors in particular, the Company will invite people from different fields and industries, primarily those with sufficient management and executive experience in business world, and select people with due consideration to ensure diversity of the Board of Directors.

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, a majority of the Board of Directors shall be Independent External Directors so that a highly objective and transparent oversight functions are demonstrated.

(3) Analysis and evaluation of the effectiveness of the Board of Directors

The Company will continue to conduct an analysis of the effectiveness of the Board of Directors through self-evaluation questionnaires, interviews, etc. with Directors including External Directors, also taking into account the perspectives of third-party agencies. Based on the results of the analysis, the Company will discuss the improvement of the effectiveness at the Board of Directors and strive to make improvements through the formulation and implementation of action plans.

(4) Meetings, etc. led by External Directors

The Company will hold periodical meetings comprised only of External Directors to exchange information and share recognition from an objective standpoint. In addition, President and CEO, internal non-executive Directors, and other officers will participate in such meetings on a regular basis to provide all Directors with opportunities to exchange information.

(5) Training for Directors

The Company will continuously provide Directors and Executive Officers with training to enable them to acquire knowledge and improve their skills in accordance with their required roles and responsibilities. To External Directors in particular, the Company will ensure that they are provided with opportunities to understand the current status of the Company and promote recognition of issues before assumption of office, as well as opportunities to continuously update and exchange information after assumption of office.

【Nominating Committee】

(1) 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.

(2) Composition of the Nominating Committee

The number of Committee members shall be approximately five, majority of which shall be comprised of 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 chair will be selected from among External Directors who are members of the Committee.

(3) 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 succession plan of 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 of the members of the three statutory committees and proposals for executive appointment of Executive Officers, to be decided by the Board of Directors.

【Compensation Committee】

(1) 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.

(2) Composition of the Compensation Committee

The number of Committee members shall be not less than three persons and not more than five persons, majority of whom shall be comprised of External Directors. The Committee members will be selected by the Board of Directors’ resolutions, and chair will be selected from among External Directors who are members of the Committee.

(3) 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.

【Audit Committee】

(1) Roles of the Audit Committee

The Audit Committee will audit the execution of duties by Executive Officers and Directors and the status of internal control systems, and makes decisions on details of proposals to be submitted to the General Meeting of Shareholders regarding the appointment and dismissal of the Accounting Auditor, performing the oversight function of the Board of Directors through auditing.

In addition, it will build an audit system for the entire Group by coordinating with the accounting auditors, the Internal Audit Division, and Audit & Supervisory Board Members at each Group company.

(2) Composition of the Audit Committee

The number of Committee members shall be approximately five, majority of which shall be comprised of 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.

(3) 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.

【Executive Officers and the Board of Executive Officers】

(1) Roles of executive officers

Executive Officers will make decisions on and conduct business execution assigned by the Board of Directors, as an organ in charge of business execution, in accordance with the division of business duties as well as the relevant chain of command defined by the Board of Directors.

(2) Division of business duties

President and CEO will represent the Company as the chief executive officer of the Company's business and supervise the Company's business in accordance with the division of business duties and the relevant chain of command defined by the Board of Directors.

Other Executive Officers will support the President and CEO and serve as Chief Officers responsible for managing core divisions.

(3) The Board of Executive Officers

The Board of Executive Officers will approve important matters, etc. related to business execution, deliberate and make decisions on business strategies for the entire Group and Group-wide issues, etc. related to multiple Group companies.

(4) Composition of the Board of Executive Officers

The Board of Executive Officers will be comprised of all Executive Officers authorized by the Board of Directors.

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	<ul style="list-style-type: none"> - Held briefings for private investors (in Tokyo in June and in Fukuoka and online in November) - Conducted a shareholder questionnaire survey of the Company's shareholders on record as of September 30 	Not available
Regular investor briefings for analysts and institutional investors	<ul style="list-style-type: none"> - Briefing for analysts held 4 times a year after earnings releases - Individual face-to-face meetings with the CEO for major shareholders and domestic institutional investors (held 16 times) and small meetings with analysts (held twice) along with the mid-year and annual earnings releases - Individual meetings with the manager in charge of IR along with the earnings releases held 4 times a year (a total of approximately 100 times) - Sustainability briefing (held once a year, in December, featuring External Directors as speakers) - Business briefings introducing strategic progress held multiple times a year (in relation to Isetan Mitsukoshi Property Design Ltd. in March, and in relation to Nihombashi Mitsukoshi Main Store in October) <p>[Main topics of dialogues] Business strategies, overview of financial results, shareholder returns, capital policy, etc.</p>	Available
Regular investor briefings for foreign investors	<ul style="list-style-type: none"> - Individual face-to-face meetings with the CEO (held in Europe in March, in North America in September, and in Asia in October) - Participation in overseas conferences hosted by securities companies (4 times) - Individual meetings with the manager in charge of IR along with the earnings releases held 4 times a year (a total of approximately 140 times) <p>[Main topics of dialogues] Businesses and business strategies, overview of financial results, shareholder returns, capital policy, etc.</p>	Available

	Supplementary explanation	Presentation by Representatives
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/ir/ir_news/index.html	
Establishment of division and/or manager in charge of IR	General Affairs Department, Corporate Communication and IR Division	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanation
Rules based on internal regulations to ensure due respect for stakeholders	<p>With regard to Japan's Corporate Governance Code, in order to build excellent relationships with customers, employees, shareholders and investors, business partners and the local and wider communities—our stakeholders—the Group examines the status of our corporate governance and makes necessary improvements.</p> <p>We have disclosed a “Stakeholder Engagement Policy” which not only sets out how we engage with each of our stakeholders, but also is a source of information for our employees and promotes daily communication.</p>
Implementation of environmental activities and CSR activities, etc.	<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 the following three priority efforts (material issues) by identifying social issues and environmental changes that would influence the Group's challenge towards sustainable growth in light of its strategy to fully leverage its strengths with the department store business at its core.</p> <p>Priority Effort 1: Connecting people and local communities Priority Effort 2: Connecting sustainable societies and times Priority Effort 3: Improving the satisfaction of employees</p> <p>The Group is advancing various initiatives for contributing to the building of a decarbonized society, managing the overall supply chain including partners, facilitating dialogue to encourage communication, achieving the proper work-life balance of employees, etc., which comprise these priority efforts. Led by the Sustainability Promotion Department established in FY2022, we will make internal decisions, including on the current activities, from the perspectives of risks and opportunities as well as based on discussions by the Board of Directors.</p> <p>Having established the Sustainability Promotion Committee chaired by the CEO under the Board of Executive Officers, the Group is striving to achieve sustainable business management by both solving social issues and improving corporate value through business under the leadership of senior management.</p>
Development of policies on information provision to stakeholders	<p>Regarding the Group's corporate activities, the Group discloses information on its website to all stakeholders out of regard for simultaneity and fairness, as well as business-related information about products, services, and so on, as well as financial information in a timely and appropriate manner.</p> <p>Additionally, we disclose an “IR Policy” which sets out our public relations policies for shareholders and investors in order to build trusting and empathetic relationships.</p>
Other	<p>Isetan Mitsukoshi Group considers people (human capital) as the most important factor in achieving its management plans and achieving sustainable growth of the business. Thus, we are advancing a variety of initiatives aimed at improving employee satisfaction (making employees</p>

Supplementary explanation

satisfied and comfortable with their jobs).

- Diversity in workstyles

We have set up—and promote the use of—various systems that support the achievement of work-life balance that allows a greater freedom of workstyles, such as support for balancing work with childcare or nursing care, encouraging men to utilize the childcare leave system, and support for employees in dual employment/working part time, etc.

- Strengthening communication

We foster unity and increase motivation by holding regular dialogues and discussions in all relationships, that transcend hierarchy and departmental boundaries.

- Promoting diversity and inclusivity

We are creating an environment in which women in various life stages can play an active role by not only enhancing our systems and support measures, but also fostering organizational culture and raising individual awareness.

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

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.

