

Systems to ensure that business is conducted properly (The Seibu Holdings' Basic Policy on Internal Controls)

1. Objectives

The purpose of this statement of basic policy is to specify matters for Seibu Group companies, which include Seibu Holdings Inc. (hereinafter collectively referred to as the "Seibu Group"), such that pertain to Seibu Group initiatives to develop systems of internal control designed to ensure the adequacy and legal compliance of its business operations so that the Seibu Group can build a managerial platform to enable sustainable growth achieved in the spirit of the "Group Vision."

The Seibu Group swiftly implements specific measures on the basis of the policies stipulated below, checks on implementation of such measures, and ceaselessly works to make improvements.

2. System to ensure that Directors and employees of the Seibu Group perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation

- (1) The Seibu Group adheres to the Seibu Group Code of Corporate Ethics which spells out the fundamental rules that all Seibu Group Directors and employees must take to heart, the aim of which is to ensure that the Group acts as part of society in upholding its responsibilities and earning the trust of others. The Seibu Group also instills a firm awareness of the Seibu Group Code of Corporate Ethics by stipulating guidelines for behavior to be practiced when executing job duties, and through other means that include distributing compliance manuals to the Directors and employees and providing them with training in that regard.
- (2) In accordance with the Seibu Group Basic Rules on Compliance Systems, the Company has established the Seibu Group Corporate Ethics Committee, which is chaired by the President and works on developing a compliance framework for the Seibu Group and also checks on how the framework is operating. The Company also has a Compliance Department which comprises the department's general manager and staff members and is tasked with overseeing compliance matters. Moreover, the Company also sets up corporate ethics hotlines as well as sexual harassment and human relations hotlines both within and outside the Company, to enable swift identification and resolution of issues pertaining to Seibu Group compliance.
- (3) The Seibu Group vows to sever any and all ties with antisocial forces. The Seibu Group also works with law enforcement authorities, attorneys and others in standing against such elements of society and otherwise takes a firm and organized stand in handling such matters, in accordance with the Seibu Group Basic Rules on Dealings with Antisocial Forces which stipulate fundamental principles for addressing matters involving antisocial forces.
- (4) The Seibu Group maintains internal regulations that comply with laws and regulations and the Articles of Incorporation, and the Directors and employees perform their duties in accordance with such regulations.
- (5) The Seibu Group establishes a legal compliance framework to ensure proper execution of duties, and

works to improve units handling legal affairs so that the Group is ready to take firm action when laws and regulations are revised.

- (6) The Seibu Group properly maintains, operates and evaluates internal control systems for financial reporting, and ensures that respective financial reports are reliable, in accordance with the Seibu Group Basic Rules on Internal Controls for Financial Reporting.
- (7) The Company has established the Internal Audit and Internal Control Department, which functions independently of operating units. The department is tasked with performing internal audits, and duly monitors Seibu Group operations to ensure that they are adequate and in compliance with relevant laws and regulations and internal rules.

3. System for retaining and managing information pertaining to the performance of duties by Directors

- (1) The Company clearly stipulates which units are to maintain responsibility for managing information and mechanisms in that regard, and also properly safeguards, manages and uses its overall information assets, in accordance with the Seibu Group Rules on Information Management.
- (2) All documents pertaining to the performance of Company duties, such as minutes of Board of Directors and Management Council meetings (including details recorded on electronic media), are tracked, stored, retained and discarded in accordance with procedures set forth in the Rules on Documentation. The Company's Directors and Audit & Supervisory Board Members may inspect all documents and other such information that has been stored and retained.
- (3) The Company ensures proper safeguarding, management and use of information assets contained in information systems, in accordance with the Seibu Group Rules on Information Security.

4. Rules and other systems to manage financial risk of the Seibu Group

- (1) The Company establishes units in charge of controlling risk, while also assessing risk, preemptively addressing risk-related matters, and forging a framework that enables measures to be taken swiftly should any specific risk materialize, in accordance with the Seibu Group Risk Management Policy and the Seibu Group Rules on Risk Management, which stipulates fundamental approaches and control frameworks for managing risk in the Seibu Group.
- (2) The Company's Internal Audit and Internal Control Department monitors the efficacy and efficiency of its risk control framework. Any details regarding risk that emerges through such monitoring is shared with units in charge of risk management.

5. System to ensure that Directors of the Seibu Group perform their duties efficiently

- (1) The Company holds meetings of the Board of Directors at least once per month, as a general rule, for the purpose of deliberating on matters of managerial importance. The Company has also established the Management Council, which comprises managing officers and others and adequately deliberates on matters of importance with respect to business execution.

- (2) The “Group Vision” of the Seibu Group is shared among its Directors and employees, while Seibu Group Directors and executives also work to achieve objectives targeted in accordance with business plans established with the aim of realizing the “Group Vision” in mind. The Company’s Board of Directors requests that performance reports be provided to executive divisions on a regular basis, and checks on progress toward achieving planned objectives.
- (3) Individual companies of the Seibu Group establish respective organizational structures, divisions of job duties, and rules on administrative authority to ensure that operations are performed efficiently and in a systematic manner.
- (4) The Company’s Internal Audit and Internal Control Department monitors operations to ensure that they are performed efficiently.

6. System to ensure proper business operations in the Group, comprising the stock company and its parent company and subsidiaries

- (1) The Seibu Group shares the “Group Vision” across the entire group, and engages in business activities drawing on the whole group toward making the “Group Vision” a reality. Moreover, each company of the Seibu Group adheres to the Seibu Group Code of Corporate Ethics and acts as a part of society in upholding their responsibilities.
- (2) The Seibu Group ensures that decision making and business operations of respective Seibu Group companies are performed properly and efficiently in accordance with the Seibu Group Rules on Subsidiary and Associate Management. Furthermore, matters of importance with respect to business operations of subsidiaries are referred or reported to the Company in accordance with the categories for operation procedures prescribed in the Seibu Group Rules on Subsidiary and Associate Management.
- (3) The Company’s Compliance Department and Internal Audit and Internal Control Department readily act in conjunction with relevant units of respective Seibu Group companies in cooperating, providing guidance and lending support with respect to compliance efforts and internal audits, aggregating risk data, and forging mechanisms that enable shared contingency response measures.
- (4) The Seibu Group ensures that business operations are efficient through active use of information technologies, while also seeing to it that information systems are managed and operated properly, in accordance with the Seibu Group Basic Policy on Information Technology, the Seibu Group Rules on Management and Operation of Information Systems, and the Seibu Group Rules on Information Security Systems.

7. Matters relating to employees who assist Audit & Supervisory Board Members upon request of such Audit & Supervisory Board Members for assistance

- (1) The Seibu Group establishes Audit & Supervisory Board Member’s Offices each with their own respective general managers and staff members and act as units that assist the Audit & Supervisory Board Members in their duties. Audit & Supervisory Board Member’s Offices staffing is determined

upon giving due consideration to the views of the Audit & Supervisory Board Members.

8. Matters relating to independence from Directors of employees who assist Audit & Supervisory Board Members and ensuring effectiveness of instructions given to the relevant employees

(1) Staff members of Audit & Supervisory Board Member's Offices perform their duties under the Audit & Supervisory Board Members' chain of command.

(2) Matters such as employee reassignment and personnel evaluations involving staff of Audit & Supervisory Board Member's Offices are determined upon gaining approval of the Audit & Supervisory Board Members.

9. System for Directors, employees, and directors, audit & supervisory board members, employees, etc. of subsidiaries to report to Audit & Supervisory Board Members

(1) Directors and employees of the Company, and directors, audit & supervisory board members and employees of subsidiaries or persons who received reports from the foregoing persons provide necessary reports and information to the Audit & Supervisory Board Members.

(2) Reports and information provided to the Audit & Supervisory Board Members, as stipulated in the previous item, mainly include details regarding:

- Upgrades and maintenance of internal control systems;
- Internal audits, compliance and risk controls;
- Material matters involving litigation and disputes;
- The state of initiatives involving internal audit units of individual Seibu Group companies;
- Disclosure of corporate information;
- Circulation of important documents pertaining to the performance of business operations such as minutes of Management Committee meetings and approval documents (ringi); and
- Other matters involving requests of the Audit & Supervisory Board Members for reports or information.

(3) Directors and employees of the Company, and directors, audit & supervisory board members and employees of subsidiaries or persons who received reports from the foregoing persons will not be treated unfavorably on account of their reporting to the Audit & Supervisory Board Members.

10. Other systems to ensure that Audit & Supervisory Board Members perform audits effectively

(1) The Audit & Supervisory Board Members may attend, and state their views at important meetings such as those of the Management Council.

(2) In order to perform efficient and effective audits, the Audit & Supervisory Board Members may seek cooperation from individuals and entities including the Compliance Department, Internal Audit and Internal Control Department, and representative directors and audit & supervisory board members of

respective Seibu Group companies.

- (3) The Audit & Supervisory Board Members may seek advice as necessary from outside experts (attorneys, certified public accountants, licensed tax accountants, etc.).
- (4) Expenses necessary for the performance of duties of the Audit & Supervisory Board Members are to be borne by the Company. When spending audit costs, the Audit & Supervisory Board Members pay attention to the efficiency and fairness thereof.
- (5) The Representative Directors hold regular meetings with the Audit & Supervisory Board Members where they exchange views regarding key issues pertaining to audits and other such matters.