Corporate Governance Report

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Takashimaya Company, Limited

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The corporate governance of Takashimaya Company, Limited (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

In line with the central management principle of "Putting People First," the Takashimaya Group (the "Group") aims to make a continued contribution to society by valuing the spirit of believing in people, loving people, and serving people. In order to realize this objective, enhance corporate value, and fulfill the expectations of our shareholders and all other stakeholders, the Company has positioned the enhancement of its corporate governance as a top management priority. In accordance with this stance, the Company is pursuing the following initiatives.

1) Vitalize and Optimize the Board of Directors by introducing an executive officer system;

2) Accelerate the decision-making and execution process by promoting the transfer of authority from the Board of Directors to the business execution line;

3) Clarify Directors' responsibilities with respect to each business year by establishing a one-year term of office for Directors (including executive officers);

4) Strengthen incentives for enhancing business performance and corporate value by introducing a performance-linked officers' remuneration system;

5) Secure fairness and transparency by establishing a nomination committee and remuneration committee whose membership includes Outside Directors.

The department store business being its core business, the Group recognizes that in order to pursue customer-oriented management, it is absolutely essential to obtain customer information and daily operational information swiftly and to reflect it directly in management. Based on this principle, the Company will continue efforts to ensure that corporate governance is functioning consistently across all management levels from upper management to frontline service.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Principle 1.4 [Cross-Shareholdings]

(i) Policy on cross-shareholdings

The Company has many business partners. The Company has adopted the policy of maintaining cross-shareholdings that meet the certain standards while reducing those that do not. The standards are as follows: the holdings must maintain or strengthen business relationships with the relevant partner, accord with the Company's management strategy, and consequently contribute to the enhancement of corporate value over the medium-to-long term. Each year,

the Board of Directors reviews the cross-shareholdings to determine whether they should be maintained. The board reviews, for example, whether the cross-shareholding in question helps build, maintain, and strengthen the relationship with the cross shareholder, and whether the cross shareholder's fair value and performance justifies the risks and costs associated with closeness of the relationship (as measured by volume of transactions and other metrics) and the amount of cross-held shares.

(ii) Standards for voting rights in cross-shareholdings

In determining whether to exercise voting rights pertaining to cross-shareholdings, the Company considers whether doing so would contribute to the medium and long-term corporate value of itself and the other party. Considering this factor helps ensure that the voting rights are exercised judiciously.

(iii) Responding to a cross-shareholder's request to sell shares

When a party holding shares in the Company on a cross-shareholding basis wants to sell the shares, the Company does not hinder the party from doing so (it does not, for example, insinuate that selling the shares would result in a reduction in business).

Supplementary Principle 4.10.1 [Engaging independent advisory committees]

The Company has voluntarily established two committees—the Nomination Committee and Remuneration Committee—for advising on the appointment and remuneration of directors and corporate/executive officers. Both committees are attended by Outside Directors, and their deliberations help ensure that the Company's decision-making process on nomination and remuneration are fair and impartial.

Nomination Committee:

The Company is a holding company whose core business lies in its network of domestic department stores. As such, its directors often need to be responsible for both overseeing and executing the Company's business. Knowledge and experience of the Company's business are essential requisites for a senior manager, especially a director, of the Company; hence, the committee is primarily composed of internal directors, so as to enable sufficient discussion on the merits of each potential nomination. The committee produces detailed and fair reports on matters such as the grounds for individual cases of appointment or dismissal as well as the aptitude of the individuals in question. It then advises the Board of Directors accordingly, thus ensuring adequate transparency.

Remuneration Committee:

The Remuneration Committee reviews the performance of Directors/Executive Officers and their individual remuneration, and it is chaired by an Outside Director. The Company's policy and procedures for determining the remuneration of Directors are explained in the "[Director Remuneration]" section in "II:1. Organizational Composition and Operation."

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.7 [Related Party Transactions]

When the Company and its directors engage in transactions involving conflict of interest as defined in the Companies Act, in order to ensure that such transactions do not harm the interests of the Company or the common interests of its shareholders, the Company establishes confirmatory procedures based on the deliberations of the Board of Directors, whose membership includes multiple independent directors. The Board of Directors approves and monitors actual transactions based on the reports it receives, and Corporate Auditors monitor such in accordance with the Takashimaya Standards for Audits conducted by Corporate Auditors.

The Company also conducts annual checks on each of its Directors in order to identify any related party

transactions as defined in the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.

In addition, the Company establishes internal procedures for transactions with other related parties such as major shareholders as with third party transactions, and conducts internal procedures in accordance with authority and rules.

Principle 2.6[Role of Corporate Pension Fund as Asset Owner]

The Company's corporate pension fund, Takashimaya Corporate Pension Fund, operates under a basic policy that stipulates the purpose of managing the fund, the composition of the fund's assets, and similar matters. The aim of this policy is to optimize the fund's revenue through tolerable risks and ultimately improve the level of remuneration that the fund delivers to beneficiaries.

The Company has established the Asset Management Committee. This committee advises the fund's Trustee Committee and Representative Committee on decisions concerning the fund such as formulating or revising the basic fund management policy, appointing an asset manager, and evaluating the asset manager's performance. The members of the committee are selected from among the trust's trustees, representatives, and corporate officers involved in the fund operator's financial or labor-related operations. The committee also reviews the asset manager's performance using both quantitative and qualitative metrics; it also monitors the stewardship of the fund.

There are no conflicts of interests between the asset manager and the fund's beneficiaries. The fund asset manager follows its own standards in determining whether to exercise voting rights pertaining to the shares it holds in the Company. The fund's secretariat is staffed by competent individuals who are knowledgeable in finance and other relevant matters, and these individuals are allocated to their posts in a strategic manner. To improve their expertise and competence, the staff attend externally provided training seminars.
https://www.takashimaya.co.jp/base/corp/english/pdf/takashimaya_profile_190617.pdf

Principle 3.1 [Full Disclosure]

(i) Company objectives (e.g., management philosophy), business strategies and business plans

The Group's management philosophy is disclosed in "I.1.Basic Views" above, and on the Company's website (Japanese website: Management Philosophy sub-section in Company Profile section https//www.takashimaya.co.jp/corp/info/rinen/; English website: Takashimaya Group Profile2019 https://www.takashimaya.co.jp/base/corp/english/pdf/takashimaya_profile_190617.pdf)

The business strategies and business plans are disclosed in the medium-term management plan in the Financial Statements, etc. For more information, please refer to the financial information published on the Company website (Japanese: Investor Relations page https://www.takashimaya.co.jp/corp/ir/; English website: Takashimaya Group Profile 2019 https://www.takashimaya.co.jp/base/corp/english/pdf/takashimaya_profile_190617.pdf)

(ii) Basic stance and guidelines on corporate governance

The Group's basic stance on corporate governance is disclosed in "I. 1. Basic Views" above.

(iii) Board policies and procedures in determining the remuneration of the senior management and directors

The Company's policy and procedures for remuneration of Directors are explained in the "[Director Remuneration]" section in "II.1. Organizational Composition and Operation."

(iv) Board policies and procedures in the appointment of the senior management and the nomination of Director and Corporate Auditor candidates

Plans regarding Director and Corporate Auditor candidates and other personnel-related plans are subject to review by a voluntarily established Nomination Committee, whose membership includes Outside Directors, and then are made subject to a resolution of the Board of Directors.

The Company nominates and appoints Internal Director and Executive Officer candidates after comprehensively considering factors such as the multifaceted comprehensive faculties and discernment necessary to resolve the problems associated with the business environment/conditions the Group faces, and the candidate's experience and

performance appraisal. The Company also nominates Outside Director candidates. Candidates who are independence from the Company are preferred. Additionally, each candidate will be capable of advising and overseeing the management through an objective, stakeholder perspective, underpinned by broad experience in different fields and specialized professional knowledge (for the roles expected of Outside Directors, please refer to Supplementary Principle 4.11.1).

The Company nominates Full-time Corporate Auditor candidates by considering whether the candidate has sufficiently broad managerial insights to audit the Company's administration appropriately and provide valuable advice to senior management. The Company nominates Outside Corporate Auditor candidates. Candidates who are independence from the Company are preferred. Additionally, each candidate will be capable of auditing and supervising the Company to a high standard based on an objective, impartial perspective, and financial, accounting, or legal experience.

If a Director, Corporate Auditor, or Executive Officer commits a fireable offense, the Nomination Committee will discuss the matter and advise the Board of Directors. The Board of Directors will consider the committee's advice and then decide whether to propose the person's dismissal (if the person is a Director or Corporate Auditor) or decide whether to dismiss the person directly (if he or she is an Executive Officer).

(v) Explanations with respect to the nominations of Director and Corporate Auditor candidates

The Company provides explanations with respect to the individual nominations of Director and Corporate Auditor candidates in the referential materials for the notice of the ordinary general meetings of shareholders. Explanations with respect to Outside Directors and Outside Corporate Auditors may be found, respectively, in the "Outside Directors/Corporate Auditors' Relationship with the Company" sections in "II:1. Organizational Composition and Operation."

Please note, however, that the explanation with respect to Corporate Auditor Akira Hiramoto is provided below, the reason being that this individual does not apply to the above.

Corporate Auditor Akira Hiramoto: Akira Hiramoto has insights into finance, accounting, and other areas of company management, having served as Store Manager of Shinjuku Store and, from 2012, as Corporate Auditor at Toshin Development Co., Ltd. On this basis the Company has appointed him as Corporate Auditor.

Supplementary Principle 4.1.1 [Scope of matters delegated to the management]

The form of corporate organization the Company has adopted is "Company with Board of Corporate Auditors." The matters to be decided by the Board of Directors in accordance with laws and regulations are subject to a resolution of the Board of Directors; in this way, the Board of Directors is fulfilling its decision-making function. On the other hand, the Company has been streamlining the decision-making process by introducing an executive officer system and transferring authority from the Board of Directors to the business execution line. The Board of Directors is fulfilling its responsibility to oversee such business execution. However, the Company has clearly specified the content of matters that should be resolved by the Board of Directors, the content of matters delegated to the management, and the role of management in the Rules of the Board of Directors, Rules on the Segregation of Directors' Duties, and Rules on Resolutions, etc. In addition, the Company has clarified Directors' responsibilities with respect to each business year by establishing a one-year term of office for Directors and Executive Officers. The business executive bodies the Company has established include the Executive Committee and Branch Managers' Committee, and these organizations review and report on important matters concerning the business execution line.

Supplementary Principle 4.1.3. [Succession Plan for CEO and Other Top Executives]

The Company engages in succession planning for its Representative Director and other top executives, defining as follows the necessary qualities of a succession candidate:

1. Character: The candidate must have.
   - upstanding character
   - leadership qualities
   - a moral compass, and
   - a sense of proportion.

2. Competence: The candidate must be.

- creative and imaginative (must see the bigger picture and think flexibly)
- pioneering (must be prepared to innovate and cultivate new growth opportunities)
- a resolute decision-maker
- a fixer (must take on and resolve complex problems), and
- able to nurture diverse talent.

Principle 4.9 [Independence standards for Independent Directors]

Outside Directors, Outside Corporate Auditors, or candidates for such roles are only recognized as independent from the Company if they fall under NONE of the following items.

1. The person serves, or has served within the past ten years, as an executive officer[1] in the Group (meaning the Company or a subsidiary thereof).
2. The person serves as an executive officer in a significant associate[2] of the Group.
3. The person serves as an executive officer in a significant creditor[3] of the Group.
4. The person is, or currently serves as an executive officer in, a significant shareholder[4] of the Company.
5. The person serves as an executive officer in a company in which the Group holds significant shares.[4]
6. The person belongs to an organization serving as the Group's accounting auditor.
7. The person is a lawyer, certified public accountant, certified tax accountant/consultant who receives from the Group monetary or non-monetary compensation of a significant amount[5], excluding any compensation the person may receive for serving the Group as a Director/Corporate Auditor.
8. The person serves as a director or other executive officer of an organization to which the Group donates a significant amount[5].
9. The person serves as an executive officer in a company that has appointed an executive officer of the Group as an officer.
10. The person has fallen under any of the items from 2 to 9 in the past three years.
11. The person is married to, or is a first or second-degree relative of, someone who...
    (a) serves as an executive officer of the Group (or, if the candidate in question is standing as an independent Outside Corporate Auditor, serves as a non-executive director of the Group) with significant rank[6];
    (b) has fallen under (a) at any point in the 1-year period preceding the date the candidate assumes officer; or
    (c) falls under any of the items from 2 to 9 and holds significant rank.
12. In addition to the above, the person's appointment may cause a substantial conflict of interest with shareholders, or there are other valid reasons to believe that the person would not discharge his or her duties as an independent outside officer.

Notes:

1. "Executive officer" refers to an executive (with or without fiduciary duties), owner, or employee of an organization. The term does not include non-executive directors.
2. "Significant associate" means either a client of the Group that has in any of the past three years

compensated the Company in an amount greater than 2 percent of the Company's consolidated turnover for that year, or a supplier of the Group that has in any of the past three years been compensated by the Company in an amount greater than 2 percent of the Company's consolidated turnover for that year.

3. "Significant creditor" means an entity that to which the Group owes, as of the end of the latest fiscal year, an amount greater than 2 percent of the Company's total assets for that year.
4. "Significant shareholder of the Group" means an entity holding at least 10 percent of the Company's total voting rights, either directly or indirectly, or an executive officer of said entity.
5. "Significant amount" means, in the context of an individual, an amount averaging at over 10,000,000 yen for the past three fiscal years or, in the context of an organization, an amount representing at least 2 percent of the organization's average total revenue for the last three fiscal years.
6. "Significant rank" means an inside director, inside Corporate Auditor, an executive with or without fiduciary duties, or any other senior manager.

Supplementary Principle 4.11.1 [View on the appropriate balance, diversity, and size of the Board of Directors]

The Company's Board of Directors nominates Director candidates in accordance with the quota specified in the Articles of Incorporation and with a view to achieving a good balance of experience and talent so as to secure diversity and ensure vibrant discussions. The Company also has multiple Outside Directors on its Board of Directors in the expectation that they will advise from the perspective of stakeholders and fulfill a corporate auditing/monitoring function based on their experience and insights in business fields. For policies on the nomination of Director candidates, please refer to the Principle 3.1 (iv).

Supplementary Principle 4.11.2 [Concurrent service as Directors or Corporate Auditors at other listed companies]

Any significant concurrent positions held by Directors or Corporate Auditors are disclosed in the business report in the notice of the ordinary general meetings of shareholders and in referential materials for the same.

Supplementary Principle 4.11.3 [Analysis and evaluation of the effectiveness of the Board of Directors as a whole]

In FY2015, the Company started conducting evaluations of the Board of Directors with a view to making it more effective and enhancing corporate value. The FY2018 evaluation was conducted in February 2019.

In these evaluations, the Company refers to the relevant stipulations in the Corporate Governance Code and focuses on whether the Board of Directors is discharging its responsibilities and duties, whether the necessary systems are in place to ensure the Board of Directors can function effectively, and whether the Board is functioning effectively.

For the FY2018 evaluation, the Company conducted a questionnaire among all 12 Directors and all four Corporate Auditors, and then conducted individual hearings with each of the three Outside Directors and two Outside Corporate Auditors based on the results of the questionnaire. At a meeting of the Board of Directors held in February 2019, the Board conducted a self-evaluation referring to the results of the questionnaire and hearings.

The results of the questionnaire and hearings were generally positive. As such, the Company concludes that there are no major problems with Company's Board of Directors in terms of its expected decision-making and corporate auditing functions or the structural and operational conditions for facilitating the same.

On the other hand, the Corporate Auditors described some areas that should be improved in order to enable the Board of Directors to function more effectively. For example, the Corporate Auditors mentioned that there should be more time for discussing the Group's overall strategy and tighter oversight of the Group's management frameworks and execution of duties. They also mentioned that the nomination and remuneration committees are under-used and that the Board of Directors should work more closely with these bodies. The Board of Directors has considered proposals for addressing each of these issues, and it will put them into effect progressively in next year's board meetings.

The Company will continue to conduct yearly evaluations of the Board of Directors as part of a PDCA cycle

designed to make the Board of Directors more effective.

Supplementary Principle 4.14.2 [Training policy for Directors and Corporate Auditors]

The Company provides in-house seminars to newly appointed Executive Officers and to Directors and Corporate Auditors newly appointed in Group companies which cover the duties, authority, and responsibilities of Directors and Corporate Auditors.

In addition, the Internal Directors and Full-time Corporate Auditors attend management lectures and seminars held by outside training institutions on an as-and-when basis so that they may be better equipped with the strategic thought and discernment expected of Directors and Corporate Auditors and may forge networks outside the Company.

As for Outside Directors and Outside Corporate Auditors, in order that they may deepen their knowledge about the Company, the Company holds briefing meetings concerning the relevant Company rules, businesses, organizations, strategies/policies, and management issues, and subsequently provides information as and when necessary so that they can master the necessary knowledge.

Principle 5.1 [Policy for constructive dialogue with shareholders]

The Company recognizes that constructive dialogue with shareholders/investors is indispensable for achieving sustainable growth and enhancing corporate value. With a view to realizing such dialogue, the Company endeavors to disclose information in a fair and transparent manner. The Director in charge of Investor Relations and the Public and Investor Relations Office work together under the leadership of the President to facilitate communication with shareholders and investors. The Company also responds to requests from shareholders and investors, collaborating with other departments where necessary.

Shareholders and investors are also invited to attend semi-annual financial results briefings and a number of small meetings featuring the President as the main speaker. The Company also holds separate interviews where appropriate, primarily with institutional investors. Utilizing its website, the Company endeavors to make its information available to shareholders and investors online in a fair manner. Furthermore, the Company conducts a questionnaire among shareholders with a view to ascertaining shareholders' opinions.

The Company has prepared a system wherein the opinions and requests of shareholders and investors are ascertained through dialogue and then relayed to management and to the relevant departments and ultimately incorporated into the execution of business.

When engaging in dialogue with shareholders and investors, the Public and Investor Relations Office and other departments of the Company observe an appropriate silent period prior to the announcement of financial statements, and the Company rigorously manages insider information so as to prevent conflicts of interest arising.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders] Takashimaya Kyoeikai Association

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,609,500	9.34
Japan Trustee Services Bank, Ltd. (Trust Account)	13,617,372	7.66
H2O Retailing Corporation	8,887,000	5.00
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,032,800	2.83
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	4,961,940	2.79
Takashimaya Kyoeikai Association	3,307,172	1.86
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,039,800	1.71

JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	2,494,928	1.40
Sotetsu Holdings, Inc.	2,402,500	1.35
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,054,200	1.16

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation

The Company, which owns 7,026,149 treasury shares, is excluded from consideration as a major shareholder as defined above.

The shareholding ratio was calculated based on the total number of the issued shares excluding the number of treasury stocks.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	February
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with the Audit & Supervisory Board (Board of Corporate

	Auditors)

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Kaoru Nakajima	Attorney											
Akira Goto	Other											
Keiko Torigoe	Other											

* 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. Non-executive director or executive 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 listed 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 compensation as a director/Corporate Auditor
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 outside directors/Corporate Auditor 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

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kaoru Nakajima	○	* Independent Auditor for DAISUE CONSTRUCTION CO., LTD.	*The Company appointed Kaoru Nakajima as ongoing Outside Director in the expectation that he will make use of his expertise and wealth of experience as an attorney for the Company's management. * The Company concluded that Kaoru Nakajima will constructively advise and oversee the management from an independent perspective. He is recognized as independent on

			the basis that he satisfies the independence criteria and has no conflict of interest with shareholders.
Akira Goto	○		* The Company appointed Akira Goto as ongoing Outside Director in the expectation that he will make use of his expertise and wealth of experience as an academic expert, and his experience as a Commissioner of Japan Fair Trade Commission for the Company's management. * The Company concluded that Akira Goto will constructively advise and oversee the management from an independent perspective. He is recognized as independent on the basis that he satisfies the independence criteria and has no conflict of interest with shareholders.
Keiko Torigoe	○	*President of Soundscape Association of Japan	* The Company appointed Keiko Torigoe as ongoing Outside Director in the expectation that she will make use of her expertise and wealth of experience as an academic expert for the Company's management. * The Company concluded that Keiko Torigoe will constructively advise and oversee the management from an independent perspective. She is recognized as independent on the basis that she satisfies the independence criteria and has no conflict of interest with shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nominating Committee	Remuneration Committee
All Committee Members	7	7
Full-time Members	0	0
Inside Directors	5	5
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Internal Director	Outside Director

Supplementary Explanation

The above committees were established as advisory bodies to the Board of Directors. Meeting on an as-and-when basis, they review the nomination of / remuneration for Directors and Executive Officers and report back to the Board of Directors.

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	4
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

The Company has concluded an audit contract with KPMG AZSA LLC, which conducts accounting audits in accordance with laws and regulations. The Company has established a system of close cooperation in which its Corporate Auditors and Board of Corporate Auditors receive regular reports from the Accounting Auditor concerning audit plans and audit results, etc., and exchange opinions.

The Operations Audit Office, which serves as an internal audit department, regularly conducts internal control assessments with regard to accounting audits, operations audits, and financial reporting. It evaluates from an independent position the Company's compliance with laws and internal rules, the oversight/operation of a whole range of managerial activities, and the implementation/permeation of priority measures, and, based on the results of such, advises on problems and proposes ways to rectify them. Also, with a view to qualitatively improving audits, the Operations Audit Office regularly liaises with Corporate Auditors to report the results of audits and to exchange opinions.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Corporate Auditors	2

Outside Corporate Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Eiji Muto	From another company										Δ			
Hiroshi Nishimura	Certified public accountant													

* 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. Non-executive director or executive of a parent company of the Company
d. Corporate Auditor 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 compensation as a Corporate Auditor
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 Corporate Auditor himself/herself only)
k. Executive of a company, between which and the Company outside directors/Corporate Auditor are mutually appointed (the Corporate Auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
m. Others

Outside Corporate Auditor's Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment

Eiji Muto	○	* Outside Director of The Gunma Bank, Ltd. * Until February 2006, Eiji Muto served as an executive at the Bank of Japan, which is a client of the Company. However, the Company concluded that this experience does not undermine Muto's independence because the Company's transactions with the bank represent no more than 2 percent of consolidated turnover in any of the past three years, and because Muto satisfies the independence criteria.	* The Company appointed Eiji Muto as Outside Corporate Auditor in the expectation that he will make his experience as Executive Director of the Bank of Japan and his keen insights in finance and accounting. * The Company concluded that Eiji Muto will constructively advise and oversee the management from an independent perspective. He is recognized as independent on the basis that he satisfies the independence criteria and has no conflict of interest with shareholders.
Hiroshi Nishimura	○	* Representative Partner of SeishinShisei & Co.	*The Company appointed Hiroshi Nishimura as Outside Corporate Auditor in the expectation that he will make use of his expertise as a certified public accountant and certified tax accountant. * The Company concluded that Hiroshi Nishimura will constructively advise and oversee the management from an independent perspective. He is recognized as independent on the basis that he satisfies the independence criteria and has no conflict of interest with shareholders.

[Independent Directors/Corporate Auditor]

Number of Independent Directors/Corporate Auditor	5

Matters relating to Independent Directors/Corporate Auditor

All Outside Officers (Directors and Corporate Auditors) who fulfill the requirements of Independent Officers are designated as Independent Officers.

[Incentives]

Incentive Policies for Directors	Introduction of a performance-linked remuneration system/ Other

Supplementary Explanation

Introduction of a performance-linked remuneration system: The Company calculates the amount of remuneration by reflecting the performance of the Group and its operating units, the extent to which the relevant Director has met performance targets in his/her area of responsibility, and the extent to which the Director has accomplished priority tasks.

Other: The Company also operates a Stock Grant - restricted shares system.

Recipients of Stock Options	-

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

In the most recent fiscal year (March 2018 to February 2019), ¥392 million in total was paid as remuneration to 13 Directors (¥30 million of which went to three Outside Directors). The number of Directors and the amount of remuneration include the ¥45 million in bonuses for Directors resolved at the 153rd General Meeting of Shareholders and the retirement benefits paid to one Director who resigned on at the close of the 152nd General Meeting of Shareholders, which was held on May 22, 2018.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

With a view to securing fairness and transparency in the determination of the remuneration of officers, the Company has established, as an advisory body, Remuneration Committee chaired by an Outside Director. The committee members review the performance of Directors/Executive Officers and their individual remuneration.

The system of remuneration of officers comprises basic remuneration and bonus. For basic remuneration, the Company has introduced a performance-linked remuneration in which the amount reflects performance in that fiscal year. In addition, the Company has introduced a share-based compensation system with a view to sharing profit and risk among shareholders and investors and promoting initiatives to enhance performance over the medium-to-long term. Corporate Auditors and Outside Directors receive only basic remuneration.

[Supporting System for Outside Directors and Corporate Auditors]

The Company endeavors to facilitate managerial decisions by, for example, providing Outside Directors (and Outside Corporate Auditors) with material containing relevant Company information.

[Status of Former Representative Directors and Other Top Executives]

Information on Former Representative Directors (and other top executives) who hold adviser/consultant positions in the Company

Name	Title/rank	Services rendered	Employment status (e.g., Full or part time? Remunerated or unremunerated?)	Date the person retired as top executive	Term
Shigeru Kimoto	Special Consultant	- Special services requested by top executives - Management of Toshin Development Co., Ltd. (as Toshin Development's Chairman)	Part time	February 28, 2019	1 year

Total number of former Representative Directors (and other top executives) who hold adviser/consultant positions in the Company	1

Other Relevant Matters

The Company does not have a corporate advisor system.

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

With a view to vitalizing and optimizing the Board of Directors and securing fairness and transparency in management, the Company has adopted the following measures:

○The Company has introduced an executive officer system and slimmed down the number of Directors to help the Board of Directors engage in vibrant discussions and make appropriate decisions that reflect the best interests of the Group as a whole. In addition, the Company adopts a policy whereby three of the 12 Directors are Outside Directors with the aim of obtaining useful advice from broad perspectives.

○The Board of Directors holds regular meetings (once every month in principle) to make decisions on the execution of important business and to monitor the Directors' execution of duties. In addition to the Board of Directors, the Company has established, as a deliberative body, the Executive Committee (whose membership includes the President, Managing Directors, and Senior Managing Directors, etc., 18 of whom are male and 5 of whom are female), which reviews the execution and control of the general business operations performed by the President pursuant to the basic management policies determined by the Board of Directors. The Executive Committee has regular monthly sessions during which it reviews and reports on matters discussed at the Board of Directors, matters to be resolved by the President or Senior Managing Directors that require review, matters concerning the execution of the President or Senior Managing Directors' duties that require reporting, and other matters.

○The Company has voluntarily established a Nomination Committee and Remuneration Committee. The Nomination Committee, which is attended by Outside Directors, reviews Director/Executive Officer candidacy proposals and other personnel-related proposals. The Remuneration Committee, which is chaired by an Outside Director, reviews the performance of each Directors/Executive Officer and the amount of individual remuneration.

○The Board of Auditors comprises 4 Corporate Auditors (all male), 2 of whom are Full-time Corporate Auditors and 2 of whom are Outside Corporate Auditors. It meets in principle 9 times a year, and it discusses, resolves, and reports on various audit-related matters. The Company also assigns Assistant Auditors to work under the instruction of the Corporate Auditors and assist them in their duties; Assistant Auditors serve on a full-time basis and do not concurrently hold any managerial positions related to the execution of the Company's business.

3. Reasons for Adoption of Current Corporate Governance System

The Company adopted the current corporate governance system based on its view that it is most suitable to enhance the effectiveness of corporate governance by strengthening the audit structure. Also, with a view to vitalizing and optimizing the Board of Directors, the Company has introduced an executive officer system to facilitate vibrant discussions and timely and appropriate decisions that reflect the best interests of the Group as a whole. It also appoints multiple Outside Directors with whom it has no conflict of interest in the expectation that they will provide advice from the stakeholders' perspective and fulfill an audit/checking role based on their experience and insights in their particular fields.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	* The Company issues its convocation notice around three weeks before the date of the General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	*To make it easy for many shareholders to attend, the Company avoids holding the General Meeting of Shareholders on the peak day.
Allowing Electronic Exercise of Voting Rights	*Offered
Participation in Electronic Voting Platform	* The Company uses the Electronic Voting Rights Exercise Platform operated by ICJ Inc.
Providing Convocation Notice in English	*The Company prepares English translations.
Other	* The Company posts its convocation notices on its website early (a number of days before issuing the official convocation notice).

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	In line with the management's principle of always putting people first, the Company observes a policy of disclosing information in a fair and transparent in the way, understanding that such disclosure benefits shareholders, investors, customers, employees, trading partners, local communities, and all other stakeholders. This disclosure policy is published on the Company's website.
Regular Investor Briefings for Analysts and Institutional Investors	* The Company holds semi-annual financial results briefings (upon the announcements of interim and fiscal yearly financial results). The most recent meetings were held in October 12, 2018, and April 8, 2019, respectively. During these meetings, the President gave briefings on the following items: 1. Financial results briefing and projections for the next fiscal year (including management strategy), 2. Progress report on the long-term plan, 3. Details of rolling planning for the long-term plan. The President then held a question and answer session (item 3 in April briefing only).
Posting of IR Materials on Website	The following materials are posted on the Company's English website: Top Massage, Financial Statement, Financial Report, Monthly Sales Reports, Fact Book, etc. https://www.takashimaya.co.jp/corp/english/
Establishment of Department and/or Manager in Charge of IR	* Department in charge: Public and Investor Relations Office * Officer in charge of IR: Tsuneaki Okabe, Managing Director and General Manager of Planning * Administrative contact: Sanae Sonoda, General Manager of Public and Investor Relations Office

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	*The Company has a management philosophy which provides a basic system of values for determining the propriety of decisions and actions of members of the Group. As a part of this management philosophy, the Company is committed to applying the "spirit of believing in people, loving people, and serving people" to all the Group's stakeholders, including customers, employees, clients, shareholders/investors, local communities, and the global community, and thereby contributing to the creation of a society in which all people can thrive.
Implementation of Environmental Activities, CSR Activities etc.	*The Company commits to corporate social responsibility based on its philosophy of "Putting People First." *To support the Sustainable Development Goals agenda, the Company has established the Takashimaya Group SDG Principles, which comprise the following: 1. Use local environments sustainably 2. Support community development 3. Ensure accessible, inclusive, and stress-free shopping

	4. Provide sustainable products and services 5. Ensure job satisfaction and career opportunities Guided by these principles, the Company supports sustainable shopping and services, and contributes to sustainable corporate growth alongside social and economic development. https://www.takashimaya.co.jp/corp/csr/ *The Company is inculcating CSR culture among its employees by implementing CSR training and issuing regular internal reports on CSR. *The Company continually monitors its corporate activities from a CSR perspective as part of a PDCA (Plan-Do-Check-Act) cycle. *In 2001, all of the Company's department stores were awarded the ISO 14001 certification. The Company's environmental activities include strengthening its environmental management system, conserving energy and resources, and cutting down on waste. The Company discloses internally and externally its cost-benefit analysis regarding the environment (environmental accounting). *The Company contributes toward a carbon-free society as part of the Japan Climate Initiative, which represents Japan's contribution to achieving the Paris Agreement
Development of Policies on Information Provision to Stakeholders	* The Company promotes the fair and timely disclosure of information in order to foster confidence in the Group and improve the transparency of management. *The Company also has a policy on compliance-related information disclosure; it aims for such information to be promptly shared internally after being summarized in the General Affairs Division, the department in charge of crisis management, and then proactively disclosed to stakeholders as appropriate.
Other	* Three of the twelve Directors are women (one of the three Outside Directors is a woman), and one of the ten Executive Officers are women. * The ratio of women in management positions reached 32.4% as of March 2019. The Company will continue to actively recruit women with a view to achieving a 35% ratio by 2020. * The average age in managerial positions is over 45, and the turnover rate remains at around 1% (as of FY2018). ●Activities to promote the appointment of women * The Company pursues measures to foster career consciousness among female employees and prepare the next generation of female managers as early as possible, for example, the Company has established the Diversity Promotion Office, it implements action plans for promoting women in the Company, it introduced a mentoring system between managers with child-care experience and employees in the midst of childrearing, it runs a leadership training for women and provides manager training opportunities to men and women equally. * The Company has bolstered its efforts to support women's continued employment in the Company by adopting measures to help balance work with family care; for example, the Company has adopted a short working hour system for parenting workers, which gives employees flexible workstyle options. It also provides a childcare service on Sundays and public holidays. *In FY2017, the Company introduced the "limited regular employee" status to accommodate different workstyle needs. *In FY2018, the Company introduced telework (working from home) as a flexible working option.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company considers the establishment of an internal control system and risk management structure (hereafter collectively the "internal control system") as vital to the permeation of business strategies and objectives sent out by the management team throughout the organizational structure. The Company also believes that an internal control system is crucial for achieving: i) effectiveness and efficiency of operations, ii) compliance, iii) credibility of financial reporting, and iv) conservation of assets. In addition, the Company views the internal control system as the underpinning of its efforts to deepen mutual trust with customers, shareholders and other stakeholders, and to the conduct of sustainable corporate management focused on social responsibility.

Based on this belief, the Company works to enhance its internal control system in accordance with the following basic policies.

On another front, the Company is working to strengthen monitoring, which it sees as a supplemental function for maintaining and reinforcing the Group's corporate governance drive, and the Company is implementing measures to enhance monitoring functions. Such measures include continued internal monitoring by the Operations Audit Office to ensure that operations are executed in compliance with laws and internal regulations. Operation of the Compliance Hotline, a contact point for encouraging and protecting internal whistle-blowing, is another measure for improving monitoring.

Going forward, the Company will actively reinforce corporate governance in order to achieve fair and transparent corporate activities that fulfill the expectations of all stakeholders.

<Basic Policies for Enhancing the Internal Control System>

1. Compliance system

Systems for ensuring compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors and employees of the Company and Group companies

1) The Group's management philosophy is "Putting People First." Based on this management philosophy, the Takashimaya Group shall conduct corporate activities that embody the spirit of believing in, loving, and serving all the Group's stakeholders, including customers, employees, clients, shareholders/investors, local communities, and the global community, and thereby contribute to the creation of a society in which all people can thrive. Upper management, together with all Directors and Executive Officers, sets an example in compliance management and strives to inculcate compliance culture so that the Group as a whole upholds the ethical values of the Company.

2) To ensure that the Company and the Group companies' business operations are executed in an appropriate and wholesome manner, the Company appropriately supervises the Directors' execution of duties and strives to build an effective internal control system for the Group as a whole. The Company regularly monitors the internal controls to ensure they are operating as intended and to identify any concerns.

3) Corporate Auditors work to strengthen the effectiveness of monitoring. Specifically, they audit the internal control system's functionality and effectiveness, and review the propriety of Directors' execution of duties so as to prevent or rectify any malpractice by Directors.

4) Based on the guidance of the Takashimaya Group CSR Committee (chaired by the President), the Company enforces strict compliance and spearheads Group-wide efforts to review and enhance the status of the internal control system and the progress of CSR measures concerning new social issues.

5) Guided by Takashimaya Group Risk Management Committee, the Company strives to ensure rigorous compliance culture throughout line management by facilitating collaboration between headquarters and relevant departments with respect to individual issues such as fair transactions, personal information, and environment.

6) Utilizing guidelines such as the Compliance Guidebook, the CSR Promotion Office and Personnel Division use various opportunities such as education and training to spread awareness of compliance in accordance with the management philosophy.

7) The Takashimaya Group Compliance Hotline serves as a contact point for encouraging and protecting internal (including Group companies) whistle-blowing. The Company protects whistle-blowers' anonymity and ensures that they are not maltreated. It also considers leniency for employees who self-report malpractice. A third-party legal hotline is available to further encourage whistle-blowing and

address concerns.

8) Operations Audit Office, which serves as an internal auditing body, regularly performs accounting and operations audits of each business office and Group company, reviews the effectiveness of the internal control system, and points out and seeks the rectification of any dysfunctional aspect. The General Manager of the Operations Audit Office reports the results of audits to the President and the Directors and Corporate Auditors.

2. Risk management

Procedures and other systems related to managing the risk of losses to the Company and Group companies

1) The Takashimaya Group Risk Management Committee strives to build a Group-wide risk management system, and continually revises and enhances its corporate structure so that it is equipped to deal with new risks arising from changes in the business environment. New undertakings are assessed in terms of their risk reward balance to ensure Group-wide control.

2) The Takashimaya Group Risk Management Committee (chaired by the President) identifies the various risks associated with the execution of duties throughout the Group, and has produced a manual (Yellow File) detailing the measures for minimizing the losses resulting from risk incidents. In conjunction with these efforts, the Takashimaya Group Risk Management Committee develops systems for pre-empting risk incidents and strives to ensure rigorous risk management throughout line management.

3) In order to exclude anti-social forces, the Company spearheads Group-wide efforts to reject improper requests and prevent damage from the same. Such efforts include enhancements to the risk management system such as the establishment of a Legal Affairs and Risk Management Office in the General Affairs Headquarters.

3. Storing and managing information

Systems for storing and managing information related to the execution of duties by Directors

The Company appropriately stores and manages information related to directors' execution of duties, including minutes of meeting of Board of Directors and request approval documents, in accordance with laws and regulations and the Company's Rules regarding Documents.

4. Ensuring director performance

Systems for ensuring the efficient execution of duties by Directors

1) Directors execute their duties appropriately and efficiently in compliance with the rulesets regarding authority and decision-making, including the Rules of the Board of Directors, Rules for the Segregation of Directors' Duties, Rules of the Executive Committee, Rules for Organizational Functions, and Rules for Deliberation. These rulesets are updated to reflect any legislative changes and to ensure proper execution and oversight of business and more effective executive performance.

2) The Company formulates a Group business plan for each fiscal year, carries out policy management as part of a PDCA, and regularly monitors each division to identify important issues and check the progress of measures designed to deal with such.

3) The Board of Directors holds regular monthly meetings, as well as extraordinary meetings, to determine important business decisions.

5. Group management

Systems for reporting to the Company matters concerning the execution of duties by Directors and employees of Group companies, and Systems for ensuring the efficient execution of duties by Directors and employees

1) In accordance with the Group business plan for the fiscal year, the Company carries out policy management as part of a PDCA, and regularly monitors each Group company to identify important issues and check the progress of measures to deal with such.
2) In accordance with the Rules for Deliberation, Directors deliberate on matters concerning the execution of important business that the Company has deemed essential to the management of the Company or Group.
3) The Planning Headquarters, which is in charge of issuing operational guidance to Group companies, leads efforts to construct an internal control system and inculcate compliance culture throughout the Group companies so as to ensure propriety and efficiency in the operations of the Group.

6. Assistants to Corporate Auditors

Matters concerning employees who are assigned to assist in the duties of Corporate Auditors when Corporate Auditors request such assistance

The Company has established a system for assisting Corporate Auditors wherein employees are assigned as full-time Assistant Auditors who work directly under the Corporate Auditors and assist their duties as directed by the Corporate Auditors.

Matters related to the independence of the employees mentioned above from Directors, and matters for ensuring the effectiveness of the direction of said employees

1) Employees who are assigned as Assistant Auditors shall not hold any concurrent managerial position related to the execution of the Company's business; they shall execute duties under the instruction of the Corporate Auditors, and their performance evaluations shall be determined after taking into account the opinions of the Corporate Auditors.
2) The Company shall require the prior consent of Corporate Auditors with regard to appointments and reshuffles of Assistant Auditors.

7. Reporting to Corporate Auditors

Systems for reporting by Directors, Executive Officers and employees of the Company and Group companies to Corporate Auditors

1) Directors, Executive Officers, or employees of the Company or a Group companies must notify the Corporate Auditors without delay if they discover any serious violation of laws/regulations or the Articles of Incorporation or any malpractice in relation to the execution of duties, or anything that has the potential to cause substantial detriment to the Company.
2) Corporate Auditors may, whenever necessary, require Directors, Executive Officers, and employees to report to them. They may also access to the minutes and other conference materials. Directors, Executive Officers and employees of the Company and Group companies must comply swiftly and unerringly with Corporate Auditors' requests for such.
3) The Company reports to the Board of Corporate Auditors on matters concerning improprieties or

malpractice that were reported through the internal whistle-blowing system.

4) The Company prohibits the maltreatment of persons who comply with the above Corporate Auditor requests and ensures that this prohibition is observed in each Group company.

8. Ensuring Corporate Auditor performance

Matters concerning policies on the settlement of expenses or liabilities incurred in connection with Corporate Auditors' execution of duties, and systems for ensuring effective audits by Corporate Auditors

1) The President facilitates communication and understanding by holding regular meetings with Corporate Auditors and exchanging opinions concerning company management in addition to business reports.

2) Corporate Auditors may attend meetings of the Board of Directors and any other meeting for discussing the execution of important duties of Directors and Executive Officers including the Executive Committee, PDCA Committee, and Takashimaya Group CSR Committee.

3) Corporate Auditors may hold regular Group audit liaison meetings attended by Corporate Auditors across the Group, and they strive to ensure the sharing of information and the propriety of the execution of business. In addition, Corporate Auditors develop close collaborative relationships with the Accounting Auditor and the Operations Audit Office in order to increase the effectiveness of auditing throughout the Group.

4) Corporate Auditors may seek advice from attorneys, certified public accountants, and other experts outside the Company as they may deem necessary for the proper performance of their auditing duties, and may request the Company to bear expenses such as those related to the outsourcing of investigations, appraisals, and other operations.

2. Basic Views on Eliminating Anti-Social Forces

In pursuit of the management philosophy of "Putting People First," the Group has highlighted "behavior that gains trust from society" as a policy to be practiced by managers and staff alike. Based on this policy, the Company takes a resolute stand against anti-social forces that threaten the order and safety of civil society and refuses to engage in relationships with such forces.

To this end, the Company has established the Legal Affairs and Risk Management Office in the General Affairs Headquarters. Specifically, in the event that a department store, business division, or Group company is exposed to improper demands by anti-social forces, the Legal Affairs Office will collect and analyze the relevant information in a prompt and uniform manner, and provide leadership and advice, collaborating as necessary with authorities such as the police or outside experts such as attorneys; in this way, the Company has prepared system whereby the Group can work as one to resolve any problems posed by anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
-

2. Other Matters Concerning to Corporate Governance System

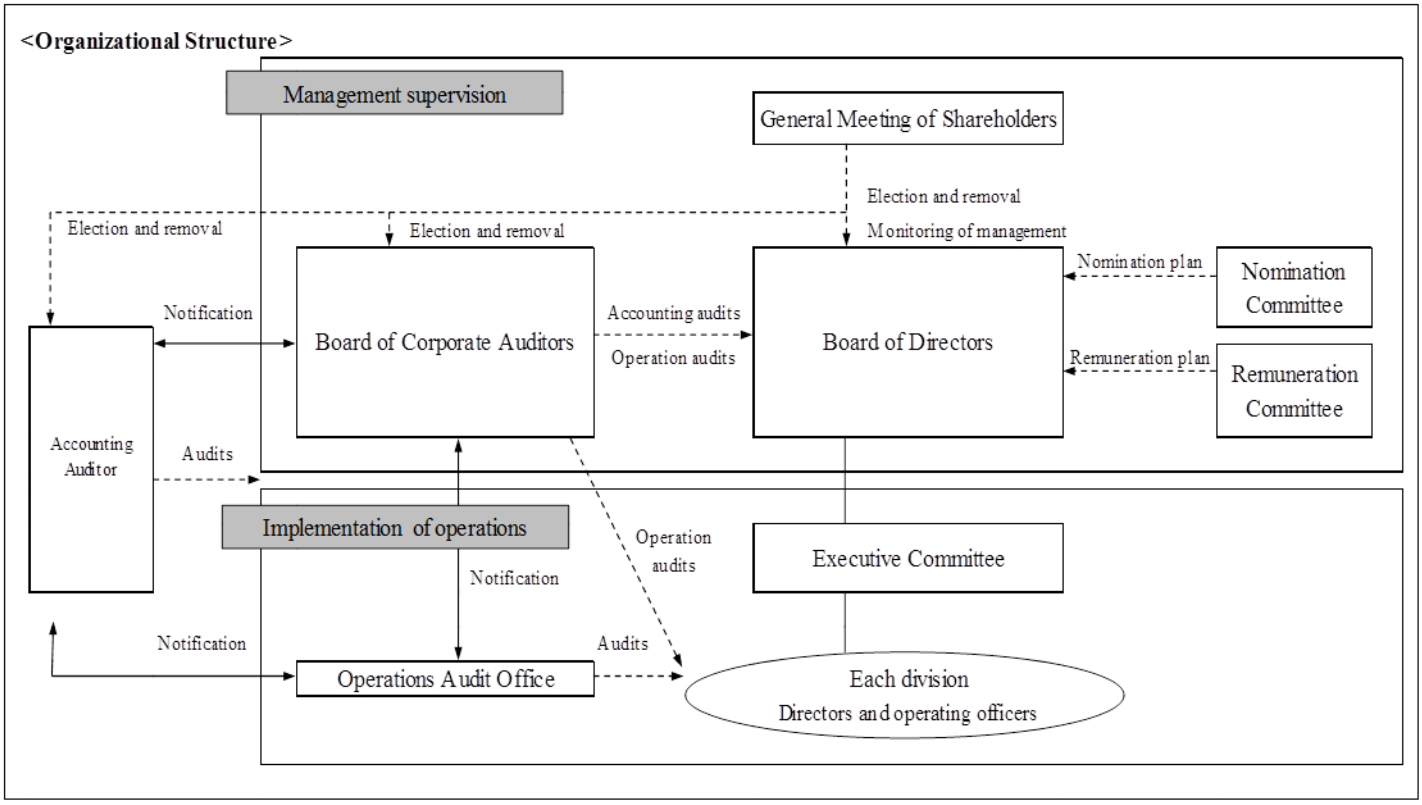
The status of the Company's internal control system pertaining to the timely disclosure of company information is as follows:

○The Public and Investor Relations Office acts as the focal point for the timely disclosure of company information.

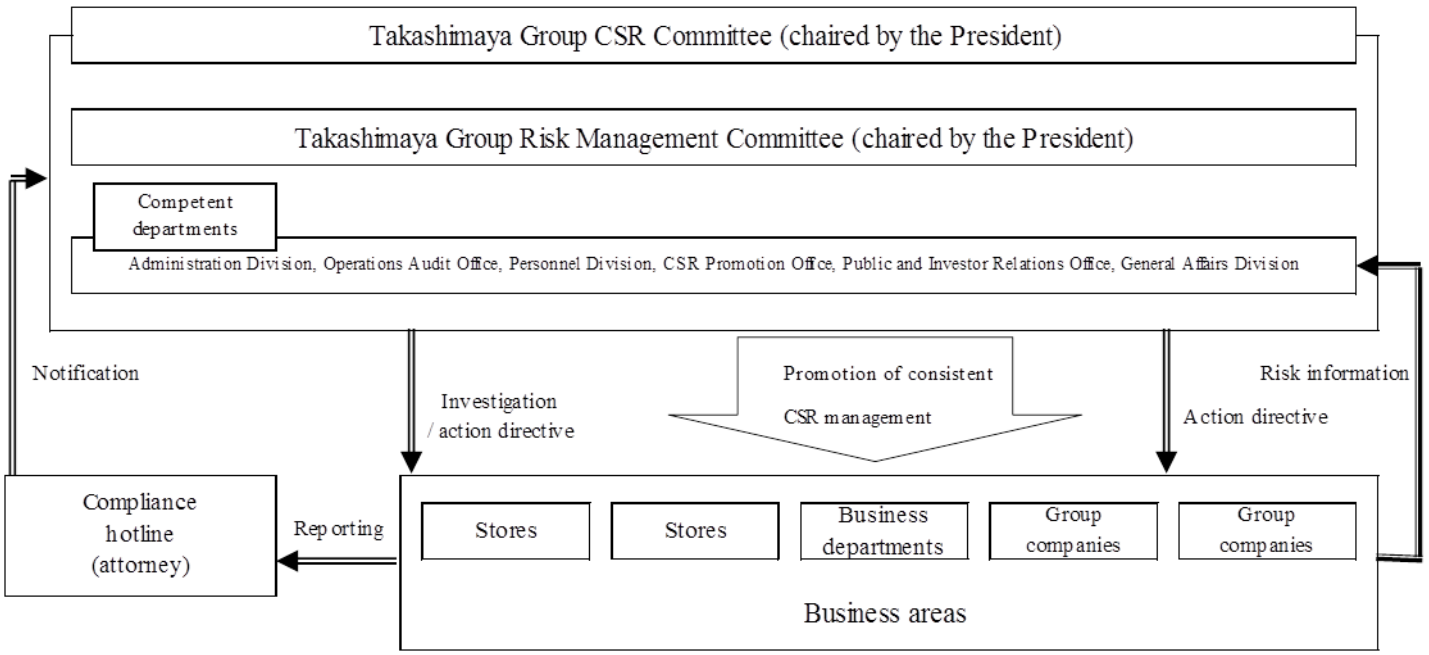
○Decisions on the disclosure of information are taken by the Executive Committee, the Board of Directors, and the Takashimaya Group CSR Committee.

○Aside from disclosing matters requiring disclosure, the Company voluntarily discloses information that the Public and Investor Relations Office deems necessary to disclose in order to promote proactive information disclosure.

Reference: Organizational Structure



<Internal Control System and Risk Management Structure>



<Disclosure Decision Structure>

