Corporate Governance

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

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

1. Basic Views Updated

Please refer to the Corporate Governance Guidelines section of the Company’s website regarding basic views and policy for corporate governance at Isetan Mitsukoshi Holdings.
(URL: http://www.imhds.co.jp/english/news_release/): Section titled News & Topics

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

[Principle 3-1(5)]

Individual explanation regarding appointment of senior management executives, and nomination of candidates for Director and Audit & Supervisory Board Member
Details regarding reasons for appointments for each Outside Director and Outside Audit & Supervisory Board Member are found in the Notice of the Convocation of the Ordinary General Meeting of Shareholders, and in “II.1, [Directors] Relationship with the Company (2)” and “II.1 [Audit & Supervisory Board Members] Relationship with the Company (2)” of this report. Other details of Directors and Audit & Supervisory Board Members (summary of career) are given in the Notice of the Convocation of the Ordinary General Meeting of Shareholders. In the future, it is planned to also provide reasons for appointments.

[Supplementary Principle 4-11 (3)]

To ensure the overall effectiveness of the Board of Directors, the Company discusses the desired profile of the Board at its Board meetings, sets forth items for evaluation and methods of analysis, and releases a summary of the results.

[Disclosure based on each of the principles of Japan's Corporate Governance Code] Updated

[Principle 1-4]
To ensure effective corporate governance, and to contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, the Company may enter into cross-shareholding arrangements with companies as deemed necessary, with the purpose of safeguarding and strengthening product supplies, capital procurement and other trading relationships.
Regarding the exercise of voting rights for listed-company shareholdings, an overall judgment is made as to whether or not exercise of such rights would spur sustainable corporate value of the 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.

[Principle 1-7]
Pursuant to the Regulations of the Board of Directors and Regulations of Decision Making Process for the Group, in the event of Directors, Executive Officers, consultants, executives or advisers or their specified family members entering into a competitive transaction or conflict of interest transaction or a transaction with the Group, the important facts of such transaction are disclosed to the Board of Directors in advance for its approval. The Board of Directors reach a decision after due deliberation of the transaction.

[Principle 3-1]
(1) Purpose of the Company (management philosophy, etc.), and management strategies and management plans
"Interacting with the future" is our Group Slogan, which clearly expresses the essence of the corporate philosophy. Underpinning the slogan is the Group Stance, which expresses the will and values of the Group. The Company has also created a Group Vision, which maps out the pathways to realization of the Group Slogan. For more details, please refer to the Company website:
(URL:http://www.imhds.co.jp/english/company/philosophy.html): Section titled The Isetan Mitsukoshi Way

Also provided on the Company website are details of mid- to long-term strategy for realizing the department store of the future and strengthening and expanding growth businesses of the Group.
(URL:http://www.imhds.co.jp/english/ir/special01.html): Section titled Isetan Mitsukoshi Group Growth Strategy

(2) Basic views and policy regarding corporate governance based on each of the principles in Japan's Corporate Governance Code
Please refer to Isetan Mitsukoshi Group Corporate Governance Guidelines on the Company website for details of our basic views and policy with regard to corporate governance at Isetan Mitsukoshi Group.
(URL:http://www.imhds.co.jp/english/ir/effort/organizational_governance.html): Section titled Corporate Governance

(3) Policies and procedures with regard to Board of Directors' decisions concerning remuneration of senior management executives and Directors
(At the Isetan Mitsukoshi Group, senior management executives refer to executive officers concurrently serving as Directors.)

- Policy regarding decision-making on remuneration

The Company has the following four basic policies.

1. Promotion of alignment of interests of shareholders and executives
2. Expansion of incentive benefits to improve earnings performance and shareholder value (does not include Outside Directors)
3. When targets are met, ensuring there is no shortfall in remuneration level compared with competitor companies (does not include Outside Directors)
4. Ensuring objectivity and transparency in evaluation and remuneration decision-making methods

The remuneration system comprises three specific elements:

- Monthly fixed basic remuneration
  (For the Board of Directors as a whole, the monthly remuneration total is capped at ¥23 million)
- As a near-term incentive, payment of an annual performance-linked bonus (does not include Outside Directors)
  (The baseline is six months' pay, and the payout total varies from 0% to 200% depending on the progress of individual Directors in meeting their targets)
- Stock options, which are linked to corporate value as a mid- to long-term incentive (does not include Outside Directors)
  (This incentive entails assignment of stock acquisition rights equivalent to 50% of the annual basic remuneration)
- Procedures related to the above policies

In line with the above policies, the Company deliberates the remuneration of Directors at the Nomination and Remuneration Committee with an Outside Director serving as chair (comprising three Outside Directors and two Representative Directors for a total of five members), and report to the Board of Directors.

(4) Policies and procedures at the Board of Directors for appointment of senior management executives and nomination of candidates for Director and Audit & Supervisory Board Member

- Policies for appointment and nomination

In the case of appointment of Directors and Audit & Supervisory Board Members, broad insight, high ethical standards and extensive experience are considered, in addition to satisfaction of eligibility requirements under laws and regulations.

- Procedures relating to the above policies

Deliberations are held concerning Director and Audit & Supervisory Board Member candidates at the Nomination and Remuneration Committee chaired by an Outside Director, and reported to the Board of Directors.

[Supplementary Principle 4-1 (1)]
At the Company, matters of which the Board of Directors holds exclusive right of judgment as stipulated in the Companies Act, and agenda items as set forth in the Articles of Incorporation, the Regulations of the Board of Directors and Regulations of Decision Making Process for the Group are resolved at the Board of Directors. Specifically, benchmarks are set for matters concerning the general meeting of shareholders, general management matters, and matters related to personnel, organization, labor, assets, and finance. In accordance with said standards, the resolution body, that is the Board of Directors or Strategic Management Committee comprising senior management executives, is determined for each item accordingly.

[Principle 4-9]
In designating Outside Directors and Outside Audit & Supervisory Board Members as independent officers, the Company complies with the independence standards set forth by the Tokyo Stock Exchange, and confirms that no risk of conflict of interest with general shareholders arises.

[Supplementary Principle 4-11(1)]
The Company believes the Board of Directors should have at most 12 members, in order to promote sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, and to ensure substantive discussions. The Company also believes it is necessary to have multiple Outside Directors to provide supervision and advice in reaching appropriate management decisions, in addition to overseeing the conduct of business.
Currently, the Board of Directors of the Company comprises eight members, among whom three are Outside Directors. The term of office of the Directors is one year. The Board of Directors comprises diverse personnel, with differing areas of experience and professional expertise.

[Supplementary Principle 4-11(2)]
Significant concurrent posts of Directors and Audit & Supervisory Board Members are disclosed annually in the Notice of the Convocation of the Ordinary General Meeting of Shareholders.
(URL:http://www.imhds.co.jp/english/ir/stockholder/meeting.html): Section titled General Meeting of Shareholders

[Supplementary Principle 4-14(2)]
The Group supports Directors and Audit & Supervisory Board Members in the conduct of their duties by collating knowledge and information and providing training necessary for fulfilment of the roles of Director and Audit & Supervisory Board Member.
Specifically, training programs are organized for newly appointed Company executives in general roles and duties relating to Directors and Audit & Supervisory Board Members, along with briefing sessions for newly appointed external executives on the businesses, finances and organization, etc. of the Company, and regular internal study sessions for internal Directors and full-time Audit & Supervisory Board Members. Participation in seminars by experts, etc. is also arranged.

[Principle 5-1]
In the belief that dialogue with shareholders and investors increases corporate value, and in recognition of the importance of said activity, the Company, based on its IR Policy and in addition to the general meeting of shareholders, proactively and continuously organizes results briefings featuring senior managements, smaller meetings for analysts, special visits to domestic institutional investors, overseas IR, individual shareholder and investor meetings, and other interviews and explanatory meetings. Opinions gathered from such activities are reflected in management. Within reasonable parameters, the Company plans to engage in further ongoing dialogue with shareholders and investors in years ahead.

The following systems and measures are in place to encourage constructive dialogue with shareholders and investors.

- A platform for constructive dialogue with shareholders is in place, with the Director in charge of the Administration Headquarters overseeing persons in charge of corporate communications and general administration.
- The General Administration Division, Finance & Accounting Division and Corporate Planning Division cooperate organically to provide a platform for supporting constructive dialogue with shareholders, and information is provided to responsible executives, etc.
- The Company promptly provides information subject to disclosure to media organizations, and carries such information on its website. In addition, shareholder newsletters and other notifications are prepared using easy-to-understand terms. Furthermore, the Company organizes dedicated meetings with institutional investors, securities analysts, etc., results briefings, general corporate briefings and corporate briefings for individual investors.
- Opinions provided by shareholders and investors are broadly shared in-house, actively fed back to management, and brought to bear in the improvement of corporate value.
- The Company observes a “self-restraint period,” during which it desists from investor relations activities. During this period, executives and other employees of the Company desist from commenting to shareholders, investors or representatives of media organizations, etc. on earnings results and targets, as well as other information relating to financial accounts. In addition to the “self-restraint period,” the Company never refers to significant matters, etc. that have not yet been publicly disclosed.

2. Capital Structure

Ratio of shares held by overseas shareholders	From 20% to less than 30%

[Current major shareholders] **Updated**

Name / Company name	Number of shares owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	24,619,200	6.23
Japan Trustee Services Bank, Ltd. (Trust account)	17,097,400	4.32
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.46
Isetan Mitsukoshi Group’s partner holding companies	7,752,078	1.96
SHIMIZU CORPORATION	6,200,000	1.56
Meiji Yasuda Life Insurance Company	5,697,279	1.44
JP MORGAN CHASE BANK 380055	5,660,408	1.43
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,342,995	1.35
Mitsui Sumitomo Insurance Company, Limited	5,299,805	1.34
STATE STREET BANK WEST CLIENT-TREATY 505234	4,988,891	1.26

Controlling shareholders (excluding parent company)	-
Parent company	None

Supplementary explanation

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3. Corporate Attributes

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

4. Guidelines for Policies for the Protection of Minority Shareholders when Transactions, etc. are Carried Out with Controlling Shareholders

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5. Other Special Circumstances which May Have Material Impact on Corporate Governance

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

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

1. Organizational Composition and Operation

Organizational form	Company with Audit & Supervisory Board

[Directors]

Maximum number of Directors stipulated in the Articles of Incorporation	12
Terms of office of Directors stipulated in the Articles of Incorporation	1 year
Chair of the Board of Directors	Chairman (except where the post is concurrently held by the President)
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Outside Directors designated as independent officers	2

Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Shoei Utsuda	Joined the Company from another company								△			
Yoshinori Ida	Joined the Company from another company											
Katsunori Nagayasu	Joined the Company from another company								O			

* 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	Independent Director	Supplementary explanation of the relationship	Reasons for appointment
Shoei Utsuda	O	Counselor of Mitsui & Co., Ltd. Outside Director of Tokyo Broadcasting System Holdings, Inc. Outside Director of Tokyo Broadcasting System Television, Inc.	With his track record of ensuring thorough awareness of internal compliance and in systemic reform and earnings improvement as a corporate business manager, Shoei Utsuda was appointed based on the Company's judgment that he is capable of providing advice and suggestions for ensuring the fairness and appropriateness of decision-making by the Board of Directors of the Company from an independent standpoint, given his extensive experience and

Name	Indepen-dent Director	Supplementary explanation of the relationship	Reasons for appointment
		Chairman of The Japan-Vietnam Association Director of Cool Japan Fund Inc. Outside Director of Nomura Research Institute, Ltd.	insight. As a result of rigorous screening in light of 3.5. (3)- 2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent Director. Although the Company makes financial contributions to Cool Japan Fund Inc., it is not to a sufficient degree to prejudice his independence. None of the other posts that he concurrently holds at other companies entail any special relationship with the Group.
Yoshinori Ida	○	Special Advisor of Isuzu Motors Limited	With his track record in undertaking radical restructuring initiatives and significantly improving business results as a corporate business manager, Yoshinori Ida was appointed based on the Company's judgment that he is capable of providing advice and suggestions for ensuring the fairness and appropriateness of decision-making by the Board of Directors of the Company from an independent standpoint, given his extensive experience and insight. As a result of rigorous screening in light of 3.5. (3)- 2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was appointed as an independent Director. No special relationship exists between the Group and Isuzu Motors Limited.
Katsunori Nagayasu		Chairman of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Audit & Supervisory Board Member of Nippon Steel & Sumitomo Metal Corporation Outside Audit & Supervisory Board Member of Mitsubishi Motors Corporation	Katsunori Nagayasu was asked to serve as Outside Director in light of his insight and perspective developed from his experience as a manager of a financial institution over many years, which he is able to incorporate into his oversight of the Company's business activities.

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

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

	Name	Total of members	Full-time members	Internal Directors	Outside Directors	Outside Experts	Others	Chair
Committee Corresponding to Nomination Committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Remuneration Committee	5	0	2	3	0	0	Outside Director

Supplementary explanation

Established as an advisory body to the Board of Directors, the Nomination and Remuneration Committee meets once a month as a rule, carries out deliberations on personnel and remuneration matters relating to Directors and Executive Officers, etc., and reports to the Board of Directors.

[Audit & Supervisory Board Members]

Establishment of an Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

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

To ensure the effective conduct of audits by Audit & Supervisory Board Members, based on the basic policy for internal control systems of the Company, the Company works in alliance with the responsible persons at the Internal Audit Office, and hold regular meetings once a month as a rule, featuring reports on internal audit results, and exchange opinions regarding the execution status of business at group companies.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Outside Audit & Supervisory Board Members designated as independent officers	1

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Teisuke Kitayama	Joined the Company from another company										○			
Sumio Iijima	Attorney													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Executive or non-executive director of a parent company of the Company
d. Audit & Supervisory Board Member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Audit & Supervisory Board Member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Memberare mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

Relationship with the Company (2)

Name	Independent Audit & Supervisory Board Member	Supplementary explanation of the relationship	Reasons of appointment
Teisuke Kitayama	○	Chairman of the Board of Sumitomo Mitsui Banking Corporation Outside Director of Fujifilm Holdings Corporation Outside Audit & Supervisory Board Member of Toyota Motor Corporation	Teisuke Kitayama was appointed based on the Company's judgment that he is capable of reflecting his rich experience and broad insight as a manager of a financial institution in auditing activities at the Company. No special relationship exists between the Company and Fujifilm Holdings Corporation or Toyota Motor Corporation.
Sumio Iijima	○	Attorney, Tokyo Toranomon Law Office Outside Auditor, Kitagawa Industries Co., Ltd.	Sumio Iijima was appointed in light of his role in building and maintaining auditing and compliance frameworks at the Company based on his high level of insight cultivated over many years working as an attorney, and based on the judgment that he is capable of providing advice and suggestions for ensuring the fairness and propriety of decision-making by the Board of Directors of the Company from an independent standpoint. As a result of rigorous screening in light of 3.5. (3)- 2 of the guidelines relating to management of listed companies and in-house independence standards for independent officers, it was judged that there is no risk of conflict of interest with general shareholders. Accordingly, he was designated as an independent Audit & Supervisory Board Member. No special relationship exists between the Company and Toranomon Law Office or Kitagawa Industries Co., Ltd.

[Independent Officers]

Number of Independent Officers	3

Matters relating to Independent Officers

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

[Incentives]

Implementation status of incentive policies for Directors	Stock Options

Supplementary explanation

At the first Ordinary General Meeting of Shareholders held in June 2009, a resolution was passed regarding "The amount of non-monetary remuneration to be given to Directors in the form of stock acquisition rights as stock options and determination of the results thereof," assigning to Directors stock options as a form of mid- to long-term incentive remuneration. Additionally, regarding stock options assigned by each company prior to the merger, Mitsukoshi, Ltd. assigned stock options 4 times between 2004 and 2006 while Isetan Co., Ltd. issued stock options 9 times between 2000 and 2008, which the Company has inherited with some exceptions.

Recipients of stock options	Internal Directors, Employees, Subsidiaries' Directors, Subsidiaries' Employees

Supplementary explanation

As a method to promote a common interest between Directors and shareholders, an increase in performance-linked remuneration, transparency, and fair evaluation being reflected in remuneration, stock acquisition rights have been issued to Directors (excluding Outside Directors).
(Executive officers who are not concurrently serving as Directors, as well as Directors of Isetan Mitsukoshi Ltd., the Company's major subsidiary (excluding those who are concurrently serving as Directors of Isetan Mitsukoshi Holdings) and their executive officers have also been assigned stock acquisition rights as stock options by a resolution of the Directors.)
23rd issuance of stock acquisition rights (Company Directors and executive officers)
Total issued: 1,514 (6 Company Directors: 446, 23 Company executive officers: 1,068)
Amount paid for stock acquisition rights: ¥1,690 per share
24th issuance of stock acquisition rights (Isetan Mitsukoshi Directors and executive officers)
Total issued: 516 (12 Isetan Mitsukoshi executive officers: 516)
Amount paid for stock acquisition rights: ¥1,690 per share

[Director's remuneration]

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

Supplementary explanation

The following has been disclosed in the FY 2014 Annual Securities Report and business report.
Director remuneration
Fixed remuneration: 11 Directors, ¥185 million (including 4 Outside Directors, ¥32 million)
Executive bonuses: 6 Directors, ¥68 million (including 0 Outside Directors)
Stock options: 6 Directors, ¥75 million
Audit & Supervisory Board Member remuneration
Fixed remuneration: 4 Audit & Supervisory Board Members, ¥63 million (including 2 Outside Audit & Supervisory Board Members, ¥19 million)
Notes:
1. Directors with simultaneous posts as executive officers do not receive remuneration, etc. for their position as executive officer.
2: In addition to the above, a Director (excluding Outside Directors) received remuneration from subsidiaries in a total of ¥4 million (1 individual).

Policy on determining remuneration amounts and calculation methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

For policy on determining remuneration amounts for Company Directors and their calculation methods, please refer to the section of this report titled "[I.1: Disclosure based on each of the principles of Japan's Corporate Governance Code] Principle 3-1(3) Policies and procedures with regard to Board of Directors' decisions concerning remuneration of senior management executives and Directors."

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

Outside Directors interact through a secretarial person overseeing the Secretary Division for various forms of communication and information provision. For Outside Audit & Supervisory Board Members, a system is in place in which they are assisted by auditor staff.

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

Regarding the Company's corporate governance system, from the time the Company was established in April 2008, it has adopted the form of a company with Audit & Supervisory Board Members. The following is a summary of the Company's corporate governance system.

Board of Directors
A Board of Directors consisting of 3 Outside Directors and 5 Directors (8 men) meets once a month as a rule, operating as the top management-related decision-making body. Additionally, 2 Outside Audit & Supervisory Board Members and 2 full-time Audit & Supervisory Board Members sit independently on the Board of Directors, auditing the state of execution of the Directors' duties with regards to reasonable care and loyalty.

Advisory Body to the Board of Directors
A nomination and remuneration committee that acts as an advisory body to the Board of Directors meets once a month as a rule, consisting of 3 Outside Directors and 2 Directors (5 men). It deliberates on Executive Officer, Director, and other personnel remuneration and reports its findings to the Board of Directors.

Audit & Supervisory Board Members and the Audit and Supervisory Board
Audit & Supervisory Board Members act as independent bodies that audit the execution of the Directors' professional duties to ensure the corporation's healthy and sustainable growth and contribute to the establishment of a corporate governance system that meets society's trust. Additionally, they regularly exchange opinions with Representative Directors and Audit & Supervisory Board Members and share information with the Internal Audit Division regarding results of internal audits in order to secure effective performance of audits.
The Audit and Supervisory Board consists of 2 Outside Audit & Supervisory Board Members and 2 full-time Audit & Supervisory Board Members (4 men) and meets once a month as a rule and acts according to the audit plan as it receives reports from each Audit & Supervisory Board Member on important auditing-related matters. Discussions are held and/or resolutions are made as necessary.

Business Execution
The Company employs an executive officer system in order to realize agile business execution. Heads of divisions important to achieving group management goals are designated as Executive Officers and a significant portion of authority is transferred to them after clarifying the respective executive responsibilities.
13 of the Company's executive directors are selected to attend a business strategy meeting (13 men). This meeting gathers once a week as a rule to decide and deliberate on matters of importance.

Various Committees
Committees consisting of members from across the Company act as advisory bodies to the business strategy meeting, investigating and researching matters of importance to group management on a cross-sectional and continuous basis while also considering said matters before reporting back to the business strategy meeting.

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

3. Reasons for Adopting the Current Corporate Governance System

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

III Implementation of Measures for Shareholders and Other Stakeholders

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

Updated

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

2. IR Activities

	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.	
Regular investor briefings for individual investors	To realize deeper understanding about the Company by creating opportunities to speak directly with top individuals in management, last year the Company held a corporate briefing for individual investors. There are plans for this to be a regularly-held event going forward.	Available
Regular investor briefings for analysts and institutional investors	Twice a year (Q2, Q4) after earnings releases, the Company holds briefings for analysts. Additionally, the Company holds small meetings and makes individual visits on a regular basis for domestic institutional investors.	Available
Posting of IR materials on the website	http://www.imhds.co.jp Earnings releases, monthly sales reports, news releases, annual reports, and more are published on the website in Japanese and English.	
Establishment of division and/or manager in charge of IR	General Administration Division, Administration Headquarters, Corporate Communications Person in Charge, IR	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanation
Rules based on internal regulations to ensure due respect for stakeholders	In the Company's Group Corporate Philosophy, it makes a pledge regarding its approach to all stakeholders, and in the fundamental declaration of its Group Ethical Action Standards that gives concrete provisions regarding daily actions taken in order to put this pledge into practice, the stipulation is made that "We will work each day to put the Group Corporate Philosophy into practice. Going into the future, become the company that everyone in society involved with the Isetan Mitsukoshi Group continues to desire," a statement all employees are closely familiar with.
Implementation of environmental activities and CSR activities, etc.	Regarding the "improvement of the environment" section of Isetan Mitsukoshi Group's CSR plan, a Group Environmental Committee has been created, while the Group's environmental policy is followed to achieve its CO_2 reduction goals, and through environmental activities, the Group clearly displays its intent to be a company that contributes to the prevention of global warming. Efforts regarding [safety and security] are

	Supplementary explanation
	based on building a relationship of trust with customers, while efforts regarding [employment and human resources] are stipulated as ones intending to create a workplace that is easy to work in and to aiming to make use of human resources. In addition to the three major areas stated above, the Group also takes part in activities to make regional and social contributions and promotes the creation of a fuller future for all of those involved with the Group through its main business. The measures of the CSR activities are provided on the Company website: http://www.imjds.co.jp
Development of policies on information provision to stakeholders	Regarding the Group's corporate activities, the Group faces stakeholders and discloses business-related information about products, services, and so on, as well as financial information in a timely and appropriate manner. Additionally, in order to build irreplaceable relationships of trust with stakeholders going into the future, it both offers information on its website out of regard for simultaneity and fairness while also creating an engagement form to receive thoughts and opinions from various stakeholders, attempting to optimize its activities while making communication more two-sided.
Other	The Company has intentions to assertively promote women in order to realize management and plan business strategy that meets customer needs, and accordingly, one woman was newly appointed this year as an Executive Officer in the form of a store manager of the Tachikawa store, creating a two-person structure. Additionally, women have been appointed to important managerial posts such as Product Division Manager, Business Planning Manager, Sales Manager, General Manager of Branch Sales Department, and Rear Staff Manager, and further efforts will be made along these lines. Also, the Group is improving systems and work styles while reconsidering various personnel systems and operations in efforts to create work-life balance that supports women's active participation in the workforce.

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 through efforts that realize the Isetan Mitsukoshi Group's corporate philosophy.

1. Compliance Systems

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

(1) The Board of Directors shall regularly convene once per month in accordance with the "Regulations of the Board of Directors," where they shall attempt to come to mutual understandings between one another and mutually supervise the execution of other members' duties, preventing actions are not in compliance with laws, regulations, and the Articles of Incorporation.

(2) The Administration Headquarters and Retail Business Planning & Operation Headquarters shall establish sections and individuals with jurisdiction over compliance-related matters, maintaining and improving systems for compliance with internal control and laws and regulations.

(3) In order to increase the legal compliance, efficiency, and legitimacy of the Board of Director's decision-making, there shall be multiple Outside Directors among Directors.

(4) An independent, specialized Internal Audit Division shall be created. Internal audits will be in accordance with the "Regulations of Internal Audits" and be implemented as each division works with the Internal Audit Division to audit the legal compliance and legitimacy of business affairs.

(5) In the case that the Company or the Group commits an act of wrongdoing, the Company shall confirm the nature of the situation in a timely manner and form the "Isetan Mitsukoshi Group Hotline" as a point of contact for internal reports from employees for self-betterment.

2. Risk Management Systems

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

(1) Risks shall be prevented from occurring by identifying, evaluating, and analyzing risks that may occur in the course of business operations and using this information to select risks that require prioritized response.

(2) In the case that a risk does occur, company-wide internal management systems that allow for rapid response shall be organized through methods such as the establishment of a countermeasures headquarters and the managing of information.

(3) Relevant regulations shall be established with regards to risk recognition, evaluation, and response and be made well-known and thoroughly understood.

(4) Audits by the Internal Audit Division will attempt to detect risks facing the Company at an early stage and settle them.

(5) Involvement with anti-social forces shall be eliminated and any unjust demands shall be rejected to prevent related damages.

3. Internal Control Systems Regarding Financial Reporting

"Systems to ensure the appropriateness of financial reporting"

(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.

(3) Systems shall be adequately built and operated to reduce the risk of misstatements made on items of importance on financial reports.

(4) 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.

(5) A financial reporting-related monitoring system shall be built and appropriately operated.

(6) A system shall be built to report internal control issues (deficiencies) understood through the course of monitoring in a timely and appropriate manner.

(7) Adequate support shall be given to information technologies relating to internal controls involved in financial reporting.

4. Information Storage Management Systems

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

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

a. Minutes of the general meeting of shareholders
b. Minutes of the meetings of the Board of Directors
c. Minutes of the meetings of the Strategic Management Committee
d. Financial statements
e. Copies of documents submitted to government administrative offices, other public agencies, and markets for financial instruments
f. Other documents as determined by the Board of Directors

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

5. Systems for the Efficient Execution of Duties

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

(1) The segregation of duties among Directors shall be determined and reviewed as appropriate.

(2) The Board of Directors shall meet regularly on a monthly basis as well as when needed, ensuring a system under which matters of importance can be deliberated on without delay. Additionally, the Strategic Management Committee shall discuss prior to meetings of the Board of Directors, and these discussions shall be used when the Board of Directors decides its actions.

(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 define details of duties, responsibilities and procedures in "Regulations of Duties and Authority", "Regulations of the Conduct of the Business", and "Regulations of Decision Making Process for the Group" for execution of duties that are based on the decisions by the Board of Directors.

6. Group Company Management Systems

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

The Isetan Mitsukoshi Group Corporate Philosophy applies to the Company Group. Each company in the Group establishes their regulations with it as its base.

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

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

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

(1) Regarding risk management for the Group, needed items shall be established in the “Basic Regulations on Risk Management,” and a specialized independent division, the risk management division, shall be created. The risk management 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 Committee that acts as an advisory body to the Company’s Strategic Management Committee shall be created consisting of the Company’s Representative Director and President as the committee chairman as well as members selected by said chairman.

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

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

(2) The Group companies shall receive the approval of the Company’s Strategic Management Committee or its Board of Directors for important items whose management is deemed to have major effects.

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

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

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

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

7. Items Relating to Audit Staff

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

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

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

the consent of Audit & Supervisory Board Members.

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

a. "Systems for reports to Audit & Supervisory Board Members of a company with Audit & Supervisory Board Members by Directors and employees of a company with Audit & Supervisory Board Members as well as systems relating to other reports to those Audit & Supervisory Board Members" (Article 100, Paragraph 3, Item 4-i of the Companies Act Enforcement Regulations)

(1) The Company shall establish the "Corporate Audit Standards" based on discussions with the Audit & Supervisory Board Members regarding items that should be reported by Directors and employees to Audit & Supervisory Board Members, and important items relating to the Company's business or those that will affect the Company's performance shall be reported by Directors and employees to Audit & Supervisory Board Members without delay. Additionally, Audit & Supervisory Board Members may request reports from Directors and employees as necessary even when the previous conditions do not apply.

(2) The Company shall work in corporation with the Audit & Supervisory Board to ensure that adequate reporting system is in place for matters concerning violations of laws and regulations and other compliance related issues through implementation of internal hotline system, the Isetan Mitsukoshi Group Hotline, and maintenance of appropriate operations of the system.

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

The Internal Audit Division shall determine internal auditing plans and work together with Audit & Supervisory Board Members to share information based on the findings, etc. of internal audits.

c. "Systems to ensure that individuals who give applicable reports under items a. and b. are not subject to unfavorable treatment because of such reporting" (Article 100, Paragraph 3, Item 5 of the Companies Act Enforcement Regulations)

It shall be forbidden to treat employees who give reports to Audit & Supervisory Board Members in an unfavorable manner because of the applicable reports.

9. Policy for Processing Auditing Fees

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

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

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

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

(1) The "Corporate Audit Standards" shall be used as a basis for Audit & Supervisory Board Members to regularly hold meetings to exchange opinions with the Representative Director and accounting auditors.

(2) In addition to the Board of Directors, Audit & Supervisory Board Members may attend important meetings after discussion with Directors in order to understand the decision-making process for important matters as well as the state of executed duties.

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

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

As the Group's system to eliminate anti-social forces, customer consulting offices in subsidiary stores shall be used as a primary place of resolution, while the General Administration Divisions of subsidiary headquarters shall be used as supervisory places of resolution. When circumstances dictate, the headquarters' General Administration Division, Administration Headquarters shall work together with subsidiaries to resolve issues as an entire group. The police, The National Center for the Elimination of Boryokudan (Anti-Social Forces), attorneys, and other outside expert organizations will be used to exchange information and conduct training with to strengthen this policy through cooperation, and efforts will be made toward internal awareness-raising activities.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted

Supplementary explanation

By constantly offering customers high-quality and new product lineups and services, the Company has a fundamental policy of aiming to become the "World's foremost retail services group," and the steady execution of this is thought of as a way to increase corporate value, which is why no special anti-takeover measures have been adopted.

2. Other Matters concerning Corporate Governance System Updated

Overview of the timely disclosure system

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

1. Basic view

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

2. Internal systems regarding timely disclosure

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

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

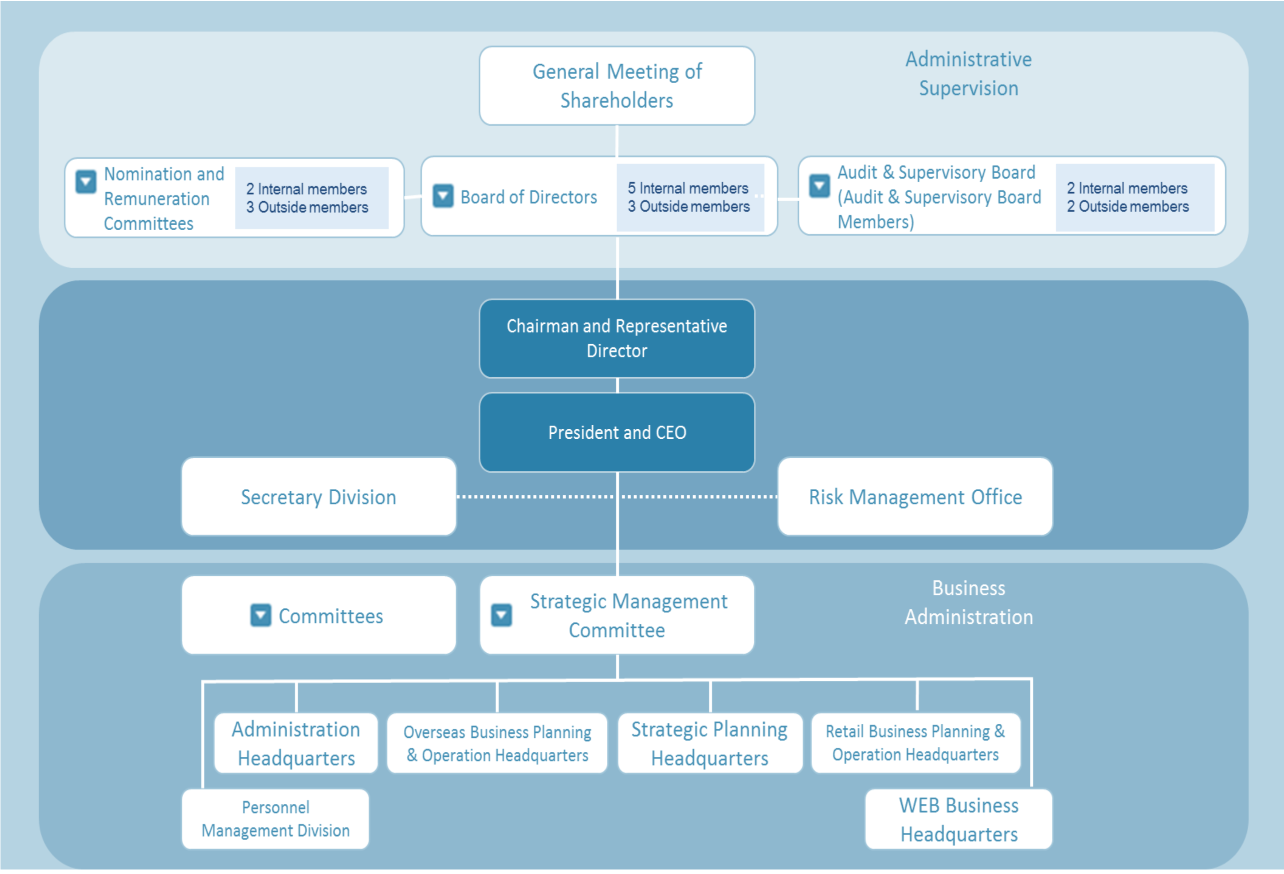
- For information that requires timely disclosure or whose necessity of timely disclosure is unclear, a report is made to the General Manager of Administration Headquarters, the person responsible for the handling of information, by the General Manager of the division with jurisdiction over the information (hereinafter the "division with jurisdiction") when the information involves the Company, or by the General Manager of the subsidiary's division with jurisdiction over the information (hereinafter the "subsidiary division with jurisdiction") when the information involves the Company's subsidiary.
- The person responsible for the handling of information will disclose information according to public securities exchange regulations. For information that does not correspond to these regulations, the person responsible for the handling of information will, as necessary, report to the Strategic Management Committee and make disclosure decisions.
- In the case that timely disclosure is deemed appropriate by the Company, the General Administration Division, Administration Headquarters, 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 Finance & Accounting Division, Administration Headquarters will receive approval from the Board of Directors or the Strategic Management Committee, receive approval from the person responsible for the handling of information, and disclose information by methods decided upon by the General Administration Division, Administration Headquarters, the division responsible for disclosure.

(3) Reports to the Strategic Management Committee

The General Manager of Administration Headquarters shall report the content, time period, reason, etc. of information, etc. that has been disclosed in a timely manner to the Strategic Management Committee on a regular basis.


General Meeting of Shareholders
Administrative Supervision
Nomination and Remuneration Committees
2 Internal members
3 Outside members
Board of Directors
5 Internal members
3 Outside members
Audit & Supervisory Board (Audit & Supervisory Board Members)
2 Internal members
2 Outside members
Chairman and Representative Director
President and CEO
Secretary Division
Risk Management Office
Committees
Strategic Management Committee
Business Administration
Administration Headquarters
Overseas Business Planning & Operation Headquarters
Strategic Planning Headquarters
Retail Business Planning & Operation Headquarters
Personnel Management Division
WEB Business Headquarters