

Interview with Outside Director

TSURUTA Rokurou

Outside Director

| | |
|----------|---|
| Apr 1970 | Public Prosecutor of Tokyo District Public Prosecutors Office |
| Apr 2005 | Superintending Prosecutor of Nagoya High Public Prosecutors Office |
| Jun 2006 | Retired from the same office |
| Jul 2006 | Registered as attorney at law |
| Oct 2006 | Professor at Chiba University Law School |
| May 2007 | Outside Audit & Supervisory Board Member of The Daimaru, Inc. |
| Jun 2007 | Outside Director of Teikoku Piston Ring Co., Ltd. (present TPR Co., Ltd.) (present) |
| Sep 2007 | Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. |
| Apr 2009 | Professor at Surugadai University Law School |
| Jun 2010 | Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation |
| Jun 2012 | Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present) |
| Jun 2015 | Outside Member of the Board of Directors of Kabaya Industry Co., Ltd. (present KYB Corporation) (present) |
| May 2017 | Outside Director of J. Front Retailing Co., Ltd. (present) |



The Company's governance reform initiatives

In the "Revision of Japan Revitalization Strategy" in June 2014, the government announced its policy of developing the Corporate Governance Code to enhance the earning power of companies and experts worked to draft the Code. The Company created an organizational position responsible for Corporate Governance Promotion in March 2015 and began to study appropriate corporate governance including the roles and operation of the Board of Directors. In June 2015, we set up the "Governance Committee" whose membership includes then Chairperson, President and Outside Directors and Audit & Supervisory Board Members. At the "Governance Committee," we actively discussed mainly the form of corporate organization, the enhancement of the effectiveness of the Board of Directors and other such matters. During these discussions, our opinions were gradually aggregated into a consensus that the Company should transition from then company with an audit & supervisory board to a company with three committees, and at the Governance Committee meeting in July 2016, its direction was decided.

I think the change of the form of corporate organization proceeded through repeated discussions. But at the basis of that, I feel President Yamamoto's extraordinary passion worked as a great driving force. Based on reflection on the current state of the Company's governance in light of the Corporate Governance Code, Mr. Yamamoto seemed to try to greatly change the Company and achieve dramatic growth by implementing all the principles of the Corporate Governance Code to strengthen the Company's corporate

governance.

The assessment of the effectiveness of the Board of Directors through individual interviews and the direct observation of the Board of Directors by a third-party organization based on the self-assessment of all the Board members of the Company has greatly contributed to advancing governance reform centered on the Board of Directors. Based on the results of the assessment of the Board of Directors, the review and consolidation of matters to be discussed at and reported to the Board of Directors, the strengthening of prior explanation and so on progressed and the allocation of time in and the density of strategic discussions concerning the Group management strategies, resource allocation, capital policy and so on were improved, which helped revitalize deliberations at the Board of Directors meetings.

Roles of Outside Directors

Outside Directors make efforts in different fields and play different roles depending on their backgrounds, insights, etc. However, I think they should strive to adequately provide advice and oversight in terms of "defensive governance" as well as contributing in terms of so-called "aggressive governance" such as the development of management strategies. By combining these two aspects, they should contribute to increasing corporate value. Particularly, at a company with three committees, the Audit Committee audits the business execution of Executive Officers as an "organization audit" through the internal control systems unlike the previous audit & supervisory board member system. Therefore, it is important not just to build the internal

control systems but also to check whether they actually function effectively.

The role of the Company as a holding company is to evaluate the business companies under its control based on its management philosophy, vision and strategies and facilitate the restructuring and optimization of business portfolio. The Medium-term Business Plan, which started in fiscal year 2017, is positioned as a “phase of the Group’s structural change” when we will change our business portfolio by expanding the Real Estate Business and other associated businesses and new businesses that are expected to grow as markets without overly depending on the core Department Store Business and Parco Business. In other words, while steadily examining the results of existing investments, the Company has to create new businesses and innovate existing businesses looking ahead five or ten years. In doing so, I think it is important for Outside Directors to provide advice and oversight from an “outside viewpoint,” which is different from that of people from retailers, based on their management experiences and insights.

In the business management conducted by a holding company, risk management is important. Risks include “positive risks” such as strategic risks associated with the development and implementation of strategies and finance risks associated with the procurement, operation and management of funds and “negative risks” such as hazard risks including natural disasters and compliance risks. Depending on circumstances, positive risks may help increase corporate value over the medium- to long-term by accepting them as opportunities with entrepreneurship. On the other hand, if negative risks are realized, loss will inevitably arise. Out of regret that the Company has not so far considered positive risks adequately to ensure growth opportunities, the governance reform was conducted by newly establishing the “Risk Management Committee” under the management execution framework to systematically manage and address strategic and other risks as a whole from a company-wide perspective, which enabled management decision-making focusing on risk management. The “Compliance Committee” will further strengthen the development of the foundations of compliance system and the oversight function of the status of the implementation of the system. The “Audit Committee,” in which the majority of its members are Outside Directors, will be responsible for the audit of the management of both risks.

My roles to be filled and expectations of the Company

I serve as an Outside Director and Audit Committee Member. Since I was mainly engaged in the audits of legality as an Audit & Supervisory Board

Member based on my legal career, my greatest interest is in the sound management of the Company, and in this regard, I would like to use my experiences and insights fostered in the past. I, as an Outside Director, will strive to adequately provide advice and oversight with respect to matters such as regulatory compliance in managing operations such as internal controls and audits and legal risks in managing business. Specifically, I would like to pay attention, for example, to ensure that the Company will not systematically commit a legal violation with respect to compliance and that the Company will never cause a fire that will cause great damage to the local community, let alone customers. I, at a holding company, would also like to pay close attention to whether corporate governance works well and whether business risks are adequately assessed and management systems appropriate for these risks are in place at subsidiaries.

Both aggressive governance and defensive governance are important for companies. However, I think I also have a key role to provide



commonsensical opinions as an “outside eye” to ensure that the Group will not run counter to what is considered common sense in the world.

Daimaru had a mission statement “Service before profit” and that of Matsuzakaya was “Abjure all evil” and “Practice all good.” I think their common meanings include “responding appropriately to changes in society” as well as “customer first” and “serving the public.” The employees of the Group may not be aware, I think they can continue to grow for a long time by implementing measures that meet the needs of the times because these spirits have been inherited for 300 or 400 years. “Service before profit” and “Abjure all evil” and “Practice all good” are difficult wordings and their concrete meanings may change with the times. However, I hope the Group will pick up their real meanings in line with the demands of the times and turn them into specific corporate activities.