November 26, 2015

Corporate Governance Guidelines

Isetan Mitsukoshi Holdings Ltd.

(Purpose)

These guidelines are intended to contribute to sustainable corporate growth and enhancement of corporate value over the mid- to long term at Isetan Mitsukoshi Holdings Group (hereafter the "Group"). They set forth a basic view, and provide a framework and operational guidelines, for corporate governance at the Group.

(Amendments)

In light of changes in the businesses of, and environment surrounding, the Company, these guidelines may be amended as necessary.

1. Basic view

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. This entails the establishment and strengthening of legal frameworks for the general meeting of shareholders, the Board of Directors, the Audit & Supervisory Board and accounting auditors, etc., in addition to a structural reform of the management system.

To ensure fulfilment of the Company's social responsibilities, we are also working to increase the transparency of our corporate activities and ensure thorough compliance in our management, while taking measures to create and deliver value in various forms for all stakeholders associated with the Group. Aiming to become a corporate Group that is deeply trusted by all of its various stakeholders, the Group will take a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

2. Basic policy

(1) Corporate philosophy of the Isetan Mitsukoshi Group

The Group compiles a corporate philosophy to serve as a cornerstone for initiatives to conduct management aiming to create value for a wide range of stakeholders and to increase corporate value over the mid- to long term.

Within the corporate philosophy, "Interacting with the future" is our newly created Group Slogan, which clearly expresses the essence of the corporate philosophy. Underpinning the slogan is our 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.

・**Group Slogan:** “Interacting with the future”

The Group Slogan clearly expresses the essence of the overall Group philosophy. By interacting, the Group is stating its commitment to continue developing into the world’s foremost retail service group. “Interacting” expresses the immutable will and values of the Group Stance and the Group itself.

“With the future” maps out a pathway toward the Group Vision–the profile of the Group in years ahead–and incorporates the goal of value creation.

・**The Group Stance:** “Interacting sincerely, flexibly and effectively”

As it exists today, the Group is supported by the acuity and strength of many different people. To optimize customer satisfaction in this time of great change in society and the surrounding environment, it is more important than ever to link up with various stakeholders (our customers, employees, shareholders, business partners and local communities). By “interacting” with each of our stakeholders on an individual basis, we will build up unshakeable relations of trust into the future.

・**Group Vision**

The vision of the Group is to become the indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives.

(2) Appropriate cooperation with stakeholders other than shareholders, and deepened sustainability

To enable enhancement of corporate value over the mid- to long term, the Group treats its customers, employees, business partners, local communities and all other stakeholders with respect, and is committed to the maintenance of sound, smooth relations with them.

With regard to social, environmental and other sustainability issues, the Company is committed to fostering a corporate ethos and culture which uphold diversity and healthy business ethics, by undertaking due initiatives and promoting the active participation of women, etc.

(3) Dialogue with shareholders and securing the rights and equal treatment of shareholders

In the conviction that shareholders, as providers of capital, are stakeholders of crucial importance, and in light of their fundamental role in corporate governance regimes, we take appropriate measures to enable substantive protection of shareholder rights, and create an environment enabling due exercise of rights by shareholders.

① **Dialogue with shareholders**

Based on the recognition that the general meeting of shareholders is a platform for constructive dialogue with shareholders, the Company has duly set a date for the general meeting of shareholders, send out prompt, simply worded convocation notices, post notices on our website, and take other measures to ensure creation of an appropriate environment for exercise of rights at the general meeting of shareholders.

The Company also regards dialogue with shareholders and investors important as a means of increasing corporate value. In addition to the general meeting of shareholders, the Company organizes meetings, results briefings and other meetings on an ongoing basis, within reasonable parameters, for institutional investors and individual shareholders in Japan and abroad, based on its IR Policy, aiming to utilizing their opinions for the Company's management.

② **Cross-shareholdings**

To ensure effective corporate governance, and to contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long term, the Company may enter into cross-shareholding arrangement 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 shares held under cross-shareholding arrangements, 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 exercised appropriately on each agenda item.

③ **Related party transactions**

Pursuant to the Board of Directors' Regulations and Regulations on Group Decision-Making Procedures, 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 shall be disclosed to the Board of Directors in advance for its approval. The Board of Directors shall reach a decision after due deliberation of the transaction.

(4) Ensuring appropriate information disclosure and transparency

The Company shall ensure appropriate disclosure based on laws and regulations with regard to both financial information, such as financial condition and operating results, and non-financial information, such as business strategies and business issues, risk and governance. At the same time, in the interests of upholding transparency and fairness of decision-making at the Company and ensuring effective corporate governance, an IR Policy has been compiled containing full descriptions of information for disclosure, disclosure methods and enhancement of communication with shareholders and investors, etc. Based on this Policy, we aim to make ourselves fully worthy of the trust and sympathy of all shareholders and investors.

(5) Composition, etc. of the Board of Directors

① **Responsibilities of the Board of Directors**

Given its fiduciary responsibility and accountability to shareholders, the Company carries out its Medium-Term Business Plan, develops internal control and risk management systems, and supports the management team when risk is taken, with the aims of ensuring sustainable growth and enhancement of corporate value of the Group over the mid- to long term and improving profitability and capital efficiency.

To further optimize corporate governance, the Company has established a Nomination and Remuneration Committee with an Outside Director serving as chair, to act as an advisory body to the Board of Directors. This Committee ensures highly effective and due oversight of the management team and the Board of Directors.

② **Composition of the Board of Directors**

The Board of Directors basically comprises the necessary and appropriate number of people for developing approaches to ensuring a Board with a good balance of knowledge, experience and skills and constituted in a manner to achieve both diversity and appropriate size, to ensure sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, and ensuring that substantive discussion takes place. Further, the Company’s policy is to appoint multiple Outside Directors, in light of their management experience, expertise and specialist financial knowledge. In addition, annual disclosure is made of concurrent positions held by Directors and Audit & Supervisory Board Members.

③ **Operation of the Board of Directors**

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.

④ **Appointment of the senior management and nomination of candidates for Director and Audit & Supervisory Board Member**

With regard to appointments and nominations, the policy of the Company in the case of appointing executives, etc. is to look for candidates with broad insight, high ethical standards and extensive experience, in addition to meeting eligibility requirements under laws and regulations.

With regard to the procedures for appointments, deliberations are held concerning the Director and Audit & Supervisory Board Member candidates at the Nomination and Remuneration Committee chaired by an Outside Director, who ensures rigorous evaluation from external perspectives, and are reported to the Board of Directors. Specific reasons for the appointment of each Director and Audit & Supervisory Board Member are also subject to disclosure.

⑤ **Remuneration of the senior management executives and Directors**

Decisions regarding remuneration of senior management executives and Directors are made by the Board of Directors, in accordance with a basic policy of promoting the alignment of interests of shareholders and executives, continuously improving corporate performance and corporate value, taking note of remuneration standards at competitor companies and ensuring objectivity and transparency in evaluation and remuneration decision-making, following deliberations at the Nomination and Remuneration Committee.

Specifically, the system comprises three elements: a monthly fixed basic remuneration; a performance-linked bonus, an annual near-term incentive that rewards earnings performance across the Company, financial performance of particular divisions, and progress in departmental plans; and stock options, which are linked to corporate value as a mid- to long-term incentive.

⑥ **Independence standards for Independent Directors**

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.

⑦ **Evaluation of the Board of Directors**

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

⑧ **Training for Directors and Audit & Supervisory Board Members**

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.